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2027 BUDGET POLICY STATEMENT

SECURING THE GAINS OF THE BOTTOM-UP ECONOMIC TRANSFORMATION AGENDA FOR RESILIENT AND BROAD-BASED GROWTH

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© Budget Policy Statement (BPS) 2027

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Foreword

The 2027 Budget Policy Statement (BPS) is the fifth to be prepared under the Kenya Kwanza Administration. It sets out the Government's priority policies and programmes for FY 2027/28 and the medium term and provides the framework for aligning public resource allocation with national development priorities, while maintaining fiscal sustainability. Since 2022, the Government has pursued the Bottom-Up Economic Transformation Agenda (BETA) to address the key constraints to broad-based economic transformation, with a focus on reducing the cost of living, eradicating hunger, creating jobs, expanding the tax base, improving the foreign exchange balance and promoting inclusive economic growth. These objectives have guided interventions across agriculture, MSMEs, healthcare, housing, education, the digital economy and other priority sectors, alongside measures to strengthen macroeconomic stability and the management of public resources. The interventions have yielded progress across these areas, strengthening the foundations for a more resilient and inclusive economy. In the FY 2027/28 and over the medium term, Government will build on these gains to deepen economic transformation, strengthen fiscal sustainability and improve the delivery of public services.

The gains made have been sustained despite a challenging global environment characterized by geopolitical tensions, disruptions in energy and shipping markets and volatility in global commodity prices. Macroeconomic stability has strengthened, with inflation remaining within the target range, the exchange rate remaining broadly stable and foreign exchange reserves providing an adequate buffer against external shocks. The economy grew by 5.1 percent in both the first and second quarters of 2026 and is projected to grow by 5.0 percent in 2026 and 5.1 percent in 2027, supported by continued recovery across key sectors of the economy. These developments provide a foundation for sustaining investment, expanding economic opportunities and improving livelihoods, while the Government continues to address the fiscal and structural constraints that could undermine these gains.

Maintaining this stability requires continued strengthening of the fiscal position and prudent management of public resources. Reforms in domestic revenue mobilization, expenditure management and public financial management have strengthened the capacity of Government to mobilize and use public resources more efficiently. Total revenue increased from KSh 2.2 trillion in FY 2021/22 to KSh 3.2 trillion in FY 2025/26, supported by implementation of the National Tax Policy and the Medium-Term Revenue Strategy. On the expenditure and cash management side, full implementation of the Treasury Single Account reduced overdraft interest payments to the Central Bank of Kenya by 58 percent in FY 2025/26, while the rollout of e-Government Procurement has enhanced transparency and efficiency in public procurement. In addition, liability management operations have reduced near-term refinancing pressures and extended the external debt maturity profile to 2039.

Notwithstanding these reforms and progress, fiscal space remains constrained by the need to strengthen domestic revenue mobilisation, manage debt service obligations and address pending bills and other expenditure pressures. The Government will therefore continue to deepen fiscal consolidation while protecting high-impact programmes and essential public services. In the FY 2027/28 and over the medium term, emphasis will be placed on broadening the tax base and strengthening compliance through data and digital systems; entrenching Zero-Based Budgeting across Ministries, Departments and Agencies; settling verified pending bills; strengthening expenditure controls; and completing the transition to accrual accounting. These measures will improve the efficiency and credibility of the budget, strengthen fiscal sustainability and create greater space for priority investments.

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Within this constrained fiscal space, the Government will continue to prioritise interventions that have the greatest potential to raise productivity, create jobs and improve household welfare. The focus will be on deepening agricultural transformation; strengthening the MSME economy; consolidating Universal Health Coverage; scaling up the Affordable Housing Programme; accelerating the Digital Superhighway and Creative Economy; and completing the ongoing education reforms. Investment in transport, energy and water infrastructure will also be prioritised to lower the cost of doing business, enhance competitiveness and support industrialisation. The Government will strengthen the use of Public-Private Partnerships, National Infrastructure Fund, Sovereign Wealth Fund, and other appropriate financing mechanisms to complement public resources and support infrastructure development while reducing reliance on public debt.

The FY 2027/28 and Medium-Term Budget is being prepared under a revised budget calendar to facilitate completion of the budget process ahead of the August 2027 General Elections. Under the revised calendar, this Statement will be submitted to Parliament by 16th November 2026, with the budget process expected to be concluded by March 2027. Given the compressed timelines, all Ministries, Departments and Agencies and Sector Working Groups are required to adhere strictly to the approved budget calendar and the sector ceilings set out in this Statement. Greater emphasis will be placed on prioritization, completion of ongoing projects, settlement of verified pending bills and implementation of high-impact BETA programmes. Timely conclusion of the budget process will facilitate continuity in the delivery of public services and effective implementation of Government programmes during the electoral period.

The National Treasury appreciates the contributions of Ministries, Departments and Agencies, Sector Working Groups, County Governments, Constitutional Commissions and Independent Offices, Development Partners, private sector stakeholders and other non-state actors in the preparation of this Budget Policy Statement. Their participation in the budget-making process has strengthened the alignment of public resources with national development priorities and enhanced accountability in the management of public finances. The National Treasury looks forward to continued collaboration with all stakeholders in implementing the policies and programmes set out in this Statement and in translating public resources into tangible and sustainable improvements in the lives of Kenyans.



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

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Acknowledgement

The 2027 Budget Policy Statement (BPS) has been prepared in accordance with the provisions of the Public Finance Management Act, CAP 412A. It provides the framework for the preparation of the FY 2027/28 and Medium-Term Budget by setting out the Government's strategic priorities, the medium-term macroeconomic and fiscal outlook, the fiscal responsibility principles and financial objectives, and the expenditure ceilings for the National Government. The Statement also provides an important basis for public participation and informed dialogue on the management of public resources and the country's economic and development priorities.

The preparation of the 2027 BPS has taken place against a challenging fiscal environment characterized by pressures on revenue mobilization, debt service obligations and expenditure demands. In this context, the Government has continued to pursue fiscal consolidation while safeguarding priority programmes and essential public services. The fiscal framework presented in this Statement therefore places emphasis on strengthening domestic resource mobilization, improving expenditure efficiency and prioritization, managing fiscal risks and enhancing the sustainability of public finances. These measures are complemented by continued implementation of structural reforms aimed at supporting economic growth, productivity and job creation.

The 2027 BPS has been developed through a broad-based and consultative process involving Ministries, Departments and Agencies, Sector Working Groups, County Governments, Constitutional Commissions and Independent Offices, Development Partners, the private sector and other stakeholders. I particularly appreciate the valuable contributions received from the Macro Working Group, Sector Working Groups and members of the public during the Public Sector Hearings held on 9th, 12th and 13th October 2026. The views and recommendations received through these engagements have informed the prioritization of programmes, refinement of sector proposals and development of the macroeconomic and fiscal framework presented in this Statement.

I wish to express my appreciation to all institutions and stakeholders who contributed to the preparation of the 2027 BPS. In particular, I commend the technical teams within the National Treasury and across Ministries, Departments and Agencies for their commitment, professionalism and diligence in undertaking the analysis, consultations, costing, coordination and consolidation required to prepare the Statement within the accelerated budget calendar. I also appreciate the support and technical contributions of development partners and other stakeholders who participated in the process.

Finally, I thank the Cabinet Secretary for the National Treasury for the guidance provided throughout the preparation of the Statement. I call upon all Ministries, Departments and Agencies, County Governments and other implementing institutions to uphold the principles of fiscal responsibility, strengthen implementation discipline and ensure that the resources allocated through the budget are translated into efficient service delivery and tangible development outcomes for the people of Kenya.

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

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About the Budget Policy Statement

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

Section 25 of the Public Finance Management Act, CAP 412A, provides for the preparation of the Budget Policy Statement (BPS) by the National Treasury and its submission to the Cabinet for approval prior to consideration by Parliament. Ordinarily, the approved BPS is submitted to Parliament by 15th February each year. In view of the 2027 General Elections scheduled for August 2027, the budget calendar for the preparation of the FY 2027/28 and Medium-Term Budget has been revised to bring forward the key stages of the budget process, which is expected to be concluded by March 2027. Under the revised timelines, the 2027 BPS is scheduled for submission to Cabinet for approval and thereafter to Parliament by 16th November 2026. The revised calendar will facilitate the timely completion of the budget process ahead of the electoral period, thereby providing greater certainty for the implementation of Government programmes and continuity in the delivery of essential public services. The Cabinet Secretary for the National Treasury shall take into account the resolutions of Parliament in finalising the budget for FY 2027/28 and the medium term.

The 2027 Budget Policy Statement contains:

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

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

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

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

(e) Statement of Specific Fiscal Risks.

The preparation of the 2027 BPS was a consultative process that involves seeking and taking into account the current Government priorities and challenges in economic management and the views of: The Commission on Revenue Allocation; County Governments; Controller of Budget; Parliamentary Service Commission; Judicial Service Commission; Ministries, Departments and Agencies; the public and any other interested persons or groups.

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I. SECURING THE GAINS OF THE BOTTOM-UP ECONOMIC TRANSFORMATION AGENDA FOR RESILIENT AND BROAD-BASED GROWTH

1.1 Overview

1. The 2027 Budget Policy Statement (BPS) is the fifth to be prepared under the Kenya Kwanza Administration since it assumed office in September 2022. It sets out the Government's priority policies, programmes and interventions to be implemented in the FY 2027/28 and over the medium term as outlined by the Bottom-Up Economic Transformation Agenda (BETA) and prioritized in the Fourth Medium Term Plan of the Kenya Vision 2030. Coming in the final year of the Administration's current term, and as the Vision 2030 horizon draws to a close, the 2027 BPS also takes stock of the progress achieved since 2022 and sets out how these gains will be consolidated and carried forward into the successor long-term development framework.

2. BETA seeks to achieve inclusive and sustainable growth by: bringing down the cost of living; ensuring food security; creating jobs; expanding the tax base; and improving the foreign exchange balance. These objectives are pursued through a value-chain approach anchored on five core pillars: Agricultural Transformation; the Micro, Small and Medium Enterprise (MSME) Economy; Healthcare and Universal Health Coverage; Housing and Settlement; and the Digital Superhighway and Creative Economy. The pillars are supported by twelve cross-cutting enablers spanning infrastructure, manufacturing, the blue and services economies, environment and climate change, education and training, the women's agenda, social protection, sports, culture and arts, youth empowerment, governance and the rule of law, and foreign policy and regional integration.

3. The Government has, through decisive macroeconomic policies and structural reforms, strengthened macroeconomic stability, restored investor confidence and enhanced the economy's resilience to domestic and external shocks. Since 2022, and despite a constrained fiscal environment and a volatile global economy, these efforts have delivered significant achievements on both the macroeconomic and BETA fronts, key among them:

i) **Sustained economic growth and resilience:** Real GDP grew at an average of 5.0 percent a year over the 2022–2025 period, ahead of the 3.5 percent recorded globally and 4.1 percent across Sub-Saharan Africa, driven by resilient performance in the and services sectors. Growth accelerated further to 5.1 percent in both the first and second quarters of 2026, up from 4.9 percent in the corresponding two quarters of 2025. This was achieved even as a volatile global environment, including the Middle East conflict and its effect on energy prices, weighed on activity for much of the period;

ii) **Restored macroeconomic stability:** Coordinated fiscal and monetary policies helped stabilize inflation and restore confidence in the Kenya Shilling. Inflation declined from 9.2 percent in September 2022 to 2.7 percent in October 2024 and has since remained within the Government's 2.5 – 7.5 percent target band, at 7.3 percent in October 2026, despite external price pressures. The Kenya Shilling strengthened from a peak of KSh 160.8 per US dollar in January 2024 to KSh 129.7 as at 1st October 2026;

iii) **Lowered the cost of borrowing and revived private-sector credit:** The Central Bank Rate (CBR) was progressively reduced from 13.0 percent in July 2024 to 8.75 percent in February 2026, a level retained at subsequent MPC meetings, including on 11th August 2026, contributing to lower lending rates and a recovery in private-sector credit growth to 10.6 percent in September 2026, up from 5.0 percent in September 2025 and a contraction of 2.9 percent in January 2025;

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iv) **Strengthened external resilience:** Official foreign-exchange reserves were rebuilt from 3-4 months of import cover in 2022 to USD 14,906.8 million, equivalent to 6.0 months of import cover in August 2026, comfortably above the four-month statutory minimum requirement, providing a strengthened buffer against external shocks;

v) **Strengthened domestic revenue mobilization:** The Government implemented the National Tax Policy and the Medium-Term Revenue Strategy (FY 2024/25 - FY 2026/27) focused on broadening the revenue base, strengthening tax administration and rationalizing expenditure. Total revenue increased from KSh 2.2 trillion in FY 2021/22 to KSh 3.2 trillion in FY 2025/26;

vi) **Deepened capital markets and strengthened investment mobilization:** Market capitalization at the Nairobi Securities Exchange (NSE) surpassed KSh 4.0 trillion in August 2026, peaking at KSh 4.2 trillion on 28th August 2026, while the NSE 20 Share Index crossed 4,000 points for the first time in nearly a decade. The NSE was ranked as the fourth best-performing stock market globally in the first half of 2026, delivering an All-Share Index return of 26.77 percent. Foreign Direct Investment increased from USD1.6 billion in 2022 to a record USD 3.2 billion in 2025, signaling renewed investor confidence;

vii) **Strengthened public financial management and public-sector efficiency:** Key reforms, including full implementation of e-Government Procurement and the Treasury Single Account (TSA), digitization of pension and payroll administration, zero-based budgeting, and strengthened PPP and State-Owned Enterprise reforms, have enhanced transparency, accountability and efficiency in public resource management. The TSA contributed to a 58 percent reduction in the Central Bank of Kenya (CBK) overdraft interest payments in FY 2025/26;

viii) **Reduced public debt vulnerabilities and eliminated Eurobond default risk:** Through proactive liability management operations, the Government successfully refinanced and bought back maturing Eurobonds, eliminating near-term default risk and extending Kenya's external debt maturity profile to 2039;

ix) **Established innovative mechanisms for sustainable development financing:** The Government established the National Infrastructure Fund and the Sovereign Wealth Fund in 2026 to mobilize private and institutional capital for commercially viable infrastructure projects, reduce reliance on taxation and public debt, and support long-term investments in strategic sectors. The National Infrastructure Fund was initially capitalized at KSh 310.6 billion, comprising KSh 106.3 billion from the Kenya Pipeline Company (KPC) initial public offering and KSh 204.3 billion from the Government's partial divestiture of its stake in Safaricom PLC, subject to the outcome of the appeal on the transaction. The Sovereign Wealth Fund will serve as a strategic fiscal anchor by ensuring that Kenya's natural resource wealth is prudently managed, productively invested, and equitably shared across current and future generations;

x) **Restored investor confidence and sovereign creditworthiness:** Improved macroeconomic management and proactive debt operations contributed to sovereign credit-rating upgrades by Moody's and S&P Global rating agencies, improving Kenya's access to international capital markets, alongside a decline in Eurobond yields of more than 200 basis points;

xi) **Agricultural transformation:** Agriculture's contribution to GDP rose from 21.0 percent in 2022 to 23.2 percent in 2025, supported by a more than fifteen-fold increase in subsidized fertilizer distributed, from 1.4 million bags in 2022 to 21.3 million bags in 2025, through 236 redemption centres nationwide; a 62 percent reduction in the price of a 50-kilogram bag, from KSh 6,500 to KSh 2,500; and an increase in maize production from 34 million to 45.8 million bags over the same period;

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xii) **Financial inclusion:** Since 2022, the Hustler Fund disbursed KSh 93.4 billion to 28.5 million customers, extending affordable, unsecured credit to previously unbanked and underserved Kenyans and building formal credit histories that are improving their access to larger, more affordable credit facilities over time;

xiii) **Universal Health Coverage:** The Social Health Authority registered 31.6 million Kenyans and paid KSh 125.1 billion in claims to 9,699 providers since its roll-out in October 2024, advancing Universal Health Coverage under the Taifa Care framework, supported by the roll-out of Primary Care Networks and the digitization of claims management to improve efficiency and reduce fraud;

xiv) **Affordable housing:** A total of 277,281 housing units have been completed or are under implementation under the Affordable Housing Programme, alongside registration and issuance of 1.14 million title deeds over the period FY 2023/24 – FY 2025/26, supported by expanded housing finance through the Kenya Mortgage Refinance Company and generating substantial employment across the construction and building-materials value chains; and

xv) **Energy access:** Since 2022, installed electricity generation capacity grew to 3,309.5 MW and cumulative electricity connections rose to over 10.4 million customers, supported by continued geothermal expansion at Olkaria, construction of 354.1 km of high-voltage transmission lines, and roll-out of 162,604 off-grid Solar Home Systems and mini-grids to underserved counties.

4. Over the medium term, the Government will sustain a conducive business environment through sound macroeconomic management, strengthened governance, and enhanced security. Fiscal discipline will be anchored on expanded domestic revenue, accountable public spending, and strict adherence to debt sustainability strategies. To drive inclusive growth and reduce operational costs, the Government will accelerate priority infrastructure in transport, energy, and water, while scaling up investments in agriculture, manufacturing, tourism, and climate resilience. Further, human capital will be strengthened through enhanced health, education, and social safety nets, alongside targeted schemes for youth, women, and persons with disabilities. Ongoing devolution and public service reforms will continue to build institutional capacity and improve service delivery nationwide.

5. The Government will also focus on converting ongoing BETA initiatives into lasting benefits for households and businesses by:

i) Deepening agricultural transformation through the fertilizer subsidy programme, expanded agricultural insurance and value-chain development across the BETA priority value chains set out in Chapter III, notably the dairy, edible oils, tea, rice and cotton value chains;

ii) Strengthening the MSME economy through roll-out of the MSME Policy 2026, finalization of the Start-up Bill, and the Kenya Jobs and Economic Transformation (KJET) cluster co-investment programme;

iii) Consolidating Universal Health Coverage through the Social Health Authority (SHA) and the Taifa Care framework, including strengthening Primary Care Networks and health-financing reforms;

iv) Scaling up delivery under the Affordable Housing Programme, including deepening housing finance through the Kenya Mortgage Refinance Company and anchoring the Building Materials value chain;

v) Accelerating digitization of Government services and expanding digital and fibre-optic infrastructure under the Digital Superhighway agenda;

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vi) Completing education reforms, including the transition to the Competency-Based Curriculum (2-6-3-3-3) system, expansion of Competency-Based Education and Training, and strengthening of the student-centred higher-education financing model; and

vii) Mobilizing private capital for commercially viable infrastructure through Public-Private Partnerships, and operationalizing the National Infrastructure Fund (NIF) and the Sovereign Wealth Fund to channel domestic and private capital into infrastructure, food security and energy-driven industrialization, among other priorities.

6. FY 2027/28 and the medium term also mark the closing phase of the Kenya Vision 2030, the long-term development blueprint launched in 2008. The 2027 BPS is accordingly prepared against the backdrop of the ongoing National Conversation on the successor development framework, Beyond Vision 2030. This National Conversation will take stock of the achievements, lessons and gaps of the Vision 2030 era, and set out the process through which Kenyans will shape the country's next long-term development blueprint. The priorities set out under the BETA pillars and enablers in Sections 1.2 and 1.3 are therefore designed both to complete the commitments of Vision 2030 and MTP IV and to lay the foundation for the successor framework, discussed further in Section 1.5.

1.2 Implementation of the Bottom-Up Economic Transformation Agenda

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

1.2.1 Agricultural Transformation for Inclusive Green Growth

8. Agriculture remains the backbone of Kenya's economy and the anchor of the BETA. The Agricultural Transformation pillar seeks to reduce the cost of living, ensure food security, create employment and drive agro-industrial development, in support of sustainable and inclusive growth. Agriculture supports more than two-thirds of Kenyan households, carries one of the economy's highest employment multipliers, particularly for economically marginalised groups, supplies the bulk of raw materials for agro-processing, and is a leading source of foreign exchange earnings through tea, coffee and horticulture.

9. Since 2022, the Government has implemented interventions to raise productivity, strengthen climate resilience, revitalise key value chains, expand digital transformation, improve access to affordable inputs and reform agricultural markets for both smallholder and commercial farmers. These interventions focus on:

i) Providing adequate affordable working capital to farmers through well managed farmer organizations;

ii) Deploying modern agricultural risk management instruments that ensure farming is profitable and income is predictable, such as crop and livestock insurance schemes, commodity market instruments such as forward contracts, futures contracts and price stabilization schemes;

iii) Transforming two million poor farmers from food-deficit to food-surplus producers through input finance and intensive agricultural extension support, with a minimum

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productivity target of KSh 50,000 in gross farm revenue per acre per annum (covering both rainfall seasons) for farmers supported under the Government agricultural programmes;

iv) Raising the productivity of key food value chains and other value chains;

v) Reducing dependence on basic food imports by 30 percent;

vi) Revamping underperforming and collapsed export crops while expanding emerging ones;

vii) Availing high yielding cotton seeds to increase productivity from 0.25 bales to 2.7 bales per acre by 2027; and

viii) Boosting the tea value chain through blending and branding.

10. These interventions are paying off. Agriculture's share of GDP rose from 21.0 percent in 2022 to 23.2 percent in 2025, and there have been notable gains in productivity, food security and farmer incomes. Key achievements include:

i) **Fertilizer Subsidy Programme:** Affordable fertilizer has been central to higher yields and lower food prices. Subsidised fertilizer distributed rose from 1.4 million bags in 2022 to 21.3 million bags in 2025. Over the same period, the price of a 50kg bag fell by 62 percent, from KSh 6,500 to KSh 2,500, saving farmers an estimated KSh 105 billion. A network of 236 redemption centres brought distribution closer to farmers. A prolonged dry spell hit the North Rift in the first half of 2026. To protect affected farmers, the Government cut the price further to KSh 2,000 per bag and halved the price of certified maize seed to KSh 150 per kilogram.

ii) **Farmer registration:** Input support is now better targeted and more accountable. A total of 7.4 million farmers have been registered on the Kenya Integrated Agriculture Management Information System (KIAMIS) to access subsidised inputs. This allows subsidies to be directed to verified farmers. In addition, 594,918 farmers accessed credit through the National Agricultural Value Chain Development Project and the Food Systems Resilience Project.

iii) **Maize value chain:** Higher maize output has cut imports and lowered the cost of the country's staple food. Over the period 2022-2025: production rose from 34 million bags to 45.8 million bags; imports fell from 9.9 million bags to 3.3 million bags; and post-harvest losses dropped from about 30 percent to below 20 percent. Households have felt the benefit directly. The retail price of a 2kg packet of maize flour fell from KSh 250 to KSh 165, and wholesale prices declined by KSh 1,160 per 90kg bag.

iv) **Tea value chain:** Kenya's leading export crop is delivering higher returns to smallholders. Production rose from 535.04 million kilograms in 2022 to a record 598.47 million kilograms in 2024, before moderating to 550.4 million kilograms in 2025. Smallholder green leaf earnings rose from KSh 50.19 to KSh 64 per kilogram, and the area under tea expanded to 229,900 hectares.

v) **Coffee value chain:** A large-scale replanting drive is laying the foundation for the revival of coffee. Seedling distribution was scaled up from 85,000 in FY 2023/24 to 3,127,769 in FY 2025/26, and a further 2,242,769 seedlings were distributed during the March–May 2026 long rains. The area under coffee expanded by 4.1 percent to 113,900 hectares by 2025. Cherry prices rose from KSh 78.99 to KSh 120 per kilogram, strengthening incentives for farmers.

vi) **Sugar value chain:** Reforms are revitalising the sugar industry and raising farmer earnings. The area under cane grew by 16.9 percent to 283,600 hectares, and cane prices rose from KSh 4,514 to KSh 5,437 per tonne. Four state-owned mills (Chemelil, Muhoroni, Nzoia and South Nyanza) were leased to private operators, safeguarding a combined milling capacity of 11,200 tonnes of cane per day. Sugar production recovered to 815,454 tonnes

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in 2024 but fell to 613,200 tonnes in 2025 because of limited mature cane. This constraint should ease as newly planted cane matures.

vii) **Edible oil crops:** Expanding local oil crop production aims to reduce the country's heavy reliance on imported edible oils. The area under edible oil crops nearly doubled, from 60,000 hectares to 114,350 hectares. This was supported by the distribution of oil seeds and coconut seedlings (see Section 1.3.2.6).

viii) **Rice value chain:** Domestic supply of rice, a staple that is still largely imported, is growing. Paddy production in irrigation schemes rose by 83.6 percent, from 192,299 tonnes to 353,046 tonnes over the period FY 2023/24 – FY 2025/26. The area under rice in public irrigation schemes expanded from 44,255 acres to 48,379 acres.

ix) **Cotton value chain:** The revival of cotton is restoring an important rural value chain. The area under cotton increased by 75 percent to 46,564 hectares in 2025. Six ginneries in Eastern and Western Kenya were revived, strengthening local processing. Together, these have supported over 23,000 rural jobs across farming, ginning and textiles.

x) **Dairy and livestock:** Higher milk output and stronger disease control are raising livestock incomes and opening up markets. Milk production rose by about 20 percent, from 4,604.3 million litres in 2022 to 5,521.1 million litres in 2025. Formal-sector milk intake rose by 34 percent to 1,013.7 million litres, giving more farmers access to reliable markets. The value of marketed livestock and livestock products rose from KSh 161.2 billion in 2022 to KSh 269.4 billion in 2025. Productivity and animal health were strengthened through: production and distribution of 1.95 million straws of bull semen, 78,893 straws of goat semen and 107.7 million doses of assorted livestock vaccines over the period FY 2023/24 – FY 2025/26; vaccination of 22.7 million cattle against Foot and Mouth Disease, a key requirement for export market access; and inspection of 37,221 milk-handling premises and testing of 306,375 milk samples.

11. In FY 2027/28 and over the medium term, the Government will consolidate these gains and accelerate the transition of Kenya from a net importer to a net exporter of agricultural products. Priority will be given to:

i) Sustaining the Fertiliser Subsidy Programme, with 1.9 million metric tonnes of subsidised fertiliser targeting 3.1 million farmers over the medium term, together with 120 million kilograms of maize seed under the Seed Subsidy Programme, while strengthening continuous farmer registration under KIAMIS, integrating soil-sampling data to enable precision agriculture, geo-locating redemption centres to improve last-mile delivery, expanding e-voucher technology and enhancing the competitive participation of private agro-dealers;

ii) Strengthening monitoring, evaluation and anti-corruption safeguards in input programmes, and reviewing eligibility criteria and collateral arrangements under the Credit Guarantee Scheme and other Government-supported agricultural credit facilities;

iii) Expanding agricultural insurance for strategic crops, including maize, potato, wheat and green grams, and for livestock, and progressively scaling up the warehouse receipt system to reduce post-harvest losses and enable farmers to use stored produce as collateral;

iv) Deepening value addition and competitiveness in strategic value chains, which will involve: expanding processing and cold-chain capacity for avocado, macadamia and mango; improving pricing, blending and branding, farmer-level value addition and market diversification in tea and coffee; increasing acreage under cotton production; and strengthening productivity, post-harvest management and strategic reserves for maize, rice and beans;

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v) Distributing 6.16 million assorted fruit tree seedlings, including macadamia, avocado, cashew nut, coconut, mango, citrus, tea and coffee, and date palms for the Arid and Semi-Arid Lands, to accelerate the shift to higher-value crops;

vi) Scaling up livestock productivity through artificial insemination and breeding programmes, including production of 3.0 million straws of bull semen and 165,000 straws of goat semen, disease surveillance and vaccination of 23 million cattle against Foot and Mouth Disease and 52.5 million sheep and goats against Peste des Petits Ruminants, supported by production of 197 million doses of livestock vaccines, milk quality certification, installation of 500 bulk milk coolers, and livestock identification and traceability, alongside expanded meat, dairy and leather processing infrastructure to open regional and international markets;

vii) Expanding irrigated agriculture, including operationalisation of the Galana Kulalu Food Security Project and construction of a major dam to irrigate up to 200,000 acres **(Section 1.3.1.1)**, complemented by block farming models that aggregate small landholdings, improve mechanisation and expand youth participation in agriculture; and

viii) Rolling out County Aggregation and Industrial Parks (CAIPs) across all 47 counties to support aggregation, processing, storage and market access.

12. These interventions will raise farm incomes, lower food costs for households and position agriculture as a leading driver of exports, jobs and industrialisation.

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

13. The Micro, Small and Medium Enterprises (MSME) sector is central to the Government's "hustler" philosophy of empowering enterprises at the bottom of the economic pyramid. This means levelling the playing field for micro and small investors who have historically been excluded from affordable capital, markets and business development support. MSMEs are a catalyst for socio-economic transformation, accounting for roughly 85 percent of non-farm jobs in the country. Despite this contribution, they continue to face structural constraints: limited access to affordable credit; punitive collateral requirements; restrictive licensing; inadequate infrastructure; weak market linkages; and low technical and managerial capacity.

14. To address these constraints, the Government is deliberately putting affordable credit, markets and shared infrastructure directly into the hands of enterprises and young people. Targeted interventions are aimed at: i) expanding access to affordable finance, including committing KSh 50 billion a year through the Hustler Fund, SACCOs, venture capital, equity funds and long-term debt for start-ups and growth-oriented enterprises; ii) providing shared infrastructure by establishing MSME Business Development Centres in every ward and industrial parks and business incubation centres in every TVET institution, and by modernizing Constituency Industrial Development Centres (CIDCs); iii) building enterprise capacity and market linkages, including youth enterprise support and stronger cooperatives for aggregation, marketing and financial intermediation; and iv) streamlining the legal and regulatory environment to promote enterprise formalization and growth. Key results since 2022 include:

i) **Access to finance:** Millions of small enterprises and individuals previously excluded from formal credit now have access to affordable finance. The Hustler Fund has disbursed KSh 93.4 billion as at 28th October 2026, through personal loans (KSh 75.46 billion), group lending (KSh 0.20 billion) and the Bridge facility (KSh 17.74 billion). Some 28.49 million customers have opted into the personal loan product, of whom 10.3 million are regular borrowers. This has given many of them a formal credit history that opens the door to the wider financial system. As at 28th October 2026, savings mobilized through the Hustler Fund stood at KSh 6.04 billion. Cooperatives have also deepened financial inclusion, with membership of SASRA-regulated SACCOs reaching 7.87 million and cooperative savings rising from KSh 1,126 billion to KSh 1,324.9 billion over the period FY 2023/24 – FY

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2025/26. Kenya Industrial Estates extended KSh 4.92 billion in industrial credit, including KSh 983 million to 546 manufacturing and value-addition enterprises in BETA priority value chains. A total of KSh 231 million was disbursed through Uwezo Fund to grassroots groups. Over the period FY 2020/21- FY 2025/26, the Credit Guarantee Scheme supported 4,435 MSMEs across 46 counties, sustaining 28,386 jobs since its inception. Every shilling committed by the Government unlocked KSh 2.49 in private credit;

ii) **Shared infrastructure:** Affordable workspaces and common facilities are helping small enterprises raise productivity and reach new markets. A total of 214 CIDCs have been operationalized, linking more than 1,100 enterprises to regional markets and creating 23,000 direct and indirect jobs. The Kariobangi Jua Kali worksite has been upgraded into a Centre of Excellence for technology transfer and enterprise incubation. Three cold-storage facilities in Meru, Kisii and Nyandarua are reducing post-harvest losses for an estimated 5,000 farmers;

iii) **Enterprise capacity:** Young people and small businesses are gaining the skills, mentorship and start-up capital needed to build viable enterprises. Under the National Youth Opportunities Towards Advancement (NYOTA) Project, KSh 5.34 billion in start-up grants, alongside training and mentorship, has been provided to 124,522 youth across 1,450 wards, including 10,000 youth from Kakuma and Dadaab refugee camps and host communities. Under the Kenya Jobs and Economic Transformation (KJET) Project, business development services were completed for a first cohort of 95 MSME clusters across all 47 counties. Over 153,000 MSMEs received entrepreneurial training. Under the Wezesha Majuu pilot, 221 youth have been linked to jobs abroad; and

iv) **Policy and legal reforms:** A coherent framework for enterprise growth is taking shape. The MSME Policy 2026 was approved by Cabinet and the Start-up Bill was submitted to Parliament. Together they provide an integrated framework for financial inclusion, regulatory reform, infrastructure, market access and enterprise capacity building.

15. In FY 2027/28 and over the medium term, the Government will deepen the transformation of the MSME economy through:

i) Rolling out and sensitising stakeholders on the Revised MSME Policy 2026, the Women Entrepreneurs Finance Code; finalising the Start-up Bill; the National Financial Inclusion Policy; the Formalization Policy; and the amendments to the Micro and Small Enterprises Act 2012, to provide a coherent legal and regulatory framework for enterprise growth. Together, these instruments give MSMEs a single set of rules on registration, finance and market access. This reduces compliance costs and gives enterprises the predictability they need to plan and invest;

ii) Expanding affordable credit through the Hustler Fund and the Kenya Credit Guarantee Company, and developing graduated financial products for enterprises that outgrow entry-level financing;

iii) Scaling up the National Youth Opportunities Towards Advancement (NYOTA) Project to encompass college and university graduates and women-led micro enterprises, providing them with access to startup capital support, mentorship, and enterprise linkages;

iv) Scaling up the KJET cluster co-investment programme across all 47 counties and establishing the Centre for Entrepreneurship, with specialised centres for technical innovation and enterprise coaching;

v) Operationalising additional CIDCs and common-user manufacturing facilities, and modernising worksites into technology-driven enterprise and innovation centres;

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vi) Undertaking the MSME Survey 2026, the first comprehensive update of national sector data since 2016, to sharpen the targeting and impact measurement of support programmes;

vii) Implementing the Formalization Policy, which will provide a graduated pathway for enterprises to move from informal to registered and tax-compliant status. The Government shall align the Formalization Policy with the Revised MSME Policy 2026 and will use the MSME Survey 2026 as the baseline for measuring progress. Formalization shall be designed to bring enterprises into the tax and credit system on terms they can afford, so that formal status opens access to finance rather than adding to its cost;

viii) Expanding non-collateral lending to MSMEs, through measures that enable lenders to assess enterprises on the basis of their business activity, transaction and repayment history, rather than tangible collateral. These measures will include: a) strengthening the Hustler Fund as the entry point to formal credit, with a pathway through which graduated borrowers are supported to access commercial bank finance; b) operationalizing the National Credit Score Framework for MSMEs; and c) strengthening the Kenya Credit Guarantee Company to share risk on lending to enterprises that outgrow entry-level finance. These measures directly address the collateral barrier, and they build the repayment records that allow borrowers to move up to larger facilities;

ix) Implementing the Supply Integration Strategy, which shall link MSMEs to public procurement and to the supply chains of large buyers, so that enterprises at the entry and growth stages can access a share of government and private-sector demand;

x) Rolling out a tiered enterprise financing product through Kenya Industrial Estates to support the entire MSME ecosystem, offering affordable post-start-up growth finance in the first tier and advancing successful enterprises to growth and asset finance in the second; and

xi) Implementing the OPEC-financed Entrepreneurship Development Project to build students' entrepreneurial capacity and transition them into business by linking training directly to the enterprise finance and support products outlined in paragraphs 15(iii) and 15(x). By pairing structured apprenticeship with a funded pathway, the Project ensures higher enterprise viability and provides students with a direct route from the classroom to start-up support, making entrepreneurship a credible career option for graduates.

16. These interventions will help more small enterprises access finance, grow into formal businesses and create decent jobs, particularly for young people.

