REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

THE NATIONAL ASSEMBLY
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REPORT

OF

THE AUDITOR-GENERAL

ON

CONSOLIDATED FUND SERVICES – PENSIONS AND GRATUITIES

FOR THE YEAR ENDED 30 JUNE, 2025

THE NATIONAL TREASURY

OFFICE OF THE AUDITOR GENERAL
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THE NATIONAL TREASURY AND ECONOMIC PLANNING

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ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED
JUNE 30, 2025

Transitional IPSAS Financial statements/Prepared in accordance with the accrual basis of accounting method under International Public Sector Accounting Standards (IPSAS)

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1. ACRONYMS AND DEFINITION OF KEY TERMS

A. Acronyms and Abbreviations

AGPO:	Access to Government Procurement Opportunities
A-in-A	Appropriations in Aid
BETA:	Bottom-Up Economic Transformation Agenda
CARB:	County Allocation of Revenue Bill
CCF:	Climate Change Fund
CGS:	Credit Guarantee Scheme
CSD:	Central Securities Depository
DORB:	Division of Revenue Bill
IPSAS:	International Public Sector Accounting Standards (IPSAS)
IRMF:	Institutional Risk Management Framework
KRA:	Key Result Areas
MCDAs:	Ministries, Counties, Departments and Agencies
MDAs:	Ministries, Departments and Agencies
MSME:	Micro, Small and Medium Enterprises
NIFC:	Nairobi International Financial Centre
NHIF:	National Hospital Insurance Fund
NSSF:	National Social Security Fund
PFM:	Public Finance Management
PSSS:	Public Service Superannuation Scheme
RK-FINFA:	Rural Kenya Financial Inclusion Facility
RTPs:	Restrictive Trade Practices
SACCOs:	Saving and Credit Cooperative Organizations
SAGAs:	Semi-Autonomous Government Agencies
VFM:	Value for Money

B. Definition of Key Terms

Appropriation in Aid: Revenue collected by various Government Ministries, Departments and Agencies (MDAs) and spent at source after appropriation.

Career Development Guidelines: A policy document that provides clearly defined career structures, well-defined job descriptions and specifications, standards for recruitment, training, advancement, career planning, and succession management.

Carbon Credits: Are financial instruments where the buyer compensates another entity to undertake measures aimed at lowering its greenhouse gas emissions. The purchaser then receives recognition for these emissions reductions.

County Allocation of Revenue Bill: A Bill for an Act of Parliament, prepared in fulfilment of the requirements of Article 218(2) of the Constitution and Section 191 of the Public Finance Management Act, 2012, to provide for the equitable allocation of revenue raised nationally among the county governments in every financial year and the responsibilities of national and county governments pursuant to such allocation and for connected purposes.

County Governments Additional Allocation Bill: A Bill for Act of Parliament to provide for additional allocations (conditional and unconditional) to county governments; the responsibilities of National t and county governments pursuant to such allocations; and for connected purposes.

Evaluation: Refers to a systematic and objective assessment of ongoing or completed activities. The aim is to determine the relevance and level of achievement of activity objectives, effectiveness, efficiency, impact and sustainability. Evaluations also feed lessons learnt into the decision-making process.

Emerging Issues: This refers to recent occurrences /events /phenomena which might impact the sector negatively or positively. They include environmental, policy, legal, technological, economic, political, social and cultural.

Monitoring: Is a continuous assessment that aims at providing all stakeholders with early detailed information on the progress or delay of the ongoing assessed activities. It is an oversight of the activity's implementation stage.

Public Financial Management Reforms: These are reforms aimed at strengthening Public Finance Management (PFM) systems to enhance effectiveness of the budget processes, improve transparency and deployment of Public Private Partnership arrangements in funding infrastructural projects, among others.

Risk: The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Value for Money (VFM) Audits: To give assurance on prudent utilization of public resources and establish whether funds have been used economically, efficiently and effectively.

2. KEY NATIONAL TREASURY INFORMATION AND MANAGEMENT

a) Background Information

The National Treasury was established vide the Executive Order No. 1 of 2025. The basis for establishment of the National Treasury is found in Article 225 (1) of the Constitution of Kenya which states that an Act of Parliament shall provide for the establishment, functions and responsibilities of the National Treasury. This has been actualized in Section 11 and 12 of the Public Finance Management (PFM) Act 2012.

At Cabinet level, the National Treasury is represented by the Cabinet Secretary for National Treasury, who is responsible for the general policy and strategic direction of the Ministry.

b) Mandate of the National Treasury

The National Treasury derives its mandate from Article 225 of the Constitution, Public Finance Management Act 2012 and the Executive Order No.1 of 2025. The National Treasury exercises its mandate in consistency with any other legislation as developed or reviewed by Parliament from time to time.

The core functions of the National Treasury as derived from the above legal provisions include;

i. Overall Economic Policy Management;
ii. Management of Public Finance;
iii. Formulation of National Budget;
iv. Public Debt Management;
v. Formulation and Maintenance of Government Accounting Standards;
vi. Bilateral and Multi-Lateral Financial Relations;
vii. Capital Markets Policy;
viii. Oversight of Revenue Collection as prescribed;
ix. Competition Policy Management;
x. Insurance Policy and Regulation;
xi. Development and Enforcement of Financial Governance Standards;
xii. Financial Sector Analysis and Management including SACCOs, NSSF and SHA;
xiii. Financial Institutions Oversight;
xiv. Management of National and County Governments Financial Management System and Standards;
xv. Development of Kenya as an International Financial Centre;
xvi. Anti-Money Laundering Policy; and
xvii. Development and promotion of carbon trading (carbon credit markets) as an emerging asset class within the capital markets.

Vision

"Excellence in economic and public finance management, and development planning for Kenya's socio-economic transformation."

Mission

''To provide leadership in prudent economic and public finance management and development planning through formulation, implementation and monitoring of policies for Kenya's inclusive growth".

Core Values

The National Treasury is guided by the following STRICT core values:

- Stakeholder participation;
- Transparency and accountability;
- Results oriented;
- Integrity;
- Customer focus; and
- Teamwork and commitment;

Role of the National Treasury in the Devolved System of Government

The National Treasury is mandated by law to: -

i. Strengthen financial and fiscal relations between the National Government and County Governments and support County Governments in performing their functions;
ii. Issue guidelines on the preparation of county development planning;
iii. Prepare the annual legislative proposals on intergovernmental fiscal transfers;
iv. Provide logistical support to intergovernmental institutions overseeing intergovernmental fiscal relations;
v. Coordinate the development and implementation of financial recovery plans for County Governments that are in financial distress;
vi. Build capacity of County Governments on public finance management matters for efficient, effective and transparent financial management as well as planning, monitoring and evaluation; and
vii. Administer the Equalization Fund.

c) Key Management

The National Treasury's day-to-day management is bestowed on following key offices.

Office of the Principal Secretary

The Principal Secretary is responsible for the day-to-day administration of the National Treasury operations and is the Accounting Officer and Authorized Officer. In addition, the Principal Secretary is charged with the responsibility of advising the Cabinet Secretary on policy, technical and administrative functions in the National Treasury.

Organizational Structure of the National Treasury

The National Treasury is organized into four (4) technical Directorates headed by Directors General and one (1) Administrative and Support Services Directorate headed by a Principal Administrative Secretary.

Each Director General is responsible for a Directorate comprising a cluster of Departments responsible for related policy functions. In addition, the National Treasury has two independent departments namely Public Procurement and Internal Audit Departments headed by a Director and an Internal Auditor General respectively. The National Treasury also has a Public Finance Management Reforms Secretariat headed by a Programme Coordinator.

The Directorates and Departments are as follows:

Directorate of Budget, Fiscal and Economic Affairs
The Directorate is headed by a Director General, reporting to the Principal Secretary, National Treasury. It is organized into the following four (4) Technical Departments each headed by a Director:

(a) Budget Department;
(b) Macro and Fiscal Affairs Department;
(c) Financial and Sectoral Affairs Department; and
(d) Inter-Governmental Fiscal Relations Department.

Directorate of Accounting Services
The Directorate is headed by a Director General reporting to the Principal Secretary, National Treasury. It is organized into the following four (4) Technical Departments each headed by a Director:

(a) Government Accounting Services;
(b) Information Financial Management Systems (IFMIS);
(c) National Sub-County Treasuries; and
(d) Government Digital Payments Unit.

Directorate of Public Debt Management Office
The Directorate is headed by a Director General, reporting to the Principal Secretary. It is organized into the following three (3) Technical Departments each headed by a Director:

(a) Resource Mobilization (Front Office);
(b) Debt Policy, Strategy and Risk Management (Middle Office); and
(c) Debt Recording and Settlement (Back Office).

Directorate of Administrative and Support Services (Common Shared Services)
The Directorate is headed by a Principal Administrative Secretary, reporting to the Principal Secretary. It is organized into ten (10) specialized functions offering common shared services. The common shared services of the National Treasury consist of functions that are not core to the National Treasury but offer critical support services to the National Treasury. The functions include:

(a) Accounting;
(b) Finance;
(c) Human Resource Management and Development;
(d) Central Planning and Project Monitoring;
(e) Supply Chain Management;
(f) Legal;

(g) Public Communications;
(h) General Administration;
(i) Internal Audit; and
(j) ICT.

Directorate of Public Investment and Portfolio Management
The Directorate is headed by a Director General, reporting to the Principal Secretary. It is organized into the following five (5) Technical Departments each headed by a Director:
(a) Government Investment and Public Enterprises;
(b) National Assets and Liabilities Management;
(c) Parastatal Reforms:
(d) Pensions Department; and
(e) Public Investment Management.

Directorate of Public Private Partnership
The Directorate is headed by a Director General, reporting to the Principal Secretary on matters relating to Public Private Partnership.

Note: Directorate of Public Investment and Portfolio Management and Directorate of Public Private Partnership have since been transferred from the National Treasury to the new State Department for Public Investment and Assets Management vide Executive Order No. 1/ 2025 dated June, 2025.

d) Fiduciary Management
The key management personnel who held office during the financial year ended 30th June 2025 and who had direct fiduciary responsibility were:

S/No.	Designation	Name
1.	Principal Secretary	Dr. Chris Kiptoo, CBS
2.	Principal Administrative Secretary	Mr. Samson Wangusi, OGW
3.	Director General, BFEA	Mr. Albert Mwenda, MBS
4.	Director General, Accounting Services	FCPA. Bernard Ndung'u, MBS
5.	Director General, PIPM	Mr. Lawrence Kibet, EBS
6.	Director General, PDMO	Mr. Raphael O. Otieno
7.	Director General, PPP	Eng. Kefa Seda
8.	Director, Macro and Fiscal Affairs Department	Mr. Musa Kathanje, OGW
9.	Director, Budget Department	Mr. Francis Anyona, OGW
10.	Director, Financial and Sectoral Affairs Department	Mr. Ronald Inyangala, OGW
11.	Director, Public Procurement Department	Mr. Eric Korir
12.	Director, Intergovernmental Fiscal Relations Department	Mr. Samuel Kiptorus
13.	Internal Auditor General	Dr. CPA. Sammy Kimunguyi, CFE, CISA
14.	Director, Government Accounting Services Department	CPA, FA. Jona Wala
15.	Director, National Sub County Treasuries	CPA. Francis Kariuki, OGW
16.	Director, Integrated Financial Management Information System	Mr. Mboni Kyallo

17.	Director, National Assets and Liability Management	CPA. Geoffrey Malombe, ndc(k)
18.	Director, Government Investment and Public Enterprises	CPA. Kennedy Ondieki, EBS
19.	Director, Pensions Department	Mr. Michael Kagika, EBS
20.	Director, Parastatal Reforms	Dr. Karen Kandie, DBA
21.	Director, Public Investment Management Unit	Mr. Orumoi Jonah
22.	Director, Resource Mobilization Department	Mr. Amos Cheptoo
23.	Director, Debt Policy, Strategy and Risk Management Department	Mr. Daniel Ndolo
24.	Director, Debt Recording and Settlement Department	Mr. Jeremiah Tomno
25.	Director Administration (Ag.)	Mr. Denis Kirui
26.	Director Accounting Services/Head, Accounts Division	CPA. George K. Gichuru
27.	Head, Finance Unit	Mr. Ambrose Ogango
28.	Director/Head, Supply Chain Management Unit	Mr. Caleb Ogot
29.	Senior Deputy Internal Auditor General/Head, Internal Audit Unit	CPA. Lucy Mugwe
30.	Principal State Law Counsel, Legal Unit	Ms. Faith Chirchir
31.	Director, Human Resource Management and Development	Mr. Benson Giuthua, OGW
32.	Director, Information Communication and Technology	Mr. Edward Ruteere
33.	Senior Deputy Accountant General Pensions Department	CPA. Francis Amuyunzu
34.	Director, Central Planning and Project Monitoring Department	Mr. John Olela
35.	Director, Public Communications Unit	Mr. Godfrey Isiye
36.	Ag. Director Government Digital Payments Unit	Mr. Silas Oswe
37.	Director, Exchequer Services	CPA. Jane Wacuka, OGW
38.	Programme Coordinator, Public Financial Management Reform Secretariat	Mr. Joel Bett

e) Fiduciary Oversight Arrangements

To manage the fiduciary risk, the National Treasury has put in place fiduciary oversight arrangements including setting up committees. The key oversight arrangements include:

i. Audit Committee

In line with the Public Finance Management Act 2012, the National Treasury has established a Ministerial Audit Committee comprising five members, four of whom are independent. The Committee provides overall oversight and quality assurance including follow up on the effectiveness of implementation of audit recommendations.

The committee support the Accounting Officer with regard to the responsibilities on issues of risk management, internal controls, governance and associated assurance. The Committee also follow up on the implementation of the recommendations of internal and external auditors.

ii. Public Finance Management Committees

Budget Implementation Steering Committee
In order to effectively monitor the implementation of the National Government budget, the National Treasury has established a steering Committee chaired by the Cabinet Secretary, National Treasury. The Principal Secretaries for the National Treasury and State Department for Economic Planning provide general oversight in the Budget implementation.

Budget Implementation Technical Committee
The Committee is chaired by the Principal Administrative Secretary and comprises the Directors General and various Heads of Department. The Committee is responsible for monitoring the actual implementation of the identified measures and programmes and reporting detailed progress on the same regularly.

Budget Implementation Ministerial Committee
To monitor the implementation of the Ministry's budget, programmes and activities, the National Treasury has appointed a committee comprising of officers from all the Departments of the Ministry. The Committee reviews and analyses the progress made by Departments in the implementation of budget and the planned programmes and activities and advises the management accordingly.

Public Finance Management Standing Committee (PFMSC)
Established to provide strategic guidance on Public Finance Management according to the Public Finance Management (National Government) Regulations. The committee is crucial for ensuring prudent financial management and accountability at the National Treasury.

Project Implementation Committee
To monitor the implementation of the Government's Infrastructure Projects, the National Treasury has established a Project Steering Committee Comprising Principal Secretaries from implementing Ministries and appointed a technical committee comprising officers from the technical departments of the Ministry. The Committees review and analyse the progress made by ministries in the implementation of domestically and externally funded projects and advises accordingly.

Development Partner Oversight
To effectively manage Official Development Assistance to the Government, the National Treasury has, under the Public Debt Management, a department responsible for all matters relating to Development Partners. The Department has various Units that coordinate different development partner activities in the Country.

Public Financial Management Sector Working Group
To facilitate the implementation of financial management reforms, the National Treasury has appointed senior officers to the Public Financial Management Sector Working Group. The Committee plays an oversight role in the implementation of financial reforms in the public service in collaboration with the development partners.

iii. Top Management Committee

To monitor the implementation of the Ministry's programmes and performance, the National Treasury has appointed Senior Management Committee comprising of Directors General. The Committee receives reports from departments, build consensus on National Treasury responses to emerging issues, challenges and risks and ensures that the decisions made are implemented in a timely manner. Additionally, the Treasury constituted Ad hoc Committees to handle specific assignments in the Financial Year 2024/25.

iv. The National Treasury Monitoring and Evaluation Technical Committee (NTPMEC)

The National Treasury undertakes monitoring and evaluation exercises to establish progress made in the implementation of various programmes and projects including those that are funded by the development partners.

The National Treasury Monitoring and Evaluation Technical Committee (NTPMEC) is a dedicated technical committee which was established by PS/NT on 28th May, 2024 to mainstream PM&E practices within the National Treasury and ensure effective oversight and evaluation of fiscal policies, budgetary allocations, and public investments.

The Committee is mandated to enhance the efficiency, transparency, and accountability of the planning, budgeting, financial management, and M&E practices within the National Treasury. It aims to provide systematic oversight, evaluation, and evidence-based recommendations for functional and operational efficiency and realization of intended strategic outcomes.

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3. PROFILE OF CABINET SECRETARY, THE NATIONAL TREASURY



HON. FCPA. JOHN MBADI NG'ONGO, EGH is the Cabinet Secretary (CS) for The National Treasury. Before his appointment, Hon. Mbadi had an extensive career in public service, most recently serving as a nominated Member of Parliament (MP) and the Chairperson of the Public Accounts Committee in the National Assembly.

The CS has a rich history in legislative leadership, having served as the elected MP for Suba South Constituency. His experience extends to roles such as Assistant Minister in the Office of the Prime Minister and Leader of Minority in the National Assembly. Throughout his parliamentary tenure, he was a member of numerous key committees, including the House Business Committee, Liaison Committee, Budget and Appropriations Committee, Selection Committee, Appointments Committee, Public Accounts Committee, Public Investments Committee, Constitutional Implementation Committee, the Ad Hoc Committee on the Cost of Living, and the Defence and Foreign Relations Committee. Notably, he was also a member of the Legislative Taskforce responsible for drafting the Public Finance Management Act of 2012.

In addition to his political and legislative accomplishments, the CS is a seasoned finance professional with 28 years of experience. He has held the position of Accountant at the University of Nairobi and served as the Chair of Medair East Africa. Hon. Mbadi holds a Bachelor of Commerce degree with a specialization in Accounting from the University of Nairobi and is a registered member of the Institute of Certified Public Accountants of Kenya (ICPAK). His professional affiliations extend to the Architectural Association of Kenya (AAK), the Institute of Quantity Surveyors of Kenya, and the Chartered Institute of Arbitration.

