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THE SENATE

24/02/26

STANDING COMMITTEE ON FINANCE AND BUDGET

REPORT

ON

PAPERS LAID	
DATE	24/2/2026.
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	Cherry.

THE 2026 MEDIUM TERM DEBT MANAGEMENT STRATEGY

Clerk's Chambers,
Parliament Buildings,
NAIROBI.

February, 2026

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LIST OF ABBREVIATIONS/ACRONYMS

A-i-A	-	Appropriation-in-Aid
BETA	-	Bottom-Up Economic Transformation Agenda
BPS	-	Budget Policy Statement
CAF	-	County Assembly Forum
CBK	-	Central Bank of Kenya
COG	-	Council of Governors
CRA	-	Commission on Revenue Allocation
CSD	-	Central Securities Depository
DSA	-	Debt Sustainability Analysis
ESG	-	Environmental, Social, and Governance
FY	-	Financial Year
GDP	-	Gross Domestic Product
ICPAK	-	Institute of Certified Public Accountants of Kenya
IMF	-	International Monetary Fund
KenGen	-	Kenya Electricity Generating Company
KESONIA	-	Kenya Savings and Loans Overnight Interbank Average
KPA	-	Kenya Ports Authority
KQ	-	Kenya Airways
Ksh	-	Kenya Shillings
MTDS	-	Medium-Term Debt Management Strategy
PDMO	-	Public Debt Management Office
PFM	-	Public Finance Management
PPG	-	Public and Publicly Guaranteed (Debt)
PV	-	Present Value
SLBs	-	Sustainability-Linked Bonds
USD	-	United States Dollar

PRELIMINARIES

ESTABLISHMENT AND MANDATE OF THE COMMITTEE

Article 124 (1) of the Constitution of Kenya provides that each house of Parliament may establish committees and shall make Standing Orders for the orderly conduct of its proceedings, including the proceedings of its committees.

Parliamentary Committees consider policy issues, scrutinize the workings and expenditures of the national and county governments, and examine proposals for legislation. The end result of any process in Committees is a report, which is tabled in the House for consideration.

The Senate Standing Committees on Finance and Budget is established pursuant to section 8 (1) of the Public Finance Management Act, Cap.412A and standing order 228 of the Senate Standing Orders. The Fourth Schedule to the Senate Standing Orders outlines the subject matter assigned to each specific Committee. The Standing Committee on Finance and Budget is mandated to-

- a) Investigate, inquire into and report on all matters relating to coordination, control, and monitoring of the county budgets and examine -
 - i. the Budget Policy Statement presented to the Senate;
 - ii. the report on the budget allocated to constitutional Commissions and independent offices;
 - iii. the Division of Revenue Bill, the County Allocation of Revenue Bill, the County Governments Additional Allocations Bill, and the cash disbursement schedule for county governments;
 - iv. all matters related to resolutions and Bills for appropriations, the share of national revenue amongst the counties, matters concerning the national budget, including public finance and monetary policies and public debt, planning, and development policy; and
- b. Pursuant to Article 228 (6) of the Constitution, to examine the report of the Controller of Budget on the implementation of the budgets of county governments.

MEMBERSHIP OF THE COMMITTEE

The Standing Committee on Finance and Budget was constituted by the Senate of the Thirteenth (13th) Parliament on Thursday, 13th October, 2022 during the First Session. The

Committee was later reconstituted on Wednesday, 12th February, 2025, during the Fourth Session. The Committee as currently constituted is comprised of the following Members-

- | | | |
|--|---|-------------------------|
| 1. Sen. (Capt.) Ali Ibrahim Roba, EGH, MP | - | Chairperson |
| 2. Sen. Maureen Tabitha Mutinda, CBS, MP | - | Vice-Chairperson |
| 3. Sen. (Dr.) Boni Khalwale, CBS, MP | - | Member |
| 4. Sen. Mohamed Faki Mwinyihaji, CBS, MP | - | Member |
| 5. Sen. Richard Momoima Onyonka, MP | - | Member |
| 6. Sen. Shakila Abdalla Mohamed, MP | - | Member |
| 7. Sen. Eddy Gicheru Oketch, MP | - | Member |
| 8. Sen. Mariam Sheikh Omar, MP | - | Member |
| 9. Sen. Esther Okenyuri, MP | - | Member |

CHAIRPERSON'S FOREWORD

The Medium-Term Debt Management Strategy (MTDS) provides a framework for informed decision-making on public borrowing and debt management. It guides the

national government in structuring the public debt portfolio to minimize costs and risks while ensuring sustainability and supporting the development of the domestic debt market.

The 2026 MTDS has been prepared pursuant to section 33 of the Public Finance Management Act, Cap. 412A. It was tabled in Parliament on Thursday, 12th February, 2026, and subsequently committed to the Standing Committee on Finance and Budget for consideration.

The submission of the MTDS aligns with section 33(1) of the Public Finance Management Act (2012), which mandates the Cabinet Secretary responsible for Finance to submit to Parliament a statement outlining the National Government's debt management strategy.

Accordingly, this report adheres to the provisions set out under section 33(3) of the Act and encompasses the following key elements-

- a) the stock of public debt as at the date of the tabling of the statement;
- b) the sources of loans acquired by the national government and the nature of guarantees issued by the national government;
- c) principal risks associated with these loans and guarantees;
- d) assumptions underpinning the debt management strategy; and
- e) an analysis of the sustainability of both actual and potential public debt.

The resolution of the House on the report on the Medium-Term Debt Management Strategy serves as the foundation for determining the appropriate limits on proposed domestic and external borrowing. Additionally, it shall inform the approval of the Budget Policy Statement Report.

The 2026 MTDS outlines the following financing strategy-

- a) 18% of gross borrowing from external sources and 82% from domestic sources over the medium term; and
- b) a net borrowing mix of 78% from domestic sources and 22% from external sources over the medium term, aimed at optimizing the cost and risk profile of financing fiscal deficits during the MTDS period FY 2026/27–FY 2028/29.

This underscores the continued reliance on the domestic market as the primary source of financing for fiscal deficits over the medium term.

Public and publicly guaranteed (PPG) debt stood at Kshs 12,299 billion (Kshs 12.30 trillion) at the end of December 2025, equivalent to 67.5% of GDP. Of this total, domestic debt amounted to Kshs 6,837 billion (Kshs 6.84 trillion), representing 37.5% of GDP, while external debt stood at Kshs 5,461 billion (Kshs 5.46 trillion), equivalent to 30.0% of GDP. Overall, domestic and external debt accounted for 55.6% and 44.4% of the total debt stock, respectively.

The PV of debt-to-GDP ratio stood above the 55% threshold set under the Public Finance Management (PFM) framework in the period ending December, 2025. The Debt Sustainability Analysis (DSA) undertaken by the National Treasury in September 2025 projects the PV of debt-to-GDP ratio at 65.3% in 2025 and 65.6% in 2026 and indicates that the ratio will remain elevated over the medium term to 2030, where it is projected at 62.1%, remaining above the prescribed threshold.

As at end-December 2025, the stock of external debt stood at Kshs 5,461.97 billion (USD 42.34 billion), 44.4% of total debt stock. Of this amount, multilateral debt accounted for Kshs 3,034.03 billion, bilateral debt Kshs 998.03 billion, commercial debt Kshs 1,356.39 billion, while guaranteed debt stood at Kshs 73.51 billion. The composition indicates continued reliance on concessional financing from multilateral and bilateral partners.

On the other hand, as at end-December 2025, the stock of domestic debt stood at Kshs 6,837.51 billion, accounting for 55.6% of total public debt. The composition remained largely concentrated in Treasury Bonds and Treasury Bills, with the ratio of Treasury Bonds to Treasury Bills standing at 84:16. Government overdraft at the Central Bank of Kenya, bank advances from commercial banks, and IMF Special Drawing Rights Allocation together accounted for about 2.7% of total domestic debt stock during the same period.

Consequently, by end-June 2025, total public debt service amounted to Ksh 1,722.1 billion, up from Ksh 1,563.3 billion in June 2024, representing an increase of Ksh 158.8 billion. Of the total, Ksh 1,143.1 billion related to domestic debt service, while Ksh 579.0 billion was external debt service.

Total debt service as a share of revenue increased from 69.1 percent in FY2023/24 to 71.2 percent in FY2024/25. A review of trends over the last five financial years indicates a sustained upward trajectory, with the ratio rising by 21.2 percentage points from 50.0 percent in FY2020/21 to 71.2 percent in FY2024/25.

Additionally, in adherence to Article 201(a) of the Constitution, the Senate conducted public participation on the 2026 MTDS through a call for submission of memoranda.

The Committee held a total of 3 sittings while processing the 2026 MTDS (*Annex 1: Minutes of Committee proceedings attached*) to deliberate on the BPS and made several observations and recommendations. These include-

Observations

- a) The financing strategy under the 2026 MTDS consists of a net borrowing structure of 78% domestic and 22% external. This indicates a continued reliance on domestic borrowing as the primary source of funding in the medium term even though domestic debt carries higher costs and risks compared to external concessional debt.
- b) The MTDS seeks to expand funding sources by exploring innovative instruments such as debt swaps, diaspora bonds, sustainability-linked bonds, Green bonds, and other Environmental, Social, and Governance (ESG) instruments to finance the budget deficit and manage public debt. However, the proposed instruments have intrinsic costs and risks that need to be carefully evaluated.
- c) As of December 2025, public debt stood at Ksh 12,299 billion, with the Present Value (PV) of debt-to-GDP ratio at 65.3%. Section 50(2A) of the PFM Act as read together with section 50(2B) presently provides that the National Treasury shall ensure compliance with the 55% threshold for public debt. However, the public debt

sustainability analysis indicates that PV of debt to GDP ratio will be at 64.2% by 2028. Therefore, in the absence of sustained fiscal consolidation and prudent debt management it is likely that the country will be in breach of their obligation under section 50(2A) of the PFM Act.

Arising from consultative engagements, the Committee made several recommendations including-

Non-financial recommendations

- a) That, to mitigate the impact of rising debt service obligations, the National Treasury should enhance efficiency in public resource utilization, prioritize expenditure towards high-impact and growth-enhancing investments and ensure the timely implementation and completion of projects and programmes. These measures are aimed at maximizing economic returns and supporting fiscal sustainability.
- b) That, in light of the proposed establishment of the National Infrastructure Fund and the Sovereign Wealth Fund, the National Treasury should submit to Parliament, within sixty days of the tabling of this report, a detailed report outlining the structure, governance framework, funding model, and fiscal implications of the Funds. Further, the report should include an assessment of the impact of these Funds on debt sustainability potential contingent liabilities, ring-fenced revenues, and implications for and fiscal risk. The report should also clarify how the Funds will be integrated within the MTDS and the broader fiscal framework.
- c) That, the National Treasury should submit to Parliament, within sixty (60) days of the tabling of this Report, a detailed report providing full disclosure on the use of structured and new debt instruments, including securitization, collateralized borrowing, liability management operations (buybacks, switches and exchanges), derivative instruments such as interest rate and cross-currency swaps, and thematic instruments including diaspora, green, and sustainability-linked bonds. programs

Financial Recommendations

- a) That, the fiscal deficit target for the medium term be approved at 5.3% of GDP for the FY 2026/27; 3.6% of GDP for FY 2027/28 and 3.3% of GDP for FY 2028/29, in line with the fiscal consolidation path; and
- b) That, the borrowing strategy be approved at 22% for net external borrowing and 78% for net domestic borrowing as contained in the 2026 Medium Term Debt Management Strategy.

Acknowledgment

I take this opportunity to commend the Members of the Committee for their devotion and commitment to duty, which made the consideration of the 2026 Medium Term Debt Management Strategy successful.

I also wish to thank the Offices of the Speaker and the Clerk of the Senate for the support extended to the Committee in undertaking this important assignment.

Lastly, I wish to thank the stakeholders who submitted written memoranda and who appeared before the Committee to present their comments.

It is now my pleasant duty, pursuant to standing order 223(6) of the Senate Standing Orders, to present the Report of the Standing Committee on Finance and Budget to the Senate on the 2026 Medium Term Debt Management Strategy.

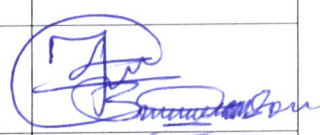
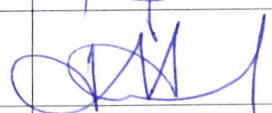
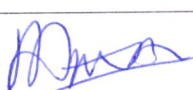
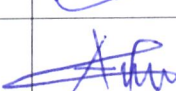
Signature.....

Date.....23/02/2026

SEN. CAPT. ALI IBRAHIM ROBA, EGH, MP.
CHAIRPERSON,
STANDING COMMITTEE ON FINANCE AND BUDGET

ADOPTION OF THE REPORT OF THE STANDING COMMITTEE ON FINANCE AND BUDGET ON THE 2026 MEDIUM TERM DEBT MANAGEMENT STRATEGY

We, the undersigned Members of the Senate Standing Committee on Finance and Budget, do hereby append our signatures to adopt this Report-

	Name	Designation	Signature
1.	Sen. (Capt.) Ali Ibrahim Roba, EGH, MP	Chairperson	
2.	Sen. Maurcen Tabitha Mutinda, CBS, MP	Vice-Chairperson	
3.	Sen. (Dr.) Boni Khalwale, CBS, MP	Member	
4.	Sen. Mohamed Faki Mwinyihaji, CBS, MP	Member	
5.	Sen. Richard Momoima Onyonka, MP	Member	
6.	Sen. Shakila Abdalla Mohamed, MP	Member	
7.	Sen. Eddy Gicheru Oketch, MP	Member	
8.	Sen. Mariam Sheikh Omar, MP	Member	
9.	Sen. Esther Okenyuri, MP	Member	

CHAPTER ONE

OVERVIEW OF MEDIUM-TERM DEBT MANAGEMENT STRATEGY

1.0 Introduction

1. Article 201 of the Constitution read together with section 62(3)(c) of the Public Finance Management Act, Cap 412A requires that the burdens and benefits of the use of resources and public borrowing shall be shared equitably between present and future generations. Prudent and responsible use of public resources entails management of debt levels and borrowing as well as minimization of the cost of debt.
2. The Medium-Term Debt Management Strategy is submitted to Parliament pursuant to section 33(1) of the PFM Act, Cap 412A on or before the 15th February in each year. The document sets out the debt management strategy of the National Government over the medium term with respect to its actual and potential liability in respect of loans and guarantees and its plans for managing liabilities.
3. The Debt Management Strategy is submitted alongside the Budget Policy Statement (BPS) hence the law requires that the medium-term debt management strategy be aligned to the broad strategic priorities and policy goals as set out in the Budget Policy Statement. Section 64(2)(a) of the PFM Act, Cap 412A requires the Medium-Term Debt Strategy (MTDS) to be consistent with the Budget Policy Statement (BPS).
4. The Cabinet Secretary responsible for matters relating to finance is required to include the following information in the MTDS-
 - a) The stock of public debt as at the date of the statement.
 - b) The sources of loans made to the national government and the nature of guarantees given by the national government.
 - c) Principal risks associated with these loans and guarantees,
 - d) Assumptions underlying the debt management strategy.
 - e) An analysis of the sustainability of the amount of debt, both actual and potential.
5. Section 62 of the PFM Act, Cap 412A provides for establishment of a Public Debt Management Office (PDMO) domiciled within the National Treasury. The core

objective of the office is to ensure minimization of the cost of public debt management and borrowing over the long-term taking account of risk; to promote the development of the market institutions for Government debt securities and to ensure the sharing of the benefits and costs of public debt between the current and future generations.

1.1 Macro-economic Assumptions (MTDS 2026)

6. The 2026 Medium-Term Debt Management Strategy (MTDS) is anchored on the macroeconomic framework outlined in the 2026 Budget Policy Statement (BPS). The key assumptions underpinning the borrowing strategy include real GDP growth projected at 5.1 percent in 2025 and 5.3 percent in 2026, with global economic growth projected at 3.1 percent in 2026. Inflation is projected to remain stable at 5.0 percent in 2025 and 2026, while the GDP deflator is estimated at 4.9 percent in 2025 and 4.6 percent in 2026.

1.2 The Fiscal Framework

7. Total revenue, including Appropriation-in-Aid (A-i-A), is projected at KSh 3,533.8 billion (16.9% of GDP) in FY 2026/27, while total expenditure and net lending are projected at KSh 4,737.6 billion (22.6% of GDP), resulting in a fiscal deficit of KSh 1,115.8 billion (5.3% of GDP).

The Projected 2026 MTDS Borrowing Strategy

8. The 2026 MTDS aims to reduce debt costs and risks by sourcing 18% of gross borrowing from external sources and 82% from domestic sources over the medium term. The proposed strategy indicates a net borrowing mix of 78% from domestic sources and 22% from external sources over the medium term, aimed at optimizing the cost and risk profile of financing fiscal deficits during the MTDS period FY 2026/27–FY 2028/29.

Potential Sources of Funding (MTDS 2026)

9. The Government intends to prioritize concessional financing while minimizing reliance on costly commercial borrowing, with continued focus on traditional funding sources alongside gradual diversification.

10. Primary funding will be sourced from domestic and external markets through the issuance of Treasury Bonds and Treasury Bills for deficit financing and cash management, as well as international bond issuances. External borrowing will be mainly through concessional loans from multilateral and bilateral partners, with limited use of commercial borrowing such as syndicated loans.
11. The strategy also seeks to diversify funding through instruments such as Green and Sustainability-Linked Bonds (SLBs), Diaspora Bonds, Domestic Retail Digital Bonds via mobile money platforms, debt swaps, Samurai and Panda bonds, and other Environmental, Social and Governance (ESG) instruments to support deficit financing and strengthen public debt management.

1.3 Key Risks to the Macroeconomic Assumptions

12. The key risks to the 2026 MTDS strategy include-
- a) Unpredictable weather conditions that may affect agricultural output, GDP growth, and inflation;
 - b) Tight fiscal space and higher financing needs;
 - c) Global economic uncertainty affecting external demand and capital flows;
 - d) Limited access to concessional financing, increasing reliance on costlier borrowing;
 - e) Underperformance of Government securities auctions, affecting domestic borrowing targets;
 - f) Delays in absorbing external financing, leading to budget shortfalls;
 - g) Revenue underperformance, increasing borrowing requirements;
 - h) Depreciation of the Kenya shilling, raising debt service costs and fiscal pressures;
 - i) Materialization of fiscal risks and contingent liabilities from State-Owned Enterprises; and
 - j) Credit rating downgrades, increasing borrowing costs and limiting external market access.

1.4 Public Debt Management Reform Initiatives (Proposed Measures)

13. To strengthen debt sustainability and fiscal resilience, the Government proposes a series of public debt management reforms focused on operational, policy and institutional improvements.
14. Key initiatives include reviewing the Debt and Borrowing Policy to incorporate liability management operations and associated instruments such as swaps, forwards, and options, and developing a dedicated Liability Management Policy to guide their implementation in line with the MTDS.
15. The Government will also leverage the Government securities CSD (DhowCSD) to improve liquidity forecasting, deepen interbank and repo markets, smooth domestic borrowing, and fast-track implementation of the Treasury Single Account to enhance cash management and prevent accumulation of pending bills.
16. To reduce debt vulnerabilities, policy measures will focus on broadening and diversifying exports to strengthen foreign exchange earnings, maintaining lower fiscal deficits, improving institutional performance indicators and sustaining adequate international reserves.
17. Fiscal deficits to be kept below GDP growth to moderate debt accumulation, while new borrowing will prioritize concessional external financing and extension of the maturity profile through medium- to long-term bonds.
18. The National Treasury will continue pursuing liability management operations to lengthen maturities of domestic and external debt and reduce rollover risks. These measures are intended to ease short-term repayment pressures, strengthen external debt indicators, enhance investor confidence, and support long-term fiscal and macroeconomic stability.

Review of Previous MTDS Performance

19. A comparison of MTDS targets against actual outcomes for FY 2023/24 and FY 2024/25 confirms continued reliance on domestic borrowing. In FY 2023/24, external financing was targeted at 50% but actual borrowing was at 27%, while domestic borrowing stood at 73% against a target of 50%.

20. Similarly, in FY 2024/25, external borrowing was targeted at 45% but actual financing was 17%, while domestic borrowing accounted for 83% compared to the 55% target. This persistent divergence between targets and outcomes indicates sustained dependence on domestic financing relative to external sources.

1.5 Public Debt Stock

21. Public and publicly guaranteed (PPG) debt stood at Kshs. 12,299 billion (Kshs. 12.30 trillion) at end-December 2025, equivalent to 67.5% of GDP. Of this total, domestic debt amounted to Kshs. 6,837 billion (Kshs. 6.84 trillion), representing 37.5% of GDP, while external debt stood at Kshs 5,461 billion (Kshs. 5.46 trillion), equivalent to 30.0% of GDP. Overall, domestic and external debt accounted for 55.6% and 44.4% of the total debt stock, respectively.

22. Analysis indicates that the PV of debt-to-GDP ratio stood above the 55% threshold set under the Public Finance Management (PFM) framework in the period ending December, 2025. The Debt Sustainability Analysis (DSA) undertaken by the National Treasury in September 2025 projects the PV of debt-to-GDP ratio at 65.3% in 2025 and 65.6% in 2026, and indicates that the ratio will remain elevated over the medium term to 2030, where it is projected at 62.1%, remaining above the prescribed threshold.

External Debt

23. As at end-December 2025, the stock of external debt stood at Kshs. 5,461.97 billion (USD 42.34 billion), 44.4% of total debt stock. Of this amount, multilateral debt accounted for Kshs 3,034.03 billion, bilateral debt Kshs. 998.03 billion, commercial debt Kshs. 1,356.39 billion, while guaranteed debt stood at Kshs. 73.51 billion. The composition indicates continued reliance on concessional financing from multilateral and bilateral partners.

24. In the absence of sustained access to concessional resources, there remains a risk of increased reliance on more expensive commercial borrowing. In addition, external debt is denominated in foreign currency, which exposes the debt portfolio to exchange rate risk, whereby depreciation of the Kenya shilling would increase the domestic currency value of external debt and related debt servicing obligations.

Domestic Debt

25. As at end-December 2025, the stock of domestic debt stood at Kshs. 6,837.51 billion, accounting for 55.6% of total public debt. The composition remained largely concentrated in Treasury Bonds and Treasury Bills, with the ratio of Treasury Bonds to Treasury Bills standing at 84:16. Government overdraft at the Central Bank of Kenya, bank advances from commercial banks, and IMF Special Drawing Rights Allocation together accounted for about 2.7% of total domestic debt stock during the same period.

Currency Composition of External Debt

26. The proportion of external debt denominated in USD, Euro, Yuan, Yen and Sterling Pound stood at 53.0 percent, 27.3 percent, 12.2 percent, 4.9 percent and 2.5 percent, respectively.

Domestic Debt Maturity Profile and Refinancing Risk

27. The maturity structure of domestic debt indicates that 21.6 percent of the portfolio is maturing within one year, while 23.1 percent will mature within the 2–3 year period, bringing the total share of domestic debt maturing within three years to 44.7 percent. The debt portfolio maturing in 4–5 years accounts for 11.0 percent, while that of 6–10 years accounts for 23.2 percent, and those with maturities above 11 years account for 21.1 percent.

28. The concentration of 44.7 percent of domestic debt maturing within the next three years indicates significant rollover requirements in the near to medium term, which exposes the debt portfolio to potential refinancing risk, particularly in the event of tighter domestic liquidity conditions or higher interest rates.

Guaranteed Debt

29. The stock of Government guaranteed debt stood at KSh 83.24 billion at end-June 2025, down from KSh 100.2 billion at end-June 2024. The guaranteed liabilities are concentrated in three entities: Kenya Ports Authority (KPA) accounted for KSh 46.16 billion (about 55.4%) of the total, Kenya Electricity Generating Company (KenGen) for KSh 33.00 billion (about 39.6%), and Kenya Airways (KQ) for KSh 9.69 billion

(about 11.6 %). This indicates a high concentration of guaranteed exposure in a few state-linked entities.

1.6 Public Debt Service

30. By end-June 2025, total public debt service amounted to Ksh 1,722.1 billion, up from Ksh 1,563.3 billion in June 2024, representing an increase of Ksh 158.8 billion. Of the total, Ksh 1,143.1 billion related to domestic debt service, while Ksh 579.0 billion was external debt service.
31. Total debt service as a share of revenue increased from 69.1 percent in FY2023/24 to 71.2 percent in FY2024/25. A review of trends over the last five financial years indicates a sustained upward trajectory, with the ratio rising by 21.2 percentage points from 50.0 percent in FY2020/21 to 71.2 percent in FY2024/25.
32. Similarly, total interest payments as a proportion of revenue increased from 36.9 percent in FY2023/24 to 40.8 percent in FY2024/25, compared to 31.7 percent in FY2020/21, reflecting growing pressure of interest costs on revenue over the period.
33. The increase in interest payment burden has largely been driven by interests managing from domestic debt, which rose from 24.9 percent of revenue in FY 2020/21 to 32.1 percent in FY 2024/25. External interest payments increased from 6.8 percent in FY2020/21 to 8.7% in FY2024/25, having peaked at 9.7% in FY2023/24.
34. Although ordinary revenue has grown over the period, it has not kept pace with the rising debt service and interest burden, pointing to tightening fiscal space and increasing pressure from debt servicing obligations.

1.7 Risks to Debt and Debt Sustainability Indicators

35. The debt sustainability indicators show that the Present Value (PV) of public debt-to-GDP ratio remains above the 55 percent benchmark, standing at 65.3 percent in 2025. The ratio is projected to rise marginally to 65.6 percent in 2026 before gradually declining to 62.1 percent by 2030. Although the projected trajectory reflects gradual moderation, the ratio remains above the prudential benchmark throughout the medium

term, indicating sustained pressure on fiscal space and limited buffers against macro-fiscal shocks.

36. Similarly, the PV of the public debt-to-revenue and grants ratio declined from 391.5 percent in 2024 to 379.8 percent in 2025. It is projected to remain elevated at 379.0 percent in 2026 and moderate to 365.1 percent by 2030. Despite the projected improvement, the ratio remains high, underscoring continued strain on revenue capacity and the need for sustained fiscal consolidation to restore debt-carrying capacity.
37. External debt sustainability indicators present a mixed outlook. The PV of PPG external debt-to-GDP ratio remains below the 40 percent threshold, declining from 30.8 percent in 2024 to 28.3 percent in 2025, and is projected to ease further to 27.5 percent in 2026 and 24.6 percent by 2030. This suggests contained external solvency risk over the medium term.
38. However, the PV of PPG external debt-to-exports ratio breached the 180 percent threshold in 2024 (180.3 percent) and 2025 (182.2 percent). It is projected to decline to 167.5 percent in 2026 and remain below the threshold thereafter. While the projected improvement reduces solvency concerns, the earlier breach highlights sensitivity to export performance and the importance of strengthening foreign exchange earnings.
39. The PPG debt service-to-exports ratio remains above the 15 percent threshold, standing at 22.5 percent in 2025. It is projected to decline to 18.3 percent in 2026 and hover around the benchmark over the medium term. If realized, this would signal easing external liquidity pressures; however, the ratio remaining close to the threshold indicates continued vulnerability to export shocks and exchange rate movements.
40. Similarly, the PPG debt service-to-revenue ratio exceeded the 18 percent threshold in 2024 (27.0 percent) and 2025 (20.6 percent). It is projected to decline to 17.6 percent in 2026 and remain broadly around the benchmark thereafter. If achieved, this would suggest gradual relief in fiscal liquidity pressures. Nevertheless, the ratio remaining close to the threshold implies limited fiscal space and continued exposure to revenue underperformance, rising interest rates, or exchange rate depreciation.

41. Overall, while solvency indicators show gradual improvement over the medium term, liquidity indicators remain tight and close to their respective thresholds. The debt outlook therefore remains sensitive to macroeconomic conditions, particularly growth performance, revenue mobilization, export dynamics, interest rates, and exchange rate movements. Sustained fiscal consolidation and prudent debt management remain critical to restoring debt sustainability buffers.
42. The structure of the domestic debt portfolio presents refinancing and interest-rate risks. About 44.7 percent of domestic debt is maturing within three years, including 21.6 percent within one year, indicating significant rollover requirements in the near to medium term. While the average time to maturity has improved, the concentration of near-term maturities exposes the portfolio to refinancing risk, particularly under tighter liquidity conditions or rising interest rates. In addition, domestic borrowing remains costlier than external concessional financing, contributing to higher debt service pressures.
43. Foreign exchange exposure remains a key risk, as a large share of external debt is denominated in foreign currency. Any depreciation of the Kenya shilling increases the domestic currency value of external debt and debt service obligations, exerting additional pressure on fiscal and external accounts.

CHAPTER TWO

2.0 OVERVIEW OF SUBMISSION FROM STAKEHOLDERS

44. Pursuant to the provisions of Article 118 of the Constitution and the Senate Standing Orders, the Committee sent invitations to key Stakeholders inviting them to a meeting and submit their comments on the Medium-Term Debt Management Strategy. Additionally, the Committee published an advert in two daily newspapers inviting members of the public to submit their views on the 2026 MTDS-(*Annex 3-Public Advert*).
45. Consequently, the Committee received submissions -(*Annex 2-Stakeholders submissions*) from the following Stakeholders
- a) The National Treasury and Economic Planning;
 - b) The Commission on Revenue Allocation (CRA);
 - c) The Council of Governors (COG);
 - d) The Institute of Certified Public Accountants of Kenya (ICPAK);
 - e) Bajeti Hub;
 - f) The County Assembly Forum (CAF);
 - g) Committee on Fiscal Studies, Faculty of Law – University of Nairobi
 - h) Budget Talk Global

2.1 Submissions by the National Treasury and Economic Planning

46. The National Treasury submitted the following-
- a) That the 2026 MTDS presents the optimal plan on costs and risks to achieve a desired public debt portfolio composition, with the main objective being to ensure that Government deficit financing needs and public debt payment obligations are met at the lowest possible cost within a prudent degree of risk.
 - b) The strategy aims at reducing refinancing risks by reducing near-term rollover pressures, reducing interest rate risk by securing a fixed-rate debt proportion of 93.7 percent, reducing foreign exchange risk by diversifying debt held in foreign currencies, and promoting intergenerational equity by using long-term debt for development projects.

- c) That, the 2026 MTDS will serve as a road map for debt management from FY 2026/27 to FY 2028/29, during which the National Treasury will monitor macroeconomic and market developments to explore diversifying sources of borrowing without compromising debt management objectives.
- d) Over the medium term, economic growth in Kenya is projected to remain at 5.3 percent supported by diversified private sector activities and ongoing Government interventions and strategies under the Bottom-Up Economic Transformation Agenda (BETA).
- e) The Central Bank of Kenya (CBK) continues to manage monetary policy with the primary objective of maintaining price and financial stability to support sustainable economic growth with the current target set at 5 ± 2.5 percent. Largely, the inflation rate has remained within the projected target ranges.
- f) Domestic interest rates have eased following a gradual reduction of the Central Bank Rate from 13.0 percent in August 2024 to 9.25 percent in October 2025 to support private sector credit and economic activity with overnight interbank rate (KESONIA) declining to 9.3 percent in October 2025 from 12.1 percent a year earlier.
- g) The current public debt stock as at end June 2025 stood at Ksh 11,814.5 billion representing 65.6% of GDP in PV terms, comprised of a mix of Domestic Debt at Ksh 6,326.0 billion (53.5%) and External Debt at Ksh 5,488.5 billion (46.5%).
- h) The fiscal deficit for the financial year 2026/27 is projected at Ksh. 1,106 billion of which Net External Financing – Ksh. 243 billion and Net Domestic Financing – Ksh. 862 billion.
- i) That, the 2026 MTDS analysis has indicated that costs and risks of funding the deficit will be minimized through gross borrowing mix of 18 percent external and 82 percent Domestic.
- j) To finance the projected deficit, the Government will raise funds from the domestic market through issuance of Treasury bonds, concessional borrowing from bilateral and multilateral partners as well as commercial borrowing such as international bond issuances.

- k) The National Treasury submitted that the Government will also explore innovative financing options such as Sustainability-Linked Bonds (SLBs), Diaspora Bonds, Domestic Retail Digital Bonds via Mobile Money, debt swaps, Samurai, Panda Bonds, Environmental, Social and Governance (ESG) debt instruments to fund budget deficit and manage public debt redemptions.
- l) Kenya's public debt in present value terms is projected to range between 65.6 percent and 62.1 percent until 2030. However, the Government aims to sustain fiscal consolidation efforts over the medium term to create fiscal space and reduce debt related risks.
- m) The National Treasury submitted in conclusion that achieving debt sustainability calls for collective national responsibility, requiring sustained fiscal consolidation to reduce the rate of public debt accumulation, and reduce public debt burden relative to GDP over the coming years.

2.2 Submissions by the Commission on Revenue Allocation

47. The Commission on Revenue Allocation appeared before the Committee and submitted as follows-
 - a) The MTDS should provide a road map on achieving the objective of reducing foreign exchange risk exposure through currency diversification, in the medium term to ensure debt sustainability.
 - b) The stock of domestic debt as at the end of June 2025 comprised of pre-1997 government debt of Ksh. 16.12 billion. They recommended that the MTDS should explain the pre-1997 government debt and clarify why it has remained outstanding for a long time.
 - c) That the domestic debt instruments with maturity of less than one year increased from 18.6 per cent at the end of 2024 to 21.6 per cent at the end of 2025 as a result of uptake of short-term instruments. The increase in short-term domestic debt goes against the objective of reducing the refinancing risks and minimizing the cost of financing needs; therefore, that the government should shift towards longer term debt instruments to reduce refinancing risk.