1.2.3 Healthcare

17. A healthy population is fundamental to human capital development, labour productivity and household welfare. Achieving Universal Health Coverage (UHC) is therefore a cornerstone of the Government's social and economic policy under BETA. The Government is implementing the health agenda through the Taifa Care framework. This is backed by the legal architecture established under the Social Health Insurance Act, the Primary Health Care Act, the Digital Health Act and the Facility Improvement Financing Act. Interventions under this pillar centre on: i) Strengthening prevention and primary healthcare through Primary Care Networks and professionalised Community Health Promoters (CHPs); ii) Improving financial protection through the Social Health Authority (SHA) and sustainable health financing; iii) Enhancing access to quality medicines and health technologies through KEMSA reforms and local manufacturing; iv) Digitalising the health system to improve efficiency, transparency and continuity of care; and v) Strengthening quality of care and patient safety, and ensuring equitable access to health services across all regions.

18. Since 2022, the health pillar has recorded the following results:

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i) **Community health and primary care:** Preventive and promotive health services are being brought to every household. All 107,831 Community Health Promoters now receive monthly stipends and are equipped with digital devices and medical kits, reaching 9.4 million households, while functional Primary Care Networks have increased to 278. This allows illnesses to be detected and managed early, before they become costly to treat. On financial protection, SHA is expanding access to care while protecting households from catastrophic health costs. By September 2026: 31.6 million Kenyans had registered; KSh 125.1 billion had been paid in claims to 9,699 providers; and 11,034 health facilities had been contracted. SHA has also financed more than 1.16 million safe deliveries since October 2024, reducing risks for mothers and newborns.

ii) **Medicines and health technologies:** Health facilities are better stocked and equipped to diagnose and treat patients. KEMSA reforms raised the national order fill rate to 88 percent, up from 41 percent, while health products and technologies valued at KSh 69.708 billion were distributed to an average of 9,226 public healthcare facilities and testing sites across all 47 counties over the period FY 2023/24 – FY 2025/26, improving the availability of essential medicines and supplies. The National Equipment Support Programme continued to expand access to diagnostic and treatment services.

iii) **Digital health:** Digital systems are improving efficiency and continuity of care, and making the health system more transparent. By early 2026, 5,077 of 6,171 government health facilities had gone live on the Taifa Care Health Management System, representing 82.3 percent coverage, and 41,809 devices had been distributed to support digital health transformation. The system has been installed in 6,424 of the 6,724 Level 2–6 public health facilities; the 82.3 percent figure refers to facilities actively using the system.

iv) **Health outcomes and workforce:** These investments are translating into better health outcomes. Over the period FY 2023/24 – FY 2025/26, TB treatment success was sustained at 89 percent and malaria incidence declined from 89 to 72 cases per 1,000 population. Three comprehensive regional cancer centres were established in Mombasa, Garissa and Nakuru. New HIV infections declined by 30 percent, from 19,991 in 2024 to 13,936 in 2025, while adult antiretroviral therapy coverage increased from 87 percent to 93 percent. Specialised care is also expanding: comprehensive regional cancer centres were established in Mombasa, Garissa and Nakuru, kidney transplants by national referral hospitals rose from 39 to 48, and the Kenya BioVax Institute completed 96 percent of Phase 1A of the human vaccine manufacturing facility. The health workforce was also strengthened, with 16,810 medical interns completing their internship training.

19. In FY 2027/28 and over the medium term, the Government will consolidate Universal Health Coverage by:

i) Strengthening deployment, equipment, training, supervision and referral coordination for CHPs, and institutionalizing community health as a sustainable component of the health system;

ii) Strengthening contribution compliance, claims management and strategic purchasing under SHA, enrolling an additional 4.5 million SHA beneficiaries in FY 2027/28, improving provider payment systems, reinforcing facility-level accountability and ring-fencing financing for primary healthcare, chronic and critical illness care and health products;

iii) Expanding Primary Care Networks from 278 to 315 by FY 2027/28 and investing in specialised and referral services, with priority on maternal and child health, cancer, renal and cardiac care, and communicable and non-communicable diseases;

iv) Reducing malaria incidence to 42 cases per 1,000 population and facility maternal mortality to 80 per 100,000 deliveries, and increasing kidney transplants to 59, in FY 2027/28; raising

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full immunisation of children under one year to 90 percent by FY 2029/30; and raising the KEMSA order fill rate above 90 percent and health product availability above 95 percent;

v) Strengthening KEMSA, local manufacture of medicines and health technologies, medical research and innovation, disease surveillance and emergency preparedness; and

vi) Improving quality of care, reducing avoidable referrals, closing regional service gaps and strengthening the health workforce.

20. These interventions will reduce out-of-pocket spending by households, improve health outcomes and build a healthier, more productive workforce.

1.2.4 Housing and Settlement

21. The Affordable Housing Programme remains a central component of BETA. It is an important instrument for expanding access to decent housing, creating jobs and strengthening domestic construction value chains. Delivery rests on five strands: i) Delivering affordable, social and institutional housing through public financing, private sector partnerships and tenant-purchase arrangements; ii) Deepening housing finance through the Affordable Housing Fund, the Kenya Mortgage Refinance Company (KMRC), affordable mortgage products and housing cooperatives; iii) Anchoring the building materials value chain through Appropriate Building Materials and Technologies centres and local manufacturing; iv) Promoting planned settlements with integrated physical and social infrastructure, including urban renewal and informal settlement upgrading; and v) Expanding access to secure land tenure.

22. The Programme has recorded the following results since 2022:

i) **Housing delivery:** The Programme is expanding the supply of decent, affordable homes for households and public servants. A total of 277,281 housing units have been completed or are under implementation under the Affordable Housing Programme. In addition, 22,512 institutional housing units are under implementation for teachers, healthcare workers and disciplined forces personnel. A further 177,686 student beds have been packaged for development. Demand remains strong, with over one million Kenyans registering an interest in home ownership on the Boma Yangu platform.

ii) **Jobs and enterprise:** Housing construction has become one of the largest sources of new jobs and is keeping investment within the domestic economy. The housing value chain has generated 640,442 jobs, and over 99 percent of participating contractors are Kenyan firms. The Programme is also creating trading spaces for small businesses. Of 476 markets packaged for development, 354 are under implementation, and over KSh 11 billion has been earmarked for MSMEs and Jua Kali enterprises.

iii) **Housing finance:** Long-term finance is making home ownership more attainable for middle- and lower-income households. The Kenya Mortgage Refinance Company (KMRC) has reported disbursements of approximately KSh 21.7 billion to primary lenders, unlocking more than 4,600 affordable home loans across 39 counties.

iv) **Land tenure:** Secure title is giving households and businesses confidence to invest in their land and use it as collateral. Over the period FY 2023/24 – FY 2025/26, 1.14 million title deeds were registered and issued and 37,814 landless households were settled, 23,303 allotment letters were issued for public land, while 33,927 sectional property titles have been issued since July 2024.

23. In FY 2027/28 and over the medium term, the Government will scale up delivery towards 542,723 housing units over the period FY 2027/28 – FY 2029/30, comprising 292,713 affordable, 120,000 social and 130,010 institutional units, by:

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i) Accelerating project completion and occupation, strengthening project management, quality assurance and cost control, and ensuring transparent beneficiary selection;

ii) Expanding Appropriate Building Materials and Technologies centres and the local manufacture of building components, including lifts, generators, electrical boards, street-lighting systems, sanitary fixtures, cement, steel and glass;

iii) Strengthening risk-sharing mechanisms and financing products for households with informal incomes, and expanding housing cooperatives and incremental housing solutions;

iv) Issuing 1.13 million title deeds, settling 63,000 landless households and geo-referencing 1.05 million land parcels to expand secure land tenure;

v) Linking housing developments to markets, transport, water, sanitation and other supporting infrastructure, and pursuing urban renewal, informal settlement upgrading, satellite-city development and improved spatial planning;

vi) Integrating the Affordable Housing Programme with skills development and enterprise support, and deepening the participation of MSMEs and youth in housing-related value chains.

24. These interventions will expand access to decent and affordable homes while sustaining jobs, local manufacturing and enterprise across the construction value chain.

1.2.5 Digital Superhighway and Creative Economy

1.2.5.1 Digital Superhighway

25. Digital transformation is a critical enabler of competitiveness, inclusion and public service delivery in the Fourth Industrial Revolution. The Government's digital agenda focuses on: i) Expanding fibre-optic infrastructure, affordable connectivity and public Wi-Fi, and establishing ward-level digital innovation hubs; ii) Building digital skills among youth, entrepreneurs and workers, and expanding access to online work; iii) Digitizing and integrating Government services; and iv) Strengthening data governance and cybersecurity, and enabling responsible adoption of emerging technologies, including artificial intelligence. Since 2022, the following results have been achieved:

i) **Connectivity:** Affordable connectivity is reaching more Kenyans, businesses and public institutions. Over the period FY 2023/24 – FY 2025/26, an additional 14,367 kilometres of fibre optic cable were laid and 5,865 Government institutions connected under the Last Mile Connectivity Programme, and 1,571 public Wi-Fi hotspots have been installed. The Universal Service Fund connected 191 previously unserved or underserved sub-locations through new communication masts. Rising uptake shows the impact: 88.0 million active mobile subscriptions, 54.0 million mobile-money subscriptions and 64.3 million mobile-data subscriptions recorded.

ii) **Digital skills and online work:** Young people are gaining the skills to compete for digital jobs locally and globally. A total of 466,811 young people have been trained in digital skills and 72,257 linked to online work through the Ajira Digital Programme. The Kenya Advanced Institute of Science and Technology was also completed and chartered.

iii) **Digital Government services:** Citizens and businesses can now access most Government services online, reducing the time and cost of dealing with Government. By June 2026, nearly 12,677 government services were available on e-Citizen.

iv) **Policy and regulation:** A modern framework is in place to guide the growth of the digital economy. It comprises the Kenya National AI Strategy 2025–2030, the ICT Policy 2025

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and the communications regulations of 2025–2026. Together, they support infrastructure sharing, universal access, consumer protection and fair competition.

26. Building on this progress, in FY 2027/28 and over the medium term, the Government will:

i) Continue expanding fibre and public connectivity by laying an additional 40,000 kilometres of fibre, expanding public Wi-Fi hotspots to 16,936, connecting up to 33,000 public institutions and rolling out ward-level digital innovation hubs, coordinated with roads and other infrastructure to reduce deployment costs;

ii) Accelerate digital skills through Ajira, Jitume and other programmes, including training up to 1,010,000 youth in BPO/ITES skills, with emphasis on higher-value work in software development, data services, artificial intelligence, cybersecurity, cloud services and business process outsourcing, and on stronger links between training institutions, employers and international markets;

iii) Deepen interoperability, digital identity, secure electronic payments and data exchange, including integration of e-Citizen with IFMIS and the Treasury Single Account; and

iv) Strengthen cybersecurity, data protection and the regulatory framework for the digital economy to build a secure, trusted and resilient digital ecosystem.

27. These interventions will lower the cost of doing business, expand digital jobs for young people and make Government services faster and more accessible.

1.2.5.2 Creative Economy

28. The creative economy has emerged as an increasingly important source of employment, enterprise, innovation, cultural expression and export potential, particularly for young people. It spans film, music, fashion, visual and performing arts, design, digital content, gaming, publishing and related services. Reflecting the sector's growing significance, the Government has established a dedicated State Department for the Creative Economy to provide a clear policy and coordination platform. Its interventions centre on: supporting production, digital distribution, skills development and monetisation; strengthening intellectual property protection and royalty administration; and investing in creative infrastructure.

29. Key results since 2022 include: i) Kenyan creatives now have access to professional production facilities outside Nairobi. Under the Cinema Mashinani programme, three fully equipped Film Hubs have been established: at Dedan Kimathi University of Technology in Nyeri, and in Bomet and Migori counties. A 150-seat cinema has also been built at Dedan Kimathi University of Technology. These facilities have supported the production of 1,745 local and foreign films and the training of 1,847 filmmakers; and ii) The Copyright (Consolidated Music and Audio-Visual Works) Tariffs, 2026–2028 provide an updated framework for the collective management and use of protected works. This helps ensure that artists are fairly paid when their work is used.

30. In FY 2027/28 and over the medium term, the Government will consolidate the creative economy as a productive sector by: i) Rolling out further Film Hubs and cinema facilities under Cinema Mashinani, and expanding studios, innovation hubs and exhibition platforms; ii) Providing advanced skills in digital media, animation, music production, film, fashion and gaming; iii) Strengthening intellectual property protection and enforcement; iv) Improving access to credit, grants and blended finance for creative enterprises; and v) Developing domestic, regional and international markets, so that Kenyan creative products generate sustainable incomes, jobs and foreign exchange earnings.

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1.3 Enablers

31. Successful implementation of BETA requires a strong enabling environment anchored by strategic cross-cutting interventions. To accelerate sustainable economic transformation, the Government remains committed to strengthening key enablers, including resilient infrastructure, effective institutions, and a skilled human capital base. These enablers are intended to stimulate private sector growth, improve the efficiency and quality of public service delivery, and ensure equitable access to economic opportunities across all regions of the country.

1.3.1 Infrastructure

32. Infrastructure serves as the essential foundation for economic transformation, providing the connectivity, energy, and water resources necessary to power productive activities and sustain human settlements. By reducing transaction costs and opening new markets, these investments are vital for long-term growth. To this end, the Government continues to apply both public procurement and Public-Private Partnership (PPP) frameworks to scale up investments in water storage (including mega dams and irrigation), transport networks, clean energy, and the commercialization of oil and gas. PPPs are a delivery modality that brings private capital, expertise and risk-sharing to commercially viable projects; they do not finance the budget deficit. PPPs create direct fiscal commitments, such as availability payments and viability gap funding, as well as contingent liabilities that are debt-like in nature. These obligations are assessed, approved, disclosed and managed under the Public Finance Management Act, CAP 412A and the Public Private Partnerships Act, 2021 **(Section 5.3.3.2 and Annex II).**

33. Over KSh 196 billion in private capital has so far been mobilized through PPPs over the years of which, KSh 51 billion was mobilized in FY 2025/26, this being sum total of equity components in the anticipated KSh 183 billion total private capital investment for the Rironi - Gilgil (A8) & Rironi - Maai Mahiu – Naivasha (A8 South) and Gilgil – Nakuru – Mau Summit (A8) road projects.

1.3.1.1 Water and Irrigation

34. Water security is the foundation of public health, agricultural productivity and climate resilience. The Government's strategy therefore centres on expanding water storage through mega dams and water pans, expanding irrigation to transform arid and semi-arid areas into productive agricultural hubs, extending bulk water supply and strengthening community-level climate resilience.

35. Since 2022, targeted investments in water infrastructure have extended access to safe water services to an additional six million Kenyans. Over the period FY 2023/24 – FY 2025/26, an additional 66,703 acres were equipped with irrigation infrastructure, annual paddy rice production in irrigation schemes rose from 192,299 tonnes to 353,046 tonnes, and major bulk water systems, including Karimenu II and the Northern Collector Tunnel, were completed. The Financing Locally-Led Climate Action (FLLoCA) Programme has financed climate adaptation projects in 1,380 wards across 45 counties, benefiting over 2.5 million people through initiatives such as the rehabilitation of the Yatta Canal, the Makueni reverse osmosis water treatment plant and the Kolanya Water Project. Under the Galana-Kulalu Food Security Project, water reservoir and canal infrastructure is substantially complete and undergoing final testing, and the project was gazetted as a Special Economic Zone in 2025 to attract private investment, with irrigated land targeted to expand to 6,400 acres.

36. Over the medium term, the Government will expand the area under irrigation from 778,686 acres in FY 2025/26 to 1,028,282 acres by FY 2029/30, raise per capita water storage from 107 m^3 to 234 m^3 and extend water services to an additional 6.5 million people and

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sanitation services to 3 million people. It will also fast-track operationalization of the Galana-Kulalu Food Security Project, including construction of a major dam to irrigate up to 200,000 acres with an estimated capacity to produce 14 million bags of maize annually, helping to close the national maize deficit, stabilize food prices and conserve foreign exchange. The Government will also accelerate strategic dams, including the Radat, Barsalinga, Lowaat and Soin Koru dams, through a mix of public financing and PPPs, and expand borehole drilling, water pans and bulk water supply systems in Northern Kenya and other underserved areas.

1.3.1.2 Roads and Bridges

37. Roads carry the bulk of freight and passenger traffic in Kenya, while railways, ports and inland waterways are critical to lowering logistics costs and positioning the country as the commercial and logistics hub of East and Central Africa. The Government's interventions therefore focus on constructing and rehabilitating roads along strategic economic corridors, maintaining the existing road network, integrating rail and multimodal transport, improving road safety and supporting the transition to cleaner transport.

38. Over the period FY 2023/24 – FY 2025/26, 2,089 kilometres of new roads were constructed to bitumen standard, 48 bridges built, 189 kilometres rehabilitated and 128,387 kilometres maintained. Construction of the 750-kilometre Northern Kenya Gateway Corridor connecting Isiolo, Wajir and Mandera counties is under way, and KSh 80.3 billion in pending bills owed to road contractors has been settled, facilitating completion of ongoing projects. The 2.8-kilometre Miritini SGR-MGR link line has been completed, while rehabilitation of the Mombasa Island-Miritini Metre Gauge Railway (MGR) line, including the 283-metre Makupa Railway Bridge, is being advanced. Freight railed from the Port of Mombasa rose from 7.39 million tonnes in FY 2023/24 to 8.91 million tonnes in FY 2025/26. The National Road Safety Action Plan 2024-2028 is being implemented and the National Electric Mobility Policy was launched in February 2026.

39. Over the medium term, the Government will construct 4,080 kilometres of new roads and 54 bridges, rehabilitate 293 kilometres and maintain 121,229 kilometres of roads, complete Berth 1 at Dongo Kundu and Berth 19B, rehabilitate the Voi–Taveta railway line, advance SGR Phases 2B and 2C to 50 percent completion, complete priority corridors and extend last-mile connectivity to production areas, markets and border points, and will transition to PPPs for major highways, including the Nairobi-Mombasa Expressway and the Mau Summit-Eldoret-Malaba Highway. Private capital and logistics technology will also be mobilised for container terminals, cargo berths, inland container depots and Special Economic Zones in Mombasa, Lamu, Nairobi and Naivasha.

1.3.1.3 Electricity

40. Abundant, reliable and affordable energy is the lifeblood of a modern economy and a key driver of industrialization and socio-economic transformation. Accordingly, the Government's energy programme is geared towards expanding renewable generation capacity, strengthening transmission and distribution networks, achieving universal electricity access through the Last Mile Connectivity Programme, off-grid solar and mini-grids, deepening regional power trade, promoting clean cooking, and developing nuclear energy capacity. Results achieved since 2022 include:

i) **Generation:** Installed capacity grew to 3,309.5 MW following commissioning of the 35 MW Globeleq, 35 MW Orpower, 0.5 MW KTDA Nyambunde and 35 MW Sosian power plants, and an increase in the Muhoroni Gas Turbine capacity to 53 MW. Construction of the 63 MW Olkaria I Rehabilitation progressed to 90 percent, and 15 geothermal wells were

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drilled in Menengai and Baringo-Silali, raising cumulative steam equivalent to 295.57 MWe against a target of 292.57 MWe.

ii) **Transmission and distribution:** A total of 354.1 km of high-voltage transmission lines and seven high-voltage substations were constructed, 275.6 circuit kilometres energized, and medium-voltage distribution lines increased by 1,387 km alongside 17 new distribution substations. The National System Control Centre advanced to 27.03 percent completion.

iii) **Access:** A total of 1,278,974 new customers were connected, raising cumulative connections to 10,432,707 by June 2026, while 1,741 public facilities were connected and 205,294 street-light lanterns installed. Under KOSAP, 162,604 Solar Home Systems and mini-grids were installed across 14 underserved counties, alongside 21,200 subsidised clean cookstoves, 911 domestic and 14 institutional biogas digesters, and an Energy Centre at Maralal.

iv) **Regional integration:** The 500 kV HVDC Ethiopia-Kenya and 400 kV Kenya-Tanzania interconnectors have positioned Kenya to sell surplus geothermal power that would otherwise be curtailed and to import power when domestic supply is short, improving reliability and moving the country towards becoming a net exporter of electricity.

v) **Policy and regulation:** The National Energy Policy was adopted through Sessional Paper No. 5 of 2026, supported by gazetted regulations on integrated energy planning, net metering, energy management, solar water heating and biofuels. The Licensing Requirements for Nuclear Facilities Regulations and the Civil Nuclear Liability Framework were finalized and 220 personnel trained under the Nuclear Power Programme.

41. Priorities for FY 2027/28 and the medium term are:

i) **Generation:** Restore 63 MW of geothermal capacity through completion of the Olkaria I Rehabilitation and add 8.6 MW of hydro capacity through the Gogo Hydro plant, 50 MW from Bogoria-Silali, 80.3 MW Olkaria VII while advancing the 42.5 MW Seven Forks Solar PV plant, an additional 23 MW from Globeleq, and 300 MW from Suswa geothermal plants as well as the 700 MW Kibuka (High Grand) Falls and 90 MW Karura hydropower projects under PPPs. Additionally, 34 geothermal wells will be drilled to increase the cumulative steam capacity to 421 MW by FY 2029/30, a 200-MWh Battery Energy Storage System (BESS) will be installed for grid stability, nuclear energy development will be advanced through site acquisition, licensing milestones for the Nuclear Research Reactor and specialized training of 500 personnel;

ii) **Transmission and Distribution:** Construct 1,786 km of high-voltage transmission lines and 68 substations, operationalize the modern National System Control Centre and 1,139.8 km of medium- and low-voltage distribution lines. Also, electricity connectivity will be scaled up to reach 1,325,000 new customers and 2,086 public facilities across the country;

iii) **Alternative Energy:** Accelerate clean and renewable energy uptake through construction of 53 institutional and 1,800 household biogas units, distribution of 16,000 clean cookstoves, solarization of 148 public health facilities and 150 community boreholes, conservation of 900 hectares of hydropower catchment towers, electrifying the Galana Kulalu Food Security Project, and establishment of four electric mobility (e-mobility) charging stations; and

iv) **Policy and Regulations:** Strengthen the regulatory and planning framework through the completion and implementation of the Power Generation and Transmission Master Plan, the Cost-of-Service Study and the National Green Hydrogen Development Framework.

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1.3.1.4 Petroleum and E-mobility

42. Commercialisation of Kenya's petroleum resources presents an opportunity to reduce the fuel import bill, earn foreign exchange and strengthen energy security, while the transition to electric mobility reduces dependence on imported fossil fuels, cuts emissions and opens new opportunities for local manufacturing and green jobs. The Government's efforts have therefore concentrated on attracting upstream investment, advancing the South Lokichar oil field to commercial production, modernising the petroleum legal and regulatory framework and accelerating the uptake of electric vehicles.

43. Since 2022, the Government has restructured Kenya's petroleum exploration acreage into 50 blocks, of which 46 are open for licensing; developed technical data packages for priority blocks and promoted Kenya's petroleum potential at the 11th East African Petroleum Conference and Exhibition. Parliament ratified the South Lokichar Field Development Plan and the revised Production Sharing Contracts for Blocks T6 and T7, clearing the way for phased development. The Petroleum (Liquefied Petroleum Gas) Regulations, 2025 and the Petroleum (Operation of Common User Petroleum Facilities) Regulations, 2025 were gazetted, and the National Petroleum Policy, 2025 was approved by Cabinet. On e-mobility, cumulative electric vehicle registrations rose from 1,378 in 2022 to 39,324 in 2025, supported by VAT zero-rating and elimination of excise duty on electric buses, motorcycles, bicycles and lithium-ion batteries under the Finance Act 2025, pilot electric bus deployments in Nairobi, Mombasa and Kisumu, and the signing of a Cooperation Agreement with the International Finance Corporation to support implementation of the National Electric Mobility Policy.

44. Over the medium term, the Government will launch the First Petroleum Licensing Round targeting 10 premium blocks in the Lamu and Anza basins; bring South Lokichar to initial production of 20,000 barrels per day through Early Oil Production Facilities (a carry-over of the December 2026 target), rising to 50,000 barrels per day following construction of a Central Processing Facility, which is expected from 2032, beyond the current MTEF period; and advance the 104-kilometre Turkwel-Lokichar Make-up Water Pipeline. On e-mobility, the Government will finalize the E-Mobility Bill, regulations and Sessional Paper, undertake a Strategic Environmental and Social Assessment, set transition targets, review incentives across the electric vehicle value chain, expand charging infrastructure along highways and in urban and industrial centres, promote local assembly of electric vehicles and batteries, and roll out the Green Port Policy at the Port of Mombasa.

1.3.2 Manufacturing Sector

45. Manufacturing is central to economic growth, job creation, export competitiveness and the transformation of Kenya from a net importer to a net exporter of goods. The sector generated output of KSh 3.8 trillion in 2025 and employed 366,600 persons, representing 11.7 percent of formal wage employment. The Government's manufacturing agenda accordingly centres on developing industrial infrastructure, including Special Economic Zones, industrial parks, Export Processing Zones and CAIPs; reducing regulatory impediments to doing business; building MSME capacity, certification and market access; expanding access to affordable industrial finance; and strengthening backward and forward linkages in the priority manufacturing value chains, namely agro-processing, leather, building and construction materials, textiles and apparel, dairy, edible oils, tea and coffee, and sugar.

46. Since 2022, close to KSh 8.5 billion has been invested in constructing CAIPs in 34 counties, with thirteen now complete and equipped to support agro-processing, value addition and investment attraction, while 214 CIDCs have been equipped. Over the period FY 2023/24 – FY 2025/26, 17 Special Economic Zones and 23 Export Processing Zones were gazetted and 145 enterprises licensed (69 in SEZs and 76 in EPZs), while EPZ exports amounted to KSh

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383.65 billion and product certifications rose from 19,669 to 31,673. In 2025, increased production of cement, assembled motor vehicles and galvanized iron sheets supported manufacturing output. Over the medium term, the Government will complete and operationalize the remaining CAIPs, 16 of which are being fast-tracked for completion by June 2027, and intensify market linkages and investor forums to attract private investment and expand industrial employment across the counties. The priority value chains are outlined below.

1.3.2.1 Agro-Processing

47. Agro-processing and value addition remain key drivers of agricultural transformation under the BETA, linking the agricultural sector to manufacturing. The Government is prioritizing a shift from the export of raw agricultural commodities to processed, higher-value products in order to reduce post-harvest losses, raise farmer incomes, create employment and enhance foreign exchange earnings. Interventions focus on expanding aggregation and processing infrastructure, securing a reliable supply of raw materials and supporting local processing through trade measures.

48. To expand processing infrastructure, the Government is establishing County Aggregation and Industrial Parks (CAIPs) in collaboration with County Governments, the private sector and development partners. The CAIPs provide infrastructure for aggregation, storage, processing and market access, particularly for micro, small and medium enterprises (MSMEs). As at August 2026, CAIPs in Meru, Embu, Kirinyaga, Kisii, Busia, Migori, Garissa and Wajir were nearing completion, and the Government has committed resources to equip the parks with common-user facilities, including processing equipment, cold storage and other industrial infrastructure.

49. Over the medium term, the Government will continue to expand agro-processing and value addition through increased investment in aggregation and processing infrastructure, improved access to technology and finance, strengthened market linkages and enhanced agricultural productivity. These measures will support the development of competitive and integrated agricultural value chains and increase the share of locally processed agricultural output. They will also create employment, raise farmer incomes and strengthen Kenya's competitiveness in domestic, regional and international markets.

1.3.2.2 Leather and Leather Products

50. Kenya produces approximately three million cattle hides and over 18 million goat and sheep skins annually, yet a large share is exported unprocessed. The leather sub-sector therefore offers significant potential for value addition, job creation and export earnings. Government interventions seek to move production up the value chain from raw hides to wet-blue, crust and finished leather products, through modern processing facilities, quality standards, trade measures and skills development.

51. Since 2022, the Kenya Leather Development Council has supported the establishment and modernization of tanneries in Thika, Nakuru and Kitui and mini-leather processing units in Bungoma, Baringo, Kajiado, Garissa and Wajir. Local processing is supported by an export tax of up to 80 percent on raw hides and skins, duty remission on selected inputs, and duty rates of 25 to 35 percent on imported leather products. The Kenya Leather Industrial Park at Kenanie, Machakos County, designed as a plug-and-play hub with a common effluent treatment plant, has attracted 36 investors, and Cabinet approved a KSh 5.8 billion financing framework in June 2026 to restructure the leather value chain.

52. Over the medium term, the Government will fully operationalize the Kenya Leather Industrial Park, expected to create over 100,000 jobs and contribute approximately KSh 120 billion to the economy; improve collection, preservation and grading of hides and skins; expand tanning, finishing and footwear manufacturing capacity; review the Hides, Skins and Leather

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Trade Act and finalize the Kenya Leather Value Chain Development Policy and the Leather Development Authority Bill; and leverage preferential access to COMESA, EU and US markets.

1.3.2.3 Building and Construction Materials

53. The building and construction materials sub-sector is closely linked to the Affordable Housing Programme and wider infrastructure investment, and generates employment in construction, materials manufacturing and related services. Clinker, which accounts for 60 to 90 percent of cement, has historically been the sub-sector's most significant structural constraint. To address this, the Government is supporting expanded local production of cement, steel, roofing materials, tiles, bricks, prefabricated components and electrical fittings through industrial incentives and local content promotion, to reduce reliance on imports.

54. Since 2022, cement production has increased, supported by demand from housing and infrastructure projects, and in February 2026 the Government launched the Kenya National Buildings and Construction Decarbonization Roadmap (2026-2040), which promotes low-clinker cement blends, recycling of construction and demolition waste and passive cooling design, in partnership with County Governments.

55. Over the medium term, the Government will promote energy-efficient and alternative building technologies, including interlocking blocks and precast concrete; strengthen quality assurance through enforcement of Kenya Bureau of Standards (KEBS) regulations; incentivize modernization of manufacturing technologies; integrate MSMEs into large-scale housing and infrastructure projects; and promote regional exports of locally produced construction materials.

1.3.2.4 Textiles and Apparel

56. The Government continues to prioritize the textiles and apparel sub-sector as a key pillar for industrialization, employment creation, export growth, and value addition under BETA. Since 2022, the Government has supported industrial revival and competitiveness through upgrading existing textile factories and promoting compliance with Kenya Bureau of Standards (KEBS) requirements for quality assurance. These efforts reflect a deliberate push to deepen value addition across the cotton-to-garment chain, moving production up from raw cotton and fibre toward spun yarn, woven fabric, and finished, market-ready apparel, supported by duty remission and export incentives, targeted assistance for SMEs in textile manufacturing, and technical training programmes for youth and artisans in apparel design, tailoring, and production. Together, these interventions have sustained employment, increased the share of locally value-added textile products, and strengthened backward linkages with the domestic cotton and textile raw material supply chain.

57. Proposed reforms over the medium term are designed to expand competitiveness, promote local manufacturing, and enhance export readiness across the full value chain. On the backward linkage side, the Government will support cotton and fibre production to secure a reliable domestic raw material base, while expanding industrial capacity for spinning, weaving, and garment production to build out the middle of the value chain. On the forward end, priority will be given to promoting value addition in finished textiles and apparel, so that a greater share of output leaves Kenya as completed garments rather than raw or semi-processed material. This will be reinforced by accelerating the operationalization of integrated textile and apparel manufacturing hubs, industrial clusters, and textile parks within Special Economic Zones and Export Processing Zones, designed specifically to attract private investment into higher-value, export-oriented production.

58. To sustain this shift, the Government will strengthen quality and standards compliance, ensure alignment with international textile regulations, promote local content in public procurement, modernize textile manufacturing technologies, and facilitate access to affordable

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financing for textile and apparel SMEs and youth enterprises. Investment in technical and vocational skills, spanning fashion design, garment production, and textile engineering, will build a workforce capable of sustaining higher-value manufacturing. Finally, the Government will leverage preferential market access under regional and international trade agreements, alongside Public-Private Partnerships to modernize production and reduce import dependence, to expand value-added exports, create decent jobs, particularly for women and youth, and position Kenya as a competitive regional hub for textile and apparel manufacturing, rather than merely a source of raw cotton.

1.3.2.5 Dairy Products

59. The dairy sub-sector remains a strategic value chain for enhancing food security, increasing farmers' incomes, creating rural employment, and promoting agro-industrial development. To strengthen the competitiveness of the sector, the Government is supporting increased milk production through improved dairy breeds, enhanced artificial insemination services, animal disease control, quality animal feeds, and strengthened extension and veterinary services. These interventions are aimed at improving productivity, ensuring a reliable supply of quality raw milk, and enhancing the resilience of dairy farming systems.

60. As a result of these interventions, milk production has increased by about 20 percent since 2022 to 5,521.1 million litres in 2025, reinforcing Kenya's position as a leading milk producer in Africa. Formal milk intake exceeded one billion litres in 2025, the value of formally marketed milk rose to KSh 50.3 billion, processed dairy output expanded by 22.9 percent to 967.1 million kilograms, and average producer prices increased to KSh 49.7 per litre. The Quality-Based Milk Payment System has been introduced to reward farmers for higher milk quality, the Artificial Insemination Subsidy Programme is improving herd genetics, and milk-processing capacity is being extended to emerging dairy regions such as Tharaka-Nithi.

61. Over the medium term, the Government will expand milk value addition by promoting investment in cooling centres, collection hubs, cold-chain infrastructure and modern processing for pasteurised milk, cheese, yoghurt, butter and milk powder, alongside strengthened quality standards and support for dairy cooperatives and MSMEs to access affordable finance and technical skills.

1.3.2.6 Edible and Crop Oils

62. Kenya imports the bulk of its edible oil requirements, making the sub-sector a significant source of pressure on the import bill and foreign exchange. To reverse this, the Government is promoting import substitution by expanding edible oil crop production, strengthening seed multiplication and supporting local processing.

63. Since 2022, the area under edible oil crops has nearly doubled from 60,000 hectares to 114,350 hectares. The Government distributed 46 metric tonnes of canola seeds and 896 metric tonnes of sunflower seeds, and supported coconut and oil palm farming through distribution of 68,140 coconut seedlings and 0.79 million palm seedlings. Seed multiplication capacity has been strengthened through the Agricultural Development Corporation. These interventions contributed to reduced dependence on imported edible oils, stimulated the growth of cottage industries and rural MSMEs involved in oil processing and value addition, and increased farmer participation in commercially viable oil crop production across the country.

64. Over the medium term, the Government will provide 122 metric tonnes of oil seeds and 2.25 million palm oil seedlings to farmers, and support investment in local oil extraction and refining capacity to reduce import dependency and stimulate agro-industrial development.

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1.3.2.7 Tea and Coffee Sub-sectors

65. Tea and coffee are among Kenya's leading foreign exchange earners, with the tea industry alone sustaining the livelihoods of over 6.5 million Kenyans who depend on it directly or indirectly. Policy in both sub-sectors therefore aims to shift from bulk exports towards value-added products, improve farmer returns and transparency in payments, and diversify export markets.

66. Since 2022, tea export earnings have risen from KSh 163.3 billion in 2022 to KSh 187.1 billion in 2025. A total of 294 MSMEs and cottage processors have been supported in specialty tea processing, 621 SMEs trained in orthodox, purple and specialty tea production, eight KTDA-managed factories upgraded with orthodox processing lines and seven cottage tea factories licensed, while tea farmers benefited from KSh 3.4 billion in fertilizer subsidies. In coffee, the total value of marketed coffee grew by 89.9 percent from KSh 20.49 billion in 2022 to KSh 38.91 billion in 2025, and earnings from unroasted coffee exports rose from KSh 37.1 billion to KSh 52.1 billion, with the unit export price rising by 26.88 percent from KSh 768.7 to KSh 975.3 per kilogram. The Direct Settlement System now credits coffee sale proceeds directly to farmers' bank accounts, ensuring they receive at least 80 percent of the value of their coffee.