His contributions have been recognized with honours such as the Chief of the Order of the Burning Spear (CBS) and Elder of the Order of the Golden Heart of Kenya (EGH). His skills span planning, budgeting, financial analysis, accounting, economics, and community development, complemented by strong leadership, effective communication, and interpersonal skills.

4. PROFILE OF PRINCIPAL SECRETARY, THE NATIONAL TREASURY



DR. CHRIS K. KIPTOO, CBS is the Principal Secretary, the National Treasury. He was appointed Principal Secretary by H.E the President William Samoei Ruto on 1st December, 2022. Since his appointment, Dr. Kiptoo has been at the forefront in implementing Fiscal consolidation, Public Debt management including the Eurobond, expenditure rationalization, revenue mobilization as well as reform of state-owned enterprises (SOEs).

Dr. Kiptoo is the immediate former Principal Secretary, Ministry of Environment and Forestry. Before that, he also served as a Principal Secretary at the State Department of Trade, Ministry of Industry, Trade & Cooperatives.

In his working career, Dr. Kiptoo has acquired a rich wealth of experience in economic policy analysis, mainly gained at the Central Bank of Kenya, Capital Market Authority and the International Monetary Fund, where he served in various capacities. His expertise especially relates to the design and implementation of monetary policy; balance of payments and exchange rates; fiscal operations and policy; financial sector matters including capital markets; national accounts/real sector; macroeconomic accounting, modelling and forecasting.

Additionally, Dr. Kiptoo has proven experience in environment and climate change policies, trade policy and regional integration, private sector development and advocacy, infrastructure development, institutional development of Government institutions and organisational management, all mainly gained at the Ministry of Environment and Forestry, State Department of Trade as well as Trade Mark East Africa.

Noteworthy, he also has four years of experience in economic policy coordination gained while working at the then Office of the Prime Minister.

5. STATEMENT BY THE CABINET SECRETARY, THE NATIONAL TREASURY

In accordance with Section 12 of the Public Finance Management Act, 2012, the National Treasury is responsible for coordinating the country's economic and financial management. Overall, the National Treasury has continued to maintain a policy environment that is conducive to economic growth and development of the country.

The FY 2024/25 marked the third year following the transition from the previous administration to the current one. The FY 2024/25 was manifested by accelerated implementation of programmes. However, revenue performance into the year fell short of target resulting in deployment of austerity measures and reprioritizations of activities.

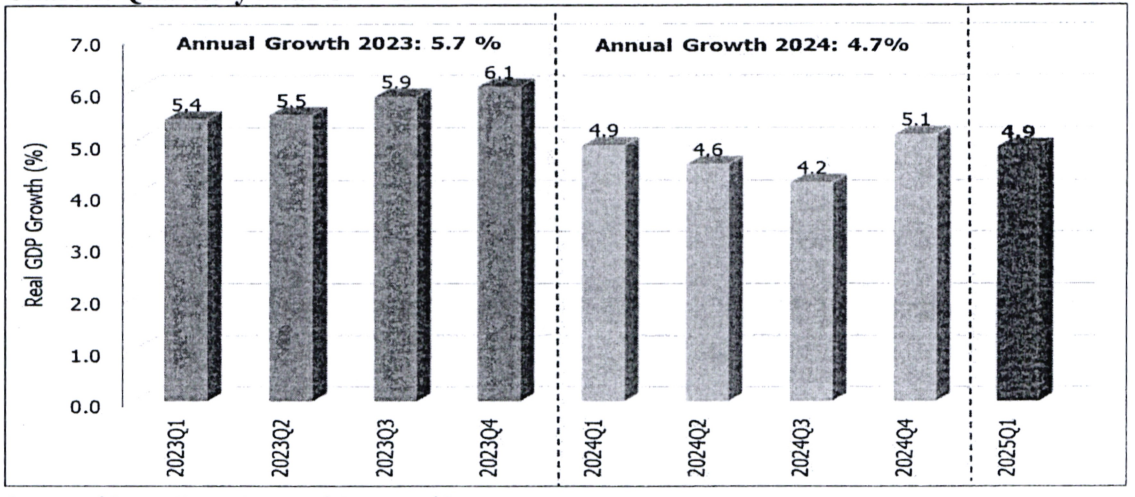
Economic Growth

In 2024, the economy grew by 4.7 percent supported by positive growths in all sectors except construction and mining. This growth was lower compared to 5.7 percent in 2023 mainly due to adverse effects of floods in the second quarter and the anti-Finance Bill protests in the third Quarter of 2024 that disrupted economic activities.

The economy remained strong and resilient in the first quarter of 2025 with a growth of 4.9 percent, a similar growth compared to the corresponding quarter of 2024 (Chart 1). This growth was primarily underpinned by strong performance in the agriculture sector, a recovery of industrial activities, and the resilience of services sector.

All economic sectors recorded positive growth rates in the first quarter of 2025, though the magnitudes varied across activities. The diversified structure of the economy remains a key source of resilience for the economy to domestic and external shocks.

Chart 1: Quarterly Real GDP Growth Rates



Source of Data: Kenya National Bureau of Statistics

The primary sector grew by 6.2 percent in the first quarter of 2025 compared to a growth of 4.5 percent in the first quarter of 2024 **(Table 1).** 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 of 2025 compared to a growth of 5.6 percent in a similar quarter in 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 sugarcane, milk deliveries and increased coffee exports. The sector's performance was further supported by improved external demand of cut flowers and vegetables. However, the sector's performance was somewhat curtailed by a decline in tea production.

The **mining and quarrying sub-sector** contributed to the overall primary sector performance with a strong rebound of 10.0 percent during the quarter, reflecting increased activity and renewed investment following a period of subdued performance in the previous year.

The **industry sector** recorded a growth of 2.6 percent in the first quarter of 2025, improving from 1.5 percent in the same quarter of 2024. This growth was driven by positive performance across manufacturing, electricity and water supply, and construction.

The **manufacturing sub-sector** grew by 2.1 percent compared to a growth of 1.9 percent in the first quarter of 2024. This growth was supported by both food and non-food manufacturing activities. In food manufacturing, the sector benefitted from strong increases in coffee auctions, milk deliveries, sugar production, and soft drink output. Non-food manufacturing also performed well, with increased production in cement and galvanized sheets. However, the sector faced some constraints due to a decline in credit to manufacturing enterprises.

The **electricity and water supply sub-sector** grew by 3.6 percent, compared to 2.8 percent in Q1 2024, largely due to a rise in total electricity generation. Renewable energy sources contributed significantly, with solar and wind generation increasing. Growth in the sector was curtailed by an increase in Thermal power generation while hydro and geothermal generation declined.

Construction sub-sector grew by 3.0 percent in the first quarter of 2025, up from 0.4 percent in Q1 2024, driven by increased consumption of key inputs such as cement and iron and steel. However, imported bitumen volumes declined, suggesting a potential slowdown in road construction activities.

In the first quarter of 2025, the **services sector** recorded a real GDP growth of 4.8 percent, a slowdown from the 6.8 percent growth posted in the corresponding quarter of 2024. The decline can be attributed to a combination of factors including rising prices, a slowdown in manufacturing, and the lingering effects of the COVID-19 pandemic. The Transportation and Storage sub-sector expanded by 3.8 percent, slightly lower than the 4.1 percent growth in Q1 2024, supported by increased land transport and port activity.

Accommodation and Food Service activities grew by 4.1 percent in the first quarter of 2025, a slowdown, compared to a growth of 38.1 percent in the first quarter of 2024.The growth is due to several factors, including the recovery from the COVID-19 pandemic, increased domestic tourism, and a growing middle class with more disposable income. The number of visitor arrivals via the two major airports, the Jomo Kenyatta International Airport (JKIA) and Mombasa International Airport (MIA) increased by 0.5 percent in the first quarter of 2025 compared to a 10.4 percent growth in the first quarter of 2024. This is due to Government initiatives geared towards promoting domestic tourism and improving infrastructure also contribute to this growth.

The **Information and Communication sub-sector** grew by 5.8 percent in the first quarter of 2025, compared to 9.2 percent growth in the corresponding quarter of 2024. This performance was

supported by an increase in the volume of outgoing domestic voice traffic, use of domestic Short Messaging Services (SMSs) and mobile money transactions. Similarly, the total utilized international bandwidth increased in the first quarter of 2025, mainly attributed to the launch of an additional internet service provider in the country.

The **Financial and Insurance sub-sector** recorded a slower growth of 5.1 percent in the first quarter of 2025 compared to 9.6 percent growth in the corresponding quarter of 2024. Despite the overall slowdown, the sector remained buoyed by increased activity in financial transactions and improved credit conditions.

Table 1: Sectoral Real GDP Growth rate (Percent)

Sectors	Annual Growth Rates		Quartely Growth Rates		
	2023	2024	2023 Q1	2024 Q1	2025 Q1
1. Primary Industry	**5.7**	**3.9**	**5.4**	**4.5**	**6.2**
1.1. Agriculture, Forestry and Fishing	6.6	4.6	6.5	5.6	6.0
1.2 Mining and Quarrying	(6.5)	(9.2)	(10.6)	(16.1)	10.0
2. Secondary Sector (Industry)	**2.6**	**1.5**	**2.1**	**1.5**	**2.6**
2.1. Manufacturing	2.2	2.8	2.1	1.9	2.1
2.2. Electricity and Water supply	3.2	1.9	3.8	2.8	3.6
2.3. Construction	3.0	(0.7)	1.4	0.4	3.0
3. Tertiary sector (Services)	**6.8**	**6.1**	**6.6**	**6.8**	**4.8**
3.1. Wholesale and Retail trade	3.3	3.8	3.7	3.6	5.4
3.2. Accomodation and Restaurant	33.6	25.7	46.3	38.1	4.1
3.3. Transport and Storage	5.5	4.4	6.8	4.1	3.8
3.4. Information and Communication	10.3	7.0	10.4	9.2	5.8
3.5. Financial and Insurance	10.1	7.6	4.7	9.6	5.1
3.6. Public Administration	5.0	8.2	8.4	7.5	6.5
3.7. Others	6.1	5.2	5.7	5.8	4.4
of which: Professional, Admin & Support Services	9.4	9.4	8.6	9.4	4.6
Real Estate	7.3	5.3	6.6	6.9	5.3
Education	2.9	3.9	3.6	2.4	2.9
Health	4.5	6.3	4.8	5.4	4.8
Taxes less subsidies	3.2	4.4	2.7	2.9	5.7
Real GDP	**5.7**	**4.7**	**5.4**	**4.9**	**4.9**
of which Non-Agriculture	**5.8**	**4.8**	**5.5**	**5.0**	**4.5**

Source of Data: Kenya National Bureau of Statistics

The implementation of the FY 2024/25 budget faced notable challenges, primarily following the withdrawal of the Finance Bill 2024. Its withdrawal, alongside the associated public demonstrations, adversely affected economic activity and disrupted business operations across the country, compounding the fiscal pressures facing the Government. In response, the Government undertook a revision of the fiscal framework through Supplementary Estimates No. I in August 2024. This revision reflected a lower revenue base following the preliminary outcomes of FY 2023/24, while also addressing immediate cash flow constraints. These adjustments were critical to ensuring the continuity of public service delivery. In addition to the mid-year economic disruptions, the budget execution has been further constrained by shortfalls in revenue and emerging expenditure pressures.

Notably, the implementation of Collective Bargaining Agreements and funding requirements under the new university education financing model placed significant demands on the available fiscal space. These challenges led to cash flow pressures and a build-up of pending obligations, which necessitated careful fiscal management and reprioritization. To address these evolving dynamics, the Government prepared Supplementary Budget Estimates to accommodate revenue shortfalls experienced during the current fiscal year and accommodated expenditure pressures.

In this regard, the FY 2024/25, the fiscal balance (on commitment basis and excluding grants) amounted to KSh 1,044.5 billion (5.8 percent of GDP) against a targeted deficit of KSh. 648.8 billion (3.6 percent of GDP). The fiscal balance (on a commitment basis and including grants) in FY 2024/25 stood at 5.8 percent of GDP against a target deficit of 3.3 percent of GDP.

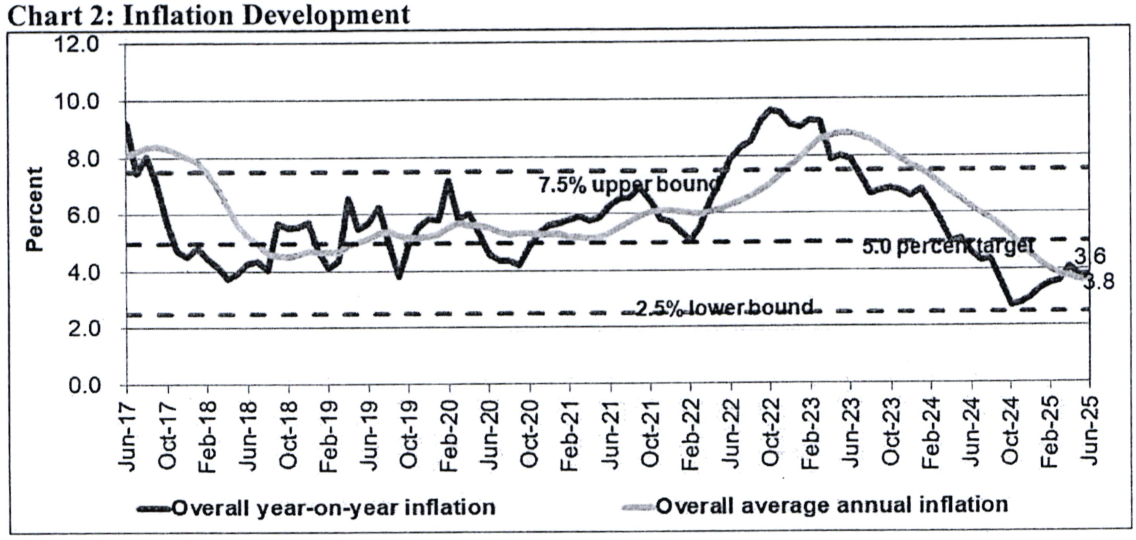
Total revenue collection by the end of June 2025, stood at KSh. 2,918.6 billion against a target of KSh 3,343.2 billion, resulting to a shortfall of KSh 424.6 billion. The shortfall was on account of below collection ordinary revenue of Ksh 497.0 billion. Ministerial A-I-A, however, was above the target collection by Ksh 72.5 billion. Total revenue inclusive of the ministerial A-I-A grew by 8.0 percent, an increase from a growth of 14.5 percent recorded in June 2024. Ordinary revenue collection in FY 2024/25 was KSh 2,420.2 billion against a target of KSh 2,917.2 billion, which was KSh 497.0.0 billion below the target.

The total expenditure and net lending for the period under review amounted to KSh 3,963.1 billion, against a target of KSh 3,992.0 billion. The resultant under expenditure of KSh 28.9 billion is attributed to below target absorption of development expenditures by the National Government. Recurrent expenditure for National Government amounted to KSh 2,937.2 billion against a target of KSh 2,841.9 billion leading to a above target expenditure of KSh 95.2 billion. The above target expenditure in recurrent category is mainly attributed to above target expenditure on Operation and Maintenance (O&M) and domestic interest payments.

Inflation

The overall year-on year inflation remained under control and within the Government target range of 5±2.5 percent. Inflation declined to 3.8 percent in June 2025 from 4.6 percent in June 2024 (Chart 2). Easing inflation has been supported by abundant supply of food arising from favorable weather conditions, lower fuel inflation attributed to appreciation of the exchange rate and lower international oil prices, and the decline in non-food non-fuel (NFNF) inflation reflecting impact of previous monetary policy tightening. Overall average inflation declined from 6.2 percent in June 2024 to 3.6 percent in June 2025 and has remained below the mid-point of the target band of 5.0 percent since June 2024.

Chart 2: Inflation Development

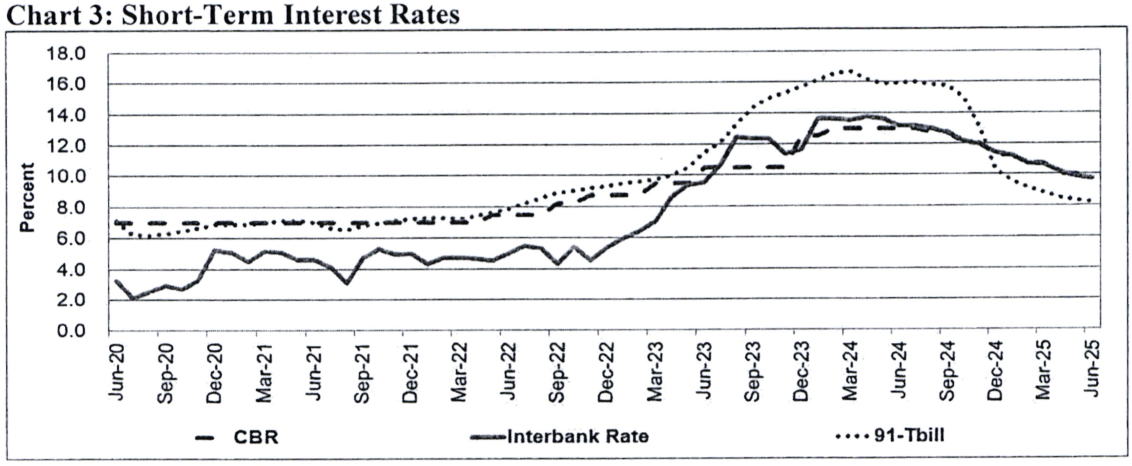


Source of Data: KNBS

Given that inflation was below the mid-point of the target range and the exchange rate had stabilized, the Central Bank of Kenya through the Monetary Policy Committee (MPC) gradually eased monetary policy by lowering the Central Bank Rate (CBR) from 13 percent in August 2024 to 11.25 percent in December 2024 and further to 9.75 percent in June 2025. The easing of the monetary policy stance supported lowering of interest rates to boost lending by banks to the private sector thereby supporting economic activities.

Interest rates declined in line with the easing of the monetary policy. The interbank rate declined to 9.7 percent in June 2025 compared to 13.1 percent in June 2024 and remained within the prescribed corridor around the CBR (set at CBR± 150 basis points). The 91-day Treasury Bills rate also declined to 8.2 percent in June 2025 from 16.0 percent in June 2024.