- d) The MTDS presents domestic debt securities by maturity profile in USD equivalent, however domestic debt in Kenya is primarily issued in Kenya Shillings. They recommended that the MTDS should present domestic debt securities by maturity profile in Kenya Shilling.
- e) That 18.2 percent of domestic debt will mature by end of June 2026 and therefore there is need for clarity on how the government will manage the maturing debt in order to reduce the refinancing risks.
- f) The strategy of financing 55 per cent of the net deficit financing from domestic sources and 45 per cent from external sources was not achieved, and instead the financing mix shifted to 83 per cent net domestic financing and 17 per cent net external financing. That the MTDS should clarify on what constitutes an optimal mix of domestic and external financing.
- g) The CRA submitted that the average maturity of new external debt shortened from 20.5 years in June 2024 to 15.6 years at the end of June 2025, while the average grace period reduced from 4.4 year in June 2024 to 3.7 years in June 2025. The shortening of the average maturity period and the grace period increases risks to debt sustainability and therefore the MTDS should articulate specific strategies on how risks to debt sustainability arising from the shortening of the average maturity will be mitigated.
- h) Parliament should consider legislating a debt sustainability analysis framework beyond the Net Present Value (NPV) of debt to GDP of 55 percent to limit the uptake of domestic debt, as these debt sustainability thresholds will be more relevant to Kenya's economic status as a developing country.
- i) That, the MTDS should consider developing different categories of domestic government financial securities that appeal to the diverse range of investors in Kenya including households to mitigate the concentration of government domestic debt in banks and other financial institutions.

2.3 Submission by The Council of Governors

48. The CoG submitted the following-

- a) That as of 31st June 2025, the country's stock of public debt was at Ksh.11.814 trillion which is 67.8 % of the GDP in present value terms. This implies that the National government breached the debt anchor set at 55% of the GDP in and even exceeded the allowable additional limit of 5% by 7.8%.
- b) The continued growth of the stock of public debt and the cost of servicing reduces the revenue available for sharing between the two levels of government. From the 2026 BPS, Public Debt servicing accounts for 53% of the total projected ordinary revenue while Counties account for only 14%. That is Ksh. 1,542.069 billion out of Ksh. 2,901.875 billion available for sharing. This is so despite the Counties having not contributed to the public debt stock.
- c) The CoG noted that Parliament is yet to establish a threshold for borrowing by County governments and as such Counties are constrained to the conventional budget financing options. That the Senate should therefore initiate the establishment of a threshold for county governments borrowing entitlements pursuant to section 50 (5) of the PFM Act.
- d) The National Treasury's debt sustainability analysis indicates that there's a high risk of debt distress. Debt service to revenue ratio breached the 18% threshold in 2024 and 2025, an indicator of the growing debt service pressures. Equally, the present value of the total debt as a percentage of the GDP is set to remain above the 55% benchmark over the medium term. That the borrowing trends and strategies are unsustainable and threaten the stability and predictability of resource allocation to counties in the long-term which is against the criteria set out under article 203 of the Constitution.
- e) Given the projections under the 2026 MTDS, there's need for urgent action by the National Treasury to put in place measures to ensure debt sustainability. Further, that the Senate should invoke section 50 (2C) of the PFM Act to explain measures being taken to ensure that the threshold is met and that the high risk of debt stress is addressed within the medium-term.

2.4 Submissions by the Institute of Certified Public Accountants of Kenya

49. The ICPAK submitted the following-

- a) That, there are several risks to the 2026 economic outlook, noting that although private sector credit had recorded slight growth, sustained domestic borrowing by the government particularly from commercial banks poses a crowding-out risk to private sector access to credit. Further, that rising debt service obligations would significantly reduce development resources, while potential demonstrations over the cost of living and taxation, as well as persistent corruption at both levels of government, could undermine economic growth.
- b) The ICPAK therefore recommended prioritizing policies that enhance MSMEs' access to affordable credit and promote public-private partnerships, refinancing high-interest debt alongside fiscal consolidation, implementing targeted subsidies and social safety nets to ease cost-of-living pressures, and strengthening anti-corruption institutions to enhance transparency, accountability, and economic stability.

2.5 Submissions by the County Assembly Forum (CAF)

50. CAF submitted the following-

- a) The equitable share to counties should be ring-fenced and protected from fiscal adjustments arising from national debt servicing pressures.
- b) The National Treasury should strictly adhere to the debt ceiling framework and ensure borrowing remains within sustainable thresholds as provided under the PFM Act.
- c) The government should prioritize concessional external financing and lengthen domestic debt maturities to reduce refinancing risks.
- d) Link borrowing to devolved development outcomes- borrowing plans should clearly demonstrate how financed projects will support devolved functions and reduce vertical fiscal imbalances between the two levels of government.

2.6 Submissions by the Committee on Fiscal Studies, Faculty of Law – University of Nairobi

51. The Committee on Fiscal Studies submitted the following-

- a) That, although the MTDS aligns with the BPS, the alignment is largely procedural rather than substantive. They observed that there are inconsistencies in macroeconomic assumptions, particularly regarding interest rates and growth projections, and noted the absence of joint stress testing of downside risks.
- b) The MTDS projected improvements in debt sustainability without addressing the declining revenue base outlined in the BPS. Further, that the strategy did not demonstrate how borrowing supported constitutional obligations, especially given that debt service consumes nearly half of ordinary revenue.
- c) That the MTDS failed to assess the fiscal sustainability of large capital projects under the digital transformation agenda and omitted climate-adjusted debt stress testing, ISDS transparency disclosures, and alternative financing options such as Sukuk.
- d) They recommended a more integrated revenue–debt framework to ensure fiscal sustainability, transparency, and intergenerational equity.

2.7 Submissions by Budget Talk Global

52. Budget Talk Global submitted the following-

- a) That high domestic borrowing continues to constrain private-sector credit, destabilise the yield curve, increase refinancing risks, and may erode market confidence. This has direct implications for small businesses predominantly owned by youth and women, as well as broader private-sector growth. The Senate should ensure that domestic borrowing is addressed in line with liquidity conditions and debt maturities, and in line with the MTDMS strategies.
- b) While the debt sustainability analysis indicates that debt remains sustainable, the burden remains high. Further, approximately 47% of external debt is foreign currency (FX)-denominated, exposing the country to exchange-rate risk and increasing the cost of debt servicing.
- c) Rising debt servicing continues to reduce fiscal space for development and service delivery. For instance, in FY 2025/26, the government spent 39% on debt, compared

to 14% of ministerial expenditure on development. Although debt stock increases are partly driven by refinancing, new borrowing, and exchange rate effects, clarity is needed on the drivers of continued nominal growth in the debt stock.

- d) That, while bonds dominate domestic debt, treasury bills still account for 16.4%, contributing to short-term refinancing risk. Furthermore, the share of instruments maturing in less than one year increased to 21.6% at the end of June 2025. An increased share of short-term instruments could increase rollover pressure. The Senate should question the target reduction in instruments maturing within one year over the medium term and the projected share of treasury bills by FY 2028/29 under the selected strategy.
- e) Sustained pressure on debt service ratios and shortened grace periods may constrain fiscal space and, indirectly, affect development spending and county transfers. The Senate should holistically assess the credibility of the borrowing mix targets and the time-bound pathway for restoring debt indicators to below prudential benchmarks to safeguard sustainability.

2.7 Submissions by Bajeti Hub

53. Bajeti Hub submitted the following-

- a) Parliament should institute a legislative ceiling on the annual fiscal deficit to curb the unsustainable 21% projected increase in the fiscal deficit from Ksh 923.2 billion in FY 2025/26 to the proposed Ksh 1.116 trillion in FY 2026/27, which continues to accelerate debt distress.
- b) Kenya's public debt stock as of September 2025 as highlighted by the CBK stands at 12.3 trillion. This comes in hand with a 1.1 trillion proposed debt service cost from a 1.45 trillion contingency fund which translates to 30% of the 4.7 trillion estimated budget. This highlights a drop in debt service cost but an increase in domestic funding to 890.4 billion, which in turn adds to the already rising portion of domestic debt currently at 51%.
- c) This will narrow borrowing space for the public despite the reduced CBK rate as most commercial banks opt to do business with the government due to the lucrative

interest rates on bonds and T-bills and the minimized level of risk. This weakens growth due to limited and costly credit, which in turn limits government revenue.

- d) Kenya is exploring innovative external financing such as Samurai and Panda bonds, as well as Sustainability-Linked Bonds (SLBs), to diversify its currency exposure and attract a broader base of international investors. This is a good move to avoid crowding out the domestic market coming after an improved Moody's rating. However, the government should be careful not to rush into debt with no direct plan into absorption to avoid the already high amounts we are paying in commitment fees as highlighted by the Auditor General.
- e) Parliament should ensure full implementation of the Government-Owned Enterprises Act, 2025, which requires SOEs to operate as commercially viable entities. This should be paired with strategic privatization and divestiture to raise revenue and reduce fiscal exposure.

CHAPTER THREE

COMMITTEE OBSERVATIONS AND FINDINGS

54. Arising from the consideration of 2026 MTDS and submissions from stakeholders, the Committee made the following observations-

- a) The financing strategy under the 2026 MTDS consists of a net borrowing structure of 78% domestic and 22% external. This indicates a continued reliance on domestic borrowing as the primary source of funding in the medium term even though domestic debt carries higher costs and risks compared to external concessional debt. This is primarily due to shorter repayment periods and higher interest rates.
- b) The MTDS seeks to expand funding sources by exploring innovative instruments such as debt swaps, diaspora bonds, sustainability-linked bonds, Green bonds and other Environmental, Social and Governance (ESG) instruments to finance the budget deficit and manage public debt. However, the proposed instruments have intrinsic costs and risks that need to be carefully evaluated.
- c) As of December 2025, public debt stood at Ksh.12,299 billion, with the Present Value (PV) of debt-to-GDP ratio at 65.3%. Section 50(2A) of the PFM Act as read together with section 50(2B) presently provides that the National Treasury shall ensure compliance with the 55% threshold for public debt. However, the public debt sustainability analysis indicates that PV of debt to GDP ratio will be at 64.2% by 2028. Therefore, in the absence of sustained fiscal consolidation and prudent debt management, it is likely that the country will be in breach of their obligation under section 50(2A) of the PFM Act.
- d) Total public debt service amounted to Ksh.1,722.1 billion as at 30th June, 2025, increasing from Ksh.1,563 billion in June 2024. This increase has been largely driven by domestic debt servicing. Notably, the growth in ordinary revenue has not kept pace with the rising debt service burden. Debt service as a share of revenue rose to 71.2% in FY 2024/25, resulting in continued pressure on fiscal space as debt servicing remains a first charge on the Consolidated Fund.

- e) The Committee notes that the 2026 BPS provides for the establishment of the National Infrastructure Fund and the Sovereign Wealth Fund to mobilize approximately Ksh. 5 trillion through domestic resources, monetization of public assets and crowding-in of private capital. However, the MTDS does not address the implications on public debt, fiscal risks and contingent liabilities for these nascent financing mechanisms.
- f) In recent years, the Government has undertaken securitization and other structured financing arrangements as part of its broader debt and liability management operations. However, these transactions and their implications for debt structure, fiscal risks, and future obligations have not been adequately captured or disclosed in the 2026 Medium-Term Debt Management Strategy.
- g) The Committee noted that financing agreements in securitization include a government guarantee undertaking to repay the debt in the event that the pledged revenues underperform or if the underlying fund is abolished by Parliament. This implies that the repayment obligation ultimately rests with the National Government, notwithstanding that the borrowing is structured around a dedicated revenue stream or special purpose vehicle, thereby exposing public finances to potential fiscal risk.
- h) A total of 44.7 percent of domestic debt matures within the next three years, meaning the Government must refinance a substantial share of its obligations in the near term. This creates refinancing risk, particularly if domestic liquidity tightens or interest rates increase, which could raise borrowing costs and place additional pressure on the budget.

CHAPTER FOUR

RECOMMENDATIONS

55. Arising from the observations made above, the Committee recommends the following-

4.1 Non-Financial Recommendations

- a) That, to mitigate the impact of rising debt service obligations, the National Treasury should enhance efficiency in public resource utilization, prioritize expenditure towards high-impact and growth-enhancing investments and ensure the timely implementation and completion of projects and programmes. These measures are aimed at maximizing economic returns and supporting fiscal sustainability.
- b) That, in light of the proposed establishment of the National Infrastructure Fund and the Sovereign Wealth Fund, the National Treasury should submit to Parliament, within sixty days of the tabling of this report, a detailed report outlining the structure, governance framework, funding model and fiscal implications of the Funds. Further, the report should include an assessment of the impact of these Funds on debt sustainability potential contingent liabilities, ring-fenced revenues and implications for fiscal risk. The report should also clarify how the Funds will be integrated within the MTDS and the broader fiscal framework.
- c) That, the National Treasury should submit to Parliament, within sixty (60) days of the tabling of this Report, a detailed report providing full disclosure on the use of structured and new debt instruments, including securitization, collateralized borrowing, liability management operations (buybacks, switches and exchanges), derivative instruments such as interest rate and cross-currency swaps and thematic instruments including diaspora, green and sustainability-linked bonds. This report should provide—
 - i) Contractual agreements for structured and securitized/ collateralized debts;
 - ii) the legal and institutional structure of each instrument and the role of the PDMO in their design, approval, recording and monitoring;

- iii) the total borrowing costs, including interest rates, fees, charges, pricing structure and the tenor and repayment profile of each instrument;
 - iv) the specific revenues, assets or funds pledged, ring-fenced or otherwise committed as collateral, including any reserve accounts, credit-enhancement arrangements or guarantees;
 - v) the full risk profile, including refinancing risk, market risk, foreign exchange risk and any associated contingent liabilities;
 - vi) the impact of these instruments on the fiscal deficit, primary balance trajectory, liquidity position and overall debt sustainability;
 - vii) the implications for medium-term fiscal space, including any transfer of obligations to future generations; and
 - viii) measures in place to ensure transparency, reporting and consistency with the MTDS and the Public Finance Management framework.
- d) That all guaranteed obligations be formally recognized and recorded as contingent liabilities within the public debt framework, as such guarantees effectively transfer repayment risk to the National Government and may crystallize into direct public debt in the event of revenue underperformance or termination of the underlying fund. This will enhance transparency, ensure accurate assessment of fiscal risks and strengthen Parliamentary oversight of potential obligations on public finances.

4.2 Financial Recommendations

- a) That, the fiscal deficit target for the medium term be approved at 5.3% of GDP for the FY 2026/27; 3.6% of GDP for FY 2027/28 and 3.3% of GDP for FY 2028/29, in line with the fiscal consolidation path; and
- b) That, the borrowing strategy be approved at 22% for net external borrowing and 78% for net domestic borrowing as contained in the 2026 Medium Term Debt Management Strategy.

LIST OF APPENDICES

Appendix 1: Minutes of the Committee Proceedings

Appendix 2: Copies of stakeholders' submissions

Appendix 3: Public Advert



MINUTES OF THE TWO HUNDRED AND FIFTY-FIFTH (255TH) MEETING OF THE SENATE STANDING COMMITTEE ON FINANCE AND BUDGET HELD ON MONDAY, 23RD FEBRUARY 2026, IN MT. KILIMANJARO 1, FOUR POINTS BY SHERATON AT 5.40 P.M.

PRESENT

1. Sen. (Capt.) Ali Ibrahim Roba, MP, EGH	-	Chairperson
2. Sen. Maureen Tabitha Mutinda, CBS, MP	-	Vice-Chair (Virtual)
3. Sen. Mohamed Faki Mwinyihaji, CBS, MP	-	Member
4. Sen. Boni Khalwale, CBS, MP	-	Member
5. Sen. Mariam Sheikh Omar, MP	-	Member
6. Sen. Essy Okenyuri Nyaituga, MP	-	Member

ABSENT WITH APOLOGY

7. Sen. Shakila Abdalla Mohamed, MP	-	Member
8. Sen. Richard Momoima Onyonka, MP	-	Member
9. Sen. Eddy Gicheru Oketch, MP	-	Member

SECRETARIAT

1. Mr. Christopher Gitonga	-	Clerk Assistant
2. Ms. Beverlyne Chivadika	-	Clerk Assistant
3. Ms. Lucy Makara	-	Deputy Director
4. Ms. Lucy Radoli	-	Legal Counsel
5. Ms. Millicent Makina	-	Fiscal Analyst
6. Mr. Kioko Kiminza	-	Fiscal Analyst
7. Mr. Joseph Lekisima	-	Fiscal Analyst
8. Mr. Solomon Alubala	-	Fiscal Analyst
9. Mr. Constant Wamayuyi	-	Researcher
10. Ms. Rose Ometere	-	Audio Officer
11. Mr. Godana Mamo	-	Sergeant-At-Arms

MIN/SEN/SCF&B/1480/2026

PRELIMINARIES

The Chairperson called the meeting to order at 5:46 p.m. This was followed by a word of prayer and introductions.

MIN/SEN/SCF&B/1481/2026

ADOPTION OF THE AGENDA

The agenda was adopted having been proposed Sen. Mohamed Faki Mwinyihaji, CBS, MP, and seconded by Sen. Mariam Sheikh Omar, MP, as listed-

1. Prayer;
2. Adoption of the Agenda;
3. Consideration and adoption of the report on the 2026 Budget Policy Statement;
4. Consideration of the report on the Medium-Term Debt Management Strategy;
5. Adoption of the report on the Medium-Term Debt Management Strategy;
6. Any other Business; and
7. Adjournment and Date of the Next Meeting.

MIN/SEC/SCF&B/1482/2026

**CONSIDERATION OF THE REPORT ON THE
2026 MEDIUM-TERM DEBT MANAGEMENT
STRATEGY**

The Committee considered the report Chapter one (legal underpinnings, proposals in MTDS), Chapter two- stakeholders' submissions and made several observations contained in Chapter three.

MIN/SEC/SCF&B/1483/2026

**ADOPTION OF THE REPORT ON THE 2026
BUDGET POLICY STATEMENT**

The Committee having considered the report, unanimously adopted it having been proposed by Sen. Boni Khalwale, CBS, MP, and seconded by Sen. Mariam Sheikh Omar, MP, with the following recommendations-

- a) That, the fiscal deficit target for the medium term be approved at 5.3% of GDP for the FY 2026/27; 3.6% of GDP for FY 2027/28 and 3.3% of GDP for FY 2028/29, in line with the fiscal consolidation path; and
- b) That, the borrowing strategy be approved at 22% for net external borrowing and 78% for net domestic borrowing as contained in the 2026 Medium Term Debt Management Strategy.

MIN/SEN/SCF&B/1484/2026

**ADJOURNMENT AND DATE OF THE
NEXT MEETING**

The meeting adjourned at 7:23 p.m. Next meeting shall be by notice.

SIGNATURE:



... DATE: 24th February, 2026.

SEN. (CAPT.) ALI IBRAHIM ROBA, EGH, MP

(CHAIRPERSON)



MINUTES OF THE TWO HUNDRED AND FIFTY-THIRD (253RD) MEETING OF THE SENATE STANDING COMMITTEE ON FINANCE AND BUDGET HELD ON MONDAY, 23RD FEBRUARY 2026, IN MT. KILIMANJARO 1, FOUR POINTS BY SHERATON AT 2.00 P.M.

PRESENT

- | | | |
|---|---|-----------------------------|
| 1. Sen. (Capt.) Ali Ibrahim Roba, MP, EGH | - | Chairperson |
| 2. Sen. Maureen Tabitha Mutinda, CBS, MP | - | Vice-Chair (Virtual) |
| 3. Sen. Mohamed Faki Mwinyihaji, CBS, MP | - | Member |
| 4. Sen. Boni Khalwale, CBS, MP | - | Member |
| 5. Sen. Mariam Sheikh Omar, MP | - | Member |
| 6. Sen. Essy Okenyuri Nyaituga, MP | - | Member |

ABSENT WITH APOLOGY

- | | | |
|-------------------------------------|---|--------|
| 7. Sen. Shakila Abdalla Mohamed, MP | - | Member |
| 8. Sen. Richard Momoima Onyonka, MP | - | Member |
| 9. Sen. Eddy Gicheru Oketch, MP | - | Member |

SECRETARIAT

- | | | |
|----------------------------|---|------------------|
| 1. Mr. Christopher Gitonga | - | Clerk Assistant |
| 2. Ms. Beverlyne Chivadika | - | Clerk Assistant |
| 3. Ms. Lucy Makara | - | Deputy Director |
| 4. Ms. Lucy Radoli | - | Legal Counsel |
| 5. Ms. Millicent Makina | - | Fiscal Analyst |
| 6. Mr. Kioko Kiminza | - | Fiscal Analyst |
| 7. Mr. Joseph Lekisima | - | Fiscal Analyst |
| 8. Mr. Solomon Alubala | - | Fiscal Analyst |
| 9. Mr. Constant Wamayuyi | - | Researcher |
| 10. Ms. Rose Ometere | - | Audio Officer |
| 11. Mr. Godana Mamo | - | Sergeant-At-Arms |

IN ATTENDANCE

THE NATIONAL TREASURY AND ECONOMIC PLANNING

- | | | |
|-------------------------------|---|---|
| 1. Hon. FCPA. John Mbadi, EGH | - | Cabinet Secretary |
| 2. Mr. Albert Mwenda | - | Director General, Budget, Fiscal and Economic Affairs |
| 3. Mr. Daniel Ndolo | - | Public Debt Office |
| 4. Mr. Joseph Mwanzia | - | Assistant Director, Planning, Statistics, and |

- | | |
|---------------------|-----------------------------------|
| 5. Mr. Milford Bett | - Parliament Liaison Officer (NT) |
| 6. Ms. Milly Luvaga | - CS's Advisor |
| 7. Ms. Angela Abei | |

MIN/SEN/SCF&B/1471/2026

PRELIMINARIES

The Chairperson called the meeting to order at 2:23 p.m. This was followed by a word of prayer and introductions.

MIN/SEN/SCF&B/1472/2026

ADOPTION OF THE AGENDA

The agenda was adopted having been proposed Sen. Mohamed Faki Mwinyihaji, CBS, MP, and seconded by Sen. Mariam Sheikh Omar, MP, as listed-

1. Prayer;
2. Introduction;
3. Adoption of the Agenda;
4. Meeting with the National Treasury and Economic Planning to deliberate on the 2026 Budget Policy Statement and Medium-Term Debt Management Strategy;
5. Any other Business; and
6. Adjournment and Date of the Next Meeting.

MIN/SEC/SCF&B/1473/2026

**MEETING WITH THE NATIONAL TREASURY
AND ECONOMIC PLANNING TO
DELIBERATE ON THE 2026 BUDGET POLICY
STATEMENT AND MEDIUM-TERM DEBT
MANAGEMENT STRATEGY**

- a) Upon invitation, the Cabinet Secretary for National Treasury and Economic Planning presented views on the 2026 Budget Policy Statement and the Medium-Term Debt Management Strategy.
- b) The presentation covered fiscal strategy, revenue projections, expenditure plans, and debt management for the FY 2026/27.
- c) Key discussions included the proposed allocation to counties, challenges with pending bills and pension payments, and the implementation of zero-based budgeting.
- d) The meeting raised concerns about the sustainability of county governments' financial obligations, the transition of Universal Health Covoreage (UHC) staff by counties to permanent and pensionable terms, and the impact of securitization on public debt.
- e) The meeting deliberated on the FY 2026/27 division of revenue between national and county governments, considering factors such as inflation adjustments and additional expenditures by county governments.
- f) The Cabinet Secretary responded as follows to the issues that were raised by Members-
 - i. Revenue Growth and Fiscal Pressure- While national revenue has shown a substantial and projected increase, this growth is being consistently outpaced by Consolidated Fund Services (CFS) obligations. The debt servicing and other CFS commitments, such as pensions, are growing faster than our revenue collection. It is a misconception to view debt service as a purely national expense; it is a

- country-wide obligation to both external and domestic lenders that must be met to maintain economic integrity.
- ii. **Impact on County Allocations-** The heavy burden of debt servicing and CFS obligations directly impacts the government's ability to increase revenue share releases to the counties. As a result, significant portions of additional revenue are diverted to debt service and critical national sectors, limiting the fiscal space available for expanded county funding.
 - iii. **Education Sector Investment-** Education remains one of the largest beneficiaries of the national budget, currently accounting for 26% to 28% of total expenditure. With an allocation of Ksh.760 billion, the government recognizes the need for continued support in this sector, even as we face pressure to increase these figures further to meet national demands.
 - iv. **Transition to Social Health Authority (SHA)-** The transition from NHIF to SHA is a courageous step toward Universal Health Coverage (UHC). Primary healthcare component is 100% government-supported with an initial Ksh.13 billion (and an additional KSh.4 billion in the supplementary budget). Ksh.2 billion specifically for maternity services at Level 2 and Level 3 facilities to ensure mothers in rural areas are not disenfranchised by facility grading.
 - v. **Natural Resources and Sovereign Wealth Fund-** To ensure intergenerational equity, the government has established a Sovereign Wealth Fund. This will ensure that revenues from mineral exploitation, such as gold, benefit both the current generation and future Kenyans.
 - vi. **Privatization of State-Owned Enterprises such as KPC-** The government's policy is to reduce its footprint in commercially viable enterprises to eliminate bureaucracy and optimize asset value. In the case of the Kenya Pipeline Company (KPC), privatizing 65% of the entity will allow it to adopt corporate governance principles.
 - vii. **Utilization of Privatization Proceeds-** Proceeds from the sale of government assets will not be used to support the general budget. Instead, these funds will serve as seed capital for the National Infrastructure Fund and the Sovereign Wealth Fund. This strategy is designed to "crowd in" private investment and free up fiscal space by moving commercially viable projects off the government's balance sheet.
 - viii. **Securitization of Road Maintenance Levy Fund-** To address the backlog of pending bills in the road sector dating back to 2005, the government increased the road maintenance levy from Ksh.18 to Ksh.25. By securitizing Ksh.7 of this levy through a Special Purpose Vehicle (SPV), Ksh.175 billion has been raised, allowing payment of Ksh.160 billion to contractors. This has effectively revived construction of stalled projects across the country.
 - ix. **Zero-Based Budgeting and Pending Bills:** The National Government is progressively reducing pending bills and moving toward Zero-Based Budgeting. This is a complex transition that will take approximately three years to fully implement. For the 2024/25 financial year, significant strides have been made in ensuring these bills are not carried over.

- x. County Statutory Deductions and Pensions: To solve the persistent issue of counties failing to remit statutory deductions, the government will implement a system by the end of March to deduct these funds at the source. This ensures that employee pensions and other statutory obligations are secured and deducted at the source.
- xi. Debt Sustainability and Exchange Rate Volatility: The Treasury is balancing domestic and external borrowing to manage risk. Domestic borrowing is preferred because it does not carry foreign exchange risk. However, domestic borrowing is being carefully managed to avoid crowding out the private sector.

MIN/SEN/SCF&B/1474/2026

ADJOURNMENT AND DATE OF THE NEXT MEETING

The meeting adjourned at 3:48 p.m. Next meeting shall be held on Monday, 23rd February, 2026 at 4:00 p.m.

SIGNATURE:  ... DATE: 24th February, 2026.

SEN. (CAPT.) ALI IBRAHIM ROBA, EGH, MP
(CHAIRPERSON)



MINUTES OF THE TWO HUNDRED AND FIFTY-FIRST (251ST) MEETING OF THE SENATE STANDING COMMITTEE ON FINANCE AND BUDGET HELD ON THURSDAY, 19TH FEBRUARY 2026 IN COUNTY HALL, GROUND FLOOR BOARDROOM AT 9.00 A.M.

PRESENT

- | | | |
|---|---|-------------------------|
| 1. Sen. (Capt.) Ali Ibrahim Roba, MP, EGH | - | Chairperson |
| 2. Sen. Maureen Tabitha Mutinda, CBS, MP | - | Vice-Chairperson |
| 3. Sen. Mohamed Faki Mwinyihaji, CBS, MP | - | Member |
| 4. Sen. Boni Khalwale, CBS, MP | - | Member |
| 5. Sen. Shakila Abdalla Mohamed, MP | - | Member |
| 6. Sen. Eddy Gicheru Oketch, MP | - | Member |
| 7. Sen. Mariam Sheikh Omar, MP | - | Member |
| 8. Sen. Essy Okenyuri, MP | - | Member |

ABSENT WITH APOLOGY

- | | | |
|-------------------------------------|---|--------|
| 9. Sen. Richard Momoima Onyonka, MP | - | Member |
|-------------------------------------|---|--------|

SECRETARIAT

- | | | |
|----------------------------|---|------------------|
| 1. Mr. Christopher Gitonga | - | Clerk Assistant |
| 2. Ms. Beverlyne Chivadika | - | Clerk Assistant |
| 3. Ms. Lucy Radoli | - | Legal Counsel |
| 4. Ms. Millicent Makina | - | Fiscal Analyst |
| 5. Mr. Kioko Kiminza | - | Fiscal Analyst |
| 6. Mr. Constant Wamayuyi | - | Researcher |
| 7. Mr. Godana Mamo | - | Sergeant-At-Arms |
| 8. Ms. Rose Ometere | - | Audio Officer |

IN ATTENDANCE

The Commission on Revenue Allocation

- | | | |
|---------------------------------|---|------------------------|
| 1. CPA. Mary Wanyonyi Chebukuti | - | Chairperson |
| 2. CPM. Koitamet Olekina | - | Vice-Chairperson |
| 3. Dr. Isabel Waiyaki | - | Commissioner |
| 4. Mr. Muasya Mutiso | - | Commissioner |
| 5. CPA. Roble Nuno | - | Ag. CEO |
| 6. Ms. Lineth Oyugi | - | Director |
| 7. Ms. Ambrose Njagi | - | Legal Officer |
| 8. Ms. Caroline Kinyuluzi | - | Manager Communications |

The Council of Governors

- | | | |
|--------------------------------|---|---|
| 1. Hon. Muthomi Njuki, EGH | - | Vice Chairperson |
| 2. FCPA. Fernandes Barasa, OGW | - | Chairperson, Finance and Economic Affairs Committee |
| 3. Mr. Stephen Momanyi | - | Program Officer |
| 4. Mr. Lawi Eugene | - | Senior Legal Officer |
| 5. Ms. Naomi Kefa | - | Legal Officer |

MIN/SEN/SCF&B/1460/2026

PRELIMINARIES

The Chairperson called the meeting to order at 9:30 a.m. This was followed by a word of prayer and introductions.

MIN/SEN/SCF&B/1461/2026

ADOPTION OF THE AGENDA

The agenda was adopted having been proposed Sen. Mohamed Faki Mwinyihaji, CBS, MP, and seconded by Sen. Shakila Abdalla Mohamed, MP, as listed-

1. Prayer;
2. Introduction;
3. Adoption of the Agenda;
4. Confirmation of minutes of the 250th, 249th, 248th, 247th, 246th, 245th, and 236th Sittings;
5. Matters arising from the minutes of the previous sittings;
6. Meeting stakeholders to deliberate on the 2026 Budget Policy Statement and Medium-Term Debt Management Strategy *-(Committee Paper No. 161);*
 - The Commission on Revenue Allocation;
 - The Council of Governors; and
 - The National Treasury and Economic Planning.
7. Any other Business; and
8. Adjournment and Date of the Next Meeting.

MIN/SEC/SCF&B/1462/2026

CONFIRMATION OF MINUTES OF THE 249TH, 248TH, 247TH, 246TH, 245TH AND 236TH SITTINGS

The agenda item was deferred to the subsequent meeting.

MIN/SEC/SCF&B/1463/2026

MEETING WITH STAKEHOLDERS TO DELIBERATE ON THE 2026 BUDGET POLICY STATEMENT AND MEDIUM-TERM DEBT MANAGEMENT STRATEGY- (COMMITTEE PAPER NO. 161)

Meeting with Commission on Revenue Allocation

1. Upon invitation, the Commission's Chairperson submitted as follows regarding the 2026 Budget Policy Statement-

- a) The expansion of the Community Health Promoters programme from the current 107,831 to 120,000 does not have a corresponding increase in the budget allocation. During the FY 2025/26, Ksh. 3.23 billion was allocated for transfer as conditional grants to county governments, and a similar amount has been allocated in FY 2026/27.
- b) More information is needed on number of CHPs that have been recruited, budget implication of the additional CHPs and level of government that will pay the stipends.
- c) There is need for clarity on whether the National Cybersecurity Agency, the National Security Operations Centre, and seven Sectoral Security Operation Centers have been completed and operationalised, as outlined under the pillar on digital superhighway.
- d) The 2026 BPS states that the revenue for the FY 2025/26 to December, 2025 underperformed by Ksh. 136.1 billion, while recurrent expenditure went up by Ksh. 10.9 billion resulting in worsening of the fiscal deficit which leads to increased public debt; thus the government needs to operationalise its policy on fiscal consolidation.
- e) There is need for clarifications on the total revenue target as at December, 2025, that is whether it is Ksh. 1,637.7 billion as stated in paragraph 184, or Ksh. 1,636.7 billion in Table 2 since the two figures result in a variance of Ksh.1 billion,
- f) The Commission recommended county equitable share of Ksh.458.94 billion for the FY 2026/27 (an increase of Ksh. 43.94 billion) rather than the Ksh. 420 billion proposed in the 2026 BPS, an increase of Ksh.5 billion from Ksh. 415 billion allocated in the FY 2025/26.
- g) The above was based on the projected revenue growth of Ksh.157.5 billion, with revenue projection of Ksh. 2,901.9 billion for the FY 2026/27 from a target of Ksh.2,744.4 billion in the FY 2025/26. Also, the additional resources will be required to enhance service delivery especially in healthcare and hire of adequate personnel in this critical sector.
- h) The 2026 BPS in paragraph 240 provides projected expenditure for FY 2025/26 as Ksh. 4,532.8 billion, for FY 2026/27 as Ksh 4,703.9 billion and Ksh. 4,931.4 billion for the FY 2027/28, while the summary of budgetary allocations for the FY 2026/27-2028/29 in Table 2 presents different as Ksh. 4,301.8 billion, Ksh. 4,737.5 billion, and Ksh. 5,199.59 respectively. Therefore, there is need for clarity on the expenditure projections.
- i) Under county financial management, and division of revenue, the Commission proposed that-

- i. The national government adherence to fiscal responsibility principles should also be a substantive section in the 2026 BPS, rather than annexing it.
 - ii. The section should include the analyses of transfers to county government from the nationally raised revenue.
 - iii. County governments are unable to adhere to fiscal responsibility measures since the national government fails to adhere to the disbursement schedule.
 - iv. The 2026 BPS should provide details of National Government pending bills, which is available from the Controller of Budget reports.
 - v. The National Assembly should expedite the approval of audited accounts, or Parliament should amend Article 204 to provide that the allocations to the Equalization Fund are based on only the Audited accounts. This is because, the FY 2021/22 audited and approved accounts may not give an equitable allocation to the Fund for the FY 2026/27.
 - vi. The Ksh.8.93 billion for the remuneration of the Universal Health Coverage (UHC) workers in the FY 2026/27 be part of equitable share rather than as an additional conditional allocation.
 - vii. Additional allocations to counties for FY 2026/27 should be revised to provide for additional conditional allocations of 0.5% of Housing Levy Fund to the County Rural and Urban Affordable Housing Committees, pursuant to Section 11(4)(c) and 11(5) of the Affordable Housing Act.
2. With regards to the 2026 Medium Term Debt Management Strategy (MTDS), the Commission submitted as follows-
- a) One of the objectives of the 2026 MTDS is to reduce the foreign exchange risk exposure. However, MTDS should provide a roadmap on the achievement of this objective to ensure debt sustainability.
 - b) The MTDS should explain and provide clarity on the pre-1997 debt that has remained outstanding for a long time.
 - c) The 2026 MTDS indicates that debt instruments with maturity of less than one year increased from 18.6% in 2024 to 21.6% in 2025 due to uptake of short-term instruments. The Commission proposed that government should shift towards long-term instruments to reduce refinancing risk.
 - d) The domestic debt securities by maturity profile is presented in USD equivalent, however domestic debt in Kenya is primarily issued in Kenya Shillings.
 - e) There is need for clarity on how the government will manage maturing debt, since 18.2% of domestic debt will mature by end of June, 2026.
 - f) The financing mix shifted to 83% net domestic and 17% net external, a deviation from financing strategy of 55% net domestic and 45% net external financing.
 - g) The MTDS should specify strategies to mitigate the risk to debt sustainability arising from the shortening of average maturity of new external debt from 20.5 years in June 2024 to 15.6 years at end of 2025.