67. Over the medium term, the Government will increase exports of value-added tea by 25 percent a year through packaging, branding, blending, quality certification and specialty tea production, which can raise smallholder incomes by up to 40 percent compared to traditional black tea. The Government will promote direct international sales by tea factories, upgrade factory infrastructure, and leverage economic diplomacy to open new markets in China, the USA, Hong Kong, Algeria and the UAE. In coffee, the Government will deepen the Direct Settlement System, expand cooperative-based value addition and strengthen Kenya's position in specialty coffee markets.

1.3.2.8 Sugar Sub-sector

68. The sugar industry supports an estimated 250,000 direct jobs and the livelihoods of about six million people across the value chain, including farmers, millers, transporters, wholesalers and retailers. Ongoing reforms are therefore focused on modernising the mills, attracting private capital, stabilising cane supply and improving returns to farmers. Since 2022, the leasing of Chemelil, Muhoroni, South Nyanza and Nzoia sugar companies to private investors has been concluded, safeguarding a combined milling capacity of 11,200 tonnes of cane per day. A catchment-area zoning policy has curbed cane poaching, improved mill capacity utilization and strengthened production planning, while sugar imports have declined by approximately 70 percent, reflecting improved self-sufficiency and reduced pressure on foreign exchange.

69. Over the medium term, the Government will monitor the performance of the leased mills, fully operationalize the Sugar Act, 2024 and the Kenya Sugar Board, support cane development and the adoption of early-maturing, high-yielding varieties to address shortages of mature cane, and promote diversification into co-generation, ethanol and other by-products to improve the viability of the industry.

1.3.3 Blue Economy

70. Kenya's marine and inland water resources, including the Exclusive Economic Zone in the Indian Ocean, Lake Victoria and other inland lakes, offer significant opportunities for fisheries, aquaculture, maritime transport, tourism and inclusive, climate-resilient growth. The blue economy is a key source of food security, livelihoods and income for fishing and lakeside communities. The Government's blue economy programme therefore focuses on improving fish handling and value addition, reducing post-harvest losses through cold-chain and landing-site

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infrastructure, expanding aquaculture, revitalising inland water transport and promoting green shipping.

71. Over the period FY 2023/24 – FY 2025/26, 14 fish landing sites were constructed, including five modern sites in the coastal counties: Mwaepe in Kwale (KSh 255 million), Kidongo in Mombasa (KSh 175 million), Kilifi Central in Kilifi (KSh 275 million), Kipini in Tana River (KSh 151 million) and Mokowe in Lamu (KSh 239 million). Sio Port in Busia County and Muhuru Bay Port in Migori County have been modernized to restore Lake Victoria's role in regional trade, fisheries and tourism. Flagship programmes, including the Kenya Marine Fisheries and Socio-Economic Development Project (KEMFSED), the Aquaculture Business Development Programme and the Kabonyo Fisheries and Aquaculture Service and Training Centre, have supported Common Interest Groups with boats, cages and training, with 83,925 beneficiaries receiving grants under KEMFSED. The Uvuvi I and II deep-sea fishing vessels were refurbished and a fisheries monitoring, control and surveillance command centre was established in Mombasa, while 186 Beach Management Units have been converted into registered marketing cooperatives, and Kenyan-flagged and foreign deep-sea fishing vessels have been licensed to operate within Kenya's Exclusive Economic Zone. Under the Vijana Baharia Programme, 9,969 seafarers were trained and 7,457 recruited.

72. Over the medium term, the Government will construct six fish landing sites and the Kabonyo Fisheries and Aquaculture Centre of Excellence; complete the Lamu fish processing plant and port modernization works; scale up aquaculture and fisheries support programmes; continue converting Beach Management Units into marketing cooperatives; train 27,640 and recruit 16,700 seafarers under the Vijana Baharia Programme; and promote green shipping through alternative fuels, energy-efficient vessels and digital maritime solutions. These interventions will raise incomes of fishing communities, reduce post-harvest losses, create green jobs and consolidate the blue economy as a source of trade, employment and food security.

1.3.4 The Services Economy

1.3.4.1 Financial Services

73. The financial services sector remains a key driver of economic transformation. It mobilises savings, facilitates investment, expands access to credit and promotes financial inclusion. Financial and insurance activities accounted for 8.3 percent of GDP in 2025. A stable, innovative and inclusive financial system is essential for private sector development, for household and business resilience, and for financing the country's development priorities. Government policy therefore seeks to: strengthen the resilience of the banking sector; modernize the national payment system; deepen capital markets; expand access to affordable credit, insurance and pensions; strengthen consumer protection; and safeguard financial stability. Key milestones achieved under these interventions since 2022 include:

i) **Banking:** The banking sector remained stable, resilient and profitable, and is well placed to support credit to the economy. Its assets grew by 13.1 percent to KSh 8.88 trillion in June 2026, and profits rose by 19.2 percent to KSh 88.90 billion. To build stronger banks and widen choice for borrowers, the moratorium on licensing new banks was lifted in July 2025. The revised Risk-Based Credit Pricing Model, anchored on the Kenya Shilling Overnight Interbank Average (KESONIA), is making loan pricing more transparent and improving how quickly policy rate changes reach borrowers. Enforcement and compliance are being strengthened through the Banking (Penalties) Regulations, 2025 and risk-based supervision of money laundering and terrorism financing.

ii) **Payments:** A modern payment system is central to lowering the cost of doing business and sustaining Kenya's lead in digital finance. The Government has developed the National

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Payment System Policy and the National Payment System Bill, 2026. Together they provide a modern legal framework for payment service providers, strengthen consumer protection and support secure digital payments. Regionally, Kenya is implementing the EAC Payment Systems Master Plan, 2025 with other Partner States. The Plan aims to make national payment systems interoperable, reduce the cost and time of cross-border transactions and boost regional trade.

iii) **Financial inclusion and consumer protection:** The Government is working to ensure that access to financial services is matched by fair treatment of users. The National Financial Inclusion Strategy 2025–2028 is expanding access to affordable financial services, particularly for women, youth, MSMEs and underserved communities. It is complemented by the Women Entrepreneurs Finance Code, launched in December 2025. The Financial Consumer Protection Framework is being finalised to protect consumers against over-indebtedness and unfair practices. Following enactment of the Virtual Asset Service Providers Act, 2025, draft regulations were developed in 2026 to license and supervise the sector, supporting responsible innovation while protecting users.

iv) **MSME and rural finance:** Credit guarantees are helping to open up bank lending to small businesses that often lack collateral. Over the period FY 2020/21 – FY 2025/26, the Credit Guarantee Scheme supported 4,435 MSMEs across 46 counties, sustaining 28,386 jobs. Every shilling of the KSh 2.71 billion committed by the Government unlocked KSh 2.49 in private sector credit. To scale up this impact, the Scheme is being transitioned into the Kenya Credit Guarantee Company, with minority Government shareholding, to attract private capital. In rural areas, the Green Financing Facility disbursed KSh 802 million to 8,028 smallholder farmers and rural enterprises for climate-smart investments. Financial literacy and business support also reached over 33,000 farmers and MSMEs, improving their readiness to borrow.

v) **Capital markets:** Capital markets are increasingly mobilising long-term financing for the economy. The Kenya Pipeline Company initial public offering raised KSh 106.3 billion, the largest in the history of the Nairobi Securities Exchange. A further KSh 85.0 billion was raised through green, Sharia-compliant and corporate issuances to finance infrastructure, digital connectivity and productive investment. Investor confidence has strengthened: market capitalisation surpassed KSh 4.0 trillion in August 2026, and equity turnover rose markedly. The Ziidi Trader platform, integrated with M-Pesa, now allows ordinary Kenyans to buy and sell securities by mobile phone, broadening ownership of listed assets.

vi) **Insurance:** The insurance industry is increasingly protecting households, businesses and livelihoods against risk. Gross written premiums rose by 11.2 percent to KSh 352.29 billion by September 2025, and coverage reached more than 11 million lives, including lower-income groups served through microinsurance. For pastoral communities, the DRIVE programme has insured 2.7 million livestock worth KSh 29.3 billion, with payouts of over KSh 648 million since 2023 helping herders recover from drought. From July 2026, importers must insure marine cargo locally, keeping premiums in the domestic economy and building local underwriting capacity.

vii) **Pensions:** The retirement benefits sector is becoming a key source of both retirement income security and long-term domestic capital. Pension assets grew by 25.1 percent over the year to KSh 3.2 trillion in June 2026, driven by the National Social Security Fund Act, improved employer compliance and rising membership. However, coverage remains low at 26.5 percent of the working-age population, largely excluding informal sector workers. To encourage saving, the tax-exempt limit for contributions was raised from KSh 240,000 to KSh 360,000, with new relief for post-retirement medical funds. For public servants, the e-Pension Management Information System, launched in June 2026, is expected to speed up payment of retirement benefits.

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74. Building on these gains, the Government will, in FY 2027/28 and over the medium term:

i) Strengthen banking sector regulation and supervision, complete the FATF Action Plan, complete microfinance sector reforms, operationalise the macroprudential and crisis management frameworks and support sustainable private sector credit growth;

ii) Enact the National Payment System Bill, 2026, strengthen domestic and cross-border payment interoperability through the EAC Payment Systems Master Plan, 2025, and operationalise the regulatory and reporting framework for virtual asset service providers;

iii) Implement the National Financial Inclusion Strategy 2025–2028 and finalise the Financial Consumer Protection Framework to expand access to affordable financial services while protecting consumers;

iv) Finalise the Central Bank of Kenya (Credit Guarantee Business) Regulations and the transition of the Credit Guarantee Scheme into the Kenya Credit Guarantee Company, and scale up the Rural Kenya Financial Inclusion Facility, the Rural Credit Guarantee Scheme and the Green Financing Facility for smallholder farmers and rural enterprises;

v) Deepen capital markets through diversified products, including Kenya's first global equity exchange-traded fund, green finance and a regulatory framework for carbon credit trading, expand retail participation through digital platforms, and modernise the legal and regulatory framework for collective investment schemes, public offers and listings, alternative investment instruments, real estate investment trusts and credit rating services;

vi) Advance the National Insurance Policy and related market conduct regulations, amend the Insurance Act to establish agricultural insurance as a standalone class, expand agricultural, livestock and index-based insurance, and strengthen consumer education and claims-settlement oversight; and

vii) Implement the National Retirement Benefits Policy with a focus on extending coverage to informal sector workers, promote post-retirement medical funds, review investment guidelines to allow prudent diversification into infrastructure, housing, healthcare, energy, technology and other productive assets, and complete an end-to-end pension administration system integrated with IFMIS.

75. These interventions will mobilise long-term domestic savings, expand financing for MSMEs and productive sectors, protect consumers and reinforce Kenya's position as a regional financial centre.

1.3.4.2 Tourism Sector

76. Tourism is one of Kenya's leading sources of foreign exchange and employment, with strong linkages to agriculture, transport, trade, hospitality and the creative economy. The Government's tourism strategy therefore centres on diversifying tourism products and source markets, strengthening destination marketing, improving visitor safety and service quality, developing a skilled tourism workforce and widening community participation in the benefits of tourism.

77. Since 2022, international tourist arrivals have increased from about 1.48 million in 2022 to 2.55 million in calendar year 2025, while hotel bed-nights rose by 12.6 percent to 11.56 million. On a financial-year basis, international arrivals reached 2.79 million in FY 2025/26 and tourism earnings reached a record KSh 564 billion, more than double the KSh 224 billion recorded in FY 2021/22. The Government rebranded Magical Kenya under the "Origin of Wonder" identity and adopted the National Tourism Policy 2025-2030.

78. To sustain this growth, the Government will, in FY 2027/28 and over the medium term:

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i) Develop tourism products across the country's circuits, with priority on sports, adventure and cultural tourism, and improve visitor amenities at the Map of Africa in Diani, Mwea National Reserve, Mogotio Equator Centre and Hippo Point in Kisumu;

ii) Strengthen Meetings, Incentives, Conferences and Exhibitions tourism through the Bomas International Convention Centre and operationalization of the Kenya National Convention Bureau;

iii) Intensify destination marketing through the Kenya Tourism Board in established and emerging source markets, and promote domestic and intra-African travel;

iv) Strengthen tourism protection services, destination safety and crisis management, and enforce classification and grading of accommodation and catering establishments; and

v) Operationalize Ronald Ngala Utalii College, transform Kenya Utalii College and expand the Tourism Training Revolving Fund to build industry-relevant skills.

1.3.5 Environment and Climate Change

79. A clean, healthy and sustainable environment is essential for safeguarding livelihoods, supporting productive economic activity and strengthening Kenya's resilience to climate change. Climate change remains a major macroeconomic and fiscal risk because of its effects on agriculture, water, energy, health, infrastructure, tourism and social protection. Climate variability imposes substantial annual losses through reduced productivity, damage to public infrastructure and increased spending on disaster response, and poses risks to food and water security and fiscal sustainability. In response, Government action focuses on six areas: i) strengthening environmental governance and compliance; ii) scaling up climate change mitigation and adaptation; iii) restoring ecosystems; iv) transitioning to a circular economy; v) modernizing climate information and early warning services; and vi) mobilizing climate finance, including through carbon markets. Together, these support the transition to a low-carbon and climate-resilient economy. Since 2022, these interventions have delivered the following milestones:

i) **Policy and legal framework:** Kenya now has a stronger legal basis for environmental protection and climate action. The Climate Change (Amendment) Act, 2023; the Sustainable Waste Management Act, 2022 and the Meteorology Act, 2026 were enacted. The Meteorology, National Sustainable Waste Management and National Climate Change Framework policies were also developed. The Climate Change (Carbon Markets) Regulations, 2024 set out how Kenya participates in carbon markets and shares the benefits of carbon projects. Seven further regulations gazetted in 2024 cover extended producer responsibility, air and water quality, waste management, sand harvesting, plastic packaging and hazardous chemicals. Together, these reforms are strengthening pollution control, sustainable resource use and oversight of climate-related activities.

ii) **Locally led climate action:** Communities themselves are increasingly planning and delivering climate resilience. The Financing Locally Led Climate Action Programme has supported the establishment of County Climate Change Funds in all 47 counties. Under it, communities identify, finance and monitor ward-level investments in water conservation, land rehabilitation, livelihood diversification and community early warning, while county systems for climate planning and budgeting are strengthened. In July 2026, the Government disbursed KSh 7.1 billion to 45 counties for these investments.

iii) **Climate finance:** Kenya has consolidated its position as a regional hub for climate finance and diplomacy. It hosted the inaugural Africa Climate Summit and submitted its Nationally Determined Contribution for 2031–2035. Kenya has 37 projects approved under the Green Climate Fund, with a combined portfolio exceeding USD 1 billion. In March 2026, Nairobi

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was selected to host the Fund's Regional Office for East and Southern Africa. The Sovereign Sustainability-Linked Financing Framework, 2026 provides a basis for raising finance tied to measurable targets such as forest restoration and access to electricity.

iv) **Climate information and early warning:** Better weather and climate information is improving disaster preparedness and decision-making in agriculture, transport and other sectors. About 85 percent of the national weather observation network has been modernised. This includes the installation of 120 automatic weather stations. A tide gauge at the Port of Mombasa now supports tsunami early warning. The Early Warnings for All initiative, launched in May 2025, is extending timely multi-hazard warnings to communities. The Kenya Meteorological Service also installed the Satellite Distribution System, Pre-flight Briefing Systems and a weather radar station at Kericho, strengthening the delivery of aviation meteorological services, forecasts and early warning information.

v) **Sustainable waste management and circular economy:** Waste is increasingly being treated as a resource and a source of jobs. The Extended Producer Responsibility Regulations, 2024 make producers and importers responsible for their products and packaging through to collection, recycling and disposal. These requirements have been enforced on 183 companies, and the framework formally recognises waste pickers in the value chain. Other progress includes: six Material Recovery Facilities established; more than 200 waste service providers trained and linked to secondary markets; and over 1,500 small-scale gold miners trained in mercury-free mining.

vi) **Ecosystem restoration:** The National Landscape and Ecosystem Restoration Programme targets three goals by 2032: growing 15 billion trees, restoring 10.6 million hectares of degraded land and raising tree cover to 30 percent. More than 1.9 billion trees had been grown under the 15 billion National Restoration Campaign by the end of FY 2025/26, including more than 132 million under the Environmental Soldier Programme. Restoration is prioritizing critical water towers and wetlands: 1,200 hectares of the Mau Forest Complex have been restored; 17 forest blocks are being adopted for restoration; 60 wetlands have been reclaimed, with 3,042 hectares of wetlands restored to date; and 58,639 hectares of degraded natural forests and drylands have been rehabilitated. These efforts protect water catchments and biodiversity. They also create green jobs through the Trees Establishment and Livelihood Improvement Scheme.

vii) **Wildlife conservation:** Kenya's wildlife is being protected as a national heritage and a pillar of tourism. Over the period FY 2023/24 – FY 2025/26, 3,323 hectares of wildlife habitat were restored, national parks attracted 9.97 million visitors generating KSh 26.2 billion, and KSh 3.08 billion was paid to 15,178 human-wildlife conflict claimants.

viii) **Low-carbon transport:** Electric mobility is emerging as a practical way to cut emissions and fuel import costs. Registered electric vehicles rose from 1,378 in 2022 to 39,324 in 2025, driven mainly by electric motorcycles. The National Electric Mobility Policy was launched in February 2026. It is supported by: green number plates for fully electric vehicles; fiscal incentives for electric buses, motorcycles, bicycles and lithium-ion batteries; and guidelines for charging and battery-swapping infrastructure. Together, these measures are opening opportunities for local assembly and jobs.

80. In FY 2027/28 and over the medium term, the Government will:

i) Review the National Environment Policy and strengthen the legal and regulatory framework for environmental management and climate action, including development of five priority regulations;

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ii) Strengthen environmental compliance and enforcement through environmental impact assessments, inspections, enforcement of air and water quality standards, and improved monitoring of waste transport and disposal;

iii) Scale up locally led climate action and strengthen national and county systems for climate planning and budgeting;

iv) Expand access to climate finance by pursuing accreditation of the National Treasury as a Direct Access Entity to the Green Climate Fund, establishing the Kenya Green Investment Facility, operationalising sustainability-linked financing instruments and fully operationalising the Designated National Authority for carbon markets, and use the African Green Investment Forum to build a pipeline of bankable green projects;

v) Integrate climate risk into fiscal planning and investment decisions, implement the Nationally Determined Contribution for 2031–2035, complete the National Climate Change Action Plan III and prepare its successor, strengthen the greenhouse gas inventory, and enhance disaster risk financing and resilient infrastructure;

vi) Strengthen sustainable waste management and the transition to a circular economy by reviewing and implementing the National Solid Waste Management Strategy, developing the National Circular Economy Strategy and National Chemicals Strategy, establishing model waste-management demonstration centres, training county officials and expanding material recovery, recycling and extended producer responsibility;

vii) Restore degraded ecosystems by rehabilitating 9,180 hectares of wetlands and 1,000 hectares of the Lake Naivasha Basin over the medium term, while scaling up restoration of forests, water towers and critical catchments under the 15 billion Tree Growing Programme towards achieving 30 percent tree cover by 2032;

viii) Restore 8,200 hectares of wildlife habitat and construct and maintain 7,850 kilometres of protective fencing to reduce human-wildlife conflict;

ix) Modernise the Kenya Meteorological Service and expand the Early Warnings for All initiative to deliver timely forecasts to households, businesses and key sectors;

x) Accelerate electric mobility through investment in charging infrastructure, local assembly and cleaner public transport; and

xi) Support youth- and women-led green innovation in waste management, renewable energy and climate-smart agriculture, and promote community conservation and nature-based enterprises, including agroforestry, beekeeping and ecotourism.

81. These interventions will strengthen environmental governance, protect natural resources and reduce vulnerability to climate-related shocks, while creating green investment, enterprise and employment opportunities.

1.3.6 Education and Training

82. Education and training are central to developing the skilled, innovative and adaptable human capital required to drive Kenya's economic transformation. An inclusive, equitable and responsive education system raises productivity, expands employment and enterprise opportunities, and supports innovation. The focus is shifting from expanding access alone towards improving learning outcomes, strengthening links between education and industry, and responding better to labour-market needs. Towards this end, education continues to receive the largest share of the national budget, with KSh 784.5 billion allocated to the Education Sector in FY 2026/27 **(Table 3.2)**.

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83. Government priorities in the sector centre on: i) completing education reforms guided by the Presidential Working Party on Education Reform, including a seamless transition to the 2-6-3-3-3 system, the National Education Sector Strategic Plan 2023-2027 and the Fourth Medium Term Plan, and implementation of Competency-Based Education and Training through to senior school; ii) recruiting and developing teachers, including 116,000 additional teachers for universal primary and secondary education; iii) expanding Technical and Vocational Education and Training (TVET) capacity and strengthening linkages with industry through internships, apprenticeships and dual training; iv) improving learning infrastructure, digital learning and inclusion of learners with special needs; and v) ensuring equitable access to higher education through the student-centred funding model, and promoting research and innovation. Key achievements in the sector since 2022 include:

i) **Competency-Based Education:** The education system is moving from content-based learning towards developing learners' competencies, talents and values. In 2026, the first cohort transitioned from junior school to Grade 10, marking the start of senior school under the competency-based system. The inaugural Kenya Junior School Educational Assessment was administered to 1,130,587 learners, and public junior school enrolment rose from 1.72 million to 3.13 million over the period FY 2023/24 – FY 2025/26. A digital placement platform enabled learners to choose senior-school pathways, subject combinations and schools based on their interests, abilities and career goals. The pathways cover STEM, social sciences, and arts and sports science. More than 300,000 teachers were trained to deliver the new curriculum. A total of 98 curriculum designs for Grades 4 to 12 and 1,125 curriculum-support materials were produced. Teacher preparedness was strengthened in FY 2025/26 alone through training of 83,298 teachers on the competency-based curriculum (213,940 over FY 2023/24 – FY 2025/26), 10,121 senior-school teachers in STEM pedagogy and 4,949 junior- and senior-school teachers in ICT integration.

ii) **Teachers' recruitment:** The Government has recruited more than 100,000 teachers since 2022, the largest teacher-recruitment programme in the country's history. The aim was to close staffing gaps and support the new curriculum. Recruitment included 24,000 teacher interns hired in January 2026, while 20,000 intern teachers were moved to permanent and pensionable terms. The new teachers were deployed mainly to primary and junior schools, easing the pressure from rising enrolment and new learning areas. Teacher management was also strengthened through the promotion of 126,462 teachers and the digitization of over 403,000 teacher records. In addition, 36,648 teachers were inducted, mentored and coached, while 32,897 newly recruited teachers and interns were inducted under the Teacher Induction, Mentorship and Coaching programme.

iii) **Access and learning infrastructure:** Capitation grants support more than 14 million learners, reducing the cost of schooling for households. The School Meals Programme reaches about 2.65 million learners each year, improving attendance and retention in food-insecure areas. A further 34,000 learners benefit annually from secondary school scholarships. To accommodate learners moving through the competency-based system, 21,875 Grade 9 (junior school) classrooms were built over FY 2023/24 – FY 2024/25 and a further 7,495 classrooms in public secondary schools over FY 2023/24 – FY 2025/26, together with 2,673 laboratories, 3,000 WASH facilities and 500 libraries.

iv) **Digital learning:** Digital technology is increasingly part of everyday teaching and learning. Over one million learning devices have been distributed. In June 2026, the Government began distributing laptops and interactive smart boards to 10,382 public junior schools across all 47 counties. More than 62,000 teachers were trained to use digital tools in the classroom. The Kenya Education Cloud gives learners and teachers access to curriculum-aligned digital content. ICT integration was strengthened through deployment of 925 Digital Literacy Programme interns in FY 2025/26. The transition from the National

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Education Management Information System to the Kenya Education Management Information System established a foundation for better learner registration, planning, resource allocation, monitoring and accountability.

v) **Technical and Vocational Education and Training (TVET):** Technical training is expanding rapidly and aligning more closely with industry needs. Enrolment rose from 562,499 trainees in 2022 to 825,484 in 2025, and accredited institutions increased from 2,401 to 2,969. The number of candidates assessed under Competency-Based Education and Training rose from 35,384 in FY 2023/24 to 540,806 in FY 2025/26, and trainees on scholarships increased to 89,054. Dual training, recognition of prior learning and digital delivery have been expanded. These give trainees practical workplace experience and recognise skills gained outside formal training. Capacity was also strengthened: 5,937 trainers were recruited; 212 competency-based curricula were developed or reviewed; and 30 new institutions were completed.

vi) **Higher education, research and innovation:** The student-centred funding model is widening access to university by targeting support according to need. University enrolment increased from 492,702 to 704,639; scholarship beneficiaries rose from 112,741 to 361,393 and undergraduate loan beneficiaries from 365,145 to 519,460. The Open University of Kenya has been operationalised, enrolling 5,063 students across 30 bachelor's programmes and expanding flexible access to degrees. Stronger collaboration between universities, industry and Government is supporting applied research, with 52 innovations incubated into commercial ventures.

84. Medium-term priorities, beginning in FY 2027/28, are to:

i) Strengthen foundational learning, consolidate Competency-Based Education as learners progress through senior school, modernise assessment and certification, and strengthen quality assurance, career guidance and learner placement;

ii) Recruit, equitably deploy and strategically redeploy teachers and trainers, with priority given to STEM, special needs education, junior and senior schools and other specialised areas, while expanding continuous professional development and retooling in competency-based pedagogy, assessment, digital technologies and learner wellbeing;

iii) Construct, rehabilitate and equip classrooms, laboratories, workshops, libraries, sanitation facilities and learning-resource centres on the basis of demonstrated need, while progressively incorporating accessibility, climate resilience, disaster preparedness, water conservation and energy efficiency;

iv) Accelerate digital transformation by institutionalising the Kenya Education Management Information System, strengthening interoperability and education data governance, and expanding connectivity, devices, digital content and technical support, particularly in underserved institutions, with appropriate standards for artificial intelligence, cybersecurity and data protection;

v) Advance equity, inclusion and learner wellbeing through targeted capitation, school meals, scholarships and bursaries, sanitary products, assistive devices, specialised learning materials and disability-friendly facilities, alongside stronger counselling, psychosocial support, child protection and re-entry support for vulnerable learners;

vi) Expand access to industry-responsive technical and vocational training by completing and equipping priority institutions and workshops, implementing modular competency-based training and assessment, and scaling up dual training, apprenticeships, workplace learning and Recognition of Prior Learning;

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vii) Strengthen TVET quality assurance, accreditation and data systems, recruit and continuously develop trainers, and deepen collaboration with employers in curriculum development, assessment, career services, tracer studies and graduate transition to employment and enterprise;

viii) Improve the higher-education means-testing mechanism and the timely disbursement of scholarships and loans, and strengthen university governance and financial sustainability; and

ix) Increase investment in research, science, technology and innovation, including industrial research laboratories, commercialisation of research, intellectual property management and partnerships among universities, research institutions and industry.

85. These interventions will protect essential education services, improve learning outcomes and learner wellbeing, and build a skilled, productive and innovative workforce aligned with Kenya's changing labour-market and development needs.

1.3.7 Women Agenda

86. Advancing women's equality, participation and economic empowerment is essential for inclusive national development. Women make up half of the population and a large share of MSME owners and agricultural workers. Barriers to their access to finance, markets and leadership therefore hold back growth for the whole economy. In line with the Constitution and BETA, the Government's interventions span five areas: i) expanding women's access to finance, markets and skills; ii) promoting their participation in leadership and decision-making, including implementation of the two-thirds gender principle; iii) strengthening gender mainstreaming across public policies; iv) preventing and responding to Gender-Based Violence (GBV) and Female Genital Mutilation (FGM); and v) addressing the burden of unpaid care work.

87. Since 2022, these interventions have delivered the following milestones:

i) **Access to finance:** Affordable credit is enabling women to start and grow businesses and support their households. The Women Enterprise Fund disbursed KSh 2.374 billion to 322,369 women entrepreneurs, and 231,089 women received financial literacy training to help them manage credit and grow their businesses. Through the National Government Affirmative Action Fund (NGAAF), KSh 4.13 billion was disbursed to Affirmative Action Groups. NGAAF also supported 199,000 needy students with bursaries and scholarships.

ii) **Enabling framework for women-owned enterprises:** Policy measures are opening up finance and markets for women-owned businesses. The Women Entrepreneurs Finance Code, launched in December 2025, commits financial institutions to expanding finance for women-owned enterprises. The Access to Government Procurement Opportunities (AGPO) programme continues to reserve at least 30 percent of public procurement opportunities for enterprises owned by women, youth and persons with disabilities. This gives them a guaranteed route into government markets.

iii) **Gender mainstreaming and protection against Gender-Based Violence (GBV) and Female Genital Mutilation (FGM):** Capacity has been built across government and communities to integrate gender into policy and to protect women and girls from violence. Training has reached: 64,000 individuals in gender mainstreaming; 43,700 resource persons and duty bearers in anti-FGM strategies; and 11,485 persons in psychosocial support and counselling for GBV survivors, strengthening the care available to them.

88. Looking ahead to FY 2027/28 and the medium term, the Government will:

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i) Expand women's economic empowerment by disbursing KSh 12 billion to 16,490 Affirmative Action Groups, providing bursaries and scholarships to 199,000 needy students, and training 310,000 women entrepreneurs in financial literacy;

ii) Support girls' education and protection by providing sanitary towels to 10.2 million girls to support their retention in school, and dignity kits to 8,800 survivors of Gender-Based Violence (GBV);

iii) Strengthen prevention and response to GBV and femicide by training 3,600 duty bearers and sensitising 10,300 people on GBV and femicide prevention;

iv) Institutionalise Gender Responsive Budgeting across the budget cycle by requiring Ministries, Departments and Agencies to identify gender gaps, allocate resources to address them and report against sex- and age-disaggregated indicators, while sensitising 100,300 people and strengthening implementation of gender-responsive interventions across Government;

v) Strengthen community-led efforts to eliminate Female Genital Mutilation (FGM), including engaging 2,700 survivors as frontliners in the campaign against FGM; and

vi) Continue affirmative action, women's economic empowerment and access to education, while supporting implementation of the sector's gender equality and inclusion priorities.

89. The medium-term interventions will support women's economic participation, improve access to education and **protection** services, and strengthen gender equality and affirmative action.

1.3.8 Social Protection

90. Social protection is an important instrument for reducing poverty, protecting vulnerable households against social and economic shocks, and strengthening resilience and inclusion. By cushioning vulnerable people and supporting their access to essential services, it enables them to take part more fully in social and economic life, and it contributes to human capital development and inclusive growth. Accordingly, BETA identifies cash transfers and national safety net programmes, including the Hunger Safety Net Programme, as key measures for improving the quality of life of vulnerable groups. The Government's efforts are directed at:

i) Strengthening the National Safety Net Programme (Inua Jamii) and improving its targeting, payment and accountability systems;

ii) Implementing the Children Act, 2022 through child protection services, the Child Welfare Fund and support to orphans and vulnerable children;

iii) Supporting vulnerable households to graduate from extreme poverty, and promoting the inclusion and economic empowerment of persons with disabilities;

iv) Expanding social security coverage in the informal sector; and

v) Providing relief to households affected by drought, disasters and emergencies, and strengthening community mobilization and empowerment.

91. Progress made since 2022 includes:

i) **Targeting and cash transfers:** Better targeting is ensuring that support reaches the households that need it most. More than 4 million poor and vulnerable households have been registered in the Enhanced Social Registry, which is anchored on the Social Protection Act, 2025. Regular cash transfers now reach over 1.6 million households under the Inua Jamii Programme, which comprised the Older Persons Cash Transfer Programme (OPCT), Cash Transfer to Orphans and Vulnerable Children (CT-OVC) and the Persons with Severe Disabilities Cash Transfer programme (PWSD-CT). In addition, 449,494 indigent

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households were supported under the Social Health Insurance Fund (SHIF) against a target of 450,000, shielding them from catastrophic health costs.

ii) **Child protection and rehabilitation:** The Government has expanded protection for children and other vulnerable persons at risk of abuse, exploitation and neglect. Support was provided to 175,356 children affected by violence; 659,783 parents were trained under the National Positive Parenting Programme; and provided protection, rehabilitation and reintegration services to 3,570 children in conflict with, or in contact with, the law. In addition, 20,000 children received emergency kits, 218,000 cases were reported and responded to through the Kenya Child Helpline, 116,500 children were reached through child participation forums, and 6,000 children were cleared for foreign travel.

iii) **Disability inclusion:** Persons with disabilities are increasingly able to access targeted services and entitlements. During the review period, 219,371 persons with disabilities were registered and provided with assistive devices, educational scholarships and specialized medical support, strengthening their access to essential services and promoting social inclusion. Targeted support has also been provided: sunscreen lotion to 3,412 persons with albinism, and essential medication to 10,684 persons with autism.

iv) **Community empowerment:** Communities are being organized to access finance and learning opportunities. In this regard, 100,253 Community Self-Help Groups were registered in the Community Development Management Information System (CD-MIS) to strengthen community organization, enhance service delivery and promote linkages to financial institutions. In addition, the Government continues to promote the Adult Learning and Continuing Education Programme to improve literacy and livelihood skills.

92. In FY 2027/28 and over the medium term, the Government will:

i) Provide cash transfers to 1,239,256 older persons and 72,607 households with persons with severe disabilities, and extend support to 429,023 households in FY 2027/28, rising to 517,946 households in FY 2028/29 and FY 2029/30, under the Cash Transfer for Orphans and Vulnerable Children (CT-OVC) Programme;

ii) Sustain the Presidential Secondary School Bursary for 16,000 orphans and vulnerable children annually, provide safe custody and basic care services to 13,400 children in Statutory Children Institutions, and resolve 365,000 violence-against-children cases;

iii) Strengthen child and family protection by training 2,000,000 parents and caregivers under the National Positive Parenting Programme, while continuing support for vulnerable households and persons with disabilities;

iv) Train, register and link 106,000 community groups to microfinance institutions, establish 47 Accelerated Adult Education Centres, and sensitise 107,000 community members on the Group Registration Act, 2022;

v) Provide 5,500 assistive devices to persons with disabilities, issue disability cards to 510,000 persons with disabilities, supply sunscreen lotion to 5,000 persons with albinism, and deliver essential drugs and supplies to 7,000 persons with autism;

vi) Sensitize 33,000 community members on healthy ageing and the rights of older persons;

vii) Continue relief and social assistance interventions for vulnerable populations and strengthen delivery systems for social protection;

viii) Provide 400,000 instructional materials to adult learners, and review and adapt the Adult Basic Education & Training (ABET) Curricula and the Adult Teacher Education Curriculum (ATEC);

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ix) Improve the quality and relevance of Adult Learning and Education (ALE) programmes by reviewing or developing two language primers; equipping 705 adult learning centres with furniture and ICT equipment; training 14,500 learners in digital literacy so that they can benefit from the Digital Superhighway pillar; and providing in-service training to 860 instructors in adult education andragogy. These measures will complement the support provided to older persons and other vulnerable groups under the Inua Jamii Cash Transfer Programme; and

x) The Economic Inclusion Programme will be expanded to 25 counties, increasing its geographical coverage and reach and providing more poor and vulnerable households with opportunities to strengthen livelihoods and productive enterprises. The expansion will enhance economic resilience and strengthen pathways for poor and vulnerable households to transition from social assistance to sustainable livelihoods, while also strengthening county-level participation in the delivery and coordination of social protection interventions.