Chart 3: Short-Term Interest Rates

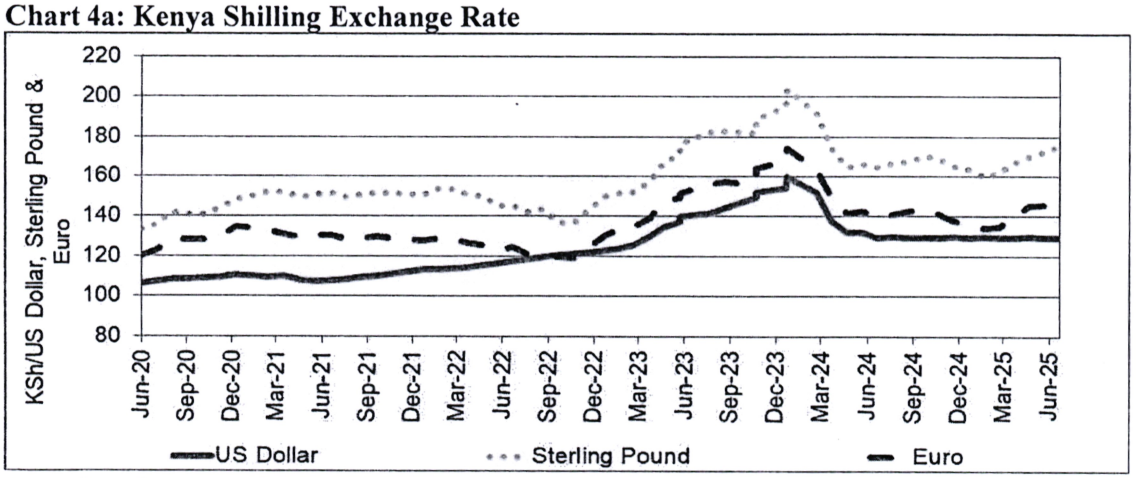


Source of Data: Central Bank of Kenya

Exchange Rates

The Kenya Shilling exhibited mixed performance against major international currencies. It remained relatively stable against the US Dollar, strengthening marginally by approximately 0.08 percent, indicating steady demand for the US Dollar and minimal volatility in the exchange rate. However, the Shilling weakened notably against the Euro and the Sterling Pound, depreciating by about 7.11 percent and 6.69 percent, respectively. In June 2025, it exchanged at an average of KSh 129.3 per US Dollar compared with KSh 129.4 per US Dollar in June 2024. Against the Euro, the Shilling traded at an average of KSh 149.2 by end of June 2025 compared to KSh 139.3 by end of June 2024, while against the Sterling Pound, it exchanged at an average of KSh 175.5 compared to KSh 164.5 over the same period.

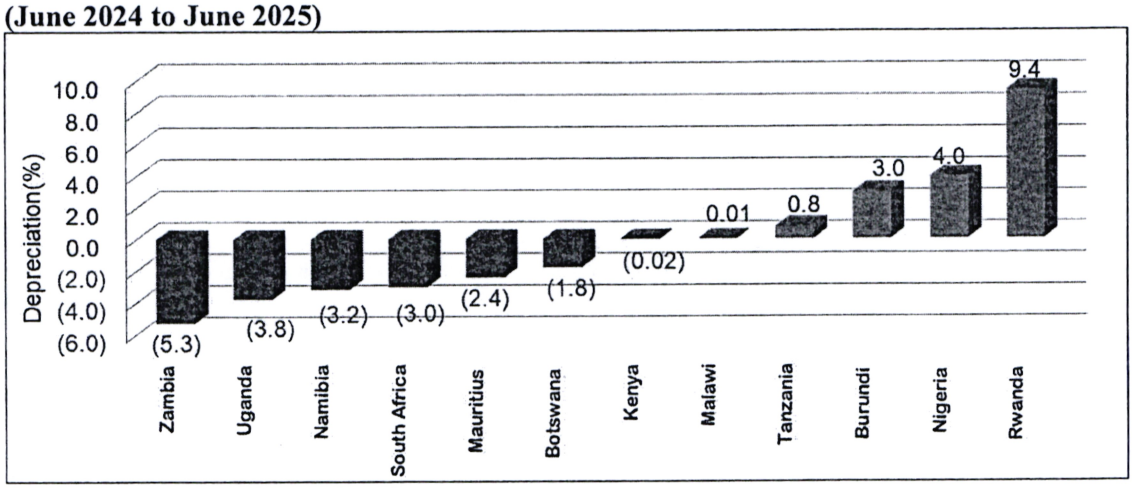
Chart 4a: Kenya Shilling Exchange Rate



Source of Data: Central Bank of Kenya

In comparison to Sub-Saharan Africa currencies, the volatility of the Kenya Shilling exchange rate has remained relatively low amid high demand for the US dollar in the international markets. The Kenya Shilling remained stable supported by resilient remittances, adequate foreign exchange reserves and strong exports receipts. Majority of other Sub-Saharan Africa Currencies depreciated during the same period, particularly: Malawian Kwacha, Tanzanian Shilling, Burundi Franc, Nigeria Naira, and Rwanda Franc (chart 4b).

Chart 4b: Performance of Selected Sub-Saharan Countries Currencies against the US Dollar (June 2024 to June 2025)



Source of Data: National Central Banks

Pending Bills

The total outstanding National Government pending bills as at 31st March, 2025 amounted to KSh. 421.6 billion. These comprise recurrent bills of of KSh. 162.0 billion (38.4 percent) and development pending bills of KSh. 259.7 billion (61.6 percent). The pending bills include payment to contractors/projects, suppliers, unremitted statutory and other deductions, pension arrears for Local Authorities Pension Trust, and others. The highest percentage of the SCs pending bills belong to Contractor/Projects and Suppliers. Ministries/State Departments and other Government Agencies pending bills constitutes mainly of historical pending bills.

The National Government policy on clearance of pending bills continues to be in force. All MDAs are therefore, expected to continue with prioritization of payment of the pending bills by settling them as a first charge in the current financial year budget in line with the Treasury guidelines for implementation of the financial year 2024/25 and the medium-term budget, Treasury Circular No. 7/2023.

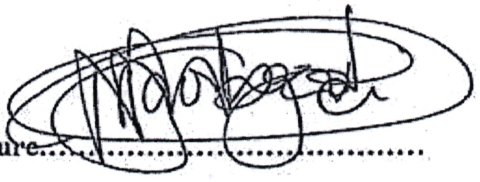
Bottom-Up Economic Transformation Agenda (BETA)

MDAs continued to prioritize allocations towards the achievement of the BETA priorities while addressing the policy, legal, regulatory, and governance issues to ensure optimal use of resources in execution of the planned interventions. BETA is geared towards economic turn around and inclusive growth and aims to increase investments in at least five sectors with high potential impact on the economy as well as household welfare.

These include: -

i. Agricultural Transformation;
ii. Micro, Small and Medium Enterprise (MSME);
iii. Housing and Settlement;
iv. Health care: and
v. Digital superhighway and Creative Industry.

Fiscal policy for FY 2024/25 and the medium-term budget aimed to support the Bottom-Up Economic Transformation Agenda (BETA) through a growth friendly fiscal consolidation plan. The consolidation was supported by enhanced revenue mobilization, rationalization and prioritization of expenditure while protecting essential social and development budget. As part of the process, the Government embarked on the implementation of the National Tax Policy and the Medium-Term Revenue Strategy (MTRS) that further strengthened tax revenue mobilization efforts during the period under review and going forward.



Signature..... **Date** 18th August, 2025

HON. FCPA JOHN MBADI NGÓNGO, EGH
CABINET SECRETARY
THE NATIONAL TREASURY AND ECONOMIC PLANNING

6. STATEMENT BY THE PRINCIPAL SECRETARY

Budget performance

The National Treasury expenditure for the FY 2024/25 stood at Ksh. 93.50 billion against an approved budget of Ksh .122.18 billion as per supplementary III, translating to an overall absorption rate of 76.53%. This shows a minimal decline of 0.23% from 76.76% recorded in the financial year 2023/24. The National Treasury' printed estimate, supplementary estimates, expenditure and absorption rates are demonstrated in the summary table below:

Table on Budget and Expenditure for FY 2024/25 as at 30th June 2025

Vote	Printed Estimates FY 2024/25	Supplementary I Estimates FY 2024/25	Supplementary II Estimates FY 2024/25	Supplementary III Estimates FY 2024/25	Expenditure as at 30th June, 2025	Absorption rate (%age)
	Kshs. million					
Recurrent	75,596.0	66,721.4	78,013.0	82,266.0	66,988.5	81.4
Development	59,526.2	52,504.4	39,039	39,910.3	26,508.3	66.4
Total Budget	135,122.1	119,225.8	117,051.8	122,176.4	93,496.8	76.5

The Chart 1 below represents the trend of budget allocation trend through supplementary in 2024/25 FY

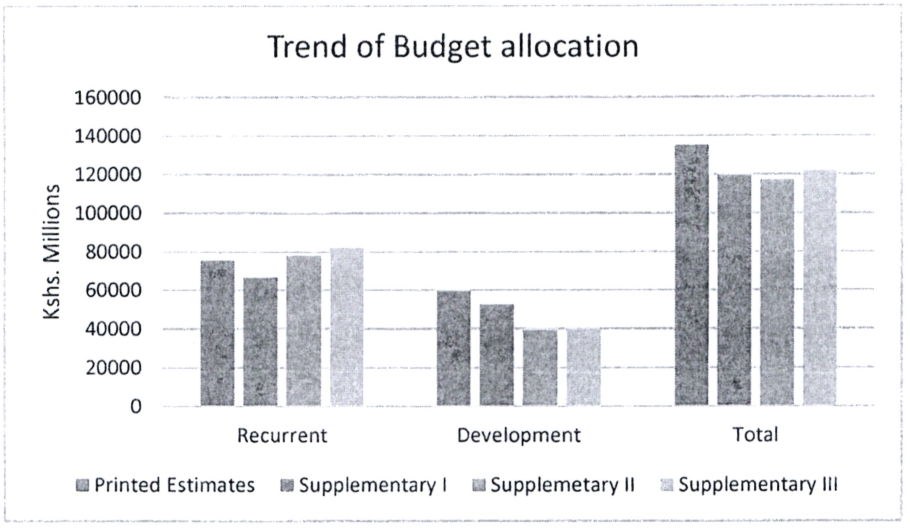
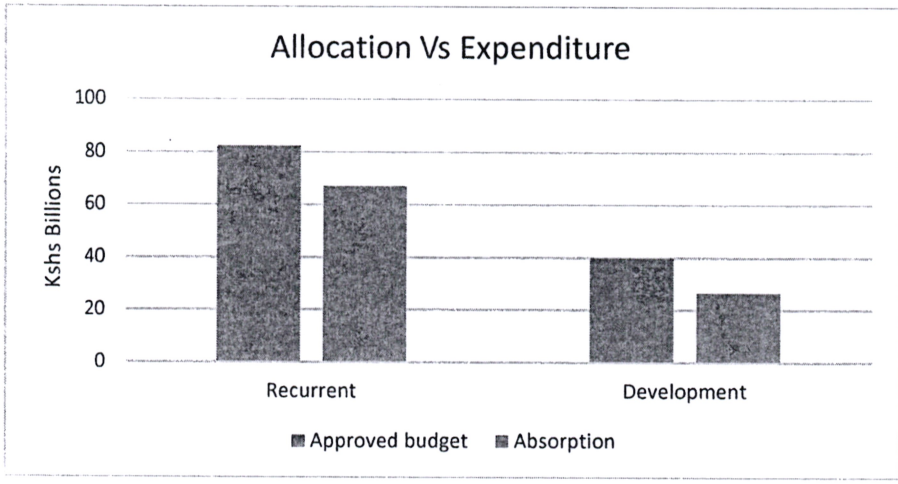


Chart 2 below presents the National Treasury total budget execution for the FY 2024/25.

Chart 2: Allocation against Total Expenditure



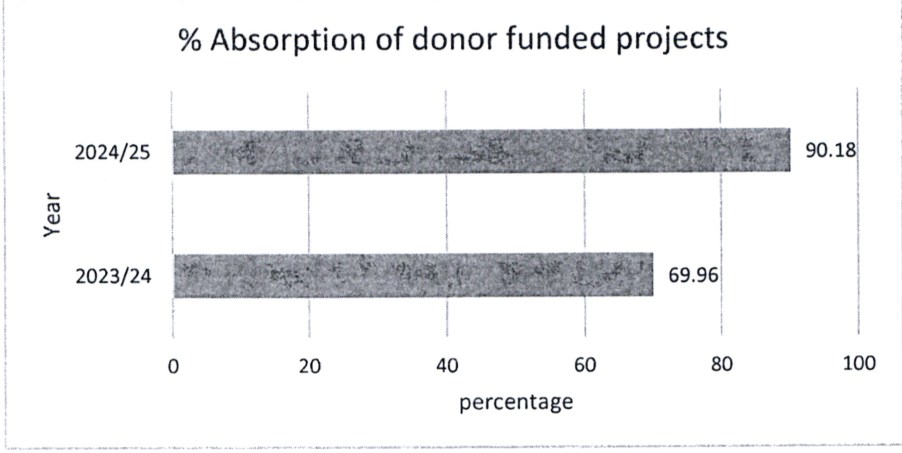
When disaggregated by recurrent and development expenditure, the budget execution indicates that the recurrent budget allocation of Ksh.66.99 billion was absorbed at 81.4% against an approved budget of 82.27 billion. This marked a decline from the absorption rate of 92.70% recorded in FY 2023/24.

On the other hand, development expenditure absorption was Ksh .26.51 billion against an allocation of Ksh 39.91billion recording an absorption rate of 66.52 %. The under absorption in development expenditure is attributed to exchequer challenges.

Budget execution for externally funded resources for FY 2024/2025

The externally funded projects recorded an absorption of Ksh. 29.61 billion against an allocation of Ksh. 32.84 billion translating to an absorption rate of 90.18%. This is a marked improvement from the 69.96% recorded in 2023/24. The improvement is attributed to increased commitments by donors. Absorption of Externally Funded Projects was affected by delays during preliminary processes e.g. in procurement resulting to delayed commencement. Also, delays in receiving of No Objection from Development Partners on implementation of most activities, inadequate GoK counterpart funding, budget cuts and weak performance by implementers as disbursement depends on milestones achieved.

Chart 3: Budget execution for externally funded projects for FY 2024/25



Budget Execution by Programme
The National Treasury implemented the 2024/25 FY budget within four economic programmes. These were: General Administration, Planning and Support Services; Public Financial Management; Economic and Financial Policy Formulation and Management; and Market Competition.

Key Achievements under programmes
The National Treasury registered Key Achievements during the Financial Year 2024/2025 as follows:

Electronic Government Procurement (e-GP) System. The National Treasury is set to fully roll out the system across all Procuring Entities within both the National and County Governments. This move is part of ongoing Public Finance Management Reforms aimed at enhancing efficiency, transparency, and value for money in public procurement. All Suppliers are required to Register for E-Government Procurement (e-GP) System by July 1, 2025. The implementation of the e-GP system follows a directive by His Excellency the President during the State of the Nation address delivered on 21st November 2024. In his speech, the President directed that the National Treasury to ensure the complete deployment of the e-GP system by the first quarter of 2025.

The National Treasury undertook training of users and suppliers in Q3 and Q4 0f 2024/25 FY as shown in the summary table below:

	ITEM	Targeted figures	Number of Persons Trained	No of Procuring Entities benefitted	% achievement	Remarks
A	No.of Users Trained					
1	Ministries and State Departments	840	807	53	96%	All MDAs to have been trained by 30th June 2025
2	Counties and County Assemblies	705	700	46	99%	All County /County Assemblies to have been trained by 30th July 2025
3	State Corporations	6,400	3,297	306	52%	Webinnar Trainings (9th - 13th June, 2025)
	Total		4804	405		
B.	Trainers of Trainers (ToTS)					
	Number of ToTs	160	60			New TOTs to be recruited in July 2025
C	Suppliers	Targeted Figures	No of Suppliers trained			
	No of Suppliers Trained	xxxxxxx	1,786			Suppliers to register for weekly webinars on the e-GP website
D	Registration of Procuring Entities	Targeted Figures	No of PEs Registered			
	No of PEs Registered	*xxxxxxx xxx*	*358*			*Registration ongoing*
E	NO. OF SUPPLIERS REGISTERED	Targeted Figures	No. of Registered Suppliers			
	TOTAL No of Suppliers Registered	xxxxxxx xxx	999			Suppliers to self-register on e-GP System

General Administration, Planning and Support Services programme, the National Treasury leased 3,546 security vehicles for the National Police Service towards enhancing security;

The Public Financial Management programme, Total revenue collection by the end of June 2025, is estimated at KSh. 2,918.6 billion against a target of KSh 3,343.2 billion, resulting to a shortfall of KSh 424.6 billion. The shortfall was on account of below collection ordinary revenue of Ksh 497.0 billion. Ministerial A-I-A, however, was above the target collection by Ksh 72.5 billion. Total revenue inclusive of the ministerial A-I-A grew by 8.0 percent, an increase from a growth of 14.5 percent recorded in June 2024. Ordinary revenue collection in FY 2024/25 was KSh 2,420.2 billion against a target of KSh 2,917.2 billion, which was KSh 497.0 billion below the target.

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of KSh 2,841.9 billion leading to a above target expenditure of KSh 95.2 billion. The below target expenditure in recurrent category is mainly attributed to above target expenditure on Operation and Maintenance (O&M) and domestic interest payments

Economic and Financial Policy Formulation and Management programme, the National Treasury developed the Framework for verification and payment of outstanding Contribution in Lieu of Rate (CILOR) for County Governments. In addition, the National Treasury implemented measures to attract three (3) NIFC firms. These include (i) facilitating discussions with regulators to introduce large scale global insurance provider into the market, (ii) collaborating with the Department of Immigration to facilitate fast-tracked investor and work permit issuance and (iii) supporting a foreign incoming Venture Capital firm with business registration.

Mobilization of resources, funds amounting to over Kshs 466,575 million were mobilized from external sources while domestic resources amounting to Kshs 294, 937 million from internal sources to support the budget.

Market Competition and Creation of an Enabling Business Environment programme, the National Treasury through the SAFER project transferred Kshs. 5.5 billion to Kenya Development Corporation (KDC) for onward lending to PFIs which will then lend to qualified MSMEs. With respect to access to justice, the National Treasury through the Competition Tribunal determined 100% of Appeals on Competition.