- h) Parliament should consider legislating a debt sustainability analysis framework beyond the Net Present Value of debt to GDP of 55%, which is an IMF/World Bank threshold. This is because the IMF/World Bank analysis is universally applied in all economies, yet advanced economies react differently to shocks as compared to developing economies.
- i) The 2026 MTDS aims to reduce debt costs and risks by sourcing 18% from external sources and 82% from domestic sources over medium term. Commercial banks and financial institutions account for 82% of domestic debt. Therefore, MTDS should develop different categories of domestic financial securities to attract diverse range of investors

Following deliberations, the Committee observed that-

- a) although the 2026 BPS indicates that the number of Community Health Promoters (CHPs) will be expanded to 120,000, the conditional additional allocation for the CHPs programme has been allocated Ksh.2.34 billion, similar to the amount that allocated in the FY 2025/2026 for 107,831 CHPs. Thus, there is need to provide funds for the additional CHPs.
- b) the Commission proposed and endorsed inclusion of Ksh.8.93 billion for the remuneration of the Universal Health Coverage (UHC) workers in the equitable share for the FY 2026/27 rather than as an additional conditional allocation indicated in the BPS. However, the Committee expressed concern over sharing of the amount using the fourth basis formula, which would not consider the number of CHPs in each county.
- c) The Commission has been supporting counties through targeted training on revenue collection, county revenue target setting, promoting adoption of integrated revenue collection management systems; initiatives aimed at helping counties maximize Own Source Revenue potential. Case example is Busia, and Wajir.
- d) The Intergovernmental Relations Technical Committee identified and gazetted the transfer of devolved functions and had in the first phase identified Ksh. 65.97 billion for transfer to county governments.
- e) In the FY 2025/2026, the Commission's allocation was reduced to Ksh. 370 million, which is insufficient to support the three critical technical subprogrammes in carrying out their constitutional mandate. The Committee informed the Commission that the matter will be brought to the attention of National Treasury when they appear.

Meeting with the Council of Governors

- 1. Upon invitation, the Council submitted the following comments on the 2026 BPS-
 - a) The projected baseline ceilings of the National government's sectoral budget allocations for the FY 2026/27 is set to increase by Ksh.317.88 billion while all 47 Counties are projected to get a Ksh.5 billion increase.

- b) The Health Sector alone is set to get a Ksh.29.30 billion budget increase yet it is a largely devolved function. Also, there is no policy pronouncement on transition of UHC Workers to Counties on permanent and pensionable basis as resolved during the 12th National and County Governments Coordinating Summit.
- c) The Council proposed that the Ksh.8.94 billion required for the transition of UHC workers should be part of the county equitable share for FY 2026/27 as opposed to the funds being transferred to counties as conditional grant. Additionally, to ensure smooth transition, the Ministry of Health should also address the pending payment of the UHC Workers service gratuity before they are transferred.
- d) Regarding the fiscal responsibility and prudence there is need to review the 35% threshold wage bill to revenue ratio taking into consideration the current trends and its practicability over the long-term.
- e) The Council proposed that Ksh.534.96 billion be allocated to counties in the FY 2026/27 as equitable share. This comprised of-
 - i. Ksh.35 billion as an adjustment for revenue growth;
 - ii. Ksh.8.94 billion budget requirement to transition of the UHC Workers,
 - iii. Ksh.10.06 billion budget requirement to implement the outstanding 3rd and 4th remuneration and benefits review cycles; and
 - iv. Ksh.65.97 billion identified for transfer under the first phase of delineated and gazetted devolved functions.
- f) The proposed additional allocations to county governments be amended to include the Ksh.1.8 billion under the Kenya Watershed Services Improvement Project (KEWASIP); expected to be implemented in 12 Counties in FY 2026/27.
- g) The Council informed the meeting about the partial or non-disbursement of funds by the National Treasury to counties, especially additional allocations. In FY 2023/24, Ksh.29.37 billion out of Ksh.46.36 billion was disbursed leaving a balance of Ksh.16.99 billion. In the FY 2024/25, Ksh.27.84 billion out of the Ksh.50.54 billion allocated was disbursed.
- h) Regarding the intergovernmental agreements in respect of the Additional Conditional Allocations, the Council proposed that-
 - i. Parliament should fast-track the Bill seeking to repeal Sections 191A-E of the PFM Act
 - ii. The Senate engages with the Attorney General to gazette an amendment to the County Governments Additional Allocations (No.2 Act) 2025 to exempt proceeds of loans and grants funds from development partners from sections 191A of the PFM Act.
- i) Regarding the National Treasury's proposal to split the County Governments Additional Allocations Bill (CGAAB) into two separate laws; one for additional allocations from the National government's share of revenue and the other for additional allocations from development partners, the Council proposed that, the draft Bill that seeks to amend section 42 of the PFM Act be withdrawn to allow

for the alternative mechanism that will ensure County Governments Additional Allocations Bill is passed alongside the County Allocation of Revenue Bill.

2. The Council submitted as follows regarding the 2026 Medium Term Debt Management Strategy-

- a) The Council noted that as of 31st June 2025, the stock of public debt stood at Ksh.11.814 trillion, which is equivalent to 67.8 % of the GDP in present value terms. This implies that the national government has breached the debt anchor threshold set at 55% of the GDP provided for under section 50(2A) of the Public Finance Management (PFM) Act and has exceeded the allowable additional limit of 5% by 7.8%.
- b) The continued growth of the stock of public debt and the cost of servicing it reduces the revenue available for sharing between the two levels of government. The 2026 BPS stipulates that Public Debt servicing accounts for 53% of the total projected ordinary revenue. That is, Ksh.1,542.069 billion out of Ksh.2,901.875 billion will be available for sharing.
- c) County governments' borrowing entitlement thresholds: Article 212 of the Constitution provides for borrowing by county governments with a guarantee from the national government. However, Parliament is yet to establish threshold for borrowing by counties as stipulated under Section 50(5) of the PFM Act.
- d) Kenya's Debt Sustainability: The National Treasury's debt sustainability analysis indicates that there's a high risk of debt distress. Debt service - to- revenue ratio breached the 18% threshold in 2024 and 2025.
- e) The Council submitted that the borrowing trends and strategies are unsustainable and threaten the stability and predictability of resource allocation to counties in the long-term, which would be against the criteria set out under Article 203 of the Constitution.
- f) There's need for urgent action by the National Treasury to put in place measures to ensure debt sustainability.

The Committee observed that-

- a) Community Health Promoters (CHPs) will be expanded from 107,831 to 120,000. However, the additional resources for additional CHPs had not been provided for. The allocation of Ksh.3.24 billion in FY 2026/27 is similar to the allocation in FY 2025/26. That, the national government currently provides allocation for 100,000 CHPs and the county governments meets cost for the extra number of CHPs.
- b) Counties should put in place measures and mechanisms to enhance collection of Own Source Revenue and reduce overreliance on the equitable share.
- c) the Commission proposed and endorsed inclusion of Ksh.8.93 billion for the remuneration of the Universal Health Coverage (UHC) workers in the equitable share for the FY 2026/27 rather than as an additional conditional allocation. However, the Committee expressed concern that this amount would be shared using the fourth basis

formula for sharing of revenue among counties and, which would not consider the number of CHPs in each county

- d) The Committee observed that the National Rating Act has not been fully operationalized since the National Land Commission is yet to develop regulations under Section 20(2) of the Act to enable the payment of CILOR to counties by the national government.

The Committee praised the Council for their thorough and data-based submissions and thanked them for their continued collaboration.

Meeting with the National Treasury and Economic Planning

The Committee considered National Treasury's request for rescheduling of the meeting to Monday, 23rd February, 2026 at 2:00 p.m. The Cabinet Secretary stated that he was unable to attend the meeting since he was attending Eurobond roadshows that were scheduled on 18th and 19th February, 2026. The Committee acceded to the request.

MIN/SEN/SCF&B/1464/2026

ANY OTHER BUSINESS

The meeting was reminded about the retreat scheduled to take place in Machakos County from 22nd and 23rd February, 2026, to consider and adopt reports on the 2026 Budget Policy Statement and Medium-Term Debt Management Strategy. The specific venue was to be communicated in due course.

MIN/SEN/SCF&B/1465/2026

ADJOURNMENT AND DATE OF THE NEXT MEETING

The meeting adjourned at 12:40 p.m. Next meeting shall be held on Monday, 23rd February, 2026 at 9:00 a.m.

SIGNATURE:



... DATE: 23rd February, 2026.

SEN. (CAPT.) ALI IBRAHIM ROBA, EGH, MP
(CHAIRPERSON)

APPENDIX 1: MINUTES OF
THE COMMITTEE
PROCEEDINGS

Appendix 2: Copies of stakeholders' submissions



**REPUBLIC OF KENYA
THE NATIONAL TREASURY**

**BRIEFING NOTES FOR THE CABINET SECRETARY, THE NATIONAL
TREASURY FOR USE DURING THE MEETING WITH THE SENATE
STANDING COMMITTEE ON FINANCE AND BUDGET**

**TO DELIBERATE ON THE 2026 BUDGET POLICY STATEMENT AND
THE MEDIUM-TERM DEBT MANAGEMENT STRATEGY, 2026**

FEBRUARY, 2026

BRIEFING NOTES FOR THE CABINET SECRETARY, THE NATIONAL TREASURY FOR USE DURING THE MEETING WITH THE SENATE STANDING COMMITTEE ON FINANCE AND BUDGET TO DELIBERATE ON THE 2026 BUDGET POLICY STATEMENT AND THE MEDIUM-TERM DEBT MANAGEMENT STRATEGY, 2026

A. INTRODUCTION

1. **Hon. Chairperson** and **Hon. Members**, thank you for inviting us to this meeting to consider and deliberate on the 2026 Budget Policy Statement.

B. LEGAL BASIS AND OBJECTIVES FOR 2026 BUDGET POLICY STATEMENT

2. The Budget Policy Statement (BPS) is prepared in accordance with the Public Finance Management Act, 2012. Section 25 of the Act, requires the National Treasury to submit the Budget Policy Statement approved by Cabinet to Parliament, by the 15th February in each year.
3. In compliance with the PFM Act and Regulations, the 2026 Budget Policy Statement:
 - i) Presents an **assessment of the current state** of the economy and the **financial outlook** over the medium term.
 - ii) Presents the **financial outlook** with respect to **Government revenues, expenditures** and **borrowing** for the FY2026/2027 and over the medium term.
 - iii) Sets the **proposed expenditure limits** for the national government, and **indicative transfers** to county governments.
 - iv) Presents the **fiscal responsibility principles** and **financial objectives** over the medium term.
4. The document forms the basis for the preparation of the **FY 2026/27 and medium-term budget**.

C. HIGHLIGHTS OF THE 2026 BUDGET POLICY STATEMENT

i) Policy Priorities

5. **Hon. Chairperson**, the 2026 Budget Policy Statement, the fourth to be prepared under the Kenya Kwanza Administration, sets out the

Government's policy priorities, fiscal strategy, for implementation in the FY 2026/27 and over the medium-term.

6. In part, the Government will consolidate the gains realized under BETA through a value chain approach, to scale their impact, bridge urban-rural divides and ensure sustainable bottom-up transformation. Special emphasis will be placed on:

- i) **Agricultural Transformation** - To enhance food security and farmer incomes by modernizing value chains through County Aggregation and Industrial Parks, promoting crop diversification, strengthening livestock productivity, and expanding climate-resilient support services.
- ii) **MSME Economy** - To boost inclusive economic growth by expanding affordable credit, formalizing enterprises, establishing MSME hubs, and empowering youth through the NYOTA programme.
- iii) **Healthcare** - To achieve Universal Health Coverage by strengthening primary care, expanding community health services, deploying medical personnel, and improving digital health and medicine supply systems.
- iv) **Housing and Settlement** - To promote affordable, climate-resilient housing and planned urban-rural settlements through expanded finance, cooperative support, and upgraded infrastructure.
- v) **Digital Superhighway and Creative Economy** - To drive innovation, jobs, and economic diversification by expanding digital connectivity, digitizing Government services, building youth digital skills, and supporting the creative economy.

7. **Hon. Chairperson and Members**, building on the achievements realized over the past three years under BETA, the Government's next phase of transformation will focus on four priorities:

- i) Scaling up investment in people through **education**, skills development, scientific training, and innovation;
- ii) Transforming the economy from a net importer to a net exporter of goods and services, with emphasis on **agricultural and manufactured products**;
- iii) Ensuring abundant, reliable, and affordable **energy** as the foundation of a modern economy; and

- iv) Developing efficient **transport and logistics infrastructure** to connect markets, lower the cost of doing business, and strengthen Kenya's position as the aviation and commercial hub of East and Central Africa.
8. This roadmap emphasizes long-term industrial planning, expansion of productive capacity, large-scale investment in human capital, and strategic infrastructure development.
9. To sustainably finance this transformation agenda, the Government approved the establishment of the National Infrastructure Fund and the Sovereign Wealth Fund.
- i) The **National Infrastructure Fund**, established with initial capitalization from privatization proceeds, will serve as the central vehicle for aligning public finances with national development priorities. The Fund will crowd-in large-scale private sector through domestic resources mobilisation, monetising mature public assets, leveraging capital markets while reducing on borrowing and taxation. To establish the Fund, the National Infrastructure Fund Bill, 2026 was tabled in Parliament last week.
- ii) The **Sovereign Wealth Fund** will prudently manage mineral and petroleum revenues, returns from public investments, and a portion of privatisation proceeds to promote inter-generational equity, fiscal resilience, and strategic commercial investments. Anchored on Article 201 of the Constitution, the Fund will strengthen fiscal discipline, protect the economy from external shocks, and enhance long-term national competitiveness.

ii) Economic Developments and Outlook

Global Economic Environment

10. **Hon. Chairperson and Members**, the 2026 Budget Policy Statement is prepared against a backdrop of a resilient global economic environment. Global growth is projected to remain at **3.3% in 2026**, before easing marginally to **3.2% in 2027** from the estimated **3.3% in 2025**. The sustained global growth reflects:

- Continued investment in technology, particularly artificial intelligence;
- More flexible private-sector supply chains; and

- Generally accommodative financial conditions.

11. Sub-Saharan Africa is expected to expand by **4.6% in 2026 and 2027** from the estimated **4.4% in 2025**. This growth outlook will be supported by macroeconomic stabilization, improving domestic demand, easing inflationary pressures, and continued reform efforts in several key economies.

Domestic Economic Performance and Outlook

12. **Hon. Chairperson**, against this global backdrop, the Kenyan economy continues to demonstrate strong resilience despite facing multiple challenges arising from both domestic and external environments.

13. The economy expanded at an average annual rate of 5.1% (4.9% in 2022, 5.7% in 2023, and 4.7% in 2024). This performance reflects the implementation of sound and deliberate macroeconomic policies, alongside the continued diversification of the economy, which has reduced reliance on any single sector. The strong growth momentum was sustained in the first three quarters of 2025:

- Growth stood at **4.9% in Q1, 5.0% in Q2** and **4.9% in Q3** of 2025 (**Table 1**).
- Drivers: **strong agricultural performance** (good weather, subsidized inputs), **industrial recovery** (construction and manufacturing), and **robust services** (ICT, financial services, tourism).

Table 1: Sectoral GDP Performance

Sectors/Sub-sectors	Quarterly Growth Rates					
	2024 Q1	2024 Q2	2024 Q3	2025 Q1	2025 Q2	2025 Q3
1. Primary sector	4.5	4.0	2.9	6.2	4.9	4.0
1.1. Agriculture, Forestry and Fishing	5.6	4.5	4.0	6.0	4.4	3.2
1.2. Mining and Quarrying	(16.1)	(5.5)	(12.2)	10.8	15.3	16.6
2. Secondary Sector (Industry)	1.5	0.5	0.3	2.6	3.3	4.1
2.1. Manufacturing	1.9	3.2	2.3	2.1	1.0	2.5
2.2. Electricity and Water supply	2.8	1.2	0.9	3.6	5.7	3.6
2.3. Construction	0.4	(3.7)	(2.6)	3.0	5.7	6.7
3. Tertiary sector (Services)	6.8	6.2	5.7	4.8	5.5	5.4
3.1. Wholesale and Retail trade	3.6	2.5	2.6	5.4	4.1	4.8
3.2. Accommodation and Restaurant	38.1	35.0	22.9	4.1	7.8	17.7
3.3. Transport and Storage	4.1	3.4	4.6	3.7	5.4	5.2
3.4. Information and Communication	9.2	6.7	6.9	5.8	6.0	4.5
3.5. Financial and Insurance	9.6	8.0	7.3	5.2	6.7	5.4
3.6. Public Administration	7.5	9.0	7.3	6.5	6.0	5.1
3.7. Others	5.8	5.6	4.9	4.4	5.2	5.2
of which: Professional, Admin & Support Services	9.4	6.7	4.5	4.6	8.5	6.1
Real Estate	6.9	5.9	4.8	5.3	5.5	5.7
Education	2.4	3.2	4.8	2.9	3.2	3.4
Health	5.4	8.1	6.2	4.8	6.8	4.1
Taxes less subsidies	2.9	3.8	6.3	5.7	3.3	3.7
Real GDP	4.9	4.6	4.2	4.9	5.0	4.9

Source of Data: Kenya National Bureau of Statistics

14. Kenya's economic outlook is expected to strengthen, with real GDP projected to grow by **5.3% in 2026 and 2027** from an estimated growth of **5.0% in 2025**. The recovery will be anchored by a robust agricultural sector, steady expansion in services, and a gradual rebound in industry.

15. **Macroeconomic Stability:** Stability in key indicators has fostered a conducive investment environment:

- i) **Inflation:** Stood at **4.4%** in **January 2026** from **3.3%** in **January 2025**, staying within the $5.0 \pm 2.5\%$ target, reflecting easing of monetary policy, lower energy costs, and easing food price.
- ii) **Interest rates have declined in line with the easing of the monetary policy.**
 - **Central Bank Rate** reduced to **8.75% (February 2026)** from **13.0 % (August 2024)**.
 - **91-day T-bill rate** declined to **7.7% (January 2026)** from **9.6% (January 2025)**.

- **KESONIA** (the overnight interbank rate) declined to **9.0%** (January 2026) from 11.2% (January 2025).
 - Commercial banks' **average lending rate** eased to **14.8% (December 2025) from 17.2% (November 2024)** and are expected to ease further in line with the accommodative monetary policy stance.
- iii) **Credit to private sector** has begun to recover, with a growth reaching **5.9% (December 2025)** compared to a contraction of **1.4% (December 2024)**.
- iv) The external position has improved characterized by a stable exchange rate, improved goods exports and services receipts, and resilient diaspora remittances.
- **Exchange rate:** Shilling relatively stable against the US Dollar at **KSh 129.0 /USD (January 2026)** compared to **KSh 129.4/USD (January 2025)**.
 - **The official foreign exchange reserves** stood at USD 12.1 billion (5.2 months of import cover) by end December 2025 compared to USD 10.1 billion (4.4 months of import cover) over the same period in 2024, giving the economy a robust buffer against external shocks.
 - **Current account deficit** stood at **USD 3,298.9 million (2.4 % of GDP) in December 2025** on account of strong exports, higher service receipts, net primary income and remittances.

Fiscal Performance for FY 2025/26

16. **Hon. Chairperson and Members**, implementation of the FY 2025/26 budget has faced several emerging pressures, primarily driven by persistent revenue underperformance and rising expenditure demands.

17. By the end of December 2025, **total revenue** collected including A-I-A amounted to **KSh 1,525.1 billion** against a target of **KSh 1,636.7 billion (Table 2)**. The revenue collection was below target by **KSh 111.6 billion** largely from ordinary revenue. The underperformance is attributed to slower-than-projected tax receipts largely due to compliance gaps, administration challenges, and the impact of revenue reducing measures in the Finance Bill 2025.

Table 2: Total Revenue as at 31st December 2025 (KSh Millions)

	2024/2025	2025/2026		Deviation KSh.	% Growth
	Actual*	Actual*	Target		
Total Revenue (a+b)	1,368,747	1,525,121	1,636,711	(111,591)	11.4
(a) Ordinary Revenue	1,157,762	1,241,288	1,351,853	(110,565)	7.2
Import Duty	71,535	84,731	83,717	1,014	18.4
Excise Duty	141,349	153,647	167,617	(13,970)	8.7
PAYE	275,994	303,001	310,746	(7,744)	9.8
Other Income Tax	254,840	239,353	316,147	(76,794)	(6.1)
VAT Local	149,905	171,649	186,747	(15,098)	14.5
VAT Imports	154,175	179,347	192,619	(13,272)	16.3
Investment Revenue	58,330	53,574	36,981	16,593	(8.2)
Traffic Revenue	1,808	1,842	1,998	(156)	1.9
Taxes on Intl. Trade & Trans.(IDF Fee)	22,596	23,986	23,858	129	6.2
Others ¹	27,230	30,157	31,425	(1,267)	10.8
(b) Appropriation In Aid ²	210,985	283,833	284,858	(1,026)	34.5
o/w Railway Development Levy	15,878	22,937	19,204	3,733	44.5
(c) External Grants	7,513	5,759	17,919	(12,160)	(23.3)
Total Revenue and External Grants	1,376,260	1,530,879	1,654,630	(123,751)	11.2
Total Revenue and External Grants as a percentage of GDP	7.6	7.9	8.6		-

Source: The National Treasury

18. The **total expenditure** and net lending for the period ending December 2025 amounted to **KSh 2,019.8 billion**, against a target of **KSh 2,097.0 billion (Table 3)**. The below target expenditure of **KSh 77.1 billion** is largely attributed to below absorption in domestic interest, foreign interest, and pensions payments.

Table 3: Expenditure and Net Lending as at 31st December 2025 (KSh Millions)

	2024/2025	2025/2026		Deviation	% Growth
	Actual*	Actual*	Targets		
1. RECURRENT	1,400,782	1,470,602	1,507,543	(36,941)	5.0
Domestic Interest	421,860	414,106	468,144	(54,038)	(1.8)
Foreign Interest	101,691	104,728	114,392	(9,664)	3.0
Pensions & Other CFS	104,618	71,053	96,535	(25,482)	(32.1)
Contribution to Civil Servants' Pension	16,100	13,008	17,221	(4,213)	(19.2)
Wages and Salaries	293,335	325,524	328,643	(3,119)	11.0
Operation and Maintenance	463,177	542,182	482,608	59,574	17.1
O/W: Appropriation-in-Aid	132,407	160,925	164,857	(3,932)	21.5
2. DEVELOPMENT	271,902	337,972	325,718	12,254	24.3
Development Projects (Net)	155,631	196,302	161,872	34,430	26.1
Payment of Guaranteed Loans	-	-	-	-	-
Appropriation-in-Aid	116,271	141,670	158,208	(16,538)	21.8
3. County Governments	191,615	179,519	229,937	(50,417)	(6.3)
4. Parliamentary Service	18,638	18,920	19,896	(976)	1.5
5. Judicial Service	11,801	12,828	13,890	(1,062)	8.7
6. Equalization Fund	-	-	5,638	(5,638)	-
7. CF	-	-	-	-	-
TOTAL EXPENDITURE	1,894,737	2,019,840	2,096,983	(77,143)	6.6

Source: The National Treasury

19. The fiscal performance during the first half has necessitated revision of the FY 2025/26 budget, in order to safeguard budget implementation while maintaining fiscal consolidation path. Accordingly, fiscal projections for the FY 2025/26 have been revised in the 2026 Budget Policy Statement:

- Total revenues are projected at **KSh 3,352.1 billion (17.6 percent of GDP)**, an increase of KSh 30.5 billion from the approved budget. Of this, ordinary revenue is projected to decline by KSh 10.3 billion to **KSh 2,744.4 billion (14.4 percent of GDP)**, while Ministerial Appropriations-in-Aid are projected to increase by KSh 40.8 billion to KSh 607.7 billion (**Table 5, Annex Table 1 and 2**).
- Total expenditure is projected at **KSh 4,532.8 billion (23.9 percent of GDP)**, representing an increase of KSh 262.9 billion from the approved budget.

- The resultant fiscal deficit for FY 2025/26 is projected at **KSh 1,140.7 billion (6.0 percent of GDP)**, up from KSh 901.0 billion (4.7 percent of GDP) in the approved Budget, and will be financed through net external financing of **KSh 254.8 billion (1.3 percent of GDP)** and net domestic financing of **KSh 885.9 billion (4.7 percent of GDP)**.

- These adjustments will be tabled before Parliament during the supplementary budget process later this financial year.

iii) FY 2026/27 and Medium-Term Budget

20. **Hon. Chairperson**, in the FY 2026/27 and medium term budget, the Government will continue to pursue a **prudent fiscal strategy** aimed at reinforcing macroeconomic stability while safeguarding priority development expenditure.

21. Medium-term **fiscal consolidation** will be anchored on **sustainable domestic revenue mobilization** through targeted tax policy and administrative reforms, **rationalization of non-essential expenditure**, strengthened expenditure control and improved spending efficiency.

Fiscal Projections for FY 2026/27 Budget

22. **Total revenue** inclusive of Appropriation in Aid for the FY 2026/27 is projected at **KSh 3,533.7 billion (16.9 percent of GDP)**. This revenue includes:

- Ordinary revenue of **KSh 2,901.9 billion (13.9 percent of GDP)**; and
- Appropriation in Aid of **KSh 631.8 billion**.

23. Expenditures and net lending are projected at **KSh 4,703.9 billion (22.5 percent of GDP)** in FY 2026/27. The expenditure outlook comprises:

- Recurrent spending of **KSh 3,456.9 billion (16.5 percent of GDP)**
- Development expenditure of **KSh 749.5 billion (3.6 percent of GDP)**
- Transfers to County Governments amounting to **KSh 495.5 billion**;

- And an allocation of **KSh 2.0 billion** to the Contingency Fund
24. Fiscal deficit including **grants** is expected to reach **KSh 1,115.8 billion (5.3 percent of GDP) in FY 2026/27**, from the projected deficit of **KSh 1,140.7 billion (6.0 percent of GDP) in FY 2025/26**.
25. The **FY 2026/27** fiscal deficit will be financed through **net external borrowing** amounting to **KSh 225.5 billion (1.1 percent of GDP)** and **net domestic financing of KSh 890.4 billion (4.2 percent of GDP)**.
26. Revenue Reforms in FY 2026/27 will involve:
- i) Full implementation of the **National Tax Policy** and **Medium-Term Revenue Strategy** to progressively strengthen tax revenue mobilization by simplifying and harmonizing tax laws, rationalizing and targeting tax expenditures, and creating a simple, predictable and fair tax system;
 - ii) Strengthening **tax administration** – through sustained investment in technology to modernize the tax system, improve compliance, broaden the tax base, strengthen customs valuation, and seal revenue leakages; and.
 - iii) Expansion of **non-tax revenues** by enhancing the capacity of MDAs to effectively generate income from public services and strengthen their operational systems to improve service-based revenue performance.
27. To enhance expenditure control and value for money, the Government will continue to implement a number of **expenditure reforms** including full operationalization of the e-procurement system, automation of public investment management processes, and digitization of pension, payroll, and human resource management systems.
28. Other expenditure reforms include:
- Phased implementation of the Treasury Single Account;
 - Accelerated transition from cash-basis to accrual accounting;
 - Adoption of Zero-Based Budgeting principles;
 - Optimization of national assets and liabilities;

- Scaling up the use of Public-Private Partnerships for commercially viable projects; and
- Accelerating implementation of SOE reforms, including privatization, partial divestiture, and strategic partnerships.

Budgetary Allocation for FY 2026/27

Hon. Chairperson and Members,

29. **Resource allocation** will follow **five clusters**: Finance and Production; Infrastructure; Environment and Natural Resources; Social Sectors; and Governance and Public Administration - anchored on **value chain development** (Leather; Cotton; Dairy; Edible Oils; Tea; Rice; Blue Economy; Natural Resources (including Minerals and Forestry); and Building Materials) to enhance competitiveness, jobs, and exports.

30. Ministerial budget ceiling for FY 2026/27 budget is set at **KSh 2,867.4 billion**. This comprises of **KSh 2,021.1 billion** in recurrent expenditure; and **KSh 846.3 billion** in development expenditure.

31. **Sectoral allocations** are as follows:

- **Education:** KSh 767.3 billion (26.8%)
- **Energy, Infrastructure & ICT:** KSh 594.6 billion (20.8%)
- **Public Administration:** KSh 354.9 billion (12.4%)
- **Governance, Justice, Law & Order:** KSh 329.9 billion (11.5%)
- **National Security:** KSh 299.9 billion (10.5%)
- **Health:** KSh 167.4 billion (5.8%)
- **Environment, Water & Natural Resources:** KSh 106.7 billion (3.7%)
- **Agriculture & Rural Development:** KSh 97.0 billion (3.4%)
- **Social Protection, Culture & Recreation:** KSh 87.2 billion (3.0%)
- **General Economic Affairs:** KSh 62.2 billion (2.2%).

32. The hard sector ceilings provided in the **2026 Budget Policy Statement** will form the basis of the detailed budget allocations for submission to Parliament by 30th April 2026.

D. DIVISION OF REVENUE BILL, 2026; COUNTY ALLOCATION OF REVENUE BILL, 2026, AND COUNTY GOVERNMENTS ADDITIONAL ALLOCATION BILL, 2026

i) County Financial Management and Division of Revenue

33. **Hon. Chairperson and Members**, in the FY 2026/27, we have proposed a total allocation to County Governments of **KSh 495.7 billion (Table 5)**. This is made up of:

- **KSh 420.0 billion** to County Governments as equitable share of revenue share which translates to **21.9 percent** of the most recent audited and approved revenue; and
- **KSh 75.7 billion** as an additional allocation (both conditional and unconditional). Of this, **KSh 18.3 billion** will be financed from the National Government's share of revenue, and **KSh 57.4 billion** will be financed from proceeds of loans and grants from Development Partners.

Table 5: Disaggregation of County Governments' Allocation for FY 2026/27

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
A County Equitable Share	316,500	316,500	370,000	370,000	385,425	387,425	415,000	420,000
B Additional Allocations to County Governments	45,595	30,204	39,880	22,359	46,362	42,002	70,666	75,693
Of which a) GoK-funded unconditional allocations	-	-	-	-	10,117	-	2,946	1,981
b) GoK-funded conditional allocations	6,505	-	7,537	5,200	3,044	4,584	9,984	16,312
c) Allocations from proceeds of loans and grants	39,090	30,204	32,343	17,159	33,202	35,639	57,735	57,400
C Total County Allocations (A+B)	362,095	346,704	409,880	392,359	431,787	429,427	485,666	495,693

Source: The National Treasury

34. Details of the allocations are captured in the Bills as follows:

Division of Revenue Bill, 2026

35. In line with the 2026 Budget Policy Statement, the Division of Revenue Bill, 2026 has a projected total shareable revenue of **KSh 2,901.9 billion** for the FY 2026/27. Out of this, the Bill proposes an allocation of:

- **KSh 420.0 billion** to County Governments as equitable share of revenue;

- **KSh 15.2 billion** for Equalization Fund, being the sum of **KSh 9.6 billion** (0.5 percent allocation for FY 2026/27), and **KSh 5.6 billion** (as contribution of arrears to the Equalization Fund).

36. The proposed allocation of **KSh 420.0 billion** as County equitable share translates to **21.9 percent** of the most recent audited and approved revenue of **KSh 1,920.4 billion** for FY 2021/22 as required by the Constitution.