93. These interventions will reduce poverty and vulnerability, protect households against shocks and enable more Kenyans to participate in, and benefit from, economic growth.

1.3.9 Sports, Creative Arts, Culture and Heritage

1.3.9.1 Sports and Creative Arts

94. Sports and the creative arts contribute to youth empowerment, talent development, employment, tourism and the growth of the creative economy, while projecting Kenya's sporting and cultural identity internationally. Under BETA, the Government's interventions in this area comprise: i) identifying, nurturing and commercialising talent through the Talanta Hela Programme; ii) developing sports and arts facilities, including the Kenya Academy of Sports, constituency sports academies and community multipurpose facilities; iii) promoting Kenya's sporting and cultural profile through international events; iv) strengthening anti-doping and athlete development programmes; and v) developing the film and creative industries through licensing, mentorship, intellectual property protection, royalty management and market access for artists. Since 2022, the following milestones have been achieved:

i) **Sports performance and events:** Kenya co-hosted the 2024 African Nations Championship (CHAN 2024) alongside Uganda and Tanzania in August 2025, which raised the country's sporting profile and supported the hospitality, transport and trade sectors. Kenyan athletes secured 105 medals across major competitions, and Kenya hosted a total of 39 global competitions, strengthening the country's sporting profile and sports tourism.

ii) **Sports infrastructure**: Infrastructure development continues in preparation for AFCON 2027, including works at the Raila Odinga International Stadium and upgrades to Kasarani and Nyayo stadia.

iii) **Creative Arts:** Under the Copyright (Amendment) Act, 2022, artists are guaranteed at least 52 percent of revenue from ring-back tunes. A blank tape levy, enforced from September 2023, has collected about KSh 150 million for rights holders. PAVRISK was licensed as the single collective management organisation for music and audio-visual performers, with the aim of cutting costs and raising payouts to at least 70 percent of collections. In June 2026, service agreements were signed to roll out digital royalty collection through eCitizen. A State Department for the Creative Economy was established, with dedicated offices for film services, gaming, music and fashion. Music, drama and visual arts have been embedded in Competency-Based Education, from early years through senior school. The Senate passed the Creative Economy Support Bill in July 2025. The Creative Economy

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Bill, 2026 has since been published to provide a unified framework for the sector. It includes a Kenya School of Film and Creative Arts and a national register of creatives.

95. Over the medium term, including in FY 2027/28, the Government will:

i) Complete preparations for co-hosting AFCON 2027, including completion of the Raila Odinga International Stadium, the upgrading of Kasarani and Nyayo stadia, and host-city readiness;

ii) Identify and nurture 11,000 youth talents and award 5,400 under the Talanta Hela Programme over the medium term, building on the 6,639 talents identified and nurtured since 2022. The Government will also support the incubation of youth talents and innovations;

iii) Complete Phase II of the Kenya Academy of Sports Complex, the upgrading of Kipchoge Keino Stadium in Eldoret and six regional stadia, and continue development of county stadia and Community Sports and Arts Grounds. The Government will also establish 155 constituency sports academies over the medium term (45 in FY 2027/28, 50 in FY 2028/29 and 60 in FY 2029/30) and undertake research and curriculum development on sports talent;

iv) Promote sports tourism by hosting 30 international sporting events over the medium term, and supporting 150 national teams to participate in global competitions;

v) Strengthen anti-doping and athlete development through administering 17,868 doping-control tests, sensitisation of 90,061 athletes, and maintenance of a 100 percent results-management rate for anti-doping violations;

vi) Develop the creative economy by establishing a film-incentives framework, equipping film hubs, issuing 13,900 film distribution and exhibition licences, registering 82,800 copyright works, and supporting film production and skills development;

vii) Finalise creative-economy legislation, operationalise digital royalty collection through eCitizen, distribute blank-tape levy proceeds to rights holders, strengthen intellectual-property protection, and support artists through exhibitions and mentorship; and

viii) Strengthen governance, institutional capacity and sustainability across sports through digitization, registration and licensing and enhanced compliance with anti-doping requirements, while advancing key policy reviews and sustainable financing models for sports.

1.3.9.2 Culture and Heritage

96. Culture and heritage are important drivers of national identity, social cohesion and socio-economic transformation, with significant potential to support tourism, employment, enterprise development and the creative economy. The Government's priorities here are conserving, restoring and digitizing heritage sites and collections; promoting and commercializing indigenous knowledge and cultural expressions; supporting artists and cultural practitioners; strengthening cultural diplomacy; and protecting traditional knowledge, with emphasis on participation of women, youth and communities.

97. Over the period FY 2022/23 – FY 2025/26, 26 heritage sites and monuments were gazetted and nine rehabilitated, including Fort Jesus Museum, Wajir Museum, Kariandusi, Hyrax Hill, the Thimlich Ohinga UNESCO World Heritage Site, the Vasco da Gama Pillar, the Maktau WWI Monument and the Yohana Owalo Mausoleum, while 217,214 heritage collections were digitized. A total of 26 cultural festivals reached 47,327 participants, seven cultural exchange protocols were initiated, 976 national heroes were identified and 483 formally honoured, and 1,604 creatives were trained in the performing arts. A National Digital Repository and 13 County Digital Registers were established, 848 indigenous knowledge assets documented, 1.02 million

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public records digitized and 839,600 migrated digital archival records repatriated from the United Kingdom. Under the Ushanga Kenya Initiative, 3,690 women and girls from pastoralist communities were trained in beadwork and entrepreneurship.

98. Over the medium term, the Government will modernize museums; identify and develop 101 monuments, reconstruct the Gede Ruins Complex in Malindi and rehabilitate the Old Provincial Commissioner's Office in Kisumu; construct a heritage collection centre and develop Cradle of Humankind parks; construct the Nairobi International Convention and Exhibition Centre at Bomas of Kenya; establish national and 47 county digital repositories, gazette 10 heritage sites and digitise 187,000 heritage collections; develop an Integrated National Cultural and Creative Industries Information Management System; commercialize indigenous knowledge, including through insect farming in 10 counties; establish a National Arts Gallery; and operationalize the Ushanga State Agency and commercialize Ushanga and Johari products.

1.3.10 Youth Empowerment and Development Agenda

99. Kenya's large and growing youth population is both an opportunity and a policy challenge. Reducing youth unemployment and opening pathways into productive livelihoods are central to BETA's aspirations for inclusive growth and economic resilience, and to harnessing the country's demographic dividend. The Government's support for young people spans five areas: i) skills development, through the National Youth Service, internships, industrial attachment and apprenticeships; ii) enterprise support and affordable finance; iii) talent development through Talanta Hela; iv) youth-friendly services through Youth Empowerment Centres; and v) youth employment both locally and abroad. These interventions are guided by five objectives: establishing a common enterprise graduation framework; integrating training with employer engagement and placement; making existing youth infrastructure functional before building new facilities; tracking youth outcomes through a single results architecture; and institutionalising youth participation in programme design and monitoring. Key results for young people since 2022 include:

i) **Skills and employment:** Young people are being equipped with practical skills and linked to work opportunities at home and abroad. Training has reached: 119,706 youth in entrepreneurship; 94,047 in life skills; and 68,349 in market-specific technical skills. A total of 23,460 youth were placed in apprenticeships and jobs, and 4,698 secured employment abroad. More broadly, 406,757 job seekers were placed in employment locally and abroad. The National Youth Opportunities Towards Advancement (NYOTA) project is extending training, mentorship and start-up grants to every part of the country. It targets at least 84 youth in each of the 1,450 wards, as well as 10,000 youth in the Kakuma and Dadaab refugee camps, with KSh 5.34 billion in start-up grants provided to 124,522 youth to date.

ii) **Enterprise and finance:** Young entrepreneurs are receiving both the finance and the guidance needed to start and grow businesses. A total of 55,056 young entrepreneurs were mentored and coached. In addition, KSh 862.26 million in affordable loans was disbursed to 32,783 youth enterprises.

iii) **Talent development:** Creative and sporting talent is increasingly being recognised as a source of livelihoods. A total of 6,639 young people were identified and nurtured, of whom 2,226 received awards. The "WHO'Z Next" talent search was rolled out across all 47 counties. The Talanta Hela mobile application now allows youth to register and showcase their talent using only a phone number and national ID. A partnership framework with corporate sponsors is mobilising private resources, alongside exchequer funding, to identify and monetise talent.

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iv) **Youth services and leadership:** Youth Empowerment Centres are providing young people with accessible, youth-friendly services. The Centres have reached 1,177,480 young people, including 63,431 who received subsidised sexual and reproductive health services. To build the next generation of leaders, 80,898 youth were trained in leadership and governance. A further 34,148 enrolled in the President's Award Programme, of whom 12,775 earned Gold, Silver or Bronze Awards.

100. Going forward, the Government will, in FY 2027/28 and over the medium term:

i) Scale up NYOTA as the principal vehicle for youth skills training, work placement and enterprise start-up support, strengthen financial literacy in youth financing programmes, and develop graduated financial products through the Youth Enterprise Development Fund, Uwezo Fund, Women Enterprise Fund and Kenya Industrial Estates;

ii) Place 66,600 youth in apprenticeships and employment, train 190,000 in entrepreneurship and 270,000 in enterprise development, and disburse KSh 3.29 billion to 115,540 youth beneficiaries through Youth Enterprise Development Fund; place 610,000 job seekers locally and abroad; and establish the Kenya Migrant Workers Welfare Fund;

iii) Identify and nurture 11,000 talented youth and award 5,400 through the "WHO'Z Next" Talent Search, and enrol 50,000 young people in the President's Award Programme;

iv) Engage 60,000 youth through mindset and leadership training, 69,000 youth leaders in civic participation and 116,000 youth in intergenerational dialogue forums;

v) Construct and equip 45 Youth Empowerment Centres, facilitate 1,185,000 youth to access youth-friendly services, and transform existing Centres into one-stop hubs for youth economic opportunities;

vi) Deepen implementation of Access to Government Procurement Opportunities (AGPO) to increase youth uptake of the 30 percent procurement reservation; and

vii) Institutionalize a Youth Enterprise Graduation Framework, a Youth Skills-to-Work Transition Framework and a Kenya Youth Development Index and Results Dashboard linked to programme budgets and labour-market evidence, to track transitions into employment, decent work, job quality, enterprise survival, productivity and income growth.

101. These interventions will expand opportunities for young people to earn decent incomes, build enterprises and participate fully in national development.

1.3.11 Governance and Rule of Law

102. Strong governance institutions and adherence to the rule of law create an enabling environment for sustainable development, strengthen investor confidence and ensure efficient delivery of public services. The Constitution establishes separation of powers, independent institutions and accountability mechanisms. Article 10 enshrines national values, including the rule of law, democracy, transparency and accountability.

103. The Government therefore envisages a democratic political system that is issue-based, people-centred, results-oriented and accountable to the public. To this end, priority has been given to: i) Scaling up implementation of the Constitution and strengthening devolution and national cohesion; ii) Strengthening the rule of law and access to justice, including court infrastructure in every county, automation of court processes and operationalization of specialised and small claims courts; iii) Ensuring respect for human rights in line with Sustainable Development Goal 16 on peace, justice and strong institutions; iv) Ensuring zero tolerance for corruption and strengthening public financial management; and v) Enhancing the capabilities of security agencies to guarantee a safe and stable environment for business and livelihoods. Notable milestones since 2022 include:

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i) **Access to justice:** Justice is becoming faster and more accessible. The Judiciary's Case Clearance Rate rose from 94 percent in 2022 to 99 percent in 2025, supported by e-court systems and online case management. The courts are therefore now resolving almost as many cases as are filed. Legal aid services have also been expanded through the National Legal Aid and Awareness Programme, widening access for those who cannot afford representation.

ii) **Fight against corruption:** Anti-corruption efforts are increasingly focused on recovering public resources and preventing losses before they occur. In FY 2025/26, the Ethics and Anti-Corruption Commission recovered KSh 3.6 billion and averted the loss of an estimated KSh 10.4 billion of public funds.

iii) **Public financial management:** Digital systems are improving control, transparency and value for money in the use of public funds. The end-to-end Electronic Government Procurement system was launched in July 2025 and is integrated with IFMIS, e-Citizen and i-Tax. It has registered 1,546 procuring entities and over 40,000 suppliers. IFMIS invoice twinning has been automated. Extension of the Treasury Single Account cut interest on Central Bank overdrafts by 58 percent in FY 2025/26. On pending bills, the Verification Committee processed 115,617 claims valued at KSh 664.8 billion and verified KSh 235.6 billion for settlement. Of this, KSh 80.3 billion owed to road contractors has been paid, easing liquidity pressures on businesses.

iv) **State corporations' reform:** State corporations are being streamlined to reduce duplication and fiscal risk. Phase 1 restructuring involved 23 mergers, 16 dissolutions and seven transfers of functions. The Government-Owned Enterprises Act, 2025 came into force on 5 December 2025. It establishes a modern governance framework for 65 Government-Owned Enterprises and 18 statutory entities.

v) **Public service and devolution:** Accountability for results is being strengthened at both levels of government. Performance management systems now link staff evaluation to service delivery outcomes. At county level, county IFMIS and citizen engagement platforms have improved transparency and public participation in budgeting and planning.

vi) **Citizen registration and justice services:** Registration of persons has been scaled up to widen access to Government services. Over the period FY 2023/24 – FY 2025/26, 4.01 million national identity cards were issued against a target of 2.26 million under the Usajili Mashinani campaign, together with 1.45 million birth certificates and 355,696 e-passports. The Office of the Director of Public Prosecutions handled 307,019 criminal matters, while offenders under probation supervision rose to 138,127 and community service placements to 107,189.

vii) **Security:** Investment in security is safeguarding lives, livelihoods and the business environment. Police recruitment improved the police-to-population ratio from 1:1,150 to 1:800. Further measures include: strengthening specialised counter-terrorism and cybercrime units; establishing the National Cyber Security Agency; upgrading border security with modern scanners and biometric systems; and extending probation services to all counties.

104. In FY 2027/28 and over the medium term, the Government will sustain the prioritization of governance and the rule of law through:

i) Strengthening the Judiciary's institutional capacity to sustain gains in case clearance, including expanding Small Claims Courts, completing ongoing court construction and enhancing case management technology;

ii) Deepening anti-corruption enforcement, including legislative reinforcement through the Anti-Corruption (Amendment) Bill, 2025;

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iii) Enhancing public financial management through the Public Finance Management (Amendment) Bill, 2025 and full roll-out of invoice twinning, the Treasury Single Account and e-Government Procurement, together with settlement of the remaining verified pending bills of KSh 155.3 billion over FY 2026/27 – FY 2027/28 under the phased settlement strategy; operationalisation of the Government-Owned Enterprises Act, 2025; and full roll-out of the Public Investment Management framework to MDAs and County Governments;

iv) Rolling out the Maisha Digital ID, digitising immigration and civil registration records, and strengthening forensic and cybercrime capacity, case management and e-filing systems, legal aid and alternative justice systems;

v) Stepping up investment in electoral and security institutions to ensure a peaceful and credible 2027 General Election; and

vi) Strengthening devolved governance through sustained growth in the county equitable share and conditional allocations.

105. These interventions will strengthen accountability, protect public resources and sustain the stable environment needed for investment and growth.

1.3.12 Foreign Policy and Regional Integration

106. Foreign policy and regional integration are key enablers of BETA's export expansion, investment and diaspora objectives. Accordingly, the Government continues to implement targeted interventions aimed at advancing economic and commercial diplomacy; deepening Kenya's participation in the East African Community (EAC), COMESA, the Intergovernmental Authority on Development (IGAD) and the African Continental Free Trade Area (AfCFTA); modernising diplomatic infrastructure and consular services; operationalizing the Foreign Service Act, 2021; sustaining growth in diaspora remittances, currently about USD 5.0 billion a year, through diaspora bonds, investment products and strengthened diaspora welfare; and contributing to regional peace, security and climate diplomacy.

107. Since 2022, digital platforms including the Ardhisasa land management system, the NSSF online portal for voluntary contributions and the DhowCSD platform for Government securities, together with Mobile Consular Services, have brought essential services closer to Kenyans abroad. Total exports rose from KSh 1,112.3 billion in 2024 to KSh 1,119.4 billion in 2025, with exports to Africa increasing by 6.4 percent to KSh 452.8 billion. Intra-EAC trade increased to USD 4.6 billion in 2025, while diaspora remittances rose from USD 4.03 billion in 2022 to USD 5.01 billion in the 12 months to August 2026, surpassing earnings from coffee, tea and horticulture combined. Additionally, Kenya hosted the 2026 Annual Meetings of the Association of the African Central Banks (AACB), where milestones in regional monetary and financial integration were discussed.

108. In FY 2027/28 and over the medium term, the Government will consolidate gains under the Foreign Policy 2024 and deepen regional integration in support of BETA's economic diplomacy and export expansion objectives by:

i) Fully operationalizing the Foreign Policy 2024 across its eight thematic areas, including transitioning it into a Sessional Paper for Parliamentary approval;
ii) Strengthening decentralized diaspora services through digital platforms and Mobile Consular Services, and addressing capacity and budgetary constraints in diplomatic missions;
iii) Deepening intra-EAC trade through reduction of non-tariff barriers and improved border management;

iv) Leveraging Kenya's membership of COMESA and the AfCFTA to expand export markets and attract investment; and
v) Sustaining engagement in regional peace and security architecture, including the EAC Regional Force and IGAD, to safeguard the stability that underpins regional trade and investment.

109. These interventions will consolidate the institutional and policy gains realised since 2022, sustain diaspora remittances as a resilient source of foreign exchange amid external shocks, and reinforce Kenya's position as a hub for regional trade, investment and diplomacy.

1.4 Economic Planning, Statistics and Accountability for Results

110. Sound economic planning underpins delivery of the BETA. Plans translate the Government's priorities into programmes and budgets, official statistics provide the evidence for policy and resource allocation, and monitoring and evaluation show whether public spending is delivering results. Through the State Department for Economic Planning, the Government coordinates these functions across National and County Governments, together with the Kenya National Bureau of Statistics (KNBS) and the National Council for Population and Development (NCPD), and leads Kenya's reporting on the Sustainable Development Goals (SDGs) and engagement with the UN Economic Commission for Africa and NEPAD/APRM.

111. Since 2022, the Government has strengthened the planning, statistical and accountability framework that guides implementation of the BETA. These interventions focus on:

i) Integrating the BETA into the national planning framework through the Fourth Medium Term Plan (MTP IV), 2023–2027;
ii) Aligning county and national development plans and budgets;
iii) Strengthening the policy, legal and institutional framework for economic planning;
iv) Building capacity for macroeconomic modelling, forecasting and policy analysis;
v) Producing timely and reliable official statistics to inform planning and budgeting;
vi) Tracking implementation through regular progress reporting and an integrated monitoring and evaluation system;
vii) Expanding the coverage of SDG reporting; and
viii) Engaging citizens on Kenya's long-term development agenda beyond Vision 2030.

112. These interventions are strengthening the link between plans, budgets and results. Key achievements include:

i) **Medium Term Plan IV:** The BETA is now embedded in the national planning framework. MTP IV, launched on 21st March 2024, integrates the BETA into Kenya Vision 2030 and provides the framework for sector programmes, implementation responsibilities and annual and medium-term budgeting;
ii) **County planning:** County plans are being aligned more closely with national priorities. The FY 2027/28 County Annual Development Plan guidelines and the 2026 guidelines for the mid-term review of County Integrated Development Plans (CIDPs), 2023–2027, give counties a common basis for reviewing implementation, identifying gaps and reprioritizing interventions for the remainder of the plan period;
iii) **Planning reforms:** The institutional framework for economic planning is being strengthened. The draft Economic Planning Policy and the Economic Planning Bill, 2026, together with the accompanying Cabinet Memorandum, have been prepared. Following approval of the State Department's organizational structure and staff

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establishment in December 2024, functional rationalisation and restructuring commenced to clarify responsibilities and strengthen specialization;

iv) **Macroeconomic modelling:** The Government's capacity to forecast and test policy options has expanded. A total of 132 officers were trained in macroeconomic modelling and forecasting using the upgraded KIPPRA-Treasury Macro Model (KTMM). In addition, the National Treasury, with the World Bank, has developed KENMod, a Kenya-specific Macro-Fiscal Model (MFMod) with a climate and natural capital extension, which has been used in this Statement to assess the macroeconomic and fiscal effects of El Niño-related shocks **(Section 5.3.5)**;

v) **Official statistics:** Up-to-date evidence now informs budget decisions. The 2026 Economic Survey, launched on 29 April 2026, provides data on economic performance in 2025 for this Budget Policy Statement;

vi) **Progress reporting:** Implementation of MTP IV is tracked regularly. The First and Second Annual Progress Reports (FY 2023/24 and FY 2024/25) were produced and disseminated, identifying implementation bottlenecks across sectors. Requirements and draft terms of reference for an electronic National Integrated Monitoring and Evaluation System (e-NIMES) were developed;

vii) **SDG reporting:** Kenya now reports on more SDG indicators. The National SDG Indicator Framework expanded from 144 reported indicators in 2022 to 168 in 2024, and Kenya presented its 2024 Voluntary National Review on the SDGs; and

viii) **County peer reviews:** Peer learning is strengthening local accountability. In FY 2024/25, NEPAD/APRM supported peer reviews in 18 counties and the preparation of 10 county self-assessment reports.

113. In FY 2027/28 and over the medium term, the Government will consolidate these gains and deepen the use of evidence in planning and budgeting. Priority will be given to:

i) Completing MTP IV commitments and initiating its end-term review; assessing Vision 2030 achievements and the unfinished agenda; and preparing the Transition Plan, together with aligned successor sector plans, mechanisms for county alignment, a financing strategy and a results and indicator framework, to provide planning continuity during the transition period;

ii) Finalizing and operationalizing the Economic Planning Policy and associated legal framework to strengthen coherence, coordination and accountability across the national planning system; improve alignment between national, sector and county plans; reinforce the linkage between planning, budgeting, implementation and results; and establish clear institutional standards for preparation, implementation, monitoring and review of development plans;

iii) Strengthening an integrated national statistical and administrative data ecosystem, covering official statistics, administrative data, population data, geospatial information, and household and enterprise statistics, with improved interoperability between national and county data systems and greater use of data in planning and resource allocation, so that the next long-term plan is firmly evidence-based;

iv) Strengthening macroeconomic and sectoral modelling, including updating and documenting the KTMM, developing dynamic models where technically justified, and establishing an integrated economic intelligence, modelling and foresight hub to support the macroeconomic framework and provide Cabinet and Government with timely

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analysis of economic trends, emerging risks, structural transformation, productivity, labour markets, regional economies and alternative development scenarios;

v) Undertaking statistical, technological, institutional and stakeholder preparations for the 2029 Kenya Population and Housing Census, to ensure timely, high-quality demographic and socioeconomic information for national and county planning, resource allocation and evidence-based policymaking;

vi) Upgrading NIMES and the County Integrated Monitoring and Evaluation Systems (CIMES) for interoperability, deploying e-NIMES in phases, harmonizing indicators and reporting calendars, and evaluating selected high-priority BETA interventions. Findings from evaluations, expenditure tracking and Annual Progress Reports will systematically inform programme redesign, continuation, scaling, rationalization and resource allocation through the MTEF process;

vii) Enhancing project prioritization and independent evaluation in coordination with the National Treasury, including information exchange through the Public Investment Management Information System (PIMIS);

viii) Supporting counties and MDAs through the National-County Integrated Planning Framework to align plans and budgets with national priorities so that the successor national long-term plan is cascaded coherently into future county planning instruments rather than implemented through parallel national and county processes; and

ix) Deepening SDG localisation and reporting, aligning national priorities with the Africa Agenda 2063 and EAC Vision 2050, and converting partnerships with UNECA and NEPAD/APRM into funded work programmes with clear outputs.

114. These interventions will improve the alignment of plans and budgets, sharpen policy choices and strengthen accountability for results across national and County Governments. The Government will strengthen mechanisms to ensure that projects and programmes admitted into the budget are derived from approved national, sector and county plans, are supported by clear results frameworks and appraisal, and contribute demonstrably to national development outcomes.

1.5 Kenya's Long-Term Development Trajectory: Beyond Vision 2030

115. Kenya Vision 2030 has anchored the country's development planning since 2008. It set a common national direction, guided successive Medium-Term Plans, catalysed investment in flagship infrastructure and showed the value of long-term planning alongside annual budgeting. While substantial progress has been made, the country is not on course to attain upper middle-income status by 2030. The experience points to three lessons for a successor framework: firmer multi-year financing, stronger institutional continuity across administrations, and more consistent tracking of outcomes.

116. With the Fourth Medium-Term Plan (MTP IV), 2023–2027, and the BETA concluding in FY 2027/28, a successor long-term framework and the Fifth Medium-Term Plan (MTP V) must be in place before the next Medium-Term Expenditure Framework cycle begins. The restoration of macroeconomic stability over the preceding period allows the Government to shift attention from short-term stabilization towards long-term structural transformation. Preparation of the successor framework is under way. Progress to date includes:

i) **National Conversation:** Citizens are shaping the country's next development agenda. The Government launched the National Conversation on Kenya's Future Beyond Vision 2030 on 12th August 2026. Public participation is being conducted across all 47 counties,

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bringing together political parties, County Governments, the private sector, academia, workers' organisations and cooperatives, faith communities, professional bodies, civil society, the media and, in particular, young Kenyans.

ii) **Thematic focus:** The consultations are organised around five pillars that build on the BETA (see Sections 1.2 and 1.3): human-capital development; technological transformation; climate change and resilience; development financing; and Kenya's regional and diplomatic standing.

iii) **County engagement:** Local feedback is being gathered on delivery of the BETA. On 3rd September 2026, the State Department for Economic Planning convened a Gumzo la Uchumi Mashinani forum in Kakamega to discuss local delivery and receive citizen feedback.

iv) **Long-term financing institutions:** The Government has begun establishing the National Infrastructure Fund and the Sovereign Wealth Fund. The two funds are intended to place financing of priority infrastructure on a more sustainable footing and to preserve national wealth for present and future generations, reducing the risk that future borrowing constraints stall long-term investment.

117. In line with the approved Road Map for Beyond Kenya Vision 2030, the emerging vision, framed as the long-term plan for Kenya@100, is for Kenya to become a prosperous, high-income, industrialized and globally competitive country by 2063, the centenary of independence. The successor framework is intended to be anchored in the rights guaranteed under Articles 10 and 43 of the Constitution and enacted into law, giving it the continuity across electoral cycles that Vision 2030, as an executive planning instrument, lacked. The framework remains under consultation and has not yet been finalized.

118. In FY 2027/28 and over the medium term, the Government will finalize the successor framework and ensure a smooth transition between planning cycles. Priority will be given to:

i) Completing the end-term review of MTP IV and the BETA, and using its findings, together with the outcomes of the National Conversation, to inform both the Transition Plan (MTP V) and the successor long-term vision;

ii) Concluding the National Conversation and preparing the National Development Charter (December 2026 – June 2027) for adoption by Cabinet in July 2027;

iii) Undertaking evidence synthesis and scenario analysis on productivity, demographic change, employment, spatial inequality, climate risks, technology and financing choices to underpin the framework's targets;

iv) Documenting how citizen proposals from the National Conversation have been reflected in the emerging framework;

v) Preparing the Transition Plan (Fifth Medium-Term Plan) and the long-term plan for Kenya@100 by FY 2028/29, and aligning their priorities with the Medium-Term Expenditure Framework and annual budgets;

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vi) Developing the legislative framework to anchor the successor vision in law, including the National Development Charter Process Law and the National Development Law; and

vii) Maintaining policy continuity during the transition so that ongoing programmes and flagship projects are not disrupted.

119. These measures will give Kenya a long-term development framework that is shaped by citizens, backed by sustainable financing and protected from disruption across political cycles.

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II. RECENT ECONOMIC DEVELOPMENTS AND MEDIUM-TERM OUTLOOK

2.1 Global Economic Outlook

120. Global economic growth is projected to moderate from 3.5 percent in 2025 to 3.1 percent in 2026, before recovering to 3.4 percent in 2027 **(Table 2.1).** The slowdown in 2026 reflects the adverse effects of the prolonged Middle East conflict, which has disrupted energy supplies, raised commodity prices, heightened inflationary pressures and weakened economic activity amid persistent geopolitical uncertainty. These headwinds are partly offset by strong investment in artificial intelligence (AI) and continued expansion in technology-related trade. Growth is projected to recover to 3.4 percent in 2027 as the effects of the energy shock gradually subside, supply conditions improve and sustained investment in AI supports productivity, trade and economic activity. Nevertheless, the outlook remains uneven, with energy-importing economies that have limited participation in technology value chains facing greater vulnerabilities, while economies benefiting from AI-driven investment and favourable terms of trade are expected to perform relatively better.

Table 2.1: Global Economic Performance and Outlook

	Growth (%)			
	Actual		Projections	
Economy	2024	2025	2026	2027
World	3.5	3.5	3.1	3.4
Advanced Economies	2.0	2.0	2.1	1.8
Of which: USA	*2.8*	*2.3*	*2.3*	*2.3*
Euro Area	*1.0*	*1.2*	*1.1*	*1.2*
Japan	*(0.2)*	*1.1*	*0.6*	*0.7*
United Kingdom	*1.1*	*1.2*	*1.3*	*1.2*
Emerging and Developing Economies	4.5	4.5	3.7	4.4
Emerging and Developing Asia	5.5	5.6	5.1	4.9
Of which: China	*5.0*	*5.0*	*4.5*	*4.0*
India	*7.1*	*7.8*	*7.0*	*7.0*
Emerging and Developing Europe	*3.9*	*2.0*	*1.7*	*2.1*
Of which: Russia	*4.9*	*1.0*	*0.9*	*0.9*
Middle East and Central Asia	*3.0*	*3.7*	*(0.3)*	*6.3*
Of Which: Saudi Arabia	*2.6*	*4.6*	*(3.3)*	*7.9*
Sub-Saharan Africa	4.2	4.5	4.5	4.5
Of which: South Africa	0.5	1.1	1.0	1.3
Nigeria	4.1	4.0	4.2	4.3

Source: IMF World Economic Outlook, October 2026

121. Growth in advanced economies is projected to increase slightly from 2.0 percent in 2025 to 2.1 percent in 2026, before moderating to 1.8 percent in 2027. Performance across economies is expected to diverge, with net energy exporters partly cushioned by favourable terms-of-trade effects, while net energy importers face higher production costs and inflationary pressures. In the United States, growth is projected at 2.3 percent in both 2026 and 2027, supported by domestic demand and technology-related investment. In contrast, growth in the Euro Area is

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expected to improve modestly in 2027 as energy-related pressures ease, while that of the United Kingdom is projected to moderate, reflecting continued economic headwinds.

122. Growth in Emerging Market and Developing Economies is projected to slow down from 4.5 percent in 2025 to 3.7 percent in 2026, before recovering to 4.4 percent in 2027. The outlook varies considerably across regions and economies, depending in part on their exposure to geopolitical disruptions and energy-market changes. The Middle East and Central Asia are expected to experience the sharpest deceleration due to disruptions to energy production and transport, while Emerging and Developing Asia remains relatively resilient, supported by domestic demand and technology-related investment. Growth is projected to strengthen in 2027 as energy production and trade routes normalise, particularly in conflict-affected economies.

123. Growth in Sub-Saharan Africa is projected to remain stable at 4.5 percent in 2025, 2026 and 2027. However, this masks significant differences across economies, reflecting variations in policy space, reform implementation, commodity exposure, climate shocks and access to external financing. Oil-importing and non-resource-intensive economies face greater pressure from higher energy and food prices, while some larger economies continue to benefit from earlier macroeconomic stabilisation and reform efforts. The outlook is nevertheless constrained by high debt-servicing costs, limited foreign exchange reserves, declining official development assistance and limited participation in the AI-driven global technology expansion.

2.2 Domestic Economic Performance

124. The Kenyan economy has demonstrated resilience amid global economic uncertainty, recording average growth of 5.0 percent over the period 2022 to 2025, outperforming the global economy, which grew by an average of 3.5 percent, and Sub-Saharan Africa, at 4.1 percent. This resilience reflects sound macroeconomic management, sustained structural reforms and increasing economic diversification, which have strengthened the economy's capacity to withstand external shocks.

125. The economy remained resilient in the first half of 2026, with real GDP growing by 5.1 percent in both the first and second quarters, compared to 4.9 percent in the corresponding quarters of 2025 **(Table 2.2).** The growth was broad-based, with all sectors recording positive growth, supported by improved performance in manufacturing, construction, electricity and water supply, wholesale and retail trade, transport and storage, and information and communication. This performance was achieved amid disruptions and uncertainty in the global energy market and the early cessation of the March–May long rains, which affected agricultural production.

126. In 2026, the **Primary Sector** grew by 4.1 percent in the first quarter and 3.6 percent in the second quarter, compared to 5.7 percent and 4.4 percent, respectively, in the corresponding quarters of 2025. Growth was supported by positive performance in the agriculture, forestry and fishing, and mining and quarrying sub-sectors. However, overall growth in the Primary Sector moderated in both quarters compared to the corresponding quarters of 2025, reflecting slower expansion in these sub-sectors.

127. The agriculture, forestry and fishing sector grew by 3.8 percent in the first quarter of 2026, compared to 5.3 percent in the corresponding quarter of 2025, and moderated further to 3.5 percent in the second quarter, from 4.0 percent in the corresponding quarter of 2025. Growth in the first half of 2026 was supported by increased production of tea, sugarcane, vegetables and cut flowers, as well as stronger horticultural exports. However, the sector's performance was constrained by lower coffee production associated with the biennial production cycle, reduced fruit exports and unfavourable weather conditions. In particular, the early cessation of the

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March–May long rains in May 2026 affected crop production during critical stages of development, leading to downward revisions in expected output.

128. The mining and quarrying sub-sector grew by 9.1 percent in the first quarter of 2026 and 5.8 percent in the second quarter of 2026, compared to 12.7 percent and 13.7 percent in the corresponding quarters of 2025. The sub-sector continued to expand, supported by sustained demand from the construction and manufacturing sectors. However, growth moderated partly due to the high growth rates recorded in the corresponding quarters of 2025, following a recovery in mining activity and renewed investment after subdued performance in 2024.

Table 2.2: Sectoral GDP Performance

Sectors/Sub-sectors	Annual Growth	Quartely Growth Rates			
	2025	2025 Q1	2025 Q2	2026 Q1	2026Q2
1. Primary sector	**3.7**	**5.7**	**4.4**	**4.1**	**3.6**
1.1. Agriculture, forestry and fishing	3.1	5.3	4.0	3.8	3.5
1.2 Mining and quarrying	14.9	12.7	13.7	9.1	5.8
2. Secondary Sector (Industry)	**4.1**	**3.6**	**4.1**	**5.1**	**4.3**
2.1. Manufacturing	2.0	2.8	1.3	4.4	2.2
2.2. Electricity and Water supply	5.2	4.1	6.5	4.3	7.7
2.3. Construction	6.8	4.5	7.3	6.6	6.0
3. Tertiary sector (Services)	**5.0**	**4.8**	**5.3**	**5.0**	**5.4**
3.1. Wholesale and retail trade	3.6	4.3	2.6	4.1	4.7
3.2. Accomodation and food service	15.6	8.0	12.8	14.7	7.4
3.3. Transport and storage	3.7	3.6	3.3	3.6	4.4
3.4. Information and communication	4.8	5.5	5.9	5.0	7.2
3.5. Financial and insurance	6.5	5.3	7.1	6.3	6.1
3.6. Public administration	8.3	9.5	8.7	5.7	7.0
3.7. Others	3.8	3.7	4.7	4.6	4.8
of which: Professional, Admin & Support Services	5.0	4.1	7.0	2.4	3.7
Real estate	3.9	4.6	4.3	5.0	5.5
Education	2.8	1.8	3.8	6.2	5.2
Health	5.5	4.7	7.0	4.3	4.5
Taxes less subsidies	**3.1**	**4.1**	**3.8**	**4.3**	**5.3**
Real GDP	**4.6**	**4.9**	**4.9**	**5.1**	**5.1**

Source of Data: Kenya National Bureau of Statistics

129. The **Industry Sector** grew by 5.1 percent in the first quarter of 2026 and 4.3 percent in the second quarter of 2026, compared to growth rates of 3.6 percent and 4.1 percent, respectively, in the corresponding quarters of 2025. The sector's performance was supported by improved growth in the manufacturing, construction, and electricity and water supply sub-sectors.