Implementation of Digital Superhighway, the National Treasury established Contact Centre Services to manage payment related queries from e-Citizen clients.

PERFORMANCE REPORT FOR THE PENSIONS DEPARTMENT, NATIONAL TREASURY (FY 2024/2025)

The Pensions Department is a vital department under the Directorate of Public Investment and Portfolio Management within the National Treasury, responsible for administering and paying pensions, death gratuities, and other retirement benefits to eligible public servants. The Department manages various schemes that serve a diverse group of retirees, including Presidents, Deputy Presidents, Vice Presidents, Prime Ministers, Speakers of the National Assembly and Senate, Chief Justices, Deputy Chief Justices, Members of Parliament, Civil Servants, Teachers, Disciplined Services, and Military Personnel, as well as their eligible dependents.
This report provides a detailed overview of the department's performance for the financial year 2024/2025, highlighting the implementation of the new Pension Management Information System (PMIS), trends in pension payments, claim processing statistics, financial analysis, and new initiatives aimed at enhancing service delivery.

Implementation of New PMIS

A major milestone in the financial year 2024/2025 has been the comprehensive overhaul of the pension administration business process with a view to informing the architecture of the re-engineered Pension Management Information System (PMIS). The National Treasury embarked on re-engineering the PMIS to improve functionality, data management, and overall efficiency. On 19th January 2024, a provider was contracted for the development, supply, configuration, installation, testing, implementation, and commissioning of an Online Pension Management

Information System. This system is designed to provide an Enterprise Resource Planning (ERP) solution that automates pension processes end-to-end, eliminating manual interfaces and significantly streamlining pension processing for faster and more accurate disbursements.

Key Features and Benefits of the New PMIS:

1. Online Submission: Pension claims can be submitted online, reducing physical paperwork and speeding up processing times.
2. Self-Service Portal: Pensioners can access a user-friendly portal, enabling them to manage their information and services conveniently from their homes.
3. Timely Payments: The system processes gratuity payments within a few days and pension payments within a single payroll cycle, minimizing delays and financial hardship.
4. Real-Time Monitoring: Supervisors can track pension claims in real-time through comprehensive dashboards and reports, identifying and addressing bottlenecks quickly.
5. Enhanced Security: Advanced security measures protect sensitive pension data, ensuring system integrity and preventing unauthorized access.
6. Automated Processes: The PMIS automates many manual workflows, reducing errors and improving efficiency.
7. Integration with Existing Systems: Seamless integration with other government systems like GHRIS, Civil Registration Bureau, KRA, Registration of Persons Bureau, and IPRS ensures data accuracy and consistency.
8. Digital Records Management: Digitizing pension records reduces the risk of loss or damage to physical documents.
9. Customer Support: A dedicated help desk provides support to pensioners and stakeholders, ensuring smooth operation and implementation.

The proposed E-Pension System will revolutionize pension administration in Kenya by leveraging technology and innovative processes to provide a seamless and efficient experience for pensioners. The project is on track for completion and rollout by the end of this calendar year.

Analysis of Pension Payment Trends:

- Claim Processing Time: The average processing time for pension claims have reduced significantly attaining the 90 days turn-around time for most files received. In the Financial year out of 18,464 claims received and processed, 11,845 were processed within 90 days. This has been attributed to the streamlined processes and digital initiatives.
- Payment Accuracy: There was a significant improvement in payment accuracy, with errors reduced by a significant percentage compared to the previous financial year.
- Customer Satisfaction: Internal customer feedback indicated a significant increase in pensioner satisfaction, attributed to faster processing times and improved customer service.

Financial Performance

Beyond the PMIS overhaul, in the financial year 2024/2025, the Pensions Department has implemented several critical initiatives to enhance service delivery:

1. Deployment of Pension Officers to Key Ministries, Departments, and Agencies (MDAs): To expedite the pension processing chain, the Government deployed 32 pension officers to key MDAs, including the Teachers Service Commission, National Police Service, and various

ministries. These officers handle pension claims on-site, drastically reducing the time needed for verification and submission of claims.

2. Adherence to the 90-Day Processing Timeline: The Pensions Department has reinforced its commitment to processing fully supported pension claims within 90 days, minimizing financial uncertainty for retirees.
3. Deployment of Pension Officers to Huduma Centres Nationwide: Pension officers have been deployed to all 56 Huduma Centres, reducing the travel and financial burden on retirees and alleviating congestion at the central office.
4. Review of the Pension Legal Framework: The Government is undertaking a comprehensive review of the pension legal framework to align laws with changing demographics, economic conditions, and social expectations through a Multi-Agency Committee.
5. Digitizing Change of Pay point Procedures: The Department has implemented a digital system for updating pay point information, allowing pensioners to make changes online, reducing processing times and improving accuracy.

Conclusion

The financial year 2024/2025 was marked by significant achievements for the Pensions Department. The ongoing implementation of the PMIS, coupled with improved trends in pension payments, effective budget management, and innovative initiatives, underscores the department's dedication to delivering effective and efficient pension services. The forthcoming launch of the pensioners' self-registration portal is a testament to the continuous improvements being made to better serve our pensioners. Moving forward, we aim to build on this momentum, embracing innovation and stakeholder collaboration to further enhance our service delivery and support the well-being of our pensioners. By leveraging new technologies and maintaining a strong focus on stakeholder engagement, the Pensions Department will continue to strive for excellence in all aspects of its operations.

Emerging Issues

The emerging issues that impacted on the operations the National Treasury include: -

i. Technological advancement in the ICT sector present opportunities to leverage ICT innovations in the conduct of business as well as risks relating to governance and data security. As the financial systems increasingly go digital, there is the associated risks with cyber-attacks;

ii. The proliferation of fake news on social media platforms, which have a wider audience and faster response time sometimes portrayed the National Treasury in a negative manner;

iii. Green Finance: with climate change concerns, there is the pressing need to integrate environmental, social, and governance (ESG) considerations into fiscal policies and investments;

iv. Development of Sector specific Project Appraisal Manuals continues to be a priority to guide sector specific analysis. The National Treasury is required to develop over 40 sector

specific appraisal manuals to guide the over 40 sectors on the nuanced appraisal process; and

v. Debt sustainability concerns. Ensuring that debt levels remain sustainable while funding essential services is a critical challenge that continues to face the National Treasury.

Challenges

Some of the challenges the National Treasury faced while implementing the 2024/25 budget include:-

i. Resource Constraint persisted and affected implementation of budgets;

ii. The rationalization of the budget, occasioned by underperformance of revenue collection and emerging government priorities affected the implementation of programmes. In the FY 2024/25, the National Treasury faced a total revenue collection shortfall of KSh 424.6 billion on account of shortfalls in both ordinary revenue;

iii. Shortage of Key Technical Staff continues to affect operational efficiency in the core mandate:
   (a) Despite recruitment of staff across certain cadres, the National Treasury continues to experience staff shortage across all cadres against authorized establishment. As indicated in the operational performance on human resource, the current staff capacity is at 55% This is mainly attributed to natural attrition. The planned recruitment and promotion of staff by the appointing authorities has been slow hence affecting service delivery and succession management initiatives; and

   (b) Operating environment is manifested, among others, by shortage of office space especially for key technical staff and, Inadequate resourcing of the Monitoring and Evaluation function.

iv. Civil unrest occasioned by regular protests disrupted implementation of various activities thus disrupting service delivery. Business investment were destroyed and life lost thus impacting heavily on economic development of the country.

To manage the above emerging issues and challenges and ensure successful implementation of the National Treasury goals and objectives, the Ministry undertook the following: -

i. Raised domestic resources to support implementation of various ongoing programme through development of diverse methods for domestic resource mobilization;
ii. Continued to implement succession planning towards progressively filling in staff shortage, continued training and timely promotions; and
iii. Engaged other development partners for concessional loans and grants as well as pursued strategies to finance government projects.

Recommendations

In order to address the challenges and emerging issues, the following measures should be undertaken: -

i. Sustain efforts for effective mobilization of resources to finance public expenditure particularly towards facilitation and implementation of the Bottom-Up Economic Transformation Agenda and emerging Government priorities. Key in this respect is the need for adequate resourcing of Kenya Revenue Authority to deploy innovative tax administration for efficient and optimal collection of taxes.

   In addition, the National Treasury will leverage on the digitization of all critical Government processes with a view to bringing convenience to citizens and raising revenue efficiently for Government services that are paid for electronically;

ii. Reforms in Public Financial Management and taxation should be sustained to enable the National Treasury expand the fiscal space and enhance absorption capacity. This includes reforming institutions and restructuring of parastatals to wean some from reliance on exchequer;

iii. Strengthening Tax Administration, The National Treasury will enhance KRA's capacity to leverage on technology to seal leakages; enhancements of iTax and Integrated Customs Management System (iCMS); and use of e-TIMS (Tax Invoice Management System). These policy strategies will expand the primary surplus in the fiscal framework and stabilize the growth of public debt thereby boosting the country's debt sustainability position;

iv. Continued implementation of succession planning, especially with respect to recruitment of key technical staff to achieve optimal staffing levels for enhanced operational efficiency;

v. Strengthening Monitoring and Evaluation Framework and capacity through automation of the Planning and M&E processes;

vi. Continued leveraging on ICT to ensure timely delivery of targets and foster efficiency; and

vii. Implementing the recommendations arising from the 2023/24 project rationalization review to achieve optimal project portfolio and increase fiscal space.

Going forward, the National Treasury will support the Government's priority on scaling up efforts on policy interventions and structural reforms under BETA so as to navigate the global turbulence, accelerate economic recovery, and address overarching development challenges namely creating jobs, eradicating poverty and mitigating climate change. As part of the efforts, the National Treasury will accelerate investments in: (i) reforming markets (ii) domestic resource mobilization and application of those resources to development projects; (iv) reform and restructure of State-Owned Entities and (v) digitization of government services.

Signature ..... **Date** August 12, 2025

DR. CHRIS KIPTOO, CBS
PRINCIPAL SECRETARY/ NATIONAL TREASURY

7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE FY 2024/25

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives of the National Treasury's 2023-2027 Strategic Plan are to:-

(a) Strengthen organization capacity for quality service delivery;
(b) Enhance mobilization, allocation and utilization of public resources;
(c) Ensure stable and sustainable macro-economic environment; and
(d) Ensure market structures that encourage competition and orderly conduct of business.

Progress on Attainment of Strategic Development Objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made Specific, Measurable, Achievable, Realistic and Time-bound **(SMART)** and converted into development outcomes. Attendant indicators were identified for tracking progress and performance measurement:

Below is the progress implementation of the stated objectives: -

a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cummulative 12 months)	Variance	Remarks
THE NATIONAL TREASURY							
Programme 1: General Administration, Planning and Support Services							
Programme Outcome: Efficient and effective service delivery							
SP 1. Administration Services	**Administration**	**Records management automated**	**% of implementation of activities**	**100**	**100**	**0**	**Target achieved. Contractor on boarded and digitization process ongoing**
		Vehicles Leased	**No. of vehicles leased**	**3,548**	**3,548**	**0**	**Target fully met**
		National Treasury Media Centre Operationalized	**% Operationalization of the Media Centre**	**60**	**60**	**0**	**Target fully met**
	State Corporations Appeals Tribunal (SCAT)	**Appeal cases determined**	**No. of appeal cases determined**	**1**	**13**	**12**	**Target surpassed**
		New Tribunal Court registries /circuit hearing established in counties	**No. of court registries**	**2**	**1**	**-1**	**Target not achieved. Section 22(12) of State Corporations Act Cap 446 provides that the Tribunal can only hold sittings in Nairobi. However, the tribunal held virtual hearings from all regions.**

a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cummulative 12 months)	Variance	Remarks
SP 2. Human Resources Management Services	**Administration**	**Reorganized Structure of the TNT**	**Reorganized Structure of the TNT**	**1**	**1**	**0**	**Target achieved. Currently attending to appeals by respective departments on the approved structure**
		Career Guidelines for TNT	**Approved Career Guidelines**	**1**	**0**	**-1**	**Target not achieved. The activity is planned for 2025/26 FY**
SP 3. Financial Services	**Public Service Superannuation Scheme (PSSS)**	**Onboarding of Public Servants onto PSSS**	**% level of eligible Public Servants on-boarded onto PSSS**	**100**	**100**	**0**	**Eligible public servants are on boarded in real-time, while current employees are supported through ongoing contributions to the PSSS. The numbers per quarter grew by 534 in Q 1; 521 in Q2 and 46,442 in Q3, and 1023 in Q4 . Current membership is 489,589.**
	Pensions Department	**Processed pension claims**	**% Pension claims received & processed**	**100**	**85**	**-15**	**Claims paid per quarter: 233 in Q1;196 in Q2; 232 in Q3; 90 in Q4 and 112 claims received in June 2025 are pending : Total Claims received in the Year were 863**
			No. of days taken to process and pay pensions claims	**60**	**60**	**0**	**Target achieved**

a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cummulative 12 months)	Variance	Remarks
		Acquire and operationalize a new Pensions Management Information System (PMIS)	**% level of operationalizatio n of PMIS system**	**100**	**75**	**-25**	**Training on the system is planned to be undertaken in FY 2025/26**
	Kenya Revenue Authority	**Ordinary revenue collected**	**Revenue collected (Kshs Trillion)**	**3.34**	**2.92**	**(0.42)**	**Target not fully met.**
Programme 2: Public Financial Management							
Programme Outcome: Transparent and accountable management of public resources							
SP 5. Resource Mobilization	**Resource Mobilization Department**	**Donor Funds Disbursed**	**Funds disbursed to MDAs as a % of the external resources mobilized**	**100**	**86**	**-14**	**Target not achieved dueto low absorption by MDAs**
			External resources mobilized as a % of fiscal gap	**55**	**53**	**-2**	**Target not fully achieved due to non-disbursement of the 7th Development Policy Operation (DPO7) by the World Bank.**
		Annual Borrowing Plan	**No of Annual Borrowing Plans**	**1**	**1**	**0**	**Target achieved**
	Debt Policy Strategy and Risk Management	**Bonds Issued**	**No. of Sovereign/ Green bonds issued**	**1**	**2**	**1**	**Target achieved, the government issued 1.5 billon dollar, whose proceeds were used to buy back part of USD 2 billion Eurobond Maturing in June 2024**

a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cummulative 12 months)	Variance	Remarks
			No. of benchmark bonds issued	**12**	**6**		**First Quarter Target achieved, this was due to 3 new benchmark bonds were issued and 3 early issued were re-opened to new investors.**
	PPP Directorate	**Government Projects under PPP framework**	**No. of PPP projects approved**	**12**	**11**	**-1**	**Target not fully met**
	Global Fund	**Anti-Retroviral Therapy (ART) Supplies**	**No. of patients receiving ART (Millions)**	**1.37**	**1.37**	**0**	**Target achieved**
		Artemisinin-Based Combination Therapy (ACT) Supplies	**No. of People receiving ACT (Millions)**	**5.9**	**5.7**	**-0.2**	**The total number of confirmed malaria cases annually is about 6 million. The number of doses of ACT distributed to ensure continuous supply at facility is 7 million doses annually. On a quarter about 1.5 million doses are expected to be issued to facilities.**
		Tuberculosis (TB) Supplies	**% of TB patients treated and tested for HIV**	**100**	**100**	**0**	**Target achieved**
SP 6. Budget Formulation Coordination and Management	**Macro and fiscal Affairs Department**	**National Budget**	**Budget Review and Outlook Paper**	**1**	**1**	**0**	**Target achieved**
			Budget Policy Statement	**1**	**1**	**0**	**Target achieved**

a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cummulative 12 months)	Variance	Remarks
			Finance Bill	**1**	**1**	**0**	**Target achieved. To boost revenues, three bills were prepared: i) Tax Laws (Amendment) Bill, 2024; ii) Tax Procedures (Amendment) Bill, 2024; and iii) Business Laws (Amendment) Bill, 2024 which were enacted in December 2024.**
	Budget Department	**National Budget**	**Annual Appropriation Bill**	**1**	**1**	**0**	**Target achieved**
			Supplementary Appropriation Bills	**2**	**2**	**0**	**Target achieved**
			Guidelines for FY 2025/2026 MTEF Budget issued by 30th August 2024.	**1**	**1**	**0**	**Treasury Circular No. 11/2024 issued on 23rd August, 2024**
			FY 2025/26 Budget Estimates finalized and submitted to Parliament by 30th April 2025.	**1**	**1**	**0**	**Target achieved**
SP 7. Audit Services	**Internal Audit Department**	**Value for Money Audits**	**No. of Value for Money (VFM) Audits reports**	**30**	**45**	**15**	**Target surpassed due to MDAs requests**
		Government Entities capacity built on IRMF	**No. of Government Entities capacity built on IRMF**	**5**	**13**	**8**	**Target surpassed due to more requests from MDAs to be trained.**

a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cummulative 12 months)	Variance	Remarks
		Audit Committees Capacity Built	**No. of Audit Committees Capacity Built.**	**5**	**7**	**2**	**Target overachieved due to more requests from MDAs**
SP 8. Accounting Services	**Accounting Services Department**	**Consolidated Financial Statements**	**No. of Consolidated Financial Statements prepared**	**4**	**4**	**0**	**Target achieved**
		Officers trained on International Public Sector Accounting Standards (IPSAS)	**No. of officers trained on International Public Sector Accounting Standards (IPSAS)**	**200**	**221**	**21**	**Target achieved.**
		Transition and re-engineer the system to Accrual Accounting	**Percentage of transition**	**100**			**To be reported in subsequent FY**
		Treasury Single Account designed and documented	**Percentage of achievement**	**50**	**50**	**0**	**Target achieved**
		Capacity Built Accounting Personnel on implementation of transition to accrual accounting and TSA	**No. of Accounting Personnel Capacity Built on implementation of transition to accrual and TSA**	**1000**	**850**	**150**	**Training will be undertaken once TSA is rolled out**

a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cummulative 12 months)	Variance	Remarks
	National Sub-County Treasuries	**Operational Vote book Mangement System for National sub-County Treasurues roled out**	**No. of sub–County Treasuries with Operational Vote book Mangement System**	**315**	**315**	**0**	**Target achieved**
		Sensitized National sub-County Accountants on Migration from Cash accounting to accrual accounting	**No. of NSC Accountants sensitized**	**1000**	**663**	**-337**	**Target not achieved due to budget constraints**
	IFMIS Department	**PFM users trained on IFMIS Modules**	**No. of PFM users trained on IFMIS Modules**	**2,000**	**2,100**	**100**	**Target surpassed due to government digitizing most of its services**
		IFMIS upgrade to the latest version	**No of IFMIS versions running on version 12.2.10**	**1**	**1**	**0**	**Target achieved**
		Exchequer rollout to the counties	**Number of counties requisitioning online**	**10**	**10**	**0**	**Target achieved**
		Treasury single account designed and documented	**Percentage of achievement**	**100**	**100**	**0**	**Target achieved**

a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cummulative 12 months)	Variance	Remarks
		Exchequer release process to MDACs automated	**Percentage of automation**	**100**	**75**	**-25**	**Requirement gathering and design completed**
		IFMIS integrated with Debt Management Systems	**Percentage of integration**	**100**	**25**	**-75**	**Requirements and integration design completed**
	Kenya Accountants and Secretaries National Examinations Board (KASNEB)	**Offering financial support to trainees pursuing financial management courses**	**No. of Trainees offered financial Support Services**	**106,000,000**	**163,232,888**	**57,232,888**	**Significant increase in financial support recieved by trainees relative to the annual target due to high demand for financial support and strealined application processes**
		Engaging training institutions offering kasneb courses	**No of Trainees trained in KASNEB Foundation Financial management & Literacy Programs**	**500**	**10**	**-490**	**Only 10 trainees inducted in Phase I. This was due to delays in finalizing the financial literacy curriculum and pilotim=ng of the programme.**
		Institutions and schools sensitized on financial management	**No of Institutions / schools sensitized on financial support services**	**50**	**68**	**18**	**Target achieved. An increase in the number of institutions sensitized is due to implementationof a marketing plan targeting training institutions**

a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cummulative 12 months)	Variance	Remarks
		Institutions and schools sensitized on Financial Support Services	**No. of Trainees offered financial Support Services**	**5000**	**4338**	**-662**	**4,338 trainees recieved financial support services occasioned by the continous award model and aggressive promotion of the KASNEB Foundation financial Aid Program to training institutions and students**
SP 9. Supply Chain Management Services (SCMs)	**Public Procurement Department**	**AGPO enterprises registered**	**No. of AGPO enterprises registered**	**21,000**	**21,335**	**335**	**Target surpassed due to enhanced sensitization**
		AGPO beneficiaries trained	**No. of AGPO beneficiaries trained**	**2,000**	**2,235**	**235**	**Target surpassed due to partnerships with other Government Institutions to train more beneficiaries.**
		PFM staff trained on Public Procurement and Asset Disposal System	**Percentage of achievement**	**100**	**60.5**	**-39.5**	**4,804 of 7,945 targeted officers trained on EGP system**
		e-Government Procurement System Government deployed in Government institutions	**No. of government procuring Entities on e-Government Procurement System**	**12**	**358**	**346**	**Process hastened after completion of pilot phase with 12 entities**

a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cummulative 12 months)	Variance	Remarks
		Reviewed Public Procurement Legal Frameworks	**No. of Reviewed Public Procurement Legal Frameworks**	**1**	**1**	**0**	**Public Procurement and Asset Disposal Act reviewed, approved by Cabinet & awaiting Parliamentary approval**
		Public Procurement and Asset Disposal Manuals /guidelines developed	**No. of Public Sector entities monitored for compliance with IPSAS**	**1**	**1**	**0**	**Sustainable public procurement frameworks/guidelines developed, undergone public participation and awaiting Cabinet approval**
	Public Procurement Administrative Review Board (PPARB)	**Procurement Services**	**% of Public Procurement dispute cases resolved within 21 days**	**150**	**160**	**10**	**Target surpassed. More cases filed at the Review Board were heard and determined within 21 days**
	Public Procurement Regulatory Authority (PPRA)	**Procurement Services**	**No of MCDAs monitored on compliance with Public Procurement and Asset Disposal Act, 2015**	**2650**	**5540**	**2890**	**Annual target exceedingly met**
SP 10. Public Financial Management Reforms	**Public Finance Management Reforms (PFMR) Secretariat**	**Skills and capacity building in PFM**	**No. of officers trained on Public Finance Management**	**8,000**	**8,900**	**900**	**Target overachieved due to high reforms uptake by the MDAs**
			Cummulative % of PFM reforms implemented in PFMR Strategy 2023-2028	**40**	**35**	**-5**	**Target underachieved due to budget cuts**

a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cummulative 12 months)	Variance	Remarks
SP 11. Government Investment and Assets	**Government Investment and Public Enterprises**	**Govt. Investment Management Services**	**% of State Corporations Budgets reviewed**	**100**	**100**	**0**	**Target achieved, relevant Budgets for SC reviewed**
			No. of national government investment reports prepared	**1**	**1**	**0**	**Target Achieved. Report prepared and sent to Parliament.**
	National Assets and Liabilities Management Unit	**MDAs sensitized on Government Assets and Liabilities management policy and guidelines**	**No. of MDAs sensitized**	**100**	**82**	**-18**	**Target not fully achieved due to budget constraints**
		Asset registers from MDAs analyzed	**Percentage of analyzed asset registers**	**100**	**100**	**0**	**Target achieved**
		Asset and Inventory Management Modules to rolled out to 40 MDAs and 24 Counties	**Percentage of MDAs and Counties rolled out**	**2.5**	**2.38**	**-0.12**	**Target not fully met due to budgetary contraints**
		Quarterly feedback provided to MDAs	**Percentage of achievement**	**2.5**	**2.5**	**0**	**Target fully achieved**

a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cummulative 12 months)	Variance	Remarks
	Privatisation Commission	**Government Privatization Services**	**No. public entities privatized**	**4.00**	**-**	**-4**	**Implementation of Kenya Wine Agencies Limited (KWAL) – EOI was advertised on 12th August 2024 and RFP sent to the shortlisted bidders on 5th September 2024 with a closure date of 26th September 2024. The process was scuttled by the court ruling on Privatisation Act, 2023 on 24th September 2024.**
			No. of specific privatisation proposals developed	**2.00**	**2.00**	**-**	**Two specific privatization proposals were prepared. These proposals were for the Kenya Meat Commission (KMC) and the Ark Limited and both were submitted to the National Treasury.**
	Kenya Trade Network Agency	**Cargo dwelling time at ports of entry reduced**	**No. of days taken to clear goods at the ports of entry**	**3**	**3**	**0**	**Target Achieved**
Programme 3: Economic and Financial Policy Formulation and Management							
Programme Outcome: Stable macroeconomic environment for economic growth							

a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cummulative 12 months)	Variance	Remarks
SP 12. Fiscal Policy Formulation, Development and Management	**Macro and Fiscal Affairs**	**Stable Inflation**	**Inflation rate (%)**	**5 ± 2.5**	**3.8**	**0**	**Target met due to tight monetary policy measures. The main drivers of inflation were increases in cost of food and non-alcoholic beverages, transport,housing water electricity , gas & other fuels**
	Financial Reporting Centre	**Complete Terrorism Financing risk assessment**	**TF Risk assessment report**	**1**	**1**	**0**	**TF Risk assessment completed in Q2**
		Update national Anti-Money Laundering and Countering Financing of Terrorism strategies	**Updated AML/CFT strategies**	**1**	**2**	**1**	**Updated AML strategy adopted in Q1 and updated CFT strategy adopted in Q3**
		Onsite and offsite inspections of DNFBPs and Non-Banking Financial Institutions	**Number of onsite & Off site inspections on DNFBPs**	**98**	**98**	**0**	**Target achieved**

a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cummulative 12 months)	Variance	Remarks
		Outreach sessions of Customer Due Dilligence, Enhanced Due Dilligence, Beneficial Ownership and Politically Exposed Persons on DNFBPs	**Number of sessions for CDD, EDD, BO and PEPs on DNFBPs**	**40**	**40**	**0**	**Target achieved. The training covered preventive measures including CDD/EDD/BO/PEPS and STR Reporting**
		Registration of Reporting entities	**Number of registered reporting entities**	**600**	**600**	**0**	**Target achieved**
	Inter-Governmental Fiscal Relations	**County Allocation of Revenue Bill (CARB) Division of Revenue Bill (DORB) & County Governments Additional Allocations Bill prepared**	**County Allocation of Revenue Bill (CARB) & Division of Revenue Bill (DORB), County Governments Additional Allocations Bill prepared (CGAAB), and Cash Disbursement Schedule**	**4**	**4**	**0**	**Target timely met**
		Inter-Governmental Fiscal Relations Repository System	**% level of Inter-Governmental Fiscal Relations Repository System development**	**50**	**100**	**50**	**The portal link is https://igfr.treasury.go.ke**

a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cummulative 12 months)	Variance	Remarks
		Draft review of PFM (PIM) Regulations, 2022 produced	**Percentage of review**	**100**	**10**	**-90**	**Target not fully achieved due to budget constraints**
		Public Investment Management/ Public Private Partnership (PIM/PPP) Framework developed	**% level of development of PIM/PPP Framework**	**100**	**80**	**-20**	**Work in Progress - currently undertaking consultations with senior management**
	Nairobi International Financial Centre Authority	**Investments and Regional Financial Institutions certified with NIFC**	**No. of Certified NIFC firms**	**3**	**0**	**-3**	**Target not achieved**
	Financial and Sectoral Affairs	**Legislative framework in financial & Sectoral developed.**	**No. of legal frameworks developed (three Capital Markets Regulations, and Unclaimed Financial Assets Regulations**	**3**	**3**	**0**	**Target achieved**
		Kenya Credit Guarantee Company (KCGC) incorporated and operationalized	**% level of guarantee company operationalized**	**100**	**90**	**-10**	**Target partially achieved**

a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cummulative 12 months)	Variance	Remarks
		Green Financing Facility (GFF) loans disbursed	**No of farmers benefiting from the GFF loans**	**3,000**	**354**	**-2,646**	**Target partially achieved whereby, GFF operations manual along with the green taxonomy developed.**
SP 13. Debt Management	**Debt Policy, Strategy and Risk Management Department**	**Medium Term Debt Strategy Developed**	**No. of Medium-Term debt strategy developed**	**1**	**1**	**0**	**Target achieved**
		Published Annual Debt Report	**No. of Annual Debt Reports Published**	**1**	**1**	**0**	**Target achieved**
		Annual Public Debt Management Performance report	**No. of developed Annual Public Debt Management performance report**	**1**	**1**	**0**	**Target achieved**
	Debt Recording and Settlement Department	**Mature serviceable public debt serviced**	**% of mature serviceable public debt serviced**	**100**	**100**	**0**	**Target achieved**
		Published External Public Debt Register on the TNT website	**No. of Published External Public Debt Stock & Register on the TNT website**	**1**	**1**	**0**	**Target achieved**
SP 14. Microfinance Sector Support and Development	**Financial and Sectoral Affairs**	**Operationalize the Credit Guarantee Scheme (CGS)**	**Capital injected into the Credit Guarantee Scheme in KSh. (Billions)**	**1**	**0**	**-1**	**Target not achieved**
Programme 4: Market Competition and Creation of Enabling Business Environment							
Programme Outcome: Sustained high productivity and competitive markets							

a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cummulative 12 months)	Variance	Remarks
SP 15. Elimination of Restrictive Trade Practices	**Competition Authority of Kenya**	**Consumer Protection and Regulatory Services**	**% of consumer complaints investigated and concluded**	**70**	**48**	**22**	**485 cases handled out of which 332 were finalized.**
			% of Merger and acquisitions applications determined	**100**	**96**	**4**	**26 out of 27 received mergers finalized**
			Cases of Deterrence of Abuse of Buyer Power concluded as a % of total investigations	**65**	**23**	**42**	**43 cases received out of which 15 were finalized**
			% of cases on restrictive trade practices investigated and finalized	**100**	**29**	**71**	**52 cases handled out of which 15 were finalized**
SP 17. Access to Justice	**State Corporations Appeals Tribunal (SCAT)**	**Improve access to courts and reduction of average distance to courts**	**No. of registries operationalized**	**2**	**1**	**-1**	**Operationalized the Nairobi registry and started receiving cases**
		Appeal cases received & determined	**Number of appeal cases determined**	**10**	**16**	**6**	**The Tribunal had targeted to receive 10 cases but it received 16 cases and 5 cases were determined and the rest are scheduled to be determined**

a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cummulative 12 months)	Variance	Remarks
	Competition Tribunal	**Cases on restrictive trade practices investigated, finalised and determined**	**% of cases on restrictive trade practices investigated, finalised and determined**	**100**	**93**	**7**	**25 out 27 cases finalised**

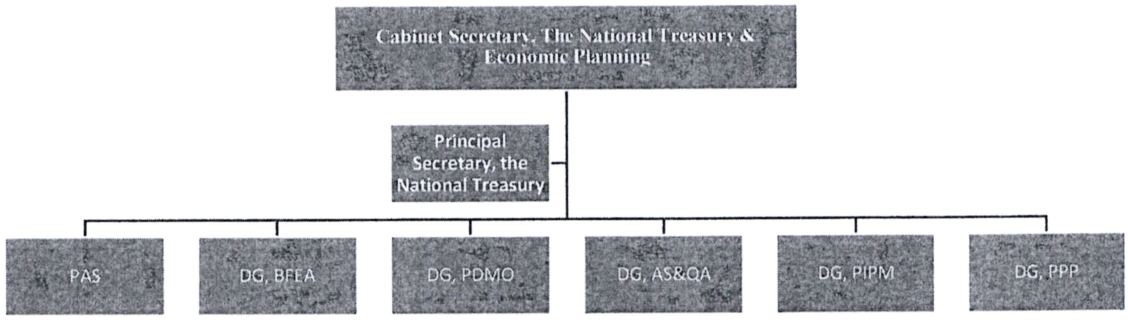
8. STATEMENT OF GOVERNANCE

i. Brief of Key Leadership Structure

The National Treasury and Economic Planning is divided into three entities: The National Treasury, the State Department for Economic Planning and the State Department for Public Investment and Assets Management. It is represented by the Cabinet Secretary who is responsible for the general policy and strategic direction of the Ministry.

At the top management level, the National Treasury is headed by the Principal Secretary who is the accounting officer and is responsible to the Cabinet Secretary in the performance of his duties. The National Treasury has six Directorates headed by Directors General and a Principal Administrative Secretary who is responsible for Administration and Support Services.

The National Treasury Leadership Structure



PAS : Principal Administrative Secretary, Directorate of Administrative Services;
DG, BFEA: Director General, Directorate of Budget, Fiscal and Economic Affairs;
DG, PDMO : Director General, Directorate of Public Debt Management Office;
DG, AS&QA: Director General, Directorate of Accounting Services & Quality Assurance;
DG, PIPM: Director General, Directorate of Public Investment & Portfolio Management;
DG, PPP: Director General, Directorate of Public, Private Partnership.

Note: The Directorate of Public Investment & Portfolio Management and Directorate of Public, Private Partnership have since been transferred to the State Department for Public Investment and Assets Management.

ii. Management Committees Established and Their Roles

The National Treasury has appointed managements committees to monitor the implementation of programmes, projects and report on their performance. They include:

Top Management Committee

Top Management Committee comprises of Cabinet Secretary, Principal Secretary and Directors General. The Committee receives reports from departments, build consensus on National Treasury responses to emerging issues, challenges and risks and ensures that the decisions made are implemented in a timely manner.

iii. The Audit Committee

In line with the Public Finance Management Act 2012, the National Treasury has established a Ministerial Audit Committee comprising of the Chairperson and four members, of which four are independent. The members were appointed on 15th December, 2022.

The Committee provides overall oversight and quality assurance including follow up on the effectiveness of implementation of audit recommendations. The Committee is active and meets on a quarterly basis to deliberate on their functions.

iv. Risk Management, compliance, conflict of interest

The National Treasury embarked on the development of its Risk Management Policy Framework. Risk Champions for all Directorates were appointed and trained and Risk registers have been developed.

v. Recent Trainings and development in governance for those in key leadership

The National Treasury supported those in key leadership positions to attend leadership and strategic management courses at the Kenya school of Government and other reputable international institutions.

vi. Public participation activities

The National Treasury underscores the importance for public participation as provided for under the Constitution of Kenya and Public Finance Management (PFM) Act, 2012 by giving Kenyans opportunities to interrogate proposed amendments to the PFM Act, 2012 and make submissions on their views for consideration in policy making and implementation so as to strengthen and deepen good governance.

The National Treasury carried out Public Sector Hearings for the Proposed Budget for the FY 2025/26 and the medium term by holding both physical meetings and virtual hearings. The National Treasury provided an opportunity to all Kenyans across the country to interrogate the Public Finance Management Act 2012 Amendments that aimed at aligning the debt anchor to international best practices.

vii. Compliance with laws and regulations

The National Treasury complies with the Constitution of Kenya, all applicable laws and regulations in line with acceptable national and international standards as well as its internal policies.

In order to enhance compliance to existing legislations and regulations, the National Treasury, through the Legal Unit has lined up a series of interventions to be progressively implemented. To **begin with, in the** FY 2023/24, the National Treasury being a data recipient and a data controller, initiated efforts to ensure compliance to the Data Protection Act 2019 and the right to privacy as per Article 31 of the Constitution. The effort entailed undertaking a precursor training on data protection for auditees. The training benefited thirty-six (36) the National Treasury staff as part of the steps for comprehensive legal and regulatory compliance audit.

9. MANAGEMENT DISCUSSION AND ANALYSIS

Report on Operational and financial performance of the organization for the last three-to-five-year period

Operational Performance

Operational performance is examined from two main indicators. These are: (i) performance contract management (ii) human resource staff capacity.

Performance Contract Management

In the Financial Year 2020/ 21, the National Treasury and Planning was ranked 5th in the Top Five Performing Ministries with an Average Composite Score of 3.2124 which is a good performance. There was a decline in performance compared to that of 2019/2020 whereby TNT&P was ranked the best performing Ministry with a Composite Score of 3.0209.

In the FY 2021/2022 the National Treasury and Economic Planning retained a ranking of position 5 with a composite score of 3.1173 representing 'good performance'. The composite score was an improvement from the 3.2124 recorded in 2020/21.

In the FY 2022/2023 the National Treasury and Economic Planning was ranked position 9 with a composite score of 3.3158 representing 'good performance'. Compared to the performance of the previous years, there was a slight decline since the Ministry had a composite score of 3.1173 in 2021/22 FY and 3.2124 in 2020/2021 FY.

In the FY 2023/2024 the National Treasury and Economic Planning had a composite score of 3.2296 representing 'good performance'. This is an improvement from the FY 2022/23 composite score of 3.3158.
Note: The Performance Contract for FY 2024/25 has not been evaluated.

A summary of performance contract indicators for two years and ranking for the last five years are given in the table below.

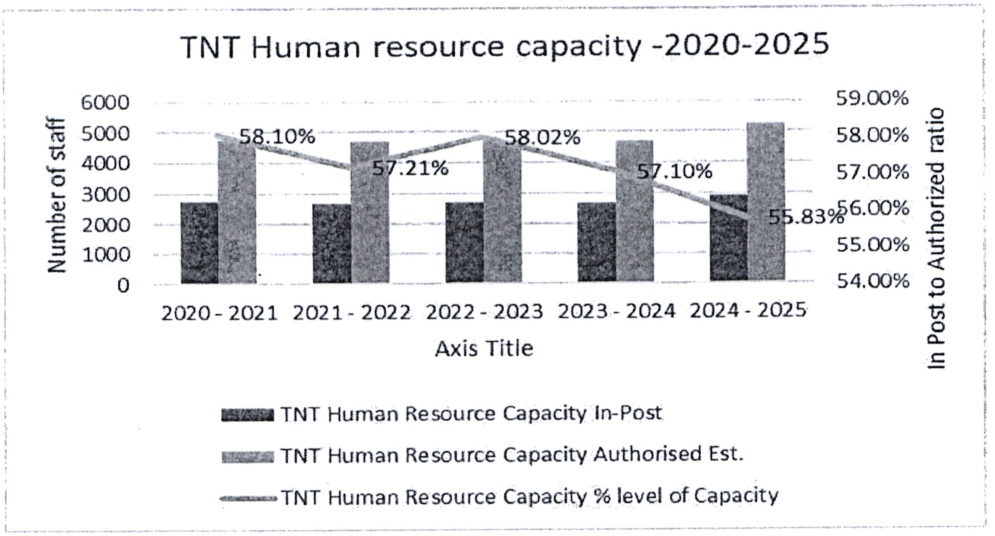
Table 2: Summary of performance of the National Treasury and Economic Planning in ranking of Ministries Departments and Agencies over five Financial Years

2019/2020 FY	2020/2021 FY	2021/2022 FY	2022/2023 FY	2023/24 FY
Overall Score: 3.0209 Overall Rank: Position 1 Overall Grade: 70-100% Performance category: Good Core Mandate Score: 1.8089	Overall Score: 3.2124 Overall Rank: Position 5 Overall Grade: 70-100% Performance category: Good Core Mandate Score: Not measured	Overall Score: 3.1173 Overall Rank: Position- 5 Overall Grade: 70-100% Performance category: Good	Overall Score: 3.3158 Overall Rank: Position – 9 Overall Grade: 70-100% Performance category: Good	Overall Score: 3.2296 Overall Rank: Position – Not published Overall Grade: 70-100% Performance category: Good

Human resource staff capacity.

Human resource capacity is a component of operational efficiency in the National Treasury. In this regard, the National Treasury currently operates at 55.80 per cent staff capacity in relation to authorized establishment. This is a decline from staff operational capacity of 57.1% in 2023/24 FY and 58% FY in 2022/23. The decline in staff capacity is attributed to slow succession management in relation to increasing staff requirement as indicated by authorized establishment. Chart below illustrates the current staff capacity against authorised establishment.

Human resource capacity for the period FY 2020/21 to 2024/25



In terms of cadre, the National Treasury ratio of technical to support staff currently stands at 70.83 and 29.17 per cent of in-post staff.

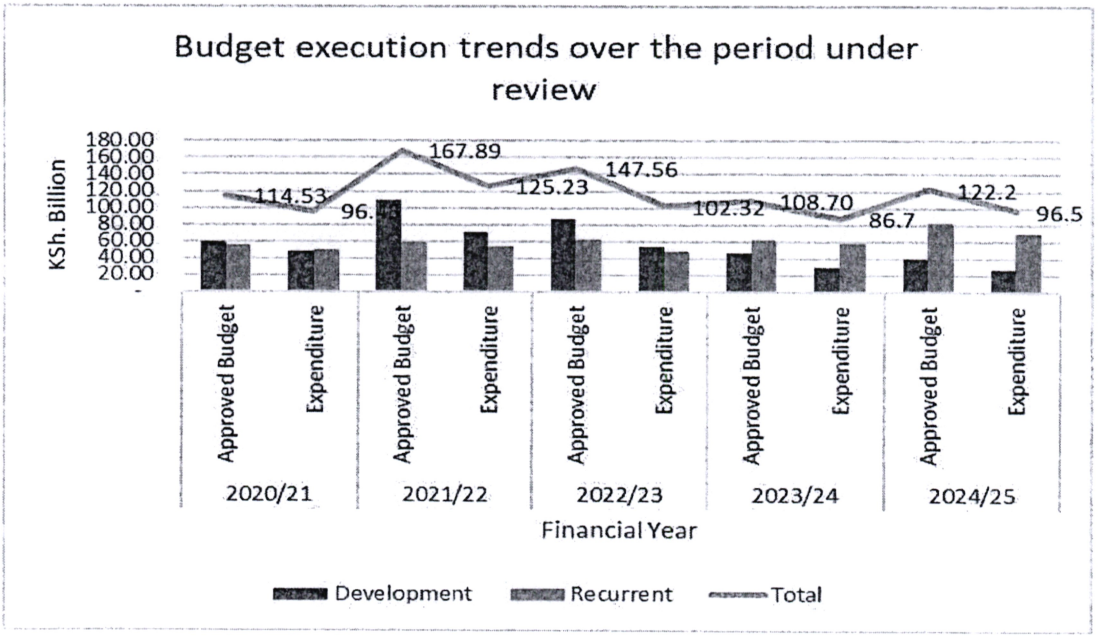
The National Treasury trained 933 staff of different carders on relevant skills sets during the period under review.

Financial Performance

Over the last five-year period, the National Treasury recorded mixed trend in performance in financial stewardship relating to absorption of GoK funds. Chart below illustrates the National Treasury financial performance in relation to expenditure for the period 2020/21- 2024/25FY.

The allocations to the National Treasury recorded increasing trend with highest allocations recorded in the FY 2021/22. The increase in allocation is attributed to transferring of marine and transport functions to the National Treasury. These functions were transferred back to the Ministry of Transport and Infrastructure in the FY 2023/24.

The National Treasury total budget against expenditure for 2020/21- 2024/25 (Ksh. Billions)



The table below illustrates budget allocations vs expenditure per programme.

Table 5: Allocation Per Programme Vote 1071 FY 2024/25

Programme	Printed Estimates FY 2024/25	Supplementary I Estimates FY 2024/25	Supplementary II Estimates FY 2024/25	Supplemntary III Estimates FY 2024/25	Expenditure as at 30th June, 2025
(Kshs. Million)					
1. General Administration, Planning and Support Services	76,480.3	58,740.1	78,019.2	84,150.9	36,919.9
Administration Services	42,499.5	25,508.2	36,349.6	42,080.2	35,025.2
Human Resource Management Services	121.4	114.8	114.8	114.8	112.5
Financial Services	33,204.6	33,070.9	41,008.5	40,909.5	736.5
ICT Services	654.8	46.3	546.3	1,046.3	1,045.7
2. Public Financial Mangement	46,862.9	49,502.2	31,699.2	26,448.2	24,393.2
Resource Mobilization	24,696.4	24,716.2	13,088.9	14,403.5	14,311.5
Budget formulation, Coordination and Management	12,522.2	17,143.6	9,231.9	2,024.9	2,020.0
Audit Services	901.4	861.2	861.2	904.2	859.7
Accounting Services	3,058.4	2,342.0	3,150.0	3,425.0	3,298.8
Supply Chain Management	900.6	1,129.2	2,089.2	2,389.2	2,274.9
Public Financial Management	827.0	526.4	594.4	564.4	422.0
Government Investment and Assets	3,957.0	2,783.6	2,683.6	2,737.0	1,206.2
3. Economic and Financial Policy Formulation and Management	11,270.5	10,475.0	6,715.3	10,959.3	9,886.6
Policy Formulation and Mangement	9,003.3	8,217.7	5,536.1	9,930.1	8,927.3
Debt Management	155.4	148.4	148.4	148.4	145.4
Micro Finance Sector Support and Development	2,111.8	2,108.9	1,030.9	880.9	813.9
4. Market Competition	508.5	508.5	618.0	618.0	618.0
Elimination of Restrictive Trade	508.5	508.5	618.0	618.0	618.0
Grand Total	**135,122.1**	**119,225.8**	**117,051.8**	**122,176.4**	**71,817.6**

Major Risks Facing the National Treasury

The National Treasury faces several key risks, including high debt levels, climate change impacts, and challenges in revenue mobilization. These factors can strain the country's fiscal stability and limit its ability to invest in priority programs.

1. High Public Debt:

- Kenya's public debt, both domestic and external, is a significant concern, with a high proportion of it held by multilateral and bilateral lenders. The National Treasury aims to manage debt levels by gradually reducing the stock of Treasury bills and lengthening the maturity of public debt instruments. Challenges in revenue collection can exacerbate debt sustainability issues, potentially leading to cash flow problems and the accumulation of unpaid bills.

2. Climate Change Impacts:

- Climate change poses a major risk to key sectors like agriculture and tourism, impacting economic resilience and potentially affecting government revenue. The National Treasury is prioritizing climate resilience as a crucial aspect of development and economic growth. Climate-related disasters also lead to increased government spending on disaster relief and recovery efforts, further straining the budget.

3. Revenue Mobilization Challenges:

- Difficulties in mobilizing sufficient revenue to meet budgetary needs are a recurring issue. Economic downturns, high inflation, and exchange rate depreciation can negatively impact revenue collection. The National Treasury is working to enhance fiscal consolidation efforts and rebuild fiscal buffers to mitigate revenue shortfalls.

4. Fiscal Risks from State Corporations:

- Many state corporations face liquidity challenges and have accumulated significant arrears, posing a fiscal risk to the government. A significant number of state corporations are loss-making, further straining public finances. The National Treasury is working to improve the management and oversight of state corporations to mitigate these risks.

Addressing these risks requires a multi-pronged approach, including sound macroeconomic policies, effective debt management strategies, investment in climate resilience, improved revenue collection, and enhanced fiscal discipline across all government entities.

Material Arrears in Statutory and other Financial Obligations

As at 30th June, 2025, the organization had minimal material arrears in statutory and other financial obligations. The status is summarized as follows:

a) Statutory Deductions

All mandatory statutory deductions, including PAYE, NHIF, NSSF, and pension contributions, were remitted in full and on time to the respective institutions during the financial year. There were no outstanding arrears reported in relation to employee benefit remittances.

b) Pending Bills

The organization recorded pending bills], mainly related to: Unsettled invoices for supplies and services already rendered, delays in processing payments due to procurement documentation gaps or budget absorption constraints and a small portion attributed to late exchequer releases in the last quarter.

These pending bills are fully recognized in the financial statements and have been prioritized for settlement in the first quarter of the FY 2025/26.

The National Treasury Key Projects/ Investments implemented or ongoing

The Table below indicates a summary of 18 key projects for the National Treasury indicating project cost, cumulative expenditure, Absorption rate and project status.

Table 3: Key projects implemented by the National Treasury in 2024/25 FY

S/No.	Project	Project Budget (Kshs.)	Expenditure (Kshs.)	Absorption Rate	Remarks
1.	National Treasury Special Global Fund - Malaria Grant - KEN-M (NFM3) - BETA	547,823,464.00	312,819,406.00	57.10%	Project Completed
2.	National Treasury Special Global Fund - HIV-AIDS Grant - KEN-H (NFM3) - BETA	6,143,272,199.00	5,478,371,242.00	89.18%	Project Completed
3.	National Treasury Special Global Fund - TB Grant - KEN-T (NFM3) - BETA	579,301,743.00	359,292,987	62.02%	Project Completed in March 2025
4.	National Treasury Special Global Fund - Malaria Grant - KEN-M (NFM4) - BETA	244,335,971.00	215,917,579.00	88.37%	Project ongoing
5.	National Treasury Special Global Fund - HIV-AIDS Grant - KEN-H (NFM4) - BETA	4,186,572,056.00	4,186,572,056.00	100.00%	Project ongoing

6.	National Treasury Special Global Fund - TB Grant - KEN-T (NFM4) - BETA	593,269,152.00	197,347,205.00	33.26%	Project ongoing
7.	National Treasury Infrastructure Finance and Public Private Partnerships Project (IFPPP), Credit/Grant No.: 51570-KE - BETA	43,000,000.00	43,000,000.00	100.00%	Project Completed
8.	National Treasury Infrastructure Finance Public Private Partnerships-Additional Financing (IFPPP2-AF), Credit/Grant No.: 61201-KE - BETA	689,086,883.00	689,086,883.00	100.00%	Project Completed
9.	National Treasury support to Public Financial Management (PFMR)	150,000,000. 00	26,386,200.00	17.59%	Project ongoing
10.	National Treasury Regional Integration Implementation Program	116,553,557)	115,553,557.00	99.14%	Project ongoing
11.	National Treasury Public Debt Management Support Project	59,000,000.00	34,811,027.00	59.00%	Project ongoing
12.	National Treasury Capacity Strengthening Project	50,000,000.00	6,415,211.00	12.83%	Project ongoing
13.	National Treasury Green Climate Fund Readiness Project	22,600,000.00	16,002,597	70.81%	Project ongoing
14.	National Treasury Kenya Affordable Housing Project - BETA	8,150,000,000.00	8,150,000,000.00	100.00%	Project ongoing
15.	National Treasury Supporting Access to Finance & Enterprise Recovery (SAFER) - BETA	5,900,000,000.00	5,006,270,769.00	84.85%	Project ongoing
16.	Kenya Financing Locally Led Climate Action Programme (FLLCoA) - BETA	2,000,000,000	1,525,157,868.00	76.26%	Project ongoing
17.	National Treasury Rural Kenya Financial Inclusion Facility (RK-FINFA) - BETA	650,000,000.00	604,241,997.00	92.96%	Project ongoing
18.	Operationalization of Kenya Mortage Refinancing Company (KMRC) - BETA	2,717,000,000.00	2,717,000,000.00	100.00%	Project Completed

Future Developments and other information

In the next five (5) Year period, the National Treasury plans to implement the following Four (4) Key Result areas and attendant strategies as stipulated in the Strategic Plan for the period 2023-2027:

1. Stable and sustainable macroeconomic environment

Under this Key Result Area, the National Treasury plans to:

i. Develop and implement macroeconomic and fiscal policies that support stable macroeconomic environment and stimulate economic recovery to 5.6 percent growth in FY 2027/28; boost the ratio of gross national savings to GDP to 13.3 percent in the FY 2027/28; increase the ratio of national investments to 18.6 percent GDP in the FY 2027/28;

ii. Oversee implementation of monetary policy that targets to maintain inflation rate at 5 percent +/-2.5 percent; low and stable lending interest rates; stable and competitive exchange rates; and strong official foreign exchange reserves;

iii. Establish the Kenya Credit Guarantee Company to administer CGS – This will entail establishing a functional Credit Guarantee Company to administer Credit Guarantee Scheme (CGS);

iv. Agricultural and Rural Financial Inclusion (RK- FINFA) – this will enhance access, efficiency and stability of agricultural and rural finance by smallholder farmers and agribusiness MSME;

v. Implement the Green Financial Markets programme to enhance access to green finance and strengthen the enabling environment to attract green finance and investments needed to transition to a low-carbon, climate resilient and green economy;

vi. The National Treasury has embarked to redesign the taxation instruments to make them more supportive to economic activity without distorting the market and eroding investment incentives. This will boost revenue collection and raise tax effort from the current 16.0 percent of GDP in FY 2023/24 to where it was previously, above 20 percent of GDP. This will be done through the implementation of the National Tax Policy and the Medium-Term Revenue Strategy for the period FY 2024/25 - 2026/27 that will provide a combination of tax administration and policy measures to enhance revenue mobilization; and

vii. Operationalize Nairobi International Financial Centre (NIFC) to develop a more predictable, efficient and globally competitive financial environment

2. Resource mobilization for financing public expenditure

Under this Key Result Area, the National Treasury plans to:

i. Broaden the tax base and enhance tax compliance;
ii. Digitization of government payment services;
iii. Mobilization of external and domestic resources;
iv. Diversification of borrowing sources;
v. Undertake periodical portfolio review, assessment and reporting;
vi. Enhance public debt management efficiency and transparency;
vii. Support contracting authorities in preparation of PPP projects and procurement of private investors;
viii. Support contracting authorities in the management of PPPs in operation;
ix. Enhance mobilization of resources for the Project Facilitation Fund (PFF);
x. Establish and sustain relations with investors in PPPs;
xi. Enhance PPP legal and regulatory framework;
xii. Enhance the capacity of County Governments on tax analysis and revenue forecasting; and
xiii. Development of legal framework for County Government tax processes.

3. Policy, legal and institutional frameworks for development planning, budgeting, and intergovernmental and stakeholder relations

Under this key Result Area, the National Treasury plans to: -

i. Enhance uptake of government procurement opportunities by the marginalized groups;
ii. Promote value for money in public procurement;
iii. Enforce compliance on public sector accounting standards and other government regulations;
iv. Support effective implementation and reporting of reform interventions in the PFM Reforms Strategy 2023-2028;
v. Prepare and disseminate guidelines on PFM with County Governments;
vi. Enhance compliance with PFM laws by County Governments;
vii. Enhance compliance of all public sector entities with assets and liabilities policies and guidelines;
viii. Prepare legislative proposals on sharing of resources between the two levels of governments and among the counties are in place;
ix. Enhance the capacity of SCs in budgeting, performance contracting, financial reporting, and monitoring;
x. Develop Public Investment Policy and Guidelines;
xi. Digitalize and automate the budget process;
xii. Improve efficiency and effectiveness in pensions administration and management;
xiii. To strengthen transparency and accountability in public investment management; and
xiv. Provide objective assurance on Management of resources in public sector entities.

4. Strengthened institutional capacity and internal business processes

Under this Key Result Area; the National Treasury will implement the following;

i. Scale up efforts to towards optimal staffing levels;
ii. Undertake Employee capacity building and development;
iii. Institutionalize knowledge management;
iv. Restructure the Organizational for enhanced productivity;
v. Enhancement of communication mechanism and brand identity; and
vi. Enhance the efficiency and effectiveness of planning and project monitoring.

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The National Treasury's mandate is to formulate, implement and monitor prudent economic and financial policies at national and county levels of government as guided by the following SMART core values include:

Core Value	Description
Stakeholder participation	Adopt a participatory approach to policy formulation, planning, budgeting, monitoring and evaluation to facilitate inclusiveness, ownership and consensus.
Transparency and accountability	Committed to openness, prudence and accountability in service delivery.
Results oriented	Pursuing timely and effective attainment of targeted results at all levels
Integrity	Uphold high moral standards and professional competence in service delivery.
Customer focus	Putting customers first and continuously provide equitable, timely and quality services that match or exceed their expectations.
Teamwork and commitment	Embracing teamwork and commitment through collaborative efforts of all actors to achieve common goals.

Sustainability Strategy and Profile
The Kenyan economy has remained resilient and is now recovering from the recent multiple domestic and external shocks. These shocks included geopolitical conflicts and adverse effects of climate change.

In order to mitigate the negative impact of these shocks, the following policy interventions have been implemented under the Bottom-Up Economic Transformation Agenda (BETA) centered around three main areas:

i. Fostering stability in the economy and public finance as a pre-condition for secure and sustained economic growth;
ii. Strengthening implementation of growth enhancing, structural and institutional reforms; and
iii. Sustaining measures to boost longer-term resilience and economic growth including public investment for accelerated private investment, supporting manufacturing for job creation, fostering environmental sustainability, climate change mitigation and adaptation.

The focused interventions, structural reforms and policies of the Government over the last two years have started to yield some positive results namely:

i) Kenya's growth outlook indicates a stable macroeconomic environment Growth of 5.3 percent in 2025 enhanced agricultural productivity; resilient services sector; and ongoing implementation of priorities under BETA for inclusive growth;

ii) Inflation has significantly declined and remained below the target midpoint of 5.0 percent since June 2024, reflecting the effectiveness of monetary policy, and lower energy and food prices. Inflation declined to 4.1 percent in April 2025 from 5.0 percent in April 2024;

iii) To reduce the cost of credit, monetary policy has gradually eased by lowering the Central Bank Rate from 13.0 percent in August 2024 to 10.0 percent in April 2025, in response to low inflation and a stable exchange rate. This approach aims to lower interest rates, encouraging banks to lend more to the private sector and stimulate economic activity;

iv) The foreign exchange market remained stable since March 2024 despite increased global uncertainties, effects of a stronger U.S. Dollar and geopolitical tensions in the Middle East and Eastern Europe; and

v) The Kenya Shilling exchange rate exchange rate has stabilized against other major international currencies. In April 2025, the exchange rate against the US dollar averaged at Ksh 129.5 compared to an average of Ksh 159.7 in January 2024, an appreciation of 18.9 percent.

vi) Real GDP grew by 4.7 percent in 2024 supported by positive growths in all sectors except construction and mining. This growth was lower compared to 5.7 percent in 2023 mainly due to adverse effects of floods in the second quarter and the anti-Finance Bill protests in the third Quarter of 2024 that disrupted economic activities. The economy remained strong and resilient in the first quarter of 2025 with a growth of 4.9 percent, and is projected to rebound and grow by 5.3 percent in 2025;

vii) Nominal GDP rose to 16.2 trillion in 2024 from Ksh 13.5 trillion in 2023; a 12% increase. Similarly, GDP per capita income increased to Ksh 309,460 in 2023 from Ksh 291,770 in 2023;

viii) Total new jobs (both formal and informal) generated in the economy were 782.3 thousand in 2024. Of this, wage employment in the modern sector grew by 4.1% which translated to creation of 122.8 thousand new jobs;

ix) The overall year-on year inflation is under control and within the Government target range of 5±2.5 percent. Inflation declined to 3.8 percent in June 2025 from 4.6 percent in June 2024;

x) In June 2025, it exchanged at an average of KSh 129.3 per US Dollar compared with KSh 129.4 per US Dollar in June 2024. Against the Euro, the Shilling traded at an average of KSh 149.2 by end of June 2025 compared to KSh 139.3 by end of June 2024, while against the Sterling Pound, it exchanged at an average of KSh 175.5 compared to KSh 164.5 over the same period.

In order to support the Government's Bottom-Up Economic Transformation Agenda (BETA), the National Treasury has implemented a growth responsive fiscal consolidation plan over the last two years designed to reduce debt vulnerabilities and rebuild fiscal buffers amid significant global and

domestic challenges. Special focus has been placed on broadening the revenue base and containing non-priority expenditures while enhancing social safety nets with the support of our Development Partners.

Environmental performance/climate change/mitigation of natural Disaster
The National Treasury has constituted a committee comprising officers from the key Departments of the Ministry to oversee all matters relating to environmental sustainability. The National Treasury participated in tree planting exercise which saw over 1,499,260 seedlings planted at Muumandu in Machakos County, Sorget in Kericho County, Kaptaget in Elgeyo Marakwet County. Additionally, to ensure a conducive work environment, the National Treasury has contracted a company to manage cleaning and waste disposal services.

Employee welfare
Employee welfare is critical for effective implementation of the programmes and projects of an organization. Noting the importance of human resources, the National Treasury has a department established to handle Human Resources Management and Development. The Ministry has also established a Human Resource Management Advisory Committee and Departmental Training Committees that processes all the promotions, discipline, training, appraisal and general employee matters in line with the Public Service guidelines and procedures. Recruitment of officers is guided by the principles of the public service such as inclusivity among others.

In addition, a committee on occupational safety and health has been established to follow up of the safety conditions in the work place. In order to attract and retain competent officers, the National Treasury conducted capacity building for the staff in various technical subjects and recruited officers at the entry grade to fill skills gaps and enhance human resource capacity.

During the review period, we implemented succession management plan by declaring vacant posts to be filled by the Public Service Commission at the higher levels. This is a preparation for the anticipated exit from service in the next two years arising from retirement of officers who will have attained the exits mandatory retirement age. Further, the National Treasury has continued to build the capacity on the online staff appraisal management system in collaboration with the Public Service Commission to ensure seamless implementation of the system.

Operational Practices/Market place practices
The National Treasury is responsible for promoting fair trade practices in the economy. To ensure effective implementation of this function assigned by the Constitution, one of the programmes implemented by the Treasury is ensuring that existing market structures encourage competition and orderly conduct of business in order to support high productivity and competitive markets. This is undertaken mainly by the Competition Authority of Kenya, a State Corporation under the National Treasury. Further, to guarantee fairness in the allocation of procurement contracts, the National Treasury ensures strict adherence to the provisions of the Public Procurement and Assets Disposal Act and its regulations. In addition, invoices for goods and services received/rendered are paid based on first-in-first-out (fifo) method.

Community Engagements

Towards Corporate social responsibility, members of staff from the National Treasury participated in tree planting exercise which saw over 1,499,260 seedlings planted at Muumandu in Machakos County, Sorget in Kericho County, Kaptaget in Elgeyo Marakwet County. The National Treasury took part in the 9th edition of the Kaptagat Integrated Livelihood Program's Annual Tree Growing Initiative to advance Kenya's reforestation efforts.

11. STATEMENT OF PENSIONS FUND MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 and The Pensions Act Cap 189 requires that, at the end of each financial year, the Accounting Officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the National Treasury is responsible for the preparation and presentation of the Pensions and Gratuities Departments – Pensions and Gratuities financial statements, which give a true and fair view of the state of affairs of the Pension Fund for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Pension Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the National Treasury accepts responsibility for the entity's financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the Pensions and Gratuities Departments – Pensions and Gratuities financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2025, and of the entity's financial position as at that date. The Accounting Officer in charge of the National Treasury further confirms the completeness of the accounting records maintained for the Pensions and Gratuities Departments – Pensions and Gratuities, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the National Treasury confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants, and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further, the Accounting Officer confirms that the entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The National Treasury – CFS Pension and Gratuities financial statements were approved on 14/11, 2025 and signed by:

DR. CHRIS KIPTOO, CBS
PRINCIPAL SECRETARY

FRANCIS L. AMUYUNZU
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SENIOR DEPUTY ACCT. GENERAL

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REPORT OF THE AUDITOR-GENERAL ON CONSOLIDATED FUND SERVICES – PENSIONS AND GRATUITIES FOR THE YEAR ENDED 30 JUNE, 2025 – THE NATIONAL TREASURY

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;

B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Consolidated Fund Services – Pensions and Gratuities set out on pages 1 to 21, which comprise of the statement of financial position as at 30 June, 2025 and the statement of changes in net assets available for benefits, statement of changes in retirement benefit obligations,

statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Consolidates Fund Services – Pensions and Gratuities as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Pensions Act Cap 189 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Long Outstanding and Unresolved Fraudulent Payments

The statement of financial position reflects a cash and cash equivalents balance of Kshs.7,948,758,378, as disclosed in Note 9 of the financial statements. However, review of the bank reconciliation statements provided for audit revealed that the June, 2025 bank reconciliation statement reflects an amount of Kshs.15,640,107 in respect to payments in bank not in cash book which upon analysis revealed that the amount had been outstanding since 2008. Further, as previously reported, an amount of Kshs.14,891,205 was attributed to fraudulent payments which were investigated and after the due process was completed, the amount was categorized as a loss and a loss report prepared and submitted to the National Treasury. Although management reported to have expedited the process of obtaining approval to write off this amount, the process had not been completed and the amount remained outstanding as at 30 June, 2025.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.7,948,758,378 could not be confirmed.

2. Long Outstanding and Unsupported Accounts Payable Balance

As previously reported, the statement of financial position reflects a payables balance of Kshs.12,985,397,296 which, as disclosed in Note 11 to the financial statements, relates to returned pensions (re-credited cheques) for beneficiaries whose accounts experienced failed credits. The audit revealed that the returned pensions amount has been increasing over the years (FY 2023/2024 – Kshs.7,109,779,106, FY 2022/2023 – Kshs.6,715,563,752).

Although Management had committed to implement a comprehensive action plan to resolve the outstanding balance, including the identification of beneficiaries or their dependents for unclaimed amounts, the balance continues to increase. Notably, the balance rose by 82% from the prior year's balance of Kshs.7,109,779,106. This trend raises concerns regarding the adequacy of follow-up mechanisms, the accuracy of pensioner payment details and the timeliness of reconciliation processes for failed transactions. Further, out of the balance of Kshs.12,985,397,296, a balance of

Kshs.8,897,341,197 had the name and pension number indicated as various and was therefore not supported.

Further, the re-credited funds were not available in the bank accounts to pay the returned pensions in the event of claim by the beneficiaries. The aging analysis of the balance is as follows:

Category	Balance as at 30 June, 2025 (Kshs.)	% of the Total	Balance as at 30 June, 2024 (Kshs.)	% of the Total
Below 1 year	5,875,618,190	45%	418,364,502	6%
Between 1–3 years	1,098,413,908	9%	1,939,143,921	27%
Between 4–5 years	1,833,496,312	14%	1,060,450,154	15%
Above 5 years	4,177,869,606	32%	3,691,820,529	52%
Total	**12,985,397,296**	**100%**	**7,109,779,106**	**100%**

In the circumstances the accuracy and completeness of the payables balance of Kshs.12,985,397,296 could not be confirmed.

3. Failure to Disclose Provision for Actuarial Present Value of Promised Retirement Benefits

The statement of financial position reflects a nil balance for the provision relating to the actuarial present value of promised retirement benefits. The revised financial reporting template issued by the Public Sector Accounting Standards Board (PSASB) requires pension schemes to disclose this liability. The omission means the financial statements do not present the scheme's long-term obligations, reducing transparency and compliance with the prescribed reporting framework.

In the circumstances, the accuracy and completeness of the nil balance in respect of the provision for actuarial present value of promised retirement benefits could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Consolidated Fund Services – Pensions and Gratuities Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Information

Management is responsible for the Other Information set out on page iv to lxviii which comprise of Key National Treasury Information and Management, Profile of the Cabinet Secretary, National Treasury, Profile of the Principal Secretary, National Treasury, Statement by the Cabinet Secretary, Statement by the Principal Secretary, Statement of Performance Against Predetermined Objectives, Statement of Governance, Management Discussion and Analysis, Environmental and Sustainability Reporting and Statement of Pensions Fund Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Consolidated Fund Services – Pensions and Gratuities financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Payments to Dependents for More than Five Years

Analysis of the dependants' payroll data revealed that nine (9) widows continued to receive deceased pensioners' benefits beyond the stipulated five-year period, amounting to Kshs.2,093,448 during the year under review. This was contrary to Section 17(1)(a) of the Pensions Act, Cap 189 which provides that a widow's pension shall be payable for a period not exceeding five years from the date it becomes due, unless otherwise provided by the Act. Although Management indicated that the payments had been ceased and recovery of overpaid amounts initiated, no evidence to that effect was provided for review.

In the circumstances, Management was in breach of the law.

2. Delay in Payment of Lumpsum and Monthly Arrears

Review of pension lumpsum and arrears data revealed that seventeen (17) pensioners had not been paid, twelve (12) months after retirement, contrary to Section 5(1) of the

Pensions Act, Cap 189, which requires all payments to be settled within ninety (90) days. The total amount due as at the time of the audit was Kshs.31,094,710, indicating a systemic failure in the timely disbursement of pensioners benefits.

In the circumstances, Management was in breach of the law.

3. Failure to Prepare and Submit Quarterly Financial Reports

During the year under review, the Pensions Department failed to prepare and submit quarterly financial reports as required by Section 83(1) to (3) of the Public Finance Management Act, 2012 which states, *inter alia*, that an accounting officer for a national government entity shall prepare a report for each quarter of the financial year in respect of the entity and not later than fifteen days after the end of each quarter, the accounting officer shall submit the quarterly report to the Cabinet Secretary responsible for the entity and the National Treasury.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Incomplete Pension Records

Review of the pension management system and analysis of the pension data revealed several data integrity issues as detailed below;

(i) There were four thousand eight hundred and forty-three (4,843) pensioners in the main payroll for December, 2024 with either invalid or missing tax PINs in the system.

(ii) The pension enrolment data contained seven (7) records with either incomplete or future dates of enrolment.

(iii) There were four thousand eight hundred and forty-seven (4,847) pensioners in the main payroll whose date of birth was identical to their enrolment or end-of-service date.

(iv) There were forty thousand, one hundred and forty (40,140) pensioners in the month of June, 2025 who had invalid ID numbers.

(v) There were two thousand, nine hundred and twelve (2,912) deceased principal pensioners who had their names captured as "DUMMY".

(vi) There were two thousand, three hundred and eighty-six (2,386) instances where the pensioners' names were identical to the dependents' names.

(vii) The audit revealed seventy-three thousand, one hundred and fifty-three (73,153) instances where the death date was set to null (blank) in the pension system.

In the circumstances, the credibility and integrity of the pensioners' data used for processing pension payments could not be confirmed.

2. Inadequate Staffing

Review of the approved staff establishment for the Pensions Department revealed that the Department had technical staff authorized establishment of four hundred and eighty-two (482) personnel against the in-post of one hundred and sixty (160) personnel leading to shortage of three hundred and twenty-two (322) staff. The Department continues to experience shortage of technical staff across a number of cadres. Although Management indicated that engagements were ongoing with the Public Service Commission and the National Treasury's Human Resource Department, this situation had not been resolved as at the time of the audit.

In the circumstances, the current staffing gaps pose a significant risk to the achievement of the Department's strategic objectives and the quality of service provided to the public.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Scheme's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/. This description forms part of my auditor's report.

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

21 November, 2025

13. STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED 30TH JUNE 2025.

Description	Note	2024/2025
		Kshs
Net assets available for benefits(at the beginning of the year)	**10**	**(28,380,737,215)**
Dealings with Members		
Exchequer Releases(Funding From Sponsor)	**6a**	172,861,045,862
Exchequer Releases for PSSF	**6b**	34,335,018,130
Transfers to PSSF	**7**	(34,335,018,130)
Benefits paid and payable	**8a**	(149,516,947,565)
Net Surplus/(Deficit) from dealings with members		**23,344,098,297**
Increase/(Decrease) in Net Assets for the Year		**23,344,098,297**
Net Assets available for benefits as at 30th June		**(5,036,638,918)**

The financial statements for the National Treasury-CFS Pensions and Gratuities were approved on 14/11 2025 and signed by:

.....

DR.CHRIS KIPTOO,CBS
PRINCIPAL SECRETARY

.....

CPA FRANCIS AMUYUNZU
ICPAK NO. 6175
SENIOR DEPUTY ACCT. GENERAL

14. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2025

Description	Note	*2024/2025*	*Opening Balance as at 1st July,2024*
		Kshs	Kshs
Assets			
Cash and Cash Equivalents	9	7,948,758,378	1,404,944,844
Total Assets		**7,948,758,378**	**1,404,944,844**
Liabilities			
Payables	11	12,985,397,296	29,785,682,059
Total Liabilities		**12,985,397,296**	**29,785,682,059**
Net Assets available for benefit as at 30th June		**(5,036,638,918)**	**(28,380,737,215)**
Provision for the actuarial present value of promised retirement benefits		-	-
Reserves		-	-
Excess/(Deficit) of funding/(Fund Value)		**(5,036,638,918)**	**(28,380,737,215)**

The National Treasury-CFS Pensions and Gratuities financial statements were approved on 14/11 2025 and signed by:

DR.CHRIS KIPTOO,CBS
PRINCIPAL SECRETARY

CPA FRANCIS AMUYUNZU
ICPAK NO. 6175
SENIOR DEPUTY ACCT. GENERAL

15. STATEMENT OF CHANGES IN RETIREMENT BENEFIT OBLIGATIONS FOR THE YEAR ENDED 30 JUNE 2025

Description	Note	2024/2025
		Kshs
Retirement benefit obligations as at 1st July (beginning of the year)	10	**(28,380,737,215)**
Funding from sponsor/Exchequer Releases	6	172,861,045,862
Changes in actuarial assumptions		-
Total increase in retirement benefit obligations		**172,861,045,862**
Benefits paid and payable	8a	(149,516,947,565)
Total decrease in retirement benefit obligations		**(149,516,947,565)**
Retirement benefit obligations as at 30th June (end of year)		**(5,036,638,918)**

The National Treasury-CFS Pensions and Gratuities financial statements were approved on 14/11/ 2025 and signed by:

.....

DR.CHRIS KIPTOO,CBS
PRINCIPAL SECRETARY

.....

CPA FRANCIS AMUYUNZU
ICPAK NO. 6175
SENIOR DEPUTY ACCT. GENERAL

16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2025

Description	Note	2024/2025
		Kshs
Cash flows from operating activities		
Receipts		
Funding from sponsor/Exchequer Releases	6a	172,861,045,862
Exchequer Releases for PSSF	6b	34,335,018,130
Deposits received	11b	6,826,713,860
Total cash inflows		**214,022,777,852**
Payments		
Benefits paid(during the year)	8a	149,516,947,565
Pending Bill	8b	22,675,902,953
Transfers to PSSF	7	34,335,018,130
Deposits paid	11b	951,095,670
Total cash outflows		**207,478,964,318**
Net cash inflows/(outflows) from operating activities		**6,543,813,534**
Cash flows from investing activities		-
Cash flows from financing activities		-
Increase/(decrease) in cash and cash equivalents		**6,543,813,534**
Cash and cash equivalents at beginning of year	10	**1,404,944,844**
Cash and cash equivalents at end of the year	10	**7,948,758,378**

The National Treasury-CFS Pensions and Gratuities financial statements were approved on 14/11 2025 and signed by:

DR.CHRIS KIPTOO,CBS
PRINCIPAL SECRETARY

CPA FRANCIS AMUYUNZU
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SENIOR DEPUTY ACCT. GENERAL

17. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	c = a + b	d	e= c - d	d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Budget Carryovers	-	-	-	-	-	-
Receipts (Exchequer issues)						
Ordinary Pension (Monthly)	88,112,817,695	5,663,330,218	93,776,147,913	91,365,170,001	2,410,977,912	97%
Commuted Pension (Lumpsum)	70,209,297,048	15,552,520,021	85,761,817,069	81,484,850,926	4,276,966,143	95%
Other Pensions Schemes						
Refund of contributions to WCPS & other ex-gratia.	92,100,000	-	92,100,000	11,024,935	81,075,065	12%
Refunds of pension to UK government	40,000,000	-	40,000,000	-	-	-
Accrued benefits for PSSS upon early exits	6,500,000,000	-	6,500,000,000	-	-	-
PSSS Government contribution	34,411,917,636	2,564,791,115	36,976,708,751	34,335,018,130	2,641,690,621	93%
Total Receipts	**199,366,132,379**	**23,780,641,355**	**223,146,773,734**	**207,196,063,992**	**15,950,709,741**	**93%**
Payments						
Ordinary Pension (Monthly)	88,112,817,695	5,663,330,218	93,776,147,913	91,365,170,001	2,410,977,912	98%
Commuted Pension (Lumpsum)	70,209,297,048	15,552,520,021	85,761,817,069	80,816,655,582	4,945,161,487	93%
Other Pensions Schemes						

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	c = a + b	d	e= c - d	d/c%
Refund of contributions to WCPS & other ex-gratia.	92,100,000	-	92,100,000	11,024,935	81,075,065	12%
Refunds of pension to UK government	40,000,000	-	40,000,000	-	-	0%
Accrued benefits for PSSS upon early exits	6,500,000,000	-	6,500,000,000	-	-	0%
Transfers to PSSS	34,411,917,636	2,564,791,115	36,976,708,751	34,335,018,130	2,641,690,621	93%
Total Payments	**199,366,132,379**	**23,780,641,355**	**223,146,773,734**	**206,527,868,648**	**10,078,905,085**	**93%**
Surplus/Deficit	-	-	-	**668,195,344**	**(668,195,344)**	

Note; There was no expenditure on PSSS early exit since the operational law is still being amended. For pensioners paid by Crown Agent, no reimbursement was done. For refunds on WCPS & ex-gratia payment only Kshs.11,024,935 was paid on all claims received and paid.

The National Treasury-CFS Pensions and Gratuities financial statements were approved on 14/11 2025 and signed by:

.....
DR.CHRIS KIPTOO,CBS
PRINCIPAL SECRETARY

.....
CPA FRANCIS AMUYUNZU
ICPAK NO. 6175
SENIOR DEPUTY ACCT. GENERAL

18. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The National Treasury-CFS Pensions Department is established by and derives its authority and accountability from The Pension Act Cap 189. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is the payment of pensions to retired civil servants who previously offered services to the Kenyan government.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts, and actuarially determined liabilities at their present value. The entity has taken advantage of the transitional provisions under IPSAS 33 and therefore these 1st year financial statements are transitional financial statements. Preparing financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the National Treasury-CFS Pensions Department and all values are rounded off to the nearest Kenya Shillings. The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2025.

There were no new and amended standards issued in the financial year.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025

Standard	Effective date and impact
IPSAS 43: Leases	***Applicable 1st January 2025*** The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	***Applicable 1st January 2025*** The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
IPSAS 45: Property Plant and Equipment	***Applicable 1st January 2025*** The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46: Measurement	***Applicable 1st January 2025*** The objective of this standard was to improve measurement guidance across IPSAS by:

	i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value.
IPSAS 47: Revenue	***Applicable 1st January 2026*** This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48: Transfer Expenses	***Applicable 1st January 2026*** The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49: Retirement Benefit Plans	***Applicable 1st January 2026*** The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	***Applicable 1st January 2027*** The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

iii. Early adoption of standards

The Entity adopted the following standards early:

IPSAS 49: Retirement Benefit Plans	***Applicable 1st July 2026*** Early adoption of IPSAS 49 on Retirement Benefit Plans offers several benefits, including improved transparency, enhanced comparability, and alignment with international accounting standards. It strengthens governance and risk management practices while providing clearer financial information for decision-making. Adopting the standard early also allows entities to prepare systems and staff ahead of mandatory implementation, reducing future compliance risks. Additionally, it can improve stakeholder confidence, support better communication with employees and the public, and potentially lead to favourable audit outcomes and credit assessments.

Notes to the Financial Statements (Continued)

4. Summary of Significant Accounting Policies

The principle accounting policies adopted in the preparation of these financial statements are set out below:

a) Revenue recognition

Revenue is measured based on the consideration to which the entity expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The entity recognizes revenue when it transfers control of a product or service to a customer.

i) **Contributions from employers/employees** are recognized when it is probable that the economic benefits or service potential of the contributions will flow to the Scheme.

ii) **Transfers from the National Government** are recognized in the year in which the fund actually receives such grants.

iii) **Investment income** comprises interest receivable from bank deposits and investment in securities, and is recognized in statement of net assets available for benefits on a time proportion basis using the effective interest rate method.

iv) **Miscellaneous income** is recognized as it accrues.

b) In-kind contributions

In-kind contributions are donations that are made to the fund in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the fund includes such value in the statement of changes in net assets available for benefit both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

c) Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya at the end of the reporting period.

d) Budget information

The original budget for FY 2024/2025 was approved by the National Assembly on xxx. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations on the FY 2024/2025 budget following the governing body's approval. .

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

e) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

f) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the fund. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed

- Availability of funding to replace the assets

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 11.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Notes to the Financial Statements (Continued)

6. Exchequer Releases

Description	2024/2025			2023/2024
	a. CFS	b. PSSS	Total	Audited
	Kshs	Kshs	Kshs	Kshs
For Quarter One	51,141,735,762	7,906,329,733	59,048,065,495	30,832,432,725
For Quarter Two	51,822,467,887	8,253,912,567	60,076,380,454	28,173,009,261
For Quarter Three	25,042,961,131	8,878,069,849	33,921,030,980	42,019,605,481
For Quarter Four	44,853,881,082	9,296,705,981	54,150,587,063	47,923,527,522
Total	**172,861,045,862**	**34,335,018,130**	**207,196,063,992**	**148,948,574,989**

7. Transfers to PSSF

Description	2024/2025	2023/2024
	Kshs	Kshs
For Quarter One	7,906,329,733	4,590,153,401
For Quarter Two	8,253,912,567	-
For Quarter Three	8,878,069,849	14,637,574,032
For Quarter Four	9,296,705,981	12,380,307,728
Total	**34,335,018,130**	**31,608,035,161**

8. Benefits Paid and Payable

a) Paid during the year

Description	2024/2025	2023/2024
	Kshs	KShs
Ordinary Pensions		
Civil Pensions	68,992,072,175	61,667,825,279
Military Pensions	9,150,795,069	8,403,837,502
Widows, Children & Dependants Pension	11,703,819,257	10,644,501,119
Civil Pensions MP's	493,777,316	459,432,339
Civil Pensions President	15,840,000	15,840,000
Sub Total	**90,356,303,817**	**81,191,436,238**

Commuted Pension(Lumpsum)		
Commuted Civil Pensions and Gratuities	52,294,873,910	31,260,865,723
Military gratuities	5,724,867,660	4,876,541,080
Commuted Pensions MP's	80,755,336	122,189,550
Commuted Pensions	1,052,514,996	1,098,026,203
Sub Total	**59,153,011,902**	**37,357,622,556**
Other Pension Schemes		
Refunds and other ex-gratia allowances	7,631,846	3,609,687
Payment to Crown Agents	-	-
Refunds to PSSS early exits	-	-
Sub Total	**7,631,846**	**3,609,687**
Total	**149,516,947,565**	**118,552,668,481**

b) Pending Bill Carried Forward From The Financial Year 2023/2024

Description	*2024/2025* Kshs
Ordinary Pensions	
Civil Pensions	1,008,911,185
Sub Total	**1,008,911,185**
Commuted Pension(Lumpsum)	
Commuted Civil Pensions and Gratuities	18,795,838,982
Military gratuities	2,216,975,365
Commuted Pensions	650,784,332
Sub Total	**21,663,598,679**
Other Pension Schemes	
Refunds and other ex-gratia allowances	3,393,089
Sub Total	**3,393,089**
Total	**22,675,902,953**

9. Cash and Cash Equivalents

Description	Nature of Account	2024/2025	2023/2024
		Kshs	Kshs
Bank Deposits			
CFS-Pensions Central Bank of Kenya A/C No. 1000204397(KES)	Recurrent	7,948,758,378	1,404,944,844
PSSS-Central Bank of Kenya A/C 1000482044 (KES)	Recurrent	-	-
Total		**7,948,758,378**	**1,404,944,844**

10. Fund balance b/f (Net assets available for benefits)

Description	2023/2024	2022/2023
	Kshs.	Kshs
Assets		
Cash and Cash Equivalents	1,404,944,844	4,598,497,594
Liabilities		
Accounts Payables	(29,785,682,059)	(9,091,203,203)
Net Assets	**(28,380,737,215)**	**(4,492,705,609)**

11. Payables

Description	2024/2025	2023/2024	2023/2024
		Restatement	
	Kshs	Kshs	Kshs
Opening balance(Payables As At 1st July)	**29,785,682,059**	**6,715,563,752**	**6,715,563,752**
Increase/ (Decrease) In Payables	(16,800,284,763)	394,215,354	394,215,354
Pending bill	-	22,675,902,953	
Payables As At 30th June	**12,985,397,296**	**29,785,682,059**	**7,109,779,106**

Note:

- The figure for payables for the FY 2023/2024 comprises of Ksh. 7,109,779,106 relating to deposits(re-credited cheques) and pending bill of **Kshs.22,675,902,953**
-

11b. Movement of Payables

Description	2024/2025
	Kshs
Opening Balance (As at 1st July)	29,785,682,059
Add:	
Deposits Received	6,826,713,860
Less:	
Payment of Pending Bills	(22,675,902,953)
Deposits Paid	(951,095,670)
Closing Balance (As at 30th June)	**12,985,397,296**

11c. Aging Analysis for Deposits (Re-credited Cheques)

Category	2024/2025	% of the total	2023/2024	% of the total
Under one year	5,875,618,190	45%	418,364,502	6%
1-3 years	1,098,413,098	8%	1,939,143,921	27%
4-5 years	1,833,496,312	14%	1,060,450,154	15%
Over 5 years	4,177,869,696	32%	3,691,820,529	52%
Total	**12,985,397,296**		**7,109,779,106**	

12. Provision for the actuarial present value of promised retirement benefits

The provision for the actuarial present value of promised retirement benefits represents the amount the employer expects to pay out in the future for those retirement benefits, measured in present value terms as of the current reporting date. The calculation of the provision for these benefits is based on an actuarial valuation that uses assumptions like the discount rate, salary increases, and life expectancy.

The Pensions Department will commission an actuarial study to determine the actuarial present value of promised retirement benefits in line with the requirements of IPSAS 49 for Defined Benefit Schemes.

13. Related Party Disclosures

The Pensions Department regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence, or vice versa. During the year, the fund had no transactions with related parties.

14. Financial Risk Management

The Pensions Department activities expose it to a variety of financial risks including credit and liquidity risks. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

The fund's financial risk management objectives and policies are detailed below:

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the Trustees. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment. The management sets the fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

Notes to the Financial Statements (Continued)

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's Trustees, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

(iii) Market risk

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the management.

The department has a risk management committee which is responsible for the development of detailed risk management policies and for the day-to-day implementation of those policies. There has been no change to the fund's exposure to market risks or the manner in which it manages and measures the risk.

19. APPENDICES

Appendix 1: Implementation Status Of Auditor-General prior year recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
1.0	Long Outstanding Reconciliation Items.	Management prepared a loss report and submitted to the CS National Treasury for write-off approval	Michael Kagika S/Director Pensions	Partially resolved	
2.0	Long Outstanding Payables	Effort done	Michael Kagika S/Director Pensions	Partially resolved	
3.0	Incomplete Records	A team is appointed to address files that have incomplete records.	Michael Kagika S/Director Pensions	Partially resolved	
4.0	Budgetary Control and Performance	Management engaged the exchequer to advocate for equal and timely funding	Michael Kagika S/Director Pensions	Resolved	
5.0	Delay in processing of pension payments	Effort done	Michael Kagika S/Director Pensions	Partially resolved	
6.0	Inadequate staffing	Recruitment of additional officers and re-engineering of systems to reduce workload on staff	Michael Kagika S/Director Pensions	Partially resolved	

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DR.CHRIS KIPTOO,CBS
PRINCIPAL SECRETARY

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CPA FRANCIS AMUYUNZU
ICPAK NO. 6175
SENIOR DEPUTY ACCT. GENERAL

Appendix 2: Bank Reconciliation Statement

REPUBLIC OF KENYA

F.O 30

PENSIONS DEPT-NAIROBI CFS-R051 A/C NO 1000204397

BANK RECONCILIATION AS AT THE END OF 30 JUNE 2025

DETAILS	KSHS	KSHS
BANK BALANCE AS PER CERTIFICATE		29,221,064,651.25
LESS- 1 & 2		
1.PAYMENTS IN CASH BOOK NOT IN BANK	30,072,712,202.15	
[UNPRESENTED CHEQUES]		
TOTAL UNCLEARED EFFECTS		
2. RECEIPTS IN BANK NOT IN CASH BOOK	-	
TOTAL-APENDEX 1 &2	30,072,712,202.15	(30,072,712,202.15)
ADD - 3 & 4		
3.PAYMENT IN BANK NOT IN CASHBOOK-	15,640,107.45	
4. RECEIPTS IN CASH BOOK NOT IN BANK	8,784,765,821.75	
TOTAL APENDEX 3& 4	8,800,405,929.20	8,800,405,929.20
BANK BALANCE AS PER CASHBOOK		7,948,758,378.30

"DETAILS OF THE ABOVE ATTACHED"

"I CERTIFY THAT I have verified the bank balance in the cash book with the Bank statement and that the above Reconciliation is correct".

signature----------

Designation ASSISTANT ACCOUNTANT GENERAL

DATE---------- 14/11/2025

Appendix 3: Trial Balance

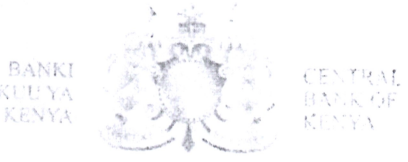
TRIAL BALANCE
CFS PENSIONS
FOR THE YEAR ENDED 30 JUNE, 2025

	DR	CR
Exchequer releases		207,196,063,992
Other Receipts		-
Payments to Pensions	172,192,850,518	
Transfer to PSSS (Employer Contributions to Staff Pensions Scheme)	34,335,018,130	
Other Payments	-	
Bank Balances(CFS)	7,948,758,378	
Bank Balances(PSSS)	-	
Accounts Payables - Deposits		12,985,397,297
Fund balance b/fwd	5,704,834,263	
	220,181,461,289	**220,181,461,289**

TRIAL BALANCE
CFS PENSIONS
FOR THE YEAR ENDED 30 JUNE, 2024

	DR	CR
Exchequer releases		148,948,574,989
Other Receipts		-
Payments to Pensions	118,552,668,481	
Transfer to PSSS (Employer Contributions to Staff Pensions Scheme)	31,608,035,161	
Other Payments	-	
Bank Balances(CFS)	1,404,944,844	
Bank Balances(PSSS)	-	
Accounts Payables - Deposits		7,109,779,106
Fund balance b/fwd	4,492,705,609	
	156,058,354,095	156,058,354,095

Appendix 4: Certificate of Balances



July 21, 2025

CERTIFICATE OF BALANCES

Customer : 120373 NATIONAL TREASURY
Balance
Date: 30-Jun-25

Account No	Account Name	Currency	Balance
1000204397	REC-PENSIONS	KES	29,221,064,651.25
1000209518	NATIONAL TREASURY REVENUE COLL.	KES	0.00
1000213744	EUROPEAN WIDOWS AND ORPHANS PENSION	KES	179,294,427.85
1000213752	ASIAN OFFICERS FAMILY PENSION FUND	KES	450,000,866.25
1000213768	PROVIDENT FUND KE AND EA COMMUNITY	KES	0.00
1000482044	PUBLIC SERVICE SUPERANNUATION SCHEM	KES	0.00

Micah Nabori
Authorised Signatory
Banking Services Division

Joyce Nasieku
Authorised Signatory
Banking Services Division