37. **Hon. Chairperson**, the proposed allocation to County Governments' equitable revenue share in FY 2026/27 is informed by the following circumstances:

- i) Overall **revenue shortfalls** against targets over the years as well as expenditures pressures. Specifically, ordinary revenues underperformed by **KSh 110.6 billion** as at end of December 2025;
- ii) Over the years, the **National Government has continued to solely bear shortfalls in revenue** in any given financial year except for FY 2024/25. Over the years, Counties have always received full allocation of equitable share of revenue despite shortfalls in performance of ordinary revenue. The National Government Ministries, Departments and Agencies, therefore, have continued to bear the full burden of revenue shortfall through budget cuts. In cases where there is delay in disbursement of revenue during the financial year, the arrears have always been disbursed in subsequent financial year.
- iii) The **macroeconomic assumptions** outlined in 2026 Budget Policy Statement, including anticipated growth rates, inflation, and other economic performance indicators, which influence the resources available for allocation;
- iv) The need to finance **mandatory expenditures under Article 203 (1)** of the Constitution. Over the years, after taking into account all the mandatory expenditures contemplated under Article 203(1) of the Constitution, there has always been minimal and sometimes, no resources left to finance other National Government obligations, such as defence, roads, energy etc.

In FY 2025/26, Consolidated Fund Services (CFS) is taking about 48.5 percent of ordinary revenue in the FY 2025/26, up from just 16.4 percent in 2013/14, pensions and interest payments tripling their share

of revenues to 8.7 percent and 39.8 percent from FY 2013/14 to FY 2025/26. This trend is expected to remain the same in FY 2026/27. **Table 6** below shows the breakdown of these mandatory expenditures in FY 2026/27;

Table 6: Summary of Considerations Under Article 203 (1) of the Constitution

S/N o	ITEM DESCRIPTION (KSh Millions)	FY 2026/27
	ORDINARY REVENUE (EXCLUDING AIA)	2,901,875
A	National Interest [Article 203 (1)(a)]	136,430
B	Public debt (Art. 203 [1][b])	1,542,069
C	Other National obligations (Article 203 [1][b])	876,111
D	Emergencies [Article 203 (1)(k)]	2,000
E	Equalization Fund [Article 203 (1) (g) and (h)]. Of which:	15,163
	<i>a. Allocation in FY 2026/27</i>	<i>9,602</i>
	<i>b. Arrears</i>	<i>5,561</i>
F	Total Mandatory Expenditures under Article 203(1) (A+B+C+D+E)	2,571,773
G	BALANCE TO BE SHARED BY THE 2 LEVELS OF GOVERNMENT	330,101
H	County Government allocation from revenue raised nationally of which; -	438,293
	<i>a) Equitable Share of Revenue</i>	<i>420,000</i>
	<i>b) Additional conditional allocations financed from revenues raised nationally. Of which,</i>	<i>18,293</i>
	<i>i) Unconditional Additional Allocations</i>	<i>1,981</i>
	<i>ii) Conditional Additional Allocations</i>	<i>16,312</i>
I	Balance left for the National Government	(108,192)

- v) **The need to reduce public debt vulnerabilities and improve debt sustainability.** The spending allocation for FY 2026/27 and medium-term budget is guided by the Government's fiscal consolidation plan aimed at reducing the fiscal deficit inclusive of

grants from 6.0 percent of GDP in FY 2024/25 and FY 2025/26, to 5.3 percent of the GDP in FY 2026/27.

- vi) **Increased expenditures for National Government for purposes of debt servicing.** This is largely due to a relatively stable but still high exchange rate to the dollar, as well as high interest rates in the domestic markets. Public debt service in FY 2026/27 will account for 52 percent of ordinary revenue which is higher than the average (41 percent) observed over the period FY 2016/17 to 2024/25; and

County Allocation of Revenue Bill, 2026

38. The County Allocation of Revenue Bill, 2026 distributes the proposed county allocation of **KSh 420.0 billion** for the FY 2026/27 equitably to all 47 County Governments.

39. The **horizontal allocation** of revenue to counties is in accordance with the **Fourth determination of the basis** of the division of revenue among counties approved by Parliament pursuant to Article 217 (7) of the Constitution.

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

County Governments Additional Allocation Bill, 2026

41. The County Governments Additional Allocation Bill, 2026 proposes an additional allocation (both conditional and unconditional) of **KSh 75.7 billion** to County Governments in the FY 2026/27 pursuant to Article 202 (2) of the Constitution (**Table 7**). Out of this:

- **KSh 18.3 billion** will be financed from the National Government's share of revenue, and
- **KSh 57.4 billion** will be financed from proceeds of loans and grants from Development Partners.

Table 7: Additional Allocations to County Governments in FY 2026/27

S/NO	Project Description	Amount in KSh.
I. Unconditional Additional Allocations Financed from National Governments Share of Revenue		
1	Unconditional Additional Allocations from Court fines	148,259,370
2	Unconditional Additional Allocations from 20% Share of Mineral Royalties to County Governments	1,833,128,821
Sub Total		1,981,388,191
II. Conditional Additional Allocations Financed from National Governments Share of Revenue		
1	Conditional Additional Allocations for the Community Health Promoters (CHPs) Programme	3,234,930,000
2	Conditional Additional Allocations to Supplement Construction of County Headquarters	523,100,000
3	Conditional Additional Allocations for the County Aggregation and Industrial Parks (CAIPs) Programme	3,250,000,000
4	Conditional Additional Allocations from 0.5% of Housing Levy Fund to the County Rural and Urban Affordable Housing Committees	365,991,679
5	Conditional Additional Allocations for the Remuneration of Universal Health Coverage (UHC) Workers	8,937,615,000
Sub Total		16,311,636,679
III. Conditional Additional Allocations Financed from Proceeds of Loans and Grants from Development Partners		
1	AfD (France) - Kenya Informal Settlement Improvement Project (KISIP) II	400,000,000
2	IDA (World Bank) - Building Resilience & Responsive Health Systems (BREHS)	7,800,000,000
3	KfW - Financing Locally-led Climate Action (FLoCA) Program - County Climate Resilience Investment Grant (CCRI-G)	1,200,000,000
4	IDA (World Bank) - Financing Locally-led Climate Action (FLoCA) Program - County Climate Resilience Investment Grant (CCRI-G)	6,187,500,000
5	IDA (World Bank) - Food Systems Resilience Project (FSRP)	3,900,000,000
6	IDA (World Bank) - National Agricultural Value Chain Development Project (NAVCDP)	3,560,000,000
7	IDA (World Bank) - Water and Sanitation Development Project (WSDP)	850,000,000
8	IDA (World Bank) - Kenya Urban Support Project (KUSP) - Urban Institutional Grant (UIG)	954,734,992
9	IDA (World Bank) - Second Kenya Urban Support Project (KUSP) - Urban Development Grant (UDG)	16,703,171,420
10	IFAD - Kenya Livestock Commercialization Project (KeLCoP)	378,730,000
11	KfW - Drought Resilience Programme in Northern Kenya (DRPNK)	853,600,000
13	IDA (World Bank) - Second Kenya Devolution Support Program (KDSP II) - Institutional Grant (Level 1 Grant)	1,762,500,000
14	IDA (World Bank) - Second Kenya Devolution Support Program - Service Delivery and Investment Grant (Level 2 Grant) (KDSP)	7,755,000,000
15	IDA (World Bank) - Kenya Water, Sanitation and Hygiene (K-WASH) Programme	4,282,086,900
16	IFAD - Integrated Natural Resource Management (INReM) Programme	812,442,000
Sub Total		57,399,765,312
GRAND TOTAL		75,692,790,182

E. THE MEDIUM-TERM DEBT MANAGEMENT STRATEGY (MTDS), 2026

Hon. Chairperson and Members,

I. INTRODUCTION

1. Hon. Chairperson and Hon. Members, thank you for inviting the National Treasury to this session to deliberate on the 2026 MTDS. It is my pleasure and honor to present to you a brief on the 2026 MTDS which was submitted to the National Assembly pursuant to Article 201 of the Constitution, Section 64(2)(c) of the Public Finance Management Act, Cap 412A and Regulation 200 of the Public Finance Management (National Government) Regulations, 2015.

2. The Debt Management Strategy (DMS) presents the optimal plan on costs and risks that the National Treasury will implement over the medium term in order to achieve a desired public debt portfolio composition.

3. The main objective of the DMS is to ensure that the Government deficit Financing needs deficit reflected in Budget policy statement and public debt payment obligations are met at the lowest possible cost within a prudent degree of risk.

4. Hon. Chairperson and Members, the 2026 MTDS aims at:

- i.Reducing refinancing risks by reducing near-term rollover pressures. This mitigates the vulnerability to occasional market disruption and ensures smoother cash flow requirements for public debt redemption;
- ii.Reducing the interest rate risk by securing the highest proportion of fixed-rate debt at 93.7 percent and extending the average time before debt is subject to interest rate re-fixing to 7.8 years;
- iii.Reducing the foreign exchange risk by diversifying debt held in foreign currencies; and,
- iv.Promoting intergenerational equity by using long term debt to finance development projects.

5. Hon. Chairperson and Members, the 2026 DMS will serve as a road map for management of the country's public debt for the FY 2026/27 to FY 2028/29.

6. During the implementation period, the National Treasury will continue to monitor and assess macroeconomic and market developments both domestic and global, exploring opportunities for diversifying sources of borrowing over the medium term without compromising on the debt management objectives.

II. ASSUMPTIONS

7. Hon. Chairperson and Members, over the medium term, economic growth in Kenya is projected to remain at 5.3 percent supported by diversified private sector activities and ongoing Government interventions and strategies under the Bottom-Up Economic Transformation Agenda (BETA).

8. The Central Bank of Kenya (CBK) continues to manage monetary policy with the primary objective of maintaining price and financial stability to support sustainable economic growth with the current target set at 5 ± 2.5 percent. Largely, the inflation rate has remained within the projected target ranges.

9. Domestic interest rates have eased following a gradual reduction of the Central Bank Rate from 13.0 percent in August 2024 to 9.25 percent in October 2025 to support private sector credit and economic activity with overnight interbank rate (KESONIA) declining to 9.3 percent in October 2025 from 12.1 percent a year earlier.

8.75%
current

10. Hon. Chairperson and Members, the current public debt stock as at end June 2025 stood at Ksh 11,814.5 billion representing 65.6% of GDP in PV terms.

The public debt stock of Ksh 11,814.5 billion is comprised of a mix of:

- Domestic Debt: Ksh 6,326.0 billion representing 53.5% of total debt
- External Debt: Ksh 5,488.5 billion representing 46.5% of total debt

11. Hon. Chairperson and Members, the fiscal deficit for the financial year 2026/27 is projected at Ksh. 1,106 billion of which Net External Financing – Ksh. 243 billion and Net Domestic Financing – Ksh. 862 billion.

The 2026 MTDS analysis has indicated that costs and risks of funding the deficit will be minimized through gross borrowing mix of 18 percent external and 82 percent Domestic.

12. Hon. Chairperson and Members, to finance the projected deficit, the Government will raise funds from the domestic market through issuance of Treasury bonds, concessional borrowing from bilateral and multilateral partners as well as commercial borrowing such as international bond issuances.

The Government will also explore innovative financing options such as Sustainability-Linked Bonds (SLBs), Diaspora Bonds, Domestic Retail Digital Bonds via Mobile Money, debt swaps, Samurai, Panda Bonds, Environmental, Social and Governance (ESG) debt instruments to fund budget deficit and manage public debt redemptions.

13. Hon. Chairperson and Members, Kenya's public debt in present value terms is projected to range between 65.6 percent and 62.1 percent until 2030. However, the Government aims to sustain fiscal consolidation efforts over the medium term to create fiscal space and reduce debt related risks.

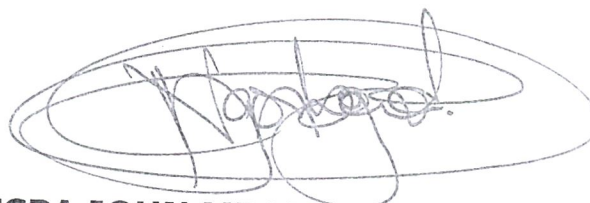
CONCLUSION

14. Hon. Chairperson and Members, Kenya's public debt is at 65.6 percent to GDP in present value terms. To achieve debt sustainability calls for collective national responsibility requiring sustained fiscal consolidation.

15. There is need sustain fiscal consolidation to reduce the rate of public debt accumulation, the goal, for which we seek support of the Senate so as to reduce public debt burden relative to GDP over the coming years.

I thank you once again, Hon. Chairperson and Hon. Members for giving me this opportunity to engage you on the 2026 MTDS. We remain available to support the Committee whenever called upon.

- 16.** To safeguard debt sustainability, the National Treasury will continue to sustain **fiscal consolidation** measures anchored on expenditures controls and revenue mobilization. As part of the process, the National Treasury will explore **innovative financing instruments, diversify borrowing sources, prioritize concessional external financing** to lower financing costs, and strategically **extend the maturity profile of public debt** through the issuance of medium- to long-term debt instruments.
- 17.** The National Treasury will also sustain push for more **domestic debt market reforms**, aimed at lowering borrowing costs and enhance the effectiveness of public debt management operations.
- 18.** Collectively, these actions will enhance Kenya's debt management outcomes and support long-term fiscal and external stability.
- 19.** I thank you once again, **Hon. Chairperson and Hon. Members**, for giving us this opportunity to engage with you on the 2026 Budget Policy Statement and the Medium-Term Debt Management strategy. We remain available to support the Committee when called upon during this approval process.



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

No.	Paragraph/Section	Issue	Recommendation
Section VIII. Debt Management Strategy			
9.	Paragraph 1: Overall debt management strategy on page 14	- The 2026 MTDS aims to reduce debt costs and risks by sourcing 18 per cent from external sources and 82 per cent from domestic sources over the medium term. - Commercial banks and other financial institutions hold a substantial proportion of the 82 per cent domestic debt as shown in Table 1. - This interconnection between banks and governments securities (the sovereign-bank nexus), may expose the country's financial sector to such risks as, government debt restructurings and defaults which may in the medium to long term trigger a banking crisis.	- The MTDS should consider developing different categories of domestic government financial securities that appeal to the diverse range of investors in Kenya including households. - This will help in mitigating the concentration of government domestic debt in banks and other financial institutions.

Table 1: Domestic Debt by Investor Category (%), June 2020 to June 2025

Investor	June 2021	June 2022	June 2023	June 2024	June 2025+
Banks					
Commercial Banks	49.0	47.1	43.4	29.5	34.7
Central Bank	2.4	2.0	4.1	3.1	2.7
Non-Banks					
Trust and Pension Funds	30.7	32.7	32.8	13.9	14.1
Insurance Companies	6.7	7.2	7.2	12.7	12.6
Government Parastatals				17.2	13.8
Households				6.2	6.0
Non-Residents				6.0	4.4
Other Investors*	11.3	11.0	12.6	11.4	11.5
Total	100	100	100	100	100

Source: Annual Debt Management reports

END.

No.	Paragraph/Section	Issue	Recommendation
4.	Table 4 on page 7	The table presents domestic debt securities by maturity profile, in USD equivalent, however domestic debt in Kenya is primarily issued in Kenya Shillings.	The MTDS to present domestic debt securities :y maturity profile in Kenya Shilling.
5.	Paragraph 3, page 7	18.2 percent of domestic debt will mature by end of June 2026.	There is need for clarity on how the government will manage the maturing debt in order to reduce the refinancing risks.
Section IV. Review of Performance of the 2024 MTDS			
6.	Paragraph 2 on page 8	- The strategy of financing 55 per cent of the net deficit financing from domestic sources and 45 per cent from external sources was not achieved. - Instead the financing mix shifted to 83 per cent net domestic financing and 17 per cent net external financing.	The MTDS should clarify on what constitutes an optimal mix of domestic and external financing.
7.	Paragraph 5, page 9	- The average maturity of new external debt shortened from 20.5 years in June 2024 to 15.6 years at the end of June 2025. While at the same time the average grace period has reduced from 4.4 year in June 2024 to 3.7 years in June 2025. - The shortening of the average maturity period and the grace period increases risks to debt sustainability.	The MTDS should articulate specific strategies on how risks to debt sustainability arising from the shortening of the average maturity will be mitigated.
Section V. Kenya's Debt Sustainability			
8.	Table 8 and Table 9: Public debt sustainability analysis on page 10	- The external debt and public debt sustainability analysis thresholds reported by the MTDS are heavily influenced by the IMF/World Bank's debt sustainability analysis framework that focus on gross domestic product and exports. - The framework is universally applied in all economies, yet Advanced Economies respond differently to economic shocks compared to Emerging and Developing economies.	- Parliament should consider legislating a debt sustainability analysis framework beyond the Net Present Value (NPV) of debt to GDP of 55 percent, which is an IMF/World bank threshold to limit the uptake of domestic debt. - These debt sustainability thresholds will be more relevant to Kenya's economic status as a developing country.



Promoting an Equitable Society

COMMENTS ON THE 2026 MEDIUM TERM DEBT MANAGEMENT STRATEGY

No.	Paragraph/Section	Issue	Recommendation
Section I: Introduction			
1.	Paragraph 4 page 1: Objectives of the 2026 Medium Term Debt Management Strategy	Objective, d, of the MTDS is to reduce the foreign exchange risk exposure through currency diversification, however the MTDS has not provided the road map on how this objective will be achieved in the medium term.	The MTDS to provide a roadmap on the achievement of the objective on reducing public debt foreign exchange risk exposure. This is important in ensuring debt sustainability.
Section II. Review of the Existing Public Debt Stock			
2.	Table 1 on page 3: Public and Publicly Guaranteed Debt in the MTDS end June 2025	The stock of domestic debt as at the end of June 2025, comprised of pre-1997 government debt of Ksh. 16.12 billion.	The pre-1997 has remained outstanding for a long time. The MTDS should explain the pre-1997 government debt and clarify why it has remained outstanding for a long time.
Section III. Costs and Risks of the Existing Public Debt Portfolio			
3.	Paragraph 2 on page 6	- The domestic debt instruments with maturity of less than one year increased from 18.6 per cent at the end of 2024 to 21.6 per cent at the end of 2025 as a result of uptake of short-term instruments. - The increase in short-term domestic debt goes against the objective of reducing the refinancing risks and minimizing the cost of financing needs.	The government should shift towards longer term debt instruments to reduce refinancing risk.



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**COUNCIL OF GOVERNORS COMMENTS ON THE 2026 BUDGET POLICY STATEMENT (BPS):
SUBMITTED TO THE SENATE STANDING COMMITTEE ON FINANCE AND BUDGET ON 19TH
FEBRUARY 2026**

Introduction

The Council of Governors appreciates the continued collaboration with the Senate and especially the cordial relationship with the Committee on Finance and Budget over the years. The Council underscores the Committee's critical role on matters of Budget, Revenue Sharing, Laws allocating money to Counties among others and looks forwards to strengthened engagement. Following the Committee's invitation, the Council of Governors, on behalf of the 47 County governments, submits the following comments on the 2026 Budget Policy Statement (BPS).

1.1. General Comments

1. **Macroeconomic Outlook:** - The Council takes note of the projected positive macroeconomic outlook with GDP set to grow at 5.3% in 2026 and remain stable over the medium-term. This is underpinned by favorable weather conditions, improved agricultural productivity, increased climate-smart investments among others. Macroeconomic stability and predictability should therefore inform resource allocation between the two levels of government.
2. **Agriculture sector contribution to GDP Growth:** Kenya's economic growth in 2025 remained resilient with agriculture being the primary factor underpinning the strong performance. Agriculture being a devolved function places Counties at the centre of the country's economic growth and stability. However, despite their contribution to economic growth Counties continue being viewed as spending units as opposed to centres of development and service delivery. This is evidenced by the arbitrary nature in which the National Treasury projects County transfers in their fiscal policy documents. Going forward, all fiscal projections on County transfers should be informed by various cost drivers, the need to spur economic growth and enhance productivity in various sectors on devolved functions such as Agriculture.
3. **Revenue sharing framework for FY 2026/27:** - We further note that on the resource allocation framework, the County government share of the ordinary revenue is not consistent with general growth trends such as ordinary revenue growth and GDP growth. Arbitrary allocations and numerous revisions of ordinary revenue projections



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by the National Treasury that are not informed by objective criteria undermine the integrity of the revenue sharing framework. The National Treasury should, onwards, provide a detailed description that reflects current realities, cost drivers/non-discretionary budget items and emerging needs all grounded in objective data in the same way they itemize national interest expenditures.

4. **Consideration of County governments' views on the BPS:** Section 25 (5)(b) of the Public Finance Management (PFM) Act, CAP 412A obligates the National Treasury to seek and take into account the views of the County governments during preparation of the BPS. The Council of Governors submitted comments on the draft 2026 BPS on behalf of the 47 County governments. However, having reviewed the BPS submitted to Parliament, we note that the National Treasury did not consider the Counties' views or provide feedback for non-consideration. We therefore request the Senate to ensure that issues raised by Counties are considered in the final 2026 BPS.

1.2. Specific Comments

Below are the detailed specific comments on the 2026 BPS;

2.4.2 Fiscal Policy and Outlook

Table 2.7: Fiscal Framework

From the fiscal framework, the Council notes a worrying trend regarding the National Treasury's Fiscal Policy and Outlook. As pointed out in the previous year's BPS, the Counties projected transfers as a share of the GDP are on a consistent declining trend over the medium term as shown in table 1 below. This poses a risk towards the continuity, stability and sustainability of the devolved units in the long term if the trend is not reversed. Given the Counties contribution to the GDP, Counties allocations should be commensurate with the projected growth.

Table 1: County Transfers as a share of GDP

FY	2025/26	2026/27	2027/28	2028/29	2029/30
County Transfers as a share of GDP	2.6%	2.4%	2.1%	1.9%	1.8%

Source: National Treasury's 2026 BPS



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COG's Proposal

- That the Counties' allocations as a share of the GDP matches the growth trends and also the projections reversed to protect Counties' continuity and guarantee sustainability.

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

3.4 Details of Sector Priorities

The projected baseline ceilings of the National government's sectoral budget allocations for the FY 2026/27 is set to increase by Ksh.317.88 billion as shown in table 2 below.

Table 2: Analysis of National government Sectoral Allocations for the FY 2026/27

Code	Sector	Approved 2025/26 Budget	2026/27 BPS Projection	Variance/Increment
010	Agriculture, Rural and Urban Development	82.40	97.01	14.61
020	Energy, Infrastructure, and ICT	534.63	594.60	59.97
030	General Economic and Commercial Affairs	58.16	62.19	4.03
040	Health	138.11	167.41	29.30
050	Education	703.07	767.31	64.24
060	Governance, Justice, Law and Order	283.04	329.99	46.95
070	Public Administration and International Relations	321.50	354.99	33.49
080	National Security	253.77	299.98	46.21
090	Social Protection, Culture and Recreation	78.99	87.22	8.23
0100	Environmental Protection, Water and Natural Resources	95.87	106.71	10.84
	Grand Total	2,549.54	2,867.42	317.88

Source: 2026 BPS



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On average, there's a Ksh.31.79 billion increase in the national government sectoral allocation for the next FY while all 47 Counties are projected to get a Ksh.5 billion increase. The increments especially on the largely devolved sectors such as Agriculture, Health and Water are unjustified *vis a vis* the Counties' projected allocation.

Health Sector

The Health Sector alone is set to get a Ksh.29.30 billion budget increase yet it's a largely devolved function. The Council also notes that in the details of the Health Sector's priorities for the next FY and the medium-term there's no policy pronouncement on transition of UHC Workers to Counties on permanent and pensionable basis as resolved during the 12th National and County Governments Coordinating Summit. The Council further notes that the National Treasury has recommended that the Ksh.8.94 billion required for the transition be transferred as a conditional grant to Counties through the County governments Additional Allocations Bill. This negates the principle of resources following functions and does not guarantee predictability and sustainability after the transfer.

COG's Proposal

- That under the Health Sector's priorities, there be a pronouncement on the transition of UHC Workers and the corresponding cost of Ksh.8.94 billion.
- This should be included in the Division of Revenue for FY 2026/27 as opposed to being transferred as a conditional grant.
- The Ministry of Health should also address the pending payment of the UHC Workers service gratuity before they are transferred to ensure a smooth transition.

COUNTY FINANCIAL MANAGEMENT AND DIVISION OF REVENUE

4.1.4 Expenditure on Wage Bill as a Percentage of Total Revenue

In the FY 2024/25 Counties spent 41.4% of the total revenue on average on wages and benefits which exceed the PFM threshold of 35%. Only 9 Counties met this threshold which points to a material fiscal responsibility challenge that the Country's policy ought to address. While the revenues are growing marginally, Counties continue to experience increased demand for service delivery and growing citizens expectations. This in turn necessitates enhancement of Counties' human resources in terms of numbers and capacity. The high wage bill is also partly



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due to population growth, inflationary pressures, capacity gaps which make the 35% threshold untenable.

COG's Proposal

- As a matter of fiscal responsibility and prudence there is need to look at the 35% threshold wage bill to revenue ratio taking into consideration the current trends and its practicability over the long-term. The fiscal policy on this threshold should therefore be reviewed while highlighting the following:
 - i. Whether there is a scientific basis of the 35% threshold.
 - ii. The fiscal policy underpinning this principle and whether it is feasible and or sustainable in the long run based on the revenue growth trends as compared to expenditure needs.
 - iii. A comparative analysis of applicability of this principle with other jurisdictions.
 - iv. The classification of recurrent vs development items in view of human capital development's contribution such as expenditures on Education and Healthcare.

4.5 Division of Revenue for the FY 2026/27

The Council of Governors notes the National Treasury's projected Ksh.420 billion as equitable share to Counties for FY 2026/27 out of the total sharable revenue of Ksh.2,901.9 billion. This represents a 1.2% increase and Ksh.5 billion in absolute terms from the current FY's allocation. The increment has been attributed to an adjustment for revenue growth. The Council notes that the National Treasury's projection lacks a basis and is not informed by any cost drivers for the next FY and therefore rejects the proposal.

COG Proposal

The Council proposes that **Ksh.534.96 billion** be allocated to Counties in the FY 2026/27 as equitable share. This represents a Ksh.106.97 billion increment comprised of **Ksh.35 billion** being an adjustment for revenue growth, **Ksh.8.94 billion** budget requirement to transition of the UHC Workers, **Ksh.10.06 billion** budget requirement to implement the outstanding 3rd and 4th remuneration and benefits review cycles and **Ksh.65.97 billion** identified for transfer under the first phase of delineated and gazetted devolved functions.



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Justification for the Council of Governors' Recommendations

1. **Revenue growth:** The Kenyan economy is projected to expand by 5.3% and remain stable in 2026 and 2027. With a projected revenue growth of Ksh.262.2 billion in absolute terms and the expected macroeconomic stability, Counties allocation of Ksh.35 billion as recommended by CRA on account of an adjustment for revenue growth is fair given that the National government will get Ksh.217.6 billion increment.
2. **Transition of UHC Workers to Counties on Permanent and Pensionable Terms:** UHC Workers contracts will lapse between April 2026 and September 2026. The Ministry of Health in consultation with the Council of Governors, agreed that the workers will be transitioned to County governments in the FY 2026/27 on permanent and pensionable terms and the budget transferred through Division of Revenue in perpetuity to ensure sustainability. As such, the MOH confirmed availability of the attendant cost of Ksh.8.94 billion to be transferred to County governments (**Confirmation letters attached**). This was ratified during the 12th National and County governments Coordinating Summit. This is therefore a non-discretionary expenditure item and should be provided in the Division of Revenue Bill as a matter of priority.
3. **Budget requirement on Review of Remuneration and Benefits for State Officers and Public Officers in County Governments for the 3rd and 4th Cycles:** The Salaries and Remuneration Commission vide a letter to the Council Ref. No. SRC/TS/24/6VOL.II (108) dated 29th August 2025 (**Attached**) confirmed that County governments are in arrears regarding implementation of the 3rd and 4th Remuneration and Review Cycles. The final phase of the 3rd Cycle requires **Ksh.4.77 billion** while the first phase of the 4th Cycle requires **Ksh.5.28 billion** to implement as per table 3 below. The National government has already implemented all cycles leaving behind the Counties. This is discriminatory and has already triggered industrial action from various County Public Officers and is expected to escalate if not implemented. This is therefore a non-discretionary expenditure that should be given priority in the 2026/27 Division of Revenue.

Table 3: Budget Requirement for Respective County Governments for the 3rd and 4th Remuneration and Benefits Review Cycles

S/No.	County	Arrears of FY 2024/2025 – (3 rd Review Cycle)	Arrears of FY 2025/2026 – (4 th Review Cycle)	Total Budget Requirement for FY 2025/2026 onwards
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1.	Baringo	79,553,014	87,977,551	167,530,565
2.	Bomet	79,880,969	88,340,236	168,221,205
3.	Bungoma	144,949,428	160,299,340	305,248,768
4.	Busia	79,151,393	87,533,399	166,684,792
5.	Elgeyo-Marakwet	62,114,711	68,692,559	130,807,270
6.	Embu	66,465,040	73,503,581	139,968,621
7.	Garissa	95,442,473	105,549,678	200,992,151
8.	Homa Bay	120,696,204	133,477,739	254,173,943
9.	Isiolo	57,369,542	63,444,884	120,814,426
10.	Kajiado	102,051,188	112,858,245	214,909,433
11.	Kakamega	153,627,277	169,896,160	323,523,437
12.	Kericho	75,014,666	82,958,599	157,973,265
13.	Kiambu	196,776,415	217,614,722	414,391,137
14.	Kilifi	113,569,974	125,596,853	239,166,827
15.	Kirinyaga	59,441,141	65,735,863	125,177,004
16.	Kisii	118,497,614	131,046,322	249,543,936



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17.	Kisumu	128,998,940	142,659,721	271,658,661
18.	Kitui	136,567,169	151,029,414	287,596,583
19.	Kwale	85,831,618	94,921,048	180,752,666
20.	Laikipia	71,925,914	79,542,753	151,468,667
21.	Lamu	44,273,245	48,961,710	93,234,955
22.	Machakos	163,019,291	180,282,772	343,302,063
23.	Makueni	100,086,543	110,685,548	210,772,091
24.	Mandera	95,710,323	105,845,893	201,556,216
25.	Marsabit	84,343,801	93,275,675	177,619,476
26.	Meru	119,769,671	132,453,087	252,222,758
27.	Migori	72,999,780	80,730,340	153,730,120
28.	Mombasa	121,305,263	134,151,296	255,456,559
29.	Murang'a	97,830,623	108,190,729	206,021,352
30.	Nairobi	395,761,282	437,671,768	833,433,050
31.	Nakuru	148,172,260	163,863,464	312,035,724
32.	Nandi	69,558,724	76,924,881	146,483,605



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33.	Narok	139,944,423	154,764,313	294,708,736
34.	Nyamira	69,619,136	76,991,691	146,610,827
35.	Nyandarua	53,288,295	58,931,440	112,219,735
36.	Nyeri	103,194,714	114,122,869	217,317,583
37.	Samburu	57,587,460	63,685,878	121,273,338
38.	Siaya	59,820,570	66,155,473	125,976,043
39.	Taita-Taveta	54,351,374	60,107,097	114,458,471
40.	Tana River	48,357,881	53,478,903	101,836,784
41.	Tharaka-Nithi	63,100,115	69,782,316	132,882,431
42.	Trans Nzoia	76,269,462	84,346,276	160,615,738
43.	Turkana	135,323,778	149,654,350	284,978,128
44.	Uasin Gishu	134,668,793	148,930,003	283,598,796
45.	Vihiga	61,169,992	67,647,796	128,817,788
46.	Wajir	101,668,061	112,434,546	214,102,607
47.	West Pokot	75,822,532	83,852,016	159,674,548
	Total	4,774,942,082	5,280,600,797	10,055,542,879

Source: SRC Circular



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4. **Financial Resources related to the unbundled and delineated functions:** The first phase of identification of financial resources indicated that **Ksh.65.97 billion** is available for transfer to Counties from various National government MDAs as shown in table 4 below.

Table 4: Consolidated Available Budget for Transfer to Counties

S/No.	SECTORS	STATE DEPARTMENTS AND AGENCIES	ESTIMATED RESOURCES AVAILABLE FOR TRANSFER (KSH.)
1	AGRICULTURE	State Department for Agriculture	12,827,067,240
		State Department for Livestock	2,580,000,000
		State Department for Fisheries and Blue Economy	4,377,520,639
	Sub-Total		19,784,587,879
2	Lands	State Department for Public Works	454,000,000
		State Department for Housing and Urban Development	3,063,865,251
	Sub-Total		3,517,865,251
3	Trade and Industry	State Department for Trade	5,530,000
		State Department for Industry	4,721,000,000
	Sub-Total		4,726,530,000
4	Transport	State Department for Transport (NTSA & NAMATA)	589,180,692
	Sub-Total		589,180,692
5	Culture	State Department for Culture, the Arts and Heritage	783,322,886
		State Department for Youth Affairs and Creative Economy	1,652,513,433
		NACADA	871,265,232
		Executive Office of the President	198,991,240
	Sub-Total		3,506,092,791
6	Tourism	State Department for Tourism	14,012,201,050
	Sub-Total		14,012,201,050



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7	Water	State Department for Water and Sanitation	9,293,816,151
		State Department for Irrigation	517,000,000
Sub-Total			9,810,816,151
8	Environment	State Department for Environment and Climate Change	439,796,186
		State Department for Forestry	40,000,000
Sub-Total			479,796,186
9	Disaster Management	State Department for Special Programs – (NDOC)	355,962,460
		State Department for ASALs Development – (NDMA)	357,304,296
Sub-Total			713,266,756
10	Health	State Department for Medical Services	8,590,000,000
		State Department for Public Health and Professional Standards	235,500,000
Sub-Total			8,825,500,000
GRAND TOTAL			65,965,836,756

Source: IGRTC Report on Resources Identified from delineated devolved functions.

The 12th Summit adopted the interim report and resolved that the CRA and National Treasury should verify and include in the 2026/27 FY DORB financial resources identified so far from the delineated devolved functions.

The Council further notes that Identification of resources is incomplete in the sense that other national government MDAs' budgets are yet to be analyzed. They include; Energy and Petroleum; Roads; Fisheries and Sports. Analysis of budgets of National Semi Autonomous Government Agencies' (SAGAs) was also not concluded. They include: Agriculture, Blue Economy, Arts and Culture, Water, Transport, Housing and Development, Lands, Forestry, Health and Wildlife. Non-financial resources such as assets and human resources are yet to be identified in all national government MDAs performing devolved functions.

COG Proposal:

- The resources identified so far to be recognized in the 2026 Budget Policy Statement and transferred to Counties in the FY 2026/27 through the Division of Revenue Act.



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- Identification of financial resources in the pending sectors to be finalized by 31st March 2026.
- All outstanding contentious issues from the delineation of functions exercise to be addressed conclusively by 31st March 2026.
- Identification of non-financial resources to be conducted separately, and in any case not later than 30th June 2026.

4.5.2.4 Additional Allocations to County Governments in FY 2026/27

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

The Council notes that the Kenya Watershed Services Improvement Project (KEWASIP) has been omitted from table 4.9. The project is active and is expected to be implemented in 12 Counties beginning the 2026/27 FY.

COG Proposal:

- That Table 4.9 is amended to include the Ksh.1.8 billion under the Kenya Watershed Services Improvement Project (KEWASIP).

4.6 Intergovernmental Fiscal Transfers

On Intergovernmental fiscal transfers the Council notes with concern the partial or non-disbursement of funds to counties, especially additional allocations, by the National Treasury. In the Financial Year 2023/24, the National Treasury disbursed only **Ksh.29.37 billion** of the total allocation of **Ksh.46.36 billion** leaving a balance of **Ksh.16.99 billion**. In the financial year 2024/25, the National Treasury did not disburse **Ksh.27.84 billion** to Counties out of the **Ksh.50.54 billion** allocated. The Attorney General noted that the matter of late and or partial disbursement of additional allocations to Counties raises questions of Public Finance Management, Fiscal Policy and Donor Obligations which the National Treasury is obligated to address. The Council of Governors has made several follow ups for disbursement to no avail and reiterates the issues raised by the AG.

COG Proposal:

- Regarding the delayed, partial and or non-disbursement of additional allocations, the Council recommends that the National Treasury is compelled to disburse all outstanding balances in accordance with the laws passed by the Senate.
- For the outstanding 2023/24 and 2024/25 balances, the Council recommends that the Senate to cause the National Treasury to prepare a Supplementary Appropriation Bill



(within powers bestowed under Article 223 of the Constitution) to regularize the release of the balances as advised by the Attorney General.

4.6.1 Intergovernmental Agreements in respect of the Additional Conditional Allocations

We note that implementation of Sections 191A to E of the PFM Act has further compounded the challenges associated with the additional allocations' funds flow framework. Currently the Controller of Budget is not approving requisitions for withdrawal of conditional grants until Intergovernmental Agreements are executed. However, due to the challenges noted Cabinet approved a Bill seeking to repeal the Sections. The Bill was introduced at the National Assembly. Application of these sections had been suspended for the last FYs. However, for the current FY only additional allocations from the National government's share of revenue were suspended. As such, Counties are unable to access the development partners conditional grants which form the bulk of the money.

COG Proposal:

- That Parliament fast-tracks the Bill seeking to repeal Sections 191A-E of the PFM Act
- That the Senate engages with the Attorney General to gazette an inclusion of donor funded conditional grants as exempt from application of Sections 191A -E which was omitted in the County Governments Additional Allocations (No.2 Act), 2025S to secure their release to Counties.

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

The Council notes the National Treasury's proposal to split the County Governments Additional Allocations Bill (CGAAB) into two separate laws; one for additional allocations from the National government's share of revenue and the other for additional allocations from development partners. The Council notes that the proposal to split the CGAAB into two will only exacerbate the existing issue of delayed passage, hence the need for an alternative framework.

COG Proposal:

The draft PFM Amendment Bill on Section 42 that is before the Attorney General to be withdrawn to allow for the alternative mechanism that will see the development of a legal frameworks of passing the County Governments Additional Allocations alongside the County Allocation of Revenue Bill.

COUNCIL OF GOVERNORS COMMENTS ON THE 2026 MEDIUM-TERM DEBT MANAGEMENT STRATEGY (MTDS): SUBMITTED TO THE SENATE STANDING COMMITTEE ON FINANCE AND BUDGET ON 19TH FEBRUARY 2026

Council of Governors Comments

The Council of Governors Makes the following comments on the 2026 Medium-term Debt Management Strategy Paper (MTDS):

1. **Debt Anchor:** - Section 50 (2A) of the Public Finance Management (PFM) Act, CAP 412A provides that borrowing by the national government **shall not exceed fifty-five percent (55%)** of the gross domestic product (GDP) in present value terms. This is the Country's debt anchor established in the FY 2023/24. The PFM Act further provides that notwithstanding subsection (2A), the national government may, **in exceptional circumstances, exceed the threshold** set under that subsection **by not more than five percent (5%)**.

The Council notes that as of 31st June 2025, the Country's stock of public debt was at **Ksh.11.814 trillion** which is 67.8 % of the GDP in present value terms. This implies that the National government breached the debt anchor set at 55% of the GDP in and even exceeded the allowable additional limit of 5% by 7.8%.

2. **Impact of Public debt on County governments:** The continued growth of the stock of public debt and the cost of servicing reduces the revenue available for sharing between the two levels of government. From the 2026 BPS, Public Debt servicing accounts for 53% of the total projected ordinary revenue while Counties account for only 14%. That is Ksh.1,542.069 billion out of Ksh.2,901.875 billion available for sharing. This is so despite the Counties having not contributed to the public debt stock.
3. **County governments' borrowing entitlement thresholds:** Article 212 of the Constitution provides for borrowing by County governments with a guarantee from the National government. Section 50 (5) of the PFM Act provides that Parliament shall provide thresholds for the **borrowing entitlements** of the national government and **county governments and their entities**. However, the Council notes that Parliament is set to establish a threshold for borrowing by County governments and as such Counties are constrained to the conventional budget financing options.
4. **Kenya's Debt Sustainability:** The National Treasury's debt sustainability analysis indicates that there's a high risk of debt distress. Debt service - to - revenue ratio breached the 18% threshold in 2024 and 2025 an indicator of the growing debt service pressures. Equally, from the analysis the present value of the total debt as a

percentage of the GDP is set to remain above the 55% benchmark over the medium term. The Council notes that the borrowing trends and strategies are unsustainable and threaten the stability and predictability of resource allocation to Counties in the long-term which is against the criteria set out under Article 203 of the Constitution.

The Council is cognizant of the provisions of Section 50 (2C) of the PFM Act which provides that the Cabinet Secretary, National Treasury shall, not later than five years from the date of the coming into force of subsections (2A) and (2B), take measures to ensure that borrowing by the national government complies with the threshold prescribed in subsection (2A). With the projections under the 2026 MTDS, we note that there's need for urgent action by the National Treasury to put in place measures to ensure debt sustainability.

COG's Proposal

- That the Senate initiates the establishment of a threshold for county governments borrowing entitlements pursuant to Section 50 (5) of the PFM Act.
- That the Senate invokes Section 50 (2C) of the PFM Act to explain measures being taken to ensure that the threshold is met and that the high risk of debt stress is addressed within the medium-term.



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CAF MEMORANDUM ON THE 2026 BUDGET POLICY STATEMENT (BPS) AND THE 2026 MEDIUM-TERM DEBT MANAGEMENT STRATEGY (MTDMS)

TO: Mr. Jeremiah Nyegenye, CBS,
Clerk of the Senate, Parliament of Kenya.

FROM: The County Assemblies Forum.

DATE: 20th February 2026

**CAF MEMORANDUM ON THE 2026 BUDGET POLICY STATEMENT
(BPS) AND THE 2026 MEDIUM-TERM DEBT MANAGEMENT
STRATEGY (MTDMS)**

1. INTRODUCTION

- 1.1 The County Assemblies Forum [CAF] is the coordinating body of the 47 County Assemblies in Kenya. CAF seeks to institutionalize the law making, representation and oversight capacities for the County Assemblies in Kenya and form linkages with other arms of government. The primary mandate of CAF is to promote networking and synergy amongst the 47 Assemblies, coordinate intergovernmental relations and enhance good practice in legislative development.
- 1.2 The 2026 BPS has been prepared pursuant to Section 25 of the PFM Act, CAP 412A, for submission to the Cabinet for approval, after which the approved BPS will be submitted to Parliament by 15th February 2026.
- 1.3 In line with the PFM Act and Regulations, the 2026 BPS contains: an assessment of the current state of the economy, including macroeconomic forecasts as well as the priorities of the Government current pillars of growth and strategic directions;
- 1.4 The County Assemblies Forum (CAF) presents this memorandum to the Senate Standing Committee on Finance and Budget to provide insights on the 2026 BPS.

2.1 OVERVIEW OF THE 2026 BPS

Economic Outlook and Budget implementation for FY 2025/026

- 2.1.1 In 2026, global growth will be driven by the continued boom in technology and artificial intelligence (AI) investment, which is boosting productivity and business activity, particularly in North America and parts of Asia.
- 2.1.2 In 2025, growth was supported by improved financial conditions, and strong consumer and business spending, particularly in the United States.
- 2.1.3 The global economy over 2020–2024 moved from a deep COVID-19

recession (2020) to a strong but uneven recovery (2021), then slowed by Russia-Ukraine war (2022), inflation, and high interest rates (2023), before settling into modest yet resilient growth amid rising debt, trade tensions, and geopolitical risks (2024).

- 2.1.4 Growth in commercial banks' lending to the private sector continued to improve and stood at **5.9% in December 2025** compared to -1.4% in December 2024.
- 2.1.5 Budget execution in FY 2025/26 has progressed well but constrained by slow adoption of e-procurement, revenue shortfalls against targets as well as expenditures pressures.
- 2.1.6 By end December 2025, revenue collection was below target by **Ksh 136.1 billion** mainly on account of shortfalls in **ordinary revenues** of **Ksh 115.3 billion** while **Ministerial AiA** was also below target by **Ksh 20.8 billion**.
- 2.1.7 Total revenues grew by **12.4%** by end December 2025 compared with a growth of 1.6% by end December 2024 while ordinary revenues grew by **6.8%** compared with a growth of 6.3% over the same period.
- 2.1.8 **Expenditures** by end December 2025 were below target by **Ksh 72.6 billion** largely on account of below target absorption of development expenditure (Ksh 33.0 billion) while recurrent expenditure was above target be Ksh 10.9 billion. Transfer to counties recorded a shortfall of Ksh 50.4 billion.
- 2.1.9 Budget execution in FY 2025/26 has progressed well but constrained by slow adoption of e-procurement, revenue shortfalls against targets as well as expenditures pressures.
- 2.1.10 By end December 2025, revenue collection was below target by Ksh 136.1 billion mainly on account of shortfalls in ordinary revenues of Ksh 115.3 billion while Ministerial AiA was also below target by Ksh 20.8 billion.
- 2.1.11 Total revenues grew by 12.4% by end December 2025 compared with a growth of 1.6% by end December 2024 while ordinary revenues grew by 6.8% compared with a growth of 6.3% over the same period.

2.1.12 Expenditures by end December 2025 were below target by KSh 72.6 billion largely on account of below target absorption of development expenditure (KSh 33.0 billion) while recurrent expenditure was above target by KSh 10.9 billion. Transfer to counties recorded a shortfall of KSh 50.4 billion.

2.4.1 SUMMARY OF THE 2025/2027 BPS

2.4.2 In the FY 2026/27, total revenue including Appropriation-in-Aid (AiA) is projected at KSh 3,533.7 billion (16.9% of GDP).

2.4.3 Of this, ordinary revenue is projected at KSh 2,901.9 billion (13.9% of GDP). This revenue performance will be underpinned by the on-going reforms in policy and revenue administration.

2.4.4 The overall expenditure and net lending is projected at KSh 4,703.9 billion (22.5% of GDP) comprising:

2.4.5 Recurrent expenditure of KSh 3,456.9 billion (16.5% of GDP);

2.4.6 Development expenditure of KSh 749.5 billion (3.6% of GDP);

2.4.7 Transfer to Counties of KSh 495.5 billion and Contingency Fund of KSh 2.0 billion.

2.4.8 The resulting fiscal deficit including grants of KSh 1,115.8 billion (5.3% of GDP) in FY 2026/27 will be financed by:

2.4.9 a net external financing of KSh 225.5 billion (1.1% of GDP) and a net domestic financing of KSh 890.4 billion (4.3 percent of GDP).

2.4.10 In FY 2026/27, the **KSh 4.7 trillion** Budget allocated **60.5% to the National Government**. Of this allocation:

2.4.11 Executive accounted for **58.9%**, while Parliament and the Judiciary received 1.0% and 0.6%, respectively.

2.4.12 Consolidated Fund Services, amounting to KSh 1,450.1 billion, represented 30.6% of the total Budget.

2.4.13 The County Governments' equitable share of KSh 420 billion accounted for 8.9% of the Budget.

3.1 THE MINISTERIAL BUDGET CEILING FOR THE FY 2026/27

3.1.1. The ministerial budget ceilings is projected at KSh 2,867.4 billion. This comprises of KSh 2,021.1 billion in recurrent expenditure and KSh 846.3 billion in development expenditure. Sectoral allocations are as follows:

- a) Education: KSh 767.3 billion (26.8%)
- b) Energy, Infrastructure & ICT: KSh 594.6 billion (20.7%)
- c) Public Administration: KSh 355.0 billion (12.4%)
- d) Governance, Justice, Law & Order: KSh 330.0 billion (11.5%)
- e) National Security: KSh 300.0 billion (10.5%)
- f) Health: KSh 167.4 billion (5.8%)
- g) Environment, Water & Natural Resources: KSh 106.7 billion (3.7%)
- h) Agriculture & Rural Development: KSh 97.0 billion (3.4%)
- i) Social Protection, Culture & Recreation: KSh 87.2 billion (3.0%)
- j) General Economic Affairs: KSh 62.2 billion (2.2%)

3.2 TRANSFERS TO COUNTY GOVERNMENTS FOR THE FY 2019/20 TO FY 2026/27

3.2.1 Transfers to County Governments in FY 2026/27 is proposed to be KSh 495.7 billion. Of this amount, KSh 420.0 billion is equitable revenue share while KSh 75.7 billion is additional allocations to County Governments.

3.2.2 The additional allocations include: KSh 18.3 billion financed from the National Government's share of revenue and KSh 57.4 billion from proceeds of loans and grants from Development Partners.

Smmarised DORA 2026

Type/level of allocation	Amount in KSh.	Percentage (%) of 2021/22 audited and approved Revenue i.e., KSh. 1,920,434,085,078
A. Total Sharable Revenue	2,901,874,758,144	
B. National Government	2,472,272,587,719	
C. Equalization Fund	9,602,170,425	0.5%
D. County equitable share	420,000,000,000	21.9%

Source: National Treasury

CAF POSITION ON THE PROPOSED DORA 2026

- 3.2.3 The Commission on Revenue Allocation (CRA) mandated to recommended shareable revenue between the two levels of government accordance with Article 216 (1)(a) recommends that **Ksh.458.94 billion** be allocated to Counties as equitable share for FY 2026/27. This is a **Ksh.43.94 billion** increment.
- 3.2.4 The COG proposes that **Ksh.534.96 billion** be allocated to Counties in the FY 2026/27 as equitable share representing a Ksh.106.97 billon increment comprised of **Ksh.35 billion** being an adjustment for revenue growth, **Ksh.8.94 billion** budget requirement to transition of the UHC Workers, **Ksh.10.06 billion** budget requirement to implement the outstanding 3rd and 4th remuneration and benefits review cycles and **Ksh.65.97 billion** identified for transfer under the first phase of delineated and gazetted devolved functions.
- 3.2.5 While National Treasury proposes Ksh **420 billion**, an increament of Ksh 5 billion from last FY.
- 3.2.6 As such, CAF proposes that the Senate considers shareable revenue to Counties of not less than 500 billion as opposed to the recommendations by both CRA and National Treasury. This is to cater for the budget

requirement to transition of the UHC, 3rd and 4th remuneration and benefits review cycles, among others unavoidable matters.

- 3.2.7 Further, the Forum urges this house to be considerate in the manner that even if we were doing badly economically, an additional allocation of 5 billion would serve no purpose with approximately a few counties gaining from the increament while others even getting zero.

3.3.1 **GOVERNMENT PRIORITIES OVER MEDIUM -TERM**

- 3.3.2 The FY 2026/27 and the Medium-Term Framework continues to support implementation of the Bottom-up Economic Transformation Agenda (BETA) to achieve economic turnaround and inclusive growth.

- 3.3.3 The Agenda aims to increase investments in the five core pillars envisaged to have the largest impact to the economy as well as on household welfare. These are:

- 3.3.4 Agricultural Transformation and Inclusive Growth, Micro, Small and Medium Enterprise (MSME), Housing and Settlement, Universal Healthcare, and Digital Superhighway and Creative Industry

- 3.3.5 The key enablers include: Infrastructure; Manufacturing; Blue Economy; Services Economy, Environment and Climate Change; Education and Training; Women Agenda; Social Protection; Sports, Culture and Arts; Youth Empowerment and Development Agenda; Governance; and Foreign Policy and Regional Integration.

4.1 **CAF COMMENT ON THE MINISREAL ALLOCATION**

- 4.1.1 The projected ministerial budget ceilings of KSh 2,867.4 billion reveal a significant concentration of resources at the national level, particularly in sectors whose core service delivery functions are constitutionally devolved under the Fourth Schedule of the Constitution of Kenya, 2010.

- 4.1.2 Notably, Agriculture (KSh 97.0 billion), Health (KSh 167.4 billion), Water and Natural Resources (KSh 106.7 billion), and aspects of Social Protection (KSh 87.2 billion) remain heavily funded at the national level

despite counties bearing primary implementation responsibility. While national policy formulation and regulatory oversight are legitimate national functions, the disproportionate allocation toward national ministries risks undermining the “funding-follows-functions” principle.

- 4.1.3 Counties are directly responsible for agricultural extension services, county health facilities, water service provision, and local development initiatives, yet their equitable share remains constrained. This imbalance places pressure on county budgets while national allocations continue to expand in sectors where service delivery is predominantly devolved, thereby weakening the effectiveness and sustainability of devolution.

4.2.1 CAF POSTION ON MINSTREAL ALLOCATION

- 4.2.2 **Adherence to Funding-Follows-Functions Principle:** Budget allocations must strictly align with constitutional functional assignments to avoid duplication and underfunding of counties.

- 4.2.3 **Rationalization of National Expenditure in Devolved Sectors:** National ministries should progressively reduce operational expenditures in fully devolved functions and redirect resources to counties through equitable share or conditional grants.

- 4.2.4 **Increased Equitable Share to Counties:** The equitable share must be enhanced to reflect the actual cost of delivering devolved services in health, agriculture, water, and rural development.

- 4.2.5 **Clear Functional Delineation and Conditional Grants Framework:** Where national government retains strategic or regulatory roles, funding should be channeled transparently through conditional grants with clear accountability and coordination mechanisms to avoid duplication and fiscal inefficiencies.

5.1.MEDIUM TERM DEBT MANAGEMENT STRATEGY (2026/27 – 2028/29)

- 5.2.The Medium-Term Debt Management Strategy (MTDS) is an annual publication that guides public borrowing and public debt management

by the Government cognizant of public debt sustainability, costs and risks minimization over the medium term.

5.3. The 2026 MTDS has been prepared pursuant to Section 33 of the Public Finance Management Act, Cap 412A. The Strategy recognizes diversification of the public debt structure and deepening of the domestic debt market as a necessity in mitigating exchange rate risks.

5.4. The Medium-Term Debt Management Strategy (MTDS) 2026 has been prepared pursuant to Article 201 of the Constitution of Kenya, 2010, which sets out the principles of public finance, including prudence, transparency, and responsible financial management. It is further anchored under Article 214 and 221 of the Constitution, which provide for borrowing by the national government and the budget-making process respectively.

5.5. The 2026 MTDS is anchored on the macroeconomic assumptions outlined in the 2026 Budget Policy Statement. Over the medium term, economic growth is projected to remain at 5.3 percent, supported by enhanced agricultural productivity, a resilient services sector, and ongoing implementation of priority programmes under Bottom-Up Economic Transformation Agenda (BETA).

6.1. KEY SUMMARY HIGHLIGHTS OF THE MTDS 2026

6.2. As at end June 2025, the stock of public and publicly guaranteed debt was KSh. 11,814.47 billion (67.8 percent of GDP), equivalent to USD 91.42 billion in nominal terms.

6.3. Of this amount, domestic debt accounts for approximately KSh 6.3 trillion, representing slightly over half of the total public debt stock.

6.4. External debt stands at approximately KSh 5.4 trillion, comprising multilateral, bilateral, and commercial loans, including Eurobonds.

POTENTIAL SOURCES OF FINANCING

6.5. The Government relies primarily on both domestic and external markets for deficit finance.

- 6.6.Domestically, the Government will continue raising funds through the issuance of Treasury Bonds and Treasury Bills.
- 6.7.The external borrowing will be majorly through concessional loans from multilateral, bilateral and limited commercial loans such as syndicated loans and international bond issuances.
- 6.8.The Government will explore innovative financing options such as Green & Sustainability-Linked Bonds (SLBs), Diaspora Bonds, Domestic Retail Digital Bonds via Mobile Money, debt swaps, Samurai, Panda Bonds, Environmental, Social and Governance (ESG) debt instruments to fund budget deficit and manage public debt.
- 6.9.The overall objective of the MTDS is to anchor debt sustainability through fiscal consolidation, improved revenue mobilization, and a shift toward cost-effective borrowing instruments.

7.1.CAF POSITION ON THE MTDS 2026

7.2.Concern on Rising Debt Servicing Burden. CAF notes with concern that the growing debt servicing obligations continue to crowd out equitable revenue allocation to counties, thereby constraining the performance of devolved functions under the Fourth Schedule of the Constitution.

7.3.Need to Protect Equitable Share to Counties. While fiscal consolidation is necessary, it must not disproportionately affect county governments whose mandates include health, agriculture, water, and other critical devolved services directly impacting citizens.

7.4.Prioritization of Development Over Recurrent Borrowing. Borrowed funds must demonstrably support productive capital investments rather than recurrent expenditures, to ensure long-term economic returns that benefit counties and reduce fiscal pressure.

8.1.CAF RECOMMENDATIONS ON MTDS

8.2.Ring-Fence County Allocations

The equitable share to counties should be ring-fenced and protected

from fiscal adjustments arising from national debt servicing pressures.

8.3.Strengthen Fiscal Responsibility Compliance

The National Treasury should strictly adhere to the debt ceiling framework and ensure borrowing remains within sustainable thresholds as provided under the PFM Act.

8.4.Shift Toward Concessional and Long-Term Financing

The government should prioritize concessional external financing and lengthen domestic debt maturities to reduce refinancing risks.

8.5.Link Borrowing to Devolved Development Outcomes

Borrowing plans should clearly demonstrate how financed projects will support devolved functions and reduce vertical fiscal imbalances between the two levels of government.

Thank you.

Yours sincerely,

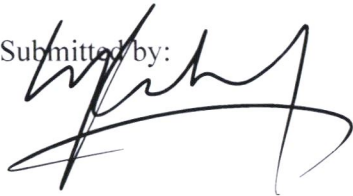
HON. SETH KAMANZA

CHAIRPERSON, CAF

Read together, however, the two documents reveal structural disconnections that undermine the credibility of the medium-term fiscal path. The revenue trajectory disclosed in the BPS cannot sustain the debt sustainability improvements projected in the MTDS. Neither document integrates extractive sector revenue potential into the fiscal framework despite a mapped mineral endowment of 970 occurrences and estimated annual revenue potential of USD 3 billion. Constitutional entitlements under Article 43 are committed to in programme terms but lack a costed progressive realisation framework compatible with the fiscal constraints both documents disclose. Digital transformation is prioritised as a BETA pillar but without a comprehensive financing plan, data centre strategy, or environmental assessment. The outcomes of successful ISDS proceedings remain fiscally invisible. County fiscal distress is documented but excluded from the debt sustainability analysis. Climate risks are modelled in the BPS but absent from the MTDS.

Section 33(3) of the PFM Act requires alignment between the MTDS and the BPS. These submissions demonstrate that the alignment is more formal than substantive: the MTDS adopts the BPS's macroeconomic parameters but does not engage with the fiscal realities those parameters disclose. The Committee is respectfully invited to require the National Treasury to address the structural gaps identified herein, so that Kenya's fiscal and debt management framework achieves the internal coherence and external credibility that sustainable public finance demands.

Submitted by:



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- **Sixth, a contingency financing protocol.** The MTDS should incorporate explicit trigger mechanisms for adjusting the domestic-external financing mix when external disbursements fall short, including T-bill issuance ceilings, private sector credit impact thresholds, and market capacity assessments. The BPS should complement this with an analysis of the structural causes of external disbursement delays.
- **Seventh, a sub-national fiscal risk annex.** The MTDS should include a county fiscal risk assessment capturing pending bills, wage bill compliance, pension contribution arrears, and contingent liability exposure. The PFM Act's framework for managing the levels and composition of national public debt cannot be operationalised coherently without accounting for intergovernmental fiscal risks.
- **Eighth, climate-debt integration.** The Q-CRAFT modelling in the BPS should be extended into the MTDS through climate-adjusted debt sustainability scenarios, a costed green fiscal framework linked to NDC commitments, and a credible roadmap for green and sustainability-linked bond issuance including institutional infrastructure.
- **Ninth, Sukuk inclusion.** The MTDS should include sovereign Sukuk in its financing assessment, consistent with the CMA's regulatory framework and the growing Islamic finance sector.
- **Tenth, a development expenditure protection mechanism.** Given that debt service consumes 48.5 per cent of ordinary revenue and development expenditure has fallen below constitutional thresholds, the MTDS should include a development expenditure floor: no additional borrowing should be contracted unless the corresponding expenditure allocation meets the 30 per cent development spending threshold.
- **Eleventh, gender and disability budgeting.** Both documents should include gender-responsive and disability-responsive budget statements, consistent with Articles 27 and 54 of the Constitution.
- **Twelfth, joint stress testing.** The National Treasury should produce a joint BPS-MTDS stress test subjecting both documents' projections to common adverse scenarios (growth shortfall, revenue underperformance, exchange rate depreciation, external financing failure, climate shock), demonstrating how the combined fiscal framework performs under stress.

XIV. CONCLUSION

Read in isolation, the 2026 BPS and the MTDS each present a plausible fiscal narrative within their respective domains. The BPS articulates the macroeconomic context, revenue and expenditure framework, and sectoral policy priorities with reasonable comprehensiveness. The MTDS applies standard cost-risk optimisation methodology to the debt portfolio and selects a strategy that addresses the most pressing portfolio risks in a technically competent manner.

Transparency	Deficient	No gender budgeting, tax expenditure statement, ISDS disclosure, or geographic impact analysis.
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XIII. RECOMMENDATIONS

On the basis of this assessment, the following recommendations are respectfully submitted for the Committee's consideration.

- **First, an integrated revenue-debt sustainability framework.** The National Treasury should produce, as a supplementary annex to the MTDS, an analysis that explicitly links revenue mobilisation with the borrowing programme. This should quantify the borrowing reduction achievable through tax expenditure rationalisation, HNWI taxation, comprehensive digital economy taxation, extractive sector revenue development, and IFF recovery. The MTDS cannot credibly project debt sustainability improvements whilst the BPS discloses a declining revenue-to-GDP ratio.
- **Second, a natural resources revenue integration strategy.** The BPS should be supplemented with a minerals fiscal framework that projects extractive sector revenue over the medium term, identifies the fiscal regime applicable to the 970 mapped mineral occurrences, and integrates these projections into the MTDS's financing strategy. Given the IEA's estimate of USD 3 billion in potential annual mining revenue, this represents a material alternative to debt financing that both documents should address.
- **Third, a progressive realisation framework for Article 43 rights.** The BPS should establish minimum core expenditure allocations for health, education, social protection, and housing, benchmarked against international standards (Abuja Declaration for health; UNESCO benchmarks for education; ILO Social Protection Floor). The MTDS should demonstrate how the borrowing programme supports these allocations and assess whether debt service levels are compatible with their progressive realisation.
- **Fourth, a comprehensive digital transformation financing plan.** A consolidated investment plan for data centre development (Naivasha, Ruaraka, Konza) should be prepared, including total capital and operational expenditure, energy requirements and associated costs, revenue generation models (user fees, colocation, PPP structures), cybersecurity infrastructure sequencing, and the return-on-investment analysis necessary to justify borrowing for these programmes. The MTDS should assess whether digital infrastructure bonds or PPP-backed instruments can reduce the sovereign borrowing requirement.
- **Fifth, ISDS transparency.** The Government should disclose the total costs incurred in defending ISDS proceedings (Cortec Mining, World Duty Free, and any pending claims), the costs awards recovered, and how recovered amounts have been applied. The fiscal lessons of these proceedings particularly the environmental regulatory framework affirmed in Cortec Mining should inform both the BPS's approach to extractive sector and digital infrastructure governance and the MTDS's assessment of investment climate risks.

Geographic Impact	No geographic distribution analysis beyond county allocation formula	Silent	Article 201(b)(ii) requires equitable development; neither provides geographic impact analysis.
Disability Budgeting	No disability-responsive allocations identified	Silent	Article 54 obligations unaddressed in both documents.
Tax Expenditure Disclosure	No statement published	Silent; financing gap assumes zero tax expenditure visibility	IMF Fiscal Transparency Code breach. Both documents operate with incomplete fiscal picture.
ISDS Expenditure Disclosure	No disclosure of litigation costs or awards recovered	Silent	Public finance transparency requires disclosure of sovereign litigation outcomes with fiscal implications.

XII. CONSOLIDATED ASSESSMENT

Thematic Area	Coherence Rating	Key Finding
Macroeconomic Assumptions	Partially Aligned	Same baseline but interest rate trajectories contradict; no joint stress tests.
Revenue–Financing Nexus	Misaligned	Revenue decline undermines MTDS sustainability projections. No revenue recovery strategy. Natural resource potential and ISDS outcomes unaddressed.
Sectoral Financing (Art. 43)	Weakly Addressed	Health, education, social protection commitments lack costed progressive realisation framework. Debt service crowds out entitlement delivery.
Digital Transformation	Partially Addressed	Infrastructure targets ambitious but uncostered. Data centre strategy absent. Environmental and energy implications unassessed.
Financing Composition	Weakly Aligned	MTDS adjusts targets downward but provides no contingency for continued external shortfalls.
Debt Sustainability	Superficially Consistent	Circular reasoning: MTDS improvement depends on revenue/export growth BPS cannot credibly deliver.
Natural Resources	Disconnected	970 mineral occurrences mapped but not integrated into fiscal framework. Potential USD 3B annual revenue unexploited.
Risk Management	Fragmented	County, climate, digital, and extractive risks acknowledged in isolation; not integrated across documents.

Geothermal	KenGen geothermal training centre 98%; Olkaria rehabilitation 90%; 200MWh battery 4%	KenGen guaranteed debt KSh 83.24B included in MTDS	Geothermal as energy asset well-developed; but not monetised beyond electricity generation. No geothermal-linked green bond framework.
Blue Economy	BPS mentions maritime sector peripherally	Silent	Coastal and oceanic resources unquantified despite Kenya-Somalia maritime boundary resolution at ICJ conferring expanded exclusive economic zone.

Neither the BPS nor the MTDS presents a natural resource mobilisation strategy capable of contributing to deficit reduction, revenue diversification, or debt sustainability. The Non-Financial Indicators disclose active petroleum exploration in Lamu and Kilifi Counties and preliminary activities on the Kenya-Tanzania gas pipeline at 50 per cent completion, as well as coal exploration and geological data collection. Yet the BPS does not articulate the fiscal regime that would govern petroleum revenue and as a result there is no mention of production sharing agreements, royalty structures, sovereign wealth fund architecture, or stabilisation mechanisms, nor does the MTDS factor potential petroleum revenues into its medium-term financing projections.

The omission of a mining fiscal strategy is equally consequential. Kenya's Mining Act 2016 establishes the regulatory framework for mineral extraction, but the BPS does not quantify projected mining revenues or articulate how the fiscal regime interacts with the broader revenue mobilisation agenda. This is particularly notable given that Kenya successfully defended its sovereign regulatory authority over mineral resources in the Cortec Mining ICSID arbitration (discussed in Section VIII below), confirming its right to regulate mining in the public interest. Having vindicated its regulatory sovereignty, the logical next step is to develop a fiscal strategy that monetises that sovereignty through transparent and equitable extraction agreements.

The blue economy represents a further missed opportunity. The ICJ's 2021 ruling in the Maritime Delimitation in the Indian Ocean (Somalia v. Kenya) case, whilst politically contentious, confirmed Kenya's claims over a substantial maritime zone. The fiscal implications of this expanded exclusive economic zone (fisheries revenue, seabed mineral rights, hydrocarbon exploration licences) are absent from both documents.

XI. TRANSPARENCY AND CONSTITUTIONAL COMPLIANCE

Dimension	BPS Position	MTDS Position	Constitutional Assessment
Gender Budgeting	No gender-responsive budget statement	Silent	Both fail Article 27 (equality) and Article 201 (equity) obligations.

Green/SLB Bonds	Q-CRAFT modelling; NDC commitments	Listed as frontier diversification instrument	Aspiration without infrastructure. No verification framework, pricing mechanism, or institutional roadmap.
Diaspora Bonds	Diaspora remittances acknowledged as significant inflow	Listed as diversification option	Neither provides market assessment, pricing structure, or regulatory pathway.
Digital Retail Bonds	Digital economy discussed; mobile money penetration high	Listed as frontier (domestic retail via mobile money)	Promising but undeveloped. No assessment of retail investor appetite or M-Pesa integration.
Mining Revenue Bonds	Mining Strategic Plan; 970 mineral occurrences mapped	Not referenced	Revenue-backed bonds against future extractive receipts could diversify financing without increasing sovereign credit risk.
ISDS Cost Recovery	Not referenced	Not referenced	Costs awards from successful ISDS defence should be disclosed and allocated transparently.

The omission of Sukuk is the most conspicuous gap. Kenya's Capital Markets Authority has established a regulatory framework for Islamic capital market instruments. The BPS acknowledges that Islamic banking is a growing segment of the financial sector. The global sovereign Sukuk market has expanded substantially, with issuances by both Muslim-majority and non-Muslim-majority sovereigns. A sovereign Sukuk programme would access investor pools not currently participating in Kenya's conventional government securities market, diversify the domestic creditor base, and align with the MTDS's own objective of deepening the domestic capital market.

Resource Sector	BPS/Non-Financial Indicators	MTDS Implication	Assessment
Petroleum Exploration	Blocks in Lamu and Kilifi Counties (L8); Kenya-Tanzania gas pipeline 50% preliminary activities; Lokichar Basin development	Silent	Active exploration and pipeline development with no fiscal regime for revenue capture articulated. No sovereign wealth fund or stabilisation mechanism discussed.
Mining Sector	Not substantively addressed; agricultural minerals mentioned	Silent	Mining Act 2016 provides fiscal framework but BPS does not quantify projected mining revenues or articulate a mining fiscal strategy.
Rare Earths	Not addressed despite Mrima Hill deposits (Cortec case)	Silent	Kenya has confirmed rare earth deposits of strategic global significance but no extraction or revenue strategy is disclosed.

Climate Fiscal Risk	Q-CRAFT: 4.2pp GDP loss by 2100; debt-to-GDP rises under non-Paris scenarios	Green bonds mentioned as frontier instrument; no climate-adjusted DSA	BPS models the risk; MTDS ignores it entirely.
Private Sector Crowding Out	Credit growth recovering (-1.4% to 5.9%); monetary easing supporting	82% domestic financing assumed; no absorptive capacity analysis	Directly contradictory: BPS wants credit-led recovery; MTDS plans to absorb domestic savings through government securities.
FATF Grey-Listing	Acknowledged; compliance timeline noted	Silent on implications for external market access	BPS flags the risk; MTDS does not assess how grey-listing affects external borrowing costs or access.
Natural Resource Governance	Mining Strategic Plan referenced; geophysical survey completed	Silent on extractive sector risks or revenue	Neither document assesses the fiscal risk of under-governed extractive sector or the opportunity cost of delayed monetisation.
Digital Infrastructure Risk	Digital Superhighway targets ambitious; cybersecurity threats noted	Silent on digital infrastructure financing or risk	Substantial capital commitments without integrated financing plan. Technology obsolescence risk not assessed.

The risk management comparison reveals a pattern of parallel but disconnected acknowledgments. The BPS identifies risks that the MTDS does not incorporate into its analytical framework, and the MTDS identifies portfolio risks that the BPS does not address in its fiscal projections. The most consequential disconnections concern county fiscal risks, climate-fiscal integration, and the emerging risks associated with large-scale digital infrastructure investment.

On county fiscal risks, the BPS provides detailed data on the distress indicators—pending bills, wage bill breaches, pension contribution arrears—but the MTDS excludes county fiscal dynamics entirely from its debt sustainability analysis. In a devolved system where counties account for approximately 18 per cent of the national budget, this exclusion is analytically indefensible.

X. FINANCING INSTRUMENTS AND NATURAL RESOURCE MOBILISATION: WHAT BOTH DOCUMENTS MISS

Instrument	BPS Reference	MTDS Reference	Assessment
Sovereign Sukuk	Islamic banking acknowledged as growing sector	Absent from financing source assessment	Omission unjustified given CMA regulatory framework, growing domestic Islamic finance sector, and global sovereign Sukuk market.

rationalisation, extractive sector revenue mobilisation, or IFF recovery, the projected improvement is aspirational rather than evidence-based. The two documents, read together, reveal a gap between what debt sustainability requires and what the revenue framework can deliver.

VIII. EXPENDITURE FRAMEWORK: DEBT SERVICE VERSUS DEVELOPMENT

Dimension	BPS Position	MTDS Implication	Achievability
Development Expenditure	3.6% GDP; actual ministerial 25.1% (below 30% floor)	Not addressed; interest 5.9% GDP crowding out development	Incompatible: debt service consumes nearly half of revenue, leaving insufficient room for the 30% development floor.
CFS Ratio	48.5% of ordinary revenue	Projects interest declining to 5.4% GDP by 2029	Even at 5.4%, CFS will exceed 40% of revenue given BPS revenue trajectory. Development remains squeezed.
BETA Transformation	Five pillars: agriculture, MSMEs, housing, healthcare, digital	No mapping of borrowing to BETA expenditure priorities	Critical gap: MTDS cannot demonstrate that borrowed funds generate returns sufficient to service the debt.
Intergenerational Equity	Article 201(a); equitable burden across generations	Stated as strategic objective of MTDS	Verbally aligned but operationally hollow: no framework linking borrowing to productive investment outcomes.

The constitutional test is straightforward: borrowing that imposes repayment obligations on future taxpayers without corresponding productive capital formation violates Article 201(a)'s principle that the burden of taxation shall be shared equitably between present and future generations. The BPS's development expenditure data suggest that the bulk of borrowed resources are absorbed by recurrent expenditure and debt service, a consumption pattern that transfers costs to future generations without transferring benefits. The MTDS's intergenerational equity claim cannot be sustained without evidence that the debt is financing investment rather than consumption.

IX. RISK MANAGEMENT: PARALLEL OMISSIONS

Risk Category	BPS Treatment	MTDS Treatment	Gap Analysis
County Fiscal Risk	Pending bills KSh 176.9B; wage 41.4% (vs 35%); pension arrears	Silent on county risks; mentions only SOE contingent liabilities	Major gap: county distress can transmit to national level. MTDS analytical framework incomplete.

The environmental dimension is particularly relevant in light of the BPS's own Q-CRAFT climate modelling. Data centres are energy- and water-intensive facilities whose environmental footprint must be assessed consistently with the environmental regulatory framework that Kenya successfully defended in the Cortec Mining ICSID proceedings. If Kenya's right to enforce environmental impact assessment requirements was upheld at the international level as a basis for revoking a mining licence, it follows that equivalent rigour should apply to data centre developments, particularly those with significant energy and water consumption profiles. Neither document addresses this regulatory coherence question.

VII. DEBT SUSTAINABILITY: DO THE TWO DOCUMENTS TELL THE SAME STORY?

Indicator	Threshold	BPS Disclosure	MTDS Disclosure	Verdict
PV Debt/GDP	55%	65.3% (2025); trajectory declining	65.3% (2025); projects 58.2% (2029)	Aligned but remains above benchmark throughout medium term.
Debt Svc/Revenue	18%	CFS 48.5% of revenue; revenue 13.9% GDP	20.6% (2025); projects below 18% from 2026	Tension: MTDS improvement assumes revenue growth BPS does not credibly project.
Debt Svc/Exports	15%	Current account deficit widening; no export strategy	22.5% (2025); projects below 15% from 2026	MTDS denominator (exports) depends on trade outcomes BPS does not address.
Interest/GDP	-	CFS dominates expenditure	5.9%; projects 5.4% (2029)	BPS confirms crowding-out but does not quantify the constraint.
Refinancing Risk	-	Not addressed	Debt maturing <1yr: 13.3% total, 10.0% GDP; deteriorated from 7.5%	MTDS identifies deterioration; BPS provides no complementary response.

The debt sustainability indicators present a superficially consistent picture, both documents cite the September 2025 DSA, but the underlying logic is circular. The MTDS projects improvements in the debt service-to-revenue and debt service-to-exports ratios that depend upon revenue growth and export earnings growth, both of which are contingent upon macroeconomic outcomes the BPS does not credibly underwrite. The BPS discloses a declining revenue-to-GDP ratio, a widening current account deficit, and no specific strategy for either revenue recovery or export diversification. The MTDS's projected return to sustainability therefore rests on assumptions that the BPS's own data contradict.

This circularity is most acute in the debt service-to-revenue ratio. The MTDS projects this ratio declining below 18 per cent from 2026, but this requires the revenue denominator to grow at rates that the BPS's 13.9 per cent of GDP baseline does not support. In the absence of explicit revenue enhancement measures, such as an HNWI taxation programme, a comprehensive digital economy framework, tax expenditure

Dimension	BPS Position	Gaps Identified	Fiscal Implication
Data Centre Strategy	Konza Data Centre: KSh 3.1B allocation. Private sector investment growing (Digital Realty, IXAfrica, PAIX, AWS Edge).	No comprehensive data centre policy. No analysis of sovereign data hosting requirements, energy costs, or water consumption. No assessment of data sovereignty implications.	Capital-intensive infrastructure requires long-term financing the MTDS does not specifically provision. Recurrent costs (energy, maintenance, security) not projected.
Fibre Infrastructure	Target 100,000 km fibre under Digital Masterplan. 13,590 km achieved by 2025.	86,410 km gap. No costed implementation plan. No analysis of per-km deployment cost in underserved areas vs. urban corridors.	Substantial capital expenditure requirement over medium term. Neither BPS nor MTDS quantifies the total financing need or identifies the borrowing component.
Energy Requirements	Kenya's geothermal advantage noted for data centres. Renewable energy at 60% of generation.	No analysis of incremental energy demand from data centres and digital infrastructure. No assessment of grid capacity constraints.	Energy infrastructure investment to support digital transformation not integrated into either document's expenditure or financing framework.
Revenue Generation	Digital economy projected to contribute 9.24% of GDP. DST at 1.5% of gross transactional value.	No comprehensive digital economy taxation framework. DST is unilateral measure subject to OECD/G20 Inclusive Framework negotiations. No assessment of digital economy's contribution to the tax base.	Revenue potential from digital economy taxation could reduce borrowing requirements, but neither document quantifies this.
Environmental Impact	Not assessed	Data centres are water and energy-intensive. Environmental impact assessment requirements (affirmed in Cortec Mining) apply equally to large-scale digital infrastructure.	Climate-fiscal integration absent from both documents extends to digital infrastructure. Green bond eligibility of digital projects not assessed.

The absence of a comprehensive data centre strategy is particularly consequential given the convergence of several developments. Kenya is positioning itself as East Africa's data centre hub, with multiple private operators expanding capacity in Nairobi and the government investing in the Konza Smart City. Hyperscale operators including Amazon Web Services are establishing regional presence. Yet the fiscal framework does not address the sovereign data hosting implications (where government data is stored and under whose jurisdiction), the energy infrastructure investments required to power an expanding data centre ecosystem (despite Kenya's geothermal advantage, grid stability remains a constraint), or the water consumption requirements of cooling systems in a country that experiences periodic drought.

Cybersecurity	SOC 30% complete; 20,000 data controllers to be registered; 700 officers to train	Silent	Regulatory infrastructure incomplete whilst data centre expansion accelerates—sequencing risk.
Energy Implications	Not addressed	Not addressed	Data centres are energy-intensive. No assessment of power supply adequacy, cost, or carbon footprint.
Revenue Model	Not addressed	Not addressed	Neither document articulates how data centre and digital infrastructure investments will generate fiscal returns to service associated debt.

The digital transformation programme disclosed in the BPS and the Non-Financial Indicators is among the most capital-intensive commitments in the fiscal framework, yet it is entirely absent from the MTDS's financing analysis. Three data centre programmes: Naivasha (0 per cent operationalised), Ruaraka (30 per cent expansion), and Konza (80 per cent e-Government onboarding) are proceeding simultaneously without a consolidated cost analysis, public-private partnership framework, or revenue generation model. The 37,645 kilometres of fibre optic cable, 300 digital hubs, and 27,516 Wi-Fi hotspots represent transformative infrastructure, but neither document addresses the capital expenditure requirements, the operational expenditure for maintenance, or the fiscal returns that would justify borrowing to finance these programmes.

Several critical questions remain unanswered. First, what is the total capital cost of the data centre programme and what proportion is to be financed through borrowing versus private investment or PPP structures? Second, what are the energy requirements of the planned data centres, and has the BPS accounted for the associated power generation and transmission costs within the energy sector allocations? The Non-Financial Indicators disclose that the 200MWh Battery Energy Storage System is only 4 per cent installed and the 80.3MW Olkaria VII geothermal plant is at 8 per cent completion, suggesting that the energy infrastructure needed to support data centre operations is itself at an early stage. Third, what revenue model underpins the data centre investments—will they generate user fees, attract private colocation tenants, or serve exclusively government functions? Without this analysis, neither the BPS nor the MTDS can demonstrate that the digital transformation programme is fiscally sustainable or that the associated borrowing satisfies the intergenerational equity test.

The National Treasury allocated KSh 12.7 billion to the ICT sector under the digital superhighway initiative in FY2025/26, with an additional KSh 3.1 billion for the Konza Data Centre and Smart City. The Kenya Digital Economy Acceleration Project (KDEAP), a USD 390 million World Bank-funded programme, provides additional financing alongside an estimated USD 100 million in private capital mobilisation. However, the fiscal framework raises several concerns that neither the BPS nor the MTDS adequately addresses.

The most significant gap is the absence of a progressive realisation framework connecting constitutional entitlements with fiscal allocations. Article 21(2) of the Constitution requires the State to take legislative, policy, and other measures, including the setting of standards, to achieve the progressive realisation of the rights guaranteed under Article 43. Neither the BPS nor the MTDS establishes a framework that quantifies the minimum core obligations for each entitlement, identifies the fiscal resources required to meet them, and demonstrates how the borrowing programme contributes to (rather than detracts from) their realisation. The Supreme Court's jurisprudence in the context of socio-economic rights demands evidence that the State is making measurable progress toward full realisation; the BPS provides programme descriptions but not a costed progressive realisation framework, and the MTDS is entirely silent on the relationship between its financing strategy and service delivery outcomes.

The health sector illustrates this gap most acutely. The BPS discloses the establishment of the Social Health Authority and the enrolment of 27 million persons, the deployment of over 107,000 community health promoters, and facility construction. But it does not disclose the total health allocation as a proportion of the national budget, precluding assessment against the Abuja Declaration benchmark of 15 per cent. The MTDS, for its part, does not assess how health infrastructure borrowing generates returns sufficient to service the debt, a critical question for intergenerational equity, since health investment yields productivity gains over decades, not fiscal years.

VI. DIGITAL TRANSFORMATION: INFRASTRUCTURE, DATA CENTRES, AND FISCAL IMPLICATIONS

Digital Component	BPS/Non-Financial Indicators	MTDS Implication	Assessment
Fibre Infrastructure	37,645 km to be installed; 27,516 Wi-Fi hotspots targeted	Silent	Massive capital programme with no financing source identified in either document.
Data Centres	Naivasha: 0% operationalised (target 131%); Ruaraka: 30% expansion; Konza: 80% e-Gov onboarding	Silent	Three concurrent data centre programmes at different stages; no consolidated costing, no PPP framework, no revenue model.
Konza Smart City	Conference facilities 80% complete; core utilities maintenance 100/300	Silent	Infrastructure advancing but no fiscal sustainability analysis or revenue generation projections.
Digital Hubs	100 digital hubs targeted; 0/300 managed and maintained currently	Silent	Scale of ambition (300 hubs) vastly exceeds current management capacity (0).
Youth Digital Skills	1 million youth; 155,000 online jobs linked; 34,000 digital devices	Silent	Employment-linked training at scale; no unit cost analysis or return-on-investment assessment.

shrinking, not expanding. The MTDS's concessional targets should reflect this structural reality, and the BPS should articulate the alternative concessional or quasi-concessional sources—climate finance, green bonds, blended finance—that would substitute for declining IDA access.

V. SECTORAL FINANCING: CAN THE CONSTITUTIONAL ENTITLEMENTS BE DELIVERED?

Article 43 of the Constitution guarantees every person the right to the highest attainable standard of health, accessible and adequate housing, reasonable standards of sanitation, freedom from hunger, clean and safe water, social security, and education. The BPS articulates expenditure priorities across these sectors, but the question that neither document answers is whether the fiscal envelope constrained by debt service consuming 48.5 per cent of ordinary revenue can credibly deliver these entitlements over the medium term.

Sector	BPS Allocation / Commitment	International Benchmark	Financing Gap Analysis	MTDS Implication
Education	KSh 658.5B (15.7% of budget); 30,000 teachers; 20,000 classrooms; school meals for 3 million	UNESCO: 4–6% GDP or 15–20% of public expenditure	Meets the 15% expenditure share but no analysis of per-pupil spending adequacy, infrastructure backlog, or transition to competency-based curriculum costs.	Debt service of 5.9% GDP exceeds education's share. No ring-fencing of education from fiscal consolidation.
Health	UHC: 27 million enrolled in Social Health Authority; community health promoters 107,831; facility construction	Abuja Declaration: 15% of national budget to health. WHO: USD 86 per capita for essential package	Health allocation not separately quantified in BPS as % of budget. Per-capita health spending not disclosed. No progressive realisation framework.	Interest payments crowd out health investment. MTDS does not assess how borrowing for health infrastructure generates fiscal returns.
Social Protection	2.49 million vulnerable households sponsored; school meals programme	ILO Social Protection Floor: basic income security for children, working age, elderly	No comprehensive social protection budget line. Programmes scattered across ministries. No costed floor.	Fiscal consolidation targets in MTDS may compress social protection transfers. No expenditure floor mechanism.
Housing	BETA priority; affordable housing programme referenced	250,000 units annual target (government stated objective)	No costed financing plan for housing programme. PPP structure unclear. Tax incentive framework for housing not quantified in tax expenditure.	Housing bonds mentioned in BPS but not integrated into MTDS financing instrument assessment.

2006, holding that the underlying contract had been procured through bribery and was therefore unenforceable as a matter of international public policy.

Neither the BPS nor the MTDS discloses the costs incurred by the Government in defending these proceedings, the costs awards recovered, or how any recovered amounts have been or will be applied. This is a transparency deficit. The defence of sovereign regulatory authority in ISDS proceedings is a legitimate public expenditure, but the fiscal framework should account for it. More importantly, the outcomes of these cases, particularly the Cortec Mining decision, which affirmed the primacy of environmental impact assessment requirements and the State's right to revoke irregularly issued licences, carry fiscal implications for the mining sector's investment climate that should inform the BPS's approach to extractive sector governance and revenue projections.

IV. FINANCING STRATEGY: TARGETS, OUTTURNS, AND CREDIBILITY

FY	MTDS Ext. Target	Actual External	Deviation	Concessional Target	Concessional Actual	BPS Link
2020/21	28%	19%	-9pp	—	—	—
2021/22	27%	15%	-12pp	—	—	—
2022/23	25%	22%	-3pp	—	—	—
2023/24	50%	27%	-23pp	—	—	—
2024/25	45%	17%	-28pp	15%	5.6%	Revenue shortfall noted
2026 MTDS	22%	?	?	10%	?	No contingency framework

The five-year record of systematic and widening deviation between MTDS external financing targets and actual outturns is the single most significant credibility challenge facing the 2026 Strategy. The deviation has widened from 9 percentage points in FY2020/21 to 28 percentage points in FY2024/25. The MTDS attributes this to delays in external disbursements, but the BPS provides no complementary analysis of why these delays recur or what institutional reforms address them. The 2026 MTDS targets 22 per cent external gross borrowing; a belated acknowledgment of the structural constraint. But the absence of a contingency framework means that when external financing falls short, the domestic market must absorb the shortfall without pre-authorised limits, market capacity assessment, or T-bill ceiling constraints.

The concessional financing paradox compounds this concern. Both documents express a preference for concessional financing, but neither establishes a credible pathway to achieving it. The MTDS targets 10 per cent concessional external borrowing; the 2024 MTDS targeted 15 per cent and achieved 5.6 per cent. The BPS references Kenya's IDA graduation trajectory, which means the pool of concessional financing is

The central tension in the fiscal framework is that the BPS discloses a revenue base that has contracted to 13.9 per cent of GDP, one of the lowest ratios in the East African Community, while the MTDS must finance a deficit generated in part by that very contraction. If ordinary revenue had been maintained at the 18.1 per cent ratio, approximately KSh 730 billion per annum in additional revenue would be available, reducing the borrowing requirement correspondingly. Neither document confronts this arithmetic. The BPS contains no explicit revenue recovery strategy with quantified targets and timelines, and the MTDS proceeds as though the revenue trajectory is an exogenous parameter.

This disconnection is compounded by the absence of a tax expenditure statement. Until the fiscal cost of exemptions, incentives, and preferential regimes is quantified and disclosed, it is impossible to determine whether the deficit that the MTDS finances reflects a genuine revenue capacity constraint or a policy choice to substitute borrowing for taxation. The IMF Fiscal Transparency Code, which Kenya has committed to in principle, requires the publication of tax expenditure data. Both documents are silent on this obligation.

A. Natural Resources: An Uncosted Revenue Frontier

Kenya's mineral endowment represents a significant but largely unintegrated revenue source. The BPS references the Mining Strategic Plan 2023–2027 and notes the comprehensive geophysical survey that identified 970 mineral occurrences across 15 counties, including titanium in Kwale, rare earths at Mrima Hill, gold in western Kenya, and soda ash in the Rift Valley. The Institute of Economic Affairs estimates that annual revenues from mining, excluding oil and gas, could reach approximately USD 3 billion through royalties, taxes, and fees. Against this potential, actual mineral production revenue stood at KSh 35.23 billion in 2022, with titanium ore accounting for 80 per cent. This gap between potential and realised revenue is one of the most consequential omissions in the fiscal framework.

Neither the BPS nor the MTDS integrates extractive sector revenue projections into the medium-term fiscal path. The MTDS's financing strategy calculates the borrowing requirement against current revenue baselines without accounting for the revenue uplift that a structured minerals fiscal regime could deliver. The BPS references value addition initiatives, including a gold refinery in Kakamega County, but provides no fiscal impact assessment, royalty revenue projections, or analysis of how mining receipts would be allocated between national and county governments under the Mining Act 2016. A fiscal framework that borrows at 67.8 per cent of GDP whilst leaving a potential USD 3 billion annual revenue source substantially undeveloped warrants explanation.

B. ISDS Awards: Fiscal Transparency on Litigation Outcomes

Kenya has been involved in several investor-state disputes, two of which have concluded in the State's favour. In **Cortec Mining Kenya Limited v. Republic of Kenya** (ICSID Case No. ARB/15/29), the tribunal dismissed all claims in October 2018, finding that the mining licence had been issued contrary to Kenyan law and did not qualify as a protected investment under the UK-Kenya BIT. The claimants were ordered to pay Kenya half of its legal costs plus all ICSID arbitration costs. The annulment application was dismissed in March 2021. In **World Duty Free Company Limited v. Republic of Kenya** (ICSID Case No. ARB/00/7), the tribunal dismissed the USD 500 million claim in October

The most consequential inconsistency lies in the interest rate trajectory. The BPS presents the monetary easing cycle as a positive development supporting economic recovery and private sector credit growth. The MTDS, however, projects the implied interest rate on the debt portfolio rising from 8.8 per cent to 9.5 per cent by 2029. The likely explanation is that the shift toward longer-duration fixed-rate instruments carries a term premium that offsets the policy rate reduction, but this interaction is nowhere analysed in either document. Neither document subjects the 5.3 per cent growth assumption to a downside scenario, despite both acknowledging climate risk, global deceleration, and domestic uncertainties. A one percentage point shortfall in growth would raise the debt-to-GDP ratio by approximately two to three percentage points over the medium term and reduce revenue collections proportionally.

III. THE REVENUE–FINANCING NEXUS

Dimension	BPS States	MTDS Assumes	Coherence Assessment
Ordinary Revenue/GDP	13.9%, declined from 18.1%	Adopts BPS revenue baseline for financing gap computation	Consistent but alarming. No revenue recovery strategy in either document.
Tax Expenditure	No tax expenditure statement published	Silent; financing need computed on gross deficit	Critical gap: borrowing may be financing foregone revenue. Neither quantifies the problem.
HNWI Taxation	No dedicated HNWI unit or strategy	Silent	Missed revenue mobilisation opportunity in both documents.
Digital Economy Tax	1.5% DST mentioned; no comprehensive framework	Silent	Both fail to address a fast-growing tax base.
IFF Recovery	FATF grey-listing noted; no quantified programme	Silent; no IFF recovery factored into financing	BPS acknowledges the problem; MTDS ignores its financing implications.
Natural Resources Revenue	Mining Strategic Plan 2023–2027 referenced; mineral mapping of 970 occurrences across 15 counties	Silent on extractive revenue potential	IEA estimates potential mining revenue at USD 3 billion annually; current yield KSh 35.23 billion (2022). Neither document integrates extractive fiscal potential into revenue strategy.
ISDS Award Proceeds	Not mentioned	Not mentioned	Kenya has successfully defended multiple ISDS claims (Cortec Mining, World Duty Free). Costs incurred in defence and any costs awards recovered are not disclosed or allocated in either document.

I. INTRODUCTION

These submissions are made in response to the invitation by the National Assembly for public memoranda on the 2026 Budget Policy Statement and the Medium Term Debt Management Strategy (2026/27–2028/29), tabled on 11 February 2026 pursuant to Sections 25 and 33 of the Public Finance Management Act, Cap. 412A. The two instruments are assessed together because they jointly constitute the fiscal framework within which Kenya’s revenue, expenditure, borrowing, and debt service obligations are determined over the medium term. Section 33(3) of the PFM Act requires that the MTDS be aligned to the broad strategic priorities and policy goals set out in the BPS. These submissions test whether such alignment has been achieved, whether the commitments in both documents are internally consistent and mutually achievable, and where structural gaps undermine the credibility of the medium-term fiscal path.

The analysis proceeds from the premise that debt management is not a technocratic exercise separable from the broader political economy of public finance. The composition, cost, and risk profile of the public debt portfolio bears directly upon the fiscal space available for development expenditure, the progressive realisation of socio-economic rights guaranteed under Article 43 of the Constitution, and the intergenerational equity obligations that the MTDS itself identifies as a strategic objective. The memorandum therefore examines both documents through a lens that integrates technical fiscal analysis with constitutional obligations, political economy considerations, and the practical question of whether Kenya can finance its stated commitments within the resource envelope disclosed.

II. MACROECONOMIC ASSUMPTIONS: CONSISTENCY AND REALISM

Both documents operate on the same macroeconomic baseline, which is structurally necessary given the PFM Act’s alignment requirement, but also means that any fragility in the assumptions cascades through both frameworks simultaneously.

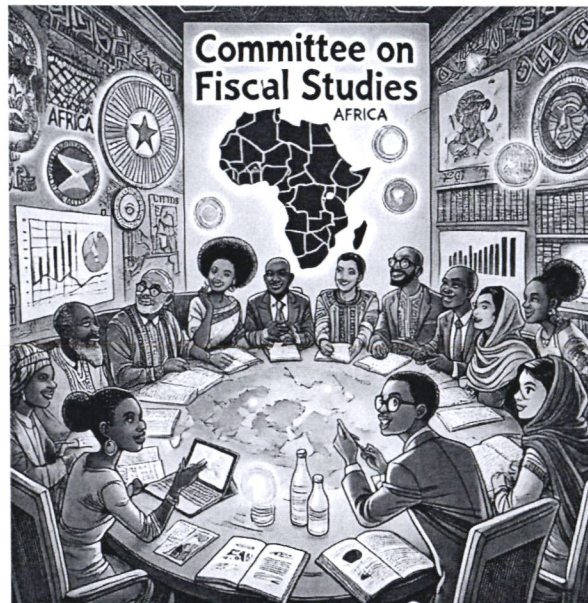
Indicator	BPS Position	MTDS Position	Assessment
GDP Growth	5.3% medium-term average; BETA transformation pillars	Adopts BPS baseline for cost-risk modelling	Consistent but ambitious. No stress test against lower growth.
CBR / Interest Rates	Eased 13.0% to 9.25% (Aug 2024–Oct 2025); further easing expected	Weighted average IR 8.8%; projects implied rate rising to 9.5% by 2029	Contradiction: BPS expects easing; MTDS projects rising implied rate.
Exchange Rate	KSh depreciation risk acknowledged; reserves 4.1 months import cover	FX debt 47% of total; projects reduction to 39.9% by 2029	Consistent direction but no joint stress test of depreciation on both revenue and debt.
Global Growth	3.2% (2025), 3.1% (2026); deceleration	Acknowledges external demand risk but no scenario analysis	Both note risk; neither quantifies the fiscal impact.

WRITTEN SUBMISSIONS
ON THE
2026 BUDGET POLICY STATEMENT
AND
2026 MEDIUM TERM DEBT MANAGEMENT STRATEGY

Submitted to

The Clerk of the Senate of the Republic of Kenya

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February 2026



Submission on the Budget Policy Statement (BPS) 2026 and the Medium-Term Debt Management Strategy (MTDMS) 2026/27-2028/29.

To:

Date: 20th/02/2026

The Clerk of the Senate.
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Introduction

Budget Talk Global is a social enterprise dedicated to advancing citizen-centred, inclusive public budgets through technology-driven, innovative solutions that enhance sustainable livelihoods.

Budget Talk Global is pleased to submit this memorandum following the invitation by the Senate pursuant to article 118(1)(b) of the constitution and sections 25(2) and 33(1) of the Public Finance Management Act (PFMA), on the Budget Policy Statement (BPS) 2026 and the Medium-Term Debt Management Strategy (MTDMS) 2026/27–2028/29.

The first part of the submission (A) focuses on the BPS 2026, particularly *the fiscal framework, expenditure framework and reforms, deficit financing, debt servicing costs, County financial management, division of revenue, state-owned enterprises, contingent liabilities, pending bills, and equity, gender and vulnerable*. The second part (B) focuses on the Medium-Term Debt Management Strategy 2026, particularly *the debt portfolio, refinancing risks, interest risks, foreign exchange risks, debt sustainability indicators, deviations from previous MTDMS targets, and the average terms of new external debt*.

A. Budget Policy Statement 2026

Key Submissions

1. Revenue projections for 2026/27

The government targets a total of Kshs.3,533.7 billion in revenue, Kshs.2,901.9 billion from ordinary revenue (tax and non-tax) and Kshs. 631.8 billion from ministerial appropriation in aid (AIA). Analysis shows that, overall, *the government plans to collect Kshs.181.6 billion more in total revenue, from Kshs.3,352.1 billion projected in 2025/26. Out of the Kshs.181.6 additional billions projected for collection in FY 2026/27, Kshs.157.5 billion will come from ordinary revenue, specifically tax revenue, while Kshs.24.1 billion from AIA.*

Concern: Although the national treasury is implementing the Medium-Term Revenue Strategy (MTRS) and revenue administration through KRA, *revenue projections have consistently fallen short of targets. For instance, by the first half of 2025/26, ordinary revenue underperformed by Kshs. 115.3 billion, with major underperformance in income tax (Kshs. 84.5 billion), VAT (Kshs. 28.4 billion) and excise duty (Kshs. 14 billion) (Table 2.5, page 52).*

Persistent revenue shortfalls can widen the fiscal deficit, necessitate additional borrowing, and undermine overall budget credibility and implementation. It is therefore important to assess whether projected increases are policy-driven, assumption-driven, or based on optimistic macroeconomic forecasts.

Ask: The parliament ought to require the national treasury to provide a detailed breakdown of revenue-increasing measures and their expected outcomes. Importantly, establishing *achievable revenue targets grounded in past performance and macroeconomic assumptions* will be crucial.

2. Expenditure framework and reforms

The total expenditure and net lending for 2026/27 are estimated at Kshs. 4,703.9 billion, compared with Kshs. 4,269.9 billion budgeted for 2025/26, representing an additional 434 billion in spending. BPS 2026 has linked consolidation to expenditure optimisation, including *e-procurement, zero-based budgeting, the Treasury Single Account (TSA), accrual accounting, and the digitisation of payroll/pensions, as well as SOEs reforms.*

On the other hand, the BPS has noted that budget execution has been constrained by slow e-procurement adoption, underperformance in revenue, and emerging expenditure pressures in the

first half of 2025/26. (BPS 2026, Page 51). In FY 2024/25, the total gross actual expenditure amounted to **Kshs. 4,031.11 billion**, **Kshs. 545.80 billion** on development or capital expenditure, **Kshs. 1,669.39 billion** on ministerial recurrent expenditure and **Kshs. 1,815.94 billion on consolidated fund Services¹**, representing 14%, 41%, and 45% of the total actual gross expenditure, respectively.

Concern: Revenue shortfalls and in-year budget revisions continue to undermine development spending and overall budget credibility. Although the national treasury has emphasised fiscal consolidation and expenditure rationalisation, recurrent expenditure continues to rise, and development spending remains vulnerable during adjustments.

Asks: We implore the Senate to ask the National Treasury the following question: What is the binding plan to cushion *development spending in mid-year budget revisions*? If fiscal consolidation is aimed at *reducing spending in non-core areas*, which specific areas are targeted? Can the Treasury publish a clear *expenditure rationalisation framework showing where reductions are being made*?

3. Financing deficit

Historically, government spending has exceeded available resources, leading to perennial deficits. In 2026/27, total financing is estimated at **Kshs. 1,115.8 billion**, representing a 24% increase over the budgeted deficit in FY 2025/26 of **Kshs. 901.0 billion**. To finance the deficit, the government will borrow **Kshs. 890.4 billion** (4.2% of GDP) from domestic sources and **Kshs. 225.5 billion** (1.1% of GDP) from external sources. Although the national treasury aims, through the fiscal consolidation plan, to reduce the deficit to 3.5% of GDP in the medium term, net financing remains elevated.

Concern: *High domestic borrowing continues to constrain private-sector credit, destabilise the yield curve, increase refinancing risks, and may erode market confidence.* This has direct implications for small businesses predominantly owned by youth and women, as well as broader private-sector growth.

Ask: If the government is working in line with the fiscal consolidation plan to reduce the budget deficit to 3.5% of GDP, why is the deficit still very high, particularly net domestic

¹ Consolidated fund services comprise the public debt interest and redemption and pensions, Salaries and allowances of Civil servants

borrowing? The Senate should ensure that domestic borrowing is addressed in line with liquidity conditions and debt maturities, and in line with the MTDS strategies.

4. Public debt stock and debt servicing

The total debt stock as of June 2025 stood at Kshs. 11,810.8 billion (68.9% of GDP) and is projected to be Kshs. 12,951.6 billion (68.2% of GDP) in 2025/26 and Kshs. 14,067.4 billion in FY 2026/27, in nominal terms, representing 67.2% of the GDP. The BPS has noted a rise in debt servicing costs, *from Kshs 1,437.9 billion in FY 2025/26 to Kshs 1,542.1 billion in FY 2026/27*, an increase of Kshs 56.0 billion. In FY 2024/25, expenditure towards debt interest and principal amounted to Kshs. 1.59 trillion

Concerns: While the debt sustainability analysis indicates that debt remains sustainable, the burden remains high. Secondly, approximately 47% of external debt is foreign-currency (FX)-denominated, *exposing the country to exchange-rate risk and increasing the cost of debt servicing*. Thirdly, rising debt servicing continues to *reduce fiscal space for development and service delivery*. For instance, in FY 2025/26, the government spent 39% on debt, compared with 14% of ministerial expenditure on development. Although debt stock increases are partly driven by refinancing, new borrowing, and exchange rate effects, clarity is needed on the drivers of continued nominal growth in the debt stock.

Asks: The Senate should demand that the national treasury ensure *domestic borrowing is managed in line with liquidity conditions and debt maturities, in line with the Medium-Term Debt Management Strategy*. Most importantly, the Senate should demand greater transparency into debt rollovers, refinancings, and repayment schedules.

5. County financial management and division of revenue

The BPS 2026 has allocated counties a total of Kshs.420 billion as an equitable share, based on the recently audited FY 2021/22 accounts. It has also allocated Kshs. 9.6 billion to an equalisation fund, Kshs. 5.6 billion for equalisation fund arrears, and Kshs. 18.3 billion for additional allocations. *Table 4.6 on page 91 of BPS 2026* presents a financing gap of Kshs.108.2 billion, further stating that this gap will affect the financing of key national functions and would “occasion additional borrowing,” potentially distorting the fiscal framework.

Concerns: Delays in approving audited national accounts distort revenue-sharing calculations, which is unfair to counties. The Kshs. 108.2 billion financing gaps may affect

national commitments and potentially distort the fiscal framework. Lastly, the predictability of county transfers remains critical for planning and service delivery.

Asks: *The Parliament is mandated to approve audited national accounts. What is the status of pending audits of nationally raised revenue? Can the Kshs. 108.2 billion financing gaps can be addressed without undermining deficit targets or county allocations?*

6. State-owned enterprises (SOEs) and contingent liabilities.

The 2026 Budget Policy Statement has acknowledged that SOEs/GOEs remain a significant source of contingent liabilities, with exposures including Kshs 83.2 billion in outstanding guarantees (as at 30 June 2025), Kshs 44.9 billion in non-guaranteed SOE debt, an on-lent loan portfolio of Kshs 1,051.1 billion, of which Kenya Railways accounts for Kshs 547.4 billion (52%), indicating concentration risk, over Kshs 25 billion in SOE pending bills, and a PPP portfolio comprising 36 projects with long-term contractual fiscal commitments.

Concerns: Contingent liabilities may crystallise into direct fiscal obligations. Importantly, weak governance in SOEs can lead to bailouts, increased public debt, and reduced funding for counties and other essential services.

Asks: *The national assembly should push for the periodic publication of a comprehensive Contingent Liability Register and for annual reporting on Public Private Partnerships (PPPs) financial commitments. Finally, the national assembly should strengthen oversight of guarantees and on-lent loans.*

7. Pending bills and arrears

Pending bills at the national and county levels remain high, straining fiscal credibility. The BPS 2026 has referred to enforcement provisions, including Section 94(1)(a) of the PFMA, Section 96 of the PFMA, and Article 225 of the Constitution.

Asks: *The national assembly should demand that the treasury develop and publish a multi-year plan for the liquidation of pending bills and strengthen the enforcement of PFMA provisions to prevent further accumulation.*

8. Equity, gender, children, and disadvantaged groups

The BPS 2026 has recognised that the division of revenue criteria must consider “the needs of disadvantaged groups and areas” (Page 82, paragraph 341). However, fiscal policy commitments to equity and inclusion of vulnerable groups have often remained at the

principal level, without clear tagging or measurable targets. The Senate must demand compliance with the constitutional principles of equity and inclusiveness, as well as the public finance principles set out in Article 201.

Concern: Without explicit tagging and reporting, allocations *that affect women, children, youth, persons with disabilities, and marginalised communities are difficult to track, debate, and defend, especially within the fiscal consolidation plan.*

Ask: Require the national treasury and MDAs to introduce and publish explicit gender/child/equity budget tagging in reports and the programme-based budget, beyond narrative mainstreaming.

B. Medium Term Debt Management Strategy (MTDMS) 2026/27-2028/29

The Medium-Term Debt Management Strategy (MTDS) is prepared in accordance with Section 33 (2) of the Public Finance Management (PFM) Act, Cap. 412A. The MTDMS 2026/27–2028/29 has outlined the Government's strategy to manage cost and risk in the public debt portfolio.

While the Strategy has set out clear objectives, *several risk indicators* in the document require closer parliamentary scrutiny.

1. Composition of the existing debt portfolio

As of June 2025, total public debt stood at Kshs. 11,553.82 billion, with domestic debt at Kshs. 6,326.01 billion (53%) and external debt at Kshs. 5,488.46 billion (47%). (Table 1, page 13). The domestic debt is composed of Treasury Bonds (80.8%), Treasury Bills (16.4%), IMF SDR Allocation (1.3%), and others (1.6%). (Figure 2, page 15).

Concern: While bonds dominate domestic debt, Treasury bills still account for 16.4%, contributing to short-term refinancing risk. Furthermore, the share of instruments maturing in less than one year increased to 21.6% at the end of June 2025. An increased share of short-term instruments could increase rollover pressure.

Ask: We implore the Senate to question the target reduction in instruments maturing within one year over the medium term and the projected share of Treasury Bills by FY 2028/29 under the selected strategy.

2. Refinancing risks

The Average Time to Maturity (ATM) for total public debt was 8.3 years in 2025, while that for domestic debt was 6.4 years (Table 3, page 16). Additionally, 17.6% of domestic debt was projected to mature within one year in 2025 (Table 3, page 16). The redemption profile further shows that 18.2% of domestic debt will mature by the end of June 2026, largely due to Treasury Bills (Figure 3, page 17).

Concern: The lower ATM for domestic debt relative to total debt suggests higher rollover risk in the domestic portfolio. The concentration of maturities within a short time frame, particularly in 2026, could create liquidity pressures and expose the government to refinancing at potentially higher interest rates.

Ask: The Senate should question the projected ATM for domestic debt under the selected strategy by FY 2028/29 and the specific liability management operations planned to smooth the 2026 maturity spike, including switches, buybacks, or reprofiling.

3. Interest Rates Risk

The weighted average interest rate on domestic debt stood at 13.0% in 2025, compared with 4.0% on external debt. The Average Time to Refixing (ATR) for total debt was 7.4 years, while the ATR for domestic debt was 6.4 years. Further, the fixed-rate debt accounted for 86.6% of total debt in 2025 (Table 3, page 16).

Concern: While a high share of fixed-rate debt could reduce interest rate volatility, the higher weighted-average interest rate on domestic debt would increase overall debt service costs. Importantly, rising domestic yields could significantly increase refinancing costs and further compress fiscal space for development spending and county transfers.

Asks: The Senate needs to interrogate the projected weighted-average interest rate on domestic debt under the 2026 MTDMS, as well as the measures being implemented to reduce domestic borrowing costs over the medium term.

4. Foreign Exchange (FX) risk

Foreign-currency-denominated debt accounted for 47.0% of total public debt in 2025, while external debt as a percentage of reserves stood at 40.5% (Table 3, page 16). The Strategy proposes sourcing 82% of borrowing domestically and 18% externally over the medium term (page 10).

Concern: Despite the proposed shift towards domestic borrowing, legacy FX exposure remains high. Secondly, depreciation of the exchange rate would increase the shilling value of the external debt stock and debt-servicing obligations. Importantly, a high FX share can expose the debt portfolio to macroeconomic volatility beyond the control of domestic authorities.

Ask: The Senate should question the projected FX share of total debt by FY 2028/29 and whether debt stress-testing has been conducted under exchange rate depreciation scenarios.

5. Debt sustainability indicators

The Present Value (PV) of Public and Publicly Guaranteed (PPG) external debt-to-GDP stood at 28.3% in 2025, against a threshold of 40%. However, the debt service-to-revenue ratio breached the 18% threshold in 2024, reaching 27.0%, and remained elevated at 20.6% in 2025 (Table 8, page 20).

The PV of total public debt-to-GDP was projected at 65.3% in 2025, exceeding the 55% benchmark, while the PV of the public debt-to-revenue ratio stood at 379.0% in 2025 (Table 9, page 20).

Concerns:

- Although the external debt-to-GDP ratio remains below the PV threshold, *the breach of the debt service-to-revenue ratio indicates fiscal strain. Additionally, debt servicing limits fiscal flexibility and increases vulnerability to shocks, particularly during periods of lower revenue performance.*
- Although the debt sustainability analysis indicates that debt remains sustainable, key indicators remain above the prudential benchmarks. The sustained deviation from the 55% benchmark *continues to reduce fiscal headroom and limit the government's ability to respond to economic shocks.*

Asks: The Senate ought to examine the *projected trajectory of the debt service-to-revenue ratio over the medium term, the measures being taken to sustainably restore it below the 18% threshold, the credible and time-bound pathway for reducing the PV of public debt-to-GDP below the 55% benchmark, and the fiscal adjustments required to achieve this.*

6. Deviation from previous MTDMS Targets.

The previous MTDMS targeted 72–75% domestic financing; however, actual outcomes reached 83% in FY 2024/25. Similarly, gross domestic borrowing was targeted at 75%, but actual borrowing reached 82% (Table 6, page 18).

Concern: Repeated deviations from borrowing targets *signal implementation challenges and increase domestic refinancing and interest-rate risks. Notably, over-reliance on domestic borrowing may undermine private-sector access to credit and increase debt-servicing costs.*

Asks: The Senate needs to interrogate the structural constraints that led to deviations from external borrowing targets and the corrective measures proposed under the MTDMS 2026 to ensure adherence to financing plans.

7. Average terms of new external Debt

The average maturity of new external debt declined to 15.6 years in 2025, while the grace period fell significantly to 3.7 years, down from 10.3 years in 2018. The average interest rate stood at 4.3% in 2025. (Table 7, page 19).

Concern: Shorter grace periods could increase near-term debt-service pressure. Notably, although interest rates remain moderate, *reduced concessional terms may increase medium-term fiscal strain.*

Ask: The Senate should interrogate the projected share of concessional versus commercial external borrowing under the selected strategy, and the measures being taken to prioritise longer grace periods.

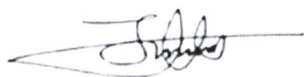
Conclusion

The MTDMS 2026/27–2028/29 has set clear objectives to reduce refinancing, interest rate, and FX risks. However, key indicators, including elevated domestic refinancing pressures, FX exposure at 47%, deviations from borrowing targets, and the PV of public debt-to-GDP remaining above the 55% benchmark, clearly suggest that vulnerabilities persist.

Sustained pressure on debt service ratios and shortened grace periods may constrain fiscal space and, indirectly, affect development spending and county transfers. The Senate should holistically assess the credibility of the borrowing mix targets and the time-bound pathway for restoring debt indicators to below prudential benchmarks to safeguard sustainability.

Budget Talk Global will continue to engage regularly with the Senate and other stakeholders to enhance debt transparency, promote fiscal sustainability, and safeguard devolution.

Sincerely,



Muthoki Nyamai J.W.
PFM Analyst & Researcher
Tel: 0706860793

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN	ICPAK RECOMMENDATIONS
		The increase in debt service will hive off a huge chunk of development resources Continued or potential demonstrations over the cost of living and taxation could slow down the economy Failing to weed out corruption at both levels of government could impact negatively on growth.	consolidation measures; reallocate resources to prioritize essential developmental projects ▪ Implement targeted subsidies, social safety nets, and wage adjustments to address cost of living concerns without distorting market incentives. ▪ Strengthen anti-corruption institutions, ensure transparency in government transactions, and enforce stricter penalties for corrupt practices to improve public trust and economic stability.

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN	ICPAK RECOMMENDATIONS
		Additionally, the 2026 BPS does not include risk mitigation measures planned or put in place by the government to mitigate the fiscal risks posed by state corporations for the year.	at 30th June 2025, comprising 77% of the national Government's pending bills. The major components of these pending bills include unpaid contractors' fees for capital projects, undischarged tax obligations and unremitted employer pension contributions as well as utilities, particularly water charges" ▪ Inclusion of an additional paragraph on risk mitigation measures.
22.	V. Statement of Specific Fiscal Risks	The Institute also notes several factors that pose a risk to the economic outlook for 2026; Despite the slight growth of nominal private sector credit by 5.0% in September 2025, reversing the 2.9% contraction recorded in January 2025 and continuous decline throughout 2024, the persistent increase in domestic borrowing by the government to finance its local deficit poses a threat to the availability of private sector credit. While mobilizing resources within the local economy has reduced reliance on external financing, the sustained growth in government borrowing from domestic sources continues to raise concerns about crowding out private sector's access to credit, with the commercial banks accounting for 42.6% of total domestic debt.	The Institute recommends the following; ▪ Prioritization of policies that improve access to credit for MSMEs and reduce interest rates; encourage public-private partnerships to spur private sector investment. ▪ Refinance high-interest debt and adopt fiscal

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN										ICPAK RECOMMENDATIONS	
		National Government	2,552.73	2,480.9	2,214.3	2,177.4	1,764.0	8.0	1,39	1,533.0	1,554.0	1,369.0	economic circumstances in Kenya.
		County Equitable Share	420.0	418.0	385.0	385.4	370.0	0	370.	316.0	316.0	314.0	
		% of County Government to Total Sharable revenue	14.08	14.74	14.80	23.0	17.3		20.8	17.0	16.8	18.6	
		% of National Government to Total Sharable Revenue	85.60	87.51	85.10	77.0	82.4		78.8	82.6	82.8	81.1	
		Issues of concern - The Institute notes that the last audited accounts of 2020/21 might not be a true reflection of the total national government collection. - Therefore, the proposed Equitable Share for financial year 2026/27 of KSh 420 billion is equivalent to 21.87% of the most recent audited and approved actual revenues, and not a true reflection of county allocation to total sharable revenue.											
21.	5.3.2.1 State Corporations/ Government Owned Enterprises.	Under paragraph 375, the quotation of total pending bills among State Corporations amounting to “over KSh 25 billion as at 30th June 2025” is inconsistent with other public records and falls way below the Kshs. 379.816 billion in 2024 quoted by the 2025 BPS and the Kshs.404.33 billion comprising 77 per cent of total National Government pending bills as of June 2025, quoted by the controller of Budget. There is therefore a need to relook the figure for consistency and accuracy in reporting.										The institute proposes: Amendment of paragraph 375 to read: “Pending bills among State Corporations remain elevated, with outstanding obligations amounting to Kshs. 404.33 billion as	

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN	ICPAK RECOMMENDATIONS																																	
		■ Budgeted Ordinary Rev. ■ Actual Ordinary Rev. <table><thead><tr><th>Year</th><th>Budgeted Ordinary Rev.</th><th>Actual Ordinary Rev.</th></tr></thead><tbody><tr><td>2015/16</td><td>1,184.4</td><td>1,153.0</td></tr><tr><td>2016/17</td><td>1,311.3</td><td>1,306.6</td></tr><tr><td>2017/18</td><td>1,489.6</td><td>1,365.1</td></tr><tr><td>2018/19</td><td>1,717.0</td><td>1,499.8</td></tr><tr><td>2019/20</td><td>1,843.8</td><td>1,573.4</td></tr><tr><td>2020/21</td><td>1,594.0</td><td>1,562.0</td></tr><tr><td>2021/22</td><td>1,851.5</td><td>1,917.9</td></tr><tr><td>2022/23</td><td>2,192.0</td><td>2,041.1</td></tr><tr><td>2023/24</td><td>2,461.0</td><td>2,288.9</td></tr><tr><td>2024/25</td><td>2,496.2</td><td>2,420.2</td></tr></tbody></table> 2015/16 2016/17 2017/18 2018/19 2019/20 2020/21 2021/22 2022/23 2023/24 2024/25 Issues of concern a. Inability of county governments to adhere to the Public Procurement Act resulting in high outstanding pending bills b. Low development budget absorption c. Under-performance in own-source revenue d. Non-adherence to fiscal responsibility principles	Year	Budgeted Ordinary Rev.	Actual Ordinary Rev.	2015/16	1,184.4	1,153.0	2016/17	1,311.3	1,306.6	2017/18	1,489.6	1,365.1	2018/19	1,717.0	1,499.8	2019/20	1,843.8	1,573.4	2020/21	1,594.0	1,562.0	2021/22	1,851.5	1,917.9	2022/23	2,192.0	2,041.1	2023/24	2,461.0	2,288.9	2024/25	2,496.2	2,420.2	management and expenditure control. ▪ There is a need to build capacity in macroeconomic forecasting (revenue and expenditure forecasting) macro fiscal sensitivity analysis, fiscal impact analysis and economic analysis.
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20.	4.5.2 Division of Revenue for FY 2026/27	Article 218(2) of the Constitution requires division of revenue between the two levels of government and across county Governments. The table below shows the analysis of the division of revenue: <table><thead><tr><th>Revenue Share</th><th>BPS 2026</th><th>DORB 2025</th><th>DORA (Amm.) 2024</th><th>DORB 2023</th><th>DO RA 2022</th><th>DORA 2021</th><th>DORA 2020</th><th>DORA 2019</th><th>DORA 2018</th></tr></thead><tbody><tr><td>Total Shareable</td><td>2,982.3</td><td>2,835.0</td><td>2,602.1</td><td>2,571.2</td><td>2,141.0</td><td>5.0 1,77</td><td>1,856.0</td><td>1,877.0</td><td>1,688.0</td></tr></tbody></table>	Revenue Share	BPS 2026	DORB 2025	DORA (Amm.) 2024	DORB 2023	DO RA 2022	DORA 2021	DORA 2020	DORA 2019	DORA 2018	Total Shareable	2,982.3	2,835.0	2,602.1	2,571.2	2,141.0	5.0 1,77	1,856.0	1,877.0	1,688.0	▪ There is a need to expedite the approval of audited accounts to give a clear reflection of the total government's collection. This will increase the allocation to the counties in tandem with the prevailing													
Revenue Share	BPS 2026	DORB 2025	DORA (Amm.) 2024	DORB 2023	DO RA 2022	DORA 2021	DORA 2020	DORA 2019	DORA 2018																											
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		Issues of concern i. The 20-year period designated for the Equalization Fund under Article 204 is approaching its conclusion, yet there is limited evidence of new projects being initiated. ii. Of the total 51 billion allocated since 2011, only 12.4 billion from two financial years has been transferred to the fund. Though one billion has been paid into the account for the financial year 2023/24, there is still a huge outstanding deficit. Though The National Treasury proposes to allocate an additional KSh 5.56 billion in FY 2026/27 as partial payment to arrears for Equalization Fund.																																																															
19.	4.5.1 Performance of Shareable Revenue	Ordinary revenue collected over the past ten years has been below target except for FY 2021/22 when the target was surpassed.				Adhering to existing provisions or existing policies, legislations, regulations, and guidelines guiding economic planning, public finance																																																											

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN	ICPAK RECOMMENDATIONS
			through professional development programs. Counties are urged to comply with their pending bills payment plan for FY 2024/25, 2025/26 and the Senate resolutions, which were communicated in a letter to all the 47 County Governors Ref: SEN/RESOLS/05/2024(03) dated 9 May 2024.
18.	4.4 Equalization Fund	In FY 2024/25 The National Treasury allocated KSh 9.6 billion to the Equalization Fund, representing 0.5% of the national revenue based on the FY 2021/22 audited and approved revenues. As of 30 June 2024, The National Treasury had not remitted the outstanding balance of Kshs 46,524,788,050. This is contrary to Article 204(1) of the constitution of Kenya, 2010 which requires 0.5% of all the revenue collected by National Government each year, calculated on the basis of the most recent audited accounts.	- The government should bridge the implementation gap through 100% allocation of the entitled funds. - The Equalization Fund Advisory Board should establish project implementation units (PIUs) at the divisional level with the intention of directly transferring funds to them. This will improve efficiency.

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN	ICPAK RECOMMENDATIONS
		▪ Inefficient revenue collection systems that lead to under collection and leakages. ▪ Under utilised revenue potential as they collect less than their projected OSR ▪ Lack of updated valuation rolls especially in property taxes where they have a huge potential to yield high revenues to county governments but are hindered by outdated valuation rolls and computation of rates as reported by the Public Financial Management Reforms Secretariat.	and historical performance. 3. County governments should invest in capacity building for revenue officers, including training on revenue administration.
17.	4.3 County Government Pending Bills	As of 30th June 2025, County Governments reported outstanding pending bills amounting to KSh 176.90 billion marking a 3% decrease from Kshs.181.98 billion in FY 2023/24. This comprises KSh 126.86 billion for recurrent activities and KSh 50.05 billion for development activities. The total pending bills for the County Executive are KSh 171.75 billion, while those for the Assemblies amount to KSh 5.16 billion. with over half being under three years old. County pending bills are mainly composed of: ▪ Unpaid contractor certificates for development projects ▪ Outstanding supplier invoices for goods and services ▪ Accrued but unpaid statutory deductions and utilities These obligations often accumulate due to over-commitment available resources, and unrealistic revenue projections. Issue of concern ▪ Article 225 of the Constitution, read together with Section 96 of the PFM Act gives the Cabinet Secretary responsible for Finance powers to stop transfer of funds to the concerned State Organ. ▪ Despite it's responsibility to article 225, no clear measures have been undertaken to address the issue of pending bills.	▪ County Governments should ensure pending Bills are prioritized as first charge in the budget cycle. ▪ Given that in some instances pending bills occur because of procurement and accounting officers' lack of expertise on how to capture pending bills at the beginning of every financial year and make payments from the authorized list of pending bills from subsequent budget allocations, Government institutions should employ accountants who are members of ICPAK with the requisite and continually build their capacity

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN	ICPAK RECOMMENDATIONS
			Development Plans (ADPs) and the budget. There is a need for both levels of government to migrate their payrolls to the Human Resource Information System-Kenya. Further, manual multiple and stand-alone payroll systems to cease. This will monitor and ensure that the wage bill to revenue ration does not exceed the 35% threshold.
16.	4.2.1 Performance of Own Source Revenue Against Target .	County governments recorded significant underperformance in Own Source Revenue for FY 2024/25, where they missed their target of Kshs.87.67 billion by 23 %.collectively generating Kshs 67.3 billion. OCOB reports that there was an overreliance on the Facility Improvement Fund(FIF), which accounted for over 50 % of OSR for many counties; this poses a risk to financial sustainability for the county governments. For ordinary revenue performance, counties were able to generate KSh 42.7 billion against a target of KSh 66.9 billion which represents an average of 64 percent of the targeted OSR. Counties are mandated to collect revenues from local taxes and levies such as land rates, business permits, parking fees, market charges, and other service fees yet they often collect far below their potential.CRA Estimates that County Governments have the potential to collect up to 216 Billion in revenue from their key revenue streams. Low OSR in counties can be attributed to :	- County governments should fast-track the automation and integration of revenue collection systems across all revenue streams to minimize leakages, enhance transparency, and improve efficiency. - Adopt realistic, evidence-based revenue projections grounded in economic activity

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN	ICPAK RECOMMENDATIONS
			The government should ensure that borrowed funds are directed towards capital projects that can generate significant future returns in adherence with the PFM Act, 2012.
15.	4.1.1 County Governments Overall Expenditure for FY 2024/25	- The budgeted development expenditure represented 36.4 % of budgeted total expenditure which is as per PFM Act. However, there was an absorption rate of 26.3% which indicates an underspending on projects that promote long-term growth and infrastructure development. For this financial year only 18 counties met the PFM Act, 2012 threshold based on actual spending relative to their total budgets. - The budgeted recurrent expenditure accounted for 63.6% of the total budget. The absorption rate in recurrent expenditure was 73.7% meaning that counties are heavily reliant on these funds, suggesting a need to reduce recurrent costs in favour of development priorities. - Additionally, the expenditure on wages was 41.4% which is above the total required threshold of 35%. signaling a high wage burden that may limit spending flexibility.	Recommendations - Establish tighter controls and monitoring mechanisms to ensure that wage expenditures do not surpass the set regulation and in compliance with regulation 25(1) (b) of the PFM County Government Regulation, 2015. - Ensure timely disbursements of exchequer releases. Policy considerations - County governments need to prepare sectoral strategic plans that are in line with the County Integrated Development Plans and link them to the Annual

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN	ICPAK RECOMMENDATIONS
		Recurrent expenditure was 105.2% of the target due to higher operations & maintenance and domestic interest costs, while development expenditure reached 110.2% of the target.	Responsibility Principles as stipulated under Section 15 of the Public Finance Management Act, 2012 It is the Institute's considered opinion that if government had enforced these principles, the nation will already have dealt with the concerns on run-way expenditure and accountability of public resources.
14.	2.3 Fiscal Deficit	In the period July–October 2025, the fiscal deficit stood at Kshs 328.7 billion (1.7% of GDP), above the targeted 1.1%, with heavy reliance on domestic borrowing (Kshs 310.0 billion) The fiscal deficit is projected to widen to Kshs 1,106.1 billion (5.3% of GDP) in FY 2026/27, up from Kshs 901.0 billion (4.7% of GDP) in FY 2025/26. This increase signals potential pressure on fiscal sustainability, especially if revenue mobilization does not improve or if expenditure overruns persist. Heavy reliance on borrowing, particularly domestic could crowd out private sector credit and limit fiscal space for priority development programs.	- The government should avoid overreliance on costly commercial loans like Eurobonds and instead prioritize concessional financing. - Government spending must be aligned with revenue projections, prioritizing high-impact investments while rationalizing recurrent expenditures.

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN	ICPAK RECOMMENDATIONS
			consular services and mission operations.
11.	Budget for FY 2026/27 and the Medium Term Para 228 Revenue Projections	According to the Budget Review and Outlook Paper 2025, FY 2026/27, total revenue including Appropriation-in-Aid (AiA) is projected at KSh 3,583.4 billion, of this, ordinary revenue is projected at KSh 2,998.3 billion. This revenue performance will be underpinned by the on-going reforms in policy and revenue administration.	The government should expand its tax base by modernizing tax administration, leveraging digital platforms for compliance, and curbing leakages in revenue collection.
12.	2.3 Revenue Performance	By the end of October 2025, the total revenue collected amounted to Kshs 942.0 billion against a target of Kshs 1,049.5 billion, achieving 89.7% of the target, a shortfall of Kshs 107.5 billion. The underperformance was driven by ordinary revenue, which collected Kshs 766.8 billion against a target of Kshs 874.5 billion, achieving 87.6% of the target.	- Formalize the informal sector - Kenya's informal sector contributes over 30% of GDP but pays a disproportionately small share of taxes. - Rationalise Tax Expenditures and Exemptions by reviewing the VAT and Income Tax exemptions - Expand Data-Driven Compliance by fully integrating Itax and eTims.
13.	2.3 Expenditure Performance	By the end of October 2025, total expenditure and net lending amounted to Kshs 1,274.6 billion against a target of KSh 1,269.6 billion, achieving 100.4% of the target.	The Institute proposes adherence to Fiscal

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN	ICPAK RECOMMENDATIONS
			safeguard credibility and influence. ▪ Prioritize strategic engagement in multilateral forums aligned with Kenya's development, climate, and financing priorities. Budgetary Considerations for BPS 2026 ▪ Align foreign policy and regional integration allocations with clear, measurable outcomes under the Medium-Term Expenditure Framework (MTEF). ▪ Protect funding for high-impact economic diplomacy and regional trade facilitation initiatives. ▪ Explore cost-sharing, partnerships, and pooled funding arrangements with development partners and regional institutions. ▪ Integrate digital solutions to improve efficiency in

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN	ICPAK RECOMMENDATIONS
			and impact of foreign policy expenditures. Support Peace, Security, and Regional Stability ▪ Allocate sufficient resources to peacebuilding, mediation, and conflict prevention initiatives within the region. ▪ Strengthen Kenya's role in regional security mechanisms and multilateral peace operations. ▪ Enhance coordination between diplomatic, defense, and development actors in promoting regional stability. Strengthen Multilateral Engagement and Compliance ▪ Ensure timely remittance of Kenya's assessed contributions to regional and international organizations to

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN	ICPAK RECOMMENDATIONS
		While these commitments present significant economic and strategic opportunities, fiscal constraints require that budget allocations to the sector be well-targeted, outcome-oriented, and subject to strong parliamentary oversight. Challenges ▪ Inadequate financing for economic diplomacy and trade promotion initiatives. ▪ Limited capacity for effective coordination of regional integration programs across MDAs. ▪ Underfunding of Kenya's obligations to regional and international organizations, leading to arrears and reputational risks. ▪ Weak monitoring and evaluation frameworks to assess the impact of foreign policy and regional integration expenditures. ▪ Insufficient support for peacebuilding, mediation, and conflict prevention initiatives in the region	programs aligned to AfCFTA implementation and export diversification. Enhance Regional Integration and AfCFTA Implementation ▪ Provide adequate budgetary support for Kenya's participation in EAC, COMESA, IGAD, and AfCFTA processes. ▪ Support harmonization of trade, customs, and regulatory frameworks to facilitate cross-border trade. Improve Efficiency and Accountability in Foreign Policy Spending ▪ Rationalize Kenya's diplomatic footprint by aligning missions with strategic economic and geopolitical priorities. ▪ Strengthen monitoring and evaluation systems to track outcomes

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN	ICPAK RECOMMENDATIONS
9.	1.3.7 Women Agenda	The Constitution of Kenya guarantees equal treatment for both men and women and is anchored in Article 81 (b) of the constitution that provides that not more than two-thirds of the members of elective public bodies shall be of the same gender. The concern is the implementation of this requirement; currently neither in the Elections Act nor the Political Parties Act to provide an effective mechanism for the implementation of Article 81 (b) of the constitution. The Institute acknowledges the government's initiatives in the FY 2026 that includes: 1. The planned disbursement of Kshs 12 billion to 16,850 Affirmative Action Groups, from the previous Kshs 3.33 billion to 10,785 Affirmative Action Groups between FY 2022/23-2024/25. 2. The provision of bursaries and scholarships to 178,500 needy students, from the previous 155,580 needy students with bursaries and scholarships through the National Government Affirmative Action Fund (NGAAF). 3. Efforts to keep girls in school will be supported through the provision of sanitary towels to 11.1 million girls, alongside 7,500 dignity kits for GBV survivors.	▪ Amend article 90 of the constitution to accommodate changes to Articles 97 and 98 to promote the implementation of the gender principle. ▪ Amend the constitution to add special seats for the under-represented gender in parliament. ▪ IEBC to reject non-compliant party nomination lists or require adjustments on the not more than two thirds gender rule before approvals.
10.	1.3.12 Foreign Policy and Regional Integration	Foreign policy and regional integration are critical pillars for advancing Kenya's economic interests, regional stability, and international standing. Investments in economic diplomacy, regional trade facilitation, peacebuilding, and multilateral engagement have direct implications for export growth, investment inflows, employment creation, and national security. Kenya's foreign policy and regional integration agenda is anchored in: ▪ Vision 2030 ▪ Bottom-Up Economic Transformation Agenda (BETA) ▪ Commitments under the East African Community (EAC), IGAD, COMESA, African Union (AU), and the African Continental Free Trade Area (AfCFTA)	Strengthen Economic and Trade Diplomacy ▪ Prioritize funding for foreign missions to support trade promotion, investment attraction, tourism, and diaspora engagement. ▪ Allocate resources for targeted economic diplomacy

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN	ICPAK RECOMMENDATIONS																									
		TRENDS IN APPROVED BUDGET ESTIMATES FOR THE EDUCATION SECTOR <table><thead><tr><th>Year</th><th>Basic Education</th><th>TVET</th><th>Higher Education</th><th>Teachers Service Commission</th></tr></thead><tbody><tr><td>2021/22</td><td>14,100</td><td>4,008</td><td>4,353</td><td>515</td></tr><tr><td>2022/23</td><td>24,222</td><td>4,097</td><td>4,621</td><td>1,076</td></tr><tr><td>2023/24</td><td>20,631</td><td>7,065</td><td>3,743</td><td>1,202</td></tr><tr><td>2024/25</td><td>14,361</td><td>5,111.60</td><td>1,220</td><td>395</td></tr></tbody></table>	Year	Basic Education	TVET	Higher Education	Teachers Service Commission	2021/22	14,100	4,008	4,353	515	2022/23	24,222	4,097	4,621	1,076	2023/24	20,631	7,065	3,743	1,202	2024/25	14,361	5,111.60	1,220	395	adopt robust data systems to align resource allocation with emerging needs across education levels. - Enhance Governance, Accountability, and Financing by building capacity of school Boards of Management and Parent-Teacher Associations and improve transparency and accountability in education financing through digital fund management systems. - Align Education with Labour Market and Skills Demand by Expand and modernize Technical and Vocational Education and Training (TVET) institutions. - Strengthen public-private partnerships to support infrastructure development and skills training.
Year	Basic Education	TVET	Higher Education	Teachers Service Commission																								
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			should be facilitative rather than punitive
8.	1.3.6 Education and Training	- Over the 5-year period FY 2021/22 to FY 2023/24, the approved budget for the education sector rose by 18%, from Ksh. 567.9 billion to Ksh. 689.9 billion. This increase was primarily driven by a 19% growth in recurrent expenditure, which expanded from Ksh. 533.9 billion to Ksh. 657.3 billion. - According to the 2025 KNBS Economic Survey, the education sector remains a key employer in the public service, accounting for 45.2% of total public sector employment. - However, the sector faced a projected budget contraction in FY 2024/25, with overall expenditure expected to fall from Ksh. 601.5 billion to Ksh. 594.2 billion. This includes a 1.7% reduction in recurrent spending to KSh 566.1 billion, while development spending is projected to rise by 9.8% to Ksh 28.1 billion. The following trends were observed in FY 2021/22 – 2023/24	ICPAK recommends the following for the Education Sector; - Given that recurrent expenditure continues to dominate the sector's budget, measures should be instituted to enhance its efficiency and ensure value for money, particularly in personnel costs which are the primary driver. - Given the declining share of development expenditure, a strategic review is necessary to prioritize capital investments that support infrastructure growth, especially in the expanding TVET and junior school subsectors. - With the significant growth in institutions and student populations, the Ministry should

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN	ICPAK RECOMMENDATIONS
		A notable milestone, includes the initiation of 18 County Aggregation and Industrial Parks and the modernization of machinery at Rift Valley Textile (RIVATEX), which achieved a 99% implementation rate, among other accomplishments. However, according to the OAG report, in FY 2023/2024, the 18 counties targeted under the CAIPs project experienced a funding shortfall of Kshs.3.3 billion, having been allocated Kshs.4.5 billion but receiving only Kshs.1.2 billion. This represents a 74% deficit. With continued underfunding and irregular monitoring, the actual progress of industrial park construction remains uncertain. This indicates challenges with either disbursements or internal inefficiencies. On the other hand, there have been delays in project execution. Whereas the CAIPs initiative was structured to be implemented over a two-year period from FY 2023/24, this was later revised to three years. The Budget Policy Statement (BPS) 2025 indicated that the entire project will have been completed by FY 2025/26. However, this appears highly unlikely and unrealistic given that only 18 industrial parks have been completed, with 29 still pending; with only 6 months to the closure of the financial year - 2025/26. According to the Medium-Term Expenditure Framework Report FY 2025/26, this was attributed to budgetary constraints, as several performance targets were stated to have been missed due to budget cuts. The sector has in the past 3 years faced aggressive tax administration measures by the KRA; in terms of special tables, e-TIMs, legacy balances issues, among others.	intensive industrial projects. ▪ In addition, the State department should innovate new strategies of fund mobilization either through levies, fees or charges imposed on importation of finished products that can be locally manufactured to encourage growth of the manufacturing sector. ▪ Align Budget Allocations with Realistic Timelines and Execution Potential: Review and revise implementation timelines for CAIPs and other industrial projects based on actual realities and current absorption capacity. Ensure that budget allocations are aligned with project readiness, to avoid overcommitting limited resources ▪ The government tax policy and administration

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN	ICPAK RECOMMENDATIONS
		be enacted, creating uncertainty around the legal, institutional and governance framework for its operationalization. Additionally, the target of mobilizing up to Ksh.5 trillion in development projects over ten years is ambitious, particularly in a constrained fiscal environment. There is also need for clarity on how these new funds will be harmonised with existing public finance and infrastructure financing frameworks, including such as the PPPs. Without clear policy coherence, there is a risk of duplication, fragmentation, and inefficiencies.	from Public Private Partnerships and not additional taxes from Kenyans. - Clearly delineate the roles of the NIF vis-à-vis existing PPP structures. - Adopt a Phased and Realistic Investment Approach - Prioritize completion of PPP Pipeline Projects before initiating new ones, ensuring timely financial close and delivery of high-impact infrastructure.
7.	1.3.2 The Manufacturing Sector	The manufacturing sector, housed within the State Department for Industry, contributes about 7% to the country's GDP and is expected to rise to 15% by 2027 and 20% by 2030. However, recent performance signals modest progress towards these goals. The sector grew by 2.1% in the first quarter of 2025 compared to 1.9% in the first quarter of 2024. This has been supported by strong increases in coffee auctions and milk deliveries and increased production in cement and galvanized sheets. Despite this, the growth is still subdued compared to 4 years ago, reflecting structural and financial constraints within the State Department of Industry (SDI). The Fourth Medium-Term Plan aims to implement a value chain approach to boost production and strengthen value chain and improve market access through various projects; Special Economic Zones, Export Processing Zones, Industrial Parks, and County Aggregation Industrial Parks (CAIPs).	Enhance Resource Mobilization through Strategic Partnerships and build capacity for internally-generated funds: The State Department should prioritize the expansion and diversification of funding sources by proactively engaging in Public-Private Partnerships (PPPs) to support capital-

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN	ICPAK RECOMMENDATIONS
			- Target higher value-added jobs such as software engineering and AI Development to grow or enhance the low wages accrued from micro tasks which can be easily replaced by AI. - A forward look into the country's digital economy in 2026 promises growth and expansion backed by the investment in fiber networks, public Wi-Fi, and digitization of services in alignment with Kenya's Vision 2030 alongside private sector growth in AI, e-commerce, and FinTech.
6.	1.3.1 Infrastructure	The Energy, Infrastructure and ICT sector remains a critical enabler of economic growth, productivity, and structural transformation. Under the FY 2025/26 approved budget, the Energy, Infrastructure and ICT sector was allocated Kshs 534.6 billion, accounting for 21.0% of total expenditure, making it one of the largest spending sectors. Medium-term projections under the BPS indicate a further increase in allocations by 11.2% to Kshs 594.5 billion in FY 2026/27, signaling continued prioritization of infrastructure-led growth. In addition, the Government has proposed the establishment of the Kshs 5 Trillion National Infrastructure Fund and a Sovereign Wealth Fund as key instruments for mobilizing long-term financing to support infrastructure expansion and energy-driven industrialization. However, the Sovereign Wealth Fund Bill is yet to	- There is a need to fast track enactment of the Sovereign Wealth Fund Bill to establish a clear legal mandate, governance architecture and accountability mechanisms. - Ensure the National Infrastructure Fund (NIF) is solely driven

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN	ICPAK RECOMMENDATIONS
		The sector has engaged approximately 1.9 million Kenyans, including 1.2 million gig workers proving to be quite critical towards driving the national agenda of employment and poverty reduction.	policy guidance has the potential to rapidly accelerate growth within the digital economy. The World Economic forum in its September analysis of Kenya's digital economy recommends.
		The Institute takes note of and commends the government for the following milestones. ▪ Enactment of the Kenya Artificial Intelligence strategy 2025-2030 and The National BPO Policy 2025 which needs a mention in the BPS as it positions Kenya as a regional leader within the space and provides a roadmap for responsible AI development ▪ Growth in digitally delivered service exports from Kenya. Kenya exported \$1.98 billion in digitally delivered services in 2024, rising from \$1.784 billion in 2023, signifying a growing sector from \$1 billion in 2015. ▪ Removal of the 30% local ownership requirement for ICT companies to attract greater FDI and enhance competitiveness in the sector. ▪ Additionally, the Tatu City Business Process Outsourcing hub is projected to create more than 5,000 jobs in the short term and is a notable example of infrastructure-backed investment to support outsourcing. However, several issues still persist that slow down the gains attained from the sector ▪ AI and Automation: WEF reports reveal that 86% of employers in Kenya expect AI to change their businesses by 2030. Up to 52% of jobs in Kenya may be automated with most of the automated jobs being key drivers of digital job creation. ▪ Inequitable access to digital jobs and skills affected by factors such as electricity reliability. The Energy and Petroleum Regulatory Authority (EPRA) has revealed that Kenyans have so far experienced an average of more than nine hours of power blackouts per month. ▪ Overallly, only 35% of the Kenyan population use the internet according to KNBS with disparities in usage rates from 64.7% in Nairobi City to 9.1% in West Pokot. ▪ Wage instability is a core concern. Average hourly earnings on microtask platforms are Kshs 125, falling below Kenya's statutory hourly minimum wage of Kshs. 135.9	▪ Modernizing labour laws to better reflect the realities of digital and platform work through initiatives such as; ➢ Including digital economy workers in the Employment Act to ensure adequate labour protections. ➢ Balancing protection with flexibility and growth. ▪ Using regional platforms such as the East African Community and African Continental Free Trade Area to advocate for common digital labour and standards.

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN	ICPAK RECOMMENDATIONS
		houses under construction as of 2025 represents a delivery rate of less than 10% annually.	votes required to demonstrate quantified contributions toward this target. - Require that housing projects meet minimum readiness criteria before funds are appropriated, to prevent a repeat of the 32.6% absorption rate recorded in FY2023/24. - Undertake a targeted redesign of the Social Housing Programme to address underperformance of only 57.7% of planned units delivered, including revising delivery models, implementation partnerships, and beneficiary targeting mechanisms.
5.	1.2.5 Digital Superhighway and Creative Economy	Kenya's Digital and creative economy is undergoing rapid expansion with the sector expected to reach an estimated Kshs. 2.96 trillion by the end of 2025 which accounts for 9.24% of GDP.	Given the critical juncture the country stands when it comes to AI and automation, the 'right'

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN	ICPAK RECOMMENDATIONS
		2. Human Resources for Health (HRH) - Shortages and maldistribution of health workers coupled with frequent industrial actions disrupting service delivery 3. Health Infrastructure and Medical Supplies - Inadequate and unevenly distributed health facilities 4. Governance and Accountability - Weak coordination between national and county governments and Political interference in health sector management 5. Equity and Access to Health Services - Persistent geographic and socioeconomic disparities and limited access in informal settlements and remote areas	- Strengthening public participation in health planning and budgeting - Enhancing audit follow-up and oversight in the health sector - Reduce political interference in facility management
4.	1.2.4 Housing and Settlement	While the proposed initiatives under par. 32 are critical to reducing housing costs, their successful delivery will require enhanced parliamentary oversight and regular monitoring to minimize implementation risks and prevent misuse of resources. Additionally, paragraph 35 as currently worded is ambiguous and begs the question of whether the 428,000 jobs created is a cumulative, current or projected figure. There is need for clarification of that and further disaggregation of whether these jobs are; - direct jobs offered on employment sites, or - Indirect jobs through the supply chains This is necessary for policy evaluation since it brings out clearly, through comprehensive analysis, whether the programme is a temporal or lasting solution to the unemployment menace. - Furthermore, the sector report for Energy, Infrastructure and ICT for FY 2025/26 and various program-based budgets reveals a shortfall from the intended 250,000 housing units per year. However, the 250,000 annual target was not embedded in budgetary estimates. - Instead, the government set out far smaller targets within the financial years 2021/22 to 2023/24 - Against the administration's public promise of 250,000 units annually in its first two years, compounding to 500,000 units by 2024, the 214,057	- Fully implement the proposed Appropriate Building Materials and Technology Centres and ensure 70% of materials are locally sourced as appropriate and in line with the Public Procurement and Assets Disposal Act. - Use 2026 as a reset year to implement reforms and set realistic targets based on previous performance. - Embed the 250,000 Annual Housing Target in the MTEF and annual programme-based budgets, with all housing-related

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN	ICPAK RECOMMENDATIONS																																														
		<table><tr><td>Medical Doctors, Dentists and COHO</td><td>13,881</td></tr><tr><td>Pharmacists and Pharmtechs</td><td>10,112</td></tr><tr><td>Registered Nurses</td><td>75,043</td></tr><tr><td>Clinical Officers</td><td>30,866</td></tr><tr><td>Public Health Officers and Technicians</td><td>2,367</td></tr><tr><td>Medical Laboratory Techs</td><td>14,475</td></tr><tr><td>Nutritionists and Dieticians</td><td>14,261</td></tr><tr><td>Physiotherapists</td><td>2,684</td></tr></table> Health is primarily a devolved function under the Fourth Schedule of the Constitution of Kenya 2010. The health sector is responsible for providing and coordinating health policy formulation, ensuring quality service delivery, and regulating health care at the national level. According to KNBS economic survey 2025, in October 2024, Kenya launched the Social Health Authority (SHA) to drive universal health coverage, registering 16.9M members. NHIF/SHA Principal Members by Sector, 2020/21 – 2024/25 ('000) <table><tr><th>Sector</th><th>2020/21</th><th>2021/22</th><th>2022/23</th><th>2023/24</th><th>2024/25</th></tr><tr><td>Formal Private</td><td>3,285</td><td>3,476</td><td>3,531</td><td>3,608</td><td>3,655</td></tr><tr><td>Formal Public</td><td>1,154</td><td>1,170</td><td>1,376</td><td>1,394</td><td>1,403</td></tr><tr><td>Informal</td><td>5,061</td><td>9,296</td><td>10,637</td><td>11,248</td><td>11,802</td></tr><tr><td>Total</td><td>9,501</td><td>13,942</td><td>15,544</td><td>16,250</td><td>16,860</td></tr></table> Challenges 1. Health Financing and Financial Protection - Insufficient and unpredictable public financing for health	Medical Doctors, Dentists and COHO	13,881	Pharmacists and Pharmtechs	10,112	Registered Nurses	75,043	Clinical Officers	30,866	Public Health Officers and Technicians	2,367	Medical Laboratory Techs	14,475	Nutritionists and Dieticians	14,261	Physiotherapists	2,684	Sector	2020/21	2021/22	2022/23	2023/24	2024/25	Formal Private	3,285	3,476	3,531	3,608	3,655	Formal Public	1,154	1,170	1,376	1,394	1,403	Informal	5,061	9,296	10,637	11,248	11,802	Total	9,501	13,942	15,544	16,250	16,860	national and county levels - Fully implement the Community Health Promoters (CHP) program - Equip health centres and dispensaries with essential MNCH commodities Stabilize and Strengthen Human Resources for Health by: - Resolving health worker payroll, dispute and contract issues - Harmonizing HRH management between national and county governments - Recruiting health workers to underserved areas such as refugee camps and informal settlements. Strengthening Governance and Accountability by: - Ensuring timely disbursement of funds to counties and facilities
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#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN	ICPAK RECOMMENDATIONS
			ensure the Financial Inclusion Fund (FIF) program meets its intended goals.
			▪ The National Treasury to require the State department in charge of MSMEs to monitor, document and publish the going-concern status of all the businesses supported under the various programs, outlining the challenges that they still continue to face and the steps towards resolving them. ▪ The Government to simplify the tax regime, create awareness on the regulatory and tax landscape for MSMEs
3.	1.2.3 Healthcare	The doctor-to-patient ratio in Kenya stands at 1:17000, far off the 1:1000 ratio recommended by the World Health Organisation (WHO) and has compromised the delivery of quality healthcare services. The figure below shows Licensed Health Personnel by Profession 2024;	Prioritize Primary Healthcare (PHC) and Community Health by: ▪ Increasing PHC budget allocations at

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN	ICPAK RECOMMENDATIONS
		implementation of the management framework to oversee the projects such as the Constituency Industrial Development Centres ▪ Irregularities in the management of the initiatives such as the Hustler Fund ▪ delay in operationalization ▪ Budgetary constraints ▪ Financial skills challenges Further, paragraph 24 indicates the achievements of the government in this pillar - As per December 2024, KSh 6.43 billion had been advanced to 4,198 MSMEs across 46 counties and 12 economic sectors through the Credit Guarantee Scheme, supporting 26,714 jobs. Between 2022 and 2025, the Government disbursed KSh 72 billion through the Financial Inclusion Fund and KSh 4.86 billion in industrial credit via Stawi and Inua Biashara, creating thousands of jobs in manufacturing and value-added agricultural processing. However, there is absence of documentation showing whether the MSMEs that have benefitted are still in existence; given that statistics indicate that most MSMEs do not see their fifth birthday. The sector is also over-regulated with a myriad of charges and fees, overlapping across counties.	development initiatives. ▪ The State department of MSME to partner with the Institute (ICPAK) through its branch networks at the county to train MSMEs on financial literacy. ▪ The Government should streamline disbursement processes by simplifying application and approval procedures which will encourage greater access and uptake of funds by MSMEs ▪ The National Treasury and the National Assembly should require the State Department in charge of MSMEs to establish strong monitoring systems by regular evaluation and data analysis which will help refine implementation and

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN	ICPAK RECOMMENDATIONS
		representing a 74% funding shortfall, leaving many facilities idle and significantly limiting the impact of the BETA value-chain approach.	enhance implementation of the projects. ▪ Prioritize climate-resilient and food security-oriented investments to reduce vulnerability to recurrent droughts and external shocks.
2.	1.2.2 Transforming the Micro, Small and Medium Enterprise (MSME) Economy	Kenya's development blueprint recognizes the Micro, Small and Medium Enterprises (MSMEs) as vital to Kenya's economic development and job generation. According to the KNBS 2016 MSME Survey, Kenya has over 7.4 million MSMEs, which employ over 14.9 million Kenyans across all sectors of the economy. It accounts for roughly 40% of the country's GDP. Furthermore, MSMEs are a significant driver of inclusive economic growth and a key department in the attainment of the goals of the government under BETA, since they cover a wide variety of activities in nearly all sectors of the economy. In cognizance of the above, the Government has over the years rolled out various initiatives to support the growth of the MSME sector including: ▪ Constituency Industrial Development Centre: A project conceived under the 2009/10 Economic Stimulus Programme to provide facilities such as workshops fitted with tools and equipment for start-ups and individuals in the Jua Kali sector across the 210 constituencies ▪ Credit Guarantee Scheme: Rolled out in 2020 to enhance access by MSMEs to quality and affordable credit ▪ Hustler Fund: rolled out in November 2022; a digital financial inclusion initiative designed to improve financial access to finance by individuals and MSMEs. Despite the roll-out of the above, the projects have faced various challenges ranging from ▪ Inadequate planning at the initial stages and inefficiencies in implementation which has resulted in delays in developing and	▪ The accounting officer of the Ministry should strengthen budget execution and oversight frameworks to curb rising deviation rates and promote adherence to approved expenditure plans. ▪ The State Department in charge of MSMEs in conjunction with the National Treasury to enhance revenue mobilization strategies such as getting into PPPs with development partners to bridge the budget shortfall and support critical

1.0 INTRODUCTION

The Institute of Certified Public Accountants of Kenya (ICPAK) is a statutory body of accountants with the mandate to develop and regulate the accountancy profession in Kenya. The Institute is further mandated under Section 8 of the Accountants' Act CAP 531 to advise the Cabinet Secretary for Finance on matters relating to governance and accountability in all sectors of the economy.

The FY 2026/27 Budget is anchored on the Bottom-Up Economic Transformation Agenda (BETA) and the Fourth Medium-Term Plan of Vision 2030, with a shift toward fiscal consolidation amid persistent revenue pressures. The medium-term strategy prioritizes productivity, job creation, and inclusive growth while restoring debt sustainability.

Globally, growth is projected at 3.0% in 2025 and 3.1% in 2026, while Sub-Saharan Africa is expected to grow by 4.0% in 2025 and 4.3% in 2026, shaping Kenya's macro assumptions for the medium term.

The Institute reviewed the Draft Budget Policy Statement 2026 and developed the following submissions for further consideration by Parliament.

2.0 SUMMARY OF ICPAK SUBMISSION ON BPS 2026

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN	ICPAK RECOMMENDATIONS
1.	1.2.1 Agricultural Transformation for Inclusive Green Growth.	The agricultural sector is the cornerstone of Kenya's economy, contributing 22.5% to the country's Gross Domestic Product (GDP) in 2024. Despite its strategic importance under MTP IV and BETA, the budgetary outlook for the Agriculture, Rural and Urban Development (ARUD) sector under the BPS 2026 reveals persistent under-allocation. Under the FY 2025/26 approved budget, the ARUD sector was allocated KSh 82.4 billion, representing 3.2% of total ministerial expenditure. In the BPS projections, allocations to the sector are projected to increase to KSh 97.0 billion in FY 2026/27 (3.4%). These levels remain significantly below the Maputo Declaration of allocating at least 10% of public expenditure to agriculture. According to the Auditor General's Report 2023/24, 18 counties were each allocated Kshs 250 million for County Aggregation Centers and Industrial Parks, totaling Kshs 4.5 billion. However, only Kshs 1.152 billion was remitted,	▪ Increase the agriculture sector's share of total budget to align with the Maputo Declaration and better reflect its role as a key driver of economic growth. ▪ Ensure full disbursement of the remaining Kshs. 3.348 Billion allocated funds to County Aggregation Centers and Industrial Parks to



SUBMISSION

ON

THE DRAFT BUDGET POLICY STATEMENT 2026

FEBRUARY 2026

Appendix 3: Public Advert

National News

Standoff County chiefs are embroiled in a major dispute with senators over summonses by House committees

BY COLLINS OMULO

Inspector-General of Police Douglas Kanja has warned "rogue" governors who are ignoring parliamentary summonses that he will not hesitate to arrest them and present them before the relevant committees.

This latest development comes at a time when governors are embroiled in a major dispute with senators over their appearances before the committees.

The police chief said that no public officer is above the law and that his officers are ready to enforce committee summonses.

Appearing before the Senate County Public Accounts Committee, which has been criticised by governors, Mr Kanja said that the National Police Service is committed to supporting parliamentary committees in carrying out their oversight duties.

He told the committee, chaired by Homa Bay Senator Moses Kajwang, that the collaboration between the NPS and parliamentary committees is guided by various legal and constitutional provisions that allow the NPS to participate in the committees' oversight functions, thereby strengthening good governance and accountability.

He said Article 125 of the Constitution empowers parliamentary committees to summon witnesses and request documents.

Kanja backs senators on arrest of 'rogue' governors

IG says no public officer is above the law, says police service ready to enforce summonses

"I am ready to arrest and present governors who fail to honour summonses by Senate oversight committees, provided you give me the time and date you want them presented before you," said Mr Kanja yesterday.

The IG said the police are always ready to comply with the committees' directives, and are also ready and available to provide security for the committees while they carry out their duties during meetings and site visits.

"The County Public Accounts Committee, in exercising its powers under Article 125 of the Constitution, may summon county officials or governors to appear before it to respond to audit queries. In instances where they refuse to comply, the Service, under the direction of the committee, is always ready to arrest and present them before the committee as requested," he said.

Mr Kanja said that, where the



Inspector-General of Police Douglas Kanja when he appeared before the Senate County Public Accounts Committee yesterday at Bunge Tower in Nairobi. DENNIS ONSONGO INATION

Catch for us the little foxes ruining our vineyard. The little foxes sit in the Council of Governors... yet they want to avoid accountability

Moses Kajwang, Homa Bay senator

”

committee establishes that public funds have been misused, the Service is ready and willing to assist with further investigations, evidence gathering and ensuring that any county official or governor found to be at fault is prosecuted. The committee wanted to know why the NPS has been slow to implement their requests for

errant governors to be arrested and presented before the committees. "Catch for us the little foxes ruining our vineyard. The little foxes sit in the Council of Governors and public offices, yet they want to avoid accountability. It is above the law in this regard," said Mr Kajwang.

Nyamira Senator Omondi Omogeni added: "We want to take actions that act as a deterrent to cause your mandate also to prevent prevention of graft and ensure accountability. There is no way we can hold the officers accountable if they don't appear before us."

Kitui Senator Enoch Wambugu said there are many criminal activities going on in counties and financial documents suddenly end up in flames to cover up the truth.

Last month, Senator Ekeno Opiyo paying the Sh500,000 fine imposed after summonses.

The committee has been at loggerheads with several governors over snubbing committee summonses, with the Homa Bay senator last month asking the IG to arrest and present Samburu Governor Lati Lelelit for failing to appear for two summonses.

Other governors who have been in the crosshairs of the committee include Isiolo Governor Guto, Kisumu's Simba Arati and Mandera Governor Nasser Mohammed.

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REPUBLIC OF KENYA THIRTEENTH PARLIAMENT - FIFTH SESSION (2026) THE NATIONAL ASSEMBLY

IN THE MATTER OF ARTICLE 118(1)(b) OF THE CONSTITUTION
AND

IN THE MATTER OF CONSIDERATION BY THE NATIONAL ASSEMBLY OF—

(1) THE LOCAL CONTENT BILL (NATIONAL ASSEMBLY BILL NO. 45 OF 2025); AND

(2) THE SEXUAL OFFENCES (AMENDMENT) BILL (NATIONAL ASSEMBLY BILL NO. 50 OF 2025).

INVITATION TO SUBMIT MEMORANDA

WHEREAS, Article 118(1)(b) of the Constitution requires Parliament to facilitate public participation and involvement in the legislative and other business of Parliament and its Committees, and Standing Order 127(3) of the National Assembly Standing Orders requires House Committees considering Bills to facilitate public participation;

AND WHEREAS, The Local Content Bill (National Assembly Bill No. 45 of 2025) and The Sexual Offences (Amendment) Bill (National Assembly Bill No. 50 of 2025) were read a First Time and referred to the Departmental Committee on Trade, Industry and Cooperatives and the Departmental Committee on Justice and Legal Affairs, respectively, for consideration and reporting back to the House;

IT IS NOTIFIED that—

(1) The Local Content Bill (National Assembly Bill No. 45 of 2025) is a Bill sponsored by the Hon. Jane Kagiri, MP that seeks to create a framework to regulate local content in Kenya. Lack of a local content regulatory framework has inhibited the growth of the local industry in key economic sectors as companies incorporated outside Kenya procure their goods, services, supplies and workforce without adequate involvement of local companies and workforce. This has contributed to unfair practices that have rendered the local businesses and players unable to compete effectively.

(2) The Sexual Offences (Amendment) Bill (National Assembly Bill No. 50 of 2025) is a Bill sponsored by the Hon. Aminda Udagom Shyad Kume, MP that seeks to amend the Sexual Offences Act (Cap. 63A) to strengthen the legal framework governing the prosecution of sexual offences in Kenya. The Bill seeks to ensure that offences specified under the Sexual Offences Act are adjudicated exclusively through formal judicial processes to safeguard the rights of victims from processes that are repugnant to justice and morality, and ensure that justice is administered in a manner consistent with the Constitution.

NOW THEREFORE, in compliance with Article 118(1)(b) of the Constitution and National Assembly Standing Order 127(3), the Clerk of the National Assembly hereby invites the public and stakeholders to submit memoranda on the Bills to the respective Departmental Committees listed below:

BILL	DEPARTMENTAL COMMITTEE
1. Local Content Bill (National Assembly Bill No. 45 of 2025)	Trade, Industry and Cooperatives
2. Sexual Offences (Amendment) Bill (National Assembly Bill No. 50 of 2025)	Justice and Legal Affairs

Copies of the Bills are available at the National Assembly Table Office, Main Parliament Building, and on www.parliament.go.ke/the-national-assembly/house-business/offices

The memoranda may be forwarded to the Clerk of the National Assembly, P.O. Box 41842-00100, Nairobi; hand-delivered to the Office of the Clerk, Main Parliament Building, Nairobi; or emailed to cnas@parliament.go.ke to be received on or before Friday, 27th February, 2026 at 5.00 p.m.

S. NJOROGE, CBS
CLERK OF THE NATIONAL ASSEMBLY
13th February, 2026

REPUBLIC OF KENYA



THIRTEENTH PARLIAMENT | FIFTH SESSION (2026) THE SENATE

INVITATION FOR SUBMISSION OF MEMORANDA

Pursuant to sections 25(2) and 33(1) of the Public Finance Management Act, Cap. 412A, the Cabinet Secretary for the National Treasury and Economic Planning submitted the 2026 Budget Policy Statement and the 2026 Medium-Term Debt Management Strategy for consideration and approval by the Senate.

The 2026 Budget Policy Statement and the 2026 Medium-Term Debt Management Strategy were tabled in the Senate on Thursday, 12th February, 2026 and subsequently referred to the Standing Committee on Finance and Budget for consideration and facilitation of public participation.

The 2026 Budget Policy Statement sets out the broad strategic priorities and policy goals that will guide the national government and county governments in preparing their budgets for Financial Year 2026/2027 and over the medium-term.

The 2026 Medium-Term Debt Management Strategy outlines the strategies and initiatives that will inform Government borrowing, minimize costs and risks of the current public debt portfolio.

In compliance with the provisions of Article 118(1)(b) of the Constitution and standing order 185(5) of the Senate Standing Orders, the Committee now invites interested members of the public to submit any representations that they may have on 2026 Budget Policy Statement and 2026 Medium-Term Debt Management Strategy by way of written memoranda.

The memoranda may be submitted to the Clerk of the Senate, P.O. Box 41842-00100, Nairobi, hand-delivered to the Office of the Clerk of the Senate, Main Parliament Buildings, Nairobi or emailed to clerk.senate@parliament.go.ke and copied to financebudgetcomm.senate@parliament.go.ke, to be received on or before Friday, 20th February, 2026 at 5.00 p.m.

The 2026 Budget Policy Statement and 2026 Medium-Term Debt Management Strategy may be accessed on the Parliament website at <http://www.parliament.go.ke/the-senate/house-business/papers-laid>.

J.M. NYEGENYE, CBS,
CLERK OF THE SENATE.



REPUBLIC OF KENYA
THIRTEENTH PARLIAMENT - FIFTH SESSION (2026)
THE NATIONAL ASSEMBLY

IN THE MATTER OF ARTICLE 118(1)(b) OF THE CONSTITUTION
AND

IN THE MATTER OF CONSIDERATION BY THE NATIONAL ASSEMBLY OF—
(1) THE MISCELLANEOUS FEES AND LEVIES (AMENDMENT) BILL, 2025 (NATIONAL ASSEMBLY BILL NO. 57 OF 2025); AND
(2) THE NATIONAL INFRASTRUCTURE FUND BILL, 2026 (NATIONAL ASSEMBLY BILL NO. 1 OF 2026).

INVITATION TO SUBMIT MEMORANDA

WHEREAS, Article 118(1)(b) of the Constitution requires Parliament to facilitate public participation and involvement in the legislative and other business of Parliament and its Committees and Standing Order 127(3) of the National Assembly Standing Orders requires House Committees considering Bills to facilitate public participation;

AND WHEREAS, the Miscellaneous Fees and Levies (Amendment) Bill, 2025 (National Assembly Bill No. 57 of 2025) and the National Infrastructure Fund Bill, 2026 (National Assembly Bill No. 1 of 2026), were Read a First Time and referred to the relevant Departmental Committees for consideration and reporting back to the House.

IT IS NOTIFIED that—

- (1) The Miscellaneous Fees and Levies (Amendment) Bill, 2025 (National Assembly Bill No. 57 of 2025) is a Bill sponsored by the Leader of Majority Party that seeks to amend the Miscellaneous Fees and Levies Act, Cap. 469C to specify the purposes for the Railway Development Levy, including financing the development and construction of railway transport infrastructure; the safety and economic regulation of railway infrastructure and rehabilitation of railway transport infrastructure. Additionally, the Bill proposes to establish the Railway Development Levy Fund Board to manage the Railway Development Levy Fund. The amendments proposed in the Bill do not create a new levy or additional taxation measure as the Railway Development Levy has been in place since 2016.
- (2) The National Infrastructure Fund Bill, 2026 (National Assembly Bill No. 1 of 2026) is a Bill sponsored by the Leader of Majority Party to establish the National Infrastructure Fund. Under the Bill—
- (a) The National Infrastructure Fund is proposed to scale up and accelerate development of catalytic national infrastructure; to mobilize private capital and non-traditional sources of infrastructure finance; and to reduce the reliance of public debt for the financing of commercially viable infrastructure investments.
- (b) The Fund shall be managed by a Board of Directors that is required to develop a five-year investment policy;
- (c) The source of funds for the Fund include proceeds from privatization and disposal of government assets and such monies as may be appropriated by the National Assembly.

NOW THEREFORE, in compliance with Article 118(1)(b) of the Constitution and the National Assembly Standing Order 127(3), the Clerk of the National Assembly hereby invites the public and stakeholders to submit memoranda on the Bills to the respective Committees listed below—

Bill	Committee
1. Miscellaneous Fees and Levies (Amendment) Bill, 2025 (National Assembly Bill No. 57 of 2025)	Transport and Infrastructure (National Assembly Bill No. 57 of 2025)
2. The National Infrastructure Fund Bill, 2026 (National Assembly Bill No. 1 of 2026)	Finance and National Planning (National Assembly Bill No. 1 of 2026)

IT IS FURTHER NOTIFIED that in addition to receipt of written memoranda, engaging relevant stakeholders and consulting experts, the Departmental Committee on Finance and National Planning will also hold County Public hearings on the National Infrastructure Fund Bill, 2026 (National Assembly Bill No. 1 of 2026) as indicated below as part of the public engagement—

County	Venue	Date	Time
1. Homabay	Governor's Park	13 th February 2026	10.00 am
2. Mombasa	Tononoka Social Hall	13 th February 2026	10.00 am
3. Kilifi	Coast Development Authority Social Hall, Kilifi	14 th February 2026	10.00 am
4. Kwale	Kwale Cultural Center, Matuga	14 th February 2026	10.00 am
5. Nairobi	KICC	27 th February 2026	10.00 am

Copies of the Bills are available at the National Assembly Table Office, Main Parliament Building, and on www.parliament.go.ke/the-national-assembly/house-business/bills.

The memoranda may be forwarded to the Clerk of the National Assembly, P.O. Box 41842-00100, Nairobi; hand-delivered to the Office of the Clerk, Main Parliament Building, Nairobi; or emailed to cnas@parliament.go.ke to be received on or before Friday 20th February, 2026 at 5.00 p.m.

S. NJOROGE, CBS
CLERK OF THE NATIONAL ASSEMBLY

13th February, 2026

"For the Welfare of Society and the Just Government of the People"

REPUBLIC OF KENYA



THIRTEENTH PARLIAMENT | FIFTH SESSION (2026)
THE SENATE

INVITATION FOR SUBMISSION OF MEMORANDA

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The 2026 Medium-Term Debt Management Strategy outlines the strategies and initiatives that will inform Government borrowing, minimize costs and risks of the current public debt portfolio.

In compliance with the provisions of Article 118(1)(b) of the Constitution and standing order 186(6) of the Senate Standing Orders, the Committee now invites interested members of the public to submit any representations that they may have on 2026 Budget Policy Statement and 2026 Medium-Term Debt Management Strategy by way of written memoranda.

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J.M. NYEGENYE, CBS,
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REPUBLIC OF KENYA
THIRTEENTH PARLIAMENT - FIFTH SESSION (2026)
THE NATIONAL ASSEMBLY

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REPUBLIC OF KENYA



THIRTEENTH PARLIAMENT | FIFTH SESSION (2026)
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**J.M. NYEGENYE, CBS,
CLERK OF THE SENATE.**