130. The manufacturing sub-sector grew by 4.4 percent in the first quarter of 2026 and 2.2 percent in the second quarter of 2026, compared to 2.8 percent and 1.3 percent, respectively, in the corresponding quarters of 2025. The improved performance was supported by increased production in both food and non-food manufacturing. Food manufacturing benefited from higher production of sugar and soft drinks, although the volume of processed milk declined in the second quarter of 2026, mainly due to reduced milk supply. Non-food manufacturing was supported by increased production of assembled vehicles, galvanized sheets and cement. The performance of the sub-sector was further supported by increased credit to manufacturing enterprises.

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131. The construction sub-sector grew by 6.6 percent in the first quarter of 2026 and 6.0 percent in the second quarter of 2026, compared to 4.5 percent and 7.3 percent, respectively, in the corresponding quarters of 2025. The performance was supported by the settlement of pending bills, which improved cash flows for contractors and suppliers, the continued implementation of public infrastructure projects, and resilient private sector investment. These factors sustained construction activity, alongside increased production of construction materials, including cement and galvanised sheets.

132. The electricity and water supply sub-sector grew by 4.3 percent in the first quarter of 2026 and 7.7 percent in the second quarter of 2026, compared to 4.1 percent and 6.5 percent, respectively, in the corresponding quarters of 2025. The improved performance was supported by increased electricity generation from renewable sources, particularly geothermal and hydropower, coupled with reduced reliance on thermal generation.

133. In 2026, the **Services Sector** grew by 5.0 percent in the first quarter and 5.4 percent in the second quarter, compared to 4.8 percent and 5.3 percent, respectively, in the corresponding quarters of 2025. The sector's performance was supported by improved growth in the wholesale and retail trade, transport and storage, information and communication, real estate, and education sub-sectors.

134. The transportation and storage sub-sector grew by 3.6 percent in the first quarter of 2026 and 4.4 percent in the second quarter of 2026, compared to 3.6 percent and 3.3 percent, respectively, in the corresponding quarters of 2025. The performance was supported by increased activity across road, rail and water transport, reflected in higher consumption of light diesel, increased cargo and passenger traffic on the Standard Gauge Railway (SGR), and higher cargo throughput at the Port of Mombasa. These developments reflected sustained trade and logistics activity. However, international passenger arrivals through Jomo Kenyatta International Airport (JKIA) and Moi International Airport (MIA) declined, partly moderating the sub-sector's overall performance.

135. The accommodation and food service sub-sector grew by 14.7 percent in the first quarter of 2026 and 7.4 percent in the second quarter of 2026, compared to 8.0 percent and 12.8 percent, respectively, in the corresponding quarters of 2025. Although growth moderated in the second quarter, the sub-sector continued to benefit from the recovery in tourism and stronger demand for hospitality services.

136. The information and communication sub-sector grew by 5.0 percent in the first quarter of 2026 and 7.2 percent in the second quarter of 2026, compared to 5.5 percent and 5.9 percent, respectively, in the corresponding quarters of 2025. The performance was supported by increased domestic and international mobile voice traffic, and growth in mobile money transactions and internet usage, reflecting continued expansion in digital connectivity and communication services. However, domestic Short Messaging Services (SMS) traffic declined, mainly due to increased uptake of over-the-top messaging applications such as WhatsApp, reflecting changing consumer communication preferences.

137. The financial and insurance sub-sector grew by 6.3 percent in the first quarter of 2026 and 6.1 percent in the second quarter of 2026, compared to 5.3 percent and 7.1 percent, respectively, in the corresponding quarters of 2025. The performance was supported by increased credit to the private sector, alongside declining lending rates that eased borrowing costs and supported credit uptake.

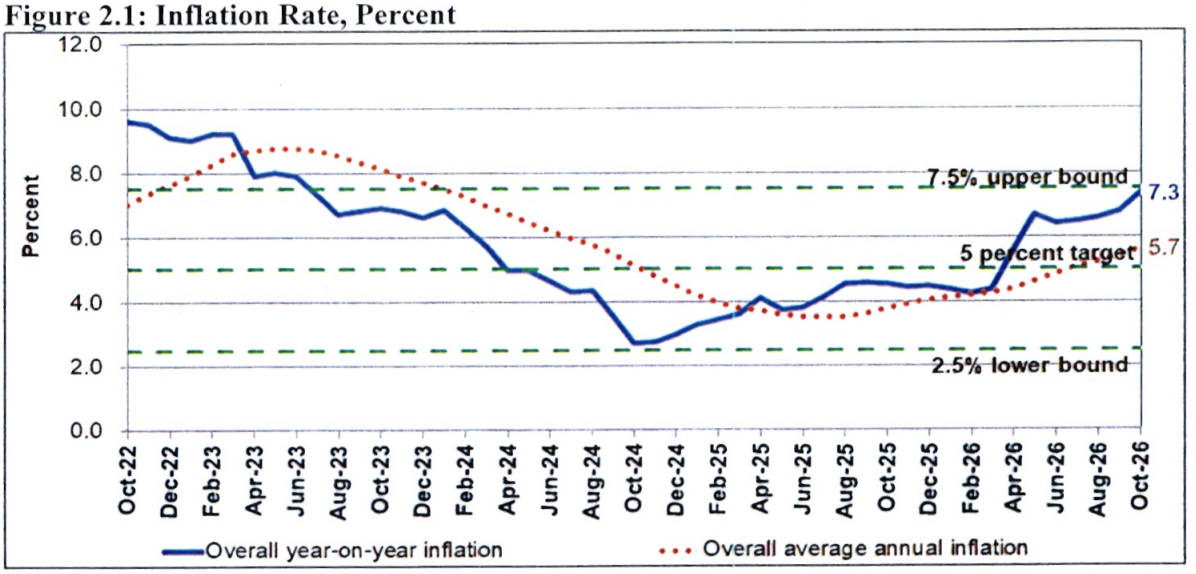
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Inflation Developments

138. Overall inflation increased to 7.3 percent in October 2026 from 4.6 percent in October 2025, driven by higher energy prices arising from the elevated global oil prices but remained within the target range of 5±2.5 percent **(Figure 2.1).** Core inflation increased to 4.3 percent in October 2026 from 2.7 percent in October 2025, mainly reflecting higher prices of processed food items, particularly milk and wheat products, and edible oils. Non-core inflation also rose to 15.1 percent from 9.9 percent over the same period, largely driven by relatively higher food and energy prices, including transport-related costs.

Figure 2.1: Inflation Rate, Percent



Source of Data: Kenya National Bureau of Statistics

139. Inflationary pressures may persist in the near term, reflecting continued upward pressure on domestic energy prices. In its latest review, covering the period 15th October to 14th November 2026, the Energy and Petroleum Regulatory Authority (EPRA) increased the maximum retail prices of super petrol by KSh 12.93 per litre, diesel by KSh 9.90 and kerosene by KSh 28.49. The increases reflected higher landed costs of imported petroleum products amid elevated global oil prices and supply disruptions associated with the conflict in the Middle East. These adjustments are likely to exert further pressure on transport and production costs, with potential spillover effects on consumer prices.

140. The Government continues to implement measures to cushion households and businesses against rising energy and food prices. The temporary reduction of VAT on petroleum products from 16 percent to 8 percent, initially due to expire in October 2026, was extended by a further 90 days following approval by Parliament in October 2026. The Government also continues to implement the fertiliser subsidy programme to support farmers' access to affordable inputs, reduce production costs and enhance domestic food production. These interventions are aimed at moderating the impact of rising commodity prices on the cost of living and supporting macroeconomic stability.

Interest Rates Developments

141. The Central Bank of Kenya, through the Monetary Policy Committee (MPC), has progressively eased monetary policy, reducing the Central Bank Rate (CBR) from 13.0 percent in July 2024 to 8.75 percent by October 2026 **(Figure 2.2).** The easing of monetary policy is expected to support private sector credit growth, lower the cost of borrowing and stimulate

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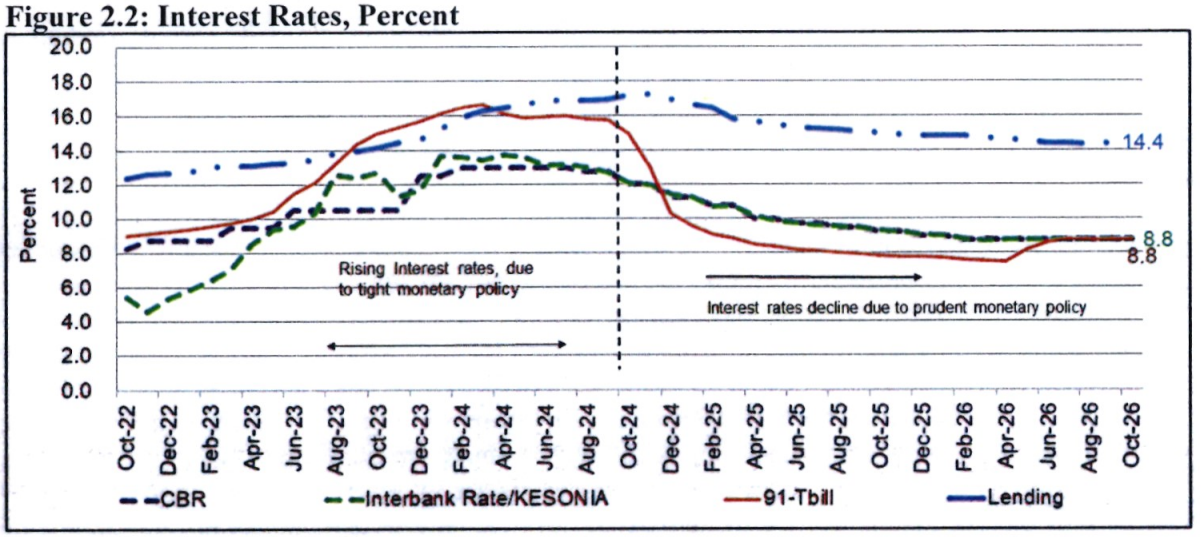
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economic activity, while maintaining price stability, anchoring inflation expectations and supporting exchange rate stability.

142. KESONIA (the Kenya Shilling Overnight Interbank Average) declined to 8.8 percent in October 2026 from 9.3 percent in October 2025, reflecting lower overnight interbank lending rates in line with the easing of monetary policy. Treasury bill rates recorded mixed movements over the same period. The 91-day and 182-day Treasury bill rates increased to 8.8 percent and 8.9 percent in October 2026, respectively, from 7.9 percent for both maturities in October 2025. In contrast, the 364-day Treasury bill rate declined to 9.0 percent from 9.4 percent over the same period. These movements reflect variations in investor preferences across maturities, influenced by expectations regarding future interest rates, investment horizons and the trade-off between returns and exposure to interest rate risk.

143. Average commercial banks' lending rates declined to 14.4 percent in September 2026 from 15.1 percent in September 2025, while average deposit rates decreased to 6.9 percent from 7.6 percent over the same period. Consequently, the interest rate spread remained unchanged at 7.5 percentage points, as both lending and deposit rates declined by 0.7 percentage points. The decline in lending rates is consistent with the easing of monetary policy and is expected to gradually lower borrowing costs and support private sector credit growth.

Figure 2.2: Interest Rates, Percent



Source of Data: Central Bank of Kenya

Monetary and Credit Developments

144. Broad money supply, M3, grew by 11.3 percent in the year to September 2026, compared to a growth of 7.1 percent in the year to September 2025 **(Table 2.3).** The improved growth of M3 was driven by higher growth in Net Foreign Assets (NFA) which grew by 61.3 percent in the year to September 2026, compared to a growth of 5.7 percent in the year to September 2025. The increase in NFA reflected higher official inflows and CBK operations, which resulted in a build-up of foreign currency reserves at the CBK, as well as an increase in external deposits held by commercial banks.

145. Net Domestic Assets (NDA) grew by 1.5 percent in the year to September 2026, compared to 7.3 percent in the year to September 2025, reflecting slower growth in domestic credit. Domestic credit extended by the banking system to Government contracted by 7.4 percent in the year to September 2026, compared to a growth of 38.1 percent over the same period in 2025, partly reflecting a moderation in the growth of Government borrowing from the domestic

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banking system. Lending to the rest of the public sector also declined, mainly reflecting net repayments by parastatals.

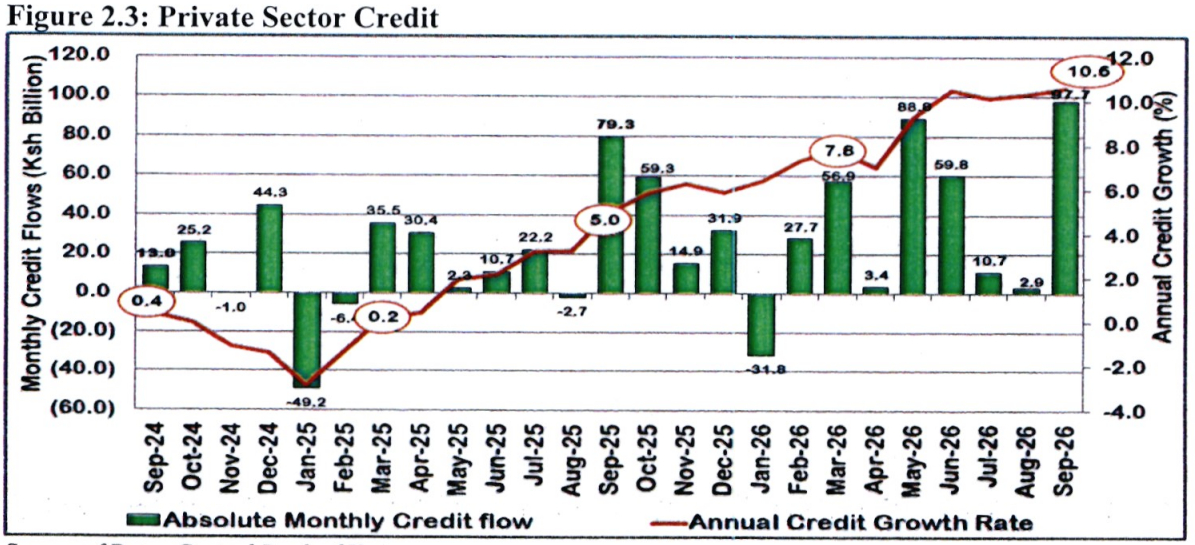
Table 2.3: Money and Credit Developments (12 Months to September 2026, KSh billion)

				Absolute Change		Percent Change	
	2024 September	2025 September	2026 September	2024-2025 September	2025-2026 September	2024-2025 September	2025-2026 September
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	1,972.8	2,324.2	2,641.4	351.4	317.2	17.8	13.6
1.1 currency outside banks (M0)	268.2	292.5	342.0	24.3	49.5	9.1	16.9
1.2 Demand deposits	1,603.4	1,930.4	2,167.7	327.0	237.3	20.4	12.3
1.3 Other deposits at CBK	101.1	101.3	131.7	0.2	30.4	0.2	30.1
2. Money supply, M2 (1+2.1)	4,043.5	4,488.1	4,994.8	444.6	506.7	11.0	11.3
2.1 Time and savings deposits	2,070.8	2,163.9	2,353.4	93.2	189.5	4.5	8.8
Money supply, M3 (2+3.1)	**5,381.4**	**5,761.1**	**6,411.9**	**379.6**	**650.8**	**7.1**	**11.3**
3.1 Foreign currency deposits	1,337.9	1,273.0	1,417.1	(64.9)	144.1	(4.9)	11.3
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	**893.3**	**943.9**	**1,522.1**	**50.7**	**578.2**	**5.7**	**61.3**
1.1 Central Bank	472.1	747.1	1,276.0	275.1	528.9	58.3	70.8
1.2 Banking Institutions	421.2	196.8	246.1	(224.4)	49.3	(53.3)	25.1
2. Net domestic assets (2.1+2.2)	**4,488.2**	**4,817.1**	**4,889.8**	**329.0**	**72.6**	**7.3**	**1.5**
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	5,565.6	6,368.6	6,614.9	803.0	246.3	14.4	3.9
2.1.1 Government (net)	1,693.0	2,337.4	2,165.0	644.5	(172.5)	38.1	(7.4)
2.1.2 Other public sector	83.6	51.4	48.1	(32.2)	(3.3)	(38.5)	(6.4)
2.1.3 Private sector	**3,789.1**	**3,979.8**	**4,401.8**	**190.7**	**422.0**	**5.0**	**10.6**
2.2 Other assets net	(1,077.4)	(1,551.5)	(1,725.1)	(474.0)	(173.6)	(44.0)	(11.2)

Source of Data: Central Bank of Kenya

146. Growth in commercial banks' lending to the private sector strengthened to 10.6 percent in September 2026, compared to 5.0 percent in September 2025 **(Figure 2.3).** The improved performance was broad-based, supported by increased credit to key sectors of the economy, particularly trade, building and construction, agriculture, finance and insurance, and consumer durables. Consistent with this trend, monthly net credit flows to the private sector increased to KSh 97.7 billion in September 2026 from KSh 79.3 billion in September 2025. The recovery in private sector credit growth reflects improved credit uptake amid the easing of monetary policy and declining commercial bank lending rates. This trend is expected to support business operations, investment and economic activity.

Figure 2.3: Private Sector Credit



Source of Data: Central Bank of Kenya

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External Sector Developments

147. The current account deficit widened to USD 4,471.3 million (3.1 percent of GDP) in the year to August 2026, compared to USD 2,805.9 million (2.1 percent of GDP) in the year to August 2025, mainly due to a higher trade deficit and lower secondary income transfers **(Table 2.4).** The current account balance was supported by resilient goods exports, increased service receipts and an improvement in net primary income. The current account deficit in the 12 months to August 2026 was more than fully financed by financial and capital account inflows.

148. The balance in the merchandise account deteriorated by USD 2,208.8 million to a deficit of USD 12,844.9 million in the year to August 2026, mainly due to an increase in import bill that more than offset the increase in exports. Goods exports increased by 11.8 percent, mainly driven by horticulture, tea, and machinery and transport equipment. Goods imports increased by 15.8 percent, reflecting higher imports of food, mineral fuels, and intermediate and capital goods. Services receipts increased by 8.7 percent mainly driven by travel services receipts.

149. The deficit on the primary account narrowed by USD 337.7 million to a deficit of USD 1,719.5 million in the year to August 2026, compared to the deficit of USD 2,057.2 million in same period the previous year. Remittance inflows remained resilient at USD 5,012.6 million in the 12 months to August 2026, supported by diversified source countries and Government policies to export skilled labour, although they declined slightly, mainly reflecting reduced inflows from the USA and Saudi Arabia.

150. The capital account balance decreased by USD 68.5 million to register a surplus of USD 175.5 million in the year to August 2026 compared to a surplus of USD 244.0 million in the same period in 2025. Net financial inflows improved to USD 7,408.5 million in the year to August 2026, compared to USD 5,530.6 million in the year to August 2025. This reflected an increase in net financial liabilities, which more than offset the decline in net acquisition of financial assets. The net financial inflows were mainly in the form of portfolio investments, direct investments, financial derivatives and other investments.

Table 2.4: Balance of Payments (USD Million)

			Year to August 2026		Actuals as a Percent of GDP	
	Aug-25	Aug-26	Absolute Change	Percent Change	Aug-25	Aug-26
Overall Balance	(2,901.2)	(3,557.7)	(656.5)	(22.6)	(2.1)	(2.4)
A) Current Account	(2,805.9)	(4,471.3)	(1,665.4)	(59.4)	(2.1)	(3.1)
Merchandise Account (a-b)	(10,636.1)	(12,844.9)	(2,208.8)	(20.8)	(7.8)	(8.8)
a) Goods: exports	12,873.5	14,390.7	1,517.2	11.8	9.5	9.9
b) Goods: imports	23,509.6	27,235.6	3,726.0	15.8	17.3	18.7
Net Services (c-d)	2,368.9	2,654.3	285.4	12.1	1.7	1.8
c) Services: credit	8,201.4	8,914.5	713.1	8.7	6.0	6.1
d) Services: debit	5,832.5	6,260.2	427.6	7.3	4.3	4.3
Net Primary Income (e-f)	(2,057.2)	(1,719.5)	337.7	16.4	(1.5)	(1.2)
e) Primary income: credit	438.5	504.6	66.1	15.1	0.3	0.3
f) Primary income: debit	2,495.7	2,224.1	(271.7)	(10.9)	1.8	1.5
Net Secondary Income	7,518.6	7,438.8	(79.8)	(1.1)	5.5	5.1
g) Secondary income: credit	7,574.2	7,559.4	(14.8)	(0.2)	5.6	5.2
of which Remittances	5,078.9	5,012.6	(66.3)	(1.3)	3.7	3.4
h) Secondary income: debit	55.6	120.6	65.0	116.9	0.0	0.1
B) Capital Account	244.0	175.5	(68.5)	(28.1)	0.2	0.1
C) Financial Account	(5,530.6)	(7,408.5)	(1,877.9)	(34.0)	(4.1)	(5.1)

Source of Data: Central Bank of Kenya

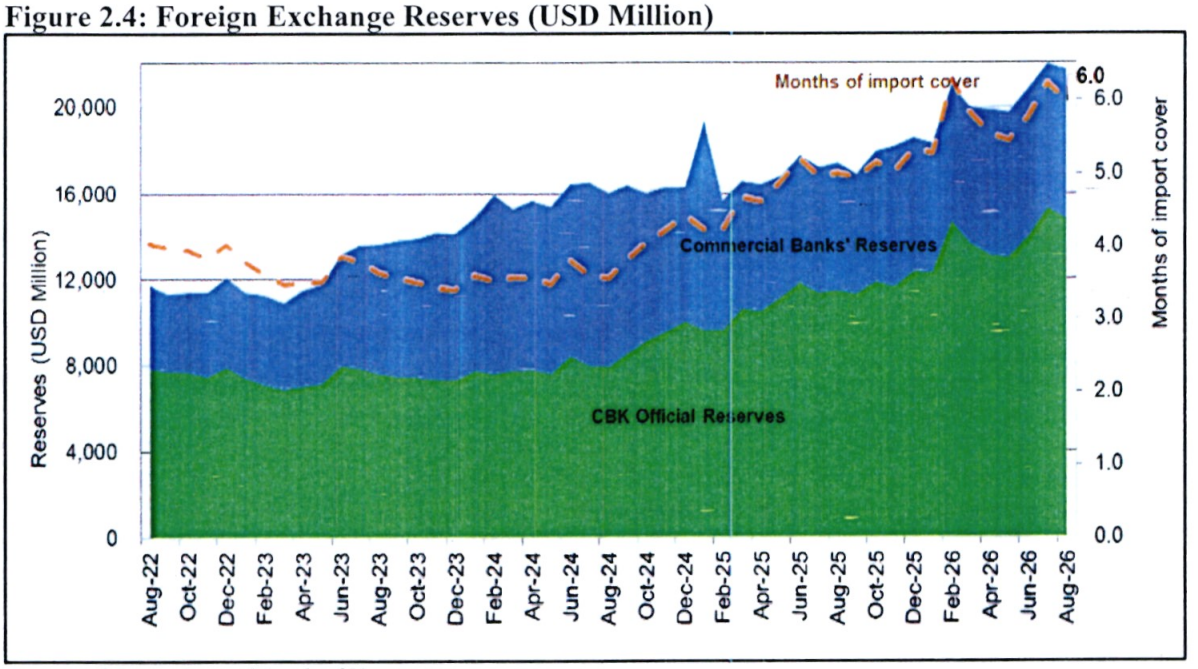
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Foreign Exchange Reserves

151. The banking system's foreign exchange holdings increased to USD 21,684.3 million in August 2026 from USD 17,408.5 million in August 2025. This was supported by an increase in official foreign exchange reserves held by the Central Bank of Kenya to USD 14,906.8 million, equivalent to 6.0 months of import cover, from USD 11,480.5 million (5.0 months of import cover) over the same period in 2025. Commercial banks' foreign exchange holdings also increased to USD 6,777.5 million from USD 5,928.0 million over the same period **(Figure 2.4).** As at 1st October, 2026, official foreign exchange reserves stood at USD 14,930 million, equivalent to 6.1 months of import cover. The improved reserve position strengthens the country's capacity to meet external obligations and provides a buffer against short-term domestic and external shocks.

Figure 2.4: Foreign Exchange Reserves (USD Million)



Source of Data: Central Bank of Kenya

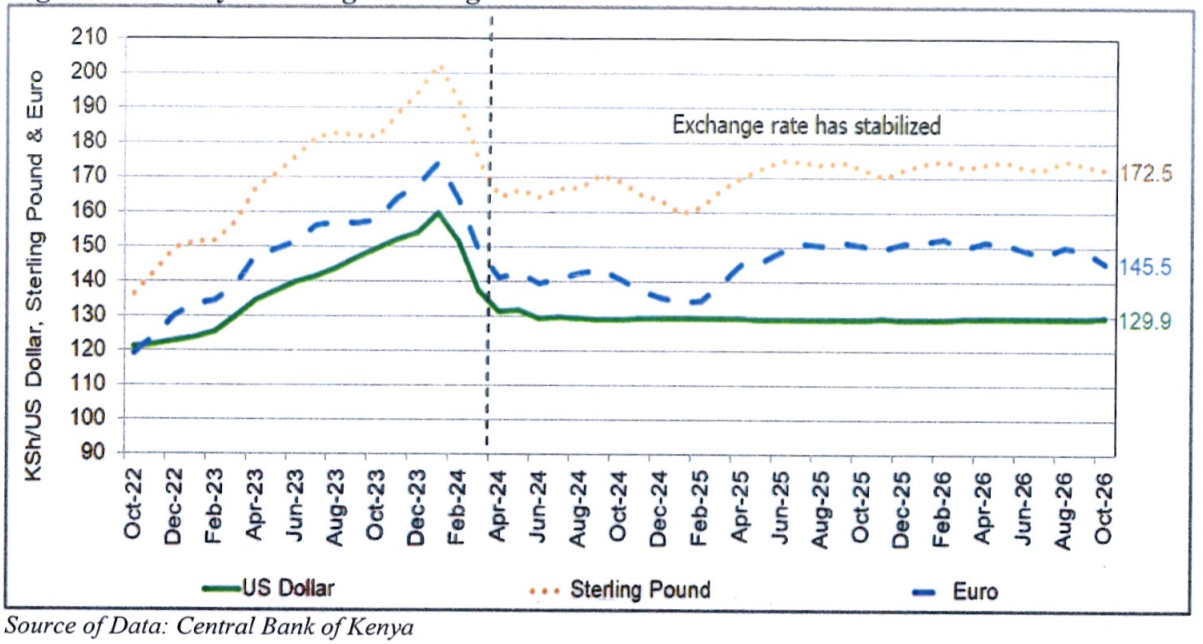
Exchange Rate Developments

152. The Kenya Shilling remained relatively stable against the US Dollar, averaging KSh 129.9 per USD in October 2026, compared to KSh 129.2 per USD in October 2025, representing a marginal depreciation of 0.5 percent. This reflected a significant appreciation from the peak of KSh 160.8 per USD recorded in January 2024. The Shilling also strengthened against the Sterling Pound, averaging KSh 172.5 per Pound in October 2026, compared to KSh 172.7 per Pound in October 2025, and against the Euro, averaging KSh 145.5 per Euro, compared to KSh 150.5 per Euro over the same period. The relative stability of the foreign exchange market was supported by adequate foreign exchange reserves and inflows from diaspora remittances and agricultural exports, which helped cushion the Shilling against external pressures **(Figure 2.5).**

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Figure 2.5: Kenya Shilling Exchange Rate



Source of Data: Central Bank of Kenya

Capital Markets Developments

153. Activities at the Nairobi Securities Exchange (NSE) improved significantly over the year, reflecting strengthened investor confidence and improved macroeconomic conditions. The NSE 20 Share Index increased by 31.5 percent to 4,098 points in October 2026, from 3,117 points in October 2025. The Index crossed the 4,000-point mark in August 2026 for the first time in nearly a decade. Similarly, market capitalisation surpassed KSh 4 trillion in August 2026, peaking at KSh 4.2 trillion on 28th August, before standing at KSh 3,997 billion in October 2026, representing a 34.7 percent increase over the same period in 2025 **(Figure 2.6).**

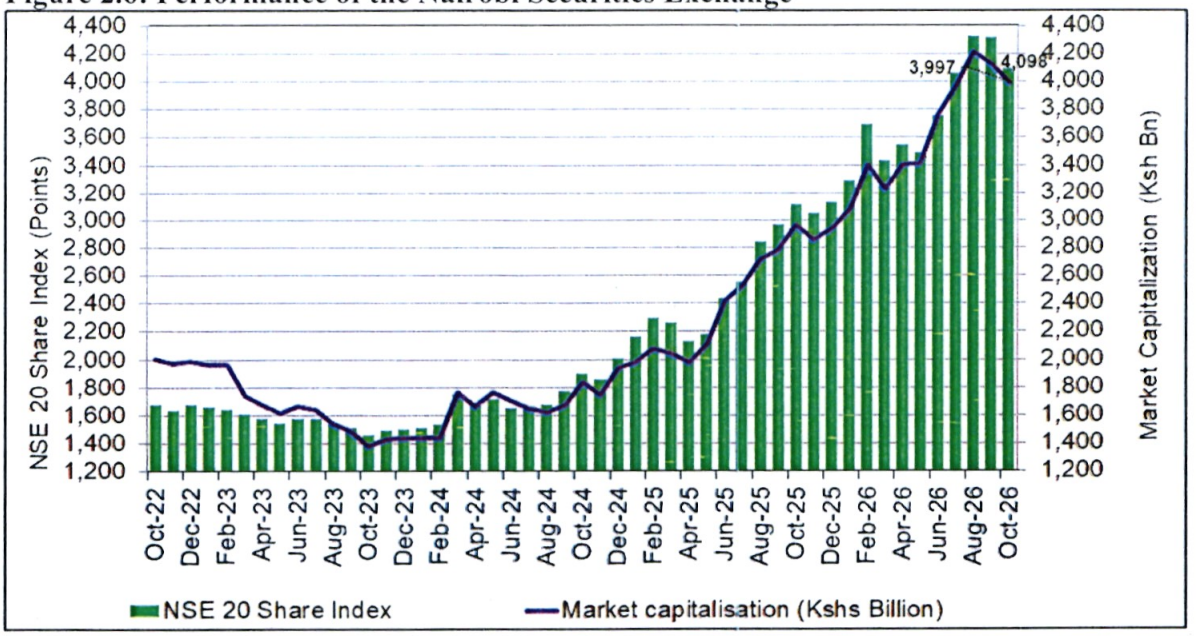
154. Trading activity at the NSE increased significantly, with equity turnover rising by 242.6 percent year-on-year to KSh 381.9 billion in the first seven months of 2026. Shares traded increased by 127.4 percent to 11.84 billion, while equity deals rose by 17.0 percent to over 514,000. This strong performance was supported by lower domestic interest rates, a relatively stable exchange rate, improved corporate earnings and major capital market transactions, including the successful Kenya Pipeline Company (KPC) Initial Public Offering (IPO) and the Government's partial divestiture of a 15 percent stake in Safaricom PLC to Vodacom.

155. Capital market participation also broadened, with over 70,000 Kenyans participating in the KPC e-IPO. The removal of the 100-share minimum investment requirement and the introduction of the Ziidi Trader platform lowered entry barriers for retail investors, while individual bond accounts nearly quadrupled year-on-year in the first quarter of 2026. These developments expanded access to investment opportunities and promoted wider participation in wealth creation.

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Figure 2.6: Performance of the Nairobi Securities Exchange



Source of Data: Nairobi Securities Exchange

2.3 Fiscal Performance

156. Budget implementation during the first quarter of FY 2026/27 was characterized by a shortfall in revenue against target and front-loaded expenditure as at end September 2026. The fiscal projections FY 2026/27 remain as in the approved budget.

Revenue Performance

157. By the end of September 2026, total revenue, including Ministerial Appropriation-in-Aid (A-I-A), amounted to KSh 819.5 billion against a target of KSh 859.9 billion **(Table 2.5)**. The revenue collection was below target by KSh 40.4 billion. This performance was attributed to a shortfall recorded in ordinary revenue of KSh 58.2 billion, which was partially offset by a surplus of KSh 17.8 billion in Ministerial A-I-A.

158. The ordinary revenue collection amounted to KSh 655.8 billion against a target of KSh 714.0 billion. The underperformance was recorded across most of the major revenue categories, particularly income tax, excise duty and value added tax (VAT), which were below target by KSh 25.4 billion, KSh 16.3 billion and KSh 10.1 billion, respectively. Import duty recorded an above-target performance of KSh 1.0 billion, collecting KSh 46.9 billion against a target of KSh 45.9 billion.

159. The Ministerial A-I-A collections amounted to KSh 163.6 billion against a target of KSh 145.9 billion, KSh 17.8 billion above the target. The performance of Ministerial A-I-A was supported by both Recurrent and Development A-I-A. Recurrent A-I-A amounted to KSh 94.2 billion against a target of KSh 86.0 billion, while Development A-I-A amounted to KSh 69.4 billion against a target of KSh 59.8 billion.

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Table 2.5: Fiscal Performance as at 30th September 2026 (KSh Million)

	Sep-25			Sep-26					
				KSh Billions			*% of GDP*		
	Prel. Act (KSh Billions)	*% of GDP*	*% Growth*	Target	Prel. Act	Deviation	Target	Prel. Act	*% Growth*
A. Total Revenue including External Grants	**712.6**	**3.83**	**2.0**	**864.5**	**822.0**	**(42.5)**	**4.2**	**3.9**	**15.4**
Total Revenue	709.6	3.81	1.8	859.9	819.5	(40.4)	4.1	3.9	15.5
1. Ordinary revenue	573.5	3.08	(2.9)	714.0	655.8	(58.2)	3.4	3.2	14.4
Import duty	40.5	0.22	17.0	45.9	46.9	1.0	0.2	0.2	15.8
Excise duty	73.9	0.40	8.5	94.3	78.1	(16.3)	0.5	0.4	5.7
Income tax	252.6	1.36	(2.3)	323.3	297.9	(25.4)	1.6	1.4	17.9
Value Added Tax	173.4	0.93	14.5	200.9	190.7	(10.1)	1.0	0.9	10.0
Other Revenue	33.1	0.18	(57.6)	49.6	42.2	(7.4)	0.2	0.2	27.5
2. Ministerial AIA	136.1	0.73	27.7	145.9	163.6	17.8	0.7	0.8	20.2
3. External Grants	2.9	0.02	110.7	4.6	2.5	(2.1)	0.0	0.0	(15.3)
B. Total Expenditure and Net Lending	**993.0**	**5.33**	**11.6**	**1,039.3**	**1,157.9**	**118.6**	**5.0**	**5.6**	**16.6**
1. Recurrent Expenditure	785.7	4.22	13.9	817.7	878.8	61.0	3.9	4.2	11.8
2. Development Expenditure	141.2	0.76	3.2	148.1	182.8	34.7	0.7	0.9	29.5
3. County Allocation	66.1	0.36	4.0	73.4	96.3	22.9	0.4	0.5	45.6
4. Contigency Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C. Balance Exclusive of Grants	**(283.4)**	**(1.5)**	**47.1**	**(179.4)**	**(338.4)**	**(158.9)**	**(0.9)**	**(1.6)**	**19.4**
D. Balance Inclusive of Grants	**(280.4)**	**(1.5)**	**46.6**	**(174.8)**	**(335.9)**	**(161.0)**	**(0.8)**	**(1.6)**	**19.8**
Discrepancy	*8.8*	0.0	(67.5)	*0.0*	*48.0*	48.0	0.0	0.2	448.6
E. Total Financing	(98.1)	(0.5)	(159.7)	174.8	383.9	209.0	0.8	1.8	(491.4)
1. Net Foreign Finance	(98.1)	(0.5)	74.2	(82.0)	(7.0)	75.0	(0.4)	(0.0)	(92.9)
2. Net Domestic Financing	339.7	1.82	53.9	256.8	390.9	134.0	1.2	1.9	15.1
GDP	**18,627**	**100.0**	**3.2**	**20,816.8**	**20,816.8**	**0.0**	**100.0**	**100.0**	**11.8**

Source of Data: The National Treasury

Expenditure Performance

160. The total expenditure and net lending for the period ending September 2026 amounted to KSh 1,157.9 billion, against a target of KSh 1,039.3 billion. The resultant above-target expenditure of KSh 118.6 billion is largely attributed to higher than targeted disbursements towards recurrent expenditure, development expenditure, and transfers to County Governments. Recurrent expenditure was above target by KSh 61.0 billion mainly due to higher than targeted expenditures on domestic interest, pensions, and other recurrent expenditure/net issues. Development expenditure was above target by KSh 34.7 billion mainly due to higher domestically financed expenditure, despite foreign-financed development expenditure recording a shortfall of KSh 12.4 billion. Transfers to County Governments were above target by KSh 22.8 billion, mainly due to higher disbursements towards the Equitable Share **(Table 2.5)**.

161. During the period to September 2026, the fiscal balance including grants amounted to a deficit of KSh 335.9 billion against a targeted deficit of KSh 174.9 billion. The deficit was financed by net domestic financing of KSh 390.9 billion, which more than offset a net foreign repayment of KSh 7.0 billion, with the balance of KSh 48.0 billion reflected as a discrepancy **(Table 2.5)**. To keep the FY 2026/27 outturn within the approved deficit, the National Treasury will align exchequer releases with cash-flow plans and revenue performance, contain non-priority spending and intensify revenue collection over the rest of the financial year.

2.4 Kenya's Macroeconomic Policy Outlook

162. Kenya's economic growth is projected at 5.0 percent in 2026, down from the 5.3 percent projected in the 2026 Budget Policy Statement, reflecting the adverse effects of the ongoing Middle East conflict, particularly higher energy prices and supply chain disruptions. Growth is expected to improve slightly to 5.1 percent in 2027, supported by stronger performance in the industry and services sectors, alongside an anticipated moderation in external pressures **(Table 2.6)**.

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163. These projections are set against a global economy expected to grow by 3.1 percent in 2026 and 3.4 percent in 2027. Global growth in 2026 is weighed down by the effects of the Middle East conflict on energy supplies and prices, partly offset by continued investment in technology, particularly artificial intelligence, with growth recovering in 2027 as the energy shock subsides.

Table 2.6: Kenya's Macroeconomic Indicators and Projections

	2024 Act.	2025 Act.	2026 Est.	2027 Proj.	2028 Proj.	2029 Proj.	2030 Proj.
annual percentage change, unless otherwise indicated							
National Account and Prices							
Real GDP	4.7	4.6	5.0	5.1	5.2	5.3	5.3
Primary Sector	3.8	3.7	3.3	3.7	3.7	3.7	3.9
- of which: Agricuture	4.6	3.1	2.9	3.2	3.2	3.1	3.2
Secondary Sector	1.5	4.1	4.6	4.6	5.0	5.4	5.5
Tertiary Sector	6.1	5.0	5.5	5.9	5.9	6.1	6.0
GDP deflator	3.2	3.5	6.7	5.3	5.2	5.2	4.0
CPI Index (eop)	4.5	4.5	5.6	5.1	5.0	4.5	4.5
CPI Index (avg)	4.5	4.1	6.0	5.2	5.0	5.0	4.0
Terms of trade (-deterioration)	-0.6	-0.2	4.3	4.0	3.7	3.8	3.8
Money and Credit (end of period)							
Net domestic assets	3.1	5.9	8.3	9.8	9.6	9.4	9.4
Net domestic credit to the Government	3.9	19.0	7.8	8.3	7.8	7.1	4.7
Credit to the rest of the economy	3.1	6.4	10.1	9.6	9.3	9.5	10.8
Broad Money, M3 (percent change)	7.2	9.5	11.3	11.0	10.7	10.4	10.2
Reserve money (percent change)	7.9	6.3	9.7	8.4	10.6	10.3	10.0
in percentage of GDP, unless otherwise indicated							
Investment and Saving							
Consumption	**88.5**	**88.2**	**88.3**	**87.9**	**87.4**	**87.1**	**86.7**
Central Government	11.2	11.2	11.4	11.1	10.6	10.3	10.0
Private	76.6	76.3	76.4	76.4	76.4	76.4	76.4
Final consumption expenditure by NPISH	0.7	0.6	0.6	0.5	0.5	0.4	0.4
Gross Fixed Capital Investment	**16.5**	**17.0**	**17.7**	**17.7**	**17.9**	**18.4**	**18.3**
Central Government	4.2	4.3	4.3	4.4	4.6	4.6	4.7
Private	12.3	12.7	13.4	13.3	13.3	13.8	13.6
Gross National Saving	**15.0**	**14.8**	**14.5**	**14.3**	**14.9**	**15.3**	**15.2**
Central Government	0.1	-0.1	-0.4	-0.5	0.5	1.3	1.9
Private	14.9	15.0	14.9	14.8	14.4	14.0	13.2
Exports value, goods and services	16.9	15.6	14.9	14.5	14.2	14.1	13.7
Imports value, goods and services	23.1	22.0	21.7	21.2	20.3	19.6	19.0
Current Account Balance	-1.5	-2.1	-3.2	-3.4	-3.1	-3.1	-3.1
Gross reserves in months of next yr's imports	4.0	4.2	4.4	4.6	4.6	4.7	4.9
Gross reserves in months of this yr's imports	4.3	4.6	4.7	4.8	4.9	5.0	5.1
Central Government Budget in Fiscal Years							
Total revenue	17.3	17.3	17.2	17.4	17.1	17.4	17.7
Total Expenditure and Net Lending	23.1	23.5	24.1	23.2	22.8	22.4	22.1
Overall Fiscal Balance excl. Grants	-5.8	-6.2	-6.9	-5.7	-5.7	-5.0	-4.3
Overall Fiscal Balance, incl. Grants	-5.6	-6.0	-6.8	-5.5	-5.4	-4.6	-4.0
Statistical discrepancy	-0.1	0.1	-0.1	0.0	0.0	0.0	0.0
Overall Fiscal Balance, incl. Grants, Cash Basis	-5.3	-6.0	-6.8	-5.5	-5.4	-4.6	-4.0
Primary Budget Balance	0.1	-0.2	-1.0	0.5	0.4	0.9	1.4
Net domestic borrowing	3.8	5.1	5.3	4.3	2.9	3.6	2.3
Public debt in Fiscal years							
Nominal Government Public Debt (eop), Gross	67.7	69.9	69.9	69.4	68.0	66.1	64.0
Nominal Public Debt (eop), Net of Deposits	64.3	67.9	67.9	67.6	66.4	64.6	62.7
Domestic (Gross) Debt	34.6	37.4	39.3	39.7	38.7	38.6	37.3
Domestic (Net) Debt	31.2	35.4	37.4	37.9	37.1	37.1	36.0
External Debt	33.1	32.5	30.5	29.7	29.3	27.5	26.6
Memorandum Items:							
Nominal GDP (in Ksh Billion) in calender years*	16,232	17,578	19,677	21,780	24,108	26,703	29,251
Per capita income (Ksh) in calendar years	309,609	329,594	361,775	392,484	425,930	462,642	497,096
Nominal GDP (in US$ Million) in calendar years	120,400	135,944	151,182	166,751	183,517	202,675	224,056
* Nominal GDP in Fiscal Years in Annex Table 2							

Source: The National Treasury

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164. Kenya's growth projection will be anchored by a robust agricultural sector, steady expansion in services, and a gradual rebound in industry. Agricultural growth will depend on weather conditions, input costs and the performance of key value chains. Industrial sector growth is expected to remain strong on account of a robust construction sector, driven by the affordable housing programme, ongoing infrastructure projects, continued settlement of pending bills, and implementation of Public Private Partnerships. The private sector has been driving a large component of construction activities, supported by lower commercial banks' lending rates. The Services sector is expected to remain resilient, supported by continued digitization, sustained activity in key sub-sectors, particularly financial and insurance services, trade, tourism, and information and communication technology.

165. Domestic demand is expected to remain resilient, supported by private sector credit growth, lower commercial bank lending rates and continued investment. The easing of monetary policy is expected to support borrowing, consumption and productive investment, while a relatively stable exchange rate and adequate foreign exchange reserves provide a buffer against external shocks. Nevertheless, elevated global energy prices associated with the Middle East conflict are likely to sustain cost pressures and constrain household purchasing power. Inflation is expected to remain within the 5±2.5 percent target range, although the outlook remains subject to uncertainty surrounding global oil prices and supply chains.

166. Private sector investment will be supported by measures to improve competitiveness, reduce regulatory bottlenecks and strengthen market efficiency. Positive investor sentiment, improved access to international capital markets, continued fiscal consolidation, and a more stable exchange rate anchored on credible monetary policy and sound liability management will further enhance Kenya's investment climate. Public Private Partnerships (PPPs) are expected to play a major role in closing infrastructure gaps. The National Treasury continues to develop key policy instruments, including Regulations under the PPP Act, 2021, and related guidelines and procedure manuals. As at 30th September 2026, there were 61 PPP projects on the National List of PPP Projects at various stages of the PPP project cycle. In FY 2026/27, the Government projects to mobilize a total of KSh 96 billion in private capital investment in PPPs. Key projects targeted during the period to enable mobilization of the above amount include Power Transmission Lines sponsored by Africa 50 and PowerGrid; the KNH Staff and Caregiver Accommodation project; the Sabaki Water Carrier Project; Eldoret Solar Power Plant & Solar Powered Street Lighting; Supply of Smart Driving Licences and Associated Services; Konza Cloud Expansion and Smart city facilities; and the debt financing component of Rironi - Gilgil (A8) & Rironi - Maai Mahiu – Naivasha (A8 South) and Gilgil – Nakuru – Mau Summit (A8) road projects. In FY 2027/28, the Government aims to mobilize a total of KSh 100 billion private capital investment in PPPs. Key targeted projects include: the University of Nairobi Purpose Built Student Accommodation (UoN PBSA) Project; the Moi Teaching and Referral Hospital (MTRH) Expansion of Teaching and Student Accommodation Facilities at the College of Health Sciences; the Meru Cancer Care Centre Project; the Nairobi–Mombasa Expressway Project; the Commercial Spaceport Development Project; the Development of Kenya's Diplomatic Properties; and the Kenya Prisons Staff Housing Project.

167. The Government will strengthen PPP project preparation and delivery by prioritizing the inclusion of measurable PPP targets in the performance contracts and annual work plans of Ministries, Departments and Agencies (MDAs). The initiative will initially focus on MDAs with PPP projects targeted to achieve Financial Close in FY 2027/28 and will subsequently be extended to other MDAs with active PPP project pipelines. To support this, the Government will, over the medium term, provide for an annual allocation to the PPP Project Facilitation Fund (PFF) equivalent to 5.0 percent of the private investment mobilized through PPP projects that reached financial close in the preceding financial year, to support project screening,

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identification, preparation and structuring, including feasibility studies, transaction advisory and other project development activities. The ongoing privatisation of selected State-owned enterprises will complement these efforts by improving efficiency, attracting domestic and foreign investors, and creating fiscal space for priority development programmes.

168. Growth in public consumption is expected to remain modest, consistent with the medium-term fiscal adjustment. Recurrent expenditure as a share of GDP is projected to decline gradually, while development spending is expected to rise to support implementation of BETA priorities. To ease private sector liquidity and stimulate economic activity, the Government will continue to clear pending bills, particularly in the roads sector, facilitated through a bond issuance by the Kenya Roads Board.

169. The external sector outlook remains subject to pressures from heightened geopolitical tensions and elevated global energy prices. The current account deficit is projected to widen to 3.2 percent of GDP in 2026 from 2.1 percent in 2025, mainly reflecting increased imports of mineral fuels on account of higher international oil prices. These pressures are expected to be partly mitigated by export earnings from agriculture, manufactured goods and tourism, alongside continued remittance inflows. Adequate foreign exchange reserves and inflows from official financing, portfolio investment and foreign direct investment are expected to support external stability. Nevertheless, the outlook remains subject to risks from further increases in global commodity prices, supply chain disruptions and tighter external financing conditions.

2.4.1 Monetary Policy Management

170. Monetary policy is aimed at keeping inflation low and stable, preserving financial stability and supporting sustainable growth. Inflation-targeting is now firmly established as the anchor of the framework, with a target range of 5±2.5 percent. Separate measures of core and non-core inflation allow the Central Bank of Kenya (CBK) to look through temporary food and fuel price shocks and respond to underlying price trends. With inflation held within the target range despite several domestic and external shocks, the Monetary Policy Committee has been able to ease its policy stance, lowering the Central Bank Rate to 8.75 percent in February 2026. The lower rate has helped bring down borrowing costs and supported a recovery in lending to the private sector.

171. CBK has made steady progress in modernizing its monetary policy operations, in line with the White Paper on Modernization of the Monetary Policy Framework and Operations. The Kenya Shilling Overnight Interbank Average (KESONIA) was introduced in August 2025 as the benchmark risk-free rate for the economy. In February 2026, the interest rate corridor around the Central Bank Rate was narrowed from ±75 to ±50 basis points, keeping short-term market rates closer to the policy rate. CBK has also completed its transition to a full inflation-targeting regime. Together, these reforms make policy signals clearer and more predictable for markets, households and businesses.

172. Since September 2025, banks have priced all variable-rate loans using the revised Risk-Based Credit Pricing Model. Under this model, a loan's interest rate equals KESONIA plus a premium reflecting the bank's costs and the borrower's risk. Because loan pricing now moves with the policy rate, changes in monetary policy reach borrowers faster. Borrowers can also compare lending rates, premiums and fees across banks, since these are disclosed on bank websites and the Total Cost of Credit platform, which encourages competition in the credit market.

173. The financial safety net is also being strengthened. To enhance banking-sector resilience and modernize the supervisory framework, CBK has reviewed the Prudential Guidelines and Risk Management Guidelines to align them with international standards and emerging best

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practices. The revised guidelines, together with revised Guidance Notes and a framework for Domestic Systemically Important Banks (D-SIBs), have been issued for public consultation. CBK has also developed frameworks for Emergency Liquidity Assistance and a Financial Stability Facility, and the supporting legal amendments are at an advanced stage. These will allow CBK to act as lender of last resort while keeping crisis support distinct from routine monetary operations. In addition, the National Treasury and partner agencies are developing a macroprudential policy and crisis management framework. The upgrade of the national payments infrastructure, including extended operating hours for the Kenya Electronic Payment and Settlement System, is further supporting the move towards a round-the-clock digital economy.

174. Over the medium term, CBK will focus on: keeping inflation expectations well anchored, particularly given risks from higher global oil prices; deepening the pass-through of policy decisions to lending rates; sustaining growth in private sector credit; and operationalizing the macroprudential and crisis management frameworks. Close coordination between monetary, fiscal and regulatory authorities will remain essential to preserving macroeconomic and financial stability.

2.4.2 Fiscal Policy and Outlook

175. The fiscal policy approach for FY 2027/28 and the medium term is designed to support the Government's key initiatives under BETA and the Fourth Medium Term Plan through a growth-oriented fiscal consolidation plan. The Government will pursue fiscal consolidation to moderate growth in public debt, reinforce debt sustainability through liability management operations, and safeguard the quality of public service delivery. These measures are expected to strengthen the country's debt sustainability. Fiscal consolidation efforts will focus on improving domestic revenue collection, optimizing and reprioritizing expenditures, and protecting critical Government programs and social spending.

176. The fiscal projections for FY 2026/27 remain as set out in the approved budget. However, the fiscal projections for FY 2027/28 and the medium term have been revised from those in the 2026 Budget Review and Outlook Paper, taking into account the FY 2025/26 fiscal outturn and the available resource envelope. Over the medium term, total revenue including A-I-A is projected to rise from 17.1 percent of GDP in FY 2027/28 to 17.9 percent of GDP in FY 2030/31. Of this, ordinary revenue is projected to rise from 14.2 percent of GDP in FY 2027/28 to 14.9 percent of GDP in FY 2030/31. Total expenditure and net lending is projected to decline from 22.8 percent of GDP in FY 2027/28 to 21.8 percent in FY 2030/31. Recurrent expenditure is projected to decline from 16.6 percent of GDP in FY 2027/28 to 15.5 percent of GDP in FY 2030/31, while development expenditure is projected to rise from 4.0 percent of GDP in FY 2027/28 to 4.4 percent of GDP in FY 2030/31 **(Table 2.7)**.

177. In line with the fiscal consolidation plan, the overall fiscal deficit is projected to decline gradually from 5.4 percent of GDP in FY 2027/28 to 3.6 percent of GDP in FY 2030/31. This will improve the country's debt position and ensure that the development agenda is sustainably funded.

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Table 2.7: Fiscal Framework

	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
	PREL	PREL	BUDGET	2027 BPS Projections			
TOTAL REVENUE	2,923.6	3,198.8	3,630.6	3,923.1	4,417.9	4,962.5	5,521.6
Ordinary revenue	2,420.2	2,588.4	2,985.7	3,249.2	3,655.0	4,136.9	4,601.3
Ministerial Appropriation in Aid	503.4	610.4	644.8	673.8	762.9	825.6	920.2
Grants	19.9	20.7	43.6	83.7	87.9	98.9	101.9
TOTAL EXPENDITURE	3,975.9	4,484.2	4,819.4	5,235.7	5,680.8	6,175.8	6,730.8
Recurrent Expenditure	2,948.4	3,285.3	3,565.6	3,810.2	4,069.2	4,387.8	4,765.8
of which CFS	1,206.2	1,284.3	1,501.3	1,571.0	1,661.1	1,779.4	1,887.8
Ministerial Net	1,441.5	1,656.4	1,699.6	1,857.8	2,015.7	2,201.6	2,426.5
Development	582.9	731.5	751.8	919.1	1,092.5	1,222.6	1,348.3
County Transfer	444.6	467.3	502.0	506.5	519.1	565.4	616.7
BALANCE INCLUSIVE OF GRANTS	(1,032.5)	(1,264.7)	(1,145.2)	(1,229.0)	(1,174.9)	(1,114.4)	(1,107.3)
Adjustments to cash basis	-	-	-	-	-	-	-
BALANCE INCLUSIVE OF GRANTS	(1,032.5)	(1,264.7)	(1,145.2)	(1,229.0)	(1,174.9)	(1,114.4)	(1,107.3)
Discrepancy	-	-	(0.0)	-	-	-	-
TOTAL FINANCING	1,032.5	1,264.7	1,145.2	1,229.0	1,174.9	1,114.4	1,107.3
NET FOREIGN FINANCING	179.7	267.3	247.2	570.0	260.5	466.5	663.4
NET DOMESTIC FINANCING	852.8	997.3	898.0	659.0	914.4	647.9	443.9
PRIMARY BALANCE	(37.4)	(190.3)	109.0	85.9	223.9	389.9	491.5
Nominal GDP	16,904.9	18,627.5	20,816.8	22,943.9	25,405.6	27,977.3	30,824.7
As a Share of GDP							
TOTAL REVENUE	17.3	17.2	17.4	17.1	17.4	17.7	17.9
Ordinary revenue	14.3	13.9	14.3	14.2	14.4	14.8	14.9
Ministerial Appropriation in Aid	3.0	3.3	3.1	2.9	3.0	3.0	3.0
Grants	0.1	0.1	0.2	0.4	0.3	0.4	0.3
TOTAL EXPENDITURE	23.5	24.1	23.2	22.8	22.4	22.1	21.8
Recurrent Expenditure	17.4	17.6	17.1	16.6	16.0	15.7	15.5
of which CFS	7.1	6.9	7.2	6.8	6.5	6.4	6.1
Ministerial Net	8.5	8.9	8.2	8.1	7.9	7.9	7.9
Development	3.4	3.9	3.6	4.0	4.3	4.4	4.4
County Transfer	2.6	2.5	2.4	2.2	2.0	2.0	2.0
BALANCE INCLUSIVE OF GRANTS	(6.1)	(6.8)	(5.5)	(5.4)	(4.6)	(4.0)	(3.6)
Adjustments to cash basis	-	-	-	-	-	-	-
BALANCE INCLUSIVE OF GRANTS	(6.1)	(6.8)	(5.5)	(5.4)	(4.6)	(4.0)	(3.6)
Discrepancy	-	-	(0.0)	-	-	-	-
TOTAL FINANCING	6.1	6.8	5.5	5.4	4.6	4.0	3.6
NET FOREIGN FINANCING	1.1	1.4	1.2	2.5	1.0	1.7	2.2
NET DOMESTIC FINANCING	5.0	5.4	4.3	2.9	3.6	2.3	1.4
PRIMARY BALANCE	(0.2)	(1.0)	0.5	0.4	0.9	1.4	1.6
Nominal GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source of Data: National Treasury

2.4.2.1 Domestic Revenue Mobilization

178. The Government will implement a mix of tax policy and administrative measures to boost revenue collection while supporting economic activity. In the FY 2027/28 and over the medium term, the Government will focus on domestic resource mobilization efforts that include:

i) Continued implementation of the National Tax Policy and the Medium-Term Revenue Strategy to progressively strengthen tax revenue mobilization by simplifying and harmonizing tax laws, rationalizing and targeting tax expenditures, and creating a simple, predictable and fair tax system.

ii) Deepening tax administration reforms through sustained investment in technology to modernize the tax framework, improve compliance, broaden the tax base, strengthen customs valuation, and seal revenue leakages.

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

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Rationalization of Tax Expenditures

179. The Government will continue to rationalise tax expenditures to enhance revenue mobilisation, improve the efficiency of the tax system and create fiscal space to support priority programmes. The 2026 Tax Expenditure Report indicates that total tax expenditure declined from a revised figure of KSh 284.4 billion (1.75 percent of GDP) in 2024 to KSh 262.6 billion (1.49 percent of GDP) in 2025 **(Table 2.8).** This decline reflects, among other factors, ongoing efforts to rationalize tax incentives and improve the efficiency of the tax system.

Table 2.8: Tax Expenditures by Categories, 2021–2025

Tax Expenditure Category	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
	Amount in KSh Million					Share of Total Expenditure %				
Personal income tax	5,522	7,163	7,830	7,654	10,043	2.4	2.4	2.1	2.7	3.8
Corporation income tax	42,343	47,559	35,565	21,391	30,515	18.1	15.7	9.7	7.5	11.6
VAT domestic	131,711	157,772	215,834	188,498	175,823	56.2	52.2	58.7	66.3	66.9
VAT Import	36,781	53,167	26,733	15,960	12,769	15.7	17.6	7.3	5.6	4.9
Domestic Excise Duty	7,682	8,036	10,466	14,154	18,915	3.3	2.7	2.8	5.0	7.2
Import Excise Duty	12	6	1,090	675	225	0.0	0.0	0.3	0.2	0.1
Import Duty	4,825	13,589	63,049	33,423	8,209	2.1	4.5	17.1	11.8	3.1
IDF	4,455	11,832	5,545	1,671	3,255	1.9	3.9	1.5	0.6	1.2
RDL	1,099	2,901	1,587	1,003	2,865	0.5	1.0	0.4	0.4	1.1
Total Tax Expenditure	**234,431**	**302,026**	**367,699**	**284,427**	**262,620**	**100**	**100**	**100**	**100**	**100**
Total Tax Expenditure as % of GDP	**1.95**	**2.24**	**2.45**	**1.75**	**1.49**					

+Revised

Source of Data: Kenya Revenue Authority

180. Domestic VAT remained the largest source of tax expenditure in 2025, amounting to KSh 175.8 billion, or 66.9 percent of total tax expenditure. This represented a decline from KSh 188.5 billion in 2024, mainly due to reduced tax expenditure on zero-rated and exempt supplies. Similarly, tax expenditure on import VAT declined by 20 percent, from KSh 16.0 billion in 2024 to KSh 12.8 billion in 2025, reflecting lower values of qualifying import VAT reliefs and changes in the composition of reliefs following the application of benchmark screening. These trends underscore the importance of continued review and rationalisation of VAT-related incentives to strengthen domestic revenue mobilisation and support fiscal sustainability.

181. Tax expenditure on Personal Income Tax increased by 29.9 percent, from KSh 7.7 billion in 2024 to KSh 10.0 billion in 2025, mainly due to higher tax expenditure associated with exemptions granted to persons with disabilities. Similarly, tax expenditure on Corporate Income Tax rose by 42.5 percent, from KSh 21.4 billion in 2024 to KSh 30.5 billion in 2025, largely reflecting an increase in investment allowances claimed on industrial buildings. Tax expenditure on Domestic Excise Duty increased from KSh 14.1 billion in 2024 to KSh 18.9 billion in 2025, mainly due to higher exemptions on Completely Knocked Down (CKD) units. In contrast, Import Excise Duty tax expenditure declined from KSh 0.67 billion to KSh 0.22 billion, reflecting reduced raw sugar imports for processing.

182. Tax expenditure on Import Duty fell by 75.4 percent, from KSh 33.4 billion to KSh 8.2 billion, mainly due to lower reliefs on duty-free milled rice and animal feed raw materials, partly offset by increased reliefs under the Essential Goods Support Programme (EGSP) and on milled sugar. Conversely, tax expenditure on the Import Declaration Fee (IDF) and Railway Development Levy (RDL) increased by 94.8 percent and 185.8 percent, respectively, driven by

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higher values of exempt imports, particularly capital goods, investment-related equipment and renewable energy equipment.

183. The decline in overall tax expenditure reflects progress in rationalising tax incentives and improving the efficiency of the tax system. Nevertheless, the varying trends across tax heads and the significant revenue forgone underscore the need for continued assessment of the costs, effectiveness and contribution of tax incentives to national development priorities.

184. Going forward, the Government will undertake impact analysis of tax expenditures to evaluate their economic and social benefits against the associated fiscal costs. In addition, the Government will operationalize a Tax Expenditure Management Framework to inform: i) Regular estimation and reporting of tax expenditures and systematic evaluation of priority incentives against their fiscal costs and intended economic and social benefits; ii) Evidence-based decisions on retaining, redesigning or rationalizing incentives; and iii) Documentation of the legal basis, policy objectives, beneficiaries and duration of material incentives, and provide for monitoring approved recommendations.

2.4.2.2 Expenditure Reforms

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

i) Full implementation of the e-Government Procurement system by all Procuring Entities;

ii) Full implementation of the Treasury Single Account, including automation of County Government exchequer processes, and integration of State Corporations and SAGAs' daily cash balances to enhance visibility of accounts held in commercial banks;

iii) Completing the transition from cash-based to full accrual-based accounting across the public sector to improve the transparency, completeness and accuracy of Government financial reporting in line with IPSAS;

iv) Consolidating the public service pension reforms through the digitisation and automation of pension administration under the end-to-end Pension Management Information System;

v) Strengthening implementation of the Human Resource Information System – Kenya (HRIS-Ke), to automate payroll processing and facilitate the simultaneous computation and remittance of pension contributions and other statutory deductions;

vi) Continued use of the Public-Private Partnerships framework in the implementation of commercially viable projects; and

vii) Entrenching zero-based budgeting to re-orient the budgeting and expenditure framework of the Government.

Implementation of Treasury Single Account

186. To strengthen public cash management, the Government is implementing the Treasury Single Account (TSA) in three phases. Kenya has adopted a hybrid TSA model under which entities retain linked transaction accounts whose balances are swept to the main TSA account at the Central Bank of Kenya at the end of each day. The TSA unifies government banking arrangements, reduces idle balances held in commercial banks, provides timely visibility of public cash resources, and supports orderly clearance of pending bills by enabling payment of invoices according to their age. Phase I was completed with the migration of all Ministries,

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Departments and Agencies (MDAs) to the TSA with effect from 1st July 2025, achieving 100 percent coverage. The reform has already yielded savings: in FY 2025/26, the cost of overdraft financing from the Central Bank of Kenya declined by 58 percent.

187. In FY 2026/27, the Government is extending the TSA framework to County Governments. This starts with completing the automation of county exchequer requisition processes, after which counties will progressively migrate to a TSA architecture mirroring that of the National Government. The rollout is being undertaken in consultation with the Intergovernmental Budget and Economic Council, the Council of Governors and the Senate, to safeguard the fiscal autonomy of counties.

Accrual Accounting

188. To strengthen fiscal reporting and give a complete picture of what the Government owns and owes, the Government is transitioning from cash-basis to accrual-basis accounting under International Public Sector Accounting Standards (IPSAS). The transition covers the National Government, MDAs, County Governments and their entities. It is being implemented over three years, from 1 July 2024 to 30 June 2027, in line with IPSAS 33 on first-time adoption of accrual accounting. The reform is being implemented as a whole-of-government PFM transformation:

i) Approval and oversight: Cabinet approved the transition in 2024, and a National Steering Committee coordinates implementation;

ii) Guidance: The National Treasury issued the 2025 Guidelines on Transition from Cash to Accrual Accounting, together with a transition roadmap; and

iii) Technical workstreams: These cover accounting, budgeting and reporting; IFMIS re-engineering; asset management; county implementation; capacity building; stakeholder engagement; and monitoring and compliance.

189. As at 30th June 2026, the transition had completed its second year. In Year 1 (FY 2024/25), entities recognized financial assets and financial liabilities, and audited accrual-based figures for FY 2024/25 are now available. In Year 2 (FY 2025/26), entities prepared the second set of transitional financial statements, adding inventories under IPSAS 12 to financial assets and liabilities. The supporting framework for the transition includes a Standard Chart of Accounts, the re-engineering of IFMIS to support the accrual environment, and accrual-based reporting templates for national and county entities issued by the Public Sector Accounting Standards Board (PSASB) in concurrence with the National Treasury.

190. FY 2026/27 is the final and most demanding year of the transition. Entities will recognize all remaining assets and liabilities, in particular non-current and non-financial assets such as infrastructure, land, buildings and equipment. The target is fully IPSAS-compliant accrual financial statements by 30 June 2027. Assets will be measured under IPSAS 46 at historical cost or current operational value, and liabilities at cost of fulfilment. Priority actions for MDAs and County Governments include: completing asset inventories and verifying the ownership and existence of assets; valuing assets and capturing them in IFMIS; determining useful lives and depreciation; recognizing remaining liabilities and reconciling receivables and payables; completing opening-balance adjustments; and training both accounting and non-accounting staff.

191. The transition is also laying the foundation for consolidated government reporting. In FY 2025/26, the National Treasury prepared consolidated financial statements for the Budgetary Central Government and began establishing systems for General Government consolidation. In FY 2026/27, the roadmap provides for Central Government consolidated financial statements, sector statements for the Budgetary Central Government and Extra-Budgetary Units, and General Government consolidation, including County Governments. From FY 2027/28,

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consolidation will progressively extend to the whole public sector, including State Corporations and Semi-Autonomous Government Agencies (SAGAs).

192. Key challenges remain: identifying and valuing public assets; incomplete liability information, including pending bills; capacity constraints, especially in County Governments; system readiness; and data quality. The Government is addressing these by strengthening the National Treasury's asset and liability management framework, including standardized asset and liability inventories and reporting for MDAs and counties. Asset registers and valuation will largely determine whether entities achieve full compliance by June 2027.

193. In FY 2027/28 and over the medium term, the Government will: i) prepare and submit for audit the first fully compliant IPSAS accrual financial statements for FY 2026/27; ii) advance General Government and whole-of-public-sector consolidation; iii) use accrual information to strengthen asset management, fiscal risk analysis and budget decisions; and iv) introduce a web-based financial reporting system to enable real-time submission of statutory reports, provide a common database for consistent reporting across agencies, and replace manual hard-copy submissions.

Public Investment Management Reforms

194. The Government continues to implement the Public Investment Management (PIM) reforms aimed at improving the preparation, implementation and management of development projects. Through the Kenya Devolution Support Programme phase II, the National Treasury will roll out the Public Investment Management framework to the County Governments. Ministries, Departments and Agencies (MDAs) will be required to process their project appraisal requests and submit project status reports through the Public Investment Management Information System (PIMIS).

195. The Government has put in place an administrative framework to facilitate harmonized screening and appraisal of development projects that are proposed for implementation through the Public Private Partnership (PPP) and Public Investment Management pathways. The administrative framework is aimed at improving the governance of development projects by providing visibility of the development projects that are being planned, implemented and operated using the two approaches. The framework will also ensure that a single point of entry is provided for projects to enter into the appraisal process in line with global best practice.

196. Additionally, the Government will continue enforcing the PIM Regulations, 2022, requiring MDAs to complete ongoing projects before starting new ones, thereby reducing fiscal risks and improving management of the overall development project portfolio. A policy framework will be put in place to manage stalled projects and those that are at risk of stalling to ensure that citizens get value for money. All development projects will be required to undergo environmental and climate risk assessments, including disaster risk evaluations, to ensure that investments are sustainable and aligned to the national climate change commitments.

National Assets and Liabilities Management Reforms

197. The Government continues to implement public assets and liabilities management reforms to improve the efficiency and accountability of public resources, strengthen fiscal sustainability and unlock value from idle and underutilized Government assets. Progress has been made in operationalizing the Assets and Inventory Management Modules within the Integrated Financial Management Information System (IFMIS), including the rollout of twelve (12) standardized non-financial asset registers across Ministries, Departments and Agencies (MDAs), County Governments, Constitutional Commissions and Independent Offices. Further, development of four (4) specialized registers covering Sports Infrastructure, Specialized Assets, Heritage Assets and Library Assets is ongoing. These reforms will provide greater visibility of public assets,

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strengthen asset tracking and reporting, and support the transition to accrual accounting and improved expenditure management.

198. To improve the completeness, accuracy and reliability of public sector asset records and financial statements, the Government has developed the Public Asset Valuation Policy Framework and the Public Assets Tagging Framework. As at 30th June 2025, MDAs reported public assets with an aggregate value of approximately KSh 4.9 trillion, which is understated due to assets recorded at nominal values or not yet valued. The implementation of the valuation and tagging frameworks will address these gaps, improve asset traceability and accountability, and support decisions on investment, maintenance, utilization and disposal. The Government has also developed a framework for managing and reporting of projects assets, covering their acquisition, registration, custody, utilization, recording, maintenance, transfer and disposal, with particular emphasis on motor vehicles and other transport assets.

199. In FY 2027/28 and over the medium term, the Government will prioritize implementation of the Public Asset Valuation Policy Framework and rollout of the Public Assets Tagging Framework across the public sector, while strengthening planning and budgeting for operations and maintenance through lifecycle asset management. The Government will also roll-out Asset Optimization and Leasing Frameworks to improve the utilization of existing public assets, reduce unnecessary acquisition and leasing expenditure, facilitate productive use of idle and underutilized assets, promote co-location of Government entities where appropriate, and provide opportunities for non-tax revenue generation.

200. These measures will be complemented by the implementation of the Cabinet Directive of 30th June 2026 suspending the leasing or acquisition of additional office accommodation by MDAs pending completion of a comprehensive audit of Government office space. The audit will identify opportunities for rationalization, consolidation and optimal utilization of existing Government facilities. Collectively, the reforms will strengthen asset accountability and transparency, improve operations and maintenance, preserve the value and functionality of public assets, reduce expenditure on office accommodation and premature repairs or replacement, enhance asset productivity and non-tax revenue generation, and contribute to fiscal consolidation and more efficient allocation of public resources.

Pension Reforms

201. The Government will continue to implement reforms to strengthen retirement security and align pension arrangements with prevailing economic and social conditions. The reforms are aimed at enhancing retirement benefits, promoting long-term pension savings, strengthening post-retirement medical care, and modernising pension administration to improve efficiency, security and timely delivery of pension services.

202. The Government has undertaken tax reforms to enhance retirement benefits and encourage long-term retirement savings. The Tax Laws Amendment Act, 2024, which took effect on 27th December 2024, increased the annual tax-exempt threshold for pension contributions by 50 percent, from KSh 240,000 to KSh 360,000. The higher threshold provides additional tax relief to contributors, increases disposable income and provides an incentive for increased retirement savings. In addition, pension benefits are exempt from tax, thereby increasing post-retirement income and strengthening financial security for retirees. The Government has also strengthened arrangements for post-retirement medical care. Contributions to post-retirement medical funds are tax-exempt, providing immediate tax relief while encouraging employees to make long-term provision for healthcare needs in retirement. Further, Treasury Circular No. 9 of 2024 authorizes pension schemes to establish dedicated post-retirement medical funds, providing a framework for sustainable financing of healthcare for retirees and improving access to medical care after retirement.

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203. To improve the efficiency and security of pension administration, the Government is rolling out an end-to-end pension administration system, building on the e-Pension Management Information System launched in June 2026. The system will integrate blockchain and biometric technology to enhance the security of pension management, facilitate real-time tracking of pension disbursements and reduce delays in pension processing. Integration with the Integrated Financial Management Information System (IFMIS) will facilitate timely remittance of pension contributions and address persistent non-remittance challenges, particularly in pension schemes sponsored by State Corporations and those covering county government employees. The Government will continue to advance these reforms over the medium term to strengthen retirement security, improve pension fund sustainability and enhance post-retirement quality of life.

Public Procurement Reforms

204. To streamline public procurement processes and enhance integrity, the Government has undertaken significant legal, institutional and technological reforms. In particular, the Government developed the Public Procurement and Asset Disposal (Amendment) Bill, 2025 to modernise Kenya's procurement legal framework in line with evolving governance, digitisation and local content objectives. Key reform areas in the Bill include: enhancement of transparency and accountability through mandatory disclosure and reporting requirements; strengthening the role of the Regulator to enforce standards, compliance and sanctions for non-compliant Procuring Entities; promotion of local content and preference and reservation schemes, especially for youth, women and persons with disabilities; and provision of a stronger legal basis for electronic procurement and framework contracting.

205. To operationalize procurement reforms and eliminate manual inefficiencies, the Government has prioritised the rollout of an end-to-end e-Government Procurement (e-GP) System. The system, officially launched in July 2025, has shifted procurement from fragmented manual processes to a fully digitised platform. The platform has been integrated with core Government systems, including: IFMIS, Business Registration Services (BRS), e-Citizen, and i-Tax, with initial on-boarding prioritising National Government Ministries, Departments and Agencies (MDAs); State Corporations; and County Governments. Next steps will include full rollout to schools and other Procuring Entities yet to onboard to the e-GP System; continuous user training and change management to improve adoption and system utilisation; and issuance of manuals and guidelines to assist users of the system. To date, 1,546 Procuring Entities and over 40,000 suppliers have been registered; over 22,000 staff and over 12,000 suppliers and contractors have been trained; and 652 annual procurement plans, 8,000 tenders and 1,863 contracts have been published in the e-GP system. Implementation of the e-GP system has, however, faced challenges, including resistance from users, litigation in the courts and inadequate funds to support the rollout.

206. To promote Sustainable Public Procurement and Asset Disposal, the National Treasury has developed a Sustainable Public Procurement and Asset Disposal Framework. The main objective of this framework is to provide guidance to procuring entities and stakeholders on measures put in place to promote sustainability in the public procurement and asset disposal system, through integration of economic, social, and environmental considerations in the public procurement cycle. Specific objectives include to:

i) Provide guidelines on how to prioritize eco-friendly products, services, works and technologies, with the aim of reducing the carbon footprint, conserving ecosystems and biodiversity, and fostering the transition to a circular economy.

ii) Provide guidelines to enhance social inclusion in public procurement by prioritizing local economic development, supporting small and medium enterprises (SMEs),

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promoting gender equality, upholding labour laws and institutionalizing social safeguards.

iii) Provide guidelines on how to adopt and promote economic efficiency through adoption of total life-cycle costing in public procurement.

iv) Provide guidelines on adoption of sustainable asset disposal methods that prioritize economic, environmental and social considerations.

State Owned Enterprises' Reforms

207. The Government continues to implement reforms of State-Owned Enterprises (SOEs) to improve efficiency, strengthen governance and accountability, reduce reliance on the Exchequer, and contain fiscal risks arising from recurrent budget support, on-lending and Government guarantees. The reform programme approved by Cabinet in January 2025 provides for the merger of forty-two (42) State Corporations into twenty (20) entities, dissolution of twenty-five (25) State Corporations, restructuring of six (6) entities and declassification of four (4) public funds. The reforms are intended to eliminate duplication and overlapping mandates, align institutional functions, and redirect public resources towards priority social and development expenditures.

208. Implementation of the reforms is being coordinated through a Multi-Agency Technical Working Committee established by the National Treasury. Under Phase One, which covers part of the approved programme, the Committee has considered 23 mergers, 16 dissolutions, seven transfers of functions back to Ministries, Departments and Agencies, and the declassification of selected State Corporations. Progress has included review of enabling legislation and preparation of the necessary Bills, assessment of staff complements, skills and placement, and documentation of the assets and liabilities of affected entities.

209. The reform agenda is further anchored in the Government-Owned Enterprises Act, No. 25 of 2025, which was assented to on 21st November 2025 and commenced on 5th December 2025. The Act establishes a modern framework for the ownership, oversight, governance and performance management of commercial Government-Owned Enterprises (GOEs), with emphasis on commercially viable, self-financing and self-sustaining operations, merit-based Boards, robust performance contracts and accountability to the public through the National Treasury. Implementation is underway across 65 identified GOEs and 18 statutory entities, including the recruitment of independent directors through an independent search and selection panel.

210. The Government is also using privatisation and partial divestiture to reduce fiscal exposure to commercial State Corporations and mobilise non-tax, non-debt financing. In March 2026, the Government completed the partial privatisation of Kenya Pipeline Company (KPC) through an Initial Public Offering on the Nairobi Securities Exchange, disposing of a 65 percent shareholding, retaining a 35 percent strategic stake and raising KSh 106.3 billion in capital receipts. The Government has also undertaken the partial divestiture of a 15 percent stake in Safaricom PLC to Vodacom Group, with the transaction valued at approximately KSh 204.3 billion and an additional KSh 40.2 billion upfront payment in respect of future dividends. The Government retains a 20 percent shareholding.

211. To facilitate the productive investment of proceeds from these transactions and mobilise additional private and institutional capital for infrastructure development, the Government established the National Infrastructure Fund (NIF) in March 2026. The Fund is designed to pool capital from pension funds, sovereign wealth funds, private equity, banks and development finance institutions to finance commercially viable, large-scale infrastructure projects, thereby supporting investment while reducing reliance on taxation and public borrowing. Priority areas include national highways, airports and seaports; electricity generation and ICT; and water,

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irrigation and agribusiness. The KPC IPO and the Safaricom divestiture provide the initial capital base for the Fund, subject to the outcome of the appeal on the Safaricom transaction.

212. To complement the NIF, the Government has enacted the Sovereign Wealth Fund Act No. 25 of 2026, which establishes a Sovereign Wealth Fund comprising Stabilization, Strategic Infrastructure Investment and Future Generation (Uriithi) components. The Fund is intended to strengthen the management of strategic public resources and support intergenerational equity in line with Article 201 of the Constitution. Over the medium term, the Government will continue implementing the SOE reform programme, strengthen the financial and governance performance of GOEs, reduce fiscal risks and Exchequer dependence, and enhance the contribution of public corporations and public assets to economic development and fiscal sustainability.

Settlement and Resolution of Pending Bills

213. The Government remains committed to resolving verified pending bills as part of strengthening fiscal discipline, supporting private sector liquidity and restoring confidence in public financial management. The Pending Bills Verification Committee, established in November 2023 to review and validate outstanding claims, has concluded its work, having analysed 115,617 claims valued at KSh 664.8 billion. Of the claims recommended for settlement, KSh 80.3 billion has already been settled through securitization in the roads sector. A further 29,257 claims valued at KSh 155.34 billion, relating to other sectors, were recommended for settlement.

214. The National Treasury has adopted a phased and sustainable strategy to clear the verified outstanding balance over two years, commencing in FY 2026/27, through a combination of direct budgetary allocations and securitization. In October 2026, Cabinet approved the settlement of 28,726 verified pending bills valued at KSh 23.74 billion, covering all verified claims of KSh 50 million and below. This represents 98 percent of the claims recommended for settlement by number, and gives priority to Micro, Small and Medium Enterprises owned by women, youth and persons with disabilities. The remaining 531 claims, valued at about KSh 131.6 billion and each above KSh 50 million, will be settled progressively through budgetary provisions and other financing instruments. This approach reaches the largest number of suppliers and contractors first, injects working capital into MSMEs and ensures that no verified supplier is excluded from the settlement process.

2.4.2.3 Deficit Financing Policy

215. Kenya's fiscal deficit for FY 2027/28 is projected at KSh 1.23 trillion and will be financed through KSh 570.0 billion in net external borrowing and KSh 658.9 billion in net domestic financing. External financing will mainly come from concessional and semi-concessional loans and grants from multilateral and bilateral development partners, particularly to support capital projects. Non-concessional external borrowing will be limited to projects with viable expected returns and to the ceiling stated in the Medium-Term Debt Management Strategy.

216. The Government also plans to diversify its financing sources by accessing innovative instruments such as Samurai loans and bonds, Sukuk and Panda bonds, and sustainability-linked financing. These instruments are intended to broaden the investor base, reduce reliance on traditional borrowing and provide greater flexibility in accessing finance. At the same time, the Government will strengthen Liability-Management Operations including debt switches, buybacks and occasionally exchanges, where appropriate, to manage refinancing and maturity risks and smooth the maturity profile of public debt.

217. Domestically, the Government will prioritize medium- and long-term Treasury bonds to finance the fiscal deficit, extend the maturity of public debt and reduce refinancing risks.

Treasury bills will mainly be used for short-term liquidity and cash-flow management. The Government will also continue efforts to deepen the domestic capital market by expanding the investor base, improving secondary-market liquidity and introducing suitable new financial instruments.

218. Overall, the medium-term financing strategy represents a shift towards a more diversified and innovative approach to resource mobilization. By combining concessional financing, non-concessional borrowing, Government securities, innovative capital-market instruments and Liability-Management Operations, the Government aims to secure adequate funding for development and budgetary needs while minimizing borrowing costs, managing risks and strengthening the sustainability of Kenya's public debt.

2.5 Risks to the Economic Outlook

219. The economic outlook remains subject to a range of downside risks, both domestic and external. Domestically, adverse weather conditions, including droughts, floods and erratic rainfall, could weaken agricultural production, disrupt food supply and increase inflationary pressures, with implications for household purchasing power and economic activity. Climate-related damage to infrastructure could also increase public expenditure requirements and constrain resources available for development. Weaker private investment, slower credit growth or delays in implementing key infrastructure and structural reform programmes could moderate the pace of economic expansion, while revenue shortfalls, the outcome of the appeal on the Safaricom transaction and uncertainty ahead of the August 2027 General Election could weigh on fiscal performance and investor sentiment.

220. External risks remain significant, particularly from prolonged geopolitical tensions and disruptions to global energy and commodity markets. A sustained increase in international oil prices could raise domestic fuel and transport costs, widen the import bill and place upward pressure on inflation and the current account. Further disruptions to global supply chains or trade could increase the cost and availability of imported inputs, while tighter global financial conditions could raise external financing costs, weaken capital inflows and increase exchange rate pressures.

221. A sharper-than-expected slowdown in global economic activity could also reduce demand for Kenya's exports, tourism receipts and remittances, while weaker commodity prices could affect export earnings from key agricultural products. Financial market volatility and changes in global investor sentiment could further affect portfolio flows and domestic financial conditions.

222. The Government will continue to monitor emerging risks closely and respond through timely and targeted policy measures, while maintaining fiscal discipline and advancing reforms that strengthen the economy's capacity to absorb shocks and sustain inclusive growth.

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III. BUDGET FOR FY 2027/28 AND THE MEDIUM TERM

3.1 Fiscal Framework for FY 2027/28 and Medium-Term Budget

223. The FY 2027/28 budget and the medium-term expenditure framework are anchored on the Government's policy priorities and the macroeconomic strategy outlined in Chapters I and II. In advancing the Bottom-Up Economic Transformation Agenda (BETA), the Government will sustain its growth-supportive fiscal consolidation efforts by restraining expenditures and strengthening revenue mobilization. This approach is intended to moderate the pace of public debt accumulation while ensuring that delivery of essential public services remains uncompromised.

Revenue Projections

224. Total revenues, inclusive of Appropriation-in-Aid, are projected at KSh 3,923.1 billion (17.1 percent of GDP) in FY 2027/28, up from the projected KSh 3,630.6 billion (17.4 percent of GDP) in FY 2026/27. The FY 2027/28 outlook comprises ordinary revenue of KSh 3,249.2 billion (14.2 percent of GDP), and Ministerial-Appropriation- in-Aid (AiA) of KSh 673.8 billion (2.9 percent of GDP) **(Annex Tables 2 and 3)**. Revenue performance will be supported by ongoing reforms in tax policy and revenue administration aimed at broadening the tax base and enhancing compliance.

Expenditure Projections

225. Overall expenditures and net lending are projected at KSh 5,235.7 billion (22.8 percent of GDP) in FY 2027/28, compared to KSh 4,819.4 billion (23.2 percent of GDP) projected for FY 2026/27. The FY 2027/28 expenditure outlook comprises recurrent spending of KSh 3,810.2 billion (16.6 percent of GDP); development expenditure of KSh 917.1 billion (4.0 percent of GDP); transfers to County Governments amounting to KSh 506.5 billion; and an allocation of KSh 2.0 billion to the Contingency Fund.

Deficit Financing

226. Based on the projected revenue and expenditure framework, the fiscal deficit including grants is expected to reach KSh 1,228.9 billion (5.4 percent of GDP) in FY 2027/28, from the projected deficit of KSh 1,145.2 billion (5.5 percent of GDP) in FY 2026/27.

227. The FY 2027/28 fiscal deficit will be financed through net external borrowing amounting to KSh 570.0 billion (2.5 percent of GDP) and net domestic financing of KSh 658.9 billion (2.9 percent of GDP).

3.2 FY 2027/28 and Medium-Term Budget Priorities

228. The FY 2027/28 Budget and the Medium-Term Framework will remain aligned with the priorities set out in the MTP IV and the BETA. Government will prioritize the formulation of the successor national long-term development framework to Kenya Vision 2030, informed by the achievements and lessons of Vision 2030 and MTP IV, emerging national and global development challenges, demographic and technological transitions, climate change, regional and global commitments, and extensive stakeholder and citizen engagement. Resources for the BETA priority programmes will be undertaken through a value-chain approach across five sectors: Finance and Production; Infrastructure; Environment and Natural Resources; Social Sectors; Governance and Public Administration. BETA aims to deliver an economic turnaround and inclusive growth by scaling up investments in the five core pillars identified as having the greatest potential to transform the economy and improve household welfare: Agricultural Transformation and Inclusive Growth; Micro, Small and Medium Enterprise (MSME)

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Development; Housing and Settlement; Healthcare; and the Digital Superhighway and Creative Economy.

229. The Government will prioritise implementation of strategic interventions under the following key enablers: Infrastructure; Manufacturing; Blue Economy; Services Economy, Environment and Climate Change; Education and Training; the Women Agenda; Social Protection; Sports, Culture and Arts; Youth Empowerment and Development Agenda; Governance; and Foreign Policy and Regional Integration.

3.3 Budgetary Allocations for the FY 2027/28 and the Medium-Term

230. The total budget for FY 2027/28 is projected at KSh 5,269.1 billion. The allocations to the three Arms of Government including sharable revenues to the County Governments is summarized in **Table 3.1**.

Table 3.1: Summary Budget Allocations for the FY2026/27 – 2029/30 (KSh Million)

S/No.	Details	Approved Budget	2027 BPS Projections		
		2026/27	2027/28	2028/29	2029/30
1.0	National Government	2,922,706.9	3,248,665.3	3,590,185.3	3,924,255.5
	Executive	2,841,314.3	3,164,642.4	3,502,519.7	3,831,971.8
	Parliament	51,010.8	52,575.8	54,570.5	56,649.8
	Judiciary	30,381.8	31,447.1	33,095.2	35,633.9
2.0	Consolidated Fund Services	1,501,327.1	1,570,957.1	1,661,123.8	1,779,390.0
3.0	County Government- Sharable Revenue	428,000.0	449,466.8	465,907.0	512,197.3
	Total.....KSh	**4,852,034.1**	**5,269,089.2**	**5,717,216.2**	**6,215,842.9**
	% Share in the Total Allocation				
1.0	National Government	60.2	61.7	62.8	63.1
	Executive	58.6	60.1	61.3	61.6
	Parliament	1.1	1.0	1.0	0.9
	Judiciary	0.6	0.6	0.6	0.6
2.0	Consolidated Fund Services	30.9	29.8	29.1	28.6
3.0	County Government	8.8	8.5	8.1	8.2
Notes					
**** Consolidated Fund Services(CFS) is composed of domestic interest, foreign interest and pension& salaries for State Officers***					
*****County Government allocation is composed of sharable allocation***					

Source: The National Treasury

Criteria for Resource Allocation

231. Resource allocation for the BETA priority programmes will be undertaken through a value-chain approach across five sectors: Finance and Production; Infrastructure; Environment and Natural Resources; Social Sectors; and Governance and Public Administration. The nine identified key value-chain areas for implementation are: Leather; Cotton; Dairy; Edible Oils; Tea; Rice; the Blue Economy; Natural Resources, including Minerals and Forestry; and Building Materials. This targeted approach will ensure seamless funding across entire value chains, eliminate duplication of roles, and prevent budgetary leakages. By directing resources towards high-impact interventions, the initiative aims to achieve quality outputs and outcomes, optimise resource utilisation, generate economic momentum, and increase local economic activity and tax revenues.

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232. MDAs are expected to maximize resource efficiency by adopting Zero Based Budgeting and reviewing their portfolio of externally funded projects. Furthermore, MDAs should restructure and realign their spending plans with core Government priority programmes. These objectives will be pursued within the hard budgetary constraints and expenditure ceilings provided in this BPS. The following criteria will guide the allocation of resources:

i. Linkage of programmes to the value chains of the BETA priorities;
ii. Linkage of the programmes to the priorities of Medium-Term Plan IV of Vision 2030;
iii. Support climate change mitigation and adaptation, backed by climate budget tagging and measurable resilience outcomes;
iv. Completion of ongoing projects, viable stalled projects and payment of verified pending bills;
v. The extent to which a programme addresses job creation and poverty reduction;
vi. The extent to which a programme addresses the core mandate of the MDA, and presents costed, time-bound outputs and measurable outcomes aligned with national priorities and the Sustainable Development Goals;
vii. The extent to which a programme promotes gender equality addresses identified gender gaps, reports through sex- and age-disaggregated indicators and protects children's rights;
viii. The cost-effectiveness, efficiency and sustainability of the programme;
ix. Requirements for the furtherance and implementation of the Constitution; and
x. Presidential directives and Cabinet decisions.

233. Baseline estimates reflect current ministerial spending levels under sector programmes. Within recurrent expenditure, non-discretionary expenditures take priority. These include payment of public debts and related interest, salaries and pensions.

234. Development expenditure has been allocated on the basis of flagship projects under Vision 2030, BETA and the MTP IV. The following criteria were used to apportion capital budget:

a) ***On-going projects:*** Priority was given to completing ongoing capital projects, particularly high-impact infrastructure projects that contribute to poverty reduction, equity, and employment creation;
b) ***Counterpart funds:*** Priority was given to adequate allocations for donor counterpart funds, which represent the portion that the Government must finance in support of projects financed by Development Partners; and
c) ***Strategic policy interventions:*** Priority was also given to policy interventions covering the entire nation, regional integration, social equity and environmental conservation.

3.4 Details of Sector Priorities

235. **Table 3.2** provides the projected baseline ceilings for the FY 2027/28 and the medium-term, classified by sector. **Annex Table 4** provides a summary of expenditures by programmes for the FY 2027/28 – 2029/30 period.

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Table 3.2: Summary of Budget Allocations for FY2027/28 - 2029/30 (KSh Million)

Code	Sector		Printed Estimates	2027 BPS Projections			% Share in Total Ministerial Expenditure			
			2026/27	2027/28	2028/29	2029/30	2026/27	2027/28	2028/29	2029/30
010	Agriculture, Rural and Urban Development (ARUD)	Subtotal	111,383.6	108,594.3	110,824.3	114,001.5	3.8	3.3	3.1	2.9
		Rec_Gross	44,988.0	44,127.5	46,493.0	49,084.4	2.2	2.0	1.9	1.9
		Dev_Gross	66,395.6	64,466.8	64,331.3	64,917.1	7.9	6.4	5.4	4.9
020	Energy, Infrastructure and ICT	Sub_Total	530,251.7	582,361.3	697,855.0	774,276.0	18.1	17.9	19.4	19.7
		Rec_Gross	138,221.5	137,454.8	137,939.8	142,310.1	6.7	6.1	5.8	5.5
		Dev_Gross	392,030.2	444,906.5	559,915.2	631,965.9	46.4	44.3	46.7	48.0
030	General Economic and Commercial Affairs	Sub_Total	61,220.2	63,182.2	69,270.6	68,561.8	2.1	1.9	1.9	1.7
		Rec_Gross	39,908.7	39,489.8	43,822.5	44,983.9	1.9	1.8	1.8	1.7
		Dev_Gross	21,311.5	23,692.4	25,448.1	23,577.9	2.5	2.4	2.1	1.8
040	Health	Sub_Total	176,252.9	220,577.6	235,194.3	231,142.2	6.0	6.8	6.6	5.9
		Rec_Gross	141,021.6	140,869.9	160,198.4	169,174.0	6.8	6.3	6.7	6.5
		Dev_Gross	35,231.3	79,707.7	74,995.9	61,968.2	4.2	7.9	6.3	4.7
050	Education	Sub_Total	784,482.1	857,350.3	942,304.3	1,016,347.3	26.8	26.4	26.2	25.9
		Rec_Gross	748,164.2	817,755.3	896,371.3	970,187.3	36.0	36.5	37.5	37.2
		Dev_Gross	36,317.9	39,595.0	45,933.0	46,160.0	4.3	3.9	3.8	3.5
060	Governance, Justice, Law and Order (GJLO)	Sub_Total	361,523.3	386,313.2	373,646.2	409,299.3	12.4	11.9	10.4	10.4
		Rec_Gross	331,801.9	356,503.3	338,158.8	371,040.7	16.0	15.9	14.1	14.2
		Dev_Gross	29,721.4	29,810.0	35,487.4	38,258.6	3.5	3.0	3.0	2.9
070	Public Administration and International Relations (PAIR)	Sub_Total	358,852.8	430,191.5	468,488.8	574,976.5	12.3	13.2	13.0	14.7
		Rec_Gross	228,763.4	270,986.4	287,212.0	348,427.2	11.0	12.1	12.0	13.4
		Dev_Gross	130,089.3	159,205.1	181,276.8	226,549.3	15.4	15.8	15.1	17.2
080	National Security	Sub_Total	316,232.6	362,043.2	401,986.1	436,767.4	10.8	11.1	11.2	11.1
		Rec_Gross	305,598.2	326,392.8	363,335.7	393,117.0	14.7	14.5	15.2	15.1
		Dev_Gross	10,634.4	35,650.4	38,650.4	43,650.4	1.3	3.5	3.2	3.3
090	Social Protection, Culture and Recreation	Sub_Total	101,270.3	103,030.5	108,426.9	108,702.4	3.5	3.2	3.0	2.8
		Rec_Gross	59,338.0	64,925.8	70,004.5	70,092.4	2.9	2.9	2.9	2.7
		Dev_Gross	41,932.3	38,104.7	38,422.4	38,610.0	5.0	3.8	3.2	2.9
0100	Environment Protection, Water and Natural Resources	Sub_Total	121,237.5	135,021.2	182,188.8	190,181.3	4.1	4.2	5.1	4.8
		Rec_Gross	40,465.9	44,973.2	47,757.8	50,534.3	1.9	2.0	2.0	1.9
		Dev_Gross	80,771.5	90,048.0	134,431.0	139,647.0	9.6	9.0	11.2	10.6
	Grand Total	Sub_Total	2,922,706.9	3,248,665.3	3,590,185.2	3,924,255.7	100.0	100.0	100.0	100.0
		Rec_Gross	2,078,271.5	2,243,478.8	2,391,293.7	2,608,951.2	71.1	69.1	66.6	66.5
		Dev_Gross	844,435.4	1,005,186.5	1,198,891.6	1,315,304.5	28.9	30.9	33.4	33.5

Source of Data: National Treasury

Agriculture, Rural and Urban Development Sector

236. The Agriculture, Rural and Urban Development (ARUD) Sector comprises five sub-sectors: the State Department for Agriculture (SDA), the State Department for the Blue Economy and Fisheries (SDBEF), the State Department for Lands and Physical Planning (SDLPP), the State Department for Livestock Development (SDLD), and the National Land Commission (NLC). The Sector plays a critical role in advancing Kenya's development agenda, as set out in Vision 2030, the Fourth Medium-Term Plan (MTP IV), the Bottom-Up Economic Transformation Agenda (BETA), the Sustainable Development Goals (SDGs), and other relevant national and international commitments. Its overall goal is to achieve food and nutrition security while promoting the sustainable development and use of land, crop, livestock and blue economy resources.

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237. During the period under review, FY 2023/24–2025/26, the Sector implemented thirteen programmes and recorded significant achievements in agricultural productivity, land administration, livestock development, and fisheries management. In agriculture, it provided 1.5 million metric tonnes of assorted subsidized fertilizers to 3.7 million beneficiaries and supplied 12.3 million assorted seedlings to enhance food security. It also trained 6,087 agricultural students at the Kenya School of Agriculture and Bukura Agricultural College. In Lands and Physical Planning, the Sector issued 1.14 million title deeds, developed land value indices in 12 counties, geo-referenced 403,227 land parcels and settled 37,814 landless households. In addition, it facilitated compulsory land acquisition for 225 public infrastructure projects, resolved 873 land disputes through Alternative Dispute Resolution (ADR) and Traditional Dispute Resolution (TDR), and resolved 454 historical land injustice cases.

238. Under Livestock Development, the Sector inspected 37,221 milk-handling premises and processed 3.1 billion litres of milk. Milk losses declined from 5.5 percent to 4 percent following the installation of bulk milk coolers. The Sector also produced 1.9 million straws of bull semen and 78,893 straws of goat semen, distributed 21,861 sexed semen straws and produced 107.7 million doses of assorted animal vaccines to support livestock productivity and disease control. Livestock insurance coverage was extended to 255,827 pastoralists, covering 818,124 Tropical Livestock Units.

239. In the Blue Economy and Fisheries sub-sector, the Sector conducted a marine stock assessment in the Indian Ocean to guide sustainable exploitation of fisheries resources; constructed the Mombasa Monitoring, Control and Surveillance Command Centre to combat illegal, unreported and unregulated fishing; supported 83,925 beneficiaries with fisheries investment grants; and provided aquaculture inputs to 9,810 beneficiaries.

240. Over the medium-term (FY 2027/28–2029/30), the Sector will prioritize food and nutrition security, improved agricultural productivity and competitiveness, stronger livestock production and disease control, sustainable fisheries and aquaculture development, and improved land rights and access to registration services. Key interventions will include providing 1.9 million metric tonnes of subsidized fertilizer to 3.1 million farmers; distributing assorted oil crop seeds; issuing 1.13 million title deeds; settling 63,000 landless households; issuing 20,500 allotment letters for public land; and acquiring land for 55 infrastructure development projects. The Sector will also prioritize completing the Kabonyo Fisheries and Aquaculture Service and Training Centre of Excellence, constructing six fish landing sites, developing the Kalokol fish processing plant, and installing 500 milk coolers in collaboration with county governments to reduce post-harvest losses.

241. Further priorities include providing affordable agricultural credit to 115,871 micro, small and medium enterprises (MSMEs); producing and distributing 3 million straws of bull semen, 165,000 straws of goat semen,and 80,000 straws of sexed semen, and producing and distributing 197 million doses of assorted livestock vaccines. The Sector also aims to vaccinate 52.5 million sheep and goats against Peste des Petits Ruminants (PPR) and 23 million cattle against Foot and Mouth Disease (FMD). In addition, it will distribute 122 metric tonnes of edible oil seeds and 2.25 million oil palm seedlings, and train 8,510 agricultural students through the Kenya School of Agriculture and Bukura Agricultural College. These interventions are expected to increase agricultural production, improve livestock productivity, strengthen fisheries value chains, expand access to land rights, and support rural livelihoods.

242. To implement these programmes, the Sector has been allocated KSh 108.6 billion; KSh 110.8 billion and KSh 114.0 billion in FY 2027/28, FY 2028/29 and FY 2029/30, respectively.

Energy, Infrastructure, and ICT (EII) Sector

243. The Energy, Infrastructure and ICT (EII) Sector plays a pivotal role in Kenya's socio-economic transformation, serving as both a driver and an enabler of growth across the economy. The Sector comprises ten sub-sectors: Roads; Transport; Shipping and Maritime Affairs; Housing and Urban Development; Public Works; Aviation and Aerospace Development; ICT and the Digital Economy; Broadcasting and Telecommunications; Energy; and Petroleum. Its interventions aim to provide efficient, affordable and reliable infrastructure and services that support sustainable economic growth and development, in line with the objectives of Kenya Vision 2030 and the Bottom-Up Economic Transformation Agenda (BETA).

244. During the review period FY 2023/24 - 2025/26, the Sector recorded notable achievements in infrastructure development, connectivity and service delivery. In the Roads sub-sector, 2,089.25 km of roads were constructed, 189.83 km were rehabilitated and 48 bridges were constructed. In addition, 128,387.05 km of roads were maintained through periodic and routine maintenance, performance-based contracts and the Roads 2000 Programme. In the Transport sub-sector, the Sector rehabilitated the Mombasa–Miritini Metre Gauge Railway (MGR) line, completed the Shimoni Fishing Port and Homa Bay Pier, and increased freight transported by rail from the Port of Mombasa from 7.39 million tonnes in FY 2023/24 to 8.91 million tonnes in FY 2025/26. The Port of Mombasa also attained a throughput of 2 million Twenty-Foot Equivalent Units (TEUs), while over 5.91 million passengers were transported across the rail network.

245. In the Shipping and Maritime Affairs sub-sector, 9,969 seafarers were trained and 7,457 secured employment. The Sector also advanced maritime safety, regulatory reforms and international cooperation through bilateral agreements and mutual recognition arrangements. In Housing and Urban Development, 277,281 housing units were completed or under construction and 476 markets were completed or under construction. The Sector also prepared 81 local physical development and land-use plans, upgraded 99.95 km of settlement access roads and disbursed KSh 6.5 billion and KSh 1.75 billion in Urban Development Grants and Urban Institutional Grants, respectively. In Public Works, the Sector completed the construction of New Mokowe Jetty, 15 footbridges and 340 metres of the Ndau seawall, and inspected and audited 2,446 buildings to enhance structural safety.

246. In Aviation and Aerospace Development, air navigation services availability was maintained at 98.27 percent, above the International Civil Aviation Organization (ICAO) threshold of 97 percent. The Jomo Kenyatta International Airport Master Plan was completed, the National Aviation Policy was finalized, and 36 Civil Aviation Regulations were gazetted. In ICT and the Digital Economy, the National Optic Fibre Backbone Infrastructure was expanded by 14,367 km, 12,677 government services were onboarded onto the eCitizen platform, 5,865 public institutions were connected to the internet, and 466,811 youth were trained in digital skills, of whom 72,257 were linked to digital jobs. The Sector also registered 19,820 data controllers and processors and undertook 391 data protection audits and inspections. In Broadcasting and Telecommunications, 11,656 journalists received on-the-job training in various media skills and 28,011 journalists were accredited. At the Kenya Institute of Mass Communication (KIMC), a tuition block was completed and 2,186 media practitioners were trained. Seven Studio Mashinani centres were established: two in Nairobi and one each in Mombasa, Kitui, Kisumu, Machakos and Murang'a. In addition, 17,521 TV news items covering BETA activities and other national priorities were produced and 73,323 print news items were disseminated. The Sector also produced and disseminated 150 MyGov pullout editions and published three editions of the Kenya Yearbook. In Energy, installed electricity generation capacity increased from 3,244 MW to 3,309.5 MW, while 1,278,974 new customers were connected to electricity. The Sector also constructed 1,387 km of distribution lines, 354.1 km of transmission lines and seven transmission

substations, connected 1,741 public facilities and installed 162,604 solar home systems. In the Petroleum sub-sector, the South Lokichar Field Development Plan was ratified, 3,505 km^2 of geoscientific data was acquired and the National Petroleum Policy, 2025 was finalized.

247. During the FY 2027/28–2029/30 and the medium-term, the sector will focus on expanding infrastructure, improving service delivery and strengthening economic competitiveness. In Roads, the Sector targets construction of 4,080 km of new roads and 54 bridges, rehabilitation of 293 km and maintenance of 121,228.8 km of roads. Transport priorities include completion of Berth 1 at Dongo Kundu and Berth 19B at the Port of Mombasa; constructing seven feeder ports on Lake Victoria, rehabilitating the Voi–Taveta railway line; and advancing construction of Standard Gauge Railway (SGR) Phases 2B and 2C to 50 percent completion. Housing and Urban Development will prioritize construction of 292,713 affordable housing units, 120,000 social housing units and 130,010 institutional housing units, alongside construction of 481 markets and implementation of the Second Kenya Urban Support Programme in 45 counties. Public Works will focus on building safety inspections, construction and maintenance of footbridges, rehabilitation of public buildings and construction and rehabilitation of coastal protection infrastructure.

248. In Aviation and Aerospace Development, the Sector will prioritize completion of key airport and airstrip infrastructure, including rehabilitation works at Wilson Airport and the Kabunde, Ukunda, Kitale, Kakamega and Migori airstrips. It will also develop aviation and aerospace policy frameworks and acquire modern aircraft accident investigation equipment. In ICT and the Digital Economy, priorities include laying 40,000 km of fibre-optic cable under the National Optic Fibre Backbone Infrastructure, connecting 33,000 public institutions to the internet, installing 16,936 public Wi-Fi hotspots and digitizing 3 million government records. The Sector also intends to train 1,010,000 youth in Business Process Outsourcing/Information Technology Enabled Services (BPO/ITES) skills and link 195,000 youth to BPO/ITES jobs. Broadcasting and Telecommunications will prioritize policy, legal and institutional reforms, operationalization of the National Communication Centre, revamping and modernization of the Kenya News Agency (KNA), and rollout of broadcasting and telecommunications infrastructure in unserved and underserved areas. It will also strengthen mass media skills development through KIMC, construct the KIMC Eldoret Campus, and establish 16 Studio Mashinani centres as part of the rollout to the remaining 41 counties. Other priorities are installing the National Addressing System countrywide to ease access to information and promote e-commerce, and digitizing Government advertising services.

249. In Energy, the Sector targets connecting 1,325,000 additional customers, including 2,086 public institutions; restoring 63 MW of geothermal capacity at Olkaria I and adding 8.6 MW of hydro capacity; installing 63 hybrid mini-grids; constructing 1,786 km of high-voltage transmission lines and 1,139.8 km of medium- and low-voltage distribution lines; and installing a 200-MWh Battery Energy Storage System. In the Petroleum sub-sector, the sector will prioritize development of the South Lokichar oil fields, with a production target of 20,000 barrels per day, acquisition of geoscientific data to support exploration and investment, continued marketing of petroleum blocks, land acquisition for the Lokichar - Lamu Crude Oil Pipeline and implementation of the Oil Market Stabilization Programme to support stability of domestic fuel prices.

250. To implement the planned interventions, the Sector has been allocated KSh 582.4 billion, KSh 704.6 billion and KSh 743.9 billion for the FY 2027/28, FY 2028/29 and FY 2029/30, respectively.

General Economic and Commercial Affairs Sector

251. The General Economic and Commercial Affairs (GECA) Sector plays a pivotal role in promoting economic growth, industrialisation, trade, and investment. Its interventions are guided by national frameworks, including the Bottom-Up Economic Transformation Agenda (BETA), the Fourth Medium Term Plan (MTP IV) under Kenya Vision 2030, the Constitution of Kenya 2010, regional agendas, and the Sustainable Development Goals (SDGs). These interventions also incorporate environmental conservation and climate-change mitigation.

252. During the review period, the Sector made significant progress in expanding economic opportunities, promoting financial inclusion, and strengthening productive capacity. Key milestones included the registration of 12,652 audited accounts; growth in savings held by SASRA-regulated cooperatives from KSh 1,126 billion to KSh 1,324.9 billion; expansion of County Aggregation and Industrial Parks (CAIPs) under construction to 34; and the development and transfer of 7,078 national trademarks, 329 industrial property rights, and 150 industrial technologies. In addition, the Financial Inclusion Fund served 28.5 million customers and disbursed cumulative loans of KSh 93.4 billion. The tourism sector also grew, with international arrivals reaching 2.79 million and earnings rising to KSh 564 billion.

253. Further achievements during the review period covered export growth, enterprise support, and infrastructure developments. Total exports increased from KSh 1,112.3 billion in 2024 to KSh 1,119.4 billion in 2025, while exports to Africa grew by 6.4 percent. Wholesale and retail trade increased by 58 percent to KSh 1,377.45 billion. The business environment was further strengthened through the attraction of KSh 1,529 billion in Domestic Direct Investments (DDI) and in Foreign Direct Investment (FDI) inflows of USD 3.2 billion in 2025, the gazettement of 17 Special Economic Zones (SEZs) and 23 Export Processing Zones (EPZs), and targeted financial support from the Kenya Industrial Estates (KIE), Uwezo Fund, and the NYOTA Project.

254. During the MTEF period (2027/28–2029/30), the Sector will continue aligning its initiatives with BETA, MTP IV, and Kenya Vision 2030. Planned programmes will focus on strengthening BETA priority value chains; expanding access to affordable finance and business-development services for MSMEs and cooperatives; completing industrial and enterprise infrastructure; promoting value addition and digital transformation; improving market access; enhancing the competitiveness of tourism destinations; and building climate resilience in ASALs and other regions. The Sector will also prioritize scaling up the NYOTA Project to include graduate youth and women-led micro-enterprises, KIE tiered enterprise financing products, the Formalization Policy, the Supply Integration Strategy, the OPEC-financed Entrepreneurship Development Project, and the expansion of non-collateralized lending. Together, these interventions create a seamless, continuous pathway for enterprises, moving them progressively from start-up to growth and, ultimately, market access. Each programme is strategically linked to avoid duplication and maximize impact across the entire MSME ecosystem.

255. To implement these programmes, the Sector has been allocated KSh 63.2 billion, KSh 69.3 billion, and KSh 68.6 billion for the FY 2027/28, FY 2028/29 and FY 2029/30, respectively.

Health Sector

256. The Health Sector continues to advance the constitutional right to health and the human capital objectives of Vision 2030, MTP IV and the Bottom-Up Economic Transformation Agenda (BETA). Guided by the Kenya Health Policy (2014–2030) and the goal of Universal Health Coverage (UHC), the sector made significant progress between FY 2023/24 and 2025/26 in social health protection; high-impact community health interventions; family health and strategic public health programmes; national health institutions; local manufacturing of life-saving

essential health products and diagnostics; human resources for health; health infrastructure and medical tourism.

257. The health sector made significant progress in advancing UHC through major health financing reforms, including the establishment of the Social Health Authority (SHA) and dedicated funds for primary healthcare, social health insurance, and emergency, chronic and critical illness care. Since its rollout in October 2024, SHA has registered 31.6 million beneficiaries, representing 66.5 percent of the national target population, and contracted 11,034 healthcare facilities nationwide. Claims amounting to KSh 125.1 billion were paid to 9,699 healthcare providers, while 449,494 indigent households were registered under the Government Sponsorship Programme.

258. The sector also recorded notable improvements in disease prevention and control, specialized healthcare, and maternal, newborn and child health services. New HIV infections declined by 30 percent, from 19,991 in 2024 to 13,936 in 2025, while adult antiretroviral therapy coverage increased from 87 percent to 93 percent. Malaria incidence declined from 88.5 cases per 1,000 population in FY 2023/24 to 72 cases in FY 2025/26. In addition, 100 percent of reported public health events were detected, investigated and responded to during FY 2025/26. Specialised healthcare capacity expanded, with kidney transplants in national referral hospitals increasing from 39 to 48. Jaramogi Oginga Odinga Teaching and Referral Hospital (JOOTRH) introduced apheresis services, conducting 38 red blood cell exchange procedures for patients with sickle cell disease. Cancer prevention and treatment were strengthened through the establishment of three regional cancer centres in Mombasa, Garissa and Nakuru.

259. Progress was also made in health workforce development, research, innovation and local pharmaceutical and vaccine manufacturing. The Kenya Medical Research Institute (KEMRI) was awarded a charter elevating it to a specialized degree-awarding institution, while Kenya Medical Training College (KMTC) achieved 100 percent student enrolment, strengthening the pipeline of skilled health professionals.

260. Over the medium term (FY 2027/28–2029/30), the Sector will accelerate progress towards UHC through three complementary pillars: a universal and seamless social health insurance system; publicly financed primary healthcare providing curative, outpatient and basic diagnostic services at regulated tariffs; and a special fund for emergency, chronic and critical illnesses not adequately covered by insurance. The sector will increase the availability of health products and technologies (HPT) to above 95 percent and sustain an Order Fill Rate (OFR) of over 90 percent through KEMSA.

261. To implement these priorities, the sector has been allocated KSh 220.6 billion, KSh 235.2 billion and KSh 231.1 billion in FY 2027/28, FY 2028/29 and FY 2029/30, respectively.

Education Sector

262. The Education Sector comprises five core sub-sectors: Basic Education; Technical, Vocational Education and Training (TVET); Higher Education, Science, Research and Innovation (SRI); and the Teachers Service Commission (TSC). Guided by its vision of "An inclusive and equitable quality education, training and research," the sector serves as the foundation for human capital development, productivity, innovation, and Kenya's socioeconomic transformation. Its policies and implementation strategies align with national frameworks, including the Constitution of Kenya 2010, Kenya Vision 2030, the Bottom-Up Economic Transformation Agenda (BETA), the Fourth Medium Term Plan, and the National Education Sector Strategic Plan (NESSP) 2023–2027, as well as global commitments such as Sustainable Development Goal 4 (SDG 4).

263. During the review period (FY 2023/24–2025/26), the Basic Education sub-sector expanded access and participation levels, advanced the implementation of the Competency-Based Curriculum (CBC), and rolled out curricula for lower and middle school alongside expanding physical infrastructure and ICT integration. The TVET sub-sector broadened access through the implementation of the Recognition of Prior Learning (RPL) and the alignment of training programs with competency-based education standards. Meanwhile, the Higher Education sub-sector increased student participation and access through expanded scholarship frameworks and student loan opportunities.

264. The Science, Research and Innovation (SRI) sub-sector strengthened Kenya's knowledge economy by funding research initiatives, issuing research licenses, enhancing research repositories, supporting STEM programs and youth and women initiatives, and promoting the commercialization of homegrown innovations. The Teachers Service Commission (TSC) advanced human resource development through the recruitment, promotion, and professional development of teachers and trainers in line with CBE/CBET. The sector also strengthened institutional capacity by automating critical administrative processes, including enrolment, capitation management, and quality assurance, and by transitioning from NEMIS to the Kenya Education Management Information System (KEMIS) to improve data governance and accountability.

265. During the FY 2027/28 - 2029/30 MTEF period, the sector will prioritize interventions that protect essential education services while addressing critical gaps in access, equity, quality, and market relevance. Key priorities include strengthening foundational learning, improving student transition, retention, and completion rates, enhancing teacher availability and effectiveness, expanding and modernizing physical and digital infrastructure, and reinforcing inclusive education and learner wellbeing. The sector will also accelerate digital transformation, institutionalize KEMIS to strengthen data governance, deepen quality assurance, promote research, innovation, and commercialisation, and strengthen linkages between training institutions and the industry.

266. To implement these programmes and projects, the sector has been allocated KSh 857.4 billion, KSh 942.3 billion and KSh 1,016.3 billion in the FY 2027/28, FY 2028/29 and FY 2029/30, respectively.

Governance, Justice, Law and Order Sector

267. The Governance, Justice, Law and Order Sector (GJLOs) comprises seventeen (17) sub-sectors, fourteen (14) semi-autonomous Government Agencies (SAGAs), and several tribunals, each with specific functions and mandates. Collectively, these institutions uphold the rule of law, protect human rights, expand access to justice, maintain internal security, and promote ethical governance.

268. During the review period (FY 2023/24-FY 2025/26), the GJLO Sector made notable progress in fulfilling its mandate, particularly in registration and citizen services. Through the Usajili Mashinani campaign, 4.01 million ID cards were issued against a target of 2.26 million. In addition, 1.45 million birth certificates and 203,505 death certificates were issued, exceeding their targets, while e-Citizen registered 1.55 million users against a target of 1.0 million.

269. Correctional Services managed rising caseloads, with the number of offenders under probation supervision increasing to 138,127 and community service placements reaching 107,189 – both well above target. In addition, 3,897 new prison officers completed training. However, rehabilitation outputs, including formal education, vocational training and reintegration, consistently fell below target.

270. The Ethics and Anti-Corruption Commission (EACC) averted public losses of KSh 10.4 billion in FY 2025/26 against a target of KSh 9 billion and reached 37 million people through public education. However, it completed 178 investigations against a target of 431 and recovered KSh 3.6 billion against KSh 4 billion.

271. The Office of the Director of Public Prosecutions (ODPP) handled 307,019 criminal matters but achieved a conclusion rate of 46.87 percent, below the 60 percent target. ODPP staffing stood at 1,930 against an optimal establishment of 4,047. The Directorate of Criminal Investigations (DCI) completed 73.36 percent of investigations, while forensic expert reports took 16 days to complete against a target of five days.

272. Over the medium term (FY 2027/28 - 2029/30), the GJLOs will implement 22 programmes which have been prioritised based on their alignment with BETA and MTP IV; completion of ongoing and stalled projects; potential for job creation and poverty reduction; climate considerations; cost-effectiveness; and constitutional and Cabinet directives. Prison services, probation and aftercare, migration and citizen services, population management and policing services rank highest. Priority investments include the Maisha Digital ID rollout, digitisation of immigration and civil registration records, expansion of forensic and cybercrime capacity, case management and e-filing systems; expanded legal aid and alternative justice systems; and preparations for the 2027 General Election.

273. To implement the sector priorities outlined above, the sector has been allocated KSh 386.3 billion, KSh 373.6 billion, and KSh 409.3 billion for FY 2027/28, FY 2028/29 and FY 2029/30, respectively.

Public Administration and International Relations Sector

274. The Public Administration and International Relations (PAIR) Sector comprises 26 sub-sectors, 18 Autonomous Government Agencies, and 34 Semi-Autonomous Government Agencies. Guided by the vision of "Excellence in public policy administration and international relations," the Sector provide leadership, policy direction, economic and financial management, and coordination across government. Its strategic focus is on advancing the Bottom-Up Economic Transformation Agenda (BETA) and the Fourth Medium-Term Plan under Kenya Vision 2030 to achieve global competitiveness and national prosperity.

275. During the review period, the sector made notable progress in macroeconomic management, fiscal discipline, and the coordination of government operations. Key achievements included the effective coordination of the Government's legislative agenda and Cabinet decisions, stronger intergovernmental relations, and support for devolution across all counties. The Sector also improved public investment and asset management, strengthened national monitoring and evaluation frameworks, and promoted ethics, good governance, and public-service values. The Sector also advanced public-service transformation and capacity development, helping to streamline service delivery and promote inclusive socioeconomic development nationwide. In international relations, it strengthened the delivery of foreign and diaspora services through economic diplomacy, proactive consular facilitation, and enhanced protection of Kenyan citizens abroad.

276. During the FY 2027/28–2029/30 Medium-Term Budget, the Sector has planned and prioritised 46 programmes and 102 sub-programmes using a Zero-Based Budget approach to address citizens' needs. These prioritized programmes are aligned with BETA and Kenya Vision 2030. The strategic focus will be on improving public-administration efficiency, deepening devolution, expanding economic diplomacy, broadening the tax base, strengthening data systems for decision-making, and leveraging strategic partnerships and public-private partnerships (PPPs) to drive national development. The sector will also prioritise three strategic interventions

of national interest that are already under way: the Transition Plan (Fifth Medium-Term Plan) for the final years of Vision 2030; the next long-term vision for Kenya covering the first century since independence (Kenya@100); and preparatory activities for the 2029 Kenya Population and Housing Census.

277. To successfully implement the planned programmes and projects, the sector has been allocated a total of KSh 430.2 billion, KSh 468.5 billion and KSh 574.9 billion in FY 2027/28, FY 2028/29, and FY 2029/30 respectively.

National Security Sector

278. The National Security Sector plays a pivotal role in creating an enabling environment for socioeconomic and political development. It is therefore instrumental in achieving the objectives of Kenya Vision 2030 and the Bottom-up Economic Transformation Agenda (BETA).

279. The Sector will continue to address contemporary and emerging threats to national security that undermine peace and development. These threats include terrorism, radicalisation, human and drug trafficking, money laundering, cybercrime, and other socioeconomic and political challenges.

280. In order to implement the prioritized programmes and mitigate the threats identified above, the Sector has been allocated KSh 362.0 billion, KSh 401.9 billion and KSh 436.8 billion in the FY 2027/28, FY 2028/29 and FY 2029/30, respectively.

Social Protection, Culture and Recreation Sector

281. The Social Protection, Culture and Recreation Sector is central to Kenya's socioeconomic transformation under the Kenya Vision 2030, Fourth Medium-Term Plan (MTP IV) and the Bottom-Up Economic Transformation Agenda (BETA). It advances this transformation by promoting sustainable employment, sound labour practices, talent development, gender equality, community empowerment, and cultural preservation.

282. During the review period FY 2023/24 - 2025/26, the Sector recorded significant achievements. In sports and creative industries, it co-hosted the 2024 African Nations Championship (CHAN) with Uganda and Tanzania in August 2025. Kenyan athletes excelled in global events, winning 105 medals, while the country hosted 39 international competitions, strengthening sports tourism and its international profile. In heritage preservation, the Sector restored seven heritage sites and monuments, enhanced cultural diplomacy through international exchange programmes, digitised 1,015,650 public records to improve historical archiving and empowered 3,690 women in beadwork. The creative sector engaged 1,604 performing artists, created income-generating opportunities for 9,243 emerging musicians, and provided specialised music and dance training to 1,020 young people.

283. To strengthen young people's contribution to economic development, the Sector provided youth-friendly services to 1,177,480 young people, including subsidised sexual and reproductive health services for 63,431 young people. It also provided leadership and governance training to 80,898 young people, equipped 94,047 with life skills, and identified and nurtured the talents of 6,639 young people. In addition, the Sector promoted economic empowerment by training 119,706 young people in entrepreneurship, disbursing loans to 32,783 young people engaged in various businesses, and facilitating employment abroad for 4,698 young people.

284. In labour and skills development, 406,757 job seekers were placed in gainful employment locally and abroad; 147,626 foreign service contracts were attested; 1,093 distressed migrant workers were repatriated; 36,765 workplace inspections were conducted; and medical

examinations administered to 395,226 workers in hazardous occupations. In addition, three wage councils (General, Agriculture and Sea-Farers) were operationalised.

285. The Sector disbursed cash transfers to over 1.6 million households under the Inua Jamii programme, which comprises the Older Persons Cash Transfer programme (OPCT), Cash Transfer to Orphans and Vulnerable Children (CT-OVC) and the Persons with Severe Disabilities Cash transfer programme (PWSD-CT). It also registered 100,253 Community Self-Help Groups and 219,371 Persons with Disabilities (PWDs), providing them with assistive devices, educational scholarships and specialised medical services.

286. During the FY 2027/28–2029/30 Medium-Term Expenditure Framework (MTEF) period, the Sector will continue implementing programmes that advance the country's socio-economic transformation agenda. The Sector will focus on enhancing Kenya's global competitiveness, nurturing talent, and strengthening sports infrastructure. It will also improve governance, institutional capacity and sustainability across the sports sector. To advance the cultural agenda, the Sector will conserve national heritage by modernizing museums, gazetting 10 new heritage sites and monuments and digitising 187,000 heritage collections. To promote youth employment, the Sector will disburse KSh 3,294 million to 115,540 young beneficiaries through Youth Enterprise Development Fund.

287. In social protection, the Sector will provide cash transfers 1,239,256 older persons and 72,607 households with persons with severe disabilities, while strengthening child-protection services. The Children Services Sub-Sector will: provide cash transfers to 429,023 households with orphans and vulnerable children; promote and safeguard children against all forms of violence by resolving 365,000 Violence Against Children (VAC) cases and harmful practices; train 2,000,000 parents and caregivers under the National Positive Parenting Programme; support 16,000 orphans and vulnerable children with the presidential secondary school bursary; and undertake rapid response during emergencies affecting children across 47 counties. To advance gender equality, community development, and social empowerment, it will disburse KSh 12 billion to 16,490 Affirmative Action Groups and provide bursaries and scholarships to 199,000 needy students.

288. To implement these programmes, the Sector has been allocated KSh 103.0 billion, KSh 108.4 billion and KSh 108.7 billion in FY 2027/28, FY 2028/29 and FY 2029/30, respectively.

Environment Protection, Water and Natural Resources Sector

289. The Environment Protection, Water and Natural Resources (EPWNR) Sector plays a critical role in Kenya's socio-economic transformation through irrigation development; water and sanitation provision; mineral-resource development; wildlife conservation; environmental protection; climate-change response; and sustainable forest management. Guided by its vision, "Sustainable development in a clean and secure environment" and its mission to promote sustainable utilisation and management of the environment and natural resources for socio-economic development, the Sector contributes to the implementation of Kenya Vision 2030, the Fourth Medium-Term Plan (MTP IV), the Bottom-Up Economic Transformation Agenda (BETA) and the Sustainable Development Goals (SDGs). The Sector's contribution to Gross Domestic Product (GDP) increased from 3.5 per cent in 2023 to 3.9 percent in 2024 and 4.3 percent in 2025.

290. During the review period, FY 2023/24–2025/26, the Sector recorded notable achievements across its six sub-sectors. In irrigation, an additional 66,703 acres were equipped with irrigation infrastructure, while irrigation water storage capacity increased by 16.45 million cubic metres (MCM). A total of 147 communities and 4,838 household water pans were excavated, and annual paddy rice production in irrigation schemes increased from 192,299 tonnes to 353,046 tonnes (a cumulative 867,549 tonnes over the period) following the expansion and rehabilitation of

irrigation infrastructure. In Water and Sanitation, the extension of the Northern Collector water supply project served approximately 1.07 million additional people, while completed Water Supply and Sanitation Development Projects benefited approximately 2.18 million additional people. Major dams, including Mwache, Thwake, Siyoi-Muruny and Umaa, progressed to 86 percent, 94.2 percent, 93.5 percent and 79 percent completion, respectively. The Sector also constructed 125 additional water pans and 20 small dams, desilted 33 water pans, and provided over 5.1 million cubic metres of surface water storage. In addition, approximately 96 kilometres of sewer lines were rehabilitated and expanded under the Nairobi Rivers Basin Restoration Programme, while 10.5 kilometres of Athi River were cleaned up.

291. The Mining sub-sector issued 11,053 mineral export permits, 8,184 commercial explosives licences and 801 fireworks permits. It inspected 138 exploration operations, 670 mining operations, 384 mineral dealers' operations and 1,848 commercial explosives and fireworks operations. The sub-sector generated KSh 9.9 billion in revenue and KSh 2.5 billion in Appropriations-in-Aid (AIA), assessed strategic minerals in seven counties, signed four joint ventures and completed 17 geological site investigations. It also trained 9,200 artisanal and small-scale miners in mine safety, health and environmental management and formalised 271 operations into mining marketing cooperatives. Under Wildlife Conservation, 3,323.03 hectares of wildlife habitats were restored, KSh 3.081 billion was paid in human-wildlife conflict compensation to 15,178 beneficiaries, elephant poaching declined by 18 percent, and the rhino population increased by 11.2 percent. The Sector also constructed 45 water pans and drilled 12 boreholes in national parks and conservancies, established the Malindi Wildlife Research Centre, conducted the Second National Wildlife Census in 2025 and reached 1.14 million students through conservation awareness programmes.

292. In Environment and Climate Change, the Sector removed 841 illegal dumpsites along the Athi-Galana-Sabaki river system, rehabilitated 428,163 hectares of degraded water towers and restored 3,041.8 hectares of wetlands. It issued 45,928 Environmental Impact Assessment licences, conducted 17,479 environmental audits and undertook 43,334 inspections to enforce the ban on single-use plastic carrier bags. The Sector also mobilised KSh 19.9 billion for climate adaptation and resilience, propagated 865,850 tree seedlings for the restoration of the Cherangany Ecosystem and issued 5,549 weather forecasts to support decision-making across sectors. In Forestry, 1.929 billion trees were grown under the 15 billion Tree National Restoration Campaign, 279 million assorted seedlings were produced, and 58,639 hectares of degraded natural forests were rehabilitated. The Sector also protected 2.602 million hectares of gazetted natural forests, planted 1,707 hectares of bamboo and established 11,131 hectares of forest plantations in gazetted public forests and 13,426 hectares of commercial forests. In addition, the Sector strengthened its policy and regulatory framework through the development, review and enactment of various laws, regulations and policies relating to mining, water resources, sanitation, wildlife, environmental governance, meteorology and forestry.

293. During FY 2027/28–2029/30 period, the Sector will prioritise irrigation expansion, water security, sanitation, mineral-resource development, wildlife conservation, ecosystem restoration, climate resilience and increased forest and tree cover. Under irrigation, the Sector targets an increase in irrigated land by 249,596 acres, from 778,686 acres in FY 2025/26 to 1,028,282 acres in FY 2029/30. Annual paddy rice production is expected to increase by 280,051 tonnes to 633,098 tonnes, while irrigation water storage capacity will rise by 315.5 MCM to 487.4 MCM. The Sector will also reclaim an additional 3,180 acres of land, install micro-irrigation infrastructure in 305 public schools and finalise the Land Reclamation Bill. Under Water and Sanitation, priorities include increasing access to clean and safe water from 76 percent to 80 percent, expanding access to safely managed sanitation from 40.9 percent to 65 percent, eliminating open defecation and increasing per-capita water storage from 107 cubic metres to

234 cubic metres. The Sector targets providing water services to an additional 6.5 million people and sanitation services to 3 million people, while completing 29 projects and programmes, including the Water and Sanitation Development Project, Kenya Towns Sustainable Water Supply and Sanitation Programme, Mwache Dam, Siyoi-Muruny Water Project and Horn of Africa Groundwater for Resilience Project.

294. In the Mining sub-sector, the Sector will undertake geological mapping of two-degree sheets annually, assess the economic viability of 14 mineral deposits, advance exploration and appraisal of copper and chromite, and complete the establishment of the national Geo-Data Bank. It will also strengthen regulatory compliance through inspections of exploration, mining, mineral-dealing and commercial explosives operations, train 10,400 artisanal and small-scale miners, generate KSh 8.4 billion in mining royalties and map 150 blasting-induced vibration sites. Wildlife conservation priorities include restoring 8,200 hectares of degraded habitats, reducing human-wildlife conflict by 14 percent, expanding wildlife surveillance systems, conducting the Third National Wildlife Census and maintaining wildlife infrastructure. The Sector targets generating KSh 36.135 billion in wildlife tourism revenue, constructing and maintaining fences in conflict-prone areas, enhancing water provision in parks and conservancies, and timely verification and compensation of human-wildlife conflict claims. Under Environment and Climate Change, priorities include reviewing the National Environment Policy, approving 36 carbon market projects, developing the National Climate Change Action Plan 2028–2032, restoring 9,180 hectares of wetlands and 1,300 hectares of the Cherangany Ecosystem, rehabilitating 1,000 hectares of the Lake Naivasha Basin Ecosystem, establishing nine model waste demonstration centres and issuing 14,271 weather forecasts. Forestry interventions will focus on producing 2.371 billion tree seedlings, protecting 2.6 million hectares of gazetted public forests, rehabilitating 468,804 hectares of degraded areas, supporting agroforestry on 8,745 hectares, establishing 21 seed centres and developing 65 forest technologies.

295. To finance these interventions, the Sector has been allocated KSh 135.0 billion, KSh 182.2 billion and KSh 190.2 billion in FY 2027/28, FY 2028/29 and FY 2029/30 respectively.

3.5 Public Participation/ Sector Hearings and Involvement of Stakeholders

296. Public participation and stakeholder engagement in the medium-term budget process are constitutional requirements. In fulfilment of this legal obligation, the 2027 Budget Policy Statement (BPS) took into account the resolutions adopted by Parliament on previous Budget Policy Statements. **Annex Table 5** explains how these resolutions were addressed in the 2027 BPS and provides the rationale for the actions taken.

297. The Public Finance Management (PFM) Act, CAP 412A, requires that the input of the public be taken into account before the budget proposals are firmed up. In compliance, Public Sector Hearings were conducted on 9th, 12th and 13th October 2026 at the Kenyatta International Convention Centre, providing a platform for members of the public to give input into the country's budget and sector plans.

298. Key issues raised during the hearings included: the need to prioritise the completion of ongoing projects and the settlement of verified pending bills, including those owed to contractors and to suppliers of health products; equitable access to services in remote, arid and island communities; disability inclusion and the publication of disaggregated data on persons with disabilities reached; the quality and accountability of infrastructure works; and clearer results frameworks linking allocations to outcomes. These issues have been taken into account in the sector priorities set out in Section 3.4, and the responses are summarised in **Annex Table 6**.

299. Further, the draft 2027 BPS was uploaded onto the National Treasury website on 19th October 2026, inviting the public and stakeholders to share comments. As required by the PFM Act, CAP 412A, the document was further shared with the various stakeholders including:

i) Institutions listed in the PFM Act, CAP 412A which include: the Commission on Revenue Allocation; County Governments; the Controller of Budget; the Parliamentary Service Commission; and the Judicial Service Commission;

ii) Institutions that constitute the Macro Working Group which include: the National Treasury; State Department for Economic Planning; Central Bank of Kenya; Kenya Revenue Authority; Kenya National Bureau of Statistics; Kenya Institute of Public Policy Research and Analysis; and Commission on Revenue Allocation; and

iii) Cabinet Secretaries and Principal Secretaries of all Government Ministries and the Office of the Attorney General.

300. The comments were considered in finalizing this document. A summary of the comments received from the various stakeholders and the public and the actions taken are summarized in **Annex Table 7.**

IV. COUNTY FINANCIAL MANAGEMENT AND DIVISION OF REVENUE

4.1 County Governments' Compliance with Fiscal Responsibility Principles

301. Section 107(2) of the Public Finance Management (PFM) Act, CAP 412A, sets out the fiscal responsibility principles that guide County Governments in the management of public finances with the objective of promoting fiscal discipline, fiscal sustainability, accountability and the efficient use of public resources. It states that: In managing the county government's public finances, the County Treasury shall enforce the following fiscal responsibility principles:

i) The County Government's recurrent expenditure shall not exceed the county government's total revenue;

ii) Over the medium term a minimum of thirty percent of the county government's budget shall be allocated to development expenditure;

iii) The County Government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly;

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

v) The county debt shall be maintained at a sustainable level as approved by the county assembly;

vi) The fiscal risks shall be managed prudently; and

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

302. In addition, Section 107(2)(c) of the PFM Act, read together with Regulation 25(1)(a) of the PFM (County Governments) Regulations, 2015, requires that expenditure on compensation of employees shall not exceed 35 percent of total county government revenue. An assessment of County Governments' adherence to these principles during FY 2025/26 is presented below.

303. Overall, County Governments demonstrated broad compliance with the fiscal responsibility principles relating to development expenditure allocation and recurrent expenditure sustainability. However, challenges remain in the implementation of development programmes, expenditure absorption, compliance with the compensation of employees' threshold and management of pending bills. Addressing these challenges will strengthen fiscal discipline, improve service delivery and enhance the sustainability of county public finances.

4.1.1 County Governments Overall Expenditure for FY 2025/26

304. **Table 4.1** below gives a highlight of total expenditures, total revenues and absorption rates for County Governments for the FY 2025/26.

Table 4.1: County Revenue, Expenditures and Overall Absorption Rates for the FY 2025/26

Item (KSh Millions)	Approved Budget (Millions)	Actual Figures (Millions)	Overall Absorption Rates
Total Revenue	648,280.00	596,770.00	
Total Expenditures	648,234.41	496,578.36	76.6%
Total Development	233,693.83	126,688.57	54.2%
Total Recurrent	414,540.58	369,889.81	89.2%
Wages		235,964.60	
Other Recurrent		133,923.83	
% of Development in Total Expenditure	36.1%	25.5%	
% of Recurrent Exp in Total Expenditure	63.9%	74.5%	
% of Wages in Total Revenue		39.5%	

Source of Data: Controller of Budget

305. In FY 2025/26, County Governments recorded actual expenditure of KSh 496.57 billion, comprising recurrent and development expenditure, against total actual revenue of KSh 596.77 billion. The aggregate budget absorption rate was 76.6 percent, compared to 78.2 percent over the corresponding period of FY 2024/25. The lower absorption rate signifies challenges in budget execution by County Governments. Additionally, expenditure performance has remained below the expected level for the review period.

306. A deeper analysis of adherence to fiscal responsibility principles is provided below:

i) Development Expenditure: The counties' allocation was 36.1 percent of the total budget, above the minimum of 30 percent required under the PFM Act. This shows an improvement in prioritizing projects that promote long-term growth and infrastructure development.

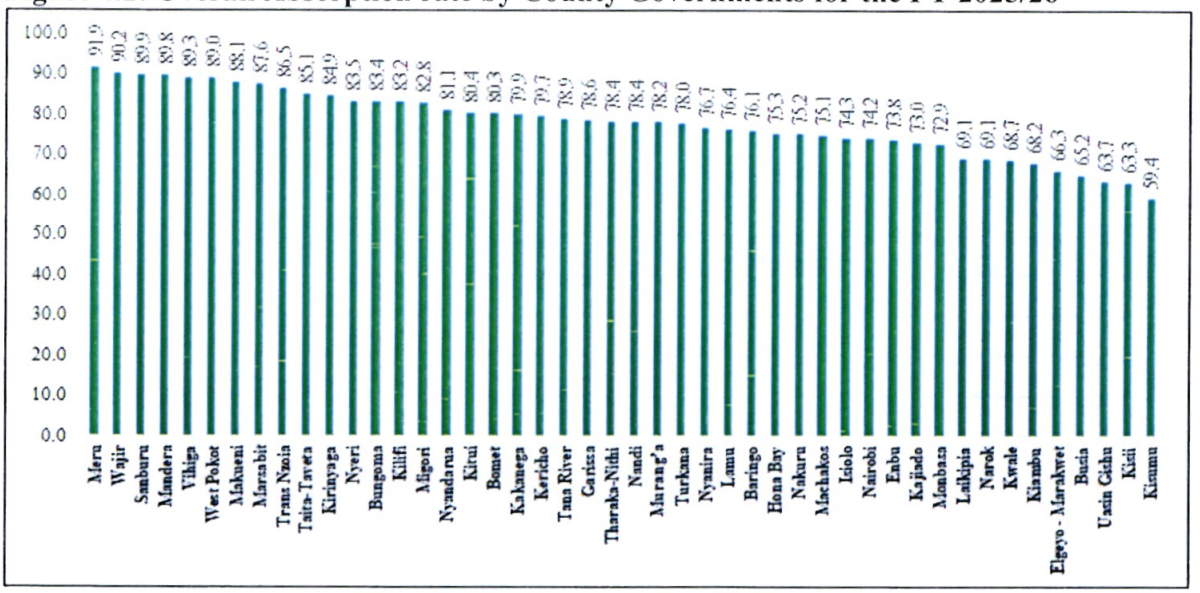
ii) Recurrent Expenditure: Recurrent spending continues to dominate county budgets. With recurrent expenditure accounting for 63.9 percent of the budget and 74.5 percent of actual expenditure, counties are still reliant on these funds, suggesting a need to reduce recurrent costs in favour of development priorities.

iii) Wages and Salaries: The PFM (County Governments) Regulations, 2015 emphasize limiting spending on personnel emoluments to a sustainable level to ensure fiscal stability. As highlighted above, counties' expenditure on wages was 39.5 percent of total revenue. This level is above the 35 percent threshold, signaling a high-wage burden that may limit spending flexibility.

307. Going forward, County Governments will be expected to improve budget execution and enhance the timely and efficient utilisation of available resources, particularly towards priority programmes and projects. County-specific budget absorption rates are presented in **Figure 4.1**.

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Figure 4.1: Overall Absorption rate by County Governments for the FY 2025/26



Source of Data: Controller of Budget

308. Counties posting comparatively higher budget absorption rates, such as Meru, Wajir and Samburu, demonstrate stronger capacity to translate approved budgets into actual expenditure within the financial year. Higher levels of budget execution facilitate the implementation of planned programmes and projects and contribute to the attainment of intended service delivery and development outcomes.

309. On the other hand, counties registering comparatively lