REPUBLIC OF KENYA

THE NATIONAL TREASURY

MEDIUM TERM

DRAFT 2026 BUDGET POLICY STATEMENT

ACCELERATING GAINS UNDER THE BOTTOM-UP ECONOMIC TRANSFORMATION AGENDA FOR INCLUSIVE AND SUSTAINABLE GROWTH

19TH DECEMBER 2025

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Foreword

The 2026 Budget Policy Statement (BPS), the fourth prepared under the Kenya Kwanza Administration, sets out the Government's policy priorities, fiscal strategy, and programme implementation framework for the medium term. Building upon the strong foundations laid in the last three years, the BPS highlights continued progress in implementing the Bottom-Up Economic Transformation Agenda (BETA), the Government's flagship economic turnaround strategy anchored on the Fourth Medium Term Plan of Vision 2030. BETA focuses on unlocking productivity at the base of the economy through a value chain approach that directs scarce public resources where they generate the greatest job creation, income growth, and expanded economic participation. Progress has been recorded across the five core pillars of agriculture transformation, MSME development, housing and settlement, universal healthcare, and the digital superhighway, alongside key enablers such as energy, transport, logistics, and climate-resilient infrastructure. These interventions have stabilised the economy, improved livelihoods, and strengthened the foundations for a broad-based recovery.

With these gains now firmly established, the Government is transitioning into a more targeted phase of transformation that places greater emphasis on scaling capital, talent, technology, and infrastructure as the key drivers of Kenya's next growth frontier. Over the medium term, policy focus will shift toward attracting and mobilising capital for productive investments; deepening human capital through skills development, scientific training, and innovation; strengthening the technological backbone of the economy through digitalisation and automation of Government and business processes; and accelerating strategic infrastructure development, particularly in energy, transport, and logistics, to lower the cost of doing business and position Kenya as the region's commercial and industrial hub. To finance Kenya's transformation agenda, the Government has approved the National Infrastructure Fund and the Sovereign Wealth Fund agenda, which will mobilise KSh 5 trillion through domestic resources, monetisation of public assets and crowding in private capital leveraging up to KSh 10 for every shilling invested, while ring-fencing privatisation proceeds for food security, infrastructure expansion and energy-driven industrialisation. These infrastructure priorities will be pursued alongside continued investments in agriculture, MSMEs, housing, health, and other BETA pillars to ensure that growth remains inclusive, sustainable, and anchored on job creation.

The 2026 BPS is prepared against a backdrop of a resilient but uncertain global economic environment. Global growth is projected at 3.2 percent in 2025, before moderating slightly to 3.1 percent in 2026 reflecting elevated trade-policy uncertainty, tighter financial conditions, and geopolitical tensions weight on global activity. Despite this challenging context, Kenya's economy has demonstrated remarkable resilience, consistently outperforming global and regional averages over the past three years due to deliberate Government policies and the strength of the country's diversified economic base. The economy grew by 4.7 percent in 2024, supported by broad-based expansion across major sectors. In the first half of 2025, growth remained strong at 4.9 percent and 5.0 percent in the first and second quarters respectively, driven by a robust agriculture sector, recovery in industry, and continued dynamism in services. The outlook for 2025 and 2026 remains positive, with GDP projected to grow by 5.3 percent, bolstered by favourable weather conditions, improved agricultural productivity, climate-smart investments, and sustained implementation of BETA interventions.

In the context of this evolving macroeconomic environment, the Government remains committed to a fiscal strategy that reinforces macroeconomic stability while safeguarding priority development spending. Fiscal consolidation over the medium term will be anchored on strengthening revenue mobilisation, rationalising non-essential expenditure, and improving the efficiency and transparency of public spending. The Government will deepen tax policy and administrative reforms to expand the tax base, minimise tax expenditures, enhance compliance, and leverage technology to modernise tax processes. Concurrently, expenditure management will be strengthened through full operationalization of e-procurement, adoption of Zero-Based Budgeting principles, automation of public investment management, digitisation of pension and payroll systems, and accelerated transition toward accrual accounting. To crowd in private capital and reduce pressure on public finances, the Government will scale up the use of Public–Private Partnerships (PPPs), particularly for commercially viable infrastructure projects.

Given the constrained fiscal space, prioritisation of expenditure will remain essential. Ministries, Departments, and Agencies (MDAs), together with Sector Working Groups (SWGs), will be required to re-examine all existing and proposed programmes, eliminate low-impact activities, and ensure that resource allocation focuses on high-priority, high-return interventions that drive inclusive growth, create jobs, expand export capacity, and strengthen resilience. All budget proposals for FY 2026/27 and the medium term must be firmly aligned to the BETA value chain approach and the Government's strategic shift toward capital, talent, technology, and infrastructure.

The National Treasury expresses its appreciation to all Ministries, Departments and Agencies, Sector Working Groups, County Governments, Constitutional Commissions and Independent Offices, development partners, private sector stakeholders, and non-state actors for their valuable contributions to the preparation of this Statement. Their continued collaboration remains essential in ensuring that the national budget reflects the country's development priorities, strengthens accountability, and enhances the effectiveness of public resource use.

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

Acknowledgement

The 2026 Budget Policy Statement (BPS) is prepared in compliance with the provisions of the Public Finance Management Act, CAP 412A. It outlines the strategic priorities of the Government, presents the current state of the economy, and provides medium-term macroeconomic and fiscal projections together with expenditure ceilings for the National Government for the FY 2026/27, as well as fiscal responsibility principles and financial objectives over the medium term. The Statement aims to enhance public understanding of Kenya's public finances and to guide informed dialogue on economic and development issues.

Budget execution in FY 2025/26 has progressed steadily, though it faced challenges arising from slow adoption of e-procurement, revenue shortfalls, and emerging expenditure pressures. By the end of September 2025, total revenue, including Appropriation-in-Aid (A-I-A), amounted to KSh 709.6 billion against a target of KSh 793.2 billion, with ordinary revenue accounting for KSh 573.5 billion. To ensure smooth implementation of the FY 2025/26 budget and maintain fiscal consolidation, the National Treasury will present Supplementary Estimates I, which will adjust for revenue underperformance and additional expenditure requirements.

Looking ahead, the Government's fiscal policy for FY 2026/27 and the medium term remains anchored on a growth-supportive consolidation strategy that prioritizes revenue mobilization, expenditure optimization, and protection of essential programs and social interventions. The policy emphasizes prudent management of public debt, strengthening of debt sustainability, and advancement of initiatives under the Bottom-Up Economic Transformation Agenda (BETA), including human capital development, agricultural transformation, energy, and transport and logistics.

The preparation of this BPS has been a collaborative effort, drawing on inputs from Ministries, Departments, and Agencies (MDAs), Sector Working Groups, County Governments, Constitutional Commissions, Independent Offices, Development Partners, private sector actors, and non-state stakeholders. We are also grateful for the inputs we received while preparing this document from the Macro Working Group; stakeholders and the general public during the Public Sector Hearings from 19th to 21st November 2025. Their contributions have been invaluable in ensuring that the Statement reflects national priorities, strengthens accountability, and promotes effective use of public resources. The National Treasury extends its appreciation to all involved, particularly the dedicated team that meticulously compiled this document.

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

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About the Budget Policy Statement

The Budget Policy Statement (BPS) is a Government policy document that sets out the broad strategic priorities and policy goals to guide the National Government and the County Governments in preparing their budgets for the subsequent financial year and over the medium term. In the document, adherence to the fiscal responsibility principles demonstrates prudent and transparent management of public resources in line with the Constitution and the Public Finance Management (PFM) Act, CAP 412A.

Section 25 of the PFM Act, CAP 412A, provides that the National Treasury shall prepare and submit to the Cabinet the BPS for approval. Subsequently, the approved BPS is submitted to the Parliament, by the 15th of February each year. Parliament shall, not later than 14 days after the BPS is submitted, table and discuss a report containing its recommendations and pass a resolution to adopt it with or without amendments. The Cabinet Secretary, the National Treasury and Economic Planning shall take into account resolutions passed by Parliament in finalizing the budget for the FY 2026/27 and the medium term.

The Budget Policy Statement contains:

(a) an assessment of the current state of the economy, including macroeconomic forecasts as well as the priorities of the Government current pillars of growth and strategic directions;

(b) the financial outlook with respect to Government revenue, expenditures and borrowing for the next financial year and over the medium term;

(c) the proposed expenditure ceilings for the National Government, including those of Parliament and the Judiciary and indicative transfers to County Governments;

(d) the fiscal responsibility principles and financial objectives over the medium-term including limits on total annual debt; and

(e) Statement of Specific Fiscal Risks.

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

I. ACCELERATING GAINS UNDER THE BOTTOM-UP ECONOMIC TRANSFORMATION AGENDA FOR INCLUSIVE AND SUSTAINABLE GROWTH

1.1 Overview

1. The 2026 Budget Policy Statement (BPS) is the fourth to be prepared under the Kenya Kwanza Administration since assuming office in September 2022. It sets out the Government priority policies, programmes and interventions to be implemented in the FY 2026/27 and over the medium term. The 2026 BPS also outlines the progress made in delivering the Bottom-Up Economic Transformation Agenda (BETA) over the past three years. BETA serves as the Government's overarching framework for driving economic turnaround through the value chain approach and is aligned with the Fourth Medium Term Plan of the Kenya Vision 2030, and are designed to promote inclusive growth by: i) bringing further down the cost of living; ii) ensuring food security; iii) creating jobs; iv) expanding the tax base; v) improving foreign exchange balances; and vi) fostering inclusive growth.

2. Despite constrained fiscal resources, the Government has achieved notable progress across the core pillars and enablers of BETA, including revenue administration, expenditure management, governance, digital transformation, education quality reforms, social protection, MSME financing, agricultural commercialization, and infrastructure expansion. Ongoing efforts to streamline PFM systems, strengthen debt transparency, and realign public spending remain central to sustaining macroeconomic stability. Overall, BETA has strengthened inclusive growth, job creation, financial and digital inclusion, healthcare access, affordable housing, and national competitiveness.

3. Over the medium term, the Government will consolidate the gains realized under BETA through a value chain approach, to scale their impact, bridge urban-rural divides and ensure sustainable bottom-up transformation. This will be supported by a 'Whole-of Government-Approach' to service delivery. In this respect, special emphasis will be placed on:

i) Agricultural Transformation: The Government will prioritizes enhancing food security, promoting crop diversification, and modernizing agricultural value chains through County Aggregation and Industrial Parks. Strengthening extension services, improving livestock productivity and disease control, and expanding agricultural insurance schemes are central to building climate resilience and ensuring sustainable farmer incomes.

ii) MSME Economy: Key policy priorities will include expanding access to affordable credit through the Hustler Fund and Credit Guarantee Scheme, streamlining regulations to promote enterprise formalization, establishing MSME Development Hubs across all counties, and empowering youth through the NYOTA programme. Strengthening cooperatives and facilitating market linkages further enhances value addition and inclusive economic participation.

iii) Healthcare: The focus will be on achieving Universal Health Coverage through integrated Primary Healthcare Networks, expansion of community health services, and deployment of sufficient medical personnel. Sustainable financing mechanisms, digital health platforms, improved medicine supply chains, and patient safety initiatives are central to ensuring equitable access to quality healthcare services.

iv) Housing and Settlement: Policy priorities will emphasize affordable housing delivery, upgrading informal settlements, and promoting planned rural and urban settlements. Expanding housing finance, supporting housing cooperatives, implementing climate-resilient designs, and improving market infrastructure are key to increasing homeownership, stimulating job creation, and fostering inclusive urban development.

v) Digital Superhighway and Creative Economy: The Government will continue to expand nationwide digital connectivity through fiber networks, public Wi-Fi, and digital hubs while building digital skills among youth. Full digitization of government services, robust cyber-security, and support for the creative economy including film, music, arts, and digital content are prioritized to drive innovation, youth employment, and economic diversification.

4. The Government will further implement the following interventions to support and accelerate economic transformation for improved livelihoods:

i) Continue to uphold macroeconomic stability and strengthen governance, peace, and security to ensure a safe and supportive business environment;

ii) Enhance fiscal management by expanding domestic revenue through policy and administrative reforms, enhancing efficiency, accountability, and value for money in public spending, and managing public debt prudently to remain within statutory limits;

iii) Accelerate the development of key infrastructure including roads, railway, energy and water systems to lower the cost of doing business, and ease the movement of people and goods;

iv) Boost investment in key economic sectors to drive broad based sustainable growth by advancing agricultural transformation, strengthening manufacturing, promoting environmental conservation and climate change mitigation, revitalizing tourism, and ensuring sustainable land use and management;

v) Strengthen human capital development by increasing investment in health, education, and targeted social safety nets for vulnerable populations to achieve both social and economic outcomes;

vi) Promote empowerment of youth, women and persons living with disability through Government funded programs complemented by strategic partnerships with private sector organizations;

vii) Facilitate fiscal decentralization by allocating sharable revenues to County Governments to bolster institutional capacity and improve service delivery; and

viii) Undertake policy, legal and institutional reforms to improve efficiency and effectiveness in public service delivery.

5. Having reflected on the achievements of the past three years under BETA, the Government's next phase of transformation will focus on: i) harnessing capital development through education, skills developments, scientific training, and innovation; ii) transforming the economy from a net importer to a net exporter of goods and services, with particular emphasis on agricultural products; iii) ensuring abundant, reliable, and affordable energy, the lifeblood of a modern economy; and iv), developing efficient transport and logistics infrastructure to connect markets, lower the cost of doing business, and reinforce Kenya as the aviation and commercial hub of East and Central Africa. This roadmap prioritizes long-term industrial planning, large-scale investments in people, expansion of productive capacity, and strategic infrastructure systems to position Kenya for accelerated and sustainable growth.

6. To finance Kenya's transformation, the Government has approved the National Infrastructure Fund and the Sovereign Wealth Fund agenda, which will mobilise KSh 5 trillion through domestic resources, monetisation of public assets and crowding in private capital leveraging up to KSh 10 for every shilling invested, while ring-fencing privatisation proceeds for food security, infrastructure expansion and energy-driven industrialisation.

1.2 Implementation of the Bottom-Up Economic Transformation Agenda

7. The Government continues to consolidate and accelerate implementation of the Bottom-Up Economic Transformation Agenda through strategic investments across five core pillars. These pillars constitute the foundation for achieving inclusive prosperity, job creation, and sustainable economic transformation, with interventions directly impacting households at the base of the economic pyramid. The five core pillars: Agricultural Transformation; Micro, Small and Medium Enterprises (MSME) Economy; Digital Superhighway and Creative Economy; Healthcare; and Housing and Settlement, represent integrated pathways through which the Government seeks to drive economic growth, expand opportunities, and enhance social welfare across the country.

1.2.1 Agricultural Transformation for Inclusive Green Growth

8. Agriculture remains a core pillar of the Bottom-Up Economic Transformation Agenda (BETA) and a key driver of sustainable and inclusive growth. The sector supports more than two-thirds of Kenyan households and possesses one of the highest employment multiplier effects, particularly for economically marginalized groups. For these reasons, the Government will continue to prioritize policies and investments that strengthen agricultural productivity, ensure food security, and enhance farmers' income.

9. In the FY 2026/27 and the medium term, the Government will continue to sustain and deepen the fertilizer subsidy program to consolidate gains already achieved. Over the medium term, the program will avail 2.3 million metric tonnes of assorted fertilizer and 40,000 metric tonnes of agricultural lime to 4.4 million smallholder farmers across all counties. This intervention addresses the persistent challenge of low soil fertility while making critical inputs affordable to resource-constrained farmers, thereby enhancing agricultural productivity and national food security.

10. To ensure effective program implementation, continuous farmer registration through the Kenya Integrated Agriculture Management Information System (KIAMIS) will continue to ensure accurate targeting and eliminate leakages. Strategic resource allocation will support integration of soil sampling data into KIAMIS to enable precision agriculture and optimize fertilizer application based on soil-specific nutrient requirements. The Government is committed to provide soil health services to guide farmers on appropriate fertilizer use. Expansion of geo-location of redemption centres will strengthen last-mile distribution networks, while investment in e-voucher technology infrastructure and mobile connectivity will be scaled up to enhance program efficiency.

11. In subsequent years, the framework will be revised to increase private agro-dealer participation through competitive e-voucher redemption systems that enhance farmer choice and market efficiency. Resources will be allocated for program management strengthening including monitoring, evaluation, and anti-corruption measures to safeguard program integrity.

12. To promote crop diversification and strengthen high-value agricultural value chains, the Government targets to distribute 3.5 million assorted fruit tree seedlings to farmers nationwide. This includes: 2.5 million avocado seedlings; 800,000 coffee seedlings; 120,000 macadamia seedlings; 30,000 coconut seedlings; and 25,000 cashew nut seedlings. These interventions support the transition toward high-value crops that generate substantially higher incomes for farmers while expanding Kenya's agricultural export base.

13. To support industrial crop expansion, the Government seeks to produce 95 metric tonnes of edible oil, 22.6 metric tonnes of cotton seed, and 2.25 million palm seedlings. These investments will strengthen domestic processing capacity and reduce reliance on imported industrial raw materials.

14. To enhance livestock productivity and disease control, the Government aims to produce and distribute 3.3 million straws of bull semen and 210,000 straws of goat semen to support genetic improvement programs. The Government plans to vaccinate 22.7 million cattle against Foot and Mouth Disease to protect livestock assets and maintain market access for livestock products. To ensure milk safety and quality, 12,320 milk handling premises will be inspected and certified, while 306,375 milk samples will be tested to safeguard public health and consumer confidence.

15. Recognizing that climate variability and market risks pose existential threats to agricultural livelihoods, the Government intends to expand agricultural insurance coverage to farmers across all forty-seven counties. The expanded insurance scheme will cover strategic crops including maize, potato, wheat, and green grams, providing farmers with protection against weather-related losses and market price volatility. This risk mitigation mechanism will encourage greater investment in agriculture by providing farmers with the confidence to adopt improved technologies and expand production.

16. Over the past three years, the Kenya Integrated Agriculture Management Information System achieved remarkable success, increasing farmer registrations from zero to 7.1 million farmers. The fertilizer subsidy programme reached 3.15 million farmers, achieving 62 percent cost reduction from KSh 6,500 to KSh 2,500 per bag. Maize production increased 95 percent from 34 million bags in 2022 to 67 million bags by 2024, with projections of 70 million bags in 2025. National milk production surpassed 5 billion liters annually through artificial insemination services reaching over 1 million livestock. Over 1 million title deeds were issued with 3 million parcels digitized through Ardhi Sasa. Agricultural financing reached over 500,000 farmers.

17. Agricultural production gains have been transformative. Maize production increased by 95 percent from 34 million bags in 2022 to 67 million bags by 2024, with projections of 70 million bags in 2025. The wholesale average price declined by 24.5 percent from KSh 4,729 per bag in 2022 to KSh 3,568 per bag in 2024. Tea production increased to 598.47 million kilograms in 2025, with earnings rising by 56 percent from KSh 138 billion in 2022 to KSh 215 billion. Coffee area under cultivation grew by 5.6 percent to 115,500 hectares, with cherry prices increasing by 52 percent to KSh 120 per kilogram. Between 2022 and 2025, sugar production increased by 76 percent to over 815,000 metric tons, rice production surged by 65 percent to 293,950 metric tons, cotton cultivation expanded by 89.6 percent to 40,697 hectares, and dairy production increased by 15.2 percent to 5.3 billion litres. Improved agricultural production has stabilized food prices and reduced the cost of living for millions of Kenyan households.

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

18. The Micro, Small and Medium Enterprises (MSME) sector remains the backbone of Kenya's economy, accounting for 98 percent of all businesses, providing 84 percent of total employment (approximately 14.9 million jobs), and contributing 40 percent to GDP. The sector spans informal home-based enterprises, artisans, mechanics, tailors, carpenters, fabricators, and medium-sized formal enterprises. Despite this central role, MSMEs face structural constraints, including limited access to affordable credit, punitive collateral requirements, high interest rates averaging 18 percent, restrictive licensing frameworks, inadequate infrastructure, weak market linkages, and low technical and managerial capacity.

19. The Government is addressing these constraints through an integrated approach encompassing financial inclusion, regulatory reforms, infrastructure development, market access facilitation, and enterprise capacity building. To create a more conducive business environment, the Government prioritizes the review of the Micro and Small Enterprises Act to streamline regulatory requirements and reduce barriers to formalization.

20. To deepen financial inclusion and provide affordable credit to micro, small and medium enterprises, the Government remains focused on scaling up the Hustler Fund to disburse KSh 100 billion, reaching 30 million Kenyans including informal sector workers, small traders, and entrepreneurs who have historically been excluded from formal financial services. Complementing this, the Credit Guarantee Scheme will be expanded to facilitate KSh 50 billion in commercial bank lending to over 200,000 enterprises. By providing partial risk guarantees to financial institutions, the Scheme unlocks bank credit for MSMEs that possess viable business ideas but lack traditional collateral.

21. To strengthen cooperative movements and enhance farmer bargaining power, the Government advances prioritizing the enactment of the Cooperative Societies Act. Strategic investments will be made in value-addition infrastructure for dairy, cotton, and coffee cooperatives to enable farmers to capture higher value along agricultural value chains.

22. To enhance access to business development support services, the Government will continue to establish MSME development hubs in all forty-seven counties. These hubs will offer entrepreneurs access to business mentorship, technical training, market intelligence, and linkages to both domestic and export markets. Through continuous capacity building initiatives and provision of decent workspaces, these hubs will enable MSMEs to transition from informal operations to competitive, formalized enterprises.

23. Significant progress has been made in the implementation of these interventions. Between 2022 and 2024, foreign direct investment tripled from $463 million to $1.5 billion. Over 300,000 new businesses were registered. As of December 2024, KSh 6.43 billion had been advanced to 4,198 MSMEs through the Credit Guarantee Scheme, supporting 26,714 jobs. Business registration was reformed, reducing processing time from 14 days to 24 hours and costs from KSh 10,950 to KSh 5,000. The Women Enterprise Fund disbursed KSh 3.12 billion to 261,681 entrepreneurs with average loan size of KSh 11,942. Industrial skills training reached 251,077 individuals while over 500 new standards were developed. Over 50,000 MSMEs were registered and 174,165 community self-help groups formed.

24. As of December 2024, KSh 6.43 billion had been advanced to 4,198 MSMEs across 46 counties and 12 economic sectors through the Credit Guarantee Scheme, supporting 26,714 jobs. Between 2022 and 2025, the Government disbursed KSh 72 billion through the Financial Inclusion Fund and KSh 4.86 billion in industrial credit via Stawi and Inua Biashara, creating thousands of jobs in manufacturing and value-added agricultural processing.

1.2.3 Healthcare

25. Achieving Universal Health Coverage (UHC) remains a cornerstone of the Government's social policy under the Bottom-Up Economic Transformation Agenda BETA framework, aimed at ensuring equitable access to quality health services for all Kenyans. Over the medium term, the Government plans to complete enrolment of all eligible Kenyans in the Social Health Authority, targeting 35 million people.

26. The Government also intends to expand Primary Healthcare Networks in all forty-seven counties, integrating community health units, health centers, and hospitals into coordinated systems that provide a continuum of care. These networks promote effective referrals and integrated community-based care. Infrastructure investments include construction of new health facilities, equipping existing facilities with modern medical equipment, and full rehabilitation of hospitals. To reduce dependence on overseas medical referrals, the Government will continue to prioritize establishing cancer treatment centers, cardiac catheterization laboratories, and renal dialysis centers providing Kenyans with advanced medical care within the country.

27. Community health services will be strengthened through expansion of the Community Health Promoter workforce to 120,000 CHPs receiving monthly stipends, ensuring at least two

CHPs serve each community health unit. The Government remains focused on addressing unequal distribution of healthcare personnel through targeted recruitment and deployment strategies, with particular focus on underserved rural areas. These interventions will enhance human resource capacity across the health system.

28. To strengthen financial resilience and sustainability, the Government commits to implementing financing reforms through the Social Health Insurance Fund, Primary Healthcare Fund, and Emergency Chronic and Critical Illness Fund. Financial sustainability will be enhanced by retaining funds at the facility level and ring-fencing resources for Health Products and Technologies. These reforms will improve maternal and child health outcomes and enhance supply chain management systems.

29. Digitalization of health services is a central focus to improve efficiency, transparency, and coordination across facilities. The Government will continue to implement digital health systems including claims management, supply chain management, and integrated health information systems. These digital platforms will enhance service delivery coordination and strengthen accountability across the healthcare system.

30. Between 2022 and 2025, the Government has implemented strategic interventions to strengthen primary healthcare, expand health infrastructure, improve service delivery, and ensure sustainable financing. A key achievement is the enrolment of over 27 million Kenyans have so far enrolled in the Social Health Authority by 2025, representing more than 200 percent growth from fewer than 9 million under NHIF, with over 21 million entirely new members. The Government has also deployed 107,831 Community Health Promoters supporting 8.8 million households and established 228 Primary Care Networks, sponsored approximately 2.49 million vulnerable households; and established 228 Primary Healthcare Networks (PHCNs) across all 47 counties, out of a target of 315 networks. These networks integrate community health units, dispensaries, health centres, and hospitals, facilitating seamless referrals, continuity of care, and coordinated health service delivery. Disease control achievements include 89 percent tuberculosis treatment success, 80 percent immunization coverage, and 1.4 million people on antiretroviral therapy. Kenya BioVax Institute achieved 90 percent completion while KEMRI developed 638 research proposals and published 1,501 papers.

1.2.4 Housing and Settlement

31. The Affordable Housing Programme (AHP) is a central pillar of the Bottom-Up Economic Transformation Agenda (BETA), aimed at expanding access to decent and affordable housing for low- and middle-income households, reducing the national housing deficit, and stimulating broad-based economic growth through construction-led employment and industrial development. For this reason, the Government will continue to implement affordable, social and institutional housing programmes through diversified models including public-private partnerships, tenant purchase schemes, and social housing programs.

32. To support local construction capacity and reduce housing costs, the Government targets to establish 15 Constituency Appropriate Building Materials and Technologies (ABMTs) centres. These centres will promote use of locally-sourced, climate-appropriate building materials and provide technical training in modern construction methods. Additionally, 506 markets will be constructed to enhance commercial infrastructure and support local economic activities. The Government will further continue to support development of satellite cities and implement urban renewal programs in major urban areas to decongest existing urban centers and create planned, liveable communities with integrated infrastructure and amenities.

33. To increase access to housing finance the Government will: i) Scale up capitalization of the Housing Fund; ii) Expand the Boma Yangu affordable mortgage product; iii) Partner with financial institutions to provide long-term, low-interest mortgages; and iv) Disburse KSh 1

billion in rural housing loans to underserved areas. The Kenya Mortgage Refinance Company (KMRC) has been pivotal in this process, disbursing KSh 21.4 billion by August 2025, and unlocking over 4,500 affordable home loans across 39 counties. Reduced interest rates for refinanced mortgages (10 percent vs. commercial average of 16.2 percent in 2024) have made homeownership more affordable for low- and middle-income households.

34. Between 2022 and 2025, progress has been realized in provision of affordable houses under the Affordable Housing Programme. Currently, 214,057 housing units are under construction across all 47 counties, marking significant progress toward national housing objectives. Completed units include: 605 units in Bondeni; 1,080 units in Mukuru; 110 units in Homabay; and 390 institutional units across various counties. Ongoing projects include: 83,044 affordable units (32 percent completion); 44,803 social housing units (17 percent completion); and 11,527 institutional units (22 percent completion). To date, 1,189 units have been handed over to beneficiaries. Additional progress includes packaging 178,000 student beds for universities, TVETs, and KMTCs, with 74,000 under construction. Market infrastructure expansion includes: 44 markets completed (including 10 market sheds, 30 ESP markets, and 4 modern markets); 276 modern markets under development, with another 175 at early stages; and an additional 34 modern and 205 ESP markets under construction at approximately 48 percent completion.

35. The Affordable Housing Programme has generated over 428,000 jobs, up from 17,744 in 2022 to 330,000 by 2025, with employment projected to reach 1 million by 2026. Jobs span across technical and professional fields, including masons, carpenters, electricians, plumbers, architects, engineers, surveyors, and real estate specialists, as well as thousands of MSMEs engaged in fittings, fabrication, and interior works.

1.2.5 Digital Superhighway and Creative Economy

1.2.5.1 Digital Superhighway

36. Digital transformation is central to Kenya's strategy for competitiveness in the Fourth Industrial Revolution. The Government views digital connectivity and literacy as core national infrastructure equivalent to roads, water, and electricity, essential for access to education, healthcare, finance, markets, public services, and emerging digital opportunities. Under this pillar, the Government is prioritizing the development of digital infrastructure including fiber optic networks and data centres, connectivity expansion ensuring universal and affordable access, digital skills development, e-government platforms and enhancing service delivery, and youth empowerment and the growth of the creative economy.

37. Recognizing that digital infrastructure underpins modern economic competitiveness, the Government will install 37,645 kilometers of backbone fiber optic network, extending high-speed internet connectivity to underserved rural and remote areas. Internet connectivity will be provided to 18,680 public institutions nationwide, while 27,516 public Wi-Fi hotspots will be installed to expand affordable internet access to communities across the country. The JamboTel secure communication system will be deployed to all government institutions, enhancing coordination and reducing communication costs.

38. Human capital development for the digital economy will be accelerated through training programs that will equip one million young Kenyans with digital skills including software coding, digital marketing, and online freelancing. To support this, the Government targets to establish 100 digital hubs equipped with computers and high-speed internet. These hubs will provide youth and entrepreneurs with infrastructure necessary to develop digital skills and establish technology-based businesses.

39. To modernize public service delivery, the Government targets to automate 100 percent of Government services, enabling citizens to access services efficiently through digital platforms.

Safeguarding this digital infrastructure requires robust cybersecurity frameworks. The Government seeks to complete the National Cybersecurity Agency, the National Security Operations Centre, and seven Sectoral Security Operation Centers to protect critical digital infrastructure. Data controllers and data processors will be registered, and public awareness campaigns on data protection will be carried out to ensure responsible data management.

40. Significant progress has already been made in strengthening digital infrastructure nationwide. From 2022 to 2025, digital transformation accelerated with 24,000 kilometers of fiber optic cable added, expanding total infrastructure to 80,633 kilometers. This comprise of 30,454 kilometres of public sector fibre up from 22,486 kilometres in 2022 and 50,179 kilometres of private sector fibre, reflecting substantial investment in nationwide broadband capacity. Under the National Optic Fibre Backbone, 7,152 kilometres of fibre have been installed, connecting 82 hospitals and 1,114 public institutions to high-speed internet.

41. To support widespread access and digital inclusion, the Government established 404 digital hubs and distributed 21,372 devices to enhance digital access and expand training opportunities. In addition, 1,578 JiConnect public Wi-Fi hotspots have been rolled out in markets, town centres, bus stages, and public facilities, growing from zero hotspots in 2022 to nearly 1,500 by 2025. This increased internet penetration increased to over 90 percent with mobile subscriptions reaching over 60 million. These investments are helping to bridge the digital divide and create vibrant community-level digital ecosystems that support learning, entrepreneurship, and innovation. To modernize public service delivery, over 17,668 services were on-boarded onto the e-Citizen platform from over 350 agencies. Monthly government collections through e-Citizen have increased from KSh 1.45 billion in 2022 to KSh 8.2 billion in 2025.

42. To safeguard this digital backbone, the Government has operationalized the National Cybersecurity Agency, the National Security Operations Centre, and seven Sectoral Security Operations Centres. These institutions strengthen digital security, enhance real-time threat detection, and ensure the resilience of critical Government systems. Ongoing initiatives include registering all data controllers and processors and intensifying public awareness campaigns on data privacy and responsible data handling.

43. Human capital development for the digital economy has registered strong gains. Nearly two million individuals have received digital skills training since 2022, including 1,556,561 youth trained under the Ajira Digital Programme and 1,893,914 trained through broader digital literacy initiatives. The Jitume Programme has enrolled 4,147 trainees and provided specialised digital training to 14,611 young people. Youth digital employment has risen sharply: combined employment under Ajira Digital and Jitume increased from 99,071 young people in 2022 to 297,866 in 2025, an additional 198,795 youth, representing over 200 percent growth. Overall, more than 300,000 young Kenyans now earn income online through Ajira, Jitume, and the expanding Business Process Outsourcing (BPO) sector.

1.2.5.2 Creative Economy

44. The creative economy in Kenya has emerged as a key driver of economic growth, job creation, and youth empowerment, encompassing sectors such as film, music, fashion, arts, media, digital content, and design. Over the past several years, significant progress has been made in enhancing skills development, infrastructure, and market access. The Government, through agencies such as the Kenya Film Commission (KFC), National Arts Council (NAC), and the Ministry of Sports, Culture and Heritage, has facilitated capacity building programs, providing training in entrepreneurship, technical skills, and business management. Notably, between 2020 and 2025, over 240,000 young people received training in business and entrepreneurship skills, while guidance on career development and financial literacy reached more than 1.1 million youth nationwide through empowerment centres.

45. Infrastructure and production capacity have been strengthened through investment in film production studios, cultural centres, innovation hubs, and exhibition platforms, enabling creative professionals to showcase and commercialize their work. The Government has also supported access to finance for creative enterprises, including grants, venture funds, and incentives for partnerships with private investors. Regulatory reforms under the Copyright Act, 2001, and subsequent amendments have enhanced intellectual property protection, while programs promoting digital content creation and distribution have expanded market reach both locally and internationally.

46. Planned reforms over the medium term aim to consolidate these achievements and further position the creative economy as a driver of industrial growth and employment under the BETA framework. These include expanding specialized skills training in areas such as digital media, animation, fashion design, music production, and gaming, with a focus on youth and women entrepreneurs. The Government will enhance market access through export promotion programs, trade fairs, and digital marketplaces, while strengthening intellectual property protection and enforcement to incentivize innovation. Financing mechanisms for creative enterprises will be scaled up, including the introduction of creative economy credit facilities, blended finance instruments, and public-private partnerships. Additionally, reforms will focus on strengthening policy coordination and institutional capacity, including the Kenya Film Commission, National Arts Council, and County cultural departments, to ensure coherent support for creative clusters and innovation hubs.

1.3 Enablers

47. Realization of the Government's Bottom – Up Economic Transformation Agenda requires a robust enabling environment anchored on strategic cross-cutting interventions. The Government is committed to continue to strengthen implementation of critical enablers providing the infrastructure, institutional frameworks, and capacity necessary for sustainable economic transformation. These enablers constitute the foundational systems through which the Government seeks to create an enabling ecosystem for private sector growth, enhance service delivery, and ensure equitable access to opportunities across all regions and communities:

1.3.1 Infrastructure

48. Infrastructure development constitutes the physical backbone to enable economic transformation. It provides essential connectivity for movement of people, goods, and services, reliable energy supply powering productive activities, accessible water resources supporting agriculture and human settlements, and sustainable management of natural resources. Infrastructure investments reduce transaction costs, open new markets, and facilitate movement of goods and people. For this reason, the Government will intensify investments in: construction of water pans, small, large and mega dams and associated irrigation infrastructure; expansion of roads and transport network, clean energy generation and distribution capacity; exploration and commercialization of oil and gas.

1.3.1.1 Water and Irrigation

49. The Government is committed to ensure universal access to clean and safe water, improve sanitation, enhance national water storage capacity, and expand irrigation to strengthen water security and food production. National water coverage has expanded significantly, with approximately additional six million people can now access clean and safe water. The Karimenu II Bulk Water Supply System, with a treatment capacity of 70,000 cubic metres per day, and the Northern Collector Water Diversion Tunnel, with a capacity of 140,000 cubic metres per day, have been successfully operationalized, significantly enhancing water availability to urban and

peri-urban areas. Over the medium term, 23 towns and 120 schools have been connected to water services and under the Kenya Towns Programme, an additional 13 towns have been connected to water services, expanding access to safe water for households, educational institutions, and communities. To increase water storage, the Yamo Dam in Samburu County has been completed with a capacity of 1.2 million cubic metres, while construction of Thwake Dam has progressed to 94 percent completion. Additionally, 135 small dams and water pans have been constructed across the country, collectively providing over 2.7 million cubic metres of surface water storage, enhancing local water resilience. Further, seven exploratory boreholes have been drilled in ASAL counties to generate groundwater data, supporting water resource planning in arid and semi-arid regions.

50. To improve sanitation across the country, 13 towns have been connected to sewer systems, and 150 low-cost, safe pit latrines have been constructed alongside human waste recycling plants, enhancing hygiene and promoting sustainable waste management. Monitoring and management of water resources have been enhanced through the rehabilitation of 54 river gauging stations and the upgrading of 10 manual stations to telemetry systems, allowing for real-time monitoring of river water levels.

51. The Government has continued to strengthen the irrigation investment in the country by bringing an additional 108,210 acres under irrigation through community-managed and smallholder projects. In this regard, irrigation water storage capacity has been expanded by 42 million cubic metres, enabling the irrigation of 28,000 acres of land across the country. The Construction works at the Galana Kulalu Food Security Project have progressed to 99 percent completion rate, with a private partner engaged to drive the large-scale of maize production. In addition, 20 public schools have been equipped with micro-irrigation systems, including boreholes, greenhouses, and raised water tanks, facilitating the production of horticultural and fruit seedlings and promoting agricultural education among students.

1.3.1.2 Roads and Bridges

52. The Government targets to prioritize construction and rehabilitation of road infrastructure to enhance connectivity across the country. This includes construction of 1,891 kilometres of roads, rehabilitation of 515 kilometres of roads, and periodic maintenance of 1,224 kilometres of roads. Additionally, 78,320 kilometres of roads will receive routine maintenance, while 10,153 kilometres will be maintained under Performance Management contracts. These investments will link major economic centres through trunk roads. County roads will connect rural areas to markets, while rural access roads will open agricultural zones to trade.

53. To expand and modernize the national road and transport system, the Government has, over the last three years, implemented extensive infrastructure development and policy reforms across the sector. In the roads sector, the Government has constructed 1,798.25 kilometres of new roads, rehabilitated an additional 305.87 kilometres, and undertaken routine maintenance on 102,561.61 kilometres to ensure improved road condition and connectivity. Further, 2,111.3 kilometres underwent periodic maintenance, while 28,844.55 kilometres were maintained through Performance-Based Contracts to enhance efficiency, accountability, and long-term sustainability of road networks.

54. To improve transport system, the Government has completed construction of the Miritini MGR Station, Mombasa Terminus, including a new metre-gauge railway link and a railway bridge across the Makupa Causeway, providing seamless first- and last-mile connectivity for SGR passengers. To strengthen policy and regulatory frameworks, the Government developed the National E-Mobility Policy to guide the transition to clean and sustainable transport technologies, the National Road Safety Action Plan (2024–2025) to enhance safety across transport corridors, and the National Logistics and Freight Strategy for horticulture exports,

alongside the Naivasha Dry Port Masterplan, to improve logistics performance and regional competitiveness.

1.3.1.3 Electricity

55. The Government will continue to expand energy infrastructure to achieve 100 percent electricity connectivity over the medium term. This goal will be realized through the Last Mile Connectivity Programme, the deployment of off-grid solar solutions in remote areas, and the development of renewable energy mini-grids. To meet rising demand, the Government will increase national power generation capacity by an additional 10,000 megawatts (MW) through geothermal, wind, solar, and hydroelectric projects. This expansion is designed to support growing industrial activity and drive sustained economic growth. Reliable and affordable energy supply remains central to powering manufacturing, promoting agricultural value addition, and enabling digital transformation across all sectors of the economy.

56. To enhance energy access, reliability, and sustainability, the Government has increased the national installed power generation capacity by 160 MW, raising total capacity from 3,076 MW to 3,236 MW. To strengthen electricity transmission and distribution, 405 kilometres of transmission lines were constructed, alongside 5 new high-voltage substations, 1,321.9 kilometres of medium-voltage distribution lines, and 20 medium-voltage distribution substations. To expand access in off-grid and underserved regions, the Government constructed five new hybrid mini-grids and installed 169,494 Standalone Solar Home Systems, improving clean energy uptake and supporting rural development. A total of 1,185,481 new customers were connected to electricity, including 2,082 public facilities such as schools, health centres, and administrative offices, while 27,027 street lighting points were installed to enhance safety and support 24-hour economies.

57. To promote clean cooking and sustainable energy, the Government facilitated the construction of eight institutional biogas plants and 621 domestic biogas units, and subsidized 14,071 clean cookstoves to reduce reliance on biomass and improve household health outcomes.

1.3.1.4 Petroleum and E-mobility

Petroleum

58. In the exploration of oil and gas, the Government reconstituted and reconfigured the Kenya Petroleum Exploration Block Map to 50 blocks, in line with recommendations from the FY 2021/22 study. Data packages and atlases for Blocks 9, L8, and L4 were finalized to enhance investor readiness. In addition, ten petroleum blocks were marketed at the 11th East African Petroleum Conference and Exhibition (EAPCE'25) held in Dar es Salaam to attract new investment and strengthen regional cooperation. The Government also undertook a series of stakeholder engagement and public participation forums in West Pokot and Turkana Counties, and completed a survey for the full length of the proposed crude oil pipeline. Geoscientific data acquisition was conducted in Block L18, covering an area of 1,025 km², to advance exploration activities. In support of the development of the South Lokichar Oil Field, the Government prepared a land acquisition plan for the crude oil pipeline corridor, identified a feasible make-up water pipeline route, and conducted disclosure meetings along the proposed corridor.

59. The Environment and Social Impact Assessment (ESIA) for the water pipeline was completed and submitted to NEMA. Further, the government reviewed the Upstream Water Framework Agreement (UWFA) and carried out stakeholder engagements and community sensitization activities to ensure local participation and compliance with environmental and social safeguards.

60. To strengthen the regulatory environment, the Draft Petroleum (Liquefied Petroleum Gas) Regulations, 2024 and the Draft National Petroleum Policy, 2024 were finalized and are awaiting gazettement.

E-Mobility

61. The e-mobility sub-sector is emerging as a strategic area for Kenya's green growth, industrialization, and transport modernization agenda. Progress has been recorded in the adoption of electric motorcycles, buses, and light commercial vehicles in urban centers such as Nairobi, Mombasa, and Kisumu. The Government, through the Ministry of Transport and Infrastructure and partnerships with County Governments, has supported pilot programs for electric buses in public transport fleets, promoting cleaner urban mobility and reducing reliance on fossil fuels.

62. Efforts to develop charging infrastructure have begun in key urban corridors, including private sector-led installations at malls, commercial centers, and industrial parks. Policy support has also been provided through tax incentives, reduced import duties for electric vehicles (EVs), and promotion of public-private partnerships to stimulate investment in local assembly and distribution. Kenya has also partnered with regional and international development agencies to access technical assistance, financing, and knowledge-sharing for EV deployment and sustainable transport solutions.

63. Planned reforms aim to accelerate e-mobility adoption, strengthen local value chains, and enhance environmental sustainability. Key interventions include: i) development and implementation of comprehensive Electric Vehicles (EV) policies, standards for vehicle safety, charging infrastructure, and interoperability; ii) continued provision of tax incentives, duty exemptions, and financing schemes to encourage uptake of electric vehicles by individuals, businesses, and public transport operators; iii) promotion of local assembly of EVs, batteries, and components, leveraging industrial parks and export-oriented manufacturing zones; iv) expansion of nationwide EV charging networks, including fast-charging stations along highways, urban centers, and industrial clusters; v) training programs for engineers, technicians, and operators in EV maintenance, battery management, and green transport solutions; vi) encouraging use of renewable energy sources (solar and wind) to power EV charging stations, reducing carbon emissions and supporting Kenya's climate goals; and vii) scaling up deployment of electric buses, shuttles, and light commercial vehicles in urban transport fleets, aligned with urban decongestion and environmental sustainability initiatives.

1.3.2 Manufacturing Sector

64. The Government continues to prioritize the development of manufacturing as a key enabler of economic growth, job creation, and industrialization. Efforts have been placed to strengthen local value chain through backward and forward linkages to enhance productivity and competitiveness in the export market. The Government has also implemented targeted interventions to improve industrial infrastructure, including industrial parks, special economic zones, and access to reliable power and transport networks, ensuring that raw materials, intermediate goods, and finished products move efficiently along the value chain. Key value chains targeted include agro-processing, leather and leather products, building and construction materials, textiles and apparel, dairy products, edible and crop oils, tea and coffee, and sugar. The Government has implemented and or plans to implement the following initiatives under each value chain:

1.3.2.1 Agro-Processing

65. To enhance productivity, reduce input costs, minimize post-harvest losses, and promote value addition, the Government, in collaboration with the County Governments, initiated the development of County Aggregation and Industrial Park (CAIP). The Government plans to construct 47 CAIPs, one in each county. In the first phase, 13 CAIPs have being developed and are fully operational. Construction of the remaining 34 parks will take place in the subsequent phase, with completion targeted by 2027. These facilities serve as strategic hubs for aggregation, processing, and market access, supporting the modernization of agriculture and the strengthening of value chains at the county level.

1.3.2.2 Leather and Leather Products

66. The leather sub-sector has witnessed targeted support under Kenya's industrialization and export-led growth agenda. The Government, through the Kenya Leather Development Council (KLDC), has supported the establishment and upgrading of tanneries and leather processing facilities, particularly in key hubs such as Thika, Nakuru, and Kitui. Efforts to formalize the sector have included enforcing quality standards for hides and skins, improving linkages between livestock producers and tanneries, and providing technical support for small and medium leather enterprises. Investment incentives, including duty remission schemes and export facilitation, have encouraged private-sector participation and strengthened value addition within the domestic leather industry. The sector's contribution to manufacturing GDP and employment has been supported through training programs, particularly targeting youth and artisans in leather product design and production.

67. Planned reforms over the medium term aim to scale up industrial competitiveness and boost exports of leather and leather products. These include: strengthening backward linkages by improving collection and grading of hides and skins at the farm level; expanding capacity for domestic tanning and leather finishing; promoting local value addition for footwear, garments, and accessories; implementing robust quality and environmental standards in line with international requirements; and facilitating access to finance and technical skills for SMEs. The Government also plans to enhance market access through trade promotion, participation in regional and international leather expos, and leveraging Kenya's export incentives to grow regional and global market share.

1.3.2.3 Building and Construction Materials

68. The building and construction materials sub-sector has been a key focus under Government's Bottom-Up Economic Transformation Agenda. Government support has included investment in capacity expansion for cement, steel, roofing, and other building materials manufacturers. Measures to reduce reliance on imports have been complemented by promotion of local content through standards enforcement and industrial incentives. Local enterprises producing tiles, bricks, cement, steel reinforcement bars, and other materials have received technical support and certification to improve quality. These initiatives have contributed to meeting the growing demand from public housing projects and private construction, while also generating employment in manufacturing and distribution chains.

69. Over the medium term, the Government will continue to implement reforms to enhance domestic production capacity and competitiveness of construction materials. Key interventions include: promoting energy-efficient and alternative building materials (such as interlocking blocks and precast concrete products); strengthening quality assurance through enforcement of Kenya Bureau of Standards (KEBS) regulations; incentivizing adoption of modern manufacturing technologies; supporting SME integration into large-scale housing projects; and facilitating access to finance and technical skills for manufacturers. The sector will also benefit

from policies to enhance regional trade and export of building materials, reducing reliance on imports and supporting Kenya's industrialization and affordable housing goals.

1.3.2.4 Textiles and Apparel

70. The textiles and apparels sub-sector is a key contributor to Kenya's manufacturing GDP, employment, and export potential. Since 2022, the Government has supported industrial revival and competitiveness through upgrading existing textile factories, and promoting compliance with Kenya Bureau of Standards (KEBS) for quality assurance. Government interventions have included facilitation of duty remission and export incentives, support for SMEs in textile manufacturing, and technical training programs for youth and artisans in apparel design, tailoring, and production. These initiatives have contributed to sustaining employment, increasing local value addition, and strengthening backward linkages with the cotton and textile raw material supply chain.

71. Planned reforms over the medium term aim to expand competitiveness, promote local manufacturing, and enhance export readiness. Key interventions include: strengthening backward linkages by supporting cotton and fibre production, expanding industrial capacity for spinning, weaving, and garment production, and promoting value addition in finished textiles and apparel. The Government also intends to enhance quality standards, ensure compliance with international textile regulations, and provide targeted technical skills training and financing for SMEs and youth enterprises. Further reforms under the BETA framework include facilitating regional and global market access through trade agreements, supporting industrial clusters and textile parks, and leveraging public-private partnerships to modernize production and reduce import dependence.

1.3.2.5 Dairy Products

72. The dairy sub-sector is a key pillar of Kenya's agricultural economy, supporting an estimated 1.8 million households and contributing significantly to food security, rural livelihoods, and agro-industrial development. As demand for processed dairy products continues to rise, the Government has prioritized interventions that strengthen the value chain, enhance milk quality, and expand market opportunities for producers and processors. Notable progress has been achieved through the modernization and expansion of New Kenya Cooperative Creameries (New KCC). Upgraded processing plants in major dairy regions have increased national milk-handling capacity and improved reliability of farmer payments. These investments have also helped stabilize farm-gate prices during periods of surplus production, offering a more predictable market for smallholder farmers.

73. To address challenges in milk aggregation and quality control, the Government working with County Governments, has expanded the network of milk collection and cooling centres. These facilities have enhanced cold-chain preservation, reduced post-harvest losses, and enabled producers to supply higher-quality milk to processors. Complementing these efforts is the establishment of a camel milk processing facility, which has boosted formal marketing and value addition for producers in arid and semi-arid areas. Additionally, partnerships with technical institutions and local fabricators have promoted the production of dairy machinery and equipment, reducing costs for small and medium-sized enterprises.

74. The country's cold-chain infrastructure has further strengthened through public–private investments in bulk milk coolers, chilling units, and refrigerated transport. These improvements have enhanced traceability, supported compliance with quality standards, and broadened access to regional markets. Regulatory reforms have also progressed, with the Kenya Dairy Board continuing to enforce Dairy Industry Regulations and national milk quality standards through inspections, licensing, and compliance monitoring.

75. Planned reforms anchored in the Agricultural Sector Transformation and Growth Strategy and the National Dairy Development Strategy, focus on strengthening cooperative governance, implementing national milk quality and safety programmes, scaling up artificial insemination and breeding services, and expanding climate-resilient feed and fodder systems. Additional reforms include deepening cold-chain investment through Public–Private Partnerships and enhancing extension and training services to support improved productivity and compliance across the value chain.

1.3.2.6 Edible and Crop Oils

76. The Government has prioritized the expansion of edible oils and industrial crop production to boost local processing, reduce import dependency, and increase farmer incomes. The area under edible oil crops, particularly sunflower, has expanded by 90.6 percent, from 60,000 hectares in 2022 to 114,350 hectares by April 2025. To support this growth, the Government procured and distributed 556 metric tons of sunflower seeds to farmers across 35 counties and established 15 oil extraction facilities in focus regions.

77. Coconut production has also been expanded, with 42,000 seedlings procured and distributed to six coastal counties, increasing the area for farming by an additional 625 hectares. To further support industrial crop expansion, the Government plans to produce 95 metric tonnes of edible oil, 22.6 metric tonnes of cotton seed, and 2.25 million palm seedlings, strengthening domestic processing capacity and reducing reliance on imported industrial raw materials. These measures are aligned with national efforts to enhance value addition, create jobs, and stimulate sustainable agricultural and industrial growth. These interventions have contributed to a reduction in the edible oil import bill by KSh 17 billion, with palm oil imports declining from KSh 114.2 billion in 2022 to KSh 96.8 billion in 2023.

1.3.4.7 Tea and Coffee Sub-sectors

78. The Government of Kenya remains committed to enhancing the tea and coffee sub-sectors to drive growth, create employment, and boost export competitiveness. In the tea sub-sector, the Government is focusing on value addition to increase smallholder farmers' incomes and strengthen Kenya's position as Africa's largest tea producer and exporter. The Government priority is to raise the share of value-added tea exports tenfold to 50 percent by 2027. Value addition practices include packaging, branding, blending, obtaining quality certifications, and producing flavoured or instant tea varieties, which can create jobs and increase smallholder incomes by up to 40 percent compared to traditional black tea.

79. To expand market access, the Government is engaging in high-level diplomacy to open new export markets, including China and Iran, securing trade agreements, promoting Kenyan tea products, and supporting domestic processing and export-oriented value chains. The Government is also supporting infrastructure and capacity development including the acquisition of specialized equipment for the incubation center at Embu Town CIDC, which has trained 294 MSMEs in advanced orthodox tea, purple tea, and specialty tea production. Factory modernization efforts have upgraded eight KTDA-managed factories with orthodox tea processing lines, while seven cottage tea factories were licensed. As a result, tea production has increased from 535.04 million kilograms in 2022 to 598.47 million kilograms in 2025, a 12 percent increase, while total export earnings rose from KSh 138 billion to KSh 215 billion. Average earnings per kilogram of green leaf increased by 28 percent, and value-added tea exports grew by 33 percent to 27 million kilograms, supported by VAT exemptions on teas purchased from local factories for value addition.

80. In the coffee sub-sector, the Government has implemented the Direct Settlement System (DSS) to ensure payments from coffee sales are credited directly to farmers' bank accounts,

enhancing transparency and ensuring farmers receive at least 80 percent of their coffee's value. The DSS has also enabled co-operative societies to recover loans and reduce indebtedness. The Government will continue to support coffee farmers through the Coffee Cherry Advance Revolving Fund, which has already disbursed over KSh 9.7 billion in three years, providing farmers with access to finance while promoting repayment reliability and fostering sustainable production practices.

81. Agricultural support has resulted in a 5.6 percent expansion in the area under coffee cultivation, from 109,385 hectares in 2022 to 115,500 hectares in 2025, supported by the distribution of nearly 50,000 coffee seedlings across four counties. Production has increased modestly while the average price for coffee cherry rose by 52 percent from KSh 78.99 per kilogram in 2022 to KSh 120 per kilogram in 2025. Traded volumes and export values also increased significantly, with 48,200 metric tons valued at USD 229.55 million, representing growth of 11 percent and 23 percent respectively, and exports is projected to reach 60,000 metric tonnes in 2025, with long-term targets of 150,000 metric tonnes.

1.3.4.8 Sugar Sub-sector

82. The Government has implemented comprehensive reforms to revitalize the sugar industry, enhance productivity, and improve smallholder farmer incomes. The operationalization the Sugar Act, 2024, introduced the 4 percent Sugar Development Levy and the leasing of 4 state owned sugar mills to private investors. The Sugar Development Levy is charged at 4percent of the ex-factory price for local millers and the Cost, Insurance, and Freight (CIF) value for imports. Revenues from the levy will fund factory and infrastructure development, support services for farmers, and industry administration. To enhance management, efficiency, production quality, and competitiveness, the Government leased four state-owned sugar mills, Sony Sugar, Muhoroni, Chemelil, and Nzoia. This will improve operational efficiency and safeguard a combined milling capacity of 11,200 tonnes of cane per day.

83. The revitalized sugar sector now supports approximately 250,000 direct jobs and sustains the livelihoods of an estimated six million people across farming, milling, logistics, and retail. Implementation of the catchment-area zoning policy has reduced cane poaching and ensured a consistent supply of raw materials to sugar mills, enhancing production stability and sector efficiency.

84. The Government's reforms have yielded significant results in farming, production, and market performance. The area under sugarcane farming has increased by 19 percent, from 242,508 hectares in 2022 to 289,631 hectares by December 2024, representing an additional 30,613 hectares (approximately 200,000 acres). Sugar production rose by 76 percent, from 472,773 metric tons to over 815,000 metric tons over a similar period. Consequently, sugar imports declined by 70 percent, reflecting increased domestic production and greater self-sufficiency.

1.3.3 Blue Economy

85. The blue economy presents an immense opportunity for Kenya to drive inclusive green growth and transformation as envisioned by the Bottom-Up Economic Transformation Agenda. By leveraging its rich marine and freshwater resources, the Government can empower coastal communities, improve livelihoods, and contribute to national economic growth. The Government is also committed to champion policies that promote green shipping, with a focus on accelerating the adoption of alternative fuels, energy-efficient vessel designs, and digital solutions to enhance maritime logistics. These measures aim to reduce emissions, create green jobs, attract sustainable investments, and strengthen economic resilience while addressing climate change.

86. The Government has prioritized the modernization and expansion of Kisumu Port as a strategic intervention to strengthen Kenya's position in East Africa's inland trade logistics. As a result of these efforts, cargo throughput has increased substantially, from 127,000 metric tonnes in 2023 and is projected at 400,000 metric tonnes as at the end of 2025. The Government seeks to sustain the growth trajectory of Kisumu Port, expand regional trade flows, unlock new economic opportunities across the Lake Victoria Basin, and consolidate. In addition, the commissioning of the MV Mpungu, a 96-metre cargo vessel with a 1,000-tonne capacity, represents a major milestone in advancing inland water transport within East Africa. The vessel introduces efficient roll-on/roll-off services for wheeled cargo such as trucks and trailers, effectively removing the equivalent of 22 trucks per trip from regional roads. This development not only enhances trade efficiency but also supports road preservation and reduces transport costs. The MV Mpungu will serve key regional ports including Port Bell, Jinja, and Mwanza, transporting goods such as tiles, excavators, plant machinery, and aluminium, thereby strengthening regional connectivity and trade integration.

87. The Government will continue to enhance maritime safety, security, and human capital development through targeted interventions. Between 2022 and 2025, all eligible ships docking at the Port of Mombasa were inspected alongside 3,242 small boats and vessels to ensure full compliance with maritime safety standards. To expand Kenya's skilled maritime workforce, a total of 13,455 youths were trained in various accredited maritime courses, contributing to the growing pool of competent seafarers. In addition, 4,821 Kenyan seafarers were successfully recruited to serve on international vessels, reflecting the increasing global demand for Kenyan maritime professionals. To further strengthen international maritime cooperation and create more employment opportunities, the Government signed four Memoranda of Understanding (MoUs) with Seychelles, Angola, Egypt, and South Korea, focusing on building capacity, seafarer placement, and broader maritime relations. Infrastructure development also progressed, with the construction of the Kisumu Maritime Rescue and Coordination Centre reaching 20 percent completion rate, and the Survival Training and Certification Centre in Mombasa attaining 17 percent completion rate, both critical facilities aimed at improving maritime emergency response and enhancing professional training standards in the sector.

88. To advance Sustainable fisheries and aquaculture services, the Government will establish the Kabonyo Regional Training Centre of Excellence to strengthen research, capacity building, and technology transfer in modern aquaculture practices. To support the sustainable investment and management of blue economy resources, the Government will intensify fish stock enhancement initiatives and undertake comprehensive quality assessments to ensure the long-term viability of aquatic ecosystems. Further, to support fish value chain development services, the Government will construct 77 fish landing sites, 20 along the Indian Ocean coastline and 57 across inland waters, to enhance fish handling, improve market access, and promote value addition, thereby bolstering livelihoods and driving socio-economic transformation within fishing communities.

1.3.4 The Services Economy

1.3.4.1 Financial Services

89. The financial services sector continues to play a pivotal role in Kenya's economic transformation by facilitating access to credit, savings, investment, and financial inclusion. Over the past decade, significant progress has been made in expanding digital financial services, with mobile money platforms now serving over 30 million users, enabling faster, more convenient payments, micro-savings, and credit access. The Government, through the Central Bank of Kenya (CBK) and Financial Sector Deepening (FSD) Kenya, has promoted financial literacy, consumer protection, and inclusion programs targeting youth, women, rural populations, and

micro and small enterprises (MSEs). Regulatory reforms, including the Microfinance Act, Sacco Societies Act, and enhancements to licensing and supervision frameworks, have strengthened sector stability, transparency, and confidence. Initiatives supporting SME financing, green finance, and insurance penetration have further broadened access to financial services and promoted resilience within the economy.

90. In the banking sector, CBK introduced the revised Risk-Based Credit Pricing Model (RBCPM) in September 2025 for all new variable rate loans, with full adoption for existing loans scheduled by February 28, 2026. The RBCPM aligns lending rates with borrowers' risk profiles using the KESONIA rate plus a risk premium, and banks are required to disclose weighted average lending rates, premiums, and fees on their websites and on the Total Cost of Credit platform. In addition, the operating hours of KEPSS and RTGS systems were extended from July 2025 to enhance the efficiency, accessibility, and resilience of Kenya's payments ecosystem, supporting the country's transition to a 24/7 digital economy and regional financial integration.

91. The Government has strengthened the regulation of virtual assets through the Virtual Assets Service Providers (VASPs) Act, 2025, which came into force on November 4, 2025. The Act establishes a framework for licensing, supervision, and regulation of VASPs by CBK and the Capital Markets Authority (CMA), including requirements to prevent money laundering, terrorism financing, and proliferation financing. Licensing and supervision of VASPs will commence upon the issuance of implementing Regulations.

92. Progress has also been made in the capital markets and investment space. The Government is reviewing the legal and regulatory framework to address emerging developments, including collective investment schemes, public offerings, alternative investment instruments, and credit rating operations, enhancing transparency, investor protection, and market efficiency.

93. In the insurance and pensions sub-sector, the Government has advanced reforms aimed at expanding coverage, strengthening prudential regulation, and improving operational efficiency. Digitization and re-engineering of public sector pensions, including the Public Service Superannuation Scheme (PSSS) and non-contributory schemes, are underway to improve monitoring, ensure timely payments, and enhance sustainability. Regulatory oversight of private pensions and insurance companies has been strengthened through enhanced reporting requirements, risk-based supervision, and consumer protection initiatives.

94. Planned reforms over the medium term across the financial services sector focus on consolidating these achievements. Digital financial services will be further expanded to underserved populations, including rural communities and women, while SME financing, green finance, and insurance penetration will be deepened through innovative credit guarantees, blended finance, and sector-specific support programs. In banking, full adoption of RBCPM will be reinforced alongside improved consumer transparency and financial literacy. Payments infrastructure will continue to be upgraded, including interoperability across mobile money and banking platforms and cross-border settlements. VASPs regulation will advance with the issuance of implementing Regulations, licensing, and ongoing supervision to ensure market integrity. Capital markets reforms will be finalized to strengthen frameworks for collective investment schemes, alternative instruments, and credit rating operations. The Government will also continue strengthening prudential oversight and consumer protection in insurance and pensions, while digitizing and streamlining operations to improve efficiency and sustainability.

1.3.4.2 Tourism Sector

95. The tourism sector remains a key pillar in the economy and continues to play a critical role in advancing the socio-economic well-being of Kenyans. Its multiplier effects extend across key sectors including agriculture, trade, environment, manufacturing, and infrastructure, thereby supporting broad-based economic development. The sector is a leading foreign exchange earner

and a significant source of employment, contributing directly to national growth, community livelihoods, and sustainable economic transformation.

96. To enhance the tourism in the country, the Government has developed the National Tourism Policy (2025-2030) to transform Kenya's tourism sector into an internationally competitive and sustainable industry. The Policy aims to promote sustainable tourism that supports economic development, environmental conservation, and community participation while strengthening legal and institutional frameworks for effective sector coordination. It seeks to enhance quality standards, integrate tourism priorities into national and county development plans, mobilize resources for sustainable growth, incentivize investment, and promote innovative, market-responsive tourism products. Recognizing that Kenya's traditional reliance on safari and beach tourism limits resilience, the Policy prioritizes re-engineering tourism product development to tap into new markets and improve visitor experiences. Key focus areas include strengthening Kenya's destination identity by evolving "Magical Kenya" into a multi-layered national brand, deepening niche tourism offerings such as culinary tourism, wellness retreats, cultural and heritage experiences, and film tourism, and accelerating smart tourism initiatives.

97. In addition, the Policy underscores robust marketing and promotion initiatives to position Kenya as a premier global tourism destination through aggressive destination marketing in both traditional and emerging source markets and by implementing integrated marketing campaigns across online and offline platforms to enhance visibility and attract more international arrivals.

98. Over the medium term, the sector has demonstrated remarkable growth and resilience. In 2024, the country recorded a historic 2.4 million international arrivals, representing a 15 percent increase from the previous year, generating tourism earnings of KSh 452.2 billion, an increase of 19.8 percent from 2023, bolstered by aggressive marketing and the implementation of the Electronic Travel Authorization (ETA). Similarly, revenue generated from the tourism levy rose from KSh 3.9 billion to KSh 5.1 billion. The number of local and international delegates rose from 638,478 to 736,874, and local conferences hosted increasing from 10,558 to 12,224. In addition, 991 establishments, including hotels and lodges, were assessed and accredited to meet quality standards.

99. The Government is committed to ensuring the safety and security of all tourists visiting the country. To achieve this, the Government will strengthen the Tourism Police Unit to enhance law enforcement and protection in key tourism areas. Licensed tour operators will be listed on the National Tourism Service Portal to provide tourists with verified and trustworthy service providers. Additionally, a Tourism Crisis Management Unit will be established to provide immediate assistance to tourists in distress, allowing for timely reporting and resolution of safety-related incidents. These measures aim to build confidence among both domestic and international tourists, promote a safe and secure tourism environment, and reinforce Kenya's reputation as a premier tourist destination.

1.3.5 Environment and Climate Change

100. Provision of a clean, secure, and sustainable environment, alongside robust climate change mitigation and adaptation measures, remains central to achieving the aspirations of the Bottom-Up Economic Transformation Agenda (BETA) and Vision 2030. In this regard, the Government has continued to mainstream environmental conservation, climate resilience, reversal of deforestation, biodiversity protection, and land restoration across all programmes at both national and county levels. To strengthen the policy and legislative framework, the Government will undertake a comprehensive review of the National Environment Policy (2013) and the Environmental Management and Coordination Act (EMCA) of 1999, and develop ten regulations under the Climate Change Act, as well as the Kenya Meteorology Bill.

101. Further, the Government will prioritize the restoration of 40 degraded wetlands to enhance ecosystem resilience and safeguard critical biodiversity. Enforcement of the ban on single-use plastics will be strengthened, supported by the promotion of circular economy initiatives to reduce environmental pollution. In addition, 12 demonstration centres for solid waste management will be established to support counties in adopting modern, sustainable waste management practices. Conservation of water towers will continue, including the restoration of the Cherangany Forest Ecosystem through the growing of 4 million tree seedlings. Watershed management efforts will be enhanced through the reclamation of 1,200 hectares of degraded land within the Lake Naivasha Basin and 700 hectares in the Lake Victoria Basin.

102. In alignment with Kenya's Nationally Determined Contribution (NDC), the Government will continue to implement mitigation and adaptation interventions aimed at reducing greenhouse gas emissions to 98 $MTCO_2$ equivalent. To support climate-informed decision making across sectors, the modernization of meteorological infrastructure and services will be accelerated to improve the reliability, accuracy, and accessibility of weather and climate forecasts nationwide.

103. To restore and enhance the country's forest cover, the Government will intensify the implementation of the 15-Billion Tree Programme by targeting the growth of 4.5 billion trees by 2027. To support large-scale restoration, the Government will produce and distribute 700,000 kilograms of high-quality tree seeds and establish 400 tree nurseries nationwide as key propagation centres. These nurseries will facilitate the production of 2.2 billion seedlings for the rehabilitation of degraded landscapes. Restoration efforts will further include the rehabilitation of 330,050 hectares of degraded forest areas, alongside the protection and conservation of 2.6 million hectares of gazetted public forests to safeguard Kenya's critical ecological assets. To improve forest access, surveillance, and fire management, 690 kilometres of forest roads will be maintained. In addition, the Government will expand forest resources by establishing 6,800 hectares of bamboo forests, 8,504 hectares of forest plantations, 10,163 hectares of woodlots, and gazetting 4,500 hectares of new public forests. To promote innovation and enhance sustainable forest management, 139 forest research technologies will be developed and disseminated to stakeholders across the forestry value chain.

104. Over the medium term, the Government has implemented a wide range of environmental conservation, climate resilience, and circular-economy initiatives to strengthen sustainable development. To promote a circular economy and sound waste management, the Government has established four (4) mini e-waste model collection centres, six model waste management demonstration centres, and six Model Material Recovery Facilities (MRFs), alongside licensing 249,758 waste transporters to ensure safe and compliant waste handling. Further, six green points and centres of excellence were created to advance environmental conservation, while 360 hectares of degraded ecosystems were rehabilitated and 427,803 hectares of water catchment areas protected. The Government also produced 250,000 high-value tree seedlings to support national restoration efforts. To improve climate monitoring and forecasting, 120 Automatic Weather Stations were installed across 24 counties, complemented by three Automatic Weather Observing Systems to enhance accuracy and reliability of weather information. National ecological restoration efforts continued with the successful restoration of 59 wetlands, development of Kenya's Nationally Determined Contributions (NDC) commitment for 2031–2035 to unlock climate finance, and the implementation of extensive climate mitigation and adaptation actions.

105. Under the 15-Billion Tree Programme, the Government coordinated the planting of 1.076 billion trees, supported by the production of 192,981 kilograms of certified seeds and the distribution of 150,367 kilograms to counties and forestry stakeholders. A total of 260.1 million assorted tree seedlings were produced to reinforce large-scale landscape restoration. These efforts led to the rehabilitation of 58,976.4 hectares of degraded natural forests and the establishment of 27,633.2 hectares of woodlots on private farms. Protection measures covered

2.602 million hectares of gazetted natural forests, ensuring long-term conservation of indigenous ecosystems. Forest development initiatives included establishing 16,004 hectares of forest plantations in public gazetted forests, 18,259 hectares of commercial forests, and 2,141 hectares of bamboo forests to diversify forest resources and strengthen the green economy. To support ongoing restoration activities, the Government constructed 12 seed processing units, maintained 610.7 kilometres of forest roads for improved accessibility, and sustained 389.4 hectares of seed sources critical for quality seed production.

1.3.6 Education and Training

106. Kenya's social and economic development relies heavily on building the human capital required for long-term progress. To sustain the ongoing transformation of the education system, the Government will continue to strengthen the foundations of high-quality learning, training and research, promote equity and inclusivity, scale up resource allocation to the education sector, and enhance resilience to emerging challenges such as technological disruptions, economic inequalities, and global shifts in educational practices.

107. As part of this process, legal and policy framework reviews will be completed to strengthen education governance. Key reforms will include enacting a law governing Teacher Education and Training, establishing the Code of Regulation of Teachers (CORT), and amending the Basic Education Act, TVET Act, Universities Act, and Higher Education Loans Board Act to align with contemporary education needs. The Government has also prioritized continued rolling out of Competency-Based Education and Training from Grade 9 to TVET and University levels as the country transitions from the 8-4-4 to the 2-6-3-3-3 system. This reform bridges the gap between education and industry by focusing on digital skills, critical thinking, and practical problem-solving abilities. To support implementation, the Government will continue supporting construction of specialized Junior Secondary School learning spaces and train 50,000 teachers in competency-based pedagogies. Mid-year assessment series will be introduced to support students who need to retake assessments.

108. To achieve optimal teacher-pupil ratios, the Government will recruit 30,000 additional teachers with priority given to STEM and technical subjects. Classroom infrastructure will be expanded through construction of 20,000 new classrooms and rehabilitation of 15,000 existing classrooms to eliminate overcrowding. Special emphasis will be placed on building laboratories, especially in rural schools, and providing digital resources to support modern teaching and learning. Technical and Vocational Education will be strengthened through establishment of 100 TVET centers equipped with modern equipment and offering industry-relevant curricula. These centers will train 200,000 youth annually in skills demanded by the labor market. The Government will continue to increase TVET funding, enhance curricula, and forge strategic partnerships to make TVET a gateway to employability and innovation.

109. To improve education outcomes, the Government will expand the school feeding program to cover 3 million learners in arid and semi-arid counties, providing nutritious meals that improve enrollment, retention, and learning outcomes. The means-testing instrument will be streamlined to ensure fair placement of students in higher education institutions. Assistive technologies like refreshable braille displays will be integrated to phase out braille machines for learners with visual impairment, ensuring quality education reaches all learners regardless of ability.

110. In alignment with the country's industrialization agenda, Tertiary and Higher Education remain a priority to equip young people with the knowledge, skills, and attitudes needed to meet labour-market demands and foster entrepreneurship. Further, the Government will expand digital learning programmes and investing in ICT infrastructure to equip learners with the digital knowledge and skills necessary to thrive in a rapidly evolving global marketplace. The sector's strategic priorities also include enhanced support for teacher welfare and continuous professional development. In this regard, the Government will recruit additional teachers and invest in their

professional development, strengthening support across the country, particularly in underserved regions.

111. Progress has been made in the implementation of these programmes. Between 2022 and 2025, the education budget increased from KSh 490 billion to over KSh 700 billion. Over 14 million students were supported through capitation to over 10 million primary and over 4 million secondary students. Competency-Based Curriculum rolled out to Grade 9 with over 300,000 teachers trained and millions of textbooks distributed. The Government recruited over 150,000 teachers on permanent terms and 46,000 intern teachers. Technical and Vocational Education and Training (TVET) recorded significant progress. Gross enrollment increased from 562,499 to 708,885 learners, while the number of accredited TVET institutions grew from 2,401 to 2,969. To strengthen instructional capacity, 3,300 trainers were recruited, and the number of Competency-Based Education and Training (CBET) candidates assessed and certified rose dramatically from 16,083 to 214,275. Furthermore, 110,251 trainees benefited from scholarship grants, enhancing access to skills development. During this period, 36 TVET projects were completed, with an additional 108 projects at various stages of implementation.

112. In higher education and research, the Government launched the Open University of Kenya, which currently offers 30 bachelor's degree programmes and has 5,063 students enrolled. Under the student-centered financing model, 257,523 students received scholarships, while 38,250 students and trainees were awarded bursaries, enhancing access to higher education. In effort to support research and innovation, the government incubated 52 innovations into business ventures, trained 430 innovators, and identified and awarded 78 outstanding innovators, reflecting a strong commitment to nurturing talent, promoting entrepreneurship, and strengthening Kenya's knowledge and innovation ecosystem. In support of teacher development, the Government has promoted 126,462 teachers and digitized 403,476 teacher files, making them readily accessible. Additionally, 220,097 teachers have been retooled on Competency-Based Education (CBE), strengthening their capacity to deliver quality, learner-centered education.

113. To improve education infrastructure, the Government constructed 13,500 classrooms, 863 laboratories, and 1,896 sanitation facilities, while also equipping more than 1,000 laboratories and establishing over 500 libraries nationwide. Through the Digital Learning Programme, more than one million devices were distributed to enhance access to technology-enabled learning. TVET enrolment grew to over 500,000 trainees, while higher education institutions supported more than 550,000 university students. In promoting inclusive education, over 200,000 learners with special needs were supported, and 3,897 learners received assistive devices. Additionally, the School Meals Programme continues to provide nutritious meals to more than 2.3 million learners annually, contributing to improved retention and learning outcomes.

1.3.7 Women Agenda

114. The Constitution of Kenya guarantees equal treatment for both men and women and upholds their right to equal opportunities in political, economic, cultural, and social spheres. In line with this mandate, the Government, continues to advance gender equality by promoting the meaningful inclusion of women in decision-making, enhancing their economic empowerment, and intensifying efforts to eliminate Gender-Based Violence (GBV) and Female Genital Mutilation (FGM).

115. To further strengthen gender equality, community development, and social empowerment, the Government has put in place targeted interventions aimed at expanding access to economic opportunities and strengthening social protection systems. Key initiatives include the planned disbursement of KSh 12 billion to 16,850 Affirmative Action Groups, and the provision of bursaries and scholarships to 178,500 needy students. Efforts to keep girls in school will be supported through the provision of sanitary towels to 11.1 million girls, alongside 7,500 dignity kits for GBV survivors. Additionally, KSh 9.6 billion will be disbursed to support 660,000

women entrepreneurs, while 1,200 duty bearers and 9,000 community members will be trained and sensitized on eliminating GBV and femicide. A further 99,000 individuals will be sensitized on gender mainstreaming, and 3,000 survivors will be engaged as front-line advocates in the fight against FGM.

116. To strengthen policy implementation in this sector, the Government will also advance several priority actions. These include the continued financing of Affirmative Action Groups, expanded financial support to women entrepreneurs amounting to KSh 3.3 billion, and implementation of the recommendations of the Taskforce on GBV and Femicide. The Government will also establish three safe houses and GBV protection centers, intensify the national campaign to eradicate FGM, and undertake a comprehensive Special Needs Assessment Survey to inform future interventions.

117. Between FY 2022/23 and FY 2024/25, substantial progress was made in advancing gender equality and social empowerment. During this period, the Government disbursed KSh 3.33 billion to 10,785 Affirmative Action Groups and supported 155,580 needy students with bursaries and scholarships through the National Government Affirmative Action Fund (NGAAF). Through the Women Enterprise Fund (WEF), KSh 3.12 billion was disbursed to 261,681 women entrepreneurs, and 361,481 women were trained in financial literacy. In addition, 64,000 individuals were trained on gender mainstreaming, 43,700 resource persons and duty bearers were trained on anti-FGM strategies, and 11,485 persons received training on psychosocial support and counselling to strengthen the national response to GBV.

1.3.8 Social Protection

118. Social Safety Net Programmes remain a central pillar of the Government's Bottom-Up Economic Transformation Agenda, aimed at reducing poverty, creating jobs, and expanding income opportunities for economically excluded populations. In pursuit of these goals, the Government continues to strengthen and expand social safety nets and allocate financial resources to safeguard vulnerable groups across the country. To enhance income security among vulnerable households, the Government will disburse cash transfers to 1,211,863 beneficiaries under the Inua Jamii Programme, including 1,148,256 older persons and 63,607 households with persons with severe disabilities (PWSDs). Further support will be provided through the training, registration, and linkage of 206,000 community groups to Microfinance Institutions, alongside the sensitization of 33,000 community members on healthy ageing and the rights of older persons. Efforts to improve the well-being of persons with disabilities will include the registration and issuance of disability cards to 510,000 PWDs, provision of sunscreen lotion to 5,000 persons with albinism, and essential drugs and supplies to 20,000 persons with autism. Additionally, the Government will expand adult literacy through the establishment of 47 Accelerated Adult Education Centres (AECs).

119. The Government will also strengthen child protection services through targeted interventions. These include the disbursement of cash transfers to 441,516 households with Orphans and Vulnerable Children (OVC) and 22,300 learners under the Presidential Secondary School Bursary Programme each year. Child protection systems will be enhanced through the screening and rescue of 4,500 victims of human trafficking, rescue and reintegration of 20,500 street persons to the community, and the provision of care and protection services to 1,295,000 children affected by violence and 12,610 children in conflict with the law. To promote family-based care, 50,000 children will be placed under Alternative Family Care Options.

120. Between FY 2022/23 and FY 2024/25, the Government disbursed cash transfers to 1,749,656 beneficiaries under the Inua Jamii Programme, comprising 1,253,045 Older Persons, 63,607 households with Persons with Severe Disabilities, and 443,004 households caring for Orphans and Vulnerable Children. Over the same period, the Government registered 175,467 Community Self-Help Groups, supported the registration of 152,403 Persons with Disabilities

(PWDs), and provided 12,705 assistive devices. In addition, the Government provided therapy services to 15,884 persons, supplied drugs to 6,941 persons with autism, and distributed sunscreen lotion to 3,800 persons with albinism. The Government also managed 946,798 child protection cases and placed 1,508 children under Alternative Family Care Options. Further interventions addressing broader social protection needs included resolving 533,436 cases of child rights violations, rescuing 15,163 street persons, and providing bursaries and scholarships to 35,000 orphans and vulnerable children. Additionally, 155,580 needy students benefited from bursaries and scholarships, enhancing access to education for disadvantaged learners.

1.3.9 Sports, Culture and Arts

1.3.9.1 Sports and Arts

121. The Government will continue to promote and develop sports at all levels. Priority will be placed on the development, management, and implementation of the Sports Policy; enforcement of the World Anti-Doping Code and the Convention Against Doping; and the regulation of sports activities nationwide. In addition, the Government will strengthen the promotion and coordination of sports training and education, expand the sports industry to support sustainable livelihoods, develop and manage sports facilities, and establish and operationalize sports academies to nurture talent. Efforts will also continue toward building the capacity of athletes and technical personnel, particularly in anti-doping compliance and awareness.

122. Over the last three years, significant progress has been made in strengthening the sports sector. Kenya successfully prepared and hosted the 2024 CHAN tournament and continues preparations for the 2027 AFCON through major infrastructure upgrades. These include the completed upgrades of the MISC Kasarani and Nyayo National Stadium to CHAN standards, and the construction of the Talanta Stadium. Kenyan athletes excelled on the global stage, securing a total of 131 medals in major international events, including 11 medals at the 2025 World Athletics Championships in Tokyo. During the same period, the country hosted 35 international sports competitions, underscoring Kenya's position as a regional and global sporting hub.

123. Further, the Government facilitated the participation of 115 teams in regional and international competitions and registered 760 sports organizations. Capacity-building efforts reached 68,870 individuals through anti-doping education, while 6,960 athletes and 3,683 technical personnel were trained across various sports disciplines, including targeted sessions on anti-doping compliance and best practices.

124. Over the next three years, the Government will continue strengthening the sports sector by hosting 26 international events, including the 2027 AFCON and supporting 143 Kenyan teams to participate in global competitions. Talent development will be prioritized through the establishment of 60 constituency-based sports academies and the training of 10,200 athletes and 4,800 technical personnel. Infrastructure development will also be intensified, with plans to complete the Kenya Academy of Sports Complex and upgrade 14 stadia and 23 community sports facilities. Preparations for the 2027 AFCON has advanced significantly through major infrastructure upgrades, including the refurbishment of several stadia. A key milestone is the Talanta Sports City, which is currently at approximately 68 percent completion and on schedule for delivery by early to mid-2026. The facility will be a world-class, 60,000-seat, multi-purpose stadium designed primarily for football, with adjacent training grounds for athletics and rugby. Construction began in March 2024 and now employs more than 3,300 workers operating in both day and night shifts to accelerate progress. Recent works include roof installation, interior finishing (such as changing rooms and ventilation systems), and the development of three full training pitches and pedestrian walkways. In addition, the Government will upgrade three other

key stadia: MISC Kasarani, Nyayo National Stadium, and Kipchoge Keino Stadium, to meet AFCON standards.

125. To enhance governance, the Government will register 1,350 sports organizations and broaden anti-doping compliance efforts by sensitizing 76,000 individuals and conducting 13,050 intelligence-based tests on athletes. Governance systems will further be strengthened through digitization, streamlined licensing and registration processes, and improved regulatory oversight. In addition, the sector will review key policies and promote sustainable financing mechanisms for sports, arts, and culture.

1.3.9.2 Culture and Heritage

126. The Government's Bottom-Up Economic Transformation Agenda aims to conserve Kenya's diverse cultures and heritage while promoting the commercialization of indigenous knowledge. In line with this, the Government has undertaken initiatives to advocate for the preservation, conservation, and promotion of cultural expressions that contribute positively to national identity.

127. Significant achievements over the past years include the restoration of nine heritage sites and monuments, the strengthening of cultural diplomacy through international exchange programmes, and the organization of heritage preservation exhibitions. Additionally, the Government has honoured 142 heroes representing diverse contributions to Kenya's freedom, unity, and development; held 21 cultural festivals; and empowered 3,397 artists and cultural practitioners. Efforts in documentation and archiving have included the establishment of a National Digital Repository and 13 county-level digital repositories, acquisition of 13,772 archival materials, digitization of 1.3 million public records, and microfilming of 203,977 analogue records.

128. Looking ahead, the Government will continue to advance the cultural agenda by modernizing museums, protecting nine cultural sites, and hosting nine inter-community cultural exchange festivals. Talent development will be enhanced through the establishment of three music studios and the nurturing of over 1,800 musicians. Empowerment initiatives will target women in pastoralist communities, with 1,200 women and girls trained in bead-craft production. To promote economic opportunities, 450 cultural and creative products will be commercialized to create jobs for cultural practitioners, youth, and women. Further, the Government will recognize and honour 450 heroes and heroines to foster national pride and unity. In safeguarding Kenya's documentary heritage, the Government will digitize, store, and archive 370,000 records, ensuring that the nation's rich cultural and historical legacy is preserved for future generations.

1.3.10 Youth Empowerment and Development Agenda

129. Youth empowerment and development remain a cornerstone of the Government's Bottom-Up Economic Transformation Agenda, recognizing the critical role of young people in driving national development, innovation, and economic growth. Anchored on the Kenya Young People's Agenda, the Government interventions aim to equip youth with entrepreneurial and life skills, enhance employability, and unlock the potential of youth-owned Micro, Small, and Medium Enterprises (MSMEs). Over the medium term, the Government will focus on training 90,000 youth in life skills and technical competencies to boost employability and wealth creation, while 43,000 youth will receive mentorship and training on entrepreneurship opportunities. In addition, 4,422 youth talents will be identified, nurtured, and awarded through the WHO'Z Next Talent Search Programme, ensuring recognition and support for creative and innovative potential.

130. The Government will also continue to provide comprehensive ICT services, guidance and counselling, talent, and career development opportunities to 580,000 youth through One-Stop

Youth Empowerment Centres, creating accessible platforms for skills acquisition and personal development. The development of the Kenya Youth Development Index will enable monitoring and tracking of youth outcomes, ensuring data-driven policies and interventions. In the creative economy, the Government plans to issue 16,300 licences to film distributors and exhibitors, supporting both local and foreign production and promoting Kenya as a regional hub for creative industries.

131. Significant progress has been achieved over the last three years, reflecting the impact of these initiatives. The Government has provided youth-friendly services to 1,177,480 young people, including 72,623 beneficiaries of subsidized Sexual and Reproductive Health (SRH) services, and trained 94,298 youth in leadership and governance. Additionally, 56,350 youth were equipped with life skills, while 3,943 talents were identified and nurtured in arts, innovation, and creative industries. To promote economic empowerment, 28,003 youth entrepreneurs accessed loans totalling KSh 553 million, enabling them to expand business ventures, and 3,537 youth were facilitated to secure employment opportunities abroad.

132. In entrepreneurship and the creative sector, the Government trained 218,902 youth in business skills and 24,507 youth specifically on entrepreneurship techniques, while guidance and counselling services on career development and Sexual and Reproductive Health reached 1,177,480 young people at empowerment centres nationwide. The creative economy also benefited from support to 1,745 local and foreign film producers, training for 1,847 filmmakers, issuance of 1,795 film licences, and nurturing of 60 students in film production. These interventions collectively demonstrate the Government's continued commitment to harnessing youth potential, expanding economic and creative opportunities, and ensuring that young people are equipped to contribute meaningfully to Kenya's social and economic transformation.

1.3.11 Governance and Rule of Law

133. Strong governance institutions and adherence to the rule of law provide the enabling environment for sustainable development. The Constitution establishes separation of powers, independence of institutions, and accountability mechanisms ensuring good governance. Article 10 enshrines national values including rule of law, democracy, transparency, and accountability. For this reason, the Government has prioritized strengthening governance within the public service through implementation of a series of reforms, laws, and policies designed to enhance professionalism, transparency, and service delivery.

134. Kenya has made notable strides in enhancing governance and the rule of law, which are central to economic growth, stability, and citizen confidence. The Judiciary has implemented reforms to improve access to justice, reduce case backlog, and increase efficiency through e-court systems, online case management, establishment of 19 Employment Courts in all counties, and use of alternative dispute resolution mechanisms. As result, the justice sector reduced case backlog by 30 percent from 500,000 cases in 2022 to 350,000 cases in 2025 and digitalized over 100 courts enabling electronic filing and virtual hearings. Legal aid services have also been expanded through the National Legal Aid and Awareness Programme, improving access to justice for marginalized populations.

135. Efforts to combat corruption have intensified, led by the Ethics and Anti-Corruption Commission (EACC). Key milestones include the enforcement of asset declaration requirements for public officers, investigation and prosecution of high-profile corruption cases, and strengthening of preventive measures such as digitization of procurement and public financial management to reduce opportunities for rent-seeking. These reforms have enhanced transparency, accountability, and public trust in governance.

136. The public service has undergone transformation through the introduction of performance management systems linking staff evaluation to service delivery outcomes, adoption of e-

government platforms including e-citizen portals, e-procurement, and digitized records, and targeted capacity building programs for public servants. These initiatives have improved efficiency, responsiveness, and compliance across government institutions.

137. Devolution has been operationalized through fully functioning County Governments, including assemblies, executive structures, and service delivery units. The implementation of Integrated Financial Management Systems (IFMIS) at county level has strengthened transparency and accountability in the management of public funds. Citizen engagement platforms have been introduced, allowing for participation in budget formulation and county development planning.

138. In the security sector, the Government has strengthened the National Police Service, including specialized units for counter-terrorism and cybercrime. The Government recruited police officers reducing police-to-citizen ratio from 1:1,150 to 1:800 and trained officers in modern investigation, human rights, community policing, and cybercrime. Correctional services have been implemented rehabilitation programmes and expanded probation services to all 47 counties. Community policing programs have been rolled out to enhance citizen involvement in maintaining safety, and border security and surveillance systems have been upgraded to better manage cross-border threats and illegal activities. Border security has been enhanced through modern scanners and biometric systems.

139. Planned interventions over the medium term under governance aim to consolidate these achievements and further strengthen governance, public service, and security:

i) Rule of Law and Judicial Reforms: Expansion of e-justice systems, modernization of court infrastructure including deployment of digital case management systems in all court, establishment of specialized commercial and employment courts, reduction of average case resolution time to 18 months through employment of 100 additional High Court judges and 200 magistrates, and continuous training for judicial officers.

ii) Anti-Corruption Measures: Strengthening enforcement, expanding whistle-blower protection, enhancing public participation in monitoring government accountability, and institutionalizing preventive anti-corruption measures. Anti-corruption efforts will be intensified through enhanced EACC capacity, prioritization of high-profile corruption prosecutions, and recovery of stolen public assets.

iii) Public Service Transformation: Accelerating digitalization of government services, performance-based management, streamlining processes, and improving human resource capacity and service delivery at national and county levels.

iv) Devolution: Strengthening oversight and accountability in counties, promoting citizen engagement in budgeting and planning, and enhancing capacity of County Governments to deliver core services effectively.

v) Security and Stability: Continued investment in police modernization, intelligence, community policing, border management, and counter-terrorism initiatives; enhancing coordination between national and county security agencies to address emerging threats. Police modernization will include recruitment of additional 20,000 officers, enhanced provision of modern equipment and vehicles, and improvement of police housing to enhance officer welfare and public safety.

vi) Institutional Capacity Building: Strengthening governance and oversight institutions, including the Judiciary, EACC, Office of the Auditor-General, and other regulatory bodies, to improve efficiency, transparency, and compliance.

1.3.12 Foreign Policy and Regional Integration

140. Kenya's foreign policy has continued to support economic diplomacy, regional integration, and international partnerships, contributing to trade expansion, investment promotion, and political stability. The Government has strengthened engagement with key regional and international blocs including the East African Community (EAC), Common Market for Eastern and Southern Africa (COMESA), and the African Union (AU).

141. Recent progress includes the negotiation and implementation of trade facilitation agreements, promotion of regional infrastructure projects such as the Lamu Port-South Sudan-Ethiopia Transport (LAPSSET) corridor, and harmonization of cross-border standards to enhance intra-African trade. Kenya has also leveraged diplomatic channels to attract foreign direct investment (FDI), participate in regional peacekeeping and security initiatives, and support regional industrialization and energy projects. Engagement with international partners has resulted in technical assistance, financing, and market access support for sectors prioritized under BETA.

142. Planned reforms over the medium term are focused on strengthening Kenya's role as a regional hub for trade, investment, and diplomacy. Key interventions include:

i) Economic Diplomacy: Expansion of trade missions, investor roadshows, and bilateral/multilateral engagement to attract FDI and promote Kenyan exports, particularly in agro-processing, manufacturing, and services.

ii) Regional Integration: Deepening engagement with EAC, COMESA, and AU frameworks to facilitate harmonized trade standards, border management, and infrastructure development, including transport, energy, and digital corridors.

iii) Institutional Strengthening: Capacity building within the Ministry of Foreign Affairs and missions abroad to enhance negotiation, trade promotion, and consular services.

iv) Peace, Security, and Stability: Active participation in regional peacekeeping, counter-terrorism, and conflict resolution initiatives to ensure a stable environment conducive to trade and investment.

v) Public-Private Partnerships: Collaboration with the private sector to identify export opportunities, leverage diaspora networks, and strengthen Kenya's regional industrial and service clusters.

vi) Continental Integration Initiatives: Supporting Kenya's role in the African Continental Free Trade Area (AfCFTA) to expand market access for local industries and increase regional value chains participation.

1.4 Roadmap to Harnessing Human Capital, Technology, Talent, and Infrastructure

143. Having reflected on the achievements of the past three years under BETA, the Government is now shifting its policy focus toward harnessing capital, technology and talent to accelerate progress with minimal friction. Building on the foundations laid under BETA, the roadmap for Kenya's next level of development prioritizes on long-term industrial planning, investments in people, and the creation of competitive national capacities. Specifically, the Government will focus on four major national priorities: i) investing relentlessly in people through education, skills development, scientific training, and innovation; ii) transforming the economy from a net importer to a net exporter of goods and services, with particular emphasis on agricultural products; iii) ensuring abundant, reliable, and affordable energy, the lifeblood of a modern economy; and iv), developing efficient transport and logistics infrastructure to connect markets,

lower the cost of doing business, and reinforce Kenya as the aviation and commercial hub of East and Central Africa.

144. The Government's next phase of transformation focuses on harnessing capital, technology, and talent to build a competitive, export-driven economy. This roadmap prioritizes long-term industrial planning, large-scale investments in people, expansion of productive capacity, and strategic infrastructure systems to position Kenya for accelerated and sustainable growth.

1.4.1 Human Capital Development

145. Education remains the cornerstone of Kenya's human capital development. The Government is committed to strengthening Education through continued investment in skills development, scientific training and innovation. Kenya has made notable progress in expanding access to education, improving infrastructure, enhancing quality of learning and advancing science, research, and innovation, all of which have contributed to better education outcomes. Education plays a critical role in lifting communities out of poverty by enhancing labor productivity, while simultaneously boosting the overall productivity and adaptability of the workforce. Kenya's competitiveness, both regionally and globally, depends on a well-educated population supported by strong training and research systems.

146. To scale up Science, Technology, Engineering and Mathematics (STEM) programmes in the education system, the Government has established the State Department for Science, Research, and Innovation. This institutional reform is designed to strengthen innovation, promote research, and build a pool of high-level professionals in engineering and science. It also provides a framework for fully operationalizing the National Research Fund by progressively increasing investment in research and innovation from the current 0.8 percent of GDP to 2 percent over the next ten years. Achieving this target will support the financing of start-ups, the scaling and commercialization of innovation, and the growth of technology-driven enterprises. These efforts will be supported by Government in collaboration with industry players in the private sector.

1.4.2 Sustainable Agriculture

147. The Government recognizes that Kenya can no longer rely on rainfall alone to determine agricultural output or food security. Although the country is endowed with fertile arable land, only 15 percent supports rain-fed agriculture, while the remaining 85 percent of the land receives insufficient rainfall. To address this, the Government is prioritizing expanded modern irrigation as a key pillar of national agricultural policy, ensuring that arid and semi-arid areas are transformed into productive agricultural hubs.

148. Food security efforts will include large-scale modern irrigation, comprising 50 mega dams, 200 mini-dams and over 1,000 micro-dams nationwide to harvest and store water for irrigation and multiple-use purposes. These interventions will bring an additional 2.5 million acres under production within the next five to seven years to support agro-industrialisation and rural livelihoods, securing water for domestic consumption, crop production and export-oriented agriculture. The Government has already been mapped out the location of these dams, including High Grand Falls (Mandera), Isiolo-Barsalinga, Sigly canal (Garissa), Soin Koru (Kisumu), Rumuruti (Laikipia), Thuci (Embu & Tharaka-Nithi), Lowaat (Turkana), Muhoya (Nyeri-Kirinyaga), Narosura (Narok), Arror (Elgeyo-Marakwet), Ndarugu (Kiambu), Kokwanyo (Homa Bay), Rare (Kilifi), and Tongaren (Bungoma), among others, to ensure nationwide coverage.

1.4.3 Energy

149. Energy is a foundational pillar of national development, and no modern economy can grow without abundant, reliable, and affordable power. As Kenya advances its economic transformation agenda, expanding energy generation and access remains a top national priority. Despite an installed capacity of 3,300 MW, it remains insufficient in meeting the demands of a rapidly modernising economy. To support domestic electrification, industrial manufacturing, agro-processing, e-mobility, green industrialisation and the digital economy, the Government will undertake an accelerated expansion of power generation. Kenya is endowed with diverse and underutilised renewable resources, including geothermal, solar, hydro, wind and nuclear, which collectively provide a strong platform for sustainable energy growth. The increasing energy requirements of modern technologies such as data centres, artificial intelligence, and advanced manufacturing further underscore the urgency to scale up supply. Accordingly, the Government will prioritise the development of an additional 10,000 MW of affordable and dependable power over the next seven years to secure energy sufficiency, leveraging geothermal, hydro, solar, wind and nuclear potential to support manufacturing, value addition, digital expansion, e-mobility and emerging technologies.

1.4.4 Transport and logistics

150. The modernization and expansion of transport and logistics infrastructure is essential for driving economic growth, strengthening national competitiveness and enabling the efficient movement of goods and people across the country. Efficient transport and logistics systems will reduce the cost of doing business, enhance market access, and support Kenya’s role as a regional commercial and aviation gateway. To address existing infrastructure gaps, the Government will implement a comprehensive ten-year programme that includes dualling 2,500 kilometres of priority highways, tarmacking an additional 28,000 kilometres of roads, and expanding strategic transport corridors through Public–Private Partnerships.

151. The transport and logistics investments will also include the modernisation of Jomo Kenyatta International Airport, the Ports of Mombasa and Lamu and reforms to restore the operational and financial stability of Kenya Airways. Major projects are already underway, including the dualling of the Rironi–Naivasha–Nakuru–Mau Summit and the Rironi–Maai Mahiu–Naivasha roads, with additional key corridors across the country earmarked for expansion to eliminate congestion and improve mobility. The extension of the Standard Gauge Railway from Naivasha to Kisumu and onward to Malaba has also already begun, marking a significant step toward enhanced regional connectivity.

1.5 National Infrastructure Fund and Sovereign Wealth Fund

152. Kenya’s KSh 5 trillion roadmap to transform the country into a first-world economy has taken a major step forward following Cabinet approval of the National Infrastructure Fund and the Sovereign Wealth Fund, which will anchor long-term development and economic transformation.

153. Established as a limited liability company, the National Infrastructure Fund will serve as the central vehicle for aligning public finances with national development priorities. Through domestic resource mobilisation, monetisation of mature public assets, democratisation of ownership via capital markets, and deployment of national savings, the Fund will crowd in large-scale private capital while reducing reliance on borrowing and taxation. All privatisation proceeds will be ring-fenced for infrastructure investment, with every shilling expected to leverage up to KSh 10 from long-term investors such as pension funds, sovereign partners, private equity and development finance institutions.

154. In parallel, Cabinet approved the Sovereign Wealth Fund Policy, establishing a dedicated national fund to prudently manage revenues from mineral and petroleum resources, dividends from public investments, and a portion of privatisation proceeds. Anchored on inter-generational savings, fiscal resilience and commercially viable strategic investments, the Sovereign Wealth Fund will strengthen fiscal discipline, protect the economy from external shocks, and enhance long-term competitiveness. The Fund operationalizes Article 201 of the Constitution on inter-generational equity and advances the Kenya Kwanza investment-led growth agenda.

155. Together, the National Infrastructure Fund and Sovereign Wealth Fund will finance Kenya's transformation agenda focused on food security, infrastructure expansion and energy-driven industrialisation. Both funds will operate under strong governance, transparency and accountability frameworks, with professional and independent management. This financing architecture represents a decisive shift toward a sustainable, investment-led development model that mobilises capital, accelerates delivery, preserves national value and secures long-term prosperity for present and future generations.

II. RECENT ECONOMIC DEVELOPMENTS AND MEDIUM-TERM OUTLOOK

2.1 Global Economic Outlook

156. Global growth has remained resilient in 2025, supported by front-loading of exports to the United States ahead of higher tariff implementation, improved financial conditions, and strong consumer spending. Global real GDP is estimated to grow by 3.2 percent in 2025, before moderating slightly to 3.1 percent in 2026 **(Table 2.1).** Growth is projected to slow in 2026 as the temporary boost from front-loading fades and as higher effective tariff rates and elevated trade-policy uncertainty weigh on activity. In addition, weak global demand and heightened geopolitical tensions continue to pose significant risks to the global outlook.

Table 2.1: Global Economic Performance

	Actual		Projections	
Economy	**2023**	**2024**	**2025**	**2026**
World	3.5	3.3	3.2	3.1
Advanced Economies	1.8	1.8	1.6	1.6
Of which: USA	*2.9*	*2.8*	*2.0*	*2.1*
Euro Area	*0.5*	*0.9*	*1.2*	*1.1*
Japan	*1.4*	*0.1*	*1.1*	*0.6*
Emerging and Developing Economies	4.7	4.3	4.2	4.0
Of which: China	*5.4*	*5.0*	*4.8*	*4.2*
India	*9.2*	*6.5*	*6.6*	*6.2*
Sub-Saharan Africa	3.6	4.1	4.1	4.4
Of which: South Africa	0.8	0.5	1.1	1.2
Nigeria	2.9	4.1	3.9	4.2

Source: Source: IMF World Economic Outlook, October 2025.

157. In advanced economies, growth is expected to remain modest at about 1.6 percent in both 2025 and 2026. In the United States, growth is projected at 2.0 percent in 2025, rising slightly to 2.1 percent in 2026, supported by resilient household spending, strong business investment, particularly in AI-related technologies, and easing financial conditions. Meanwhile, growth in the Euro Area is projected at 1.2 percent in 2025 and 1.1 percent in 2026. This moderate expansion is underpinned by rising real wages, which bolster household consumption, as well as investment in technology and equipment, although progress is constrained by trade-policy uncertainty, weaker export demand and subdued business confidence.

158. Emerging market and developing economies are projected to grow at 4.1 percent in 2025, then slightly slow to 4.0 percent in 2026. This moderate growth is underpinned by relatively resilient domestic demand in regions such as South Asia and Middle East / Central Asia, coupled

with recoveries in investment in several countries. At the same time, China's growth softens, weighing on the aggregate; and growth in Latin America is projected to remain sluggish amid external pressures. The outlook for Sub-Saharan Africa is more favorable: growth is expected to be around 4.1 percent in 2025, with a modest pickup to 4.4 percent in 2026. This resilience is underpinned by macroeconomic stabilization, recovering private consumption, improving investment conditions, and ongoing economic reforms. Nonetheless, the region still faces risks from fiscal pressures and external vulnerabilities.

2.2 Domestic Economic Performance

159. 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 2.2).** 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 2.2: Sectoral GDP Performance

Sectors/Sub-sectors	Annual Growth Rates	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. Accomodation 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

160. 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. 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.

161. 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.

162. 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. 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.

163. 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. 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.

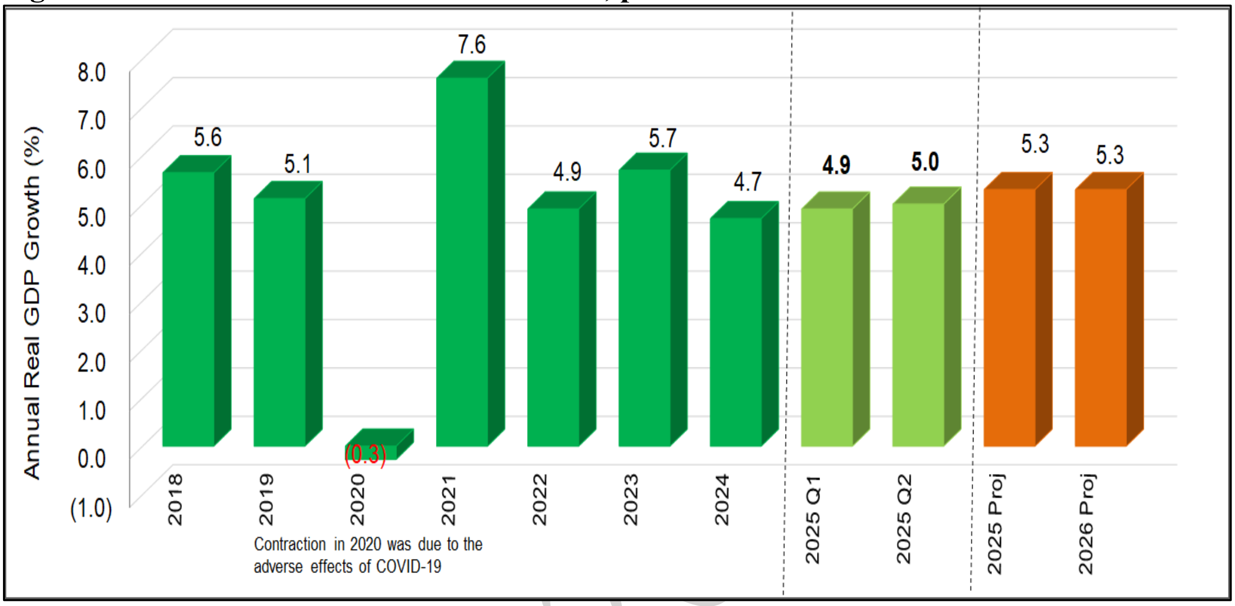
164. The **services sector** recorded a growth of 4.8 percent in the first quarter and 5.5 percent in the second quarter of 2025, a slowdown from the 6.8 percent and 6.2 percent growths posted in the corresponding quarters of 2024. The transportation and storage sub-sector expanded by 3.8 percent in 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. 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.

165. 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.

166. Leading indicators of economic activity point to improved performance in the third quarter of 2025. The growth of the economy is expected to pick up to 5.3 percent in both 2025 and 2026, supported by continued resilience of key service sectors and agriculture, and continued recovery of the industry sector. The outlook will be reinforced by the ongoing implementation of priorities under Bottom-Up Economic Transformation Agenda (BETA) **(Figure 2.1).**

Figure 2.1: Annual Real GDP Growth Rates, percent



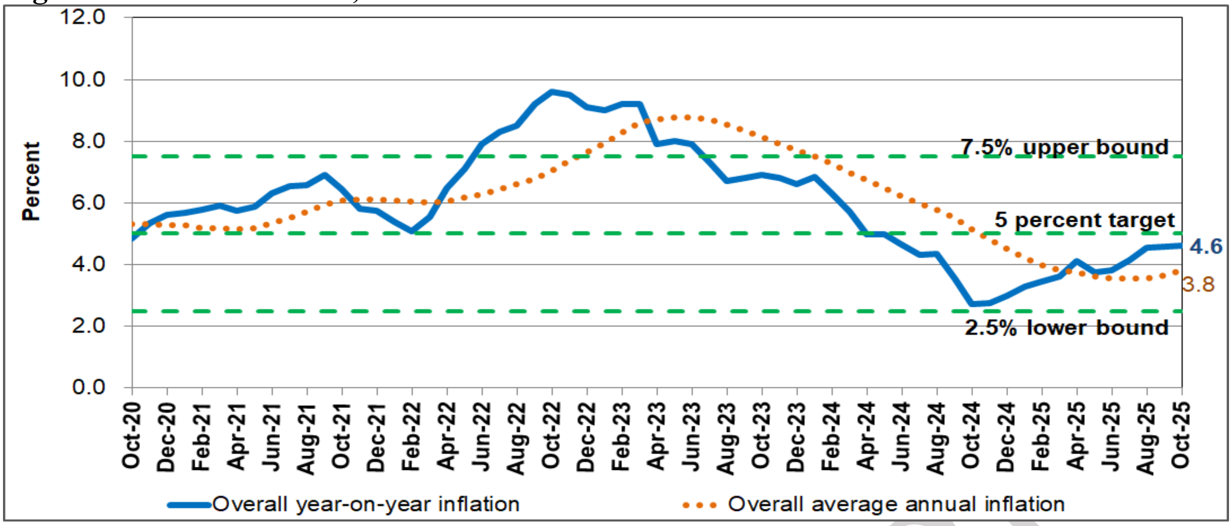
Source of Data: Kenya National Bureau of Statistics

Inflation Developments

167. 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 due to the impact of previous monetary policy tightening. Inflation stood at 4.6 percent in October 2025 compared to 2.7 percent in October 2024 **(Figure 2.2).** The slight increase reflects the easing of monetary policy.

168. Core inflation increased to 2.7 percent in October 2025 from 1.8 percent in October 2024, largely driven by higher prices of processed food items. Non-core inflation rose to 9.9 percent in September 2025 from 5.1 percent in October 2024, driven primarily by sharper increases in transport costs, as well as higher prices of vegetables, particularly tomatoes, carrots, onions, and cabbages, alongside pressures from utilities and energy.

Figure 2.2: Inflation Rate, Percent



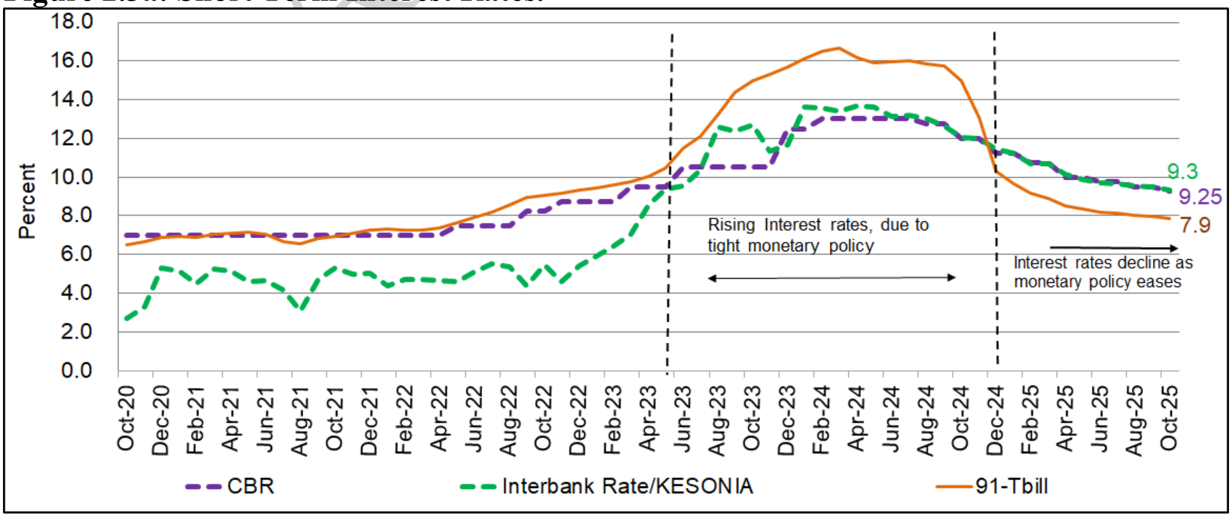
Source of Data: Kenya National Bureau of Statistics

Interest Rates Developments

169. 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 9.25 percent in October 2025 (**Figure 2.3a**). 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 also remain stable.

170. The short term interest rates have declined in line with the easing of the monetary policy. KESONIA (overnight interbank rate) declined to 9.3 percent in October 2025 compared to 12.1 percent in October 2024 while the 91-day Treasury Bills rate declined to 7.9 percent from 15.0 percent, over the same period. The 182-day Treasury Bills rate declined to 7.9 percent in October 2025 from 15.8 percent in October 2024 while the 364-day Treasury Bills also declined to 9.4 percent from 16.1 percent over the same period. The decrease in government domestic borrowing rates has led to lower debt servicing costs.

Figure 2.3a: Short Term Interest Rates.

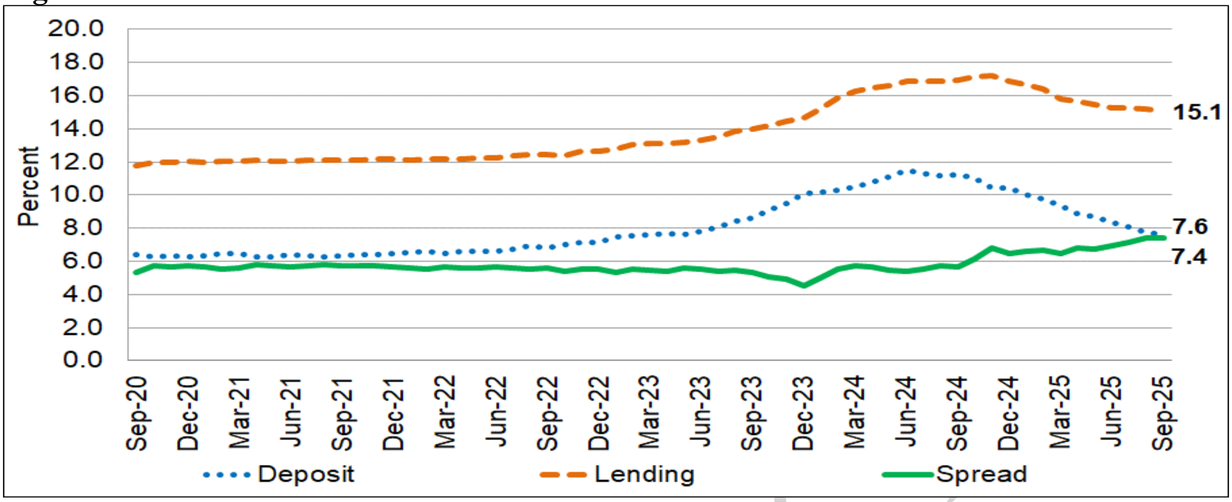


Source of Data: Central Bank of Kenya

171. Commercial banks average lending and deposit rates decreased in the year to September 2025 in tandem with the easing of the monetary policy. The average lending rate decreased to

15.1 percent in September 2025 from 16.9 percent in September 2024 while the average deposit rate also decreased to 7.6 percent from 11.2 percent over the same period. Consequently, the average interest rate spread increased to 7.4 percent in September 2025 from 5.7 percent in September 2024 (**(Figure 2.3b).**

Figure 2.3b: Commercial Bank Rates.



Source of Data: Central Bank of Kenya

Monetary and Credit Developments

172. Broad money supply, M3, grew by 7.0 percent in the year to September 2025 compared to a growth of 1.6 percent in the year to September 2024 **(Table 2.3).** The improved growth of M3 was due to an increase in the growth of Net Domestic Assets (NDA) particularly credit to the private sector. The NFA of the banking system slowed down to a growth of 7.9 percent in the year to September 2025 compared to a growth of 26.1 percent in the year to September 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 2.3: Money and Credit Developments (12 Months to September 2025, KSh billion)

				Absolute Change		Percent Change	
	2023 September	2024 September	2025 September	2023-2024 September	2024-2025 September	2023-2024 September	2024-2025 September
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	2,017.3	1,972.8	2,321.7	(44.5)	348.9	(2.2)	17.7
1.1 currency outside banks (M0)	267.5	268.2	292.5	0.7	24.3	0.3	9.1
1.2 Demand deposits	1,645.2	1,603.4	1,853.3	(41.8)	249.9	(2.5)	15.6
1.3 Other deposits at CBK	104.6	101.1	175.9	(3.5)	74.8	(3.3)	73.9
2. Money supply, M2 (1+2.1)	3,898.2	4,043.5	4,485.6	145.3	442.1	3.7	10.9
2.1 Time and savings deposits	1,881.0	2,070.8	2,163.9	189.8	93.2	10.1	4.5
Money supply, M3 (2+3.1)	**5,295.9**	**5,381.4**	**5,758.6**	**85.6**	**377.2**	**1.6**	**7.0**
3.1 Foreign currency deposits	1,397.6	1,337.9	1,273.0	(59.7)	(64.9)	(4.3)	(4.9)
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	**708.5**	**893.3**	**963.9**	**184.8**	**70.6**	**26.1**	**7.9**
1.1 Central Bank	516.2	472.1	767.1	(44.2)	295.0	(8.6)	62.5
1.2 Banking Institutions	192.3	421.2	196.8	228.9	(224.4)	119.1	(53.3)
2. Net domestic assets (2.1+2.2)	**4,587.4**	**4,488.2**	**4,794.7**	**(99.2)**	**306.5**	**(2.2)**	**6.8**
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	6,077.7	6,219.0	4,160.6	141.4	(2,058.4)	2.3	(33.1)
2.1.1 Government (net)	2,203.4	2,346.4	129.4	143.0	(2,217.0)	6.5	(94.5)
2.1.2 Other public sector	100.6	83.6	51.4	(17.1)	(32.2)	(17.0)	(38.5)
2.1.3 Private sector	**3,773.6**	**3,789.1**	**3,979.8**	**15.4**	**190.8**	**0.4**	**5.0**
2.2 Other assets net	(1,490.3)	(1,730.9)	634.1	(240.6)	2,364.9	(16.1)	136.6

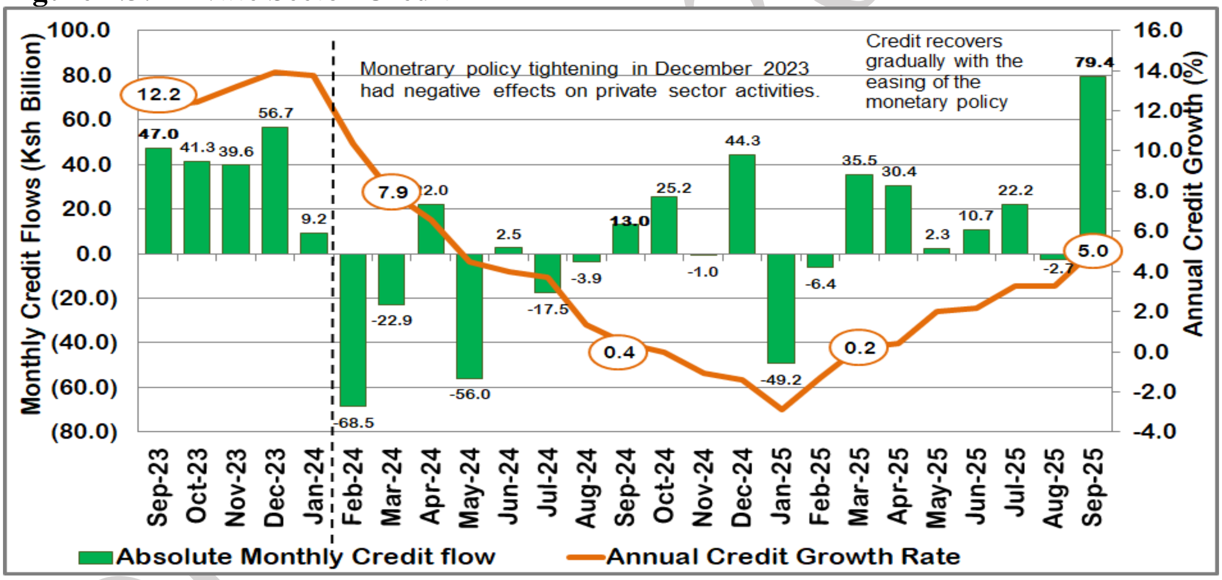
Source of Data: Central Bank of Kenya

173. Net Domestic Assets (NDA) grew by 6.8 percent in the year to September 2025, compared to a contraction of 2.2 percent over a similar period in 2024. The domestic credit extended by the banking system to the Government contracted by 94.5 percent in the year to September 2025 compared to a growth of 6.5 percent in the year to September 2024 while lending to other public sectors also contracted by 38.5 percent compared to a contraction of 17.0 percent over the same period. The decline in domestic credit to government in September 2025 was largely attributed to increased uptake of credit by the private sector, as banks shifted their lending portfolios toward more profitable private investments amid lower yields on Treasury bills.

174. Growth in private sector credit from the banking system recorded a growth of 5.0 percent in the year to September 2025 compared to a growth of 0.4 percent in the year to September 2024. Growth in credit to key sectors of the economy, particularly manufacturing, building and construction, and consumer durables, improved in September. This mainly reflects improved demand for credit in line with the declining lending interest rates.

175. The Monthly (month on month) credit flows to the private sector improved to KSh 79.4 billion in September 2025 from KSh 13.0 billion in September 2024. This is due to the easing of the monetary policy stance to lower the cost of funds for banks **(Chart 2.4).** 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 2.3: Private Sector Credit



Source of Data: Central Bank of Kenya

External Sector Developments

176. The current account deficit was US$. 3,459.8 million (2.5 percent of GDP) in September 2025 compared to US$ 1,819.3 million (1.4 percent of GDP) in September 2024 **(Table 2.4).** 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 September 2025 was more than fully financed by financial account inflows.

Table 2.4: Balance of Payments (USD Million)

				Year to September 2025		Actuals as a Percent of GDP	
	Sep-23	Sep-24	Sep-25	Absolute Change	Percent Change	Sep-24	Sep-25
Overall Balance	**1,063.3**	**(392.7)**	**(2,172.9)**	**(1,780.2)**	**(453.3)**	**(0.3)**	**(1.6)**
A) Current Account	**(2,522.0)**	**(1,819.3)**	**(3,459.8)**	**(1,640.5)**	**(90.2)**	**(1.4)**	**(2.5)**
Merchandise Account (a-b)	(9,482.8)	(9,537.8)	(11,428.4)	(1,890.6)	(19.8)	(7.6)	(8.2)
a) Goods: exports	10,820.6	12,264.6	12,753.2	488.6	4.0	9.8	9.1
b) Goods: imports	20,303.4	21,802.4	24,181.5	2,379.1	10.9	17.4	17.3
Net Services (c-d)	1,874.6	2,178.3	2,324.6	146.3	6.7	1.7	1.7
c) Services: credit	7,590.9	7,611.8	8,188.4	576.6	7.6	6.1	5.8
d) Services: debit	5,716.3	5,433.5	5,863.8	430.3	7.9	4.3	4.2
Net Primary Income (e-f)	(1,899.2)	(1,883.8)	(1,841.9)	41.9	2.2	(1.5)	(1.3)
e) Primary income: credit	168.8	244.6	406.3	161.7	66.1	0.2	0.3
f) Primary income: debit	2,068.0	2,128.4	2,248.2	119.8	5.6	1.7	1.6
Net Secondary Income	6,985.4	7,424.0	7,485.8	61.9	0.8	5.9	5.3
g) Secondary income: credit	7,068.9	7,485.7	7,550.1	64.3	0.9	6.0	5.4
h) Secondary income: debit	83.5	61.8	64.2	2.4	3.9	0.0	0.0
B) Capital Account	**144.3**	**142.1**	**262.6**	**120.6**	**84.9**	**0.1**	**0.2**
C) Financial Account	**(2,023.9)**	**(1,130.9)**	**(4,738.3)**	**(3,607.4)**	**(319.0)**	**(0.9)**	**(3.4)**

Source of Data: Central Bank of Kenya

177. The balance in the merchandise account deteriorated by US$ 1,890.6 million to a deficit of US$. 11,428.4 million in September 2025 mainly due to an increase in import bill that more than offset the increase in exports. Goods exports increased by 4.0 percent, due to higher domestic exports particularly horticulture, coffee, manufactured goods, and apparel. Goods imports rose by 10.9 percent, reflecting increases in intermediate and capital goods imports. Net services receipts increased by 6.7 percent, mainly, supported by increased receipts from transport and travel services. The deficit on the primary account narrowed by US$. 41.9 million to a deficit of US$. 1,841.9 million in the year to September 2025, compared to the same period last year.

178. Net Secondary income remained resilient and increased by US$. 61.9 million during the review period owing to an increase in remittances. Diaspora remittances increased by 7.6 percent to US$ 5,080 million in the 12 months to September 2025 compared to US$ 4,723 million in a similar period in 2024. Remittances increased forex inflows into the country, with some going to investment while others support household consumption of our people.

179. The capital account balance increased by US$. 120.6 million to register a surplus of US$ 262.6 million in September 2025 compared to a surplus of US$. 142.1 million in the same period in 2024. Net financial inflows improved to US$. 4,738.3 million in September 2025 compared to US$. 1,130.9 million in September 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, unattractive demand for high yields from investors amid fiscal strain, low investor appetite for sovereign credit, and political-financial instability.

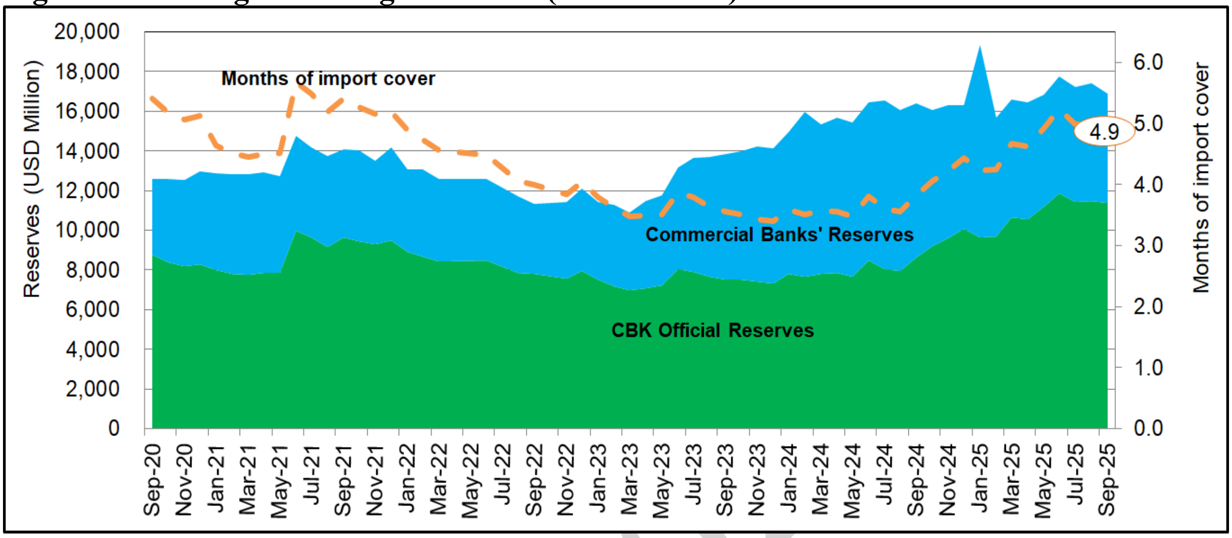
Foreign Exchange Reserves

180. The banking system's foreign exchange holdings remained strong at US$. 16,892.3 million in September 2025 from US$. 16,391.4 million in September 2024. The official foreign exchange reserves held by the Central Bank stood at US$. 11,383.6 million compared to US$ 8,602.6 million over the same period in 2024 **(Figure 2.5).** Commercial banks foreign exchange holdings

decreased to US$. 5,508.7 million in September 2025 from US$. 7,788.8 million in September 2024.

181. The official reserves held by the Central Bank in September 2025 represented 4.9 months of import cover as compared to the 3.8 months of import cover in September 2024. These reserves continue to provide adequate cover and buffer against any short- term shocks in the foreign exchange market. It surpasses the requirement of a minimum requirement of a 4 Months of import cover.

Figure 2.5: Foreign Exchange Reserves (USD Million)

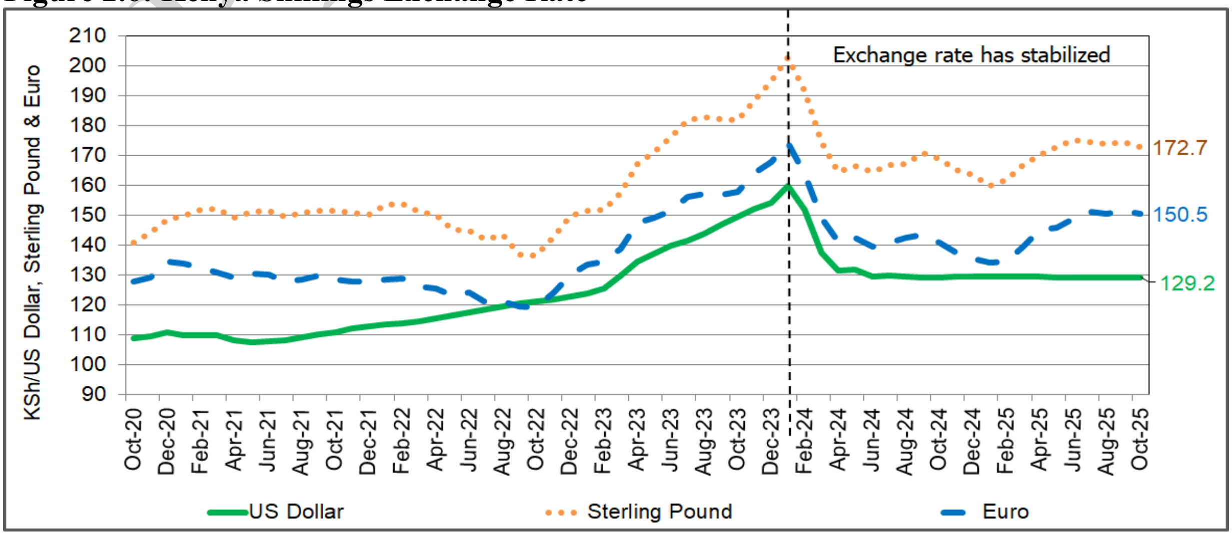


Source of Data: Central Bank of Kenya

Exchange Rate Developments

182. The Kenya Shilling remained relatively stable against the US Dollar, exchanging at an average of KSh 129.2 in October 2025, the same as in the corresponding period of the previous year. However, the Shilling depreciated against the Sterling Pound and the Euro by 2.3 percent and 6.8 percent, respectively. The Sterling Pound averaged KSh 172.7 in October 2025, up from KSh 168.8 in in October 2024, while the Euro averaged KSh 150.5 compared to KSh 140.9 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 2.6).**

Figure 2.6: Kenya Shillings Exchange Rate

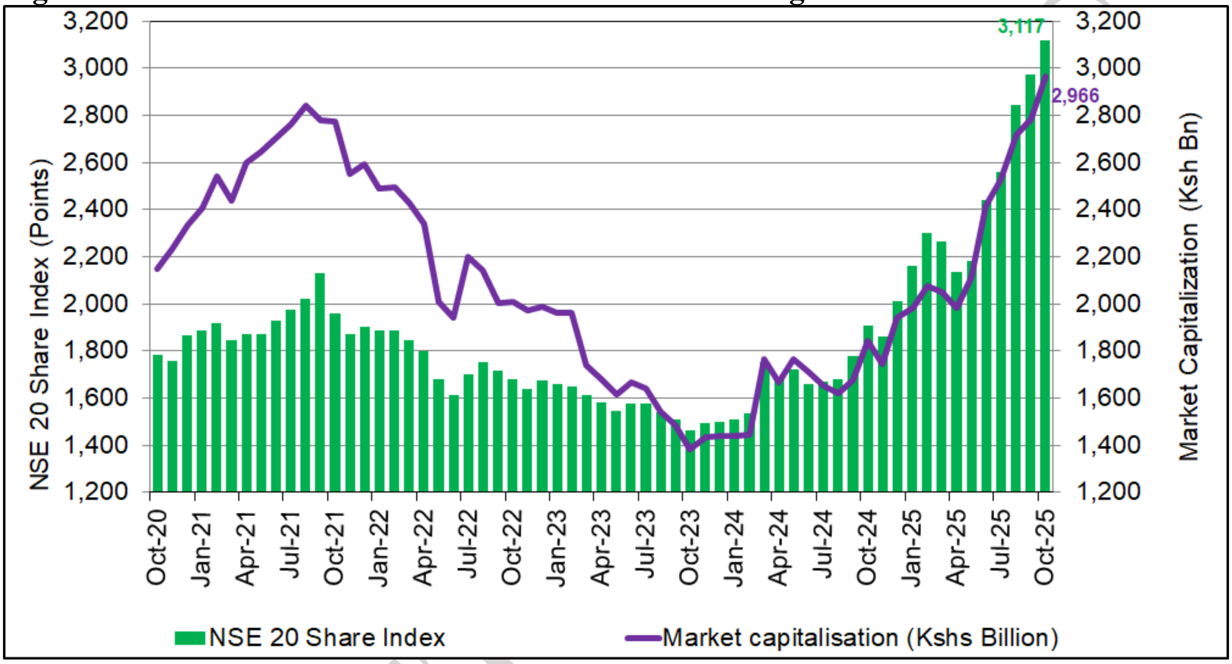


Source of Data: Central Bank of Kenya

Capital Markets Developments

183. 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 improved by 63.6 percent to 3,117 points in October 2025, up from 1,906 points in October 2024. Similarly, market capitalization expanded by 61.1 percent to KSh 2,966 billion from KSh 1,841 billion over the same period **(Figure 2.7).** These levels represent the strongest performance of the NSE since the pre-COVID period, reflecting renewed confidence in Kenya's economic recovery and long-term prospects.

Figure 2.7: Performance of the Nairobi Securities Exchange



Source of Data: Nairobi Securities Exchange

2.3 Fiscal Performance

184. Budget execution in FY 2025/26 has progressed well but constrained by slow adoption of e-procurement, revenue shortfalls against targets as well as expenditures pressures. To ensure smooth implementation of the FY 2025/26 budget and maintain the fiscal consolidation path, the National Treasury will undertake expenditure rationalization through Supplementary Estimates I, which will factor in emerging revenue shortfalls and additional expenditure requirements.

Revenue Performance

185. By the end of October 2025, total revenue collected including A-I-A amounted to KSh 942.0 billion against a target of KSh 1,049.5 billion **(Table 2.5a).** The revenue collection was below target by KSh 107.5 billion. This performance is attributed to underperformance recorded in ordinary revenue of KSh 107.7 billion. Ministerial A-I-A was above target by KSh 169.2 million.

186. The ordinary revenue collection was KSh 766.8 billion against a target of KSh 874.5 billion. All ordinary revenue categories recorded below target performance during the period under review. The total revenue recorded a growth of 5.6 percent compared to a growth of 7.9 percent recorded in October 2025.

187. The ministerial A-I-A collected amounted to KSh 175.2 billion against a target of KSh 175.0 billion, KSh 169.2 million above the target. The performance of A-I-A translated to a growth of 38.8 percent.

Table 2.5a: Fiscal Performance as at 31st October, 2025

	Oct-24			Oct-25					
				Ksh. Billions			*% of GDP*		
	Prel. Act (KSh Billions)	*% of GDP*	*% Growth*	Target	Prel. Act	Deviation	Target	Prel. Act	*% Growth*
A. Total Revenue including External G	**893,361.8**	**5.12**	**7.5**	**1,057,577.4**	**945,892.0**	**(111,685.4)**	**5.5**	**5.0**	**5.9**
Total Revenue	**891,785.7**	**5.12**	**7.9**	**1,049,512.6**	**941,964.5**	**(107,548.1)**	**5.4**	**5.0**	**5.6**
1. Ordinary revenue	**765,582.6**	**4.39**	**7.2**	**874,509.3**	**766,792.0**	**(107,717.2)**	**4.5**	**4.0**	**0.2**
Import duty	45,223.2	0.26	1.4	55,098.4	53,407.4	(1,691.0)	0.3	0.3	18.1
Excise duty	93,434.7	0.54	0.9	109,323.4	100,187.9	(9,135.5)	0.6	0.5	7.2
Income tax	337,870.6	1.94	6.8	405,726.9	331,064.9	(74,662.0)	2.1	1.7	(2.0)
Value Added Tax	202,900.3	1.16	(3.0)	248,896.5	232,613.0	(16,283.5)	1.3	1.2	14.6
Other Revenue	86,153.9	0.49	68.2	55,464.0	49,518.9	(5,945.2)	0.3	0.3	(42.5)
2. Ministerial AIA	126,203.1	0.72	11.9	175,003.3	175,172.4	169.2	0.9	0.9	38.8
3. External Grants	1,576.1	0.01	(63.8)	8,064.8	3,927.5	(4,137.4)	0.0	0.0	149.2
B. Total Expenditure and Net Lending	**1,084,498.6**	**6.22**	**21.4**	**1,269,571.7**	**1,274,573.0**	**5,001.3**	**6.6**	**6.7**	**17.5**
1. Recurrent Expenditure	851,682.1	4.89	**19.2**	958,881.1	983,542.0	24,660.9	5.0	5.2	15.5
2. Development Expenditure	138,387.5	0.79	**37.7**	161,376.6	186,989.3	25,612.7	0.8	1.0	35.1
3. County Allocation	94,429.0	0.54	**20.2**	149,314.0	104,041.7	(45,272.3)	0.8	0.5	10.2
4. Contigency Fund	0.0	0.0	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0
C. Balance Exclusive of Grants	**(192,712.9)**	**(1.1)**	**188.9**	**(220,059.1)**	**(332,608.5)**	**(112,549.4)**	**(1.1)**	**(1.8)**	**72.6**
D. Balance Inclusive of Grants	**(191,136.9)**	**(1.1)**	**206.6**	**(211,994.3)**	**(328,681.0)**	**(116,686.7)**	**(1.1)**	**(1.7)**	**72.0**
Discrepancy	*8,408.4*	0.0	(133.5)	*0.0*	*(28,813.7)*	(28,813.7)	0.0	(0.2)	(442.7)
E. Total Financing	199,545.3	1.1	435.3	211,994.3	299,867.3	87,873.0	1.1	1.6	50.3
1. Net Foreign Finance	(63,586.8)	(0.4)	108.4	(64,001.7)	(10,181.7)	53,820.1	(0.3)	(0.1)	(84.0)
2. Net Domestic Financing	263,132.0	1.51	288.2	275,996.0	310,049.0	34,053.0	1.4	1.6	17.8
GDP	**17,434,533**	**100.0**		**19,272,809.6**	**19,006,182.0**	**(266,627.6)**	**100.0**	**100.0**	

Source of Data: National Treasury

Expenditure Performance

188. The total expenditure and net lending for the period ending October 2025 amounted to KSh 1,274.6 billion, against a target of KSh 1,269.6 billion. The resultant above target expenditure of KSh 5.0 billion is attributed to an above target disbursement towards recurrent and development expenditure. The recurrent expenditure was above target by KSh 24.7 billion mainly due to higher than targeted expenditures in operations & maintenance, and domestic interest **(Table 2.5a).** Development expenditure was also above target by KSh 25.6 billion. However, transfer to counties recorded a shortfall of KSh 45.3 billion mainly due to delayed disbursements.

189. During the period July 2025 to October 2025, the fiscal balance including grants amounted to KSh 328.7 billion (1.7 percent of GDP) against a targeted deficit of KSh 212.0 billion (1.1 percent of GDP). The deficit was financed by net foreign borrowing amounting to KSh 10.2 billion and net domestic financing of KSh 310.0 billion.

2.4 Fiscal Policy

190. The fiscal policy for FY 2026/27 and the medium term will be anchored on a growth-supportive consolidation strategy that advances the Government's priorities under Bottom - Up Economic Transformation Agenda (BETA) and the Fourth Medium Term Plan. The policy will also integrate the Government's emerging initiatives in human capital development, agricultural transformation, energy, and transport and logistics. This approach is intended to slow the pace of public debt accumulation, strengthen debt sustainability, and support the implementation of a proactive liability-management framework, while safeguarding the quality of public services. Fiscal consolidation efforts will prioritize enhanced domestic revenue mobilization, rigorous

expenditure optimization and reprioritization, and protection of essential government programs and social interventions.

191. The medium term fiscal projections in the 2026 Budget Policy Statement have been revised from those of the 2025 Budget Review and Outlook Paper (BROP) estimates taking into account budget implementation for FY 2025/26 and the available resource envelope. Over the medium term, as a percent of GDP, the Government's total revenue including AiA is projected at 17.5 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 14.7 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.

192. In line with the fiscal consolidation plan, the overall fiscal deficit is projected to gradually decline from 3.8 percent of GDP in the FY 2027/28 to 3.4 percent of GDP in the FY 2028/29 **(Table 2.5b, Annex Tables 2 and 3)**. This will boost the country's debt position and ensure the country's development agenda is sustainably funded**.**

Table 2.5 b: Fiscal Framework

	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
	Actual	*Prel.*	*Budget*	*BPS Projections*			
Amount in KSh Billion							
TOTAL REVENUE	**2,702.7**	**2,923.6**	**3,321.7**	**3,487.0**	**4,044.3**	**4,368.4**	**4,697.1**
Ordinary revenue	2,288.9	2,420.2	2,754.7	2,901.9	3,387.9	3,655.8	3,955.2
Ministerial Appropriation in Aid	413.7	503.4	566.9	585.1	656.4	712.6	741.8
TOTAL EXPENDITURE AND NET LENDING	**3,605.2**	**3,975.9**	**4,269.9**	**4,641.9**	**4,969.7**	**5,304.6**	**5,580.9**
Recurrent	2,678.4	2,948.4	3,134.1	3,431.2	3,607.4	3,775.3	3,946.8
Development	546.4	582.9	649.0	759.1	883.8	1,041.2	1,119.7
County Transfer	380.4	444.6	484.8	446.6	473.5	483.0	509.4
Contigency Fund	-	-	2.0	5.0	5.0	5.0	5.0
BALANCE EXCLUDING GRANTS	**(902.5)**	**(1,052.4)**	**(948.2)**	**(1,154.9)**	**(925.5)**	**(936.1)**	**(883.8)**
Grants	22.0	33.3	47.2	48.8	58.8	67.1	77.1
BALANCE INCLUSIVE OF GRANTS	**(880.5)**	**(1,019.1)**	**(901.0)**	**(1,106.1)**	**(866.6)**	**(869.1)**	**(806.7)**
Adjustment to cash basis	45.4	-	-	-	-	-	-
BALANCE INCLUSIVE OF GRANTS(cash basis)	**(835.1)**	**(1,019.1)**	**(901.0)**	**(1,106.1)**	**(866.6)**	**(869.1)**	**(806.7)**
Discrepancy	*(16.8)*	*15.1*	-	-	-	-	-
TOTAL FINANCING	**818.3**	**1,034.2**	**901.0**	**1,106.1**	**866.6**	**869.1**	**806.7**
Net Foreign Financing	222.7	179.7	287.4	99.5	235.9	225.1	98.0
Net Domestic Financing	595.6	854.5	613.5	1,006.6	630.8	643.9	708.7
Nominal GDP (Fiscal year)	**15,666.6**	**17,148.7**	**19,006.2**	**20,916.8**	**23,096.9**	**25,518.6**	**28,184.2**
As a share of GDP							
TOTAL REVENUE	**17.3**	**17.0**	**17.5**	**16.7**	**17.5**	**17.1**	**16.7**
Ordinary revenue	14.6	14.1	14.5	13.9	14.7	14.3	14.0
Ministerial Appropriation in Aid	2.6	2.9	3.0	2.8	2.8	2.8	2.6
	-	-	-	-	-	-	-
TOTAL EXPENDITURE AND NET LENDING	**23.0**	**23.2**	**22.5**	**22.2**	**21.5**	**20.8**	**19.8**
Recurrent	17.1	17.2	16.5	16.4	15.6	14.8	14.0
Development	3.5	3.4	3.4	3.6	3.8	4.1	4.0
County Transfer	2.4	2.6	2.6	2.1	2.1	1.9	1.8
Contigency Fund	-	-	0.0	0.0	0.0	0.0	0.0
	-	-	-	-	-	-	-
BALANCE EXCLUDING GRANTS	**(5.8)**	**(6.1)**	**(5.0)**	**(5.5)**	**(4.0)**	**(3.7)**	**(3.1)**
Grants	0.1	0.2	0.2	0.2	0.3	0.3	0.3
BALANCE INCLUSIVE OF GRANTS	**(5.6)**	**(5.9)**	**(4.7)**	**(5.3)**	**(3.8)**	**(3.4)**	**(2.9)**
Adjustment to cash basis	0.3	-	-	-	-	-	-
BALANCE INCLUSIVE OF GRANTS(cash basis)	**(5.3)**	**(5.9)**	**(4.7)**	**(5.3)**	**(3.8)**	**(3.4)**	**(2.9)**
Discrepancy	(0.1)	0.1	-	-	-	-	-
TOTAL FINANCING	**5.2**	**6.0**	**4.7**	**5.3**	**3.8**	**3.4**	**2.9**
Net Foreign Financing	1.4	1.0	1.5	0.5	1.0	0.9	0.3
Net Domestic Financing	3.8	5.0	3.2	4.8	2.7	2.5	2.5
Nominal GDP (Fiscal year)	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source of Data: National Treasury

2.4.1 Domestic Revenue Mobilization

193. Government will implement a mix of tax administrative and tax policy measures in order to boost revenue collection thereby supporting economic activity. In the FY 2026/27 and over the medium term, the Government will focus on domestic resource mobilization efforts that include:

i) Continued implementation of the National Tax Policy and the Medium-Term Revenue Strategy to progressively strengthen tax revenue mobilization by simplifying and harmonizing tax laws, rationalizing and targeting tax expenditures, and creating a simple, predictable and fair tax system. These reforms aim to enhance compliance, reduce administrative complexity, support investment, and move revenue collection toward 20 percent of GDP in the medium term;

ii) Deepening tax administration reforms through sustained investment in technology to modernize the tax framework, improve compliance, broaden the tax base, strengthen customs valuation, and seal revenue leakages. Leveraging digital systems will promote fairness and ensure that every Kenyan contributes their fair share, reducing the burden on already compliant taxpayers;

iii) Scaling up non-tax revenues by enhancing the capacity of MDAs to effectively generate income from public services and strengthen their operational systems to improve service-based revenue performance.

2.4.2 Expenditure Reforms

194. The Government continues to implement measures to enhance expenditure control and ensure value for money in public spending. Key interventions include the continued enforcement of austerity measures aimed at reducing recurrent expenditure, rollout of end-to-end e-procurement systems to increase transparency, and piloting of the Human Resource Management System (HRMS), which is being deployed across all National Government Ministries and Departments as well as County Governments to improve wage bill management. The Government is also scaling up the use of Public-Private Partnerships (PPPs) for commercially viable projects to leverage private sector participation, and continues to implement governance reforms targeting state corporations.

Implementation of Treasury Single Account

195. To enhance public cash management, the Treasury Single Account (TSA) is being implemented in three phases.

- **Cluster 1 (FY 2024/25):** Migration of Schedule I National Government entities, including constitutional institutions and independent offices.
- **Cluster 2 (FY 2025/26):** Migration of County Governments in close coordination with the Intergovernmental Budget and Economic Council.
- **Cluster 3 (FY 2026/27):** Migration of other National Government entities categorized as Schedule 3, 4, and 5.

196. TSA implementation has already improved cash visibility and reduced idle balances, enabling more efficient utilization of public resources.

Accrual Accounting

197. To strengthen management of public resources, the Government is in the process of transitioning from cash basis to accrual basis of accounting to improve cash management and

enhance financial and fiscal reporting. The transition to accrual accounting process is guided by accounting standards (IPSAS 33). As of November 2025, financial assets including all bank accounts had been fully recognized, while work is ongoing to capture other assets, including physical infrastructure and natural resources, with completion targeted by FY 2026/27. The accrual system will enable comprehensive accounting of all government assets and liabilities, enhancing financial reporting and fiscal oversight.

Zero-based Budgeting Approach

198. The Government has entrenched Zero-Based Budgeting in budget preparation for the FY 2026/27. The IFMIS Budget Module now incorporates standardized costing methodologies, allowing Ministries, Departments, and Agencies (MDAs) to prioritize spending based on program impact and fiscal efficiency. This approach ensures that FY 2026/27 and subsequent budgets are based on credible and cost-effective expenditure frameworks.

Public Investment Management Reforms

199. To deliver value for money in public capital expenditure, the Public Investment Management (PIM) Regulations continue to guide initiation, implementation, and execution of public investment projects. MDAs are required to complete ongoing projects before starting new ones, minimizing fiscal risk. All projects must now undergo environmental and climate risk assessments, including carbon footprint and disaster risk evaluations.

200. To improve the management of development projects in all sectors, the Public Investment Management Information System (PIMIS) system has been rolled out across all National Government MDAs, with ongoing expansion to County Governments, enabling digitized project proposal submission, tracking, and monitoring. A PIM-PPP framework is also being developed to integrate PPP projects into the PIMIS, ensuring transparency, accountability, and optimal resource utilization.

National Assets and Liabilities Management Reforms

201. To enhance the management of assets and liabilities in the public sector, the Government has operationalized Assets and Inventory Management Modules in IFMIS, with 56 State Departments already live and actively uploading asset registers. County Governments, Commissions, and Independent Offices are progressively being integrated. Physical verification exercises are ongoing, and an Asset Valuation Policy Framework is under development to ensure completeness and accuracy of asset registers. Plans are underway to introduce an Asset Tagging Framework to improve tracking and utilization of public sector assets. To bridge resource gaps, the Government is standardizing leasing practices across MDAs and County Governments. A comprehensive Leasing Framework is being developed to provide clear, consistent guidelines for leasing public assets to support private investment.

Pension Reforms

202. To sustain and strengthen the pension reforms, the Government is digitizing and re-engineering the Public Service Superannuation Scheme (PSSS) and non-contributory pension schemes to ensure sustainability and timely payments. Digitization, combined with an end-to-end ERP solution, improves monitoring, reporting, and efficiency. An actuarial valuation of future pension obligations is underway to ensure long-term sustainability and guarantee that beneficiaries receive entitled benefits.

State Owned Enterprises' Reforms

203. Many State-Owned Enterprises (SOEs) have continued to require recurrent budget support, on-lending, and Government guarantees, thereby creating significant contingent liabilities for the Exchequer. To mitigate these fiscal risks and reallocate public resources towards priority social and development expenditures, the Government is implementing a comprehensive programme of SOE reforms, including privatization, partial divestiture, and strategic partnerships.

204. In January 2025, the Cabinet approved far-reaching reforms to streamline State Corporations and strengthen governance, accountability, and operational efficiency. These reforms entail:

i) Merger of 42 State Corporations into 20 entities to improve operational efficiency and eliminate redundancy as some have duplicating and or overlapping mandates;

ii) Dissolution of 25 State Corporations and their functions transferred back to their parent ministries or other State Corporations;

iii) Restructuring six State Corporations to align their mandates for improved performance;

iv) Declassification of four public funds currently categorized as State Corporations and transferring their functions back to the relevant ministries; and,

v) Declassification of 13 professional bodies currently categorized as State Corporations to private entities with no exchequer budget.

205. The reform agenda is anchored in the Government-Owned Enterprises Act, 2025, which was passed by Parliament in October 2025 and assented to by the President in November 2025. The Act establishes a comprehensive legal framework for governance, oversight, and performance management of Government-Owned Enterprises (GOEs), requiring them to operate as commercially viable entities under clear governance standards, including merit-based board appointments and robust performance contracts, with the objective of enhancing efficiency, transparency, and accountability while reducing fiscal risks to the Exchequer.

206. Consistent with this framework, the Government has approved the partial privatization of Kenya Pipeline Company (KPC) through an Initial Public Offering (IPO) on the Nairobi Securities Exchange, involving the sale of 65 percent of Government shareholding while retaining a strategic 35 percent stake. The transaction is targeted for completion by 31st March 2026 and is expected to generate approximately KSh 100 billion, contributing to domestic revenue mobilization and deepening capital market participation.

207. Further, the Government has agreed to a partial divestment of its stake in Safaricom PLC, involving the sale of 15 percent of its shares to Vodafone Kenya (part of the Vodacom Group) at approximately KSh 34 per share, raising an estimated KSh 204 billion, together with an upfront payment of KSh 40.2 billion in respect of future dividends, bringing total proceeds to about KSh 244 billion. Following the transaction, Government shareholding will stand at 20 percent, Vodafone at 55 percent, and public investors at 25 percent. The proceeds will be applied to support priority national infrastructure investments and broader economic development objectives.

2.4.3 Deficit Financing Policy

208. The Government will continue to mobilize resources from both domestic and external sources to finance fiscal deficits to meet its debt maturities as guided by the Medium-Term Debt Management Strategy. External financing will remain focused on concessional and semi-concessional facilities from multilateral and bilateral partners, while commercial borrowing will

be limited to liability management operations and to priority projects that are unable to secure concessional funding but are aligned to the national development agenda.

209. On the domestic front, the Government will prioritize the issuance of medium to long-term Treasury bonds to reduce refinancing risks and smoothen the redemption profile, while the use of short-term Treasury bills will be restricted to liquidity management purposes. In line with the PFM Act, Cap 412A, the Government will also continue to broaden the investor base and introduce new instruments to enhance market depth. To diversify financing sources, the Government will explore alternative instruments including sustainability-linked bonds, diaspora bonds, Samurai bonds and Panda bonds. The Government remains firmly committed to narrowing fiscal deficits over the medium term to contain the growth of public debt and safeguard fiscal sustainability.

2.5 Kenya's Macroeconomic Outlook

210. Kenya's economic outlook is expected to strengthen in 2025 and 2026, with real GDP projected to grow by 5.3 percent **(see Table 2.6 for calendar years and Annex Table 1 for fiscal years).** On the supply side, the recovery will be anchored by a robust agricultural sector, steady expansion in services, and a gradual rebound in industry. Agriculture is expected to benefit from favourable weather conditions, climate-smart investments, and Government initiatives aimed at improving productivity and market access. Strong linkages between agriculture and other sectors, particularly agro-processing, exports, and rural household incomes, will continue to support broad-based growth.

211. Industrial activity is projected to firm up over the medium term, supported by easing production costs and a more stable exchange rate environment. The construction industry is set for a notable turnaround following the clearance of verified pending bills, which will help restart stalled projects, improve liquidity for contractors, and stimulate related industries such as manufacturing and construction materials. Kenya's dynamic services sector, especially finance, ICT, and trade, is expected to retain momentum. Government efforts to promote sustainable tourism, expand community-based tourism models, and enhance port infrastructure to support cruise tourism will further lift hospitality and transport services.

212. On the demand side, private consumption and investment are expected to remain resilient, supported by a favourable macroeconomic environment. Lower inflation and prudent monetary policy will help improve household purchasing power and ease cost pressures on firms. Remittances, Kenya's largest source of foreign exchange, are projected to remain strong and provide an additional buffer for household consumption. The ongoing decline in lending rates will improve credit affordability for businesses and households, stimulating private investment, enterprise expansion, and job creation.

213. Private investment will also be reinforced by measures aimed at improving competitiveness, reducing regulatory bottlenecks, and strengthening market efficiency. Positive investor sentiment, improved access to international markets, adherence to fiscal consolidation, and a more stable exchange rate anchored on credible monetary policy and sound liability-management practices will enhance Kenya's investment climate. The expansion of Public–Private Partnerships (PPPs) is expected to play a major role in closing infrastructure gaps. The harmonized Public Investment Policy, now fully operational, aligns PPP and Public Investment Management processes to ensure coordinated planning and execution. Over the medium term, the Government will prioritize PPP investments across key sectors including Agriculture, Roads, Transport and Logistics, Urban Development and Housing, Energy, Water, ICT, Agribusiness and Manufacturing, and Health. Ongoing privatization of select State-owned enterprises will

complement these efforts by improving efficiency, attracting both domestic and foreign investors, and creating fiscal space for priority development programs.

214. Growth in public consumption is expected to remain modest in line with the medium-term fiscal adjustment. Recurrent expenditure as a share of GDP is projected to gradually decline, while development spending is expected to rise to support implementation of BETA priorities. To support private-sector liquidity and stimulate economic activity, the Government will continue efforts to clear pending bills, especially those in the roads sector. These payments will be facilitated through a bond issuance by the Kenya Roads Board. In addition, major infrastructure investments will increasingly leverage PPP arrangements to reduce pressure on the exchequer.

215. Kenya's external position is expected to remain stable over the medium term, supported by rising exports and an improving global environment. The implementation of key trade agreements, stronger growth in Kenya's main regional markets in Africa, and lower international commodity prices will help strengthen export performance. The removal of certain export tariffs by China, and improved access to European Union markets, are expected to enhance Kenya's export competitiveness, boost foreign exchange earnings, and narrow the external imbalance. Continued resilience in agricultural exports, particularly horticulture and tea, will remain a core driver of external sector stability.

216. Stabilizing global economic conditions are expected to strengthen diaspora remittances and support continued growth in tourism and transport services. The expected rebound in service exports, particularly tourism, ICT-enabled services, and transport, will help cushion the economy against reduced income flows from declining donor support. Import growth is projected to pick up as domestic demand strengthens, supported by a stable exchange rate and industrial recovery. The increase in imports will mainly reflect higher demand for raw materials to support manufacturing and industrial activity, as well as consumer goods required to meet rising household consumption.

Monetary Policy Management

217. The Central Bank of Kenya (CBK) manages monetary policy with the primary objective of maintaining price and financial stability to support sustainable economic growth. The framework is anchored on an inflation-targeting regime, with the current target set at 5±2.5 percent. The introduction of core and non-core inflation measures in January 2025 has enhanced CBK's capacity to make data-driven policy decisions, with core inflation providing a more accurate reflection of underlying price trends and structural price pressures.

218. The Monetary Policy Committee (MPC) continues to implement reforms outlined in the White Paper on Modernization of the Monetary Policy Framework and Operations. These reforms aim to enhance the effectiveness of monetary policy, strengthen the anchoring of inflation expectations, and improve the overall transmission of policy decisions to the economy. Key elements include the shift toward a forward-looking, interest-rate-based framework, strengthened liquidity management instruments, enhanced policy communication and transparency, and upgraded market infrastructure to deepen financial markets and support investor confidence.

219. A significant milestone in this transition is the introduction of a revised Risk-Based Credit Pricing Model (RBCPM) for the banking sector to strengthen monetary policy transmission, enhance transparency in lending, and promote responsible credit allocation. Under the RBCPM, lending rates are linked to the Kenya Shilling Overnight Interbank Average rate (KESONIA), reflecting borrowers' risk profiles and aligning with international best practices. The total lending rate comprises KESONIA plus a risk-adjusted premium ("K") that covers operational

costs, expected returns, and borrower risk, while the total cost of credit includes applicable fees and charges. To promote transparency and informed borrowing, banks are required to publish weighted average lending rates, risk premiums, and associated fees for all lending products on their websites and on the Total Cost of Credit (TCC) platform.

220. In a major step to modernize Kenya's financial infrastructure, the CBK extended the operating hours of the Kenya Electronic Payment and Settlement System (KEPSS) and the national Real Time Gross Settlement (RTGS) system, effective July 1, 2025. This strategic enhancement strengthens the efficiency, accessibility, and resilience of the country's payment ecosystem, supporting Kenya's transition toward a 24/7 digital economy, facilitating seamless cross-border transactions, and improving the country's competitiveness as a regional financial hub. These upgrades also promote financial inclusion by enhancing access to digital payment systems for households and businesses.

221. Looking ahead, monetary policy will continue to focus on preserving the credibility of the inflation-targeting framework, improving the transmission of policy rates to lending rates, and safeguarding financial stability. Policy efforts will ensure that monetary conditions remain supportive of private sector credit growth and broader economic activity, underpinned by prudent fiscal management, robust financial sector oversight, and continued development of digital financial infrastructure to enhance efficiency and inclusivity in the economy.

Macroeconomic Assumptions Underlying the Medium Term Fiscal Framework

222. 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) Favourable 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 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 2.6: Kenya's Macroeconomic Indicators and Projections

	2023 Act.	2024 Act.	2025 Est.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.	2030 Proj.
annual percentage change, unless otherwise indicated								
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: Agricuture	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	5.8	4.5	4.6	4.9	4.9	4.8
CPI Index (eop)	6.6	4.2	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	3.8	2.3	3.7	3.9	5.5	5.5
Exchange Rate (Ksh/US$, average)								
Money and Credit (end of period)								
Net domestic assets	3.1	9.4	11.6	10.1	9.8	9.6	9.7	7.9
Net domestic credit to the Government	14.2	14.2	9.2	7.0	5.1	5.1	4.4	1.8
Credit to the rest of the economy	3.1	4.0	7.5	10.4	11.4	11.2	11.7	2.6
Broad Money, M3 (percent change)	7.2	9.2	10.4	10.3	10.5	10.5	10.5	7.7
Reserve money (percent change)	7.9	3.4	9.2	10.2	10.3	10.4	10.4	7.6
in percentage of GDP, unless otherwise indicated								
Investment and Saving								
Consumption	**89.2**	**88.8**	**89.3**	**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**	**15.6**	**15.6**	**15.5**
Central Government	4.2	4.2	4.2	4.3	4.4	4.6	4.6	4.6
Private	12.3	12.6	11.3	11.4	11.3	11.0	11.1	10.9
Gross National Saving	**12.3**	**14.1**	**14.2**	**14.4**	**13.9**	**14.5**	**14.1**	**14.3**
Central Government	-4.1	-5.0	-5.3	-5.7	-4.7	-3.4	-2.9	-2.4
Private	16.5	19.0	19.5	20.1	18.7	17.9	16.9	16.7
Exports value, goods and services	16.8	17.0	15.6	14.2	13.5	12.4	12.3	15.3
Imports value, goods and services	24.3	23.1	21.2	19.7	18.1	17.1	16.1	15.4
Current Account Balance	-4.2	-2.7	-1.3	-1.3	-1.7	-1.1	-1.6	-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	16.7	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	-5.5	-4.0	-3.7	-3.1
Overall Fiscal Balance, incl. Grants	-5.9	-5.6	-5.9	-4.7	-5.3	-3.8	-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	-5.3	-3.8	-3.4	-2.9
Primary Budget Balance	-0.8	0.1	-0.2	1.0	0.4	1.6	1.5	1.4
Net domestic borrowing	3.2	3.8	5.0	3.2	4.8	2.7	2.5	2.5
Public debt in Fiscal years								
Nominal Government Public Debt (eop), Gross	71.9	67.5	68.9	68.3	67.3	64.7	61.9	58.9
Nominal Public Debt (eop), Net of Deposits	68.5	64.2	65.4	65.2	64.5	62.1	59.6	56.9
Domestic (Gross) Debt	33.8	34.5	36.9	38.4	39.7	38.6	37.5	36.5
Domestic (Net) Debt	30.4	31.2	33.4	35.3	36.8	36.1	35.2	34.4
External Debt	38.1	33.0	32.0	29.9	27.6	26.0	24.4	22.5
Memorandum Items:								
Nominal GDP (in Ksh Billion)	15,109	16,224	18,073	19,882	21,951	24,242	26,795	29,573
Per capita income (Ksh)	294,504	309,722	337,965	364,296	386,419	418,427	453,593	491,102
Nominal GDP (in US$ Million)	108,037	121,256	139,756	154,012	169,970	186,978	206,795	228,892

Source: The National Treasury

2.6 Risks to the Economic Outlook

223. Kenya's economic outlook faces several downside risks that could constrain growth and challenge macroeconomic stability. Domestically, extreme weather events, such as droughts, floods, and prolonged dry spells, pose significant threats to agricultural output. Disruptions in food production could lead to elevated food prices, fuelling inflationary pressures and reducing household purchasing power. Climate-related damage to infrastructure, including roads, bridges, and irrigation systems, could further disrupt economic activities and increase Government spending on emergency response and reconstruction, diverting resources from development priorities.

224. On the external front, rising costs of imported fuel and food, driven by global supply shocks, geopolitical tensions, or trade restrictions, could amplify inflation and increase production costs for businesses. Volatility in international financial markets, fluctuations in commodity prices, and tighter global financing conditions may also adversely affect investment flows and exchange rate stability. Uncertainty surrounding trade policies, tariffs, or regional trade agreements could further impede export growth and cross-border commerce.

225. Despite these potential headwinds, there are significant upside opportunities. Accelerated implementation of structural reforms under BETA and the Fourth Medium-Term Plan, including enhanced public financial management, improved expenditure efficiency, governance reforms, and streamlined business regulations, could boost investor confidence, attract private investment, and spur economic activity. A supportive global economic environment, characterized by stable commodity prices, declining oil prices, and robust external demand, could further strengthen export earnings, foreign exchange inflows, and overall economic resilience. Additionally, Kenya's transition to climate-smart agriculture, renewable energy investments, and enhanced disaster preparedness can mitigate some domestic risks, supporting more sustainable and inclusive growth.

226. Sustained coordination between monetary and fiscal policies will remain critical in maintaining a stable macroeconomic environment conducive to investment, savings, and growth. The Government will continue to closely monitor both domestic and international developments and implement timely policy interventions to shield the economy from adverse shocks, while promoting structural transformation and resilience in key sectors such as agriculture, energy, manufacturing, and services.

III. BUDGET FOR FY 2026/27 AND THE MEDIUM TERM

3.1 Fiscal Framework for FY 2026/27 and Medium-Term Budget

227. The FY 2026/27 budget and the medium-term expenditure framework are anchored on the Government's policy priorities and the macroeconomic strategy outlined in Chapters I and II. In advancing the Bottom-Up Economic Transformation Agenda (BETA), the Government will sustain its growth-supportive fiscal consolidation efforts by restraining expenditures and strengthening revenue mobilization. This approach is intended to moderate the pace of public debt accumulation while ensuring that delivery of essential public services remains uncompromised.

Revenue Projections

228. Total revenues, inclusive of Appropriation-in-Aid, are forecast at KSh 3,487.0 billion (16.7 percent of GDP) in FY 2026/27, up from the projected KSh 3,321.7 billion (17.5 percent of GDP) in FY 2025/26. Within this, ordinary revenue is expected to reach KSh 2,901.9 billion (13.9 percent of GDP), compared to the projected KSh 2,754.7 billion (14.5 percent of GDP) in FY 2025/26 **(Annex Tables 2 and 3)**. Revenue performance will be supported by ongoing reforms in tax policy and revenue administration aimed at broadening the tax base and enhancing compliance.

Expenditure Projections

229. Overall expenditures and net lending are projected at KSh 4,641.9 billion (22.2 percent of GDP) in FY 2026/27, compared to KSh 4,269.9 billion (22.5 percent of GDP) projected for FY 2025/26. The FY 2026/27 expenditure outlook comprises recurrent spending of KSh 3,431.2 billion (16.4 percent of GDP); development expenditure of KSh 759.1 billion (3.6 percent of GDP); transfers to County Governments amounting to KSh 446.6 billion; and an allocation of KSh 5.0 billion to the Contingency Fund.

Deficit Financing

230. Based on the projected revenue and expenditure framework, the fiscal deficit including grants is expected to reach KSh 1,106.1 billion (5.3 percent of GDP) in FY 2026/27, from the projected deficit of KSh 901.0 billion (4.7 percent of GDP) in FY 2025/26.

231. The FY 2026/27 fiscal deficit will be financed through net external borrowing amounting to KSh 99.5 billion (0.5 percent of GDP) and net domestic financing of KSh 1,006.6 billion (4.8 percent of GDP).

3.2 FY 2026/27 and Medium-Term Budget Priorities

232. The FY 2026/27 and the Medium-Term Framework will continue on the implementation of the Bottom-up Economic Transformation Agenda (BETA) as prioritized in the Medium-Term Plan (MTP) IV for Kenya Vision 2030. The Agenda is geared towards economic turnaround and inclusive growth, and aims to increase investments in the five core pillars envisaged to have the largest impact to the economy as well as on household welfare. These include: Agricultural Transformation and Inclusive Growth; Micro, Small and Medium Enterprise (MSME); Housing and Settlement; Healthcare; and Digital Superhighway and Creative Industry.

233. The Government will prioritize implementation of strategic interventions under the following key enablers: Infrastructure; Manufacturing; Blue Economy; Services Economy, Environment and Climate Change; Education and Training; Women Agenda; Social Protection;

Sports, Culture and Arts; Youth Empowerment and Development Agenda; Governance; and Foreign Policy and Regional Integration.

3.3 Budgetary Allocations for the FY 2026/27 and the Medium-Term

234. The total budget for FY 2026/27 is projected at KSh 4,727.6 billion. The allocations to the three Arms of Government including sharable revenues to the County Governments is summarized in **Table 3.1**.

Table 3.1: Summary Budget Allocations for the FY2026/27 – 2028/29 (KSh Million)

S/NO.	Details	Financial Years			
		Approved	BPS Projection		
		2025/26	2026/27	2027/28	2028/29
1.0	National Government	2,549,544.0	2,879,924.5	3,295,849.8	3,469,067.9
	Executive	2,473,773.5	2,801,203.9	3,213,937.3	3,382,879.2
	Parliament	47,990.7	48,778.9	51,054.4	52,903.7
	Judiciary	27,779.8	29,941.8	30,858.2	33,285.1
2.0	Consolidated Fund Services	1,337,324.8	1,427,685.3	1,493,716.6	1,527,230.5
3.0	County Government- Sharable Revenue	415,000.0	420,000.0	440,882.5	450,377.2
	Total……………….KSh	**4,301,868.7**	**4,727,609.8**	**5,230,448.9**	**5,446,675.6**
% Share in the Total Allocation					
1.0	National Government	59.3	60.9	63.0	66.3
	Executive	57.5	59.3	61.4	64.7
	Parliament	1.1	1.0	1.0	1.0
	Judiciary	0.6	0.6	0.6	0.6
		-	-	-	-
2.0	Consolidated Fund Services	31.1	30.2	28.6	29.2
3.0	County Government	9.6	8.9	8.4	8.6
Notes*					
** Consolidated Fund Services(CFS)is composed of domestic interest, foreign interest and pension& salaries for State Officers*					
***County Government allocation is composed of sharable allocation*					

Source: The National Treasury

Criteria for Resource Allocation

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

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

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

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

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

a. *On-going projects:* emphasis was given to completion of on-going capital projects and in particular infrastructure projects with high impact on poverty reduction, equity and employment creation;

b. *Counterpart funds:* priority was given to adequate allocations for donor counterpart funds which is the portion that the Government must finance in support of the projects financed by development partners; and

c. *Strategic policy interventions:* further priority was given to policy interventions covering the entire nation, regional integration, social equity and environmental conservation.

3.4 Details of Sector Priorities

239. **Table 3.2** provides the projected baseline ceilings for the FY 2026/27 and the medium-term, classified by sector. **Annex Table 4** provides a summary of expenditures by programmes for the FY 2025/26– 2027/28 period.

Table 3.2: Summary of Budget Allocations for the FY2026/27– 2028/29 (KSh Million)

Code	Sector		Approved Budget	BPS Projection			% Share in Total Ministerial Expenditure			
			FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	Approved Budget FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29
010	Agriculture, Rural & Urban Development (ARUD)	**Subtotal**	**82,407.8**	**97,007.0**	**91,189.6**	**101,647.6**	**3.2**	**3.4**	**2.8**	**2.9**
		Rec_Gross	34,409.7	41,357.6	44,108.5	47,342.6	1.9	2.0	2.1	2.1
		Dev_Gross	47,998.1	55,649.4	47,081.1	54,305.0	6.4	6.5	4.0	4.3
020	Energy, Infrastructure and ICT	**Sub_Total**	**534,627.8**	**594,517.4**	**894,636.0**	**894,928.0**	**21.0**	**20.6**	**27.1**	**25.8**
		Rec_Gross	154,186.4	151,621.4	155,024.0	159,778.0	8.5	7.5	7.4	7.2
		Dev_Gross	380,441.4	442,896.0	739,612.0	735,150.0	51.1	51.8	62.3	58.6
030	General Economic and Commercial Affairs (GECA)	**Sub_Total**	**58,159.9**	**62,942.9**	**70,492.0**	**72,719.7**	**2.3**	**2.2**	**2.1**	**2.1**
		Rec_Gross	36,558.4	37,562.7	40,181.1	41,740.6	2.0	1.9	1.9	1.9
		Dev_Gross	21,601.5	25,380.2	30,310.9	30,979.1	2.9	3.0	2.6	2.5
040	Health	**Sub_Total**	**138,105.5**	**167,406.6**	**197,376.8**	**203,125.5**	**5.4**	**5.8**	**6.0**	**5.9**
		Rec_Gross	110,608.3	136,023.8	156,938.5	164,145.2	6.1	6.7	7.4	7.4
		Dev_Gross	27,497.3	31,382.8	40,438.3	38,980.3	3.7	3.7	3.4	3.1
050	Education	**Sub_Total**	**703,066.2**	**767,314.1**	**816,340.1**	**869,390.6**	**27.6**	**26.6**	**24.8**	**25.1**
		Rec_Gross	673,286.4	737,201.1	781,274.1	825,548.6	37.3	36.4	37.1	37.3
		Dev_Gross	29,779.7	30,113.0	35,066.0	43,842.0	4.0	3.5	3.0	3.5
060	Governance, Justice, Law and Order (GJLO)	**Sub_Total**	**283,043.1**	**329,689.5**	**339,253.2**	**344,876.2**	**11.1**	**11.4**	**10.3**	**9.9**
		Rec_Gross	264,119.2	303,759.8	310,984.7	312,676.5	14.6	15.0	14.7	14.1
		Dev_Gross	18,923.9	25,929.7	28,268.5	32,199.7	2.5	3.0	2.4	2.6
070	Public Administration and International Relations (PAIR)	**Sub_Total**	**321,503.2**	**367,496.8**	**385,257.6**	**416,413.8**	**12.6**	**12.8**	**11.7**	**12.0**
		Rec_Gross	194,678.1	228,778.9	243,667.4	266,363.2	10.8	11.3	11.6	12.0
		Dev_Gross	126,825.1	138,717.9	141,590.2	150,050.6	17.0	16.2	11.9	12.0
080	National Security	**Sub_Total**	**253,770.2**	**299,617.3**	**295,255.4**	**312,475.5**	**10.0**	**10.4**	**9.0**	**9.0**
		Rec_Gross	248,836.2	291,683.3	281,321.4	293,541.5	13.8	14.4	13.3	13.3
		Dev_Gross	4,934.0	7,934.0	13,934.0	18,934.0	0.7	0.9	1.2	1.5
090	Social Protection, Culture and Recreation	**Sub_Total**	**78,994.4**	**87,224.7**	**83,382.3**	**90,362.9**	**3.1**	**3.0**	**2.5**	**2.6**
		Rec_Gross	54,145.3	60,732.0	55,847.6	61,556.6	3.0	3.0	2.6	2.8
		Dev_Gross	24,849.1	26,492.7	27,534.8	28,806.3	3.3	3.1	2.3	2.3
0100	Environment Protection, Water and Natural Resources	**Sub_Total**	**95,866.7**	**106,708.0**	**122,673.0**	**163,130.0**	**3.8**	**3.7**	**3.7**	**4.7**
		Rec_Gross	33,879.1	36,210.0	39,081.0	42,176.0	1.9	1.8	1.9	1.9
		Dev_Gross	61,987.5	70,498.0	83,592.0	120,954.0	8.3	8.2	7.0	9.6
	Grand Total	**Sub_Total**	**2,549,544.8**	**2,879,924.2**	**3,295,856.0**	**3,469,069.7**	**100.0**	**100.0**	**100.0**	**100.0**
		Rec_Gross	1,804,707.1	2,024,930.5	2,108,428.3	2,214,868.7	70.8	70.3	64.0	63.8
		Dev_Gross	744,837.7	854,993.6	1,187,427.7	1,254,201.0	29.2	29.7	36.0	36.2

Source of Data: National Treasury

Agriculture Rural and Urban Development Sector

240. The ARUD sector encompasses five key sub-sectors: the State Departments for Agriculture, Blue Economy and Fisheries, Lands and Physical Planning, Livestock Development, and the National Land Commission. It is instrumental in executing Kenya's development agenda, aligning with Vision 2030, Medium-Term Plans, the Bottom-Up Economic Transformation Agenda (2022-2027), the Agricultural Sector Transformation and Growth Strategy (2019-2029), Sustainable Development Goals, and other policies.

241. During FY 2022/23 to 2024/25, the sector supported agricultural diversification and technology transfer by distributing over 3.5 million seedlings—including macadamia, avocado, coconut, cashew nuts, coffee, and pawpaw—and supplying approximately 1.1 million metric tonnes of fertilizer and 40,000 metric tonnes of lime to over 3.1 million beneficiaries. Insurance coverage was extended to nearly 250,000 farmers across 41 counties, focusing on crops like maize, potatoes, and green grams. Six fish landing sites were rehabilitated to enhance processing and value addition, while grants totaling KSh 3.37 billion supported over 83,000 members of Common Interest Groups to promote livelihood diversification and reduce fishing pressure. The sector also developed fisheries management plans for lobster, marine aquariums, small purse seine fishing, and Lake Turkana

242. In land management, the sector registered over 1.2 million title deeds, established geodetic control points, geo-referenced land parcels, settled over 33,500 households—including squatters and landless individuals—and processed more than 10,000 allotment letters to improve land governance. It issued land use advisories, resolved disputes through various mechanisms, and developed policies and bills for livestock development. Additionally, the sector inspected and certified nearly 17,000 milk handling premises, conducted extensive milk quality testing, and produced millions of semen straws for breeding programs.

243. Looking ahead to 2026/27–2028/29, the sector aims to enhance land rights, secure livelihoods, and promote sustainable land use. Priorities include issuing over 1.3 million title deeds, resolving 6,000 land disputes, and installing 17 COR stations for geo-referencing land parcels. Fishery development will focus on constructing 26 landing sites and completing key aquaculture centers. The sector plans to produce millions of semen straws, inspect thousands of milk premises, vaccinate cattle against Foot and Mouth Disease, and supply fertilizers and soil health services to millions of farmers. Industrial crop expansion will be supported through increased production of edible oil, cotton seed, and palm seedlings.

244. Funding allocations for these initiatives are projected at KSh 97 billion in 2026/27, KSh 91.2 billion in 2027/28, and KSh 101.6 billion in 2028/29, reflecting the sector's commitment to sustainable development and economic growth.

Energy, Infrastructure, and ICT (EII) Sector

245. The Energy, Infrastructure, and ICT (EII) Sector is crucial to Kenya's socio-economic development, serving as both a driver and enabler across various sectors. It aims to promote sustainable infrastructure in roads, transport, housing, digital connectivity, and energy, aligning with Kenya Vision 2030, Bottom-Up Economic Transformation Agenda (BETA), the Fourth Medium-Term Plan (MTP IV) 2023–2027, regional commitments like Africa Agenda 2063, and the Sustainable Development Goals (SDGs).

246. The sector has made significant progress. In roads, over 1,798 kilometers were constructed, and routine maintenance covered more than 102,561 kilometers. Key milestones also include acquiring the MV Uhuru II ferry, completing the Miritini–Mombasa railway link, and upgrading major ports with new cranes. The affordable housing program completed 2,185 units, while the Kenya Informal Settlement Improvement Project (KISIP II) delivered infrastructure such as security and floodlights, access roads, drainage systems, and created thousands of jobs. Additionally, designs and supervision for new government buildings and pedestrian bridges have enhanced mobility and service delivery.

247. ICT advancements included laying 7,152 kilometers of fiber optic cables, connecting over 1,100 public institutions and 82 hospitals, and digitizing 17,668 government services via the e-Citizen platform. The Ajira Digital Programme trained over 1.5 million youths, promoting digital inclusion. The energy sector increased capacity by 160 MW, connecting over 1.1 million new

customers, and expanded off-grid solutions with mini-grids and solar home systems. The petroleum sector supported clean cooking initiatives and stabilized fuel prices.

248. Looking ahead, the sector plans to expand infrastructure with 1,891 km of new roads and extensive maintenance. Priorities include modernizing the railway system, completing port berths, establishing logistic hubs, and enhancing maritime safety through programs like Vijana Baharia. Housing targets include constructing over 505,000 units and 506 markets. Energy plans involve adding 275.5 MW of capacity, drilling geothermal wells, and connecting 900,000 new customers. Digital infrastructure will see the installation of 37,645 km of fiber, internet access for 18,680 institutions, and 27,516 Wi-Fi hotspots, aiming for full automation of government services. The petroleum sector will focus on oil production in Turkana, resource evaluation, and expanding LPG reticulation in social housing.

249. Funding for these initiatives is allocated at KSh 594.5 billion for 2026/2027, KSh 894.6 billion for 2027/2028, and KSh 894.9 billion for 2028/2029.

General Economic and Commercial Affairs Sector

250. The General Economic and Commercial Affairs (GECA) Sector plays a vital role in fostering economic growth through policy development, programme implementation, and project execution that promote trade, industrialization, investment, enterprise development, market access, private sector growth, employment, and competitiveness at local, regional, and international levels. It also emphasizes environmental conservation and climate change mitigation in its initiatives.

251. Between 2022/23 and 2024/25, the sector achieved significant progress across various sub-sectors. Key accomplishments include the implementation of policies and reforms aligned with government priorities, growth in membership of SASRA-regulated SACCOs to 7.4 million, and the construction of 21 County Aggregation and Industrial Parks. The modernization of Rivatex machinery, registration of 6,392 industrial property rights, and training of over 13,000 students and SMEs in industrial and entrepreneurial skills highlight the sector's focus on innovation and capacity building.

252. Employment creation was notable, with 62,304 jobs generated against a target of 75,496, supported by investments totaling KSh 3,798 billion domestically and USD 1.503 billion in foreign direct investment. The MSMEs sub-sector disbursed KSh 72 billion through the Financial Inclusion Fund and KSh 4.86 billion via Kenya Industrial Estates, creating approximately 290,000 jobs. International visitor arrivals increased from 1.65 million to 2.4 million, with earnings rising from KSh 297.3 billion to KSh 458.2 billion, driven by marketing efforts and the Electronic Travel Authorization system.

253. Kenya's total export value grew from KSh 1,007.9 billion to KSh 1,112.3 billion, supported by trade agreements with the EU, UK, and UAE. Regional policy development and capacity building included training 436 youth, women, and persons with disabilities on the EAC Simplified Trade Regime. The ASALs and Regional Development sub-sector completed key projects such as leather processing, mango processing, land rehabilitation, and irrigation, benefiting thousands of households and livestock

254. Looking ahead to 2026/27 and beyond, the sector plans to implement 16 programmes aligned with Kenya Vision 2030 and BETA priorities. These include initiatives in regional development, trade promotion, industrial growth, standards, MSME support, digitization, investment promotion, tourism, regional integration, and administrative support.

255. The sector's budget allocations are KSh 62.9 billion for 2026/27, increasing to KSh 70.5 billion in 2027/28 and KSh 72.7 billion in 2028/29.

Health Sector

256. The health sector in Kenya continues to advance its commitment to the constitutional right to health, aligning with national development frameworks such as Vision 2030, MTP IV, and BETA. Guided by the Kenya Health Policy (2014–2030) and Universal Health Coverage (UHC), significant progress has been made from FY 2022/23 to 2024/25 in strengthening community health systems, expanding specialized services, and implementing health financing reforms.

257. During this period, the sector expanded Primary Health Care Networks to 228 out of 315 facilities and deployed 107,831 Community Health Promoters, improving household care for over 7.8 million families. Public health capacity was enhanced with antimicrobial resistance testing laboratories increasing from 17 to 28. Child health indicators remained strong, with Vitamin A supplementation and Penta-3 immunization coverage exceeding 83 percent. HIV prevalence decreased from 3.7 percent to 3.03 percent, ART coverage reached 87 percent, and malaria incidence declined by 27 percent. TB treatment success improved to 89 percent, and screening for hypertension and diabetes expanded. Early cancer detection services were introduced in 30 counties.

258. Availability of essential medicines increased to 62 percent, digitalization of health facilities reached 18 percent, and blood collection totalled 333,533 units. Human resource capacity was strengthened through the placement of 16,810 interns, evaluation of 229 training institutions, and registration of 4,281 previously unregulated health professionals

259. Specialized and referral services expanded significantly, with national hospitals performing complex surgeries, oncology treatments, dialysis, imaging, and transplants. Notable milestones included Kenya’s first renal artery bypass surgery and advanced cancer imaging. Enrolment at Kenya Medical Training College increased from 25,889 to 35,513, alongside infrastructure upgrades across county facilities.

260. Health financing reforms progressed with the rollout of the Social Health Insurance Fund (SHIF), Primary Health Care Fund (PHC-F), and Emergency, Chronic, and Critical Illness Fund (ECCIF). Funding for these initiatives increased to KSh 13.1 billion (PHC-F) and KSh 8 billion (ECCIF) in FY 2025/26, with SHIF registration reaching 25 million Kenyans by October 2025, marking a significant step toward financial protection.

261. Looking ahead to FY 2026/27–2028/29, the sector aims to deepen UHC implementation by strengthening community health, expanding health financing schemes, increasing health workforce, enhancing regulation, promoting local manufacturing, advancing digital health, and modernizing laboratories and referral systems. Emphasis will also be placed on emergency preparedness, antimicrobial resistance containment, climate resilience, and governance.

262. Future efforts will focus on resource mobilization, regulation under the Social Health Authority, local health product manufacturing, digital health expansion, and improved coordination of disease control programs. The sector is committed to delivering equitable, accessible, and quality healthcare for all Kenyans, with allocated budgets of KSh 167.4 billion, KSh 197.4 billion, and KSh 203.1 billion for FY 2025/26, FY 2026/27, and FY 2027/28, respectively.

Education Sector

263. The Education Sector is vital for human capital development, providing inclusive, equitable, and quality education, training, and research. It encompasses Basic Education, Technical and Vocational Education and Training (TVET), Higher Education, Science, Technology, Innovation, and the Teachers Service Commission, guided by Kenya's 2010

Constitution, Vision 2030, the Fourth Medium Term Plan, the Bottom-Up Economic Transformation Agenda, and the 2023–2027 National Education Sector Strategic Plan.

264. During the review period, the sector made significant progress in access, equity, quality, and relevance, driven by reforms such as Competence-Based Education (CBE), institutional modernization, and enhanced learner support systems.

Basic Education

265. Improvements in enrolment and learning conditions were notable. Junior Secondary enrolment tripled from 1.02 million in 2022/23 to 3.13 million in 2024/25, reflecting the CBC rollout. Secondary enrolment increased from 3.69 million to 4.04 million before stabilizing at 3.35 million after a transition period. Infrastructure development included 13,500 classrooms, 863 laboratories, and 1,896 sanitation facilities. Equity initiatives, such as the Elimu Scholarship Programme and School Meals Programme, supported thousands of learners annually. Assessment stability was maintained with over 1.24 million KPSEA candidates, and support for learners with special needs was enhanced through assistive devices and targeted interventions.

Technical and Vocational Education and Training (TVET)

266. TVET experienced expansion and quality improvements. Enrolments grew from 562,499 to 708,885, with accredited institutions increasing from 2,401 to 2,969. The implementation of Competency-Based Education (CBE) advanced, with assessed and certified candidates rising from 16,083 to 214,275. Trainer capacity was strengthened through recruitment and professional development, with a 260 percent increase in training participation. Infrastructure development included 36 completed projects and 108 ongoing ones, supported by scholarships benefiting over 110,000 students.

Higher Education and Research

267. Access, financing, and innovation output improved. University enrollment increased from 638,479 to 680,768 in 2023/24, then decreased to 547,092 in 2024/25 following funding reforms. Student financing expanded, with loan beneficiaries rising significantly with university loan beneficiaries increasing from 228,453 to 415,335 and TVET loan beneficiaries from 122,321 to 277,774. The Open University of Kenya enrolled 5,063 students in 30 digital programs. Research and innovation activities included 52 incubated innovations, 430 trained innovators, and 78 outstanding innovators. Major development projects were completed, with ongoing initiatives supporting research and innovation ecosystems.

Teachers Service Commission (TSC)

268. The TSC enhanced teacher recruitment, capacity, and welfare. Promotions reached 126,462 teachers, and recruitment continued through various programs. Teacher retooling on CBE involved 220,097 educators. Digitization of 403,476 teacher files improved records management, and infrastructure was expanded with new county offices in Kilifi and Machakos.

Science, Research, and Innovation

269. Research activities increased, with licensed studies rising from 8,187 to 12,339 and over 242 projects funded. Innovation support included incubating 8–12 innovations annually, contributing to science and technology solutions aligned with national priorities.

Future Priorities (FY 2026/27–2028/29)

270. The sector aims to fully operationalize CBC/CBE up to Senior School, expand secondary infrastructure, strengthen teacher management, and scale digital learning. Efforts will focus on

improving access to affordable TVET and university education, enhancing STEM and research ecosystems, promoting equity, and implementing data-driven governance through KEMIS and PPP engagement. Funding allocations are projected at KSh 767.1 billion, KSh 816.3 billion, and KSh 869.4 billion for the respective fiscal years.

Governance, Justice, Law and Order Sector

271. The Governance, Justice, Law, and Order Sector (GJLO) align with the UN-Classification of the Functions of Government (COFOG) to guide budgeting and ensure efficient fiscal planning. It includes 17 sub-sectors, 14 semi-autonomous Government Agencies (SAGAs), and various tribunals, all dedicated to upholding the rule of law, protecting human rights, ensuring access to justice, maintaining security, and promoting ethical governance.

272. During the review period, the sector made significant progress in fulfilling its mandate. Most sub-sectors met their performance targets, demonstrating improved coordination, efficiency, and accountability. Notable achievements include managing 413,556 inmates in court—exceeding the target of 360,000—thus facilitating timely trials and better access to justice. The sector also operationalized 47 County and 290 Sub-County Disaster Management Committees, enhancing emergency response by over 60 percent compared to the previous period. Police patrols and intelligence operations contributed to a decline in national crime rates, with all officers receiving medical insurance coverage. Additionally, the digitization of over 5,000 government services on the e-Citizen platform reduced service turnaround times by 70 percent.

273. Passport processing was streamlined, clearing a backlog of over 200,000 applications and reducing processing time from 21 to 7 days, resulting in the issuance of 514,152 passports. The sector conducted 128,010 training sessions on value-based education and presented 389 cases for offence determination, recovering assets worth KSh 3.4 billion. The Assets Recovery Agency managed suspected proceeds of crime totalling KSh 9.36 billion, which are currently under investigation. The Public Prosecution maintained a conviction rate of 93.12 percent, improved case management through the Judiciary's E-filing system, and advanced alternatives to trials.

274. Looking ahead, the sector aims to strengthen community policing, promote restorative justice, and improve correctional services through rehabilitation, vocational training, psychosocial support, and community initiatives. Infrastructure development, administrative gazettement, forensic training, and police welfare reforms—such as enhanced medical coverage, housing, and professional training—will be prioritized. The sector also plans to expand digital services via the e-Citizen platform, review legislation to strengthen the rule of law, and enhance transparency and data-driven decision-making.

275. Resource allocation for the sector is projected at KSh 329.7 billion for FY 2026/2027, increasing to KSh 339.3 billion in 2027/2028, and KSh 344.9 billion in 2028/2029.

Public Administration and International Relations Sector

276. The Public Administration and International Relations (PAIR) Sector play a vital role in coordinating government functions, including planning, administration, public finance, and legislative activities, while also fostering Kenya's international relations.

277. Between FY 2022/23 and 2024/25, the sector implemented programs aligned with the Bottom-Up Economic Transformation Agenda (BETA), Kenya Vision 2030, Fourth Medium-Term Plan (2023–2027), and other national priorities. Notable achievements include strengthening government coordination, enhancing performance management, and promoting transparency and accountability. These efforts led to improved macroeconomic management, fiscal discipline, and effective coordination of legislative and cabinet decisions. The sector also advanced intergovernmental relations, devolution support, and improved delivery of foreign and

diaspora services through economic diplomacy and citizen protection. Additionally, it promoted public service transformation, capacity building, monitoring and evaluation, citizen engagement, ethics, and good governance, contributing to better service delivery, job creation, and socio-economic development.

278. For FY 2026/27 to 2028/29, the sector plans to implement 46 programs and 136 sub-programs aligned with the Bottom-Up Economic Transformation Agenda and Kenya Vision 2030. The budget allocations are KSh 367.5 billion, KSh 385.3 billion, and KSh 416.4 billion for each fiscal year, respectively, focusing on improving service delivery, financial management, resource mobilization, and monitoring and evaluation.

National Security Sector

279. The National Security Sector is vital for fostering socio-economic and political development, supporting Kenya Vision 2030 and the Bottom-up Economic Transformation Agenda (BETA). It addresses emerging threats such as terrorism, radicalization, trafficking, money laundering, cyber-crime, and other challenges that threaten peace and progress.

280. To implement key programs and counter these threats, the sector's budget allocations are KSh 299.6 billion for FY 2026/27, KSh 295.3 billion for FY 2027/28, and KSh 312.5 billion for FY 2028/29.

Social Protection, Culture and Recreation Sector

281. The Social Protection Sector is vital for Kenya's socio-economic development, aligning with Vision 2023, MTP IV, and the Bottom-Up Economic Transformation Agenda. It promotes sustainable employment, labour practices, talent development, gender equality, community empowerment, and cultural preservation.

282. Between 2022/23 and 2024/25, the sector advanced sports and creative industries through infrastructure upgrades for events like CHAN 2024 and AFCON 2027. Kenyan athletes earned 131 medals globally, and the country hosted 35 international events, establishing itself as a sporting hub. Heritage sites were restored, cultural diplomacy strengthened via international exchanges, and over 2.4 million public records digitized. The creative sector supported 2,720 women in beadwork, 1,600 performing artists, and 7,393 emerging musicians, providing income opportunities. Additionally, 815 youths received training in music and dance.

283. Youth empowerment was prioritized, with 1.17 million youths accessing services, leadership training, and skills development. The sector issued business loans to 28,003 youths and facilitated employment abroad for 3,537 individuals. In skills development, 251,077 people received industrial training, and bilateral agreements with Germany and Austria enhanced workforce mobility. Social protection programs reached over a million vulnerable persons through cash transfers and supported persons with disabilities, orphans, students, and women entrepreneurs with KSh 3.12 billion to promote gender equality and economic empowerment.

284. Future priorities include modernizing museums, protecting nine cultural sites, hosting festivals, establishing music studios, and nurturing over 1,800 musicians. Youth programs will train 90,000 in life and technical skills, mentor 43,000 in entrepreneurship, and provide ICT, counselling, and career services to 580,000 youths. In employment, the sector aims to place 570,000 job seekers locally and abroad, sign 12 bilateral agreements, certify 310,000 workers, and conduct workplace inspections. Social protection will expand cash transfers to over 1.2 million vulnerable individuals, support community groups, persons with disabilities, and enhance child protection, gender equality, and women's economic empowerment through bursaries, sanitary products, GBV prevention, and financial aid.

285. The sector's budget allocations are KSh 87.2 billion for FY 2026/27, KSh 83.4 billion for FY 2027/28, and KSh 90.4 billion for FY 2028/29.

Environment Protection, Water and Natural Resources Sector

286. The Environment Protection, Water, and Natural Resources (EPWNR) Sector is vital to Kenya's socio-economic development, focusing on food security, climate resilience, water security, biodiversity, mineral development, and sustainable resource management. During FY 2022/23–2024/25, the sector implemented numerous initiatives supported by an improved budget absorption rate rising from 78 percent to 95 percent, achieving progress in irrigation, water and sanitation, mining regulation, wildlife conservation, environmental protection, climate change response, and forestry.

287. In agriculture, the sector expanded irrigated land by 108,210 acres, boosting community and smallholder productivity. Water storage increased by 42 million cubic meters, enabling irrigation of 28,000 acres. Paddy rice production reached 320,000 tons, valued at KSh 64 billion. The Galana Kulalu Food Security Project was 99 percent complete, and 880 hectares of degraded land were rehabilitated. Additionally, 20 schools were equipped with micro-irrigation systems, boreholes, and greenhouses to support horticulture and seedling production.

288. Water and sanitation efforts improved urban and rural access, with key projects like the Karimenu II bulk water system and the Northern Collector Tunnel operationalized, supplying Nairobi and surrounding areas. Twenty-three towns and 120 schools gained new water connections, and major dams such as Thwake and Yamo Dam advanced in construction. Over 135 small dams and pans provided more than 2.7 million cubic meters of storage. Sewer services expanded to 13 towns, and 150 low-cost sanitation facilities were built. River monitoring and pollution hotspot mapping enhanced environmental compliance.

289. The mining sector issued 7,783 mineral export permits, 6,427 explosives licenses, and 472 fireworks permits. Inspections covered exploration sites, mining operations, and explosives handling, with geological surveys conducted for various minerals. Support for artisanal miners included training 8,725 individuals and formalizing 255 cooperatives to promote safety and environmental standards.

290. Wildlife conservation saw disbursement of KSh 2.818 billion for human-wildlife conflict compensation, a 54 percent reduction in poaching, and habitat restoration of 7,839 hectares. The Kenya Wildlife Service trained 1,350 rangers and 150 cadets, enhancing protection efforts. Park visitation reached 8.96 million, generating KSh 21.1 billion, supported by digitized revenue systems. Wildlife stress mitigation included constructing water pans and boreholes, alongside maintaining park infrastructure.

291. The environment and climate change subsector advanced Kenya's green transition through circular economy initiatives, ecosystem rehabilitation, and climate resilience strengthening. It established e-waste centers, waste management hubs, and licensed nearly 250,000 waste transporters. Rehabilitated land and water catchments covered thousands of hectares, wetlands were restored, and meteorological capacity was enhanced with 120 weather stations. The country submitted its updated NDC to the UNFCCC, unlocking climate finance opportunities, while meteorological services supported early warning and adaptation strategies.

292. Forestry efforts contributed significantly to the 15-Billion Tree Programme, with over 1 billion trees grown, high-quality seeds produced, and 260 million seedlings raised. Forest conservation protected 2.6 million hectares of gazetted forests, and plantations, bamboo forests, and seed facilities expanded to promote sustainable management.

293. Looking ahead to FY 2026/27–2028/29, the sector aims to scale irrigation by 300,000 acres, increase water storage by 1 billion cubic meters, and improve access to clean water from 74

percent to 80 percent. Sanitation access will be raised from 40.9 percent to 65 percent, with efforts to eliminate open defecation and extend water supply to 2.1 million more people. Major projects like WSDP, Mwache Dam, and others will be completed. Mining priorities include completing the Geo-Data Bank, mapping new deposits, and enhancing regulation. Wildlife initiatives will focus on habitat restoration, fencing, and disbursement of KSh 5.95 billion in compensation. Environmental efforts will involve wetland restoration, plastic ban enforcement, meteorological upgrades, and GHG reduction. Forestry targets include planting 4.5 billion trees, producing 2.2 billion seedlings, and rehabilitating over 330,000 hectares of forests.

294. The sector's budget allocations are projected at KSh 106.7 billion, KSh 122.7 billion, and KSh 163.1 billion for the respective fiscal years.

3.5 Public Participation/ Sector Hearings and Involvement of Stakeholders

295. Public participation and involvement of stakeholders in the medium-term budget process is a Constitutional requirement. In fulfilment of this legal requirement, while preparing the 2026 Budget Policy Statement (BPS), the resolutions adopted by Parliament on the previous Budget Policy Statements were taken into account. **Annex Table 5** explains how the resolutions by Parliament on the 2025 BPS and 2024 BPS have been taken into account in the 2026 BPS and the reasons thereof.

296. The Public Finance Management (PFM) Act, CAP 412A requires that the input of the public be taken into account before the budget proposals are firmed up. In compliance, Public Sector Hearings were conducted from 19th to 21st November 2025 at the Kenyatta International Convention Centre providing a platform for members of the public to give input into the country's budget and sector plans. **Annex Table 6** provides a summary of the comments received and the actions taken and or response given during the Public Sector Hearings.

IV. COUNTY FINANCIAL MANAGEMENT AND DIVISION OF REVENUE

4.1 County Governments' Compliance with Fiscal Responsibility Principles

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

i) Development budget: In accordance with the PFMA Cap 412A Section 107 (2) (b), over the medium term, a minimum of thirty percent of the County Governments' budgets shall be allocated to development expenditure. Therefore, it is essential to ensure adherence to this fiscal responsibility principle both at the budget approval stage and during the actual implementation of the budget.

ii) Wages: Regulation 25(1) (a) and (b) of the PFM (County Governments) Regulations 2015 provides that County Governments' expenditure on wages and benefits for public officers shall not exceed thirty-five percent (35 percent) of the County Government's total revenue. Compliance with this fiscal rule has been wanting, highlighting the necessity for a concerted effort to ensure that the wage bill remains within the legally established threshold.

iii) Borrowing: Regulation 25 (1) (d) of the PFM (County Governments) Regulations 2015 provides that the county public debt shall not exceed twenty percent (20 percent) of the total revenue of the County Government at any given time. Any County Government seeking to borrow must comply with this legal requirement.

iv) Taxes: In accordance with provisions of Section 15 (2) (e) of the PFMA Cap 412A, County Governments should uphold a reasonable degree of predictability regarding tax rates and tax bases, considering any potential future tax reforms while implementing legislation for the collection of own-source revenue. Prioritizing the establishment of adequate legal frameworks regarding the principal legislation governing the imposition of taxes and fees is essential to ensure that these actions are conducted in accordance with the law.

v) Fiscal risk: County Governments are required to manage fiscal risks prudently in accordance with Section 15 (2) (e) of the PFMA Cap 412A.

4.1.1 County Governments Overall Expenditure for FY 2024/25

298. **Table 4.1** below provides a summary of the total expenditures, total revenues, and overall absorption rates for the FY 2024/25.

Table 4.1: County Governments Overall Expenditure for FY 2024/25

FY 2024/25			
Item (Kshs)	**Approved Budget**	**Actual Figures**	**Overall Absorption Rates**
Total Revenue	601,690,000,000	533,110,000,000	
Total Expenditures	601,689,110,000	470,735,360,000	78.2
Total Development	218,989,610,000	123,757,190,000	56.5
Total Recurrent	382,699,520,000	346,978,140,000	90.7
Wages		220,639,460,000	
Other Recurrent		126,338,690,000	
% of Development in Total Expenditure	36.4	26.3	
% of Recurrent Exp in Total Expenditure	63.6	73.7	
% of Wages in Total Revenue		41.4	

Source of Data: Controller of Budget

299. The actual estimated total expenditures for County Governments amounted to KSh 470.7 billion for the FY 2024/25. This figure includes both recurrent and development expenditures, while the actual total revenue amounted to KSh 533.1 billion. Budgeted Development expenditure represented 36.4 percent of budgeted total expenditure, while budgeted recurrent expenditure accounted for 63.6 percent of the total budget. Additionally, expenditure on wages was 41.4 percent of total revenue, a decrease from 47.6 percent in the previous financial year.

300. **Table 4.1** above shows County Governments' adherence to the Fiscal Responsibility principles mentioned above. A deeper analysis is provided below:

i) Development Expenditure: The counties' allocation was 36.4 percent of the total budget falling within the requirement. However, the 26.3 percent actual absorption rate falls short of this requirement, indicating an underspending on projects that promote long-term growth and infrastructure development.

ii) Recurrent Expenditure: Counties are encouraged to limit recurrent expenditures to free up resources for development. With 73.7 percent of the budget spent on recurrent expenses, counties are heavily reliant on these funds, suggesting a need to reduce recurrent costs in favour of development priorities.

iii) Wages and Salaries: PFM Act emphasizes limiting spending on personnel emoluments to a sustainable level to ensure fiscal stability. At 41.4 percent of total revenue, counties are close to the ceiling but still above 35 percent, signaling a high wag burden that may limit spending flexibility.

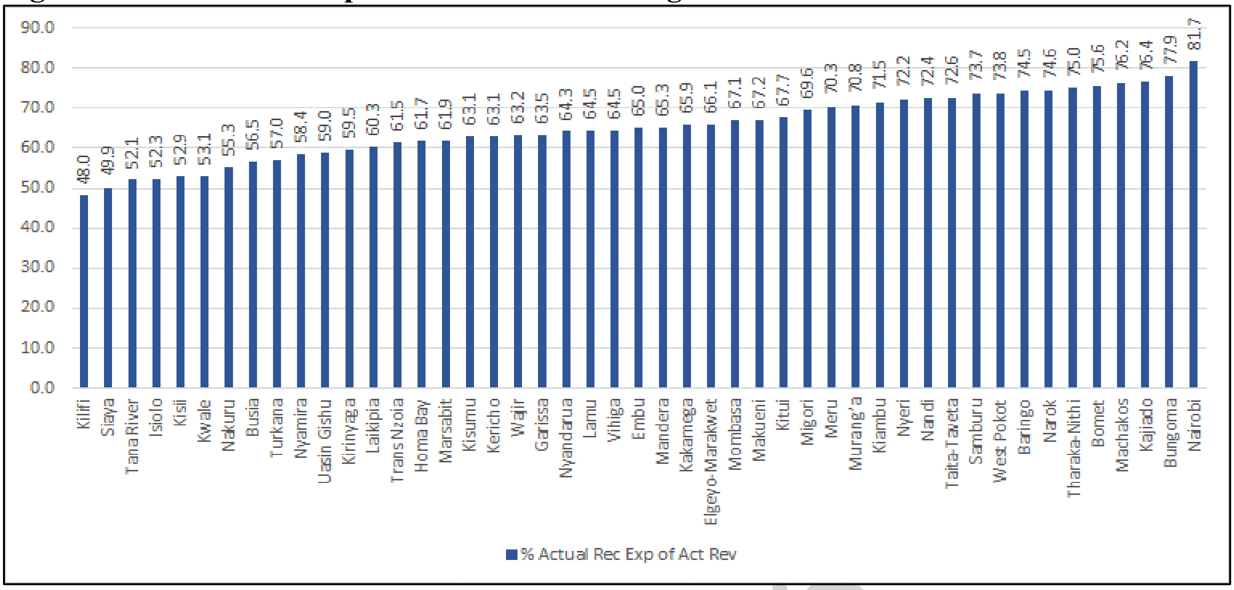
301. These figures suggest a need for counties to re-evaluate spending priorities, emphasizing the reduction of recurrent and wage expenses and reallocating funds towards development to meet the PFMA guidelines.

4.1.2 Recurrent Expenditure as a Percentage of Total Revenue

302. County Governments are required under Section 107(2) of the Public Finance Management (PFM) Act, 2012, to ensure that recurrent expenditure does not exceed their total revenue. In FY

2024/25, all County Governments complied with this provision based on their budgeted recurrent expenditure. The performance by county is illustrated in **Figure 4.1**.

Figure 4.1: Recurrent Expenditure as a Percentage of Total Revenue for FY 2024/25

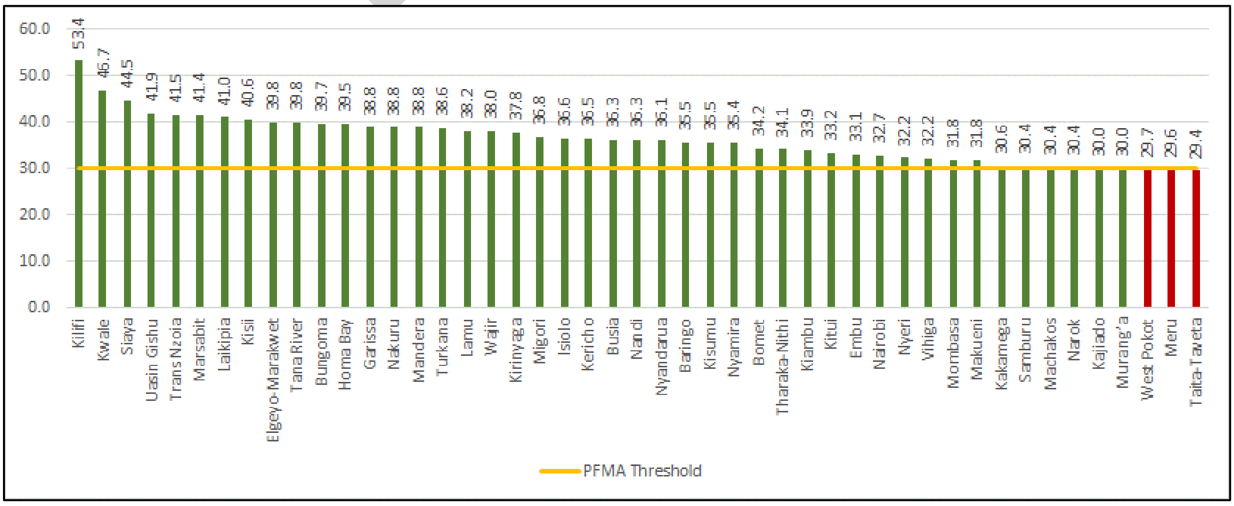


Source of Data: Controller of Budget

4.1.3 Development Budget as a Percentage of the Total Budget

303. Additionally, Section 107(2) (b) of the Public Finance Management (PFM) Act, 2012, requires that at least thirty percent of a County Government's budget be allocated to development expenditure over the medium term. As shown in Table 1, the total approved development budget for all County Governments in FY 2024/25 accounted for 36.4 percent of the total budget. Most counties complied with this requirement, with only three falling short, as illustrated in **Figure 4.2**.

Figure 4.2: Budgeted Development Expenditure as a Percentage of Total County Budget for FY 2024/25

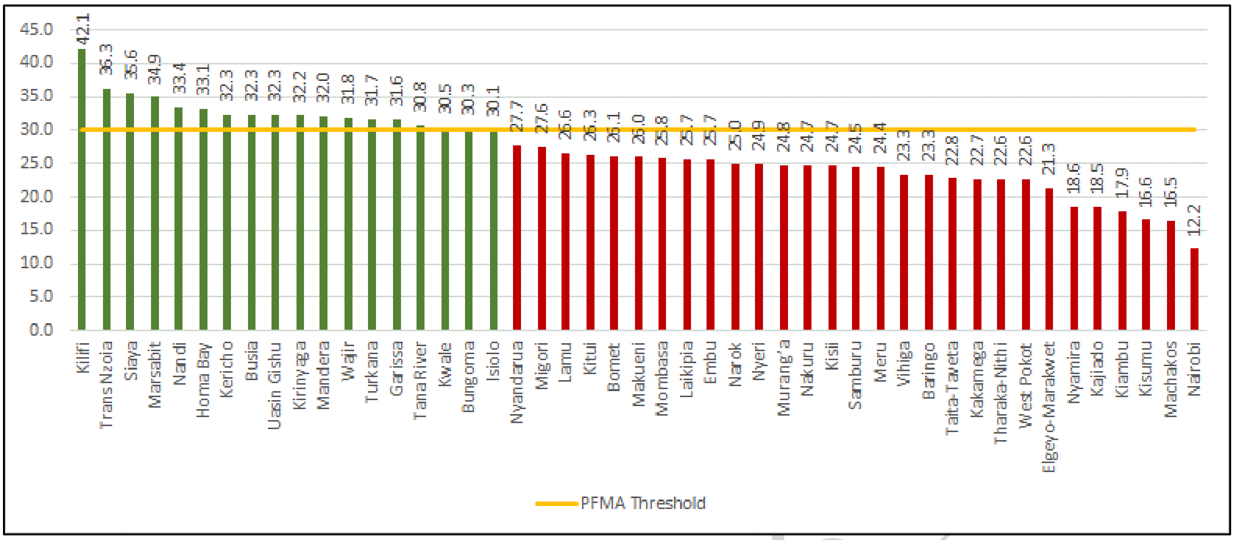


Source of Data: Controller of Budget

304. Despite most County Governments meeting the legal requirement for allocating at least thirty percent of their budgets to development, actual development expenditure in FY 2024/25 accounted for only 26.3 percent of total actual expenditure, as shown in **Table 4.1**. During the

same period, only 18 counties met the PFM Act, 2012 threshold based on actual spending relative to their total budgets. Details of individual county expenditures are presented in **Figure 4.3.**

Figure 4.3: Actual Development Expenditures as a Percentage of Actual Total Expenditure for FY 2024/25



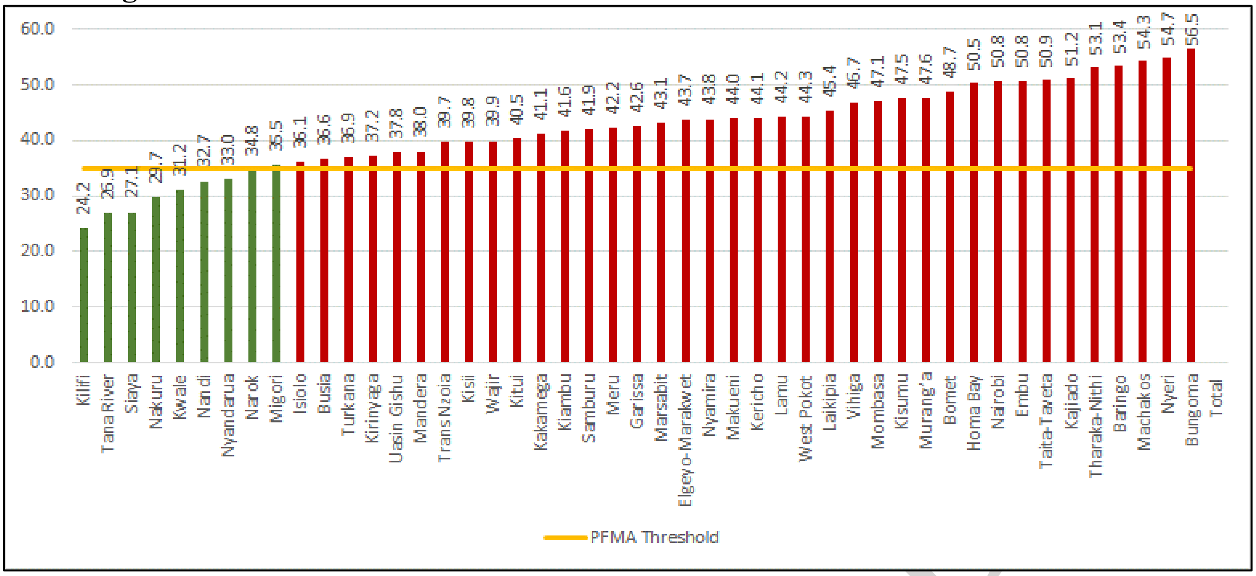
Source of Data: Controller of Budget

305. The decline in development expenditure from 36.4 percent in budget allocation to 26.3percent in actual spending indicates that, although counties are allocating a significant share of their budgets to development, actual implementation remains low. This trend suggests that development outcomes may be constrained by higher spending on recurrent expenditures, as well as challenges in executing development plans, including delays in project procurement and implementation.

4.1.4 Expenditure on Wage Bill as a Percentage of Total Revenue

306. Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015, stipulates that County Governments' expenditure on wages and benefits for public officers should not exceed 35 percent of their total revenue. In FY 2024/25, counties spent KSh 220.64 billion on wages, representing 41.4 percent of the total revenue of KSh 533.11 billion. This exceeds the prescribed threshold under the PFMA, 2012. As illustrated in **Figure 4.4**, most counties allocated a higher proportion of their revenue to wages than recommended, with only nine counties namely: Kilifi, Tana River, Siaya, Nakuru, Kwale, Nandi, Nyandarua, Narok, and Migori remaining within the legal limit.

Figure 4.4: County Governments' Actual Expenditures on Wages and Benefits as a Percentage of Total Actual Revenue for FY 2024/25



Source of Data: Controller of Budget

4.2 Performance of County Governments Own Source Revenue

4.2.1 Performance of Own Source Revenue Against Target

307. In FY 2024/25, County Governments collectively generated KSh 67.3 billion in Own Source Revenue (OSR) against an annual target of KSh 87.7 billion, representing a performance rate of 76.8 percent. A summary of individual county performance is presented in **Table 4.2**.

Table 4.2: Total County Government OSR Collection for FY 2024/25 (Including A-i-A)

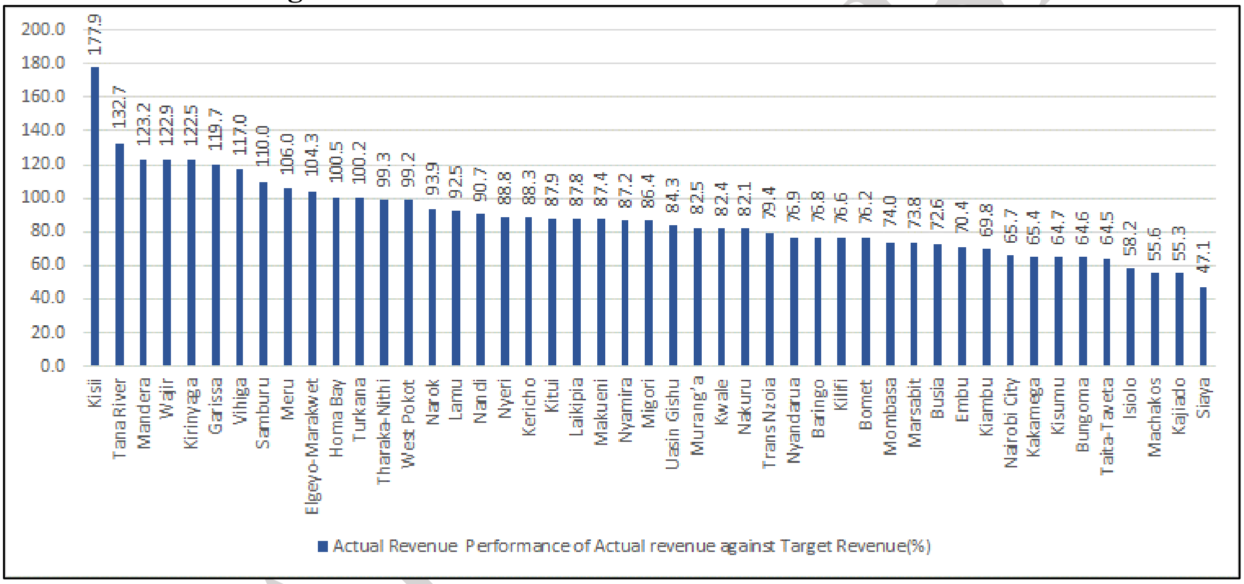
	Target Revenue			Actual Revenue			
County	Ordinary OSR Target (Kshs. million)	FIF/ AIA	Total OSR	Ordinary OSR	FIF/AIA Actual (Kshs.Million)	Total OSR Revenue (Kshs.Million)	Performance of Actual revenue against Target Revenue(%)
Kisii	865	0	865	556.54	982.09	1,538.64	177.9
Tana River	149.15	3.96	153.11	199.27	3.96	203.23	132.7
Mandera	298.21	51.79	350	206.59	224.59	431.17	123.2
Wajir	90	180	270	113.37	218.35	331.72	122.9
Kirinyaga	430.45	218	648.45	362.6	431.52	794.12	122.5
Garissa	160	240	400	94.72	384.15	478.87	119.7
Vihiga	163.51	176.49	340	186.47	211.39	397.86	117.0
Samburu	262.93	18.7	281.63	300.42	9.41	309.83	110.0
Meru	547	550	1,097.00	404.82	758.5	1,163.32	106.0
Elgeyo-Marakwet	107.43	245	352.43	79.47	288.02	367.49	104.3
Homa Bay	501.74	981.07	1,482.81	390.67	1,099.71	1,490.38	100.5
Turkana	241	159	400	171.14	229.69	400.83	100.2
Tharaka-Nithi	285	200	485	238.28	243.51	481.79	99.3
West Pokot	97.2	132.8	230	85.67	142.41	228.08	99.2
Narok	5,911.05	120.95	6,032.00	5,512.53	152.53	5,665.06	93.9
Lamu	120	130	250	92.13	139.12	231.24	92.5
Nandi	508.94	335.23	844.17	374.68	391.02	765.7	90.7
Nyeri	800	836.3	1,636.30	683.88	769.2	1,453.08	88.8
Kericho	576.24	646.36	1,222.60	396.75	682.9	1,079.65	88.3
Kitui	264.11	754.39	1,018.50	264.11	631.3	895.42	87.9
Laikipia	842.5	602.5	1,445.00	573.09	695.97	1,269.06	87.8
Makueni	905.18	566.26	1,471.43	512.22	773.59	1,285.80	87.4
Nyamira	400	450	850	134.53	606.6	741.13	87.2
Migori	550	250	800	337.36	354.19	691.56	86.4
Uasin Gishu	1,395.00	79.15	1,474.15	1,010.39	233.04	1,243.44	84.3
Murang'a	850	750	1,600.00	785.14	534.64	1,319.78	82.5
Kwale	350	300	650	293.21	242.57	535.78	82.4
Nakuru	2,448.76	1,997.21	4,445.97	1,850.14	1,797.79	3,647.92	82.1
Trans Nzoia	368.3	311.7	680	288.47	251.45	539.92	79.4
Nyandarua	600	250	850	370.71	282.53	653.24	76.9
Baringo	380.1	220	600.1	250.26	210.87	461.13	76.8
Kilifi	1,570.80	400	1,970.80	888.26	622.11	1,510.38	76.6
Bomet	255.75	227	482.75	156.15	211.61	367.77	76.2
Mombasa	5,680.66	1,250.00	6,930.66	4,208.73	916.99	5,125.71	74.0
Marsabit	110	141.16	251.16	80.98	104.43	185.42	73.8
Busia	467.3	229.71	697.01	266.93	239.05	505.98	72.6
Embu	827.38	476.05	1,303.42	399.24	517.75	916.99	70.4
Kiambu	5,450.94	1,800.00	7,250.94	3,243.45	1,816.89	5,060.34	69.8
Nairobi City	20,060.93	0	20,060.93	11,790.75	1,398.05	13,188.79	65.7
Kakamega	1,359.00	841	2,200.00	543.13	894.8	1,437.93	65.4
Kisumu	2,871.95	932.12	3,804.07	803.36	1,659.67	2,463.03	64.7
Bungoma	1,042.46	735.47	1,777.93	485.53	663.26	1,148.79	64.6
Taita-Taveta	600	250	850	318.64	229.35	547.99	64.5
Isiolo	271.21	100	371.21	151.26	64.89	216.15	58.2
Machakos	3,021.92	903.88	3,925.79	1,426.15	755.68	2,181.84	55.6
Kajiado	1,200.00	440	1,640.00	591.14	316.4	907.54	55.3
Siaya	643.39	283.95	927.34	236.84	199.84	436.68	47.1
Total	**66902.49**	**20767.2**	**87669.66**	**42710.17**	**24587.38**	**67297.57**	**76.8**

Source of Data: Controller of Budget

308. Total OSR included the Facility Improvement Fund, which is the money collected and retained by health facilities in line with the Facilities Improvement Financing Act, 2023. As at the 30th June 2024, the public health facilities had collected and retained a total of KSh 24.5 billion against a target of KSh 20.7 billion overshooting the target by 118 percent. For ordinary revenue performance, counties were able to generate KSh 42.7 billion against a target of KSh 66.9 billion which represents an average of 64 percent of the targeted OSR.

309. A total of twelve counties managed to collect more than one hundred percent of their annual OSR target. These counties are; Kisii, Tana River, Mandera, Wajir, Kirinyaga, Garissa, Vihiga, Samburu, Meru, Elegeyo-Marakwet, Homabay, and Turkana. Conversely, four County Governments collected less than 60 percent of their OSR target. These counties are: Isiolo, Machakos, Kajiado and Siaya. The summary of individual county performance is presented in **Figure 4.5**.

Figure 4.5: Actual Revenue Collected by the County Governments as a percentage of Annual Revenue Target for FY 2024/25



Source of Data: Controller of Budget

4.2.2 OSR Growth in FY 2024/25

310. An assessment of the OSR performance for FY 2023/2024 -2024/2025 reveals that 20 Counties recorded more than 50 percent growth in revenue collection. This could be attributed to implementation of the OSR policy, continuous capacity building on public finance management, revenue automation and revenue administration reforms such as implementation of the FIF. Nonetheless, there is need to explore the reasons for negative OSR growth Kakamega county that recorded declines in OSR collection in FY 2024/25 by 15.2 percent. The details of performance for the 47 County Governments are summarised in **Table 4.3**.

Table 4.3: County Governments OSR Growth between FY 2023/24 and FY 2024/25.

S/No.	County	Actual OSR Collected FY 2023/24 (Kshs. Millions)	Actual OSR Collected FY 2024/25 (Kshs. Millions)	Difference in OSR Collection	FY 2024/25 Growth Rate
1	Mombasa	2,279.67	4,208.73	1929.06	84.6%
2	Nyamira	77.14	134.53	57.39	74.4%
3	Siaya	136.08	236.84	100.76	74.0%
4	Taita-Taveta	186.9	318.64	131.74	70.5%
5	Murang'a	481.13	785.14	304.01	63.2%
6	Embu	244.99	399.24	154.25	63.0%
7	Kisii	347	556.54	209.54	60.4%
8	Nandi	234.61	374.68	140.07	59.7%
9	West Pokot	54.36	85.67	31.31	57.6%
10	Kwale	186.78	293.21	106.43	57.0%
11	Tharaka-Nithi	152.18	238.28	86.1	56.6%
12	Busia	170.76	266.93	96.17	56.3%
13	Kiambu	2,083.51	3,243.45	1159.94	55.7%
14	Marsabit	52.04	80.98	28.94	55.6%
15	Laikipia	369.4	573.09	203.69	55.1%
16	Kilifi	577.34	888.26	310.92	53.9%
17	Kitui	171.88	264.11	92.23	53.7%
18	Nyandarua	242.04	370.71	128.67	53.2%
19	Bomet	102.33	156.15	53.82	52.6%
20	Vihiga	123.3	186.47	63.17	51.2%
21	Kericho	264.1	396.75	132.65	50.2%
22	Migori	226.42	337.36	110.94	49.0%
23	Nyeri	461.33	683.88	222.55	48.2%
24	Meru	275.29	404.82	129.53	47.1%
25	Makueni	350.75	512.22	161.47	46.0%
26	Nakuru	1,270.59	1,850.14	579.55	45.6%
27	Mandera	143.47	206.59	63.12	44.0%
28	Turkana	120.52	171.14	50.62	42.0%
29	Machakos	1,008.17	1,426.15	417.98	41.5%
30	Elgeyo-Marakwet	56.45	79.47	23.02	40.8%
31	Kirinyaga	258.57	362.6	104.03	40.2%
32	Trans Nzoia	205.91	288.47	82.56	40.1%
33	Kajiado	427.11	591.14	164.03	38.4%
34	Lamu	66.77	92.13	25.36	38.0%
35	Bungoma	352.7	485.53	132.83	37.7%
36	Homa Bay	285.54	390.67	105.13	36.8%
37	Nairobi City	8,711.69	11,790.75	3079.06	35.3%
38	Uasin Gishu	760.32	1,010.39	250.07	32.9%
39	Kisumu	611.96	803.36	191.4	31.3%
40	Baringo	190.86	250.26	59.4	31.1%
41	Garissa	73.4	94.72	21.32	29.0%
42	Samburu	232.87	300.42	67.55	29.0%
43	Wajir	87.93	113.37	25.44	28.9%
44	Isiolo	122.28	151.26	28.98	23.7%
45	Tana River	163.18	199.27	36.09	22.1%
46	Narok	4,878.99	5,512.53	633.54	13.0%
47	Kakamega	640.55	543.13	-97.42	-15.2%

Source of Data: Controller of Budget

4.2.3 National Government Support on enhancement of County Government OSR

311. The County Governments Own Source Revenue (OSR) enhancement efforts are guided by the National Policy to Support Enhancement of County Governments Own Source Revenue which was approved by Cabinet in 2018 and is being implemented for ten years. The goal of the policy is to propose a standardized institutional, policy and legal framework for own source revenue raising measures and enforcement that would be applicable to all County Governments.

312. Some the notable achievements of the Policy so far include: enactment of the National Rating Act 2024 which was spearheaded by the National Treasury in collaboration with the State Department for Lands; development of a model Tariffs and Pricing Policy by the Commission on Revenue Allocation in conjunction with the National Treasury; development of the County Governments (Revenue Raising Process) Bill by the National Treasury and other stakeholders, which is awaiting consideration by the Parliament; and, development of a framework outlining processes and procedures for payment of Contribution in Lieu of Rates (CILOR) contained in the National Rating Act.

313. Currently, the National Treasury is finalizing on the review of the Policy. The remaining key activity in the review is engagement of the County Governments to take stock of the progress made so far in the implementation of the Policy as well as identify challenges and opportunities that to inform the next phase of implementing the Policy. Some of the pending activities that the National Treasury is committed in finalizing include: holding the County OSR Conference; developing the National Rating Act Regulations; finalization of the proposed Integrated County Revenue Management System (ICRMS); and, the finalization of the revenue forecasting model to be used by the County Governments to provide an objective criteria to set revenue targets.

314. Additionally, the OSR policy also recommended development of a National Framework Legislation to regulate the introduction of taxes, fees and charges by the County Governments. Consequently, the National Treasury and other stakeholders developed the County Governments (Revenue Raising Process) Bill. This Bill is aimed at ensuring compliance with Article 209 (5) of the Constitution as well as ensuring consistency and predictability in county revenue practices. The Cabinet on 28th February 2023 approved the County Governments (Revenue Raising Process) Bill, 2023. The Bill has since then been resubmitted to Parliament for consideration. The Bill is currently in Second Reading stage at Senate.

4.3 County Government Pending Bills

315. Section 94 (1) (a) of the PFM Act, 2012, stipulates, inter alia, that failure to make any payments as and when due by a State Organ or a Public Entity is an indicator of a serious material breach or a persistent material breach of measures established under the Act. Article 225 of the Constitution read together with Section 96 of the PFM Act gives the Cabinet Secretary responsible for Finance powers to stop transfer of funds to the concerned State Organ.

316. As of 30th June 2025, County Governments reported outstanding pending bills amounting to KSh 176.90 billion. This comprises KSh 126.86 billion for recurrent activities and KSh 50.05 billion for development activities. The total pending bills for the County Executive are KSh 171.75 billion, while those for the Assemblies amount to KSh 5.16 billion. These pending bills exclude those of Narok County Government which did not submit its pending bills to the Controller of Budget. Nairobi City County has the highest pending bills, totalling KSh 86.77 billion, representing 49 percent of the total stock of pending bills. On average, the total pending bills by County Governments accounted for 29 percent of the total county government approved budgets in FY 2024/25.

317. An analysis of the aged pending bills for County Governments as of 30th June 2025 indicates an outstanding bill of KSh 48.88 billion representing 28 percent of the bills are under one year, KSh 19.78 billion, representing 11 percent of the bills, are aged between one and two years, KSh 20.34 billion, representing 12 percent of the bills, are aged between two and three years, and KSh 85.42 billion, representing 48 percent of the bills, are older than three years. **Table 4.4**, presents county government pending bills as at 30th June 2025.

Table 4.4: County Governments Pending Bills as of 30th June 2025 (In KSh)

No	County	County Executive (KSh Million)			County Assembly (KSh Million)			Grand Total (KSh Million)	FY 2024/25 Budget	percent of Pending Bill to Budget
		Recurrent	Development	Sub-Total	Recurrent	Development	Sub-Total			
1.	Nairobi	78949.1	7169.4	**86118.6**	650.6		**650.6**	**86769.2**	43,564.27	199.2
2.	Kilifi	3820.1	5367.4	**9,187.40**	68.2	-	**68.2**	**9,255.60**	21,406.50	43.2
3.	Machakos	3,785.10	2,695.10	**6,480.10**	251.7	1.9	**253.6**	**6,733.80**	15,622.16	43.1
4.	Kiambu	4,259.90	3,352.70	**7,612.60**	244	31.2	**275.2**	**7,887.90**	23,480.38	33.6
5.	Busia	1382.3	1258.9	**2641.2**	620.5	-	**620.5**	**3261.7**	10,770.15	30.3
6.	Wajir	1324.1	2155	**3,479.10**	233.5		**233.5**	**3,712.60**	13,517.62	27.5
7.	Tana River	1236.5	1,061.40	**2,297.90**	82.6		**82.6**	**2,380.50**	9,177.72	25.9
8.	Taita-Taveta	1364.4	653.1	**2,017.50**	38.4		**38.4**	**2,055.90**	8,179.70	25.1
9.	Mombasa	2439.4	1310.8	**3750.1**	117.5		**117.5**	**3,867.70**	17,360.00	22.3
10.	Laikipia	856.30	999.70	**1,856.00**	10.4		**10.4**	**1,866.40**	8,479.54	22
11.	Bungoma	2227.5	1368.5	3596	14.7	-	**14.7**	**3610.7**	16,704.46	21.6
12.	Garissa	747.2	1,677.40	**2,424.60**	116.3	45	**161.3**	**2,585.90**	12,005.81	21.5
13.	Kericho	661.30	1,367.00	**2,028.30**	-	53.8	**53.8**	**2,082.10**	9,756.94	21.3
14.	Kajiado	1,087.50	1,458.20	**2,545.70**	30.6	69.6	**100.2**	**2,646.00**	12,786.47	20.7
15.	Embu	924.2	822.7	**1746.9**	16.2	-	**16.2**	**1763.1**	8,533.54	20.7
16.	Murang'a	1588.1	333.4	**1921.5**	72.2		**72.2**	**1,993.70**	10,743.65	18.6
17.	Siaya	832.9	1057	**1,890.00**			**-**	**1,890.00**	10,948.13	17.3
18.	Nyandarua	571.6	869.1	**1440.7**	71.3		**71.3**	**1512**	8,779.76	17.2
19.	Mandera	968.3	1525.4	**2,493.70**		6.1	**6.1**	**2,499.80**	14,567.55	17.2
20.	Bomet	600	857.4	**1457.4**	20.1	45.8	**65.9**	**1523.2**	9,831.70	15.5
21.	Nakuru	2850.4	668.7	**3519.2**	158		**158**	**3677.2**	23,980.40	15.3
22.	Isiolo	786.90	209.80	**996.70**	5.8	8.1	**13.9**	**1,010.60**	6,805.05	14.9
23.	Trans Nzoia	805.4	703	**1508.4**			**-**	**1508.4**	10,455.02	14.4
24.	Marsabit	532.5	700.20	**1,232.60**	30.6	170.6	**201.2**	**1,433.80**	10,318.61	13.9
25.	Meru	829.7	848.7	**1678.4**	63.5		**63.5**	**1,741.90**	13,108.95	13.3
26.	Kwale	654.5	915.5	**1,570.00**	187.5	142.1	**329.6**	**1,899.60**	14,876.06	12.8
27.	Homa Bay	715.1	726.1	**1441.3**	102.6	94.3	**197**	**1,638.20**	13,130.57	12.5
28.	Kakamega	773.60	938.20	**1,711.90**	454.4	-	**454.4**	**2,166.30**	17,646.79	12.3
29.	Vihiga	211.20	621	**832.20**			**-**	**832.20**	7,105.90	11.7
30.	Tharaka-Nithi	468.6	176.2	644.7	82.9	13.9	96.8	**741.60**	7,005.68	10.6
31.	Kirinyaga	316.20	486.7	**802.90**	-	-	**-**	**802.90**	7,925.71	10.1
32.	Nandi	476	495.7	**971.70**	-	13.5	**13.5**	**985.10**	10,188.22	9.7
33.	Kisumu	507.8	838	1345.9	2.5	2.1	4.6	1350.5	15,314.33	8.8
34.	Migori	475.9	361.4	**837.2**	184.6	36.4	**220.9**	**1058.1**	12,147.01	8.7
35.	Turkana	43.6	1141.5	**1,185.10**		144.3	**144.3**	**1,329.30**	17,213.59	7.7
36.	Uasin Gishu	199.7	863.6	**1063.2**	57.7		**57.7**	**1121**	15,179.79	7.4
37.	Makueni	558	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**	**1033**	15,155.35	6.8
39.	Nyamira	218.00	114.2	**332.20**	-	8.2	**8.2**	**340.40**	8,102.90	4.2
40.	Nyeri	321.10	27.8	**348.90**	6		**6**	**354.90**	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	**290.30**	21.5		**21.5**	**311.80**	8,101.51	3.8
43.	Samburu	35	140.60	**175.50**	46.4	9.3	**55.7**	**231.30**	7,382.22	3.1
44.	Kitui	173.7	56.1	**229.90**	-	-	**-**	**229.90**	14,305.36	1.6
45.	Lamu	32.1	-	**32.1**			**-**	**32.1**	4,988.65	0.6
46.	Elgeyo-Marakwet	3.10	9.10	**12.10**	-	-	**-**	**12.10**	7,899.87	0.2
47.	Narok								17,567.52	-
Total		**122,626.00**	**49,121.00**	**171,746.90**	**4,232.50**	**924.60**	**5,157.10**	**176,904.50**	**601,689.11**	**29percent**

318. The growing stock of pending bills in County Governments poses a fiscal discipline and sustainability risk. The National Treasury has started transitioning from cash basis to accrual accounting, which is expected to improve the recording of pending bills in financial statements and facilitate gradual payment. Through the Kenya Devolution Programme II (KDSP II), County Governments have been supported in developing plans for repaying pending bills and ensuring compliance with Regulation 55 (2) b of the Public Finance Management (County Governments) Regulations, 2015.

319. During its 27th Ordinary Session held on 23rd June 2025, the Intergovernmental Budget and Economic Council (IBEC) approved and adopted the County Governments' Pending Bills Action Plan, as submitted by the Controller of Budget. The Council further directed all County Governments to customise and implement their respective Pending Bills Action Plans, aiming to progressively reduce the stock of pending bills and keep them at minimal levels.

Status of Pension Funds Unremitted Deductions by County Governments

320. The Taskforce on Non-Remittance of Pension Deductions to Pension Schemes by County Government Entities submitted its report to the Senate, recommending that pension contributions and statutory deductions be paid alongside salaries. Currently, the Government is implementing the HRiS-Ke System which is expected to enable the automatic processing of remittances during salary and statutory deduction processing. This system will also integrate with the IFMIS system and the entities budget to prevent non-remittances of pension funds and statutory deductions.

4.4 Equalisation Fund

321. Article 204 of the Constitution establishes the Equalisation Fund, which requires that half a per cent (0.5 percent) of all revenue collected by the National Government each year, calculated based on the most recent audited revenue received and approved by the National Assembly, be paid into the Fund. According to Article 204(2), the National Government shall use the Equalisation Fund to provide marginalised areas with basic services, including water, roads, health facilities, and electricity.

322. The Equalization Fund Appropriation Act 2023 allocated KSh 10,330,317,433 as conditional grants to the thirty-four (34) eligible counties identified as marginalised under the Second Marginalisation Policy. By the end of the FY 2024/25, the Equalization Fund Advisory Board had received and reviewed 1,593 project proposals from these 34 beneficiary counties. Of these proposals, the Board approved 1,556 projects amounting to KSh 9,759,733,778, as summarised in **Table 4.5**. The National Treasury has allocated KSh 9.6 billion to the Equalization Fund, representing 0.5 percent of the national revenue based on the FY 2021/22 audited and approved revenues.

Table 4.5: Approved Projects for Implementation by Counties as Appropriated in EF Appropriation Act 2023

No.	County	Marginalized Areas	Appropriated Amount	Approved Projects	Projects Budget
1	Baringo	90	595,027,099	137	568,246,610
2	Bomet	3	19,215,175	3	19,215,174
3	Bungoma	9	58,779,836	7	58,779,835
4	Busia	3	17,979,656	3	17,979,656
5	E/Marakwet	11	65,114,751	16	56,644,349
6	Garissa	83	630,912,260	91	628,784,868
7	Homa-Bay	20	131,603,304	31	131,603,302
8	Isiolo	25	166,157,751	25	166,157,748
9	Kajiado	64	414,765,595	29	414,765,596
10	Kericho	10	60,882,122	11	54,681,482

No.	County	Marginalized Areas	Appropriated Amount	Approved Projects	Projects Budget
11	Kilifi	78	539,901,714	67	537,169,000
12	Kisumu	4	24,333,610	4	23,603,602
13	Kitui	63	397,477,349	105	366,047,999
14	Kwale	39	292,590,513	61	290,451,457
15	Laikipia	18	119,303,227	33	115,677,719
16	Lamu	10	57,614,460	10	57,614,460
17	Machakos	2	12,923,347	2	12,923,347
18	Mandera	97	753,408,998	89	753,403,998
19	Marsabit	68	469,644,478	103	468,336,157
20	Meru	5	29,927,013	6	29,004,018
21	Migori	27	177,764,414	41	177,764,414
22	Murang'a	1	5,679,579	1	5,679,579
23	Nakuru	1	6,435,119	1	6,435,119
24	Nandi	19	116,745,012	30	116,745,012
25	Narok	112	771,670,228	148	715,984,924
26	Samburu	95	649,686,536	39	636,090,960
27	Siaya	5	31,973,185	7	31,973,185
28	Taita Taveta	2	13,335,187	3	13,332,929
29	Tana River	65	442,122,368	61	413,261,671
30	Tharaka-Nithi	7	44,005,716	14	42,915,203
31	Trans Nzoia	1	7,478,246	1	7,478,246
32	Turkana	144	1,144,091,494	87	1,071,965,691
33	Wajir	94	730,167,615	220	727,325,516
34	West Pokot	149	1,021,690,952	70	1,021,690,952
TOTAL		**1,424**	**10,020,407,909**	**1,556**	**9,759,733,778**

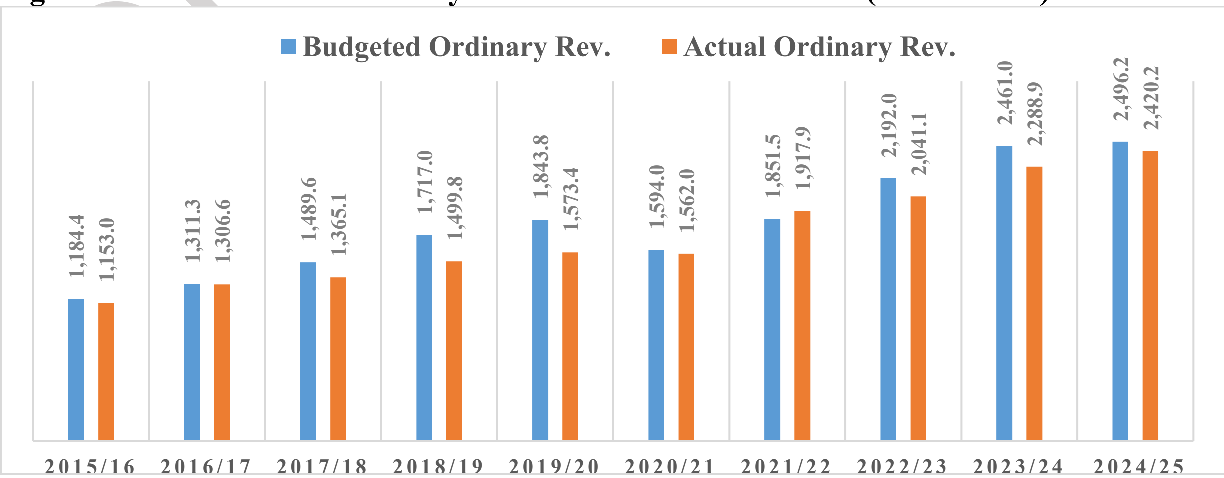
Source: Equalization Fund Advisory Board (EFAB)

4.5 Division of Revenue for the FY 2026/27

4.5.1 Performance of Shareable Revenue

323. Ordinary revenue is projected to grow to KSh 2,982.3 billion from a projection of KSh 2,639.7 in FY 2025/26. Ordinary revenue collected over the past ten years has been below target except for FY 2021/22 when the target was surpassed as indicated in **Figure 4.5**.

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



Source of Data: National Treasury

4.5.2 Division of Revenue for FY 2026/27

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

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

325. As indicated in **Table 4.6**, it should be noted that after considering all the mandatory expenditures under Article 203(1) of the Constitution, the balance left for sharing between the two levels of Government is KSh 293.31 billion. Following the allocation of KSh 427.2 billion to County Governments for FY 2026/27 – comprising a proposed equitable share of KSh 420.0 billion and additional allocations of KSh 7.2 billion from the National Government's revenue – the National Government faces a deficit of KSh 133.9 billion. This shortfall impacts the financing of key functions including education, health, defence, roads, and energy, among others. This will occasion additional borrowing which may distort the fiscal framework already set out in the 2026 Budget Policy Statement. **Table 4.6** provides an assessment of the extent to which the requirements of Article 203 (1) of the Constitution have been incorporated in estimating the division of revenue between the national and county levels of Government in the FY 2026/27.

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

S/No	ITEM DESCRIPTION (KSh millions)	FY 2026/27
	ORDINARY REVENUE (EXCLUDING AIA)	**2,982,331**
A	**National Interest** [Article 203 (1)(a)]	**136,430**
B	**Public debt (Art. 203 [1][b])**	**1,658,224**
C	**Other National obligations** (Article. 203 [1][b])	**877,206**
D	**Emergencies** [Art. 203 (1)(k)]	**2,000**
	Contingencies	2,000
E	**Equalization Fund** [Art. 203 (1) (g) and (h)]	**15,163**
	Of which:	
	a. Allocation in FY 2026/27	9,602
	b. Arrears	5,561
F	**BALANCE TO BE SHARED BY THE 2 LEVELS OF GOVERNMENT**	**293,307**
	County Government allocation from revenue raised nationally of which; -	**427,227**
	a) Equitable Share of Revenue	420,000
	b) Additional conditional allocations financed from revenues raised nationally	7,227
G	**Balance left for the National Government**	**-133,920**

Source of Data: National Treasury, Medium Term Fiscal Framework and FY 2024/25 Supp 1 Estimates

326. On public debt servicing, the 2026 BPS has taken into account public debt related costs. These comprise the annual debt redemption cost as well as the interest payment for both domestic and external debt. The allocation for payment of public debt related costs is expected to increase from KSh 1,606,419 million allocated in financial year 2025/26 to KSh 1,658,224 million allocated in the financial year 2026/27, reflecting an increase of KSh 51.8 billion.

327. Pursuant to Article 203(1) (b) of the Constitution, the 2026 BPS has also taken into account the requirements for other national obligations, such as, mandatory pension contributions and/or payments, financing for constitutional offices, including Parliament and Judiciary as well as

expenses relating to other statutory bodies. These are estimated to cost KSh 877,206 million in financial year 2026/27 up from KSh 788,369 million allocated in the FY 2025/26.

328. Based on ordinary revenue projection of KSh 2,982.3 billion in FY 2026/27, it is proposed that KSh 2,552.73 billion be allocated to National Government, KSh 420.0 billion to County Governments as equitable revenue share and KSh 9.60 billion to the Equalization Fund. The National Treasury proposes to allocate an additional KSh 5.56 billion in FY 2026/27 as partial payment to arrears for Equalization Fund. **Table 4.7** shows the computation of the equitable share to County Governments for the FY 2019/20 to FY 2026/27.

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

Budget Item	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
1. **Baseline** (*i.e. allocation in the previous FY*)	**314,000**	**316,500**	**316,500**	**370,000**	**370,000**	**385,425**	**387,425**	**415,000**
Add:-								
a. Revenue Share (RMLF, Level-5 Hospital Grant, Compensation for foregone user fees and Rehabilitation of Village Polytechnics	-	-	17,400	-	-	-	-	-
b. Adjustments for revenue growth	2,500	-	36,100	-	15,000	2,000	27,575	5,000
c. Transfer of Library Services	-	-	-	-	425	-	-	-
Computed Equitable Revenue Share Allocation	**316,500**	**316,500**	**370,000**	**370,000**	**385,425**	**387,425**	**415,000**	**420,000**

Source of Data: National Treasury, Medium Term Fiscal Framework

329. The allocation to County Governments' equitable revenue share of KSh 420.0 billion in FY 2026/27 is informed by the following prevailing circumstances:

330. The allocation to County Governments' equitable revenue share of KSh 420.0 billion in FY 2026/27 is informed by the following factors: -

i) Overall Revenue shortfalls against targets as well as expenditures pressures during implementation of FY 2025/26. Specifically, ordinary revenues underperformed by KSh 90.0 billion as at end of September 2025. If this trend continues, it is bound to affect the projected ordinary revenue for FY 2026/27;

ii) Over the years, the National Government has continued to solely bear shortfalls in revenue in any given financial year except for FY 2024/25;

iii) The macroeconomic assumptions outlined in 2026 Budget Policy Statement (BPS), including anticipated growth rates, inflation, and other economic performance indicators, which influence the resources available for allocation;

iv) Declining ordinary revenue as a percent of GDP which indicates that revenue collection is not keeping pace with economic growth. Ordinary Revenue as a share of GDP has declined from a high of 18.1 percent in FY 2013/14 to 14.5 percent in FY 2025/26 Budget;

v) Consolidated Fund Services (CFS) is taking about 48.5 percent of ordinary revenue in the FY 2025/26, up from just 16.4 percent in 2013/14, pensions and interest payments tripling their share of revenues to 8.7 percent and 39.8 percent from FY 2013/14 to FY 2025/26. This trend is expected to remain the same in FY 2026/27;

vi) The spending allocation for FY 2026/27 and medium-term is guided by the Government's fiscal consolidation plan intended to reduce annual uptake of debt and thereby reduce debt vulnerabilities and improve debt sustainability. The implementation of the fiscal consolidation plan by the government which is aimed at reducing the fiscal deficit inclusive of grants from 5.9 percent of GDP in FY 2024/25 to 4.7 percent of GDP in FY 2025/26, and 5.3 percent of the GDP in FY 2026/27. In this regard, there is need for continuous rationalization of expenditures by eliminating non-core expenditures while improving efficiency in development projects implementation to contain expenditure growth, and stabilize debt;

vii) Increased expenditures for National Government for purposes of debt servicing; and

viii) The proposed Equitable Share for financial year 2026/27 of KSh 420 billion is equivalent to 21.87 percent of the most recent audited and approved actual revenues raised nationally of KSh 1,920,434 million for financial year 2021/22, pursuant to Article 203 (2) and (3) of the Constitution.

4.5.2.2 Application of Article 203 (2) of the Constitution in Division of Revenue

331. Article 203 (2) the Constitution requires that the equitable share allocation to counties should not be less than fifteen (15) per cent of the last audited revenue raised nationally, as approved by the National Assembly. The above proposed equitable share for FY 2026/27 of KSh 420.0 billion is equivalent to 21.87 per cent of the audited and approved actual revenues raised nationally of KSh 1,920.43 billion for FY 2021/22, which is above the 15 % minimum prescribed under the Constitution.

4.5.2.3 Horizontal Allocation of Revenue

332. The National Treasury proposes to allocate County Governments an equitable share of KSh 420.0 billion from the shareable revenue raised nationally to be shared among county governments using the Fourth Basis formula for sharing revenue approved by Parliament under Article 217 of the Constitution.

333. The Fourth Basis formula which is applicable from financial year 2025/26 to financial year 2029/30 has taken into account the following parameters; 1) The Baseline Allocation Ratio; 2) Affirmative Action Allocation; and 3) The Fourth Basis indices namely: - (i) Population (45%); (ii) Basic Share index (35%); (iii) Poverty Index (12%); and (iv) Geographical Size (8%).

334. The three components contained in the Forth Basis as follows:

i) The Baseline Allocation Ratio- This is derived from each County's allocation for Financial Year 2024/25. The Baseline Allocation Ratio ensures that each county maintains what it had already secured in the FY 2024/25 which is meant to ensure that no county loses on revenue hence holding all Counties harmless.

ii) The Affirmative Action Allocation- This component provides for equitable share for county governments that has been ring-fenced to cater for and be shared equally among the 12 smaller counties that are not favoured by the other parameters such as population and geographical size therefore would likely receive very little allocation using the formula thus impending development. This component considers disparities among counties and aims at equitable distribution of resources across all counties in line with Article 203(1)(g).

iii) The Fourth Basis indices- The third component of the formula shares out the difference using the parameters of the approved Fourth basis which are Population Index, Equal share Index, Poverty Index and Geographical Size Index. The Population Index is based on the 2019 Kenya Population and Housing Census whereas the Poverty Index is based on the 2022 Kenya Poverty Report by the Kenya National Bureau of Statistics.

335. The horizontal distribution of County Governments' equitable revenue share allocation of KSh 420.0 billion for FY 2026/27 shall be in accordance with the Fourth determination of the basis of the division of revenue among counties approved by Parliament pursuant to Article 217 (7) of the Constitution, as shown in **Table 4.8**.

Table 4.8: Allocation of Each County Government's Equitable Share of Revenue Raised Nationally in FY 2026/27

SNO.	County	Allocation Ratio	Equitable Share	Baseline Allocation of KSh. 387.425 Billion in 2024/25		Affarmative Action Allocation of KSh. 4.460 Billion in FY 2026/27	Additional Equitable Share Above KSh. 391.885 (KSh. 35.565 Billion) Using 4th Generation Formula		Total Equitable Share Allocation for FY 2026/27
				Allocation Ratio	Equitable Share		Allocation Ratio	Equitable Share	
		Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H=D+E+G
1	Baringo	1.72965677	7,083,683,384	1.72520442	6,683,873,223	-	1.72965677	486,293,000	7,170,166,223
2	Bomet	1.86925695	7,447,200,499	1.81070446	7,015,121,755	-	1.86925695	525,541,592	7,540,663,347
3	Bungoma	2.88722071	11,838,054,666	2.88331254	11,170,673,599	-	2.88722071	811,742,102	11,982,415,701
4	Busia	1.91057095	7,956,564,058	1.93971364	7,514,935,582	-	1.91057095	537,157,023	8,052,092,605
5	Elgeyo-Marakwet	1.37031376	5,515,146,712	1.24584940	4,826,732,019	371,666,667	1.37031376	385,263,714	5,583,662,400
6	Embu	1.45307451	6,077,441,672	1.38604809	5,369,896,832	371,666,667	1.45307451	408,531,899	6,150,095,398
7	Garissa	2.54093580	8,877,784,676	2.13988446	8,290,447,365	-	2.54093580	714,384,101	9,004,831,466
8	Homa-Bay	2.05968100	8,646,376,063	2.10886773	8,170,280,800	-	2.05968100	579,079,313	8,749,360,113
9	Isiolo	1.45439517	5,631,357,298	1.27082847	4,923,507,187	371,666,667	1.45439517	408,903,203	5,704,077,057
10	Kajiado	2.37612492	8,894,254,886	2.15396880	8,345,013,610	-	2.37612492	668,047,522	9,013,061,132
11	Kakamega	3.00387301	13,674,848,566	3.35045578	12,980,503,320	-	3.00387301	844,538,897	13,825,042,217
12	Kericho	1.90440430	7,178,668,356	1.73929543	6,738,465,302	-	1.90440430	535,423,269	7,273,888,571
13	Kiambu	3.36630462	13,071,817,986	3.17318105	12,293,696,674	-	3.36630462	946,436,543	13,240,133,217
14	Kilifi	2.78413711	12,813,396,770	3.14121274	12,169,843,476	-	2.78413711	782,760,150	12,952,603,626
15	Kirinyaga	1.43077009	6,151,661,892	1.40653616	5,449,272,719	371,666,667	1.43077009	402,261,011	6,223,200,397
16	Kisii	2.22317145	9,819,721,768	2.40197088	9,305,835,688	-	2.22317145	625,044,653	9,930,880,341
17	Kisumu	2.14881404	8,902,026,938	2.16953696	8,405,328,573	-	2.14881404	604,139,067	9,009,467,640
18	Kitui	2.67332787	11,503,907,837	2.80982593	10,885,968,099	-	2.67332787	751,606,132	11,637,574,231
19	Kwale	1.96101250	9,078,699,643	2.22634358	8,625,411,603	-	1.96101250	551,338,665	9,176,750,268
20	Laikipia	1.49418391	6,104,082,008	1.39047164	5,387,034,732	371,666,667	1.49418391	420,089,805	6,178,791,204
21	Lamu	1.00161720	3,857,621,205	0.84001567	3,254,430,723	371,666,667	1.00161720	281,604,675	3,907,702,065
22	Machakos	2.51745075	10,179,132,681	2.47718241	9,597,223,940	-	2.51745075	707,781,278	10,305,005,218
23	Makueni	2.07236592	8,976,335,654	2.19327825	8,497,308,272	-	2.07236592	582,645,678	9,079,953,950
24	Mandera	2.48516735	12,265,064,993	3.01751786	11,690,618,560	-	2.48516735	698,704,801	12,389,323,361
25	Marsabit	2.19994759	8,105,669,078	1.96093468	7,597,151,194	-	2.19994759	618,515,264	8,215,666,458
26	Meru	2.63727267	10,553,946,059	2.56677821	9,944,340,480	-	2.63727267	741,469,212	10,685,809,692
27	Migori	2.15818006	8,883,939,719	2.16430958	8,385,076,399	-	2.15818006	606,772,323	8,991,848,722
28	Mombasa	2.09262921	8,383,385,281	2.03902021	7,899,674,038	-	2.09262921	588,342,704	8,488,016,742
29	Murang'a	1.97965756	7,969,464,876	1.93892161	7,511,867,031	-	1.97965756	556,580,723	8,068,447,754
30	Nairobi City	5.35763115	21,417,128,397	5.20841762	20,178,711,957	-	5.35763115	1,506,297,997	21,685,009,954
31	Nakuru	3.40969073	14,455,147,658	3.52764991	13,666,997,646	-	3.40969073	958,634,548	14,625,632,194
32	Nandi	1.84169137	7,771,778,066	1.89612728	7,346,071,107	-	1.84169137	517,791,527	7,863,862,634
33	Narok	2.28620647	9,770,317,146	2.38545796	9,241,860,519	-	2.28620647	642,766,950	9,884,627,469
34	Nyamira	1.47860565	6,073,434,356	1.38349048	5,359,987,994	371,666,667	1.47860565	415,709,977	6,147,364,638
35	Nyandarua	1.53358128	6,662,675,631	1.53230216	5,936,521,652	371,666,667	1.53358128	431,166,376	6,739,354,695
36	Nyeri	1.63323997	6,896,132,673	1.68254740	6,518,609,255	-	1.63323997	459,185,417	6,977,794,672
37	Samburu	1.47988401	6,336,970,364	1.45143667	5,623,228,509	371,666,667	1.47988401	416,069,389	6,410,964,564
38	Siaya	1.95978998	7,754,478,885	1.88461597	7,301,473,431	-	1.95978998	550,994,953	7,852,468,384
39	Taita-Taveta	1.39582365	5,760,449,685	1.30764364	5,066,138,383	371,666,667	1.39582365	392,435,818	5,830,240,868
40	Tana-River	1.72076961	7,222,474,730	1.76155871	6,824,718,834	-	1.72076961	483,794,376	7,308,513,210
41	Tharaka-Nithi	1.24209956	5,058,286,293	1.13557677	4,399,508,312	371,666,667	1.24209956	349,216,292	5,120,391,271
42	Trans-Nzoia	1.94946967	7,991,120,837	1.94631243	7,540,500,922	-	1.94946967	548,093,399	8,088,594,321
43	Turkana	2.93875860	13,892,577,371	3.41053967	13,213,283,320	-	2.93875860	826,231,981	14,039,515,301
44	Uasin-Gishu	2.18306645	8,977,014,770	2.18684880	8,472,398,961	-	2.18306645	613,769,131	9,086,168,092
45	Vihiga	1.48891590	6,008,751,224	1.36617969	5,292,921,648	371,666,667	1.48891590	418,608,705	6,083,197,019
46	Wajir	2.61640338	10,507,580,683	2.55605576	9,902,799,041	-	2.61640338	735,601,811	10,638,400,852
47	West Pokot	1.69885483	7,002,426,008	1.70606846	6,609,735,714	-	1.69885483	477,633,036	7,087,368,750
		100.00000000	**415,000,000,000**	**100.00000000**	**387,425,000,000**	**4,460,000,000**	**100.00000000**	**28,115,000,000**	**420,000,000,000**

Source of Data: National Treasury, Medium Term Fiscal Framework

4.5.2.4 Additional Allocations to County Governments in FY 2026/27

336. Article 202 (2) of the Constitution provides that County Governments may be given additional allocations from the National Governments Share of revenue either conditionally or unconditionally; while Article 190 of the Constitution also provides that Parliament shall by legislation ensure that County Governments have adequate support to enable them to perform their functions. Further, Section 4 of the County Governments Additional Allocations Act (CGAAA), 2025 requires that additional allocations shall be funds agreed upon by the National Assembly and the Senate during the consideration of the Budget Policy Statement and shall comprise of County Governments' additional allocations financed from either the National Government's Share of Revenue or proceeds of loans or grants from Development Partners. Pursuant to Section 5 of the CGAAA 2025, funds for additional allocations to County Governments shall be included in the budget estimates of the National Government and shall be submitted to Parliament for approval.

337. In the 2026 Budget Policy Statement, the National Treasury proposes to allocate KSh 64.69 billion as additional (conditional and unconditional) allocations to County Governments. Out of this, KSh 7.2 billion will be financed from the National Government's share of revenue, and KSh 57.46 billion from proceeds of loans and grants from Development Partners. This is summarized in **Table 4.9**

Table 4.9: Additional Allocations to County Governments in FY 2026/27

S/NO	Project Description	Amount in KSh.
	I. Unconditional Additional Allocations Financed from National Governemnts Share of Revenue	
1	Unconditional Additional Allocations from Court fines	148,259,370
2	Unconditional Additional Allocationsfrom 20% Share of Mineral Royalties to County Governemnts	151,740,630
	TOTAL	**300,000,000**
	II. Conditional Additional Allocations Financed from National Governemnts Share of Revenue	
1	Conditional Grant for Community Health Promoters	3,234,930,000
2	Conditional Grant to Supplement Construction of County Headquarters	442,000,000
3	Conditional Grant for County Aggregation and Industrial Parks (CAIPs) Programme	3,250,000,000
	TOTAL	**6,926,930,000**
	III.Conditional Additional Allocations Financed from Proceeds of Loans and Grants from Development Partners	
1	AfD (France) - Kenya Informal Settlement Improvement Project (KISIP) II	400,000,000
2	IDA (World Bank) - Building Resilience & Responsive Helath Systems (BREHS)	7,799,999,982
3	KfW - Financing Locally- Led Climate Action Program - County Climate Resilience Investment (FLLOCA-CCRI)	1,200,000,000
4	IDA (World Bank) - Financing Locally-Led Climate Action Program - County Climate Resilience Investment (FLLOCA-CCRI)	6,187,500,000
5	IDA (World Bank) - Food Systems Resilience Project (FSRP)	3,900,000,000
6	IDA (World Bank) - National Agricultural Value Chain Development Project (NAVCDP)	3,560,000,000
7	IDA (World Bank) - Water and Sanitation Development Project (WSDP)	850,000,000
8	IDA (World Bank) - Kenya Urban Support Project (KUSP) - Urban Institutional Grant (UIG)	954,734,992
9	IDA (World Bank) - Second Kenya Urban Support Project (KUSP) - Urban Development Grant (UDG)	16,703,171,420
10	IFAD - Kenya Livestock Commercialization Project (KeLCoP)	378,730,000
11	KfW - Drought Resilience Programme in Northern Kenya (DRPNK)	853,600,000
13	IDA (World Bank) - Second Kenya Devolution Support Program (KDSP II) - Institutional Grant (Level 1 Grant)	1,762,500,000
14	IDA (World Bank) - Second Kenya Devolution Support Program - Service Delivery and Investment Grant (Level 2 Grant) (KDSP)	7,755,000,000
15	Kenya Water, Sanitation and Hygiene (K-WASH) Programme	4,282,086,900
16	IFAD - Integrated Natural Resource Management (INReM) Programme	812,442,000
17	UNFPA 10th Country Programme	65,190,000
	TOTAL	**57,464,955,294**
	GRAND TOTAL	**64,691,885,294**

Source of Data: National Treasury, Medium Term Fiscal Framework

4.5.2.5 Allocation of Sharable revenue between the two levels of Government and the additional allocations to counties from the National Government share of Revenue

338. It should be noted that, and pursuant to Article 202 (2) of the Constitution, the National Government has over the years provided for additional allocations to County Governments from its share of revenues. These primarily conditional allocations are intended to advance the attainment of policy priorities objectives for both levels of government, including those that pertain to international commitments. **Table 4.10** shows division of shareable revenue between the County Governments and National Government.

Table 4.10: Division of Revenue Raised Nationally FY 2020/21 – FY 2026/27 (KSh Million)

Type/Level of allocation	2020/21	2021/22	2022/23	2023/24	2024/25	2025/2026	2026/2027
a) National Government Share	**1,533,700**	**1,398,799**	**1,764,516**	**2,177,867**	**2,235,993**	**2,341,320**	**2,552,729**
Out of which	-	-	-	-	-	-	-
i) Additional Allocations to County Governments	***6,505***	***7,537***	***5,363***	***10,117***	***16,925***	***12,837***	***11,801***
i) Leasing of Medical Equipment	*6,205*	*7,205*	*5,200*	-	-	-	-
ii) County Aggregated Industrial Park (CAIPs)	-	-	-	*4,500*	*2,000*	*4,448*	*4,500*
iii) Road Maintenance Levy Fund	-	-	-	-	*10,552*	-	-
iv) Supplement for construction of County Headquarters	*300*	*332*	*163*	*454*	-	*449*	*442*
v) Community Health Promoters (CHPs)	-	-	-	-	*2,584*	*3,235*	*3,235*
vi) Transferred Museums Function	-	-	-	-	*30*	-	-
vii) Outstanding Basic Salary Arrears for Health Workers	-	-	-	-	*1,759*	*1,759*	*1,759*
ix) Fertilizer Subsidy Program	-	-	-	*5,000*	-	-	-
x) Transfer of Library Services Function	-	-	-	*163*	-	-	-
xi) Court fines	-	-	-	-	-	*12*	*32*
xii) 20% Share of Mineral Royalties	-	-	-	-	-	*2,935*	*1,833*
b) Equalization Fund	**6,500**	**6,825**	**7,068**	**8,369**	**8,000**	**10,590**	**15,163**
Of which: i) 0.5% Equilization Fund	*6,500*	*6,825*	*7,068*	*8,369*	*7,853*	*9,602*	*9,602*
ii) Equilization Fund Arrears					*147*	*987*	*5,561*
c) County Equitable Share	**316,500**	**370,000**	**370,000**	**385,425**	**387,425**	**415,000**	**420,000**
Total Shareable Revenue	**1,856,700**	**1,775,624**	**2,141,584**	**2,571,661**	**2,631,271**	**2,765,922**	**2,982,331**

Source of Data: The National Treasury, Medium Term Fiscal Framework

4.5.2.6 Disaggregation of Total Proposed Transfers to the Counties

339. Taking into the above proposed additional allocations to County Governments in FY 2026/27, the expected total transfers to County Governments is KSh 484.69 billion. **Table 4.11** shows disaggregation of total proposed transfers to the Counties in FY 2026/27 and allocations in previous financial year. From the table, there is clear demonstration that there has been consistent growth of total transfers to County Governments over the financial years.

Table 4.11: Disaggregation of County Governments' Allocation (KSh Millions)

	Type/Level of Allocation	2022/23	2023/24	2024/25	2025/26	2026/27
A	**County Equitable Share**	**370,000**	**385,425**	**387,425**	**415,000**	**420,000**
B	**Additional Allocations to County Governments**	**22,359**	**46,362**	**42,002**	**70,666**	**64,692**
	Of which a) Gok-funded unconditional allocations	-	*10,117*	-	*2,946*	*300*
	b) Gok-funded conditional allocations	*5,200*	*3,044*	*4,584*	*9,984*	*6,927*
	c) Allocations from proceeds of loans and grant	*17,159*	*33,202*	*35,659*	*57,735*	*57,465*
C	**Total County Allocations (A+B)**	**392,359**	**431,787**	**429,427**	**485,666**	**484,692**

Source of Data: National Treasury, Medium Term Fiscal Framework 2025

4.6 Intergovernmental Fiscal Transfers

340. National Government Ministries Departments and Agencies (MDAs) are responsible for development of frameworks for the management of conditional additional allocations made to beneficiary County Governments. These frameworks outline the total allocation to each conditional additional allocation and the specific amount apportioned to each participating County Governments; the conditions to be met by participating County Governments; and the responsibilities of both MDAs, and beneficiary County Governments. The Accounting Officers in the respective MDAs are responsible for submission of these frameworks to the National Treasury for inclusion in the County Governments Additional Allocations Bill (CGAAB), 2026.

4.6.1 Intergovernmental Agreements in respect of the Additional Conditional Allocations

341. Section 9 of the CGAAA, 2022 for FY 2021/22 vide Kenya Gazette Supplement No. 74 of 29th April made consequential amendments to the PFM Act, 2012 to provide for among others, the insertion of Sections 191A to 191E on intergovernmental agreements. These sections required that the National Treasury shall enter into an intergovernmental agreement with the respective County Governments for the transfer of the respective conditional allocations made to the County Governments pursuant to the Act; that such agreements shall set out any conditions that may be attached to the conditional allocations; and that the requisition of funds from the County Revenue Fund (CRF) for the purposes of a conditional grant shall be supported by the intergovernmental agreement approved under Section 191A.

342. However, the National Treasury prepared and submitted to the Cabinet the Public Finance Management (Amendment) Bill, 2024 which seeks to repeal Section 191 A-E of the Public Finance Management Act (CAP 412A) to provide for seamless implementation of conditional allocations while ensuring there is no duplication in management of the conditional allocations. The Bill has since then been approved by the Cabinet and forwarded to the Hon. Attorney General with the accompanying Cabinet Memorandum, for onward transmission to Parliament.

4.6.2 Mechanisms to Isolate Donor-funds from GoK funds for Additional Allocation

343. In light of the persistent delays in the approval of the County Governments Additional Allocations Bill (CGAAB), Intergovernmental Budget and Economic Council (IBEC) directed the National Treasury to initiate a multi-stakeholder engagement within one month to explore and develop alternative legislative and administrative frameworks to ensure the efficient and timely flow of conditional grants to County Governments. The National Treasury prepared the Public Finance Management (Amendment) Bill, 2025 Bill proposing to amend Sections 42 and 191 of the PFMA to provide for submissions of two separate Bills: one covering allocations from the National Government's share of revenue and another for allocations financed by proceeds of loans and grants from Development Partners.

344. The amendments aim to address the delays in enactment of the CGAAB which leads to late disbursement of funds, disruption in service delivery and low absorption of allocated funds at the county level. It has also led to fiscal inefficiencies resulting in additional costs for the country in the form of commitment fees and interest charged on foreign borrowing. The submission of two separate bills will facilitate faster approval and timely disbursement of additional allocations, particularly the financing from development partners. The amendment Bill has since been cleared by the Office of the Attorney General, approved by Cabinet and is now awaiting transmittal to Parliament.

V. STATEMENT OF SPECIFIC FISCAL RISKS

5.1 Introduction

345. In line with the requirements of the Public Finance Management Act, 2012, this Annexure presents the Statement of Specific Fiscal Risks (SSFR). It provides an assessment of fiscal risks that could affect the achievement of the macroeconomic targets and objectives outlined in this BPS. The Kenyan economy is projected to expand by 5.3 percent in 2025 and 2026, up from 4.7 percent in 2023, supported by favourable weather conditions, improved agricultural productivity, climate-smart investments, and sustained implementation of Bottom-Up Economic Transformation Agenda (BETA interventions.

346. Despite this positive outlook, downside risks remain. These arise from both domestic and external shocks, including uncertainties in macroeconomic assumptions, public debt dynamics, operations of state corporations, contingent liabilities, financial sector vulnerabilities, and natural risks. If these risks materialize, they could challenge the Government's ability to implement and sustain the fiscal and macroeconomic policies detailed in this BPS. This section also outlines the measures the Government is implementing to mitigate these risks.

5.2 Risk in Changes in Macroeconomic Assumptions

347. Macroeconomic variables form the foundation of the budget, guiding revenue projections and determining spending priorities. For FY 2025/26, the budget assumes a growth of 4.6 percent in 2024 and 5.3 percent in 2025, with inflation projected at 4.8 percent in FY 2024/25 and expected to remain close to the 5.0 percent target over the medium term. The external sector is anticipated to remain relatively stable despite geopolitical uncertainties and tight global financial conditions. Deviations from these assumptions could impact projected revenues and expenditures.

348. **Table 5.1** summarizes the sensitivity of fiscal outcomes to key macroeconomic variables. A reduction in projected real GDP by one percentage point in 2025 (from 5.3 percent to 4.3 percent) would reduce revenue collection by KSh 12.5 billion, while expenditures would decline by KSh 6.5 billion, resulting in a higher fiscal deficit of KSh 6.0 billion in FY 2025/26.

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

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

Source of Data: National Treasury

349. Conversely, a 1 percent increase in inflation (from 5.0 percent to 6.0 percent) would raise revenues by KSh 13.0 billion and expenditures by KSh 7.0 billion, improving the fiscal deficit by KSh 6.0 billion in FY 2025/26, with medium-term benefits projected at KSh 8.2 billion by FY 2028/29.

350. A 10 percent depreciation of the Kenya Shilling against the US dollar would increase revenues by KSh 19.9 billion and expenditures by KSh 4.1 billion, reducing the fiscal deficit by KSh 15.8 billion in FY 2025/26 and an estimated KSh 22.1 billion by FY 2028/29. However, this does not account for potential reductions in import volumes due to the weaker shilling.

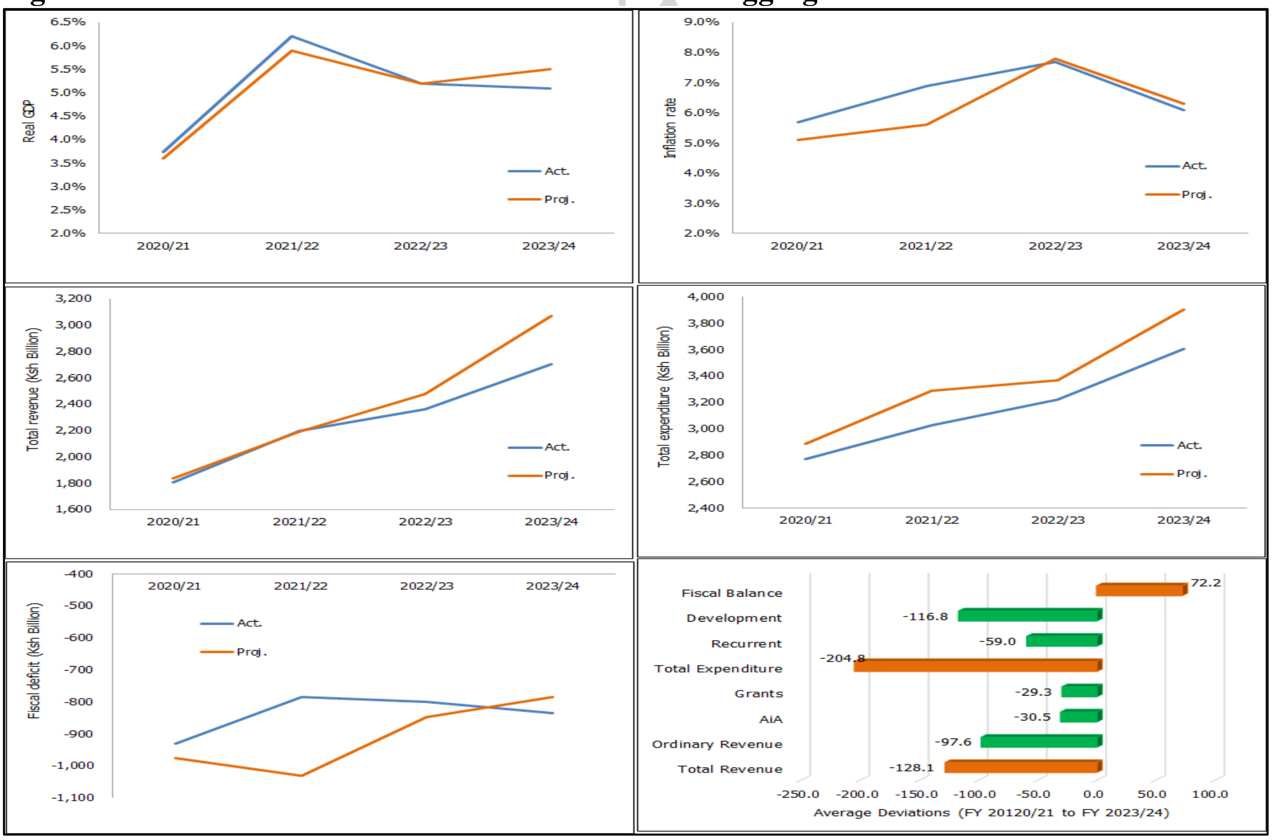
351. Similarly, a 10 percent increase in the value of imported goods would increase revenue collection by KSh 11.6 billion in FY 2025/26, though the medium-term effect may be negative due to changes in consumer behaviour. Expenditures would remain largely unaffected.

352. If all four shocks occurred simultaneously, the increase in revenues from inflation and exchange rate movements would offset risks from slower GDP growth, with expenditures rising minimally, effectively neutralizing the overall fiscal risk to the budget.

Assessment of Past Forecast Accuracy of Underlying Assumptions and Budgetary Aggregates

353. Historical data shows that actual GDP growth and inflation have largely remained within target ranges, with minimal deviations **(Figure 5.1)**. Over FY 2020/21–2023/24, the standard deviation of real GDP growth was 0.3 percentage points, while inflation deviations averaged 0.7 percentage points, with the largest deviation of 1.3 percent occurring in FY 2021/22 due to drought and external shocks.

Figure 5.1: Deviations in Macroeconomic and Fiscal Aggregates



Source: National Treasury

354. Revenue and expenditure performance during the same period fell slightly below targets. Total revenue underperformed by an average of KSh 128 billion, with shortfalls of KSh 98 billion in ordinary revenues and KSh 31 billion in Ministerial A-I-A. Total expenditure and net lending were underspent by KSh 205 billion, mainly due to lower absorption in development expenditure (KSh 117 billion) and recurrent expenditure (KSh 59 billion). Lower recurrent spending aligns with Government fiscal consolidation efforts aimed at reducing unproductive expenditure.

355. To mitigate risks from underperformance, the National Treasury froze initiation of new capital projects until ongoing projects are completed. The Public Investment Management Unit ensures that all capital projects are properly planned, appraised, and evaluated before budget allocations are committed.

Table 5.2: Deviations in Macroeconomic and Fiscal Aggregates

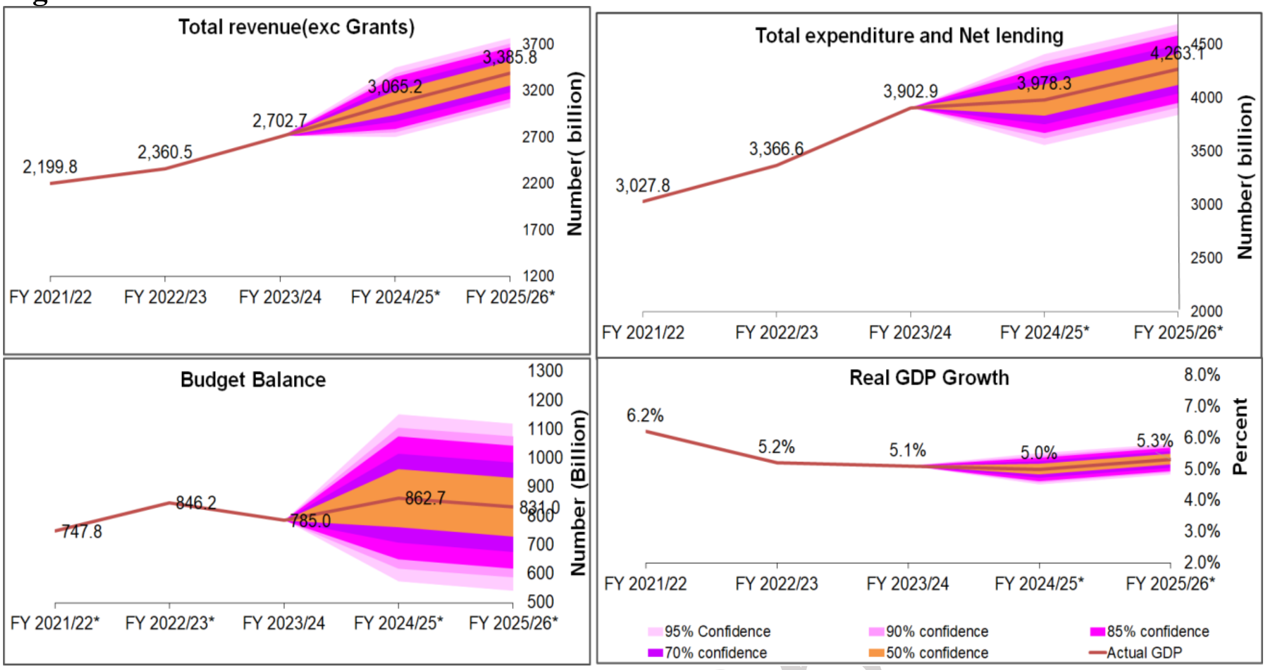
	2021/22			2022/23			2023/24*			2024/25	Average	Standard
	Proj.	Actual	Dev.	Proj.	Prel Actual	Dev.	Proj.	Prel Actual	Dev.	Proj	Deviations	Deviations
I. Key Macroeconomic Assumptions												
Real GDP	5.9%	6.2%	0.3%	5.2%	5.2%	0.0%	5.5%	5.1%	-0.4%	5.0%	0.0%	0.3%
Inflation Rate (avg)	5.6%	6.9%	1.3%	7.8%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

Source: National Treasury

356. The economy is projected to grow by 5.3 percent in FY 2025/26, with a 95 percent confidence interval ranging from 4.8 percent to 5.8 percent (standard deviation of 0.3percent). This represents an improvement from FY 2024/25, where growth was 5.0 percent (range: 4.5 percent–5.5 percent) **(Figure 5.2)**.

357. Revenue forecasts for FY 2025/26 are KSh 3,385.8 billion, with a 95 percent confidence interval of KSh 3,005.5 billion to KSh 3,766.0 billion (standard deviation: KSh 25 billion). Expenditure is projected at KSh 4,263.1 billion, ranging between KSh 3,835.5 billion and KSh 4,690.6 billion (standard deviation: KSh 201 billion). The fiscal deficit is therefore expected to fall between KSh 587.2 billion and KSh 1,121.5 billion at a 95 percent confidence interval.

Figure 5.2: Confidence Intervals



Source of Data: National Treasury

5.3 Specific Fiscal Risks

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

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

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

5.3.1 Fiscal Risk Associated with Public Debt

359. The performance of the economy has a direct bearing on debt sustainability, with strong economic growth supporting improvement in debt indicators and enhancement in Government's fiscal position. Currently, key economic indicators remain robust, which provides a favourable environment for strengthening debt sustainability. Building on this momentum, the Government's strategy to sustain economic recovery and its commitment to fiscal consolidation are expected to further improve debt ratios over the medium term. Notwithstanding this outlook, several risks remain.

360. Depreciation of the Kenya shilling against major currencies poses a significant threat, given that approximately 47.0 percent of the public debt portfolio is denominated in foreign currencies, thereby could increase external debt service costs. Tight global financial conditions and elevated domestic interest rates could further raise the cost of new borrowing, heighten rollover risks for maturing obligations and increase the overall interest payment burden. The substantial share of domestic debt held in Treasury Bills also exposes the Government to frequent refinancing

pressures, underscoring the need for proactive liability management, including the gradual shift towards medium and long-term Treasury Bonds.

361. In addition, guarantees extended to State-Owned Enterprises (SOEs) and commitments under Public-Private Partnerships (PPPs) present contingent fiscal risks, particularly where these entities face financial distress, which may necessitate Government intervention and elevate public debt service obligations. Continuous monitoring of these exposures, alongside establishing a dedicated budget line for contingent liabilities, remains essential to safeguard fiscal stability. Furthermore, adverse shocks to projected revenues could intensify borrowing pressures and contribute to higher-than-planned debt accumulation.

5.3.2 Crystallization of Contingent Liabilities

362. Contingent liabilities are potential obligations that may materialize from uncertain future events and are recognised in the financial statements only when their occurrence is probable and the associated amount can be reliably estimated; otherwise, they are subject to full disclosure. These liabilities may be explicit, arising from legally binding contractual or statutory commitments, or implicit, originating from moral or political expectations that the Government may be required to address. As contingent liabilities are often excluded from the formal budget process, they may escape routine scrutiny and effectively function as hidden subsidies, thereby posing fiscal risks when they materialise. To safeguard fiscal sustainability, it is imperative for the Government to systematically identify, assess, monitor, and disclose all contingent liabilities to enhance transparency, strengthen fiscal risk management and support prudent planning and resource allocation.

5.3.2.1 State Corporations / Government Owned Enterprises (GOEs)

363. State Corporations continue to present significant sources of contingent liabilities to the Government owing to their legal and financial autonomy to enter into obligations, often with government backing. These liabilities arise when the Government is exposed to financial risk without an immediate obligation, but may be required to step in if the corporation fails to meet its commitments. The key sources of these liabilities include; guaranteed loans, direct loans, commercial debts, legal claims, pending bills and operational failures. Their underperformance or mismanagement may compel Government intervention, creating fiscal pressure.

364. Without effective oversight and financial discipline, State Corporations can pose fiscal risks to the Government through implicit or explicit guarantees, requiring proactive monitoring, governance reforms, and financial restructuring. The National Treasury continues to undertake financial evaluation and fiscal risk analysis for State Corporations aimed at identifying, assessing, and management of potential contingent liabilities.

365. Government Linked Enterprises (GLCs) also pose a fiscal risk to the Exchequer. These are entities where the Government holds less than a 50 percent stake. In such GLCs, direct oversight is limited. However, the Government may still be called upon to honor certain contractual obligations in the event of a default.

366. Given the strategic importance of some of these entities, and considering national interests and the potential economic impact of their failure, the Government may feel morally or politically compelled to provide financial support. This creates a significant fiscal risk and can disrupt budget implementation.

367. The Government has continued to strengthen corporate governance in State Corporations through the implementation of the Mwongozo Code of Governance and related capacity-building initiatives. These efforts aim to enhance governance standards across all public entities.

368. Additionally, the Government has recommended the establishment and operationalization of audit committees and risk management frameworks within Government entities, including State Corporations. The Public Finance Management Act and the Public Audit Act further support effective financial management and oversight to ensure strategic and efficient service delivery.

369. Moreover, the Capital Markets Authority has issued governance regulations under the Capital Markets Act (Cap. 485) applicable to companies listed on the Nairobi Securities Exchange (NSE). These regulations promote greater accountability, transparency, and full disclosure, including for Government-linked entities and State Owned Enterprise (SOEs) listed on the NSE.

370. The National Treasury has initiated the process of reforming and restructuring State Corporations. The objective is to enhance the country's fiscal space by reducing the overreliance of State Corporations on the National Exchequer, thereby allowing the Government to reallocate resources toward priority projects and programs.

371. Following Cabinet approval for implementation of the Reforms, the National Treasury constituted a Multi-Agency Technical Working Committee. The Committee, conducted assessments of the entities identified for reforms under Phase One and:

i) Reviewed and drafted necessary legislation (amendments, repeals, and new laws);
ii) Assessed staff for redeployment or reassignment to ensure no job losses; and
iii) Documented assets and liabilities of affected entities for action.

372. The National Treasury remains committed to ensuring the successful and full implementation of the proposed reforms.

373. Commercial State Corporations face challenges such as limited capital, outdated technology, dual mandates, lack of commercial expertise, and inefficiencies due to government crowding out the private sector. To address these issues, The National Treasury initiated a privatization and restructuring process under the Privatisation Act 2023. The aim is to support fiscal consolidation and economic growth by raising revenue, reducing government expenditure, improving regulatory frameworks, and boosting private sector participation to enhance efficiency and competitiveness.

374. As at 30th June 2025, the National Treasury had extended government guarantees to several State Corporations and Government-Linked Companies (GLCs), including the Kenya Electricity Generating Company PLC (KENGEN), Kenya Ports Authority (KPA) and Kenya Airways (KQ). In addition, fourteen (14) State-Owned Enterprises (SOEs) held non-guaranteed debt, independently contracted based on their own credit capacity and without recourse to government support. By the end of June 2025, government-guaranteed debt stood at KSh 83.2 billion, a decline from KSh 100.2 billion recorded in FY 2023/2024, largely attributable to ongoing repayments. Over the same period, the fourteen SOEs reported a combined non-guaranteed debt stock of KSh 44.9 billion (0.3 percent of GDP). The cumulative on-lent loan portfolio amounted to KSh 1,051.1 billion, with the Kenya Railways Corporation accounting for KSh 547.4 billion, equivalent to 52 percent of the total, indicating a significant concentration risk within a single entity.

375. Pending bills among State Corporations remain elevated, with outstanding obligations amounting to over KSh 25 billion as at 30th June 2025. The major components of these pending bills include unpaid contractors' fees for capital projects, undischarged tax obligations and unremitted employer pension contributions as well as utilities, particularly water charges.

5.3.2.2 Public Private Partnerships (PPP) Projects

376. Public Private Partnerships (PPPs) arrangement has proved to be a critical mechanism for mobilizing private sector resources to enhance infrastructure development. This financing mechanism fits well in releasing the pressure on the constraint fiscal space besides bridging the gap in estimated KSh 250 billion need annually for the Country's adequate infrastructure funding. PPPs also favour the Government's fiscal consolidation efforts by reducing government borrowing and expenditure pressures. Financial sector deepening, realizing innovative ideas and risk transfers are among PPP benefits.

377. Over KSh 145.7 billion in private capital has so far been mobilized through PPPs over the years up to 30th June 2025. During Financial Year 2025/2026, the National Treasury projects to mobilize a total of KSh 65.0 billion as per the approved printed estimates. The following projects are targeted to contribute towards realization of the above amount: Rironi Nakuru Mau Summit Road Project (KSh 150 billion); Africa 50 transmission lines (KSh 41 billion); NTSA new generation of driving licence and traffic monitoring system (KSh 45 billion).

378. Currently, there is a PPP projects' portfolio pipeline of 36 projects at various stages. During the last Financial Year (2024/2025), the PPP program mobilized a total of KSh 17.7 billion from two projects namely, Galana-Kulalu Food Security Project (KSh 6 billion being an additional amount to the originally reported KSh 6.5 billion) and Orpower 22 Menengai Geothermal Power Plant Project (KSh 11.7 billion). The National Treasury is still working on a number of key policy milestones, including development of PPP Regulations under the PPP Act 2021, and various guidelines and procedure manuals.

379. The Government envisages mobilizing KSh 50 billion within the next FY 2026/2027 through Private investments in PPPs by working with the private sector to develop projects in priority areas. The summary of the targeted sector projects is listed below:

i) University of Nairobi Purpose Built Student Accommodation Project (UON PBSA – KSh 9.2 billion)
ii) The Water Sector – Sabaki Water Carrier Project (KSh 28 billion) for abstraction of 80,000 m^3 /day water from the Baricho aquifer among others; and
iii) Moi Teaching and Referral Hospital (MTRH) Expansion of Teaching and Student Accommodation Facilities at the Ultra-Modern College of Health Sciences (KSh 4 billion), among others.

380. To enhance legal and regulatory Framework, The Government has put in place a robust PPP legal framework supported by the PPP Act, 2021 and its resultant regulations. Public Private Partnerships Regulations, 2014 and the Project Facilitation Fund Regulations, 2017 are currently under review to align them with the Act and for proper effective implementation the PPP Program.

381. The Public Private Partnerships Committee (PPPC) and the PPP Directorate, established under The PPP Act 2021, are the key institutions offering the technical oversight role, and the secretariat, technical, financial & legal expertise respectively regarding PPP related activities. Strengthening the capacity of the Directorate to ensure its effectiveness is in the process with the

organization structure and staff establishment having been approved by the Public Service Commission of Kenya.

382. The National Treasury has prepared and published a circular for Privately Initiated Proposals (PIPs) disclosure requirements thereby addressing information asymmetry to the public. Thorough public engagements will also be undertaken during all critical stages of the PPP project implementation processes in line with the PPP Act. Contracting Authorities are required to publish all intended and ongoing projects in line with section 43 and 69 of the PPP Act of 2021.

383. The Government is currently implementing the framework that enables private investment in national programs through balancing risks and rewards between the public and private sector and free the fiscal space. In this regard, the Government has institutionalized a joint PIM-PPP planning framework to ensure that only projects with the highest social - economic returns are undertaken.

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

385. As part of de-risking public investments in respect to capital mobilization for infrastructure development, the Government will continue to provide Government Support Measures (GSMs) to private investors in PPP projects in the form of Letters of Support (LOSs), Partial Risk Guarantees and Indemnity Agreements. To date, a number of projects under implementation have been issued with GSMs. The contingent liabilities are closely monitored and shall be disclosed accordingly depending on the implementation progress of various project agreements.

5.3.3 Fiscal Risks Related to Devolution

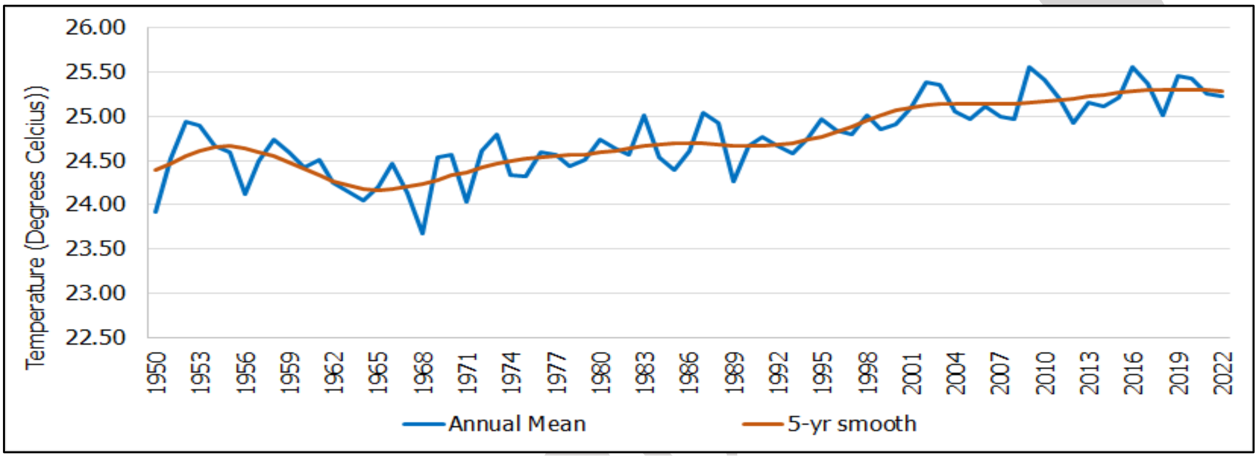
386. Section 107 (2) (f) of the PFM Act, 2012 require County Treasuries to manage their fiscal risks prudently. During the review period, a number of fiscal risks were identified in revenue and expenditure performance. These are:

i) High levels of pending bills that negatively affects effective delivery of public services as well as local business development. According to OCOB, as at 30th June 2025, County Governments reported outstanding pending bills amounting to KSh 176.9 billion.
ii) Non-remittance of statutory deductions by some County Governments more especially pension contributions, posing a huge challenge to the social security of the pensioners;
iii) High expenditure on wage bill that lowers the ability of County Governments to meet financial obligations on operations & maintenance and development requirements. In the FY 2024/25, on average as reported by the OCOB, the County Governments expenditure on wages was 41.4 percent of their total revenue; and,
iv) Underperformance in OSR, which results in unfunded budgets resulting to accumulation of pending bills. County Governments collectively collected 67.3 billion against a target of KSh 87.7 billion representing 76.8 percent of their target in FY 2024/25.

5.3.4 Climate Change Related Fiscal Risks to the Economy

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

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



Source: World Bank Climate Change Knowledge Portal

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

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

Table 5.3: Natural Disasters in Kenya, 1964-2022

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

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

390. According to the *State of the Climate Kenya (2023),* the 2023 floods affected 38 counties across Kenya, resulting in loss of lives, injuries, displacements, and destruction of key

infrastructure. An increase in contaminated water also led to secondary effects, including vector and waterborne disease outbreaks. 757,173 people (138,560 households) were affected since the onset of the short rains season between October and December 2023. Some of the hardest hit areas were the semi-arid lands where pastoralism is the economic driver for livelihoods. These areas were still recovering from the worst drought in 40 years, which led to high rates of malnutrition.

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

5.3.4.1 Specific Fiscal Risks related to Climate Change

Nature of Specific Fiscal Risks

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

Key Types of Fiscal Risks

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

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

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

i) **Agriculture**: As the backbone of the economy, agriculture is heavily reliant on consistent weather patterns. Climate change, with its unpredictable rainfall and extreme weather events, threatens crop yields, food security, and rural livelihoods.

ii) **Energy**: Kenya's energy sector, especially hydroelectric power, is vulnerable to changing rainfall patterns, which can lead to power shortages and increased use of expensive fossil fuels. Rising temperatures also reduce the efficiency of geothermal plants and transmission systems.

iii) **Labour Productivity**: Increased heat from climate change can reduce labour productivity, particularly for outdoor workers in sectors like agriculture, forestry, and fisheries, especially in arid regions.

iv) **Road Transport**: With 93percent of freight and passenger traffic depending on roads, climate-induced disruptions like flooding and road degradation during extreme weather events can isolate regions and hinder trade and mobility.

v) **Tourism and Wildlife**: Tourism, closely linked to wildlife and natural landscapes, is affected by climate shifts that alter wildlife habitats and migration patterns, potentially reducing tourism appeal.

vi) **Water Resources**: Climate change contributes to water scarcity and the degradation of water quality, impacting both human consumption and agricultural use, with wide-ranging effects on health, food production, and energy generation.

vii) **Health & Education**: The average number of hot days and nights per year have increased remarkably with associated effects on health reported across various hospitals (KMD, 2022). Extreme weather events, such as floods and higher temperatures, can damage infrastructure, disrupt access to health and education services, and increase the spread of diseases like cholera and typhoid. Droughts can reduce food availability and student attendance.

5.3.4.2 Long Term Climate Change Fiscal Risks Analysis

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

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

Table 5.4: Climate Change Scenarios in Kenya

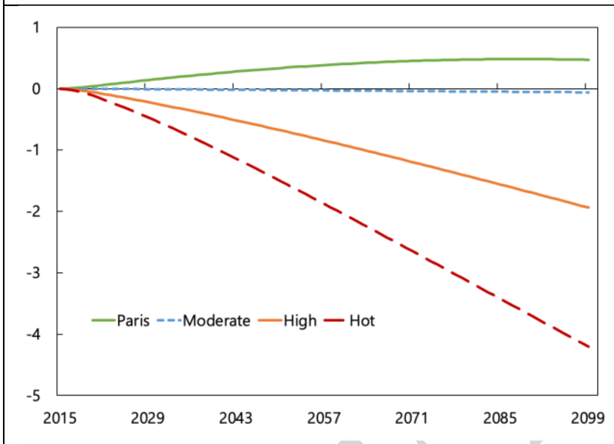
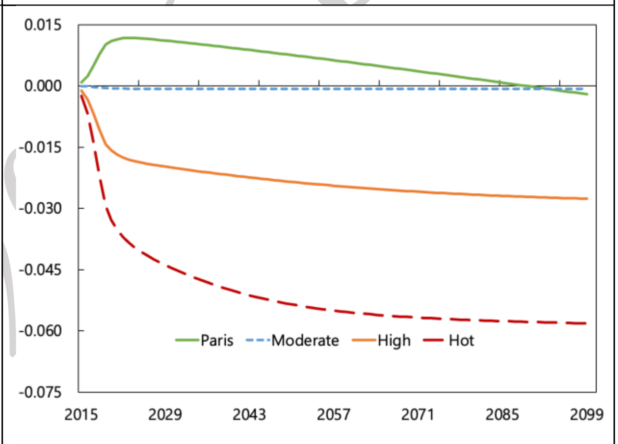
Scenario	Description	Temperature Change Degrees Celsius	
		2021-2050	**2021-2100**
Paris:	It assumes that countries will maintain their current climate mitigation policies and will take additional actions to meet their Paris Agreement commitments.	1.0	1.0
Moderate:	Emissions follow current trends, peaking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

	temperature increase among all climate models rather than the average temperature projection.		

5.3.4.3 Macroeconomic Impacts of Climate Change

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

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

Percent Level GDP Loss	Percentage point Variation on Labor Productivity Growth
	

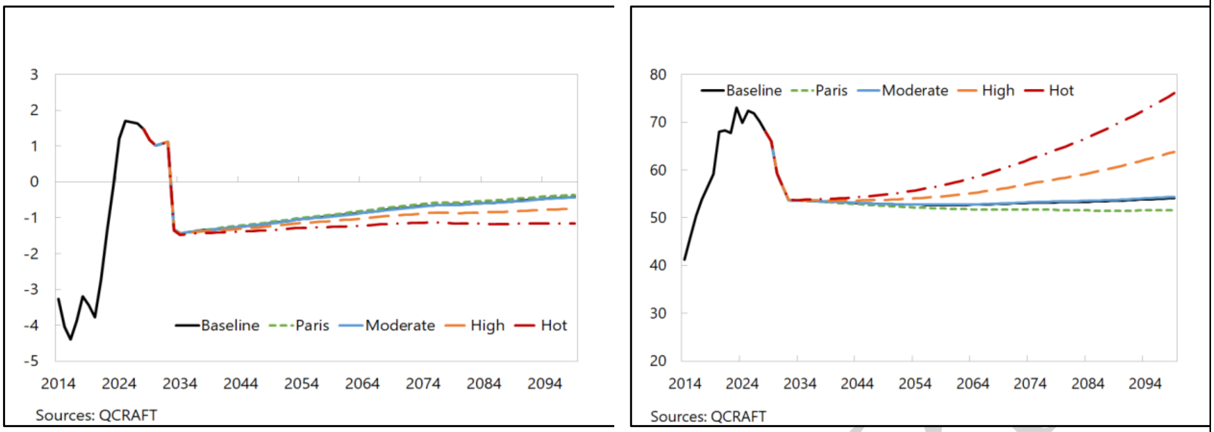
Source: Q-CRAFT (2024)

5.3.4.4 Effects of Climate Change on Fiscal Projections

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

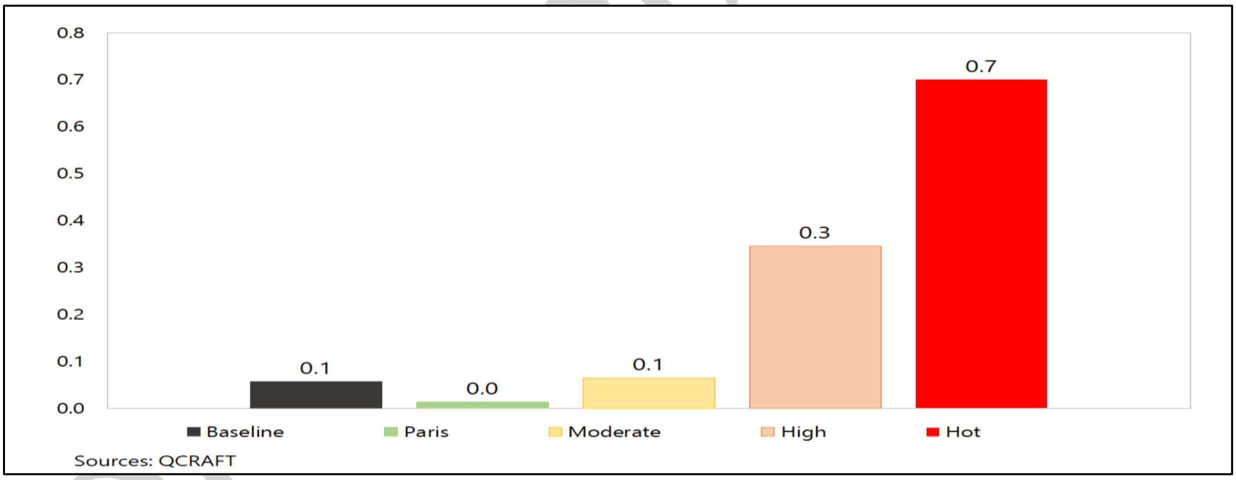
Figure 5.5: Effects of Climate Change on Fiscal Projections (2013-2093)

Primary Net Lending / Borrowing (percent of GDP) | **Debt-to-GDP Ratio (percent)**



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

Figure 5.6: Primary Balance Gap (percent of GDP)



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

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

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

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

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

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

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

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

c. **Crop production - water and heat stress:** Shock to crop revenues through changes in yields. Based on the Food and Agriculture Organization's crop-specific yield response functions to water availability and heat stress.

d. **Crop production - erosion and land degradation:** Shock to crops from soil erosion and flooding due to vegetation conditions. Impacts on erosivity from changes in rainfall are based on the Revised Universal Soil Loss Equation model.

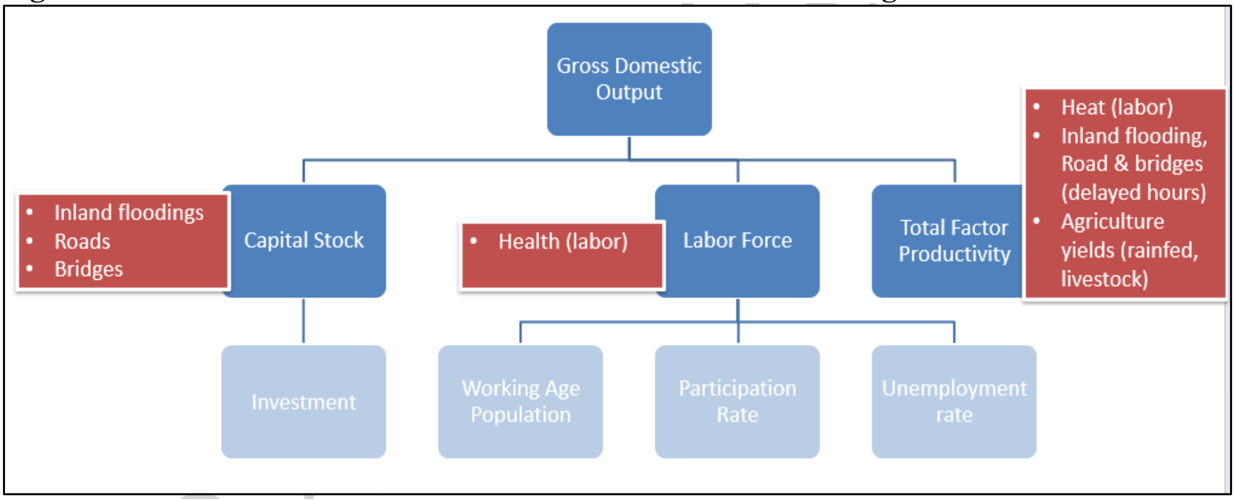
e. **Livestock:** Shock to livestock revenues through changes in productivity by animal and product type. Considers extreme heat and feed availability effects through animal-specific impact curves.

f. **Inland flooding:** Shock to capital from changes in the recurrence of peak precipitation events that result in fluvial (riverine) flooding.

g. **Roads and bridges:** Shock to capital due to damages to and increased maintenance of roads and bridges, as modeled using the Infrastructure Planning Support System model. Also considers labor supply effects of road disruptions.

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

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



Source: World Bank

Economic Policy Simulations

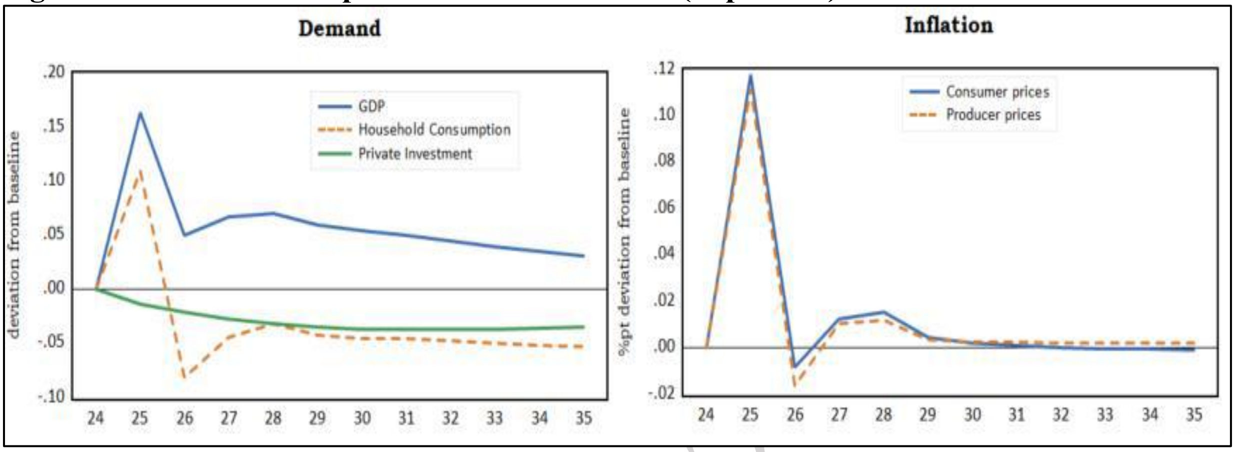
408. In running the simulation, three distinct shocks were analyzed within KENMod, assessing their effects on key economic indicators such as GDP, inflation, consumption, investment, government debt, and the unemployment rate. These shocks demonstrated the model's ability to evaluate standard economic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

i. **Aggregate foreign demand shock**

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

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

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

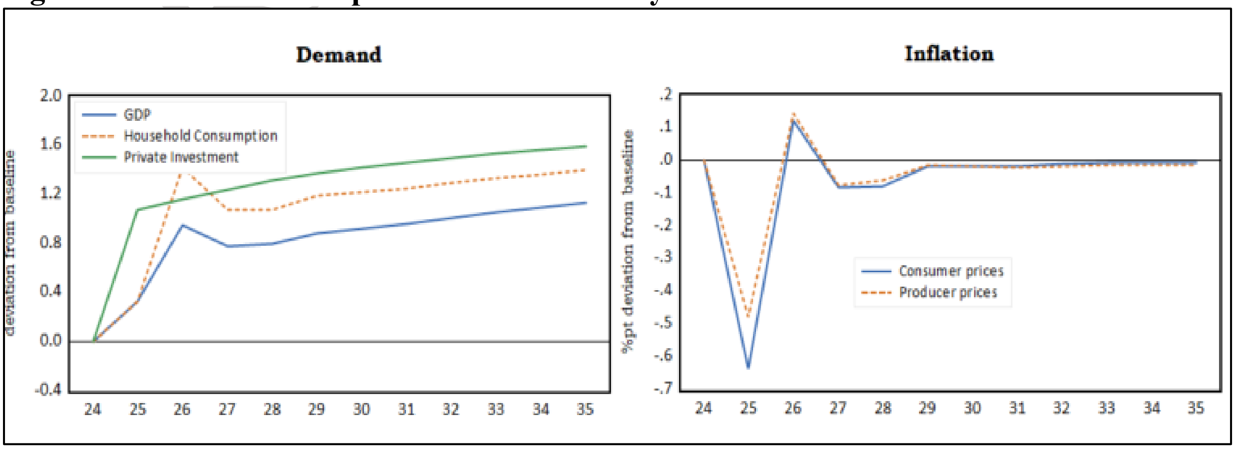


Source: World Bank

ii. Productivity Shock

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

Figure 5.9: Economic Response to a Productivity Shock

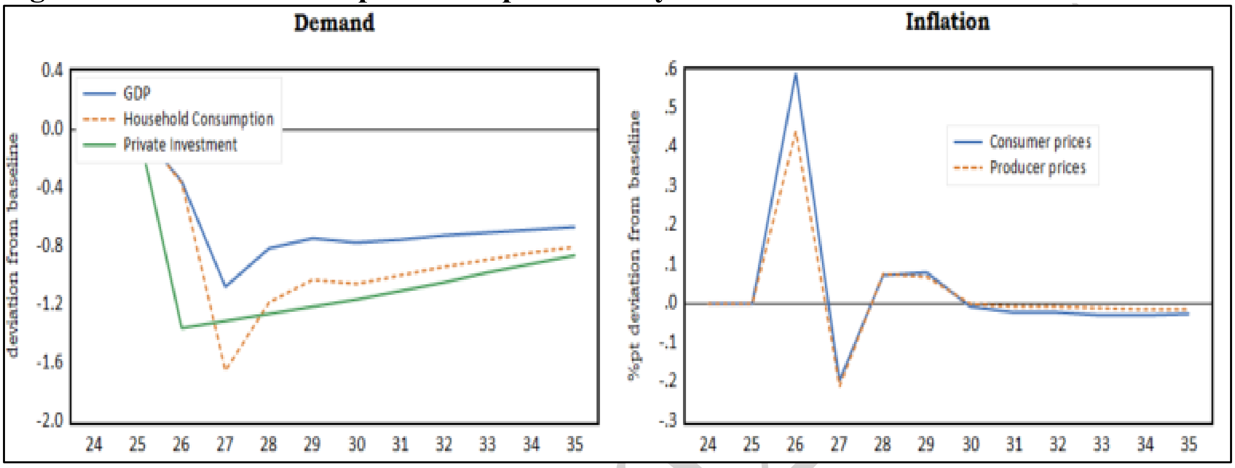


Source: World Bank

iii. Flood Damage Shock to Capital

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

Figure 5.10: Economic response to a productivity shock



Source: World Bank

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

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

5.3.5 Other Fiscal Risks

5.3.5.1 Natural Disasters and Man-made Hazards

415. Disasters continue to be a major threat to various economies across the globe causing fiscal constraints, affecting lives and livelihoods. The Government will continue to fast track the finalization of the disaster risk financing framework under the PFM CAP 412A in order to mobilize resources towards efficient and effective disaster risk management in the country.

416. Further, the Government will fast-track the finalization of the Disaster Risk Financing Strategy 2026-2030, focusing on six Strategic Priorities to : i) ensure a coordinated approach to disaster risk financing and disaster risk reduction across national and County Governments; ii) Enhance capacity and raise awareness in MDAs and County Governments on the need to

strengthen disaster preparedness and response capacity of for resilience; iii) Promote transparency and fiscal accountability of disaster related expenditures; iv) Improvement financing capacity by strengthening and expanding the Government's portfolio of disaster risk financing instruments; v) support key programs to protect the most vulnerable populations from the impacts of disasters and contribute to building resilience; and vi) To promote financing for disaster prevention and preparedness to reduce future disaster risks.

5.3.5.2 Money Laundering, Terrorist Financing & Proliferation Financing

417. The National Treasury will continue to lead Kenya’s strategic response following its placement on the Financial Action Task Force (FATF) list of jurisdictions under increased monitoring (FATF Grey List). This will be anchored on a coordinated reform agenda encompassing legislative amendments, institutional strengthening, and enhanced compliance oversight, each aimed at addressing the technical deficiencies identified by FATF. As chair of the National Taskforce on Anti-Money Laundering, Combating the Financing of Terrorism, and Countering the Financing of Proliferation (AML/CFT/CPF), the National Treasury will ensure robust inter-agency collaboration across implementing entities, law enforcement, and regulatory bodies, while reinforcing risk-based supervision of financial institutions and designated non-financial businesses and professions (DNFBPs).

418. In addition, the National Treasury will oversee the implementation of the International Cooperation Review Group (ICRG) Action Plan matrix, ensuring measurable progress and timely reporting to both FATF and ESAAMLG. Kenya remains firmly committed to sustaining the reform momentum, achieving sector-wide compliance, and delivering demonstrable outcomes that restore global financial credibility, enhance investor confidence, and safeguard the integrity of its financial system.

ANNEX 1: ADHERENCE TO FISCAL RESPONSIBILITY PRINCIPLES

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

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

ii) National government's expenditure on the compensation of employees (including benefits and allowances) shall not exceed 35 percent of the National Government's equitable share of the revenue raised nationally plus other revenues generated by the National Government;

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

iv) Public debt and obligations shall be maintained at a sustainable level as approved by Parliament for the National Government and the County Assembly for County Governments;

v) Fiscal risks shall be managed prudently; and

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

Table 1: Performance of Fiscal Responsibility Indicators

	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
	Actual	Actual	Budget	2026 BPS Projections			
	Ksh Billion						
1.0 Total Expenditure & Net Lending	3,605.2	3,975.9	4,269.9	4,641.9	4,969.7	5,304.6	5,580.9
1.1 Total Ministerial National Govt Expenses	2,214.3	2,331.8	2,515.5	2,789.2	3,030.1	3,322.0	3,625.0
Total Recurrent	2,678.4	2,953.5	3,142.0	3,431.2	3,607.4	3,775.3	3,946.8
CFS (Interest & Pensions)	1,018.8	1,206.2	1,337.3	1,427.7	1,493.7	1,527.2	1,474.1
Ministerial Recurrent	1,659.6	1,747.3	1,804.7	2,003.5	2,113.6	2,248.1	2,472.7
o/w Wages & Salaries	575.3	624.7	657.3	710.1	752.4	790.0	829.5
Net Lending	17.4	19.7	-	-	-	-	-
Wages as % National Government Revenues	**24.5%**	**24.9%**	**22.6%**	**23.2%**	**20.9%**	**20.2%**	**19.7%**
Development	554.7	584.5	710.8	785.7	916.5	1,073.9	1,152.3
Development as % Ministerial National Government expenditures	**25.1%**	**25.1%**	**28.3%**	**28.2%**	**30.2%**	**32.3%**	**31.8%**
1.2 County Allocation	380.4	444.6	484.8	446.6	473.5	483.0	509.4
Equitable share	354.6	418.3	415.0	420.0	440.9	450.4	476.7
Conditional Grants	25.8	26.3	69.8	26.6	32.7	32.7	32.7
Contigency Fund	-	-	2.0	5.0	5.0	5.0	5.0
2.0 Total Revenues	2,702.7	2,923.6	3,321.7	3,487.0	4,044.3	4,368.4	4,697.1
3.0 Total National Government Revenues (Incl. A-I-A)	2,348.1	2,505.3	2,906.7	3,067.0	3,603.4	3,918.0	4,220.3
4.0 National Government Domestic Borrowing (net)	595.6	854.5	613.5	1,006.6	630.8	643.9	708.7

Source: The National Treasury

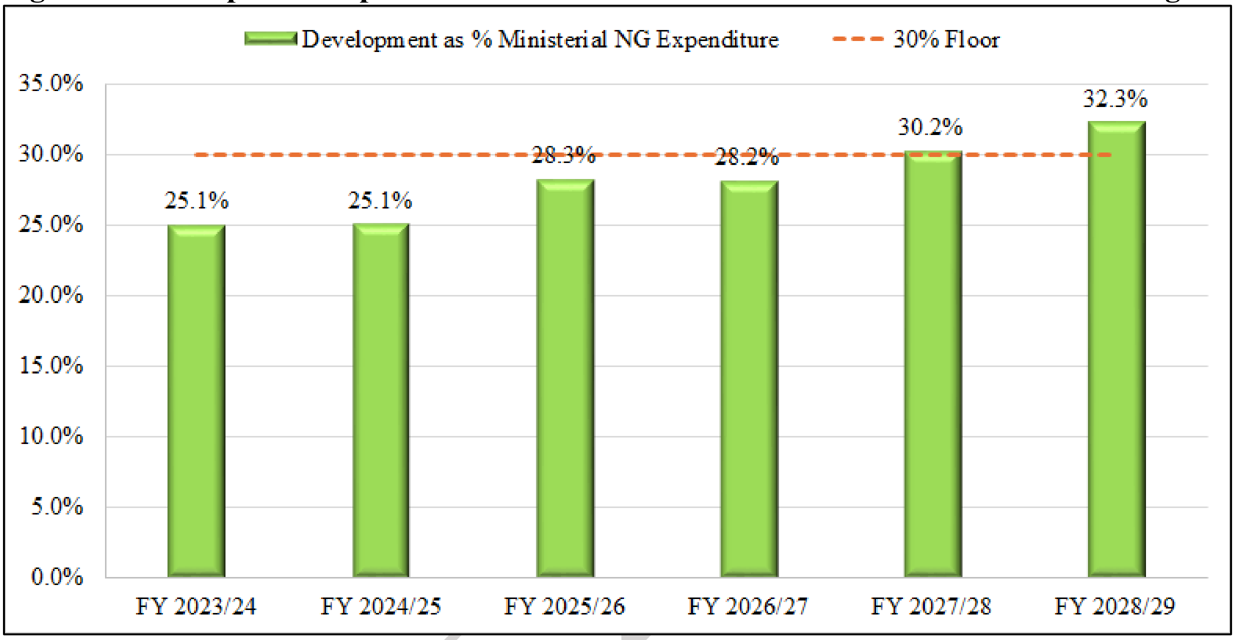
i) Allocation to Development Expenditure over the Medium Term

2. In alignment with statutory provisions, the National Government continues to anchor its budget framework on the requirement that development expenditures constitute no less than 30

percent of total ministerial spending. In FY 2024/25, actual development outlays accounted for 25.1 percent, falling below the threshold set under the PFM Act, Cap. 412. This variance relative to the earlier projection of 26.2 percent stemmed from expenditure rationalization measures undertaken during budget execution.

3. Looking ahead, the share of development spending is expected to rise to 28.2 percent in FY 2026/27 and remain above the recommended minimum over the medium term, as illustrated in **Table 1 and Figure 1.**

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

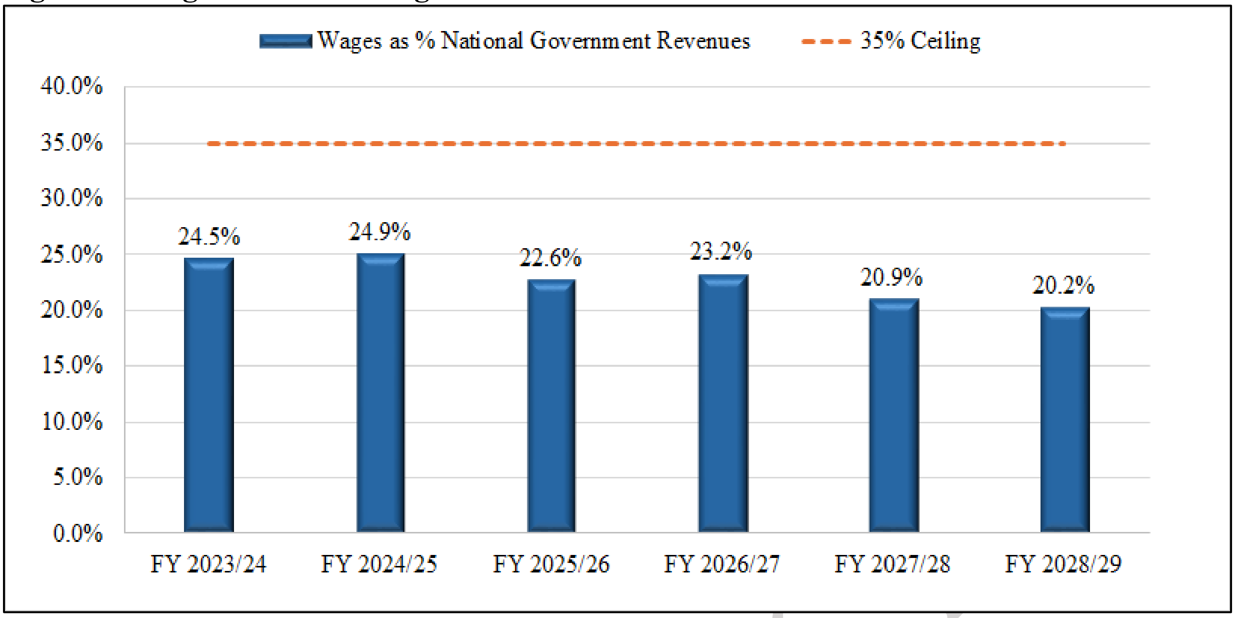


Source: The National Treasury

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

4. The legal framework stipulates that expenditure by the National Government on compensation of employees including salaries, benefits, and allowances must not exceed 35 percent of the National Government's equitable share of nationally raised revenues together with other revenues generated under Article 209(4) of the Constitution. In adherence to this requirement, the National Government's wage and benefits bill accounted for 24.9 percent of revenues in FY 2024/25, remaining well within the statutory ceiling of 35 percent. Over the medium term, this ratio is projected to decline further to 23.2 percent in FY 2026/27 **(Figure 2)**.

Figure 2: Wages as a Percentage of National Government Revenues



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

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

5. The National Treasury continues to mobilize resources through borrowing to finance development programmes endorsed by Parliament in accordance with Section 15(2) (c) of the Public Finance Management Act, 2012, which stipulates that national government borrowing shall be directed solely toward development expenditure and not recurrent spending. The Government remains fully committed to this fiscal principle and consistently ensures that all borrowing is applied strictly to development outlays. During FY 2024/25, KSh 273.9 billion of the total KSh 1,034.2 billion in borrowing was allocated to development expenditure. Looking ahead, borrowing requirements are projected at KSh 1,006.6 billion in FY 2026/27, KSh 630.8 billion in FY 2027/28, and KSh 708.7 billion over the medium term.

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

6. Kenya's public debt and obligations are assessed to be sustainable but with a high risk of debt distress due to setbacks in achieving fiscal consolidation targets and export underperformance. On the external debt sustainability, external debt-to-GDP ratio remains within the threshold while the rest of the sustainability thresholds for external debt against exports and revenues are in breach. **(Table 2).** The Present Value (PV) of external debt-to-exports is projected to remain above the 180 percent sustainability threshold and debt service-to-exports ratio is projected to remain above the threshold of 15 per cent. Debt service-to-revenue ratio, is projected to be below the threshold of 18 percent. External debt is more vulnerable to shocks such as exchange rate depreciation with high likelihood of breaches in debt sustainability indicators under stress tests.

Table 2: Kenya's Public Debt Sustainability Analysis

Indicators	Threshold	2024	2025	2026	2027	2028	2029	2030
		Actual	**Projection**					
PV of PPG external debt-to-GDP ratio	40.0	29.6	27.2	26.5	25.9	24.7	23.7	23.2
PV of PPG external debt-to-exports ratio	180.0	266.9	247.6	252.5	257.1	257.1	258.6	263.8
PPG debt service-to-exports ratio	15.0	40.8	31.0	24.2	23.7	30.3	28.0	28.7
PPG debt service-to-revenue ratio	18.0	24.3	18.4	13.8	12.9	15.8	13.9	13.6

Source: The National Treasury

7. Under overall public debt, the Present Value (PV) of total public debt-to-GDP ratio remained above the 55.0 percent benchmark, signaling a breach of sustainability threshold (**Table 3**). The present value of public debt was 63.8 percent of GDP in September 2025 and is projected to decline to 60.6 percent by 2030.

Table 3: Kenya's External Debt Sustainability

Indicators	Benchmark	2024	2025	2026	2027	2028	2029	2030
		Actual						
PV of debt–to-GDP ratio	55	63.7	63.8	63.2	62.8	61.9	61.3	60.6
PV of public debt-to-revenue grants		337.3	341.4	340.3	336.7	332.5	329.0	325.4
Debt service-to-revenue grants ratio		84.0	75.9	65.9	62.7	65.7	60.2	65.2

Source: The National Treasury

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

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

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

v) Prudent Management of Fiscal Risks

11. The Government continues to manage fiscal risks prudently across key domains to safeguard overall fiscal stability. To reinforce this effort, the Fiscal Risk Committee, previously established to strengthen institutional oversight remains central in the systematic identification, assessment, and mitigation of emerging fiscal risks. First, the Government is sustaining measures to contain fiscal vulnerabilities stemming from public debt, ensuring debt remains on a sustainable trajectory and does not exert excessive strain on the fiscal framework. Second, proactive steps are being taken to limit the materialization of contingent liabilities, thereby preventing unexpected obligations from undermining fiscal commitments. Third, the Government continues to monitor and manage fiscal risks associated with devolution, particularly those arising from county government financial operations and obligations.

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

12. In line with the principle of ensuring stability and predictability in both tax rates and the tax base, the National Treasury has continued to advance the rollout of the National Tax Policy. The Policy is designed to articulate a coherent framework for taxation that underpins sustainable economic growth, supports economic diversification, enhances national competitiveness, and aligns tax incentives with the Government's broader development priorities. It further aims to promote investment and safeguard fiscal flexibility by outlining revenue-mobilization measures and administrative reforms to be executed over the medium term. In addition, the Government is sustaining efforts to modernize and streamline tax legislation to reinforce certainty and strengthen compliance across the tax system. The overarching goal remains to secure adequate and stable domestic revenues while minimizing tax expenditures and fostering a predictable tax environment.

Annex Table 1: Macroeconomic Indicators

	2023/24	2024/25	2025/26	2026/27		2027/28		2028/29		2029/30	
	Act.	Prel.	Budget	BROP 2025	BPS 2026	BROP 2025	BPS 2026	BROP 2025	BPS 2026	BROP 2025	BPS 2026
annual percentage change, unless otherwise indicated											
National Account and Prices											
Real GDP	5.2	5.0	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3
GDP Deflator	4.2	4.2	5.5	5.4	5.4	5.3	5.4	5.3	5.4	5.3	5.5
CPI Index (eop)	5.3	4.6	4.7	4.8	4.8	4.7	4.7	4.7	4.7	4.8	4.8
CPI Index (avg)	6.1	4.5	4.7	4.8	4.8	4.8	4.8	4.7	4.7	4.7	4.7
Terms of Trade (-deterioration)	-1.1	1.7	3.7	3.2	3.0	3.5	3.8	4.0	4.7	4.5	5.5
Money and Credit (end of period)											
Net domestic assets	-0.2	6.4	13.4	10.4	10.3	9.9	9.9	9.4	9.6	9.2	9.6
Net domestic credit to the Government	7.9	20.0	6.0	7.2	9.0	5.4	5.2	5.3	5.0	5.5	5.3
Credit to the rest of the economy	4.0	2.2	8.5	10.6	9.2	11.1	11.6	10.7	11.3	10.3	11.0
Broad Money, M3 (percent change)	6.8	7.5	10.8	10.2	10.2	10.4	10.4	10.4	10.5	10.3	10.4
Reserve money (percent change)	18.7	-1.3	8.2	10.1	10.1	10.3	10.3	10.3	10.4	10.2	10.3
in percentage of GDP, unless otherwise indicated											
Investment and Saving											
Investment	16.6	16.1	15.6	15.6	15.7	15.6	15.6	15.6	15.6	16.5	16.4
Central Government	4.2	4.1	4.2	4.2	4.3	4.4	4.4	4.6	4.6	4.5	4.5
Private	12.4	12.0	11.3	11.4	11.4	11.1	11.2	11.0	11.0	12.0	11.9
Gross National Savings	14.7	14.8	14.1	14.1	14.0	13.9	13.8	13.9	13.9	16.7	16.7
Central Government	-1.6	-2.0	-0.7	-0.9	-1.4	0.4	0.4	0.9	0.9	1.3	1.3
Private	16.4	16.9	14.9	15.1	15.3	13.6	13.5	13.0	13.0	15.4	15.4
Central Government Budget											
Total revenue	17.3	17.0	17.5	17.1	16.7	17.5	17.5	17.1	17.1	16.7	16.7
Total expenditure and net lending	23.0	23.2	22.5	22.2	22.2	21.5	21.5	20.8	20.8	19.8	19.8
Overall Fiscal balance excl. grants	-5.8	-6.1	-5.0	-5.1	-5.5	-4.0	-4.0	-3.7	-3.7	-3.1	-3.1
Overall Fiscal balance, incl. grants, cash basis	-5.3	-5.9	-4.7	-4.9	-5.3	-3.7	-3.8	-3.4	-3.4	-2.9	-2.9
Statistical discrepancy	-0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Fiscal balance, incl. grants, cash basis- adj. descrepancy	-5.3	-5.9	-4.7	-4.9	-5.3	-3.7	-3.8	-3.4	-3.4	-2.9	-2.9
Primary budget balance	0.0	-0.1	1.0	0.8	0.4	1.6	1.6	1.5	1.5	1.4	1.4
Net domestic borrowing	3.8	5.0	3.2	4.4	4.8	2.7	2.7	2.5	2.5	2.5	2.5
External Sector											
Exports value, goods and services	17.0	16.3	14.9	13.9	13.9	12.9	12.9	12.3	12.4	13.8	13.9
Imports value, goods and services	23.7	22.1	20.2	18.7	18.9	17.4	17.6	16.4	16.6	15.7	15.7
Current external balance, including official transfers	-1.9	-1.3	-1.4	-1.5	-1.7	-1.6	-1.8	-1.7	-1.7	0.2	0.3
Gross reserves in months of next yr's imports	3.9	5.2	5.0	5.0	5.0	5.0	5.1	5.1	5.1	5.1	5.1
Gross reserves in months of this yr's imports	4.1	5.4	5.1	5.2	5.2	5.3	5.3	5.4	5.4	5.5	5.5
Public debt											
Nominal central government debt (eop), gross	67.5	68.9	66.9	65.5	67.3	63.1	64.7	60.6	61.9	57.8	58.9
Nominal debt (eop), net of deposits	64.2	65.4	63.8	62.7	64.5	60.6	62.1	58.3	59.6	55.7	56.9
Domestic (gross)	34.5	36.9	36.5	36.8	39.7	36.1	38.6	35.2	37.5	34.4	36.5
Domestic (net)	31.2	33.4	33.4	34.0	36.8	33.5	36.1	32.9	35.2	32.3	34.4
External	33.0	32.0	30.4	28.7	27.6	27.0	26.0	25.4	24.4	23.3	22.5
Memorandum Items:											
Nominal GDP (in Ksh Billion)	15,667	17,149	19,006	20,954	20,917	23,126	23,097	25,527	25,519	28,158	28,184
Nominal GDP (in US$ Million)	114,501	130,349	146,947	162,101	161,993	179,205	178,490	198,278	196,884	219,156	217,828

Source: National Treasury

Annex Table 2: Government Fiscal Operations, KSh Billion

	2023/24	2024/25	2025/26	2026/27		2027/28		2028/29		2029/30	
	Act.	Prel.	Budget	BROP 2025	BPS 2026	BROP 2025	BPS 2026	BROP 2025	BPS 2026	BROP 2025	BPS 2026
TOTAL REVENUE	**2,702.7**	**2,923.6**	**3,321.7**	**3,583.4**	**3,487.0**	**4,044.3**	**4,044.3**	**4,368.4**	**4,368.4**	**4,697.1**	**4,697.1**
Ordinary Revenue	2,288.9	2,420.2	2,754.7	2,998.3	2,901.9	3,387.9	3,387.9	3,655.8	3,655.8	3,955.2	3,955.2
Income Tax	1,042.8	1,093.0	1,284.8	1,288.4	1,288.4	1,484.9	1,484.9	1,619.2	1,619.2	1,775.5	1,775.5
Import duty (net)	133.9	157.1	162.9	177.2	181.2	191.8	191.8	203.2	203.2	217.6	217.6
Excise duty	276.7	292.5	335.5	358.8	338.9	397.0	397.0	440.5	440.5	488.8	488.8
Value Added Tax	645.5	660.7	771.7	781.8	781.8	941.3	941.3	1,021.0	1,021.0	1,127.6	1,127.6
Investment income	47.8	84.8	69.6	72.5	21.3	63.7	63.7	65.9	65.9	73.2	73.2
Other	142.2	132.0	130.2	319.5	290.3	309.2	309.2	306.0	306.0	272.5	272.5
Ministerial Appropriation in Aid	**413.7**	**503.4**	**566.9**	**585.1**	**585.1**	**656.4**	**656.4**	**712.6**	**712.6**	**741.8**	**741.8**
Railway Development Levy	32.0	36.8	*40.7*	*45.0*	*45.0*	*49.7*	*49.7*	*54.9*	*54.9*	*60.7*	*60.7*
African Union & Int't Subscription Fund	5.4	5.2	*6.6*	*6.4*	*6.4*	*7.0*	*7.0*	*7.8*	*7.8*	*8.6*	*8.6*
Recurrent	259.5	199.7	*231.9*	*224.9*	*224.9*	*268.8*	*268.8*	*295.5*	*295.5*	*297.5*	*297.5*
Road Maintenance Levy - Normal		73.3	*70.2*	*84.1*	*84.1*	*88.7*	*88.7*	*93.5*	*93.5*	*98.5*	*98.5*
NMS - Recurrent	0.0	22.5	*25.5*	*25.3*	*25.3*	*26.6*	*26.6*	*28.1*	*28.1*	*29.7*	*29.7*
PDL - Recurrent	22.0	42.4	*45.1*	*56.4*	*56.4*	*59.1*	*59.1*	*61.9*	*61.9*	*60.0*	*60.0*
Development/NMS	38.3	3.8	5.5	3.8	*3.8*	*4.1*	4.1	4.2	4.2	4.4	*4.4*
NMS - Development	0.0	14.1	14.4	15.1	*15.1*	*15.9*	15.9	16.6	16.6	17.5	*17.5*
PDL - Development	2.3	32.2	32.0	33.1	33.1	34.9	34.9	36.7	36.7	38.7	*38.7*
Housing Development Levy	54.2	73.2	95.0	91.1	*91.1*	*101.6*	101.6	113.3	113.3	126.4	*126.4*
EXPENDITURE AND NET LENDING	**3,605.2**	**3,975.9**	**4,269.9**	**4,649.7**	**4,641.9**	**4,969.7**	**4,969.7**	**5,304.6**	**5,304.6**	**5,580.9**	**5,580.9**
Recurrent expenditure	2,678.4	2,948.4	3,134.1	3,437.1	3,431.2	3,607.4	3,607.4	3,775.3	3,775.3	3,946.8	3,946.8
Interest payments	840.7	995.1	1,097.7	1,193.4	1,180.6	1,234.3	1,234.3	1,261.3	1,261.3	1,198.3	1,198.3
Domestic interest	622.5	784.1	851.4	961.1	934.0	984.4	984.4	1,008.0	1,008.0	950.8	950.8
Foreign Interest	218.2	211.0	246.3	232.3	246.6	249.9	249.9	253.2	253.2	247.5	247.5
Pensions & Other CFS	143.9	176.8	205.2	211.2	207.5	218.7	218.7	224.0	224.0	232.1	232.1
Pensions	140.6	172.9	200.5	206.5	202.4	213.9	213.9	219.3	219.3	227.2	227.2
Other CFS	3.3	3.9	4.7	4.7	5.1	4.7	4.7	4.7	4.7	5.0	5.0
Contribution to Civil Service Pension Fund	34.2	34.3	34.4	39.6	39.6	40.8	40.8	42.0	42.0	43.7	43.7
Net Issues/Net Expenditure	1,372.7	1,441.5	1,462.5	1,652.3	1,662.8	1,722.4	1,722.4	1,823.2	1,823.2	2,038.5	2,038.5
O/W: Wages & Salaries	575.3	624.7	657.3	710.1	710.1	752.4	752.4	790.0	790.0	829.5	829.5
Free Secondary education	70.2	54.6	54.9	57.7	57.7	79.1	79.1	82.3	82.3	82.3	82.3
Free Primary Education	11.3	30.4	7.9	8.2	8.2	14.7	14.7	15.3	15.3	15.3	15.3
Junior Secondary School - Capitation	30.5	7.6	30.9	31.9	31.9	41.5	41.5	43.1	43.1	43.1	43.1
IEBC	4.6	3.9	5.9	16.4	16.4	16.4	16.4	29.2	29.2	29.2	29.2
Defense and NIS	205.4	231.4	241.0	245.0	245.0	251.1	251.1	257.4	257.4	263.8	263.8
Others	475.9	465.6	439.0	552.1	562.6	529.7	529.7	568.3	568.3	737.7	737.7
Ministerial Recurrent AIA	286.9	300.8	334.3	340.7	340.7	391.2	391.2	424.9	424.9	434.2	434.2
Development and Net lending	**546.4**	**582.9**	**649.0**	**761.0**	**759.1**	**883.8**	**883.8**	**1,041.2**	**1,041.2**	**1,119.7**	**1,119.7**
Domestically financed (Gross)	377.0	397.7	437.9	496.8	494.8	580.2	580.2	676.7	676.7	759.6	759.6
O/W Domestically Financed (Net)/NMS	250.2	227.3	237.2	285.4	283.5	349.9	349.9	425.7	425.7	490.7	490.7
Ministerial Development AIA	197.2	170.4	200.7	211.4	211.4	230.3	230.3	251.1	251.1	269.0	269.0
Foreign financed	151.9	165.6	201.5	249.1	249.1	285.0	285.0	341.9	341.9	336.9	336.9
Net lending	17.4	19.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equalization Fund	0.0	0.0	9.6	15.2	15.2	18.6	18.6	22.6	22.6	23.1	23.1
County Tranfers	**380.4**	**444.6**	**484.8**	**446.6**	**446.6**	**473.5**	**473.5**	**483.0**	**483.0**	**509.4**	**509.4**
Equitable Share	354.6	418.3	415.0	420.0	420.0	440.9	440.9	450.4	450.4	476.7	476.7
Conditional Allocation	25.8	26.3	69.8	26.6	26.6	32.7	32.7	32.7	32.7	32.7	32.7
Contingency Fund	**0.0**	**0.0**	**2.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**
Fiscal Balance *(commitment basis excl. grants)*	**-902.5**	**-1,052.4**	**-948.2**	**-1,066.4**	**-1,154.9**	**-925.5**	**-925.5**	**-936.1**	**-936.1**	**-883.8**	**-883.8**
Grants	**22.0**	**33.3**	**47.2**	**48.8**	**48.8**	**58.8**	**58.8**	**67.1**	**67.1**	**77.1**	**77.1**
Fiscal Balance *(incl. grants)*	**-880.5**	**-1,019.1**	**-901.0**	**-1,017.6**	**-1,106.1**	**-866.6**	**-866.6**	**-869.1**	**-869.1**	**-806.7**	**-806.7**
Adjustment to Cash Basis	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*	**-835.1**	**-1,019.1**	**-901.0**	**-1,017.6**	**-1,106.1**	**-866.6**	**-866.6**	**-869.1**	**-869.1**	**-806.7**	**-806.7**
Statistical discrepancy	-16.8	15.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FINANCING	**818.3**	**1,034.2**	**901.0**	**1,017.6**	**1,106.1**	**866.6**	**866.6**	**869.1**	**869.1**	**806.7**	**806.7**
Net Foreign Financing	**222.7**	**179.7**	**287.4**	**99.5**	**99.5**	**235.9**	**235.9**	**225.1**	**225.1**	**98.0**	**98.0**
Disbuserments	**760.5**	**527.0**	**627.6**	**564.3**	**564.3**	**674.7**	**674.7**	**639.3**	**639.3**	**685.0**	**685.0**
Commercial Financing	286.9	253.1	221.2	145.6	145.6	224.1	224.1	140.0	140.0	200.7	200.7
of which: External Debt Operations - Refinancing	0.0	188.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Project loans (AIA + Revenue)	155.8	151.4	211.2	226.9	226.9	258.8	258.8	307.5	307.5	292.5	292.5
o/w: Project loans (AIA)	68.3	65.6	86.5	100.6	100.6	123.3	123.3	140.3	140.3	135.3	135.3
Project Loans Revenue	87.4	85.8	124.6	126.2	126.2	135.6	135.6	167.2	167.2	157.2	157.2
Use of IMF SDR Allocation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OPEC Funds	0.0	8.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Programme Loans	317.8	113.7	195.3	191.8	191.8	191.8	191.8	191.8	191.8	191.8	191.8
o/w: P for R Programme Loans	18.2	15.3	3.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF - EFF/ECF/RSF	135.1	50.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
World Bank DPO	154.1	21.8	170.5	170.5	170.5	170.5	170.5	170.5	170.5	170.5	170.5
AfDB	0.0	26.3	21.3	21.3	21.3	21.3	21.3	21.3	21.3	21.3	21.3
Debt repayment - Principal	-537.8	-347.3	-340.2	-464.8	-464.8	-438.9	-438.9	-414.2	-414.2	-587.0	-587.0
Net Domestic Financing	**595.6**	**854.5**	**613.5**	**918.1**	**1,006.6**	**630.8**	**630.8**	**643.9**	**643.9**	**708.7**	**708.7**
Memo items											
Gross Debt (Stock)	10,582.0	11,810.8	12,711.8	13,983.5	14,072.0	14,596.0	14,938.6	15,465.1	15,807.7	16,271.9	16,614.4
External Debt	5,171.7	5,484.8	5,772.3	5,776.6	5,776.6	6,250.0	6,012.5	6,475.1	6,237.7	6,573.1	6,335.6
Domestic Debt (gross)	5,410.3	6,326.0	6,939.6	8,206.8	8,295.4	8,346.1	8,926.1	8,990.0	9,570.1	9,698.8	10,278.8
Domestic Debt (net)	4,884.1	5,735.5	6,349.0	7,616.3	7,704.8	7,755.5	8,335.6	8,399.5	8,979.5	9,108.2	9,688.2
Financing gap	-62.2	15.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP	**15,666.6**	**17,148.7**	**19,006.2**	**20,953.6**	**20,916.8**	**23,126.1**	**23,096.8**	**25,527.4**	**25,518.6**	**28,158.0**	**28,184.2**

Source: The National Treasury

Annex Table 3: Government Fiscal Operations, Percent of GDP

	2023/24	2024/25	2025/26	2026/27		2027/28		2028/29		2029/30	
	Act.	Prel.	Budget	BROP 2025	BPS 2026	BROP 2025	BPS 2026	BROP 2025	BPS 2026	BROP 2025	BPS 2026
TOTAL REVENUE	**17.3**	**17.0**	**17.5**	**17.1**	**16.7**	**17.5**	**17.5**	**17.1**	**17.1**	**16.7**	**16.7**
Ordinary Revenue	**14.6**	**14.1**	**14.5**	**14.3**	**13.9**	**14.6**	**14.7**	**14.3**	**14.3**	**14.0**	**14.0**
Income Tax	6.7	6.4	6.8	6.1	6.2	6.4	6.4	6.3	6.3	6.3	6.3
Import duty (net)	0.9	0.9	0.9	0.8	0.9	0.8	0.8	0.8	0.8	0.8	0.8
Excise duty	1.8	1.7	1.8	1.7	1.6	1.7	1.7	1.7	1.7	1.7	1.7
Value Added Tax	4.1	3.9	4.1	3.7	3.7	4.1	4.1	4.0	4.0	4.0	4.0
Investment income	0.3	0.5	0.4	0.3	0.1	0.3	0.3	0.3	0.3	0.3	0.3
Other	0.9	0.8	0.7	1.5	1.4	1.3	1.3	1.2	1.2	1.0	1.0
Ministerial Appropriation in Aid	**2.6**	**2.9**	**3.0**	**2.8**	**2.8**	**2.8**	**2.8**	**2.8**	**2.8**	**2.6**	**2.6**
EXPENDITURE AND NET LENDING	**23.0**	**23.2**	**22.5**	**22.2**	**22.2**	**21.5**	**21.5**	**20.8**	**20.8**	**19.8**	**19.8**
Recurrent expenditure	**17.1**	**17.2**	**16.5**	**16.4**	**16.4**	**15.6**	**15.6**	**14.8**	**14.8**	**14.0**	**14.0**
Interest payments	5.4	5.8	5.8	5.7	5.6	5.3	5.3	4.9	4.9	4.3	4.3
Domestic interest	4.0	4.6	4.5	4.6	4.5	4.3	4.3	3.9	4.0	3.4	3.4
Foreign Interest	1.4	1.2	1.3	1.1	1.2	1.1	1.1	1.0	1.0	0.9	0.9
Pensions & Other CFS	0.9	1.0	1.1	1.0	1.0	0.9	0.9	0.9	0.9	0.8	0.8
Pensions	0.9	1.0	1.1	1.0	1.0	0.9	0.9	0.9	0.9	0.8	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	0.2	0.2
Net Issues/Net Expenditure	8.8	8.4	7.7	7.9	7.9	7.4	7.5	7.1	7.1	7.2	7.2
O/W: Wages & Salaries	3.7	3.6	3.5	3.4	3.4	3.3	3.3	3.1	3.1	2.9	2.9
Free Secondary education	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Free Primary Education	0.1	0.2	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Junior Secondary School - Capitation	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
IEBC	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Defense and NIS	1.3	1.3	1.3	1.2	1.2	1.1	1.1	1.0	1.0	0.9	0.9
Others	3.0	2.7	2.3	2.6	2.7	2.3	2.3	2.2	2.2	2.6	2.6
Ministerial Recurrent AIA	1.8	1.8	1.8	1.6	1.6	1.7	1.7	1.7	1.7	1.5	1.5
Development and Net lending	**3.5**	**3.4**	**3.4**	**3.6**	**3.6**	**3.8**	**3.8**	**4.1**	**4.1**	**4.0**	**4.0**
Domestically financed (Gross)	2.4	2.3	2.3	2.4	2.4	2.5	2.5	2.7	2.7	2.7	2.7
O/W Domestically Financed (Net)/NMS	1.6	1.3	1.2	1.4	1.4	1.5	1.5	1.7	1.7	1.7	1.7
Ministerial Development AIA	1.3	1.0	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Foreign financed	1.0	1.0	1.1	1.2	1.2	1.2	1.2	1.3	1.3	1.2	1.2
Net lending	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equalization Fund	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
County Tranfers	**2.4**	**2.6**	**2.6**	**2.1**	**2.1**	**2.0**	**2.1**	**1.9**	**1.9**	**1.8**	**1.8**
Equitable Share	**2.3**	**2.4**	**2.2**	**2.0**	**2.0**	**1.9**	**1.9**	**1.8**	**1.8**	**1.7**	**1.7**
Conditional Allocation	0.2	0.2	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Contingency Fund	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Fiscal Balance (commitment basis excl. grants)	**-5.8**	**-6.1**	**-5.0**	**-5.1**	**-5.5**	**-4.0**	**-4.0**	**-3.7**	**-3.7**	**-3.1**	**-3.1**
Grants	**0.1**	**0.2**	**0.2**	**0.2**	**0.2**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**
Fiscal Balance (incl. grants)	**-5.6**	**-5.9**	**-4.7**	**-4.9**	**-5.3**	**-3.7**	**-3.8**	**-3.4**	**-3.4**	**-2.9**	**-2.9**
Adjustment to Cash Basis	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	**-5.3**	**-5.9**	**-4.7**	**-4.9**	**-5.3**	**-3.7**	**-3.8**	**-3.4**	**-3.4**	**-2.9**	**-2.9**
Statistical discrepancy	-0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FINANCING	**5.2**	**6.0**	**4.7**	**4.9**	**5.3**	**3.7**	**3.8**	**3.4**	**3.4**	**2.9**	**2.9**
Net Foreign Financing	**1.4**	**1.0**	**1.5**	**0.5**	**0.5**	**1.0**	**1.0**	**0.9**	**0.9**	**0.3**	**0.3**
Disbursements	**4.9**	**3.1**	**3.3**	**2.7**	**2.7**	**2.9**	**2.9**	**2.5**	**2.5**	**2.4**	**2.4**
Commercial Financing	**1.8**	**1.5**	**1.2**	**0.7**	**0.7**	**1.0**	**1.0**	**0.5**	**0.5**	**0.7**	**0.7**
of which: External Debt Operations - Refinancing	0.0	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Project loans (AIA + Revenue)	1.0	0.9	1.1	1.1	1.1	1.1	1.1	1.2	1.2	1.0	1.0
o/w: Project loans (AIA)	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Project Loans Revenue	0.6	0.5	0.7	0.6	0.6	0.6	0.6	0.7	0.7	0.6	0.6
Programme Loans	2.0	0.7	1.0	0.9	0.9	0.8	0.8	0.8	0.8	0.7	0.7
o/w: P for R Programme Loans	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF - EFF/ECF/RSF	0.9	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
World Bank DPO	1.0	0.1	0.9	0.8	0.8	0.7	0.7	0.7	0.7	0.6	0.6
AfDB	0.0	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Debt repayment - Principal	**-3.4**	**-2.0**	**-1.8**	**-2.2**	**-2.2**	**-1.9**	**-1.9**	**-1.6**	**-1.6**	**-2.1**	**-2.1**
Net Domestic Financing	**3.8**	**5.0**	**3.2**	**4.4**	**4.8**	**2.7**	**2.7**	**2.5**	**2.5**	**2.5**	**2.5**
Memo items											
Gross Debt (Stock)	67.5	68.9	66.9	66.7	67.3	63.1	64.7	60.6	61.9	57.8	58.9
External Debt	33.0	32.0	30.4	27.6	27.6	27.0	26.0	25.4	24.4	23.3	22.5
Domestic Debt (gross)	34.5	36.9	36.5	39.2	39.7	36.1	38.6	35.2	37.5	34.4	36.5
Domestic Debt (net)	31.2	33.4	33.4	36.3	36.8	33.5	36.1	32.9	35.2	32.3	34.4
Financing gap	-0.4	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: The National Treasury

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

Sector Code	Sector/Vote/Programme	Approved Budget 2025/26			2026 BPS Projection 2026/27			2027/28			2028/29		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
010	**AGRICULTURE, RURAL & URBAN DEVELOPMENT**	**34,409.7**	**47,998.1**	**82,407.8**	**41,357.6**	**55,649.4**	**97,007.0**	**44,108.5**	**47,081.1**	**91,189.6**	**47,342.6**	**54,305.0**	**101,647.6**
	1112 State Department for Lands and Physical Planning	**5,780.2**	**4,982.4**	**10,762.6**	**6,109.9**	**4,840.0**	**10,949.9**	**6,357.4**	**4,960.0**	**11,317.4**	**6,688.9**	**5,010.0**	**11,698.9**
	0101000 Land Policy and Planning	4,368.4	3,960.1	8,328.5	4,593.9	4,014.0	8,607.9	4,738.7	3,950.0	8,688.7	4,991.4	3,879.0	8,870.4
	0121000 Land Information Management	71.0	1,022.3	1,093.3	113.0	826.0	939.0	152.8	1,010.0	1,162.8	160.5	1,131.0	1,291.5
	0122000 General Administration, Planning and Support Services	1,340.7	-	1,340.7	1,403.0	-	1,403.0	1,466.0	-	1,466.0	1,537.0	-	1,537.0
	1162 State Department for Livestock Development	**5,035.4**	**5,076.1**	**10,111.5**	**5,147.0**	**10,348.7**	**15,495.7**	**5,551.3**	**9,212.0**	**14,763.3**	**5,944.4**	**9,524.0**	**15,468.4**
	0112000 Livestock Resources Management and Development	5,035.4	5,076.1	10,111.5	5,147.0	10,348.7	15,495.7	5,551.3	9,212.0	14,763.3	5,944.4	9,524.0	15,468.4
	1166 State Department for the Blue Economy and Fisheries	**2,998.2**	**5,231.7**	**8,229.9**	**3,169.0**	**4,222.6**	**7,391.6**	**3,345.3**	**1,745.0**	**5,090.3**	**3,537.4**	**3,976.0**	**7,513.4**
	0111000 Fisheries Development and Management	2,741.4	5,231.7	7,973.1	2,880.6	3,416.6	6,297.2	3,040.3	1,344.0	4,384.3	3,215.9	186.0	3,401.9
	0117000 General Administration, Planning and Support Services	199.7	-	199.7	224.4	-	224.4	236.8	-	236.8	247.2	-	247.2
	0118000 Development and Coordination of the Blue Economy	57.1	-	57.1	64.0	806.0	870.0	68.3	401.0	469.3	74.3	3,790.0	3,864.3
	1169 State Department for Agriculture	**17,792.7**	**32,151.8**	**49,944.5**	**24,597.3**	**35,397.6**	**59,994.9**	**26,375.2**	**30,589.1**	**56,964.3**	**28,543.0**	**35,061.0**	**63,604.0**
	0107000 General Administration Planning and Support Services	8,643.9	11,035.0	19,678.9	14,923.4	4,087.0	19,010.4	15,979.0	3,246.5	19,225.5	17,138.5	5,132.6	22,271.1
	0108000 Crop Development and Management	4,087.2	20,316.8	24,404.0	3,780.3	30,860.6	34,640.9	3,817.6	26,992.6	30,810.2	3,903.3	29,578.4	33,481.7
	0109000 Agribusiness and Information Management	133.2	800.0	933.2	143.6	-	143.6	190.6	-	190.6	178.5	-	178.5
	0120000 Agricultural Research & Development	4,928.5	-	4,928.5	5,750.0	450.0	6,200.0	6,388.1	350.0	6,738.1	7,322.7	350.0	7,672.7
	2021 National Land Commission	**2,803.2**	**556.1**	**3,359.3**	**2,334.4**	**840.5**	**3,174.9**	**2,479.3**	**575.0**	**3,054.3**	**2,628.9**	**734.0**	**3,362.9**
	0116000 Land Administration and Management	2,803.2	556.1	3,359.3	2,334.4	840.5	3,174.9	2,479.3	575.0	3,054.3	2,628.9	734.0	3,362.9
020	**ENERGY, INFRASTRUCTURE AND ICT**	**154,186.4**	**380,441.4**	**534,627.8**	**151,620.4**	**442,896.0**	**594,516.4**	**155,022.0**	**739,609.0**	**894,631.0**	**159,778.0**	**735,150.0**	**894,928.0**
	1091 State Department for Roads	**71,541.3**	**150,253.2**	**221,794.5**	**73,825.0**	**158,287.0**	**232,112.0**	**73,969.0**	**181,785.0**	**255,754.0**	**74,572.0**	**203,966.0**	**278,538.0**
	0202000 Road Transport	71,541.3	150,253.2	221,794.5	73,825.0	158,287.0	232,112.0	73,969.0	181,785.0	255,754.0	74,572.0	203,966.0	278,538.0
	1092 State Department for Transport	**7,121.8**	**40,334.2**	**47,456.0**	**7,111.0**	**57,950.0**	**65,061.0**	**7,622.0**	**61,408.0**	**69,030.0**	**8,255.0**	**63,524.0**	**71,779.0**
	0201000 General Administration, Planning and Support Services	1,628.1	2,404.3	4,032.4	1,714.0	2,711.0	4,425.0	1,881.0	2,936.0	4,817.0	2,217.0	3,023.0	5,240.0
	0203000 Rail Transport	607.1	36,509.4	37,116.5	491.0	48,408.0	48,899.0	730.0	45,804.0	46,534.0	824.0	45,494.0	46,318.0
	0204000 Marine Transport	15.9	450.0	465.9	27.0	5,900.0	5,927.0	29.0	12,668.0	12,697.0	30.0	15,007.0	15,037.0
	0205000 Air Transport												
	0216000 Road Safety	4,870.8	970.5	5,841.2	4,879.0	931.0	5,810.0	4,982.0	-	4,982.0	5,184.0	-	5,184.0
	1093 State Department for Shipping and Maritime Affairs	**3,458.8**	**2,224.6**	**5,683.4**	**5,032.0**	**1,351.0**	**6,383.0**	**5,603.0**	**1,494.0**	**7,097.0**	**6,109.0**	**2,564.0**	**8,673.0**
	0220000 Shipping and Maritime Affairs	3,458.8	2,224.6	5,683.4	5,032.0	1,351.0	6,383.0	5,603.0	1,494.0	7,097.0	6,109.0	2,564.0	8,673.0

Annex Table 4: Summary of Expenditure by Programmes (KSh Million) … Cont'd

Sector Code	Sector/Vote/Programme	Approved Budget 2025/26			2026 BPS Projection 2026/27			2027/28			2028/29		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
020	**ENERGY, INFRASTRUCTURE AND ICT**	**154,186.4**	**380,441.4**	**534,627.8**	**151,620.4**	**442,896.0**	**594,516.4**	**155,022.0**	**739,609.0**	**894,631.0**	**159,778.0**	**735,150.0**	**894,928.0**
	1094 State Department for Housing & Urban Development	**7,099.4**	**116,729.4**	**123,828.8**	**5,689.0**	**133,647.0**	**139,336.0**	**5,937.0**	**376,639.0**	**382,575.0**	**6,275.0**	**331,908.0**	**338,183.0**
	0102000 Housing Development and Human Settlement	4,734.1	103,061.9	107,796.0	4,638.0	113,752.0	118,390.0	4,829.0	361,757.0	366,586.0	5,049.0	331,024.0	336,073.0
	0105000 Urban and Metropolitan Development	1,773.8	13,667.5	15,441.2	516.0	19,895.0	20,411.0	545.0	14,882.0	15,426.0	622.0	884.0	1,506.0
	0106000 General Administration Planning and Support Services	591.6	-	591.6	535.0	-	535.0	563.0	-	563.0	604.0	-	604.0
	1095 State Department for Public Works	**3,691.7**	**753.0**	**4,444.7**	**3,398.0**	**1,518.0**	**4,916.0**	**3,708.0**	**1,619.0**	**5,328.0**	**4,098.0**	**1,850.0**	**5,948.0**
	0103000 Government Buildings	645.3	454.0	1,099.3	753.0	541.0	1,294.0	794.0	730.0	1,525.0	854.0	856.0	1,710.0
	Programme: Ocean, Rivers, and Lakes Ecosystem Infrastructure				98.0	887.0	985.0	125.0	719.0	844.0	144.0	704.0	848.0
	0104000 Coastline Infrastructure and Pedestrian Access	102.8	249.0	351.8									
	0106000 General Administration Planning and Support Services	355.1	-	355.1	352.0	-	352.0	362.0	-	362.0	449.0	-	449.0
	0218000 Regulation and Development of the Construction Industry	2,588.5	50.0	2,638.5	2,195.0	90.0	2,285.0	2,427.0	170.0	2,597.0	2,651.0	290.0	2,941.0
	1097 State Department for Aviation and Aerospace Development	**14,156.4**	**358.8**	**14,515.2**	**13,308.0**	**479.0**	**13,787.0**	**13,535.0**	**512.0**	**14,047.0**	**13,928.0**	**587.0**	**14,515.0**
	0205000 Air Transport	14,156.4	358.8	14,515.2	13,308.0	479.0	13,787.0	13,535.0	512.0	14,047.0	13,928.0	587.0	14,515.0
	1122 State Department for Information Communication Technology & Digital Economy	**3,553.6**	**12,635.2**	**16,188.8**	**3,554.0**	**14,415.0**	**17,969.0**	**4,224.0**	**20,103.0**	**24,326.0**	**4,788.0**	**23,423.0**	**28,211.0**
	0207000 General Administration Planning and Support Services	403.4	-	403.4	419.0	-	419.0	449.0	-	449.0	519.0	-	519.0
	0210000 ICT Infrastructure Development	1,171.3	11,920.0	13,091.3	241.0	13,650.0	13,891.0	238.0	19,349.0	19,586.0	272.0	22,546.0	22,818.0
	0217000 E-Government Services	1,978.8	715.2	2,694.0	1,895.0	383.0	2,278.0	2,319.0	346.0	2,665.0	2,589.0	409.0	2,998.0
	Programme 4: ICT Security & Data Protection Services				999.0	382.0	1,381.0	1,218.0	408.0	1,626.0	1,408.0	468.0	1,876.0
	1123 State Department for Broadcasting & Telecommunications	**6,197.2**	**356.0**	**6,553.2**	**6,010.0**	**430.0**	**6,440.0**	**6,497.0**	**460.0**	**6,957.0**	**7,088.0**	**527.0**	**7,615.0**
	0207000 General Administration Planning and Support Services	238.7	-	238.7	252.0	-	252.0	260.0	-	260.0	269.0	-	269.0
	0208000 Information And Communication Services	5,682.1	322.4	6,004.5	5,470.0	399.0	5,869.0	5,921.0	340.0	6,261.0	6,424.0	345.0	6,769.0
	0209000 Mass Media Skills Development	276.4	33.7	310.1	288.0	31.0	319.0	316.0	120.0	436.0	395.0	182.0	577.0
	1152 State Department for Energy	**11,987.9**	**51,485.9**	**63,473.8**	**13,302.4**	**64,984.0**	**78,286.4**	**13,471.0**	**85,189.0**	**98,661.0**	**14,057.0**	**95,775.0**	**109,832.0**
	0211000 General Administration Planning and Support Services	369.7	280.0	649.7	385.0	1,133.0	1,518.0	428.0	516.0	944.0	565.0	597.0	1,162.0
	0212000 Power Generation	2,337.5	10,507.9	12,845.4	2,761.4	13,712.0	16,473.4	2,791.0	20,930.0	23,721.0	2,922.0	46,690.0	49,612.0
	0213000 Power Transmission and Distribution	9,220.4	38,659.4	47,879.8	10,084.0	47,527.0	57,611.0	10,177.0	61,588.0	71,765.0	10,482.0	47,001.0	57,483.0
	0214000 Alternative Energy Technologies	60.3	2,038.7	2,098.9	72.0	2,612.0	2,684.0	75.0	2,155.0	2,231.0	88.0	1,487.0	1,575.0
	1193 State Department for Petroleum	**25,378.4**	**5,311.0**	**30,689.4**	**20,391.0**	**9,835.0**	**30,226.0**	**20,456.0**	**10,400.0**	**30,856.0**	**20,608.0**	**11,026.0**	**31,634.0**
	0215000 Exploration and Distribution of Oil and Gas	25,378.4	5,311.0	30,689.4	20,391.0	9,835.0	30,226.0	20,456.0	10,400.0	30,856.0	20,608.0	11,026.0	31,634.0

Annex Table 4: Summary of Expenditure by Programmes (KSh Million) … Cont'd

Sector Code	Sector/Vote/Programme	Approved Budget 2025/26			2026 BPS Projection 2026/27			2027/28			2028/29		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
030	**GENERAL ECONOMIC AND COMMERCIAL AFFAIRS**	**36,558.3**	**21,601.5**	**58,159.9**	**37,562.7**	**25,380.2**	**62,942.9**	**40,181.1**	**30,310.9**	**70,492.0**	**41,740.6**	**30,979.1**	**72,719.7**
	1036 State Department for the ASALs and Regional Development	**7,073.6**	**3,805.2**	**10,878.8**	**7,541.9**	**3,726.2**	**11,268.1**	**7,622.6**	**4,192.7**	**11,815.3**	**7,283.2**	**4,279.9**	**11,563.1**
	0733000 Accelerated ASAL Development	4,802.0	2,055.7	6,857.8	5,287.1	2,448.3	7,735.4	5,402.9	2,547.8	7,950.7	5,140.8	2,597.8	7,738.6
	0743000 General Administration, Planning and Support Services	279.4	-	279.4	294.9	-	294.9	293.0	-	293.0	309.7	-	309.7
	1013000 Integrated Regional Development	1,992.2	1,749.5	3,741.7	1,959.9	1,277.9	3,237.8	1,926.7	1,645.0	3,571.6	1,832.8	1,682.2	3,514.9
	1173 State Department for Cooperatives	**5,877.6**	**1,471.4**	**7,349.0**	**5,938.1**	**1,530.8**	**7,468.8**	**6,394.8**	**2,136.8**	**8,531.6**	**6,474.5**	**2,250.0**	**8,724.6**
	0304000 Cooperative Development and Management	**5,877.6**	**1,471.4**	**7,349.0**	5,938.1	1,530.8	7,468.8	6,394.8	2,136.8	8,531.6	6,474.5	2,250.0	8,724.6
	1174 State Department for Trade	**3,984.1**	**369.8**	**4,353.9**	**3,777.2**	**433.8**	**4,211.0**	**4,182.3**	**605.5**	**4,787.8**	**4,508.5**	**637.6**	**5,146.0**
	0309000 Domestic Trade and Enterprise Development	2,023.9	299.8	2,323.7	1,960.1	333.8	2,293.9	2,178.9	295.3	2,474.2	2,380.7	389.8	2,770.5
	0310000 Fair Trade Practices And Compliance of Standards	192.3	70.0	262.3	239.3	100.0	339.3	265.3	310.2	575.4	281.3	247.8	529.1
	0311000 International Trade Development and Promotion	1,405.4	-	1,405.4	1,286.7	-	1,286.7	1,422.8	-	1,422.8	1,547.6	-	1,547.6
	0312000 General Administration, Planning and Support Services	362.4	-	362.4	291.1	-	291.1	315.4	-	315.4	299.0	-	299.0
	1175 State Department for Industry	**3,579.8**	**5,822.3**	**9,402.0**	**4,313.9**	**5,627.6**	**9,941.5**	**4,695.9**	**7,855.5**	**12,551.4**	**5,138.6**	**8,271.8**	**13,410.4**
	0301000 General Administration Planning and Support Services	752.6	-	752.6	609.9	-	609.9	601.4	-	601.4	615.8	-	615.8
	0320000 Industrial Promotion and Development	1,770.7	4,892.3	6,663.0	2,176.1	4,977.6	7,153.6	2,352.6	6,319.6	8,672.2	2,697.4	6,038.6	8,736.0
	0321000 Standards and Qualitry Infrastucture & Research	1,056.5	930.0	1,986.5	1,528.0	650.0	2,178.0	1,741.9	1,535.9	3,277.9	1,825.3	2,233.3	4,058.6
	1176 State Department for Micro Small and Medium Enterprises Development	**2,031.7**	**3,061.8**	**5,093.5**	**2,040.2**	**4,843.9**	**6,884.0**	**2,268.7**	**5,119.4**	**7,388.1**	**2,440.2**	**5,170.9**	**7,611.1**
	0316000 Promotion and Development of MSMEs	880.6	2,711.8	3,592.4	881.2	3,893.9	4,775.0	954.4	4,019.4	4,973.8	1,007.3	4,038.9	5,046.2
	0317000 Product and Market Development for MSMEs	513.4	-	513.4	512.7	550.0	1,062.7	516.6	550.0	1,066.6	536.2	550.0	1,086.2
	0318000 Digitization and Financial Inclusion for MSMEs	335.6	350.0	685.6	340.0	400.0	740.0	493.6	550.0	1,043.6	580.1	582.1	1,162.2
	0319000 General Administration, Planning and Support Services	302.1	-	302.1	306.3	-	306.3	304.1	-	304.1	316.5	-	316.5
	1177 State Department for Investments Promotion	**1,451.4**	**2,061.0**	**3,512.5**	**1,562.7**	**3,200.0**	**4,762.7**	**1,625.8**	**4,110.6**	**5,736.4**	**1,711.4**	**4,280.7**	**5,992.1**
	0322000 Investment Development and Promotion	1,451.4	2,061.0	3,512.5	1,562.7	3,200.0	4,762.7	1,625.8	4,110.6	5,736.4	1,711.4	4,280.7	5,992.1
	1202 State Department for Tourism	**11,525.4**	**5,010.0**	**16,535.4**	**11,547.4**	**6,018.0**	**17,565.4**	**12,543.6**	**6,290.5**	**18,834.0**	**13,310.8**	**6,088.2**	**19,399.0**
	0313000 Tourism Promotion and Marketing	809.7	584.0	1,393.7	1,249.9	200.0	1,449.9	1,514.9	200.0	1,714.9	1,755.9	220.0	1,975.9
	0314000 Tourism Product Development and Diversification	10,472.6	4,386.0	14,858.6	9,898.1	5,738.0	15,636.1	10,637.3	6,070.5	16,707.8	11,170.1	5,858.2	17,028.3
	0315000 General Administration, Planning and Support Services	243.1	40.0	283.1	399.4	80.0	479.4	391.4	20.0	411.4	384.8	10.0	394.8
	1221 State Department for East African Community	**1,034.7**	**-**	**1,034.7**	**841.4**	**-**	**841.4**	**847.4**	**-**	**847.4**	**873.5**	**-**	**873.5**
	0305000 East African Affairs and Regional Integration	1,034.7	-	1,034.7	841.4	-	841.4	847.4	-	847.4	873.5	-	873.5

Annex Table 4: Summary of Expenditure by Programmes (KSh Million) … Cont'd

Sector Code	Sector/Vote/Programme	Approved Budget 2025/26			2026 BPS Projection								
					2026/27			2027/28			2028/29		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
040	**HEALTH**	**110,608.3**	**27,497.3**	**138,105.5**	**136,024.1**	**31,382.9**	**167,407.1**	**156,938.5**	**40,439.1**	**197,377.6**	**164,143.2**	**38,980.3**	**203,123.5**
	1082 State Department for Medical Services	**84,017.3**	**21,936.1**	**105,953.4**	**107,904.6**	**26,399.0**	**134,303.6**	**124,110.6**	**27,428.5**	**151,539.1**	**129,154.4**	**24,681.3**	**153,835.7**
	0402000 National Referral & Specialized Services	48,669.2	6,449.0	55,118.2	69,099.8	6,976.0	76,075.8	70,090.0	7,361.0	77,450.9	72,738.5	9,387.3	82,125.8
	0410000 Curative & Reproductive Maternal New Born Child Adolescent Health RMNCAH	1,634.0	15,267.1	16,901.0	1,913.6	18,784.0	20,697.6	1,911.0	18,117.5	20,028.5	2,002.6	14,394.0	16,396.6
	0411000 Health Research and Innovations	2,942.6	220.0	3,162.6	3,589.5	539.0	4,128.5	3,664.3	1,850.0	5,514.3	3,846.1	800.0	4,646.1
	0412000 General Administration	30,771.5	-	30,771.5	33,301.7	100.0	33,401.7	48,445.4	100.0	48,545.4	50,567.3	100.0	50,667.3
	1083 State Department for Public Health and Professional Standard	**26,591.0**	**5,561.2**	**32,152.2**	**28,119.5**	**4,983.9**	**33,103.4**	**32,827.9**	**13,010.6**	**45,838.5**	**34,988.8**	**14,299.0**	**49,287.8**
	0406000 Preventive and Promotive Health Services	5,803.0	4,346.2	10,149.1	5,833.4	3,544.4	9,377.8	5,958.3	12,060.6	18,018.9	6,090.5	12,501.0	18,591.5
	0407000 Health Resources Development and Innovation	13,985.5	1,165.0	15,150.5	16,567.7	1,103.1	17,670.8	20,790.3	700.0	21,490.3	22,488.0	1,398.0	23,886.0
	0408000 Health Policy, Standards and Regulations	4,327.5	50.0	4,377.5	4,960.7	236.4	5,197.1	5,267.8	150.0	5,417.8	5,553.4	300.0	5,853.4
	0412000 General Administration	2,475.0	-	2,475.0	757.8	100.0	857.8	811.5	100.0	911.5	857.0	100.0	957.0
050	**EDUCATION**	**673,286.5**	**29,779.7**	**703,066.2**	**737,201.2**	**30,113.0**	**767,314.2**	**781,274.3**	**35,066.0**	**816,340.3**	**825,548.7**	**43,842.0**	**869,390.7**
	1064 State Department for Technical, Vocational Education and Training	**35,408.4**	**7,836.3**	**43,244.8**	**39,946.4**	**7,077.0**	**47,023.4**	**40,669.6**	**8,602.0**	**49,271.6**	**41,386.5**	**10,915.0**	**52,301.5**
	0505000 Technical Vocational Education and Training	34,528.8	7,836.3	42,365.1	39,050.2	7,077.0	46,127.2	39,752.4	8,602.0	48,354.4	40,445.3	10,915.0	51,360.3
	0507000 Youth Training and Development	54.1	-	54.1	60.7	-	60.7	66.7	-	66.7	72.7	-	72.7
	0508000 General Administration, Planning and Support Services	825.6	-	825.6	835.5	-	835.5	850.5	-	850.5	868.5	-	868.5
	1065 State Department for Higher Education & Research	**140,953.0**	**2,782.0**	**143,735.0**	**155,207.1**	**4,884.0**	**160,091.1**	**175,503.9**	**6,620.0**	**182,123.9**	**191,636.5**	**8,307.0**	**199,943.5**
	0504000 University Education	140,652.4	2,782.0	143,434.4	154,870.9	4,884.0	159,754.9	175,125.6	6,620.0	181,745.6	191,214.9	8,307.0	199,521.9
	0508000 General Administration, Planning and Support Services	300.6	-	300.6	336.3	-	336.3	378.3	-	378.3	421.5	-	421.5
	1066 State Department for Basic Education	**109,421.8**	**18,490.4**	**127,912.2**	**118,680.5**	**16,098.0**	**134,778.5**	**123,718.3**	**17,363.0**	**141,081.3**	**133,921.0**	**21,448.0**	**155,369.0**
	0501000 Primary Education	12,291.6	14,370.8	26,662.4	12,371.4	9,354.0	21,725.4	13,358.4	11,244.0	24,602.4	14,373.4	13,698.0	28,071.4
	0502000 Secondary Education*	81,946.8	4,094.6	86,041.5	86,681.8	6,572.0	93,253.8	88,682.8	6,079.0	94,761.8	96,683.8	7,663.0	104,346.8
	0503000 Quality Assurance and Standards	9,949.7	25.0	9,974.7	14,279.5	172.0	14,451.5	15,392.2	40.0	15,432.2	15,474.2	87.0	15,561.2
	0508000 General Administration, Planning and Support Services	5,233.7	-	5,233.7	5,347.8	-	5,347.8	6,284.9	-	6,284.9	7,389.6	-	7,389.6
	1067 State Department for Science, Innovation and Research	**992.9**	**-**	**992.9**	**1,153.0**	**1,312.0**	**2,465.0**	**1,245.2**	**1,681.0**	**2,926.2**	**1,407.8**	**2,143.0**	**3,550.8**
	0506000 Research, Science, Technology and Innovation	992.9	-	992.9	1,153.0	1,312.0	2,465.0	1,245.2	1,681.0	2,926.2	1,407.8	2,143.0	3,550.8
	2091 Teachers Service Commission	**386,510.4**	**671.0**	**387,181.4**	**422,214.3**	**742.0**	**422,956.3**	**440,137.3**	**800.0**	**440,937.3**	**457,197.0**	**1,029.0**	**458,226.0**
	0509000 Teacher Resource Management	376,889.5	629.0	377,518.5	411,695.2	681.0	412,376.2	429,240.6	704.0	429,944.6	445,937.7	857.0	446,794.7
	0510000 Governance and Standards	1,064.2	-	1,064.2	1,583.8	-	1,583.8	1,583.8	-	1,583.8	1,583.8	-	1,583.8
	0511000 General Administration, Planning and Support Services	8,556.6	42.0	8,598.6	8,935.3	61.0	8,996.3	9,312.9	96.0	9,408.9	9,675.5	172.0	9,847.5

Annex Table 4: Summary of Expenditure by Programmes (KSh Million) … Cont'd

Sector Code	Sector/Vote/Programme	Approved Budget 2025/26			2026 BPS Projection 2026/27			2027/28			2028/29		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
060	**GOVERNANCE, JUSTICE, LAW AND ORDER**	**264,118.5**	**18,923.9**	**283,042.3**	**303,759.5**	**25,929.7**	**329,689.2**	**310,983.7**	**28,268.5**	**339,252.2**	**312,676.5**	**32,199.8**	**344,876.3**
	1023 State Department for Correctional Services	**37,844.2**	**309.0**	**38,153.2**	**42,437.4**	**1,022.4**	**43,459.8**	**45,211.5**	**2,813.0**	**48,024.5**	**48,152.9**	**4,288.7**	**52,441.6**
	0623000 General Administration, Planning and Support Services	641.1	16.0	657.1	651.1	100.0	751.1	840.6	-	840.6	1,040.9	625.0	1,665.9
	0627000 Prison Services	34,752.9	223.1	34,976.0	39,410.0	782.6	40,192.6	41,577.6	2,418.8	43,996.4	43,854.6	3,180.5	47,035.0
	0628000 Probation & After Care Services	2,450.3	69.9	2,520.2	2,376.4	139.8	2,516.1	2,793.4	394.2	3,187.6	3,257.4	483.2	3,740.6
	1024 State Department for Immigration and Citizen Services	**11,704.4**	**10,640.3**	**22,344.7**	**12,815.7**	**11,136.2**	**23,951.9**	**13,325.2**	**11,223.1**	**24,548.4**	**13,686.2**	**11,541.2**	**25,227.5**
	0605000 Migration & Citizen Services	5,478.2	7,441.1	12,919.3	5,804.2	7,441.1	13,245.3	6,078.3	7,441.1	13,519.3	6,243.1	7,513.5	13,756.6
	0626000 Population Management Services	5,086.4	2,999.2	8,085.6	5,639.6	3,395.1	9,034.7	5,826.6	3,467.1	9,293.6	5,985.9	3,692.7	9,678.6
	0631000 General Administration and Planning	1,139.8	200.0	1,339.8	1,371.9	300.0	1,671.9	1,420.4	315.0	1,735.4	1,457.3	335.0	1,792.3
	1025 National Police Service	**125,378.6**	**1,712.8**	**127,091.4**	**136,228.0**	**2,813.9**	**139,041.9**	**140,792.3**	**3,188.6**	**143,980.8**	**151,161.5**	**3,646.6**	**154,808.1**
	0601000 Policing Services	125,378.6	1,712.8	127,091.4	136,228.0	2,813.9	139,041.9	140,792.3	3,188.6	143,980.8	151,161.5	3,646.6	154,808.1
	1026 State Department for Internal Security and National Administration	**31,864.5**	**3,965.8**	**35,830.3**	**35,636.3**	**7,351.6**	**42,987.9**	**37,153.3**	**8,142.3**	**45,295.6**	**38,130.8**	**8,572.7**	**46,703.6**
	0629000 General Administration and Support Services	10,824.8	3,553.8	14,378.6	13,383.6	6,680.0	20,063.6	14,060.0	6,900.0	20,960.0	13,976.1	6,900.0	20,876.1
	0630000 Policy Coordination Services	1,530.4	65.0	1,595.4	1,702.5	80.0	1,782.5	1,618.6	200.0	1,818.6	1,697.1	200.0	1,897.1
	0632000 National Government Field Administration Services	19,509.4	347.0	19,856.4	20,550.2	591.6	21,141.8	21,474.7	1,042.3	22,517.0	22,457.6	1,472.7	23,930.4
	1252 State Law Office	**5,086.8**	**300.0**	**5,386.8**	**5,630.9**	**300.0**	**5,930.9**	**5,916.4**	**357.8**	**6,274.2**	**6,110.9**	**489.3**	**6,600.2**
	0606000 Legal Services	4,336.6	50.0	4,386.6	4,861.4	20.0	4,881.4	5,114.6	100.0	5,214.6	5,289.0	120.0	5,409.0
	0609000 General Administration, Planning and Support Services	750.2	250.0	1,000.2	769.6	280.0	1,049.6	801.8	257.8	1,059.5	822.0	369.3	1,191.3
	1253 State Department for Justice Human Rights and Constitutional Affairs	**1,020.4**	**-**	**1,020.4**	**1,277.8**	**-**	**1,277.8**	**1,243.7**	**-**	**1,243.7**	**1,292.4**	**-**	**1,292.4**
	0607000 Governance, Legal Training and Constitutional Affairs	1,020.4	-	1,020.4									
	Programme : Governance, Human Rights and Constitutional Affairs				1,277.8	-	1,277.8	1,243.7	-	1,243.7	1,292.4	-	1,292.4
	1261 The Judiciary	**25,237.4**	**1,700.0**	**26,937.4**	**26,384.5**	**2,629.9**	**29,014.4**	**27,721.4**	**2,170.5**	**29,891.9**	**29,125.1**	**3,152.9**	**32,278.0**
	0610000 Dispensation of Justice	25,237.4	1,700.0	26,937.4	26,384.5	2,629.9	29,014.4	27,721.4	2,170.5	29,891.9	29,125.1	3,152.9	32,278.0
	1271 Ethics and Anti-Corruption Commission	**4,320.0**	**180.0**	**4,500.0**	**4,520.0**	**123.0**	**4,643.0**	**4,828.7**	**205.6**	**5,034.3**	**5,048.4**	**281.3**	**5,329.7**
	0611000 Ethics and Anti-Corruption	4,320.0	180.0	4,500.0	4,520.0	123.0	4,643.0	4,828.7	205.6	5,034.3	5,048.4	281.3	5,329.7
	1291 Office of the Director of Public Prosecutions	**4,395.6**	**86.0**	**4,481.6**	**5,283.3**	**491.0**	**5,774.3**	**5,695.7**	**64.5**	**5,760.2**	**5,919.3**	**86.0**	**6,005.3**
	0612000 Public Prosecution Services	4,395.6	86.0	4,481.6	5,283.3	491.0	5,774.3	5,695.7	64.5	5,760.2	5,919.3	86.0	6,005.3
	1311 Office of the Registrar of Political Parties	**2,487.0**	**-**	**2,487.0**	**2,323.0**	**-**	**2,323.0**	**2,422.6**	**-**	**2,422.6**	**2,463.9**	**-**	**2,463.9**
	0614000 Registration, Regulation and Funding of Political Parties	2,487.0	-	2,487.0	2,323.0	-	2,323.0	2,422.6	-	2,422.6	2,463.9	-	2,463.9
	1321 Witness Protection Agency	**841.2**	**-**	**841.2**	**1,016.1**	**-**	**1,016.1**	**1,031.9**	**-**	**1,031.9**	**1,077.7**	**-**	**1,077.7**
	0615000 Witness Protection	841.2	-	841.2	1,016.1	-	1,016.1	1,031.9	-	1,031.9	1,077.7	-	1,077.7

Annex Table 4: Summary of Expenditure by Programmes (KSh Million) … Cont'd

Sector Code	Sector/Vote/Programme	Approved Budget 2025/26			2026 BPS Projection								
					2026/27			2027/28			2028/29		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
060	**GOVERNANCE, JUSTICE, LAW AND ORDER**	**264,118.5**	**18,923.9**	**283,042.3**	**303,759.5**	**25,929.7**	**329,689.2**	**310,983.7**	**28,268.5**	**339,252.2**	**312,676.5**	**32,199.8**	**344,876.3**
	2011 Kenya National Commission on Human Rights	**530.3**	**-**	**530.3**	**614.6**	**-**	**614.6**	**593.9**	**-**	**593.9**	**618.3**	**-**	**618.3**
	0616000 Protection and Promotion of Human Rights	530.3	-	530.3	614.6	-	614.6	593.9	-	593.9	618.3	-	618.3
	2031 Independent Electoral and Boundaries Commission	**9,302.3**	**30.0**	**9,332.3**	**24,903.3**	**61.7**	**24,965.1**	**20,259.7**	**103.1**	**20,362.8**	**4,909.6**	**141.1**	**5,050.7**
	0617000 Management of Electoral Processes	9,302.3	30.0	9,332.3	24,903.3	61.7	24,965.1	20,259.7	103.1	20,362.8	4,909.6	141.1	5,050.7
	0618000 Delimitation of Electoral Boundaries												
	2051 Judicial Service Commission	**842.4**	**-**	**842.4**	**927.4**	**-**	**927.4**	**966.4**	**-**	**966.4**	**1,007.1**	**-**	**1,007.1**
	0619000 Judicial Oversight	842.4	-	842.4	927.4		927.4	966.4		966.4	1,007.1		1,007.1
	2101 National Police Service Commission	**1,390.8**	**-**	**1,390.8**	**1,569.2**	**-**	**1,569.2**	**1,613.1**	**-**	**1,613.1**	**1,674.0**	**-**	**1,674.0**
	0620000 National Police Service Human Resource Management	1,390.8	-	1,390.8	1,569.2	-	1,569.2	1,613.1	-	1,613.1	1,674.0	-	1,674.0
	2141 National Gender and Equality Commission	**556.5**	**-**	**556.5**	**722.5**	**-**	**722.5**	**711.1**	**-**	**711.1**	**739.0**	**-**	**739.0**
	0621000 Promotion of Gender Equality and Freedom from Discrimination	556.5	-	556.5	722.5	-	722.5	711.1	-	711.1	739.0	-	739.0
	2151 Independent Policing Oversight Authority	**1,315.9**	**-**	**1,315.9**	**1,469.4**	**-**	**1,469.4**	**1,496.9**	**-**	**1,496.9**	**1,559.3**	**-**	**1,559.3**
	0622000 Policing Oversight Services	1,315.9	-	1,315.9	1,469.4	-	1,469.4	1,496.9	-	1,496.9	1,559.3	-	1,559.3
070	**PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS**	**194,678.0**	**126,825.1**	**321,503.2**	**228,779.0**	**138,717.9**	**367,496.9**	**243,667.3**	**141,590.2**	**385,257.5**	**266,363.2**	**150,050.6**	**416,413.8**
	1011 Executive Office of the President	**4,535.3**	**1,034.0**	**5,569.3**	**5,641.5**	**1,311.2**	**6,952.7**	**5,343.8**	**1,385.0**	**6,728.8**	**5,554.8**	**1,485.0**	**7,039.8**
	0603000 Government Printing Services	767.6	300.0	1,067.6	807.7	500.0	1,307.7	828.5	573.8	1,402.3	856.2	673.8	1,530.0
	0701000 General Administration Planning and Support	1,789.1	480.0	2,269.1	2,674.9	576.2	3,251.1	2,256.9	576.2	2,833.1	2,344.1	576.2	2,920.3
	0703000 Government Advisory Services	1,066.7	185.0	1,251.7	1,131.0	185.0	1,316.0	1,188.2	185.0	1,373.2	1,240.2	185.0	1,425.2
	0770000 Leadership and Coordination of Government Services	911.9	69.0	980.9	1,027.9	50.0	1,077.9	1,070.2	50.0	1,120.2	1,114.3	50.0	1,164.3
	1012 Office of the Deputy President	**2,972.1**	**100.0**	**3,072.1**	**3,481.0**	**100.0**	**3,581.0**	**3,324.3**	**300.0**	**3,624.3**	**3,474.1**	**350.0**	**3,824.1**
	0734000 Deputy President Services	2,972.1	100.0	3,072.1	3,481.0	100.0	3,581.0	3,324.3	300.0	3,624.3	3,474.1	350.0	3,824.1
	1013 Office of the Prime Cabinet Secretary	**356.6**	**-**	**356.6**	**827.6**	**-**	**827.6**	**850.9**	**-**	**850.9**	**875.3**	**-**	**875.3**
	0755000 Government Coordination and Supervision	356.6	-	356.6	827.6	-	827.6	850.9	-	850.9	875.3	-	875.3
	1014 State Department for Parliamentary Affairs	**363.5**	**-**	**363.5**	**406.7**	**-**	**406.7**	**423.0**	**-**	**423.0**	**439.9**	**-**	**439.9**
	0759000 Parliamentary Liaison and Legislative Affairs	67.4	-	67.4	122.8	-	122.8	135.0	-	135.0	139.4	-	139.4
	0760000 Policy Coordination and Strategy	74.5	-	74.5	83.8	-	83.8	99.7	-	99.7	105.5	-	105.5
	0761000 General Administration, Planning and Support Services	221.6	-	221.6	200.1	-	200.1	188.3	-	188.3	195.0	-	195.0
	1016 State Department for Cabinet Affairs	**228.7**	**-**	**228.7**	**298.8**	**-**	**298.8**	**311.2**	**-**	**311.2**	**324.2**	**-**	**324.2**
	0758000 Cabinet Affairs Services	228.7	-	228.7	298.8	-	298.8	311.2	-	311.2	324.2	-	324.2
	1017 State House	**7,684.0**	**894.9**	**8,578.9**	**10,651.8**	**1,027.0**	**11,678.8**	**10,359.6**	**1,204.5**	**11,564.1**	**10,680.9**	**1,250.0**	**11,930.9**
	0704000 State House Affairs	7,684.0	894.9	8,578.9	10,651.8	1,027.0	11,678.8	10,359.6	1,204.5	11,564.1	10,680.9	1,250.0	11,930.9

Annex Table 4: Summary of Expenditure by Programmes (KSh Million) … Cont'd

Sector Code	Sector/Vote/Programme	Approved Budget 2025/26			2026 BPS Projection								
					2026/27			2027/28			2028/29		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
070	**PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS**	**194,678.0**	**126,825.1**	**321,503.2**	**228,779.0**	**138,717.9**	**367,496.9**	**243,667.3**	**141,590.2**	**385,257.5**	**266,363.2**	**150,050.6**	**416,413.8**
	1018 State Department for National Government Coordination	**1,022.3**	**22.0**	**1,044.3**	**944.2**	**130.0**	**1,074.2**	**993.0**	**158.0**	**1,151.0**	**1,043.9**	**28.0**	**1,071.9**
	0755000 Government Coordination and Supervision	1,022.3	22.0	1,044.3	944.2	130.0	1,074.2	993.0	158.0	1,151.0	1,043.9	28.0	1,071.9
	1032 State Department for Devolution	**1,331.2**	**15,915.1**	**17,246.4**	**1,373.1**	**11,011.5**	**12,384.6**	**1,485.6**	**1,552.2**	**3,037.8**	**1,576.1**	**1,452.2**	**3,028.3**
	0712000 Devolution Services	1,331.2	15,915.1	17,246.4	1,373.1	11,011.5	12,384.6	1,485.6	1,552.2	3,037.8	1,576.1	1,452.2	3,028.3
	1033 State Department for Special Programmes	**488.1**	**165.6**	**653.7**	**687.2**	**165.0**	**852.2**	**723.8**	**263.0**	**986.8**	**762.2**	**320.0**	**1,082.2**
	Disaster Risk Management	488.1	165.6	653.7	687.2	165.0	852.2	723.8	263.0	986.8	762.2	320.0	1,082.2
	1053 State Department for Foreign Affairs	**23,017.7**	**2,346.4**	**25,364.1**	**24,358.1**	**2,356.3**	**26,714.4**	**25,396.5**	**3,050.0**	**28,446.5**	**26,380.6**	**4,250.0**	**30,630.6**
	0714000 General Administration Planning and Support Services	3,335.0	238.1	3,573.1	3,631.6	36.3	3,667.9	3,699.3	200.2	3,899.5	3,818.5	372.2	4,190.7
	0715000 Foreign Relation and Diplomacy	19,478.8	1,958.3	21,437.1	20,369.8	2,300.0	22,669.8	21,080.2	2,500.0	23,580.2	21,892.6	3,500.0	25,392.6
	0741000 Economic and Commercial Diplomacy	47.9	-	47.9	52.0	-	52.0	55.0	-	55.0	60.0	-	60.0
	0742000 Foreign Policy Research, Capacity Dev and Technical Cooperation	156.1	150.0	306.1	304.7	20.0	324.7	562.0	349.8	911.8	609.5	377.8	987.3
	1054 State Department for Diaspora Affairs	**717.8**	**-**	**717.8**	**844.6**	**-**	**844.6**	**877.6**	**-**	**877.6**	**912.0**	**-**	**912.0**
	0752000 Management of Diaspora Affairs	717.8	-	717.8	844.6	-	844.6	877.6	-	877.6	912.0	-	912.0
	1071 The National Treasury	**64,379.8**	**42,499.6**	**106,879.4**	**86,049.0**	**58,905.8**	**144,954.8**	**96,419.8**	**125,933.0**	**222,352.8**	**112,828.7**	**133,220.7**	**246,049.4**
	0717000 General Administration Planning and Support Services*	55,261.1	2,178.0	57,439.1	75,937.2	6,206.0	82,143.2	82,937.1	1,141.8	84,078.9	98,815.9	1,401.9	100,217.8
	0718000 Public Financial Management	6,943.8	24,713.6	31,657.4	7,926.7	42,354.8	50,281.5	11,224.4	124,458.9	135,683.3	11,616.0	131,541.5	143,157.5
	0719000 Economic and Financial Policy Formulation and Management	1,546.7	15,608.0	17,154.7	1,556.4	10,258.0	11,814.4	1,595.7	332.3	1,928.0	1,698.7	277.3	1,976.0
	0720000 Market Competition	628.2	-	628.2	628.7	87.0	715.7	662.6	-	662.6	698.1	-	698.1
	1072 State Department for Economic Planning	**3,679.5**	**59,360.1**	**63,039.6**	**3,905.7**	**59,522.6**	**63,428.3**	**4,610.7**	**2,628.7**	**7,239.4**	**4,906.0**	**2,432.7**	**7,338.7**
	0710000 Public Service Transformation												
	07710000 Monitoring and Evaluation Services	168.4	6.0	174.4	208.0	206.0	414.0	211.4	26.0	237.4	215.2	20.0	235.2
	0706000 Economic Policy and National Planning												
	0707000 National Statistical Information Services	1,058.2	399.5	1,457.7	1,069.7	430.5	1,500.2	1,151.8	2,165.7	3,317.5	1,236.8	1,949.9	3,186.7
	0709000 General Administration Planning and Support Services	396.2	-	396.2	563.8	-	563.8	588.1	-	588.1	609.4	-	609.4
	077400 Macro-economic Policy, National Planning and Research	1,337.3	16.9	1,354.1	1,465.8	13.0	1,478.8	1,552.9	156.0	1,708.9	1,692.4	176.2	1,868.6
	077500 Sectoral & Intergovernmental Development Planning Coordination	719.4	58,937.7	59,657.2	598.4	58,873.1	59,471.5	1,106.5	281.0	1,387.5	1,152.2	286.6	1,438.8
	1073 State Department for Public Investments and Assets Management	**3,172.3**	**736.0**	**3,908.3**	**3,307.2**	**750.2**	**4,057.4**	**3,511.0**	**882.8**	**4,393.8**	**3,717.2**	**1,010.0**	**4,727.2**
	Programme 1: Public Investment & Portfolio Management				626.2	-	626.2	661.4	-	661.4	701.4	-	701.4
	Programme 2: Public Pensions & Retirement Benefit Management				1,029.6	50.2	1,079.8	1,095.4	50.2	1,145.6	1,164.1	50.2	1,214.3
	Programme 3: Government Assets Management				1,434.7	700.0	2,134.7	1,536.7	832.6	2,369.3	1,623.2	959.8	2,583.0
	Programme 4: General Administration, Planning and Support Services				216.7	-	216.7	217.5	-	217.5	228.5	-	228.5
	0718000 Public Financial Management	3,172.3	736.0	3,908.3									

Annex Table 4: Summary of Expenditure by Programmes (KSh Million) … Cont'd

Sector Code	Sector/Vote/Programme	Approved Budget 2025/26			2026 BPS Projection 2026/27			2027/28			2028/29		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
070	**PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS**	**194,678.0**	**126,825.1**	**321,503.2**	**228,779.0**	**138,717.9**	**367,496.9**	**243,667.3**	**141,590.2**	**385,257.5**	**266,363.2**	**150,050.6**	**416,413.8**
	1213 State Department for Public Service	**19,752.4**	**1,856.4**	**21,608.8**	**23,726.4**	**1,523.3**	**25,249.7**	**24,165.3**	**1,813.0**	**25,978.3**	**25,308.4**	**1,887.0**	**27,195.4**
	0710000 Public Service Transformation	8,299.9	1,741.4	10,041.3	1,370.00	330	1,700.00	1,383.30	404.5	1,787.80	1,434.60	300	1,734.60
	Public Service Human Resource Management and Development				11,858.9	1,062.3	12,921.2	12,011.9	1,177.2	13,189.1	12,157.7	1,587.0	13,744.7
	0709000 General Administration Planning and Support Services	1,602.8	-	1,602.8	394.9	-	394.9	442.8	-	442.8	461.8	-	461.8
	0747000 National Youth Service	9,849.7	115.0	9,964.7	10,102.6	131.0	10,233.6	10,327.3	231.3	10,558.6	11,254.3	-	11,254.3
	Parliament	**46,425.7**	**1,565.0**	**47,990.7**	**47,213.9**	**1,565.0**	**48,778.9**	**48,989.4**	**2,065.0**	**51,054.4**	**50,838.7**	**2,065.0**	**52,903.7**
	2061 The Commission on Revenue Allocation	**370.0**	**-**	**370.0**	**510.6**	**-**	**510.6**	**526.8**	**-**	**526.8**	**544.2**	**-**	**544.2**
	0737000 Inter-Governmental Transfers and Financial Matters	370.0	-	370.0	510.6	-	510.6	526.8	-	526.8	544.2	-	544.2
	2071 Public Service Commission	**3,561.7**	**-**	**3,561.7**	**3,640.6**	**50.0**	**3,690.6**	**3,698.3**	**55.0**	**3,753.3**	**3,758.6**	**-**	**3,758.6**
	0725000 General Administration, Planning and Support Services	916.3	-	916.3	992.9	50.0	1,042.9	1,027.0	55.0	1,082.0	1,064.3	-	1,064.3
	0726000 Human Resource management and Development	2,416.6	-	2,416.6	2,409.2	-	2,409.2	2,425.0	-	2,425.0	2,439.8	-	2,439.8
	0727000 Governance and National Values	168.5	-	168.5	142.1	-	142.1	146.8	-	146.8	151.7	-	151.7
	0744000 Performance and Productivity Management	39.3	-	39.3	66.8	-	66.8	68.8	-	68.8	71.0	-	71.0
	075000 Administration of Quasi-Judicial Functions	21.0	-	21.0	29.6	-	29.6	30.7	-	30.7	31.8	-	31.8
	2081 Salaries and Remuneration Commission	**751.7**	**-**	**751.7**	**790.9**	**-**	**790.9**	**823.2**	**-**	**823.2**	**857.0**	**-**	**857.0**
	0728000 Salaries and Remuneration Management	751.7	-	751.7	790.9	-	790.9	823.2	-	823.2	857.0	-	857.0
	2111 Auditor General	**8,359.0**	**330.0**	**8,689.0**	**8,476.3**	**300.0**	**8,776.3**	**9,128.8**	**300.0**	**9,428.8**	**9,812.6**	**300.0**	**10,112.6**
	0729000 Audit Services	8,359.0	330.0	8,689.0	8,476.3	300.0	8,776.3	9,128.8	300.0	9,428.8	9,812.6	300.0	10,112.6
	2121 Office of the Controller of Budget	**834.1**	**-**	**834.1**	**913.7**	**-**	**913.7**	**948.1**	**-**	**948.1**	**983.7**	**-**	**983.7**
	0730000 Control and Management of Public finances	834.1	-	834.1	913.7	-	913.7	948.1	-	948.1	983.7	-	983.7
	2131 The Commission on Administrative Justice	**674.2**	**-**	**674.2**	**730.1**	**-**	**730.1**	**756.6**	**-**	**756.6**	**784.1**	**-**	**784.1**
	0731000 Promotion of Administrative Justice	674.2	-	674.2	730.1	-	730.1	756.6	-	756.6	784.1	-	784.1
080	**NATIONAL SECURITY**	**248,836.2**	**4,934.0**	**253,770.2**	**291,683.3**	**7,934.0**	**299,617.3**	**281,321.4**	**13,934.0**	**295,255.4**	**293,541.5**	**18,934.0**	**312,475.5**
	1041 Ministry of Defence	**197,388.9**	**4,934.0**	**202,322.9**	**233,066.3**	**7,934.0**	**241,000.3**	**224,046.4**	**13,934.0**	**237,980.4**	**233,804.5**	**18,934.0**	**252,738.5**
	0801000 Defence	184,991.9	4,734.0	189,725.9	220,007.1	7,634.0	227,641.1	211,136.6	13,334.0	224,470.6	221,508.8	18,134.0	239,642.8
	0802000 Civil Aid	335.0	-	335.0	335.0	-	335.0	341.0	-	341.0	355.8	-	355.8
	0803000 General Administration, Planning and Support Services	2,919.7	-	2,919.7	3,241.8	-	3,241.8	3,341.4	-	3,341.4	3,444.5	-	3,444.5
	0805000 National Space Management												
	0806000 Defence Industrialization	9,142.3	200.0	9,342.3	9,482.4	300.0	9,782.4	9,227.4	600.0	9,827.4	8,495.4	800.0	9,295.4
	1281 National Intelligence Service	**51,447.2**	**-**	**51,447.2**	**58,617.0**	**-**	**58,617.0**	**57,275.0**	**-**	**57,275.0**	**59,737.0**	**-**	**59,737.0**
	0804000 National Security Intelligence	51,447.2	-	51,447.2	58,617.0	-	58,617.0	57,275.0	-	57,275.0	59,737.0	-	59,737.0

Annex Table 4: Summary of Expenditure by Programmes (KSh Million) … Cont'd

Sector Code	Sector/Vote/Programme	Approved Budget 2025/26			2026 BPS Projection 2026/27			2027/28			2028/29		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
090	**SOCIAL PROTECTION, CULTURE AND RECREATION**	**54,145.3**	**24,849.1**	**78,994.4**	**60,732.0**	**26,492.7**	**87,224.7**	**55,847.6**	**27,534.8**	**83,382.3**	**61,556.6**	**28,806.3**	**90,362.9**
	1132 State Department for Sports	**1,626.8**	**15,835.0**	**17,461.8**	**7,384.9**	**18,108.9**	**25,493.7**	**1,921.0**	**18,900.0**	**20,821.0**	**2,044.8**	**19,901.7**	**21,946.5**
	0901000 Sports	1,626.8	15,835.0	17,461.8	7,384.9	18,108.9	25,493.7	1,921.0	18,900.0	20,821.0	2,044.8	19,901.7	21,946.5
	1134 State Department for Culture and Heritage	**2,772.6**	**813.0**	**3,585.6**	**2,840.7**	**144.0**	**2,984.8**	**2,952.9**	**125.0**	**3,077.9**	**3,132.6**	**52.0**	**3,184.6**
	0902000 Culture/ Heritage	1,642.4	131.0	1,773.4	1,646.8	54.7	1,701.5	1,741.7	75.0	1,816.7	1,841.4	10.0	1,851.4
	0903000 The Arts	254.0	500.0	754.0	256.8	24.4	281.1	268.6	-	268.6	280.9	-	280.9
	0904000 Library Services	467.8	145.0	612.8	472.9	-	472.9	504.3	-	504.3	539.3	-	539.3
	0905000 General Administration, Planning and Support Services	136.3	-	136.3	139.3	-	139.3	146.6	-	146.6	162.0	-	162.0
	0916000 Public Records Mangement	124.2	37.0	161.1	325.0	65.0	390.0	291.6	50.0	341.6	309.0	42.0	351.0
	0917000 Lottery Control, Licensing and Regulations	148.0	-	148.0									
	1135 State Department for Youth Affairs and Creative Economy	**2,228.6**	**2,672.4**	**4,901.0**	**2,581.3**	**2,201.4**	**4,782.8**	**2,705.4**	**2,392.3**	**5,097.7**	**2,855.5**	**2,488.7**	**5,344.3**
	0221000 Film Development Services	811.2	454.7	1,265.9	814.6	33.5	848.2	880.3	-	880.3	948.0	-	948.0
	0711000 Youth Empowerment Services	162.8	481.4	644.2	491.8	-	491.8	520.0	139.3	659.4	568.6	262.8	831.4
	0748000 Youth Development Services	661.7	1,736.3	2,398.0	694.3	2,167.9	2,862.3	706.0	2,252.9	2,958.9	726.9	2,225.9	2,952.8
	0749000 General Administration, Planning and Support Services	593.0	-	593.0	580.6	-	580.6	599.1	-	599.1	612.0	-	612.0
	1184 State Department for Labour and Skills Development	**4,295.2**	**768.6**	**5,063.8**	**4,467.0**	**1,065.3**	**5,532.3**	**4,499.1**	**1,287.2**	**5,786.3**	**4,538.7**	**1,437.5**	**5,976.3**
	0910000 General Administration Planning and Support Services	474.9	-	474.9	534.2	-	534.2	541.8	-	541.8	536.9	-	536.9
	0906000 Labour, Employment and Safety Services	1,174.7	211.6	1,386.4	1,269.2	246.3	1,515.5	1,287.5	273.5	1,561.0	1,325.7	303.8	1,629.4
	0907000 Manpower Development, Industrial Skills & Productivity Management	2,645.5	557.0	3,202.5	2,663.6	819.0	3,482.6	2,669.8	1,013.7	3,683.5	2,676.2	1,133.7	3,809.9
	1185 State Department for Social Protection and Senior Citizens Affairs	**29,132.9**	**187.1**	**29,320.0**	**29,160.3**	**708.3**	**29,868.6**	**29,361.2**	**730.3**	**30,091.5**	**34,309.3**	**776.3**	**35,085.6**
	0908000 Social Development and Children Services	1,625.5	39.0	1,664.5									
	0909000 National Social Safety Net	27,147.5	148.1	27,295.6	27,179.5	540.3	27,719.8	27,358.1	540.3	27,898.4	32,230.3	540.3	32,770.6
	0914000 General Administration, Planning and Support Services	360.0	-	360.0	390.9	-	390.9	377.8	-	377.8	398.2	-	398.2
	Programme: Social Development and Disability Inclusion				1,589.8	168.0	1,757.8	1,625.3	190.0	1,815.3	1,680.8	236.0	1,916.8
	1186 State Department for Children Services	**12,074.1**	**244.0**	**12,318.1**	**12,170.9**	**140.0**	**12,310.9**	**12,323.6**	**100.0**	**12,423.6**	**12,536.8**	**150.0**	**12,686.8**
	0908000 Social Development and Children Services	2,606.1	244.0	2,850.1									
	0909000 National Social Safety Net	9,310.7	-	9,310.7									
	0914000 General Administration, Planning and Support Services	157.3	-	157.3									
	Programme: Child Protection and Safeguarding				12,170.9	140.0	12,310.9	12,323.6	100.0	12,423.6	12,536.8	150.0	12,686.8
	1212 State Department for Gender and Affirmative Action	**2,015.2**	**4,328.9**	**6,344.1**	**2,127.0**	**4,124.7**	**6,251.7**	**2,084.4**	**4,000.0**	**6,084.4**	**2,138.9**	**4,000.0**	**6,138.9**
	0911000 Community Development	940.8	4,000.0	4,940.8	940.0	4,000.0	4,940.0	940.0	4,000.0	4,940.0	940.0	4,000.0	4,940.0
	0912000 Gender Empowerment	833.0	328.9	1,161.9	955.1	124.7	1,079.8	903.6	-	903.6	946.4	-	946.4
	0913000 General Administration, Planning and Support Services	241.4	-	241.4	231.9	-	231.9	240.8	-	240.8	252.5	-	252.5

Annex Table 4: Summary of Expenditure by Programmes (KSh Million) … Cont'd

Sector Code	Sector/Vote/Programme	Approved Budget 2025/26			2026 BPS Projection 2026/27			2027/28			2028/29		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
0100	**ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES**	**33,879.1**	**61,987.5**	**95,866.7**	**36,210.0**	**70,498.0**	**106,709.0**	**39,081.0**	**83,591.0**	**122,672.0**	**42,176.0**	**120,954.0**	**163,130.0**
	1104 State Department for Irrigation	**955.2**	**6,593.2**	**7,548.4**	**943.0**	**7,528.0**	**8,471.0**	**1,039.0**	**8,978.0**	**10,017.0**	**1,085.0**	**10,692.0**	**11,777.0**
	1014000 Irrigation and Land Reclamation	761.4	6,348.2	7,109.6									
	1022000 Water Harvesting and Storage for Irrigation	20.9	245.0	265.9									
	1023000 General Administration, Planning and Support Services	172.9	-	172.9	168.0	80.0	248.0	179.0	125.0	304.0	186.0	182.0	368.0
	P1: Irrigation Development & Rehabilitation				723.0	6,000.0	6,723.0	803.0	6,994.0	7,797.0	840.0	8,616.0	9,456.0
	P2. Land Reclamation and Climate Resilience Irrigation Development				52.0	1,448.0	1,500.0	57.0	1,859.0	1,916.0	59.0	1,894.0	1,953.0
	1109 State Department for Water & Sanitation	**6,777.9**	**47,176.4**	**53,954.3**	**7,343.0**	**49,503.0**	**56,846.0**	**7,942.0**	**59,187.0**	**67,129.0**	**8,570.0**	**88,373.0**	**96,943.0**
	1001000 General Administration, Planning and Support Services	723.9	115.0	838.9	845.0	200.0	1,045.0	906.0	708.0	1,614.0	974.0	612.0	1,586.0
	1004000 Water Resources Management	2,041.2	14,437.0	16,478.2	2,002.0	20,433.0	22,435.0	2,056.0	15,282.0	17,338.0	2,171.0	16,766.0	18,937.0
	1017000 Water and Sewerage Infrastructure Development	3,640.7	31,080.5	34,721.2	4,121.0	27,364.0	31,485.0	4,557.0	39,678.0	44,235.0	4,971.0	61,594.0	66,565.0
	1015000 Water Storage and Flood Control	372.2	1,543.9	1,916.1	375.0	1,506.0	1,881.0	423.0	3,519.0	3,942.0	454.0	9,401.0	9,855.0
	1192 State Department for Mining	**1,363.4**	**267.2**	**1,630.6**	**1,539.0**	**478.0**	**2,018.0**	**1,588.0**	**633.0**	**2,221.0**	**1,667.0**	**832.0**	**2,499.0**
	1007000 General Administration Planning and Support Services	375.1	-	375.1	459.0	-	459.0	446.0	-	446.0	465.0	-	465.0
	1009000 Mineral Resources Management	617.8	71.2	688.9	656.0	203.0	860.0	663.0	229.0	892.0	670.0	213.0	883.0
	1021000 Geological Survey and Geoinformation Management	370.6	196.0	566.5	424.0	275.0	699.0	479.0	404.0	883.0	532.0	619.0	1,151.0
	1203 State Department for Wildlife	**11,955.5**	**2,404.1**	**14,359.6**	**13,250.0**	**1,858.0**	**15,108.0**	**14,411.0**	**2,640.0**	**17,051.0**	**15,811.0**	**3,930.0**	**19,741.0**
	1019000 Wildlife Conservation and Management	11,955.5	2,404.1	14,359.6	13,250.0	1,858.0	15,108.0	14,411.0	2,640.0	17,051.0	15,811.0	3,930.0	19,741.0
	1331 State Department for Environment & Climate Change	**3,894.9**	**1,934.7**	**5,829.6**	**4,103.0**	**2,605.0**	**6,708.0**	**4,432.0**	**2,898.0**	**7,330.0**	**4,728.0**	**3,520.0**	**8,248.0**
	1002000 Environment Management and Protection	2,036.2	1,705.7	3,741.9	2,127.0	2,241.0	4,368.0	2,414.0	2,561.0	4,975.0	2,644.0	3,050.0	5,694.0
	1010000 General Administration, Planning and Support Services	486.2	-	486.2	460.0	30.0	490.0	471.0	50.0	521.0	484.0	70.0	554.0
	1012000 Meteorological Services	1,372.6	229.0	1,601.6	1,516.0	334.0	1,850.0	1,547.0	287.0	1,834.0	1,600.0	400.0	2,000.0
	1332 State Department for Forestry	**8,932.2**	**3,612.0**	**12,544.2**	**9,032.0**	**8,526.0**	**17,558.0**	**9,669.0**	**9,255.0**	**18,924.0**	**10,315.0**	**13,607.0**	**23,922.0**
	1018000 Forests Development, Management and Conservation	8,761.7	3,612.0	12,373.8	8,833.0	8,526.0	17,359.0	9,439.0	9,255.0	18,694.0	10,081.0	13,607.0	23,688.0
	1024000 Agroforestry and Commercial Forestry Development	15.3	-	15.3	27.0	-	27.0	45.0	-	45.0	49.0	-	49.0
	1025000 General Administration, Planning and Support Services	155.1	-	155.1	172.0	-	172.0	185.0	-	185.0	185.0	-	185.0
	TOTAL	**1,804,706.3**	**744,837.7**	**2,549,544.0**	**2,024,929.8**	**854,993.8**	**2,879,924.5**	**2,108,425.3**	**1,187,424.6**	**3,295,849.8**	**2,214,866.8**	**1,254,201.1**	**3,469,067.9**

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

1. **Section 25(8)** of the **Public Finance Management (PFM) Act, 2012** prescribes that the Cabinet Secretary for The National Treasury shall take into account resolutions passed by Parliament in finalizing the budget for a given financial year. The National Assembly approved the 2025 Budget Policy Statement and the 2024 Budget Policy Statement on 12th March 2025 and 7th March, 2024, respectively.

2. **Section 38(1) (iii)** of the **PFM Act, 2012** requires the Cabinet Secretary to prepare a memorandum explaining how the resolutions adopted on the BPS have been taken into account. In this regard, the following Section provides a brief to Parliament on the extent to which the resolutions of the House on the 2025 BPS and 2024 BPS have been taken into account and the reasons thereof.

No.	Resolution	Action taken
A. Policy Resolutions on the 2025 BPS		
1.	Further to the resolution of the House during the approval of FY 2024/25 Estimates on reengineering the Integrated Financial Management Information System (IFMIS), the National Treasury submits geographical information of development projects per county and constituency by 30th April, 2025.	The Integrated Financial Management Information System (IFMIS) has established a standardized chart of accounts that includes a segment dedicated to geographical location, which is essential for budgeting purposes. Counties are mandated to allocate budgets for projects by specifying the cost center associated with the geographical location. This functionality has been integrated into the system, where a designated section for geographical codes constitutes a segment of the budget line for each project
2.	The Cabinet Secretary for the National Treasury and Economic Planning ensures that projects that are nearing completion are prioritized for resource allocation. This should include a list of development projects that are earmarked for completion in FY 2025/26 for all Ministries, Departments and Agencies (MDAs).	During the finalization of the FY 2025/26 Budget, the National Treasury prioritized funding to projects that are nearing completion. A list of these projects, which are set to be completed in FY 2025/26 and the Medium-Term, is provided alongside the submitted FY 2025/26 Budget in accordance with this resolution.
3.	Given that several policy pronouncements in the BPS have not been funded, before submission of the Budget Estimates for FY 2025/26 to the National Assembly, the Cabinet Secretary for the National Treasury and Economic Planning ensures that these unfunded priorities have been factored within the approved ceilings as provided in the Fourth Schedule to the Report.	In light of the fiscal consolidation policy and the existing resource constraints, the National Treasury has prioritized critical expenditures in the FY 2025/26 Budget. Any priority expenditure not included in the FY 2025/26 Budget will be considered during the preparation of FY 2026/27 and the Medium-Term Budget.

No.	Resolution	Action taken
4.	On submission of the Budget Estimates for FY 2025/26, the Cabinet Secretary for the National Treasury and Economic Planning submits to the National Assembly a statement on the fiscal impact of adopting zero-based budgeting.	In accordance with the Cabinet directive, MDAs are to implement Zero-Based Budgeting (ZBB) starting from FY2025/26. The National Treasury has adopted the ZBB, ensuring that all expenditures are thoroughly costed and justified for funding. To facilitate the implementation of Zero-Based Budgeting, the National Treasury has developed a Costing Tool that is now integrated into the IFMIS.
5.	To entrench oversight of Appropriations in Aid (AIA) and earmarked public funds, the National Treasury: a) collates and reports on all AIA generated by non-commercial national government entities, including fees, charges, levies, together with related expenditure, projects, and programs and provide the report to the National Assembly by 30th April, 2025; b) Reports to the National Assembly on all extra budgetary funds realized and related expenditure by 30th April, 2025; c) Proposes changes to the Controller of Budget Act to provide for the Controller of Budget to approve the utilization of A-I-A and related expenditure by September 2025; and d) Identifies and proposes legislation to the National Assembly on the overall framework for the financial management of AIA, including the repeal of non-critical public funds and AIA mandates by September 2025.	The details of AIA projections for FY 2025/26 by non-commercial government entities and their related expenditures are as provided in the Itemized Budget Estimates for FY 2025/26 under their specific Votes and Heads. The National Treasury will develop framework for the financial management of AIA, including the repeal of non-critical public funds and AIA mandates by September 2025 as resolved.
6.	Given the government reliance on several payment systems for various functions such as capitation for schools, salaries payments, transfer to counties, and exchequer releases, the Cabinet Secretary for the National Treasury and Economic Planning provides to Parliament with an update on integration of government payment systems within the Integrated Financial Management Information System (IFMIS) ecosystem to enhance transparency and accountability by the 30th April, 2025.	Ministries, Departments, Agencies, and Counties (MDCAs) utilize the IFMIS for payment processing, which integrates with KRA iTax and the CBK core banking system. IFMIS facilitates budget uploads and transaction processing, while KRA's iTax generates Payment Registration Numbers (PRN) to alert suppliers about tax obligations. CBK serves as the disbursement platform for funds. Key concerns have been addressed as outlined below: i) Capitation funding for schools is administered through the Integrated Financial Management Information System (IFMIS). The Ministry of Education does not utilize any alternative payment

No.	Resolution	Action taken
		systems. The National Education Management Information System (NEMIS) is solely designated for the maintenance of student data and is not intended for processing payments; ii) Processing of salaries for public servants is conducted through the Integrated Financial Management Information System (IFMIS). The National Treasury is currently finalizing the integration between IFMIS and the Human Resource Integrated System (HRIS) to ensure seamless maintenance of employee data and efficient payroll processing; iii) Transfer of equitable shares to Counties is facilitated through the Integrated Financial Management Information System (IFMIS). However, the notification regarding the funds transferred to the County Revenue Fund is conducted manually; iv) Processing of Exchequer for MDAs is efficiently automated through the IFMIS; and v) National Treasury is currently engaged in the integration of the Debt Management System and E-Citizen with the IFMIS
7.	On submission of the Budget Estimates for FY 2025/26, the Cabinet Secretary for the National Treasury and Economic Planning submits a statement to the National Assembly on timelines and fiscal impact of merging, restructuring, and winding up state entities in line with the Cabinet Decision of 21st January 2025.	In light of the Cabinet Decision dated 21st January 2025, a Multi-Agency Technical Working Committee was established to execute the State Corporations' Reforms as sanctioned by the Cabinet. This Committee includes representatives from the Executive Office of the President, the State Department for Public Service, the Office of the Attorney General/State Law Office, the State Corporations Advisory Committee, and the Inspectorate of State Corporations. The reforms were implemented in two phases, with the entire process completed by the end of FY 2024/25.
8.	On submission of the Budget Estimates for FY 2025/26, the Intergovernmental Relations Technical Committee (IGRTC) submits a statement to the National Assembly on fiscal impact and timelines for implementation of Gazette Notice No. Vol. CXXVI-No. 219 of 2024 on the delineation and transfer of devolved functions.	Following the publication of the re-validated sector exercise reports on the delineation of functions, IGRTC published the respective Gazette Notices (No. 16472 to 16483) on 16th December, 2024 on the delineated functions. Additionally, the IGRTC through the letter dated 26th March 2025, **Ref: IGR/FIN/8/1/VOL IV (63)** provided the status of this resolution. **Annex 2**

No.	Resolution	Action taken
		of this Budget Summary provides a Statement on fiscal impact and timelines for implementation of Gazette Notice No. Vol. CXXVI-No. 219 of 2024 on the delineation and transfer of devolved functions.
9.	On submission of the Budget Estimates for FY 2025/26, the Cabinet Secretary for the National Treasury and Economic Planning provides a list of all Public-Private Partnerships (PPP) projects to be implemented in FY 2025/26.	A list of all Public-Private Partnerships (PPPs) projects was provided in Annex 3 of the Budget Summary for the FY 2025/26.
10.	By 30th June, 2025, the National Treasury submits a comprehensive report detailing the implementation status of the new digitized pension system. Additionally, the report should include an action plan to clear pension arrears, ensure timely contributions, and enhance administrative efficiency..	As part of the ongoing Public Service Pension Schemes (PSPS) reforms, the National Treasury is undertaking the re-engineering of the Pension Management Information System (PMIS) to improve functionality, data integrity, and operational efficiency. The objective is to deliver an end-to-end Enterprise Resource Planning (ERP) solution that will automate pension processes, eliminate manual interfaces, and enhance service delivery to pensioners and beneficiaries. PMIS has been partially rolled out, but there are ongoing efforts to ensure all counties and remaining agencies are fully integrated into PIMIS.
B. Policy Resolutions on the 2024 BPS		
11.	Given the need to link the Bottom-up Economic Transformation Agenda to the Vision 2030, the Cabinet Secretary for National Treasury and Economic Planning to submit the Fourth Medium Term Plan of the Vision 2030 to the National Assembly before submission of the Budget Estimates for FY 2024/25.	The National Treasury and Economic Planning submitted the Fourth Medium Term Plan of Vision 2030 to the National Assembly and was officially launched by H.E. the President on 21st March 2024.
12.	The National Treasury to prepare guidelines for proper costing of government policies, programmes and projects to minimize discrepancies between the planned and actual resource requirements before the preparation of the 2025 BPS.	The National Treasury prepared a Budget Manual that covers among others a chapter on budget costing. Further, a budget costing tool has been prepared in the IFMIS system and PFM officials have been trained on the same. The 2025 BPS will be prepared after budget costing is conducted within the budget costing tool.

No.	Resolution	Action taken
13	In view of delayed compensation for land acquired from individuals by the Government for various projects, the National Treasury should prioritize payments for land compensation in the FY 2024/25 estimates, before they are submitted to the National Assembly. Going forward, no Government project should commence before the owners of such land are compensated.	The Government will continue prioritize payment of pending land compensation within the approved allocations in the FY 2024/25 Budget. To ensure compliance with this requirement, the Public Investment Management (PIM) Regulations, 2022 was enacted and requires Ministries, Departments and Agencies to avail land for any project as a prerequisite before such projects are approved and funded by the National Treasury.
14	Given the funding challenges facing the Department of Immigration and Citizen Services on issuance of documents such as Passports, Identity Cards, Birth and Death certificates, before finalization of the Annual Estimates for FY 2024/25, the Cabinet Secretary for National Treasury and Economic Planning enhances the Appropriation-in-Aid for the Department by increasing the current allocation to 20 percent of all the revenues it generates to the Exchequer through issuance of documents (an equivalent of KSh 3.980 billion in the FY 2024/25 Revenue estimates).	In the FY 2023/24, the National Treasury provided KSh 1.3 billion as Appropriation in Aid (A.i.A) to the State Department for Immigration and Citizen Services to help address cash flow challenges. In the FY2024/25 budget, the State Department has been allowed to utilize A.i.A amounting to KSh 3.9 billion in compliance with the resolution of the National Assembly to address challenges on issuance of documents such as Passports, Identity Cards, and Birth and Death certificates. It is important to note that the A.i.A allocation to MDAs is not pegged on percentage collection but on assessed needs of the MDA.
15	To improve the gender responsiveness of government policies, before finalization of the 2025 Budget Policy Statement, the National Treasury to incorporate a section on the gender responsiveness of the various policy proposals in line with international best practices.	The Government is committed to embracing Gender Responsive Budgeting (GRB) to ensure achievement of equity between genders. We also recognize that Gender responsiveness is critical in boosting economic growth and for sustainability. In this regard, the National Treasury is committed to adhere to this resolution of the National Assembly.
16	The East Africa Customs Management Act, 2004 allows the Council of Ministers to review the regional customs tariffs, and these changes have not been subjected to public participation. The National Treasury to ensure that any such reviews are subjected to public participation and submitted to the National Assembly before they are formally ratified.	▪ The National Treasury remains committed to ensuring effective public and stakeholder engagement in all policy formulation and implementation process. The National Treasury wishes to underscore that the proposals to amend the East Africa Customs Management Act usually come from EAC Partner States. Thereafter, the East Africa Legislative Assembly conduct public participation on the consolidated proposals in all EAC Partner States. ▪ On the other hand, the proposals for review of regional customs tariffs normally come from the public and various stakeholders. The National Treasury together with the Kenya Revenue Authority and Ministry of

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

No.	Resolution	Action taken
		(PBVC) to carry out a thorough analysis of the stock of pending bills that have accumulated from June 2005 to June 2022. Among other tasks the PBVC is to develop reforms or measures that will ensure future accumulation of pending bills is avoided. The PBVC is already working on the pending bills verification exercise after receiving submissions from MDAs including those by the Independent Electoral and Boundaries Commission from 29th January to 2nd February 2024. The PBVC will be making recommendations on the eligible pending bills that will be paid in the FY 2024/25 and the Medium Term.
22	Before finalization of estimates for FY 2024/25 and in line with the Presidential Working Party Report on Education Reforms, the National Treasury to transfer the Low-Cost Boarding Schools (LCBS), function and the attendant budgetary provisions to the National Council for Nomadic Education in Kenya (NACONEK), which is best suited to implement the programme. This will ensure that the LCBSs are given adequate attention to address education disparities and oversee interventions that will enhance access, retention, transition and completion rates in ASAL areas.	The National Treasury transferred an allocation of KSh 400 million to National Council for Nomadic Education in Kenya (NACONEK).

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

CATEGORY OF ISSUE	ISSUES	PROPOSED WAY FORWARD/ACTION TAKEN/RESPONSE
AGRICULTURE, RURAL AND URBAN DEVELOPMENT (ARUD)		
Policy Issues	• Long queues and limited access in fertilizer distribution • Extension service ratio too low (1:3000 vs 1:400 standard) • Need for more support to farmers for food security • Livestock breeding, disease control, and drought mitigation • Need for subsidies for other farm inputs besides fertilizer	• National Cereals Produce Board (NCPB) centres available in all counties from where the farmers get the fertilizers. Plans underway to use the Vulnerable and Marginalized Groups (VMGs) system, to support targeted distribution of the fertilizer • The sector mentioned that there is ongoing collaboration with counties to improve staffing. • Farmers are supported through seed subsidies and the revival of agricultural clubs in schools to boost agricultural production. There are also efforts on exploration of Land Commercialization Initiatives to increase food production • Multiple breeding centers have been operationalized in the country (Kirinyaga, Naivasha, Marimati, Barchuma, among others). The 'DRIVE' programme provides insurance that compensates farmers for losses of animals due to drought.; ongoing vaccination campaign for animals that is meant to minimize animal diseases; KAGRIC is currently providing/distributing drought-resilient animal genetics to ASAL livestock farmers; and provision of concessional loans and grants as well as digital financing systems, to farmers to improve their access to funds for livestock feed. • The sector indicated that plans are underway to expand subsidies beyond seeds.
Project Implementation Issues	• County-specific agricultural programmes • Need for revival of pyrethrum farming • Low prices and value addition for mangoes produced in the Kitui county	• Programmes should be tailored to county resources; includes fish landing sites, aquaculture with construction of dams in some counties to boost multipurpose functions. • Sector reported that a request for KSh 534M was submitted to Treasury for factory restoration • Farmers were encouraged to process mangoes to increase earnings.

Resource Allocation Issues	● Funding gaps for key agricultural programmes ● Alternative Agricultural Financing Mechanism ● Clarification on the gap between sector requirements and allocations	● The function is majorly devolved. Further Partnerships with FAO and other development partners for Agricultural production improvement are being pursued. ● PPPs, private developer partnerships, and commercialization initiatives underway to increase production at a lower cost and reduce funding gaps ● There are plans to explore alternative financing mechanisms such as PPPs, privatization, securitization, among others.
Governance Issues	● Clarification on Veterinary Services Development Fund	● Affirmed as one of the existing funds; being updated to align with PFM Act.
Governance Issues	● Concerns on the governance issues in tea sector; low bonuses in some areas	● The sector reported that there are reforms being implemented; value addition emphasized. ● Tea boards to provide information where there are other deductions during bonus issue
ENERGY, INFRASTRUCTURE, AND ICT (EI&ICT)		
Policy issues	● Tolling on Roads and Road maintenance levy paid at the fuel pump amounts to double taxation. ● The EPRA Price control model for fuel prices is benefiting only those along the pipeline infrastructure and in major towns. ● Access to digital infrastructure for children, including those living with disability, to support CBE	● The road tolling policy was subjected to public participation in early 2025, and feedback has been received from Kenyans. ● Part of the fuel levy is used for road maintenance for already constructed roads in urban and rural areas. The fund is distributed to national, county, and agency levels, including KENHA (40 percent), KURA (15 percent), and KWS (1 percent), among others. ● Budget for the infrastructure, equipment and materials for children to facilitate CBE and training to acquire technological skills
Resource allocation Issues	● Inadequate resources for road maintenance and the construction of new roads. Road construction portfolio requires KSh 413 billion, has been allocated KSh 150 billion in 2026/2027, which is not adequate to construct all the roads needed in the country; hence, other sources of funding are required.	● The government, through the State Department for Roads, has adopted the PPP model to construct some of the new roads to bridge the funding gaps. The establishment of the Infrastructure fund is also targeting to avail resources for these infrastructure
Governance Issues	● Protection from harmful digital content ● Poor road quality in some urban and rural roads, especially all-weather roads under county governments.	● The government is working with the office of the data protection commissioner to ensure the security of data and digital content, as well as working with technology players (Google, Twitter, etc) to ensure protection from harmful digital content.

		• The standards for the construction of all roads are available, but the limitation is on the resources allocated
EDUCATION SECTOR		
Policy issues	• Parents are being forced to pay despite Free Primary Education (FPE) • TVET- Need to embrace assistive technologies & digital accessibility • Mental health and psychosocial support gaps • Abolition of the Edu Afia programme	• The Ministry to review FPE funding model and ensure 100percent free learning • MoE clarified that it is embracing AI and digital tools in transition to Competency-Based Education and Training (CBET) by 2029 • Ministry should consider revamping guidance and counselling programmes • The Government, through the Ministry of Health rolled up a Universal Health Care programme for all citizens and cannot segregate a group of people for special treatment
Project Implementation Issues	• The need for mobile STEM laboratories as building permanent structures is taking too long. • Facilities in TVETs are not inclusive for persons with disabilities • Basic Education - Shortage of teachers • Lack of sanitary towel support for the learners • Enhancement of the school feeding programme to have sufficient food	• Sector indicated that efforts to avail the necessary STEM infrastructure are ongoing • MoE reported that upgraded Special Needs TVETs including assistive devices have been provided, that the architecture of the TVETs takes into account Trainees with Disability and that. Further, it was clarified that there are TVETS specifically for Trainees with disabilities and have a state of Art (Thika TTI, Karen TTI, St. Joseph TTI, Machakos TTI for the deaf) • TSC is undertaking staffing measures • Sector requested to improve the budgetary provision for the programme • The sector requested to consider increasing food ratios especially in areas where this is the only meal that the learners rely on.
Resource Allocation Issues	• Declining numbers of learners with Special needs; delayed and partial disbursement of their funds • Underutilization of the SNE budget despite poor facilities • Large funding deficit in Secondary Education and delay in disbursement • Non-payment of Grade 10 publishers has led to a halt in book supply. • Provision of resources for JSS confirmation of teachers to PnP.	• The ministry noted the decline is due to the transition to CBC; prioritizing LSNES in resource allocation; and engaging NT on increased funding. There is affirmative funding for Trainees with Disability, they are allocated full bursary/ scholarships • The sector clarified that this is one of the areas marked for special focus in the MTEF period. • The Ministry should review allocation and absorption gaps and ensure that funds reach schools on time. The sector agreed to consider reallocation of funds, be stringent on the resource utilization, collaborate with agencies, and prioritize essential learning.

		● The Ministry negotiated with publishers and reached an agreement; books will be supplied. ● Current contract terms are two years before confirmation; dialogue ongoing with teachers
Governance Issues	● Unfair issuance of NG-CDF bursary funds to learners ● Wajir TVET land encroachment ● Occurrence of corporal punishment cases in schools ● Hidden fees, tuition surcharges, and Saturday schooling ● Measures put in place to ensure stability, transparency and accountability in TVETs ● Prevalence of drug abuse across schools especially Universities ● Zero absorption of the Secondary Management Services Programme- Bursaries	● The Ministry took note and measures to ensure fairness will be put in place ● The Ministry will engage the County Government, National Land Commission and Ministry of Internal Security to ensure that the land is fenced. ● TSC indicated that this is not allowed and offending teachers are disciplined in line with TSC Code of Conduct ● The Ministry of Education should consider enforcing the school calendar and restrictions on illegal fees. ● TVETs are in final phase of transitioning to the Curriculum Development, Assessment and Certification (CDAC) exam model and enhancing M&E ● The sector is working closely with the Ministry of Internal security and NACADA to curb the menace ● Ministry to investigate reasons for non-request; ensure future utilization
HEALTH SECTOR		
Policy issues	● Ministry preparedness in HIV prevention and treatment policy, including testing, PrEP uptake, PMTCT, paediatric HIV treatment, and continuity of treatment post-donor exit. ● Need for a clear plan on donor exit and sustainable government substitution for HIV/AIDS, immunisation and family planning programmes. ● Underdeveloped policy on mental health, including inadequate focus on services for men, women and children, as well as the mental health of health workers ● Coverage of PWDs, the elderly and the children under SHA, as well as cushioning for the vulnerable cannot afford individual contributions to SHA ● NHIF debt in the form of pending bills civil servants who died during COVID 19 were not compensated	● The Ministry of Health was requested to provide Antiretroviral therapy support for discordant couples and ensure continuity post-donor exit. It was clarified that Key and vulnerable populations have been factored into the budget. ● Request to increase the Mental Health budget to 5 percent of the health budget as recommended by WHO. ● The sector clarified that Universal Health Coverage has several funds, the primary health care fund, the Emergency, and that there is an allocation of KSh 3.7 billion under SHA for the poor and vulnerable population, including persons with severe disability ● Total government funding through the immunisation programme is KSh 4.6 Billion and KEPI KSh 8 Billion.

	• Health financing gaps in the management of Non-Communicable Diseases in Kenya (diabetes, cancer, hypertension and cardiovascular disease) • Malnutrition in Elgeyo Marakwet and the county teams lack sufficient tools and equipment to handle the challenge.	
Resource Allocation Issues	• Underfunding of HIV programmes, immunisation, family planning, RMNCAH, and NCDs management (diabetes, cancer, hypertension, CVD). • Mental health financing remains far below the WHO-recommended 5 percent of the health budget. • Pending bills under NHIF (civil servants who died during COVID-19 are not compensated). • Concern in decline in target achieved under immunization and if the Immunization financing targeting is aligned to the projected population. • Nutrition programme under funded in 2025/26 • Underfunding of Reproductive Maternal, New-born Child, and Adolescent Health Programme • Strengthening of primary healthcare with a resource requirement of KSh 10 billion but allocated KSh 4,426.48 million in 2026/27	• The sector was requested to increase funding for the immunisation programme to move from 85 percent to 100 percent, as well as to increase the Primary Health Care Fund allocation for FY 2026/27. • It requires an additional KSh 5 billion annually. A dedicated budget line for family planning is recommended to track its financing. • Increased allocation should go to Community Health Promoters (CHPs) to pay stipends, further facilitate the transfer of health services to counties according to Schedule 4 of the Constitution
Governance Issues	• Mobile phones given to CHP are of low phone memory as well as Inadequate skills and equipment for the CHPs • County Governments have not been paying their share of the CHP incentives, even though the National Government continues to remit its KSh 2,500 contributions • Shortage of Medical supplies stock in Health facilities	• Health is majorly devolved. It is the responsibility of County Governments to acquire drugs from KEMSA and avail them to their hospitals
GENERAL ECONOMIC AND COMMERCIAL AFFAIRS (GECA)		
Policy issues	• Consider zero rating for production of essential goods • Lack of financial literacy, lack of jobs and high poverty among communities • Budget should be gender and child sensitive (per TNT Circular 11/2024 & 8/2025	• Zero-rating is discouraged due to high corruption risks in supply chains. • The sector was requested to enhance Hustler Fund support and financial literacy programmes • Sector to incorporate gender and child matters, especially within MSMEs and State Department for Investment programmes

	● MSMEs loans requirements as the target population (youth) are majorly fresh graduates with no collateral	● Review of the MSME loans qualification criteria to make it more accessible to youths
Project Implementation Issues	● ASAL- Repetitive budgeting for boreholes/dams without sustainable alternatives	● The sector should explore long-term water solutions e.g., underground dams)
Resource Allocation Issues	● High sector requirements vs low historic allocations	● It was recommended that the sector should review the targets to match the allocations. The Sector however clarified that there is constrained fiscal space and thus critical programmes are prioritized
Governance Issues	● Market access challenges, counterfeits, and weak MSME support ● Ease of doing business especially in the Northern Corridor ● Some of the issues reported as emerging issues are within the control of the sector/ Government such as high interest rates and market access constraints ● Conflict resolution between the Pokot and Turkana communities along the Turkwel Gorge	● Strengthen market regulation and MSME empowerment initiatives. The sector outlined that there is a committee in place looking into the issues of counterfeits. ● Increase funding to regulatory agencies; improve oversight ● The weights and measures department be well funded to facilitate automation of its services to boost confidence of even importers ● Integration of Turkana & West Pokot County using the resources generated from Turkwel Gorge dam. The water from the Dam is proposed to be used in irrigation downstream as a measure to engage the communities in other commercial activities
GOVERNANCE, JUSTICE, LAW AND ORDER(GJLOs)		
Policy issues	● Forensic Laboratories	● The establishment of forensic laboratories should be expedited to improve service delivery, which has been hindered by a lack of evidence.
	● IEBC should adopt advanced voting technologies that enable eligible voters to cast their ballots remotely	● Adoption of technology supported; however, current low trust in IEBC may challenge successful implementation.
	● Adoption of technology in the police service	● It was agreed that the police service needs modern equipment and ICT infrastructure to enhance service delivery and reduce corruption.
	● Modernization of the police service and training	● There is a necessity to enhance police services through acquiring modern technology, ICT, and infrastructure. ● It was noted that the police require ongoing training, skilling, reskilling, and upskilling of officers for improved crowd management during riots and protests. ● Funds have been requested from the National Treasury for this purpose.

	• Police housing and accommodation	• It was noted that police officers' living conditions were relatively poor and that, therefore, housing and accommodation conditions need to be improved to enhance service delivery.
Project Implementation Issues	• Inadequate police training for crowd control • Voter registration issues and shrinking public trust in the electoral process • Need for child protection units across the country	• Police training to be continuous and expanded for better riot management. • It was noted that registration issues may have been caused by poor network connectivity in some regions, particularly in the ASALs, and efforts are underway to resolve them. • Child protection units have been established in all counties, either within police stations, children's service departments, civil society organisations, non-governmental organisations, or other entities. The units are well funded, but the community need to be sensitised on the same
Resource Allocation Issues	• It was noted that some agencies have been allocated limited resources, yet they provide key services in the country, such as EACC, IEBC and NPS.	• It was clarified that the allocations in the report were indicative ceilings and could be adjusted over time.
	• Adequate resource allocation for IEBC	• Civic education on voter registration is a crucial but costly endeavour that demands significant resources. The commission is working to enlist development partners and stakeholders to fill the resource gap. • There is a request to the Treasury to provide or allocate additional resources to the IEBC, given that the commission's establishment was delayed and may therefore be experiencing backlogs. • Further, the general election is near, and therefore, there is a need for adequate preparations, which require resources.
	• How to determine the percentage of resources that goes to general administration and actual program implementation?	• According to budget guidelines, 70 percent of the revenue is allocated to recurrent expenses and 30 percent to development. • The General Administration Program includes both support and technical programs, so it might not be clear what percentage goes to each.
	• No allocation to disaster and risk reduction for FY 2026/27	• It was clarified that the program had no allocation since it was moved to the State Department for Special Programs
Governance Issues	• Slow rate of decentralisation of legal aid • Need for provision of data on femicide & GBV • IEBC Campaign Finance Bill rejected • Shrinking public trust in IEBC	• The National Legal Aid Fund has not been established, as it requires a framework/regulation to establish it. The regulations have been developed and are awaiting approval.

	● Lack of age-sensitive courts- especially for the elderly who are undergoing or have undergone sexual violence or gender-based violence, and are afraid to be witnesses for fear of victimization. ● Corruption in public service, especially police ● Eroding trust in police ● Lack of platforms for children's voices ● Poor inclusion of women in governance ● Strategies put in place to support disarmed youth in rustling zones ● No clarity on compensation for riot victims as there is duplication of roles ● Limited Government services in Samburu; insecurity	● There is a plan to come up with a one-stop shop for data on community vices such as femicide and GBV, among others, for ease of access and to inform policy and decision-making processes. ● IEBC is engaging Parliament to reintroduce it. ● The commission intends to undertake civic education nationwide to help restore public trust ● There is an ongoing effort to conduct sensitization and civic education of the citizens at the rural establishments in the Counties on sexual GBV, child abuse, and GBV for the community to be aware of their rights and the proper channels of reporting of such incidents. ● Corruption is being addressed through process automation and strengthened legal frameworks in collaboration with key oversight institutions. There are proposed amendments in parliament by EACC to amend the Act to strengthen the fight against corruption. ● There is a plan to implement community policing to engage the public on the roles of citizens and police officers, thereby bridging the disconnect between the police and the public. It is an ongoing process. ● They will be invited to budget-making and other forums, ensuring presentations that are child-friendly. ● There has been a campaign for women's empowerment and the inclusion of women in governance and leadership forums, which has so far achieved greater success. It is an ongoing effort ● Depending on their age, Youth offered schooling, economic activities, or service roles. ● No overlap, The panel of experts committee was set up to accelerate compensation for victims of riots and protests by Panel of experts developing clear compensation framework. The others remain at the Victim Compensation Authority. ● It was indicated that several national government facilities have been established in Samburu County to serve County residents, including police services.
ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES (EPWNR)		

Policy issues	• Youth groups & CBOs need more empowerment • Quality of tap water from water schemes • Increased Human-wildlife conflict	• Consider assigning Environment cleaning and sanitation contracts to the youth groups • The Ministry is improving water treatment to ensure drinkability, though it was reported that it is working on minimizing water rationing and that water from regulated water schemes can be drunk directly from the tap • It was indicated that measures are being put in place in the medium term
Project Implementation Issues	• Restoration of ASAL regions • Large resource gaps • Over-reliance on donor funding; project delays • Completion of Thwake Dam • Lack of mechanisms to protect planted trees • Indigenous seedlings to be procured from local communities • Itare Dam financing has been resolved	• It was recommended that the sector should drill more Boreholes and dams for irrigation; and indigenous trees to be grown should be sourced locally • This was indicated to be due to limited fiscal space, though prioritization is ongoing • The sector indicated that the Infrastructure Fund proposed aims to reduce reliance on external funds for the development of the large infrastructure including dams. • The project has been prioritized for completion in the Budget period • The sector should work collaboratively with the local communities to ensure the planted trees are sustained to grow to maturity • It was agreed that indigenous trees to be grown will be sourced locally • Initial project funding of KSh 5 billion had been released; works to resume
Resource Allocation Issues	• Insufficient water in schools; need more boreholes	• The sector has been drilling school boreholes and water kiosks in the markets where the school boreholes had been done. It acknowledged that it shall consider increasing target based on available funds
Governance Issues	• Waste disposal near schools/residences • Huge pending bills & court awards emanating from State Agencies suing each other • Tree cutting in Nakuru	• The Environment and Climate Change sub sector took note and committed to take enforcement action • The Government had issued circular directing all State Agencies to avoid suing one another in courts, instead use internal dispute resolution mechanisms • It was clarified that the Trees being harvested had attained maturity and replanting was ongoing
PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS (PAIR)		
Policy Issues	• Ballooning wage bill	• Ongoing discussions with the IMF and the World Bank; digital solutions are considered to reduce costs.
	• Monitoring and Evaluation sensitization program for the community	• It is an ongoing process and will extend the reach to the rural areas

	• Strategies to manage public debt and the accumulating pending bills • Strategies in place for Long-term disaster & risk management needs	• Some of the proposed measures to generate more revenue to help pay the debts are: Strengthening austerity measures to reduce government expenditure and Accountability by institutions such as EACC, COB, OAG, CAJ, among others • There is a National Disaster and Risk Management Policy and Bill in parliament awaiting approval. Issues with rising water levels are a new phenomenon under study; various stakeholders are being engaged to identify the causes and develop solutions.
Governance Issues	• Court awards are not honoured by the government. • Need for adherence to fiscal discipline and strengthened debt management. • Perceived extravagance and wastage in government institutions • Risk of digitilization and digitization of government services • Weak community sensitization on government programmes, such as the budget-making process in rural areas • Overlap between NPS & chiefs and unpaid village elders • Corruption complaints in the pensions department poor service delivery • E-citizen revenue management • A concern as to why MPs manage NG-CDF in the counties rather than having the funds under some ministry	• Some of the awards have been paid, while others have not, due to limited resources or a lack of provision. There is a plan in place to explore alternative ways to raise resources to comply with the court awards. • The Government continues implementing fiscal consolidation measures to reduce public debt • • Clarified that the government has significantly reduced meeting costs by hosting at State House rather than hotels. • Adopt frequent system auditing to reduce risks of hacking and cybersecurity threats • Community sensitisation is an ongoing process. Huduma Centres have been established in all counties to deliver services and raise public awareness of various government programmes. Public participation is enshrined in the constitution and is a significant part of the budget-making process. The Treasury has complied with this provision. • The concern lies in the State Department for Internal Security and National Administration, where the issue will be taken up and addressed adequately by the relevant sector. • Citizens were advised to submit complaints and evidence of the complaints reported for investigations. It was reported that the pension department is being digitized. • The government owns the portal. The revenue collected through e-citizen is usually submitted to the relevant institutions for their use • It was clarified that the NG-CDF Act does not give specify on which agency should run the fund

SOCIAL PROTECTION, CULTURE AND RECREATION		
Policy issues	● Community Health- Low awareness and unclear roles of community actors ● Confusion on gender-validation responsibilities ● Exclusion of transgender/intersex persons ● Eligibility age for the Inua Jamii programme set at 70 despite life expectancy of 68 ● Lack of AI integration ● Youth employment- Overreliance on foreign jobs; lack of support for freelancers ● Disability inclusion- Poor representation of PWDs; insufficient stipend (KSh 2,000) ● Weak child movement monitoring; high child abuse rates ● Proposal for Child Welfare Fund	● Ministry to enhance outreach initiatives for sensitization ● The sector should create awareness on the mandates for the various actors under gender related matters. ● Recommendation to reduce the age to 60 years for qualification of the Inua Jamii programme from 70 years to 60 years ● Inquiry was noted and sector agreed that it will explore AI in the services it offers ● The sector was recommended to have a structured youth employment and freelancer support programmes ● Proposal to raise stipend to KSh 4,000; improve registration; expand categories ● Need strengthened child protection systems ● A proposal to have a child Welfare Fund that will support street families/ kids
Project Implementation Issues	● The OVC programme is repeatedly underachieving targets ● Sanitary towels programme- Very low achievement (2.4M vs target 11.1M); unclear data ● Women Empowerment- Large spending with limited measurable results	● The Ministry requested clarification of systemic challenges that have resulted to the under achievements ● Need clarity on financial inconsistencies and implementation challenges ● The Sector was recommended to strengthen M&E and outcome tracking
● Resource Allocation Issues	● Delay in disbursement of the Senior citizens stipend and as well as it being low value (KSh 2,000) ● Need to reinstate child protection programme funding	● Recommendation to raise the amount and also improve timeliness of its disbursement ● Recommendation to restore allocations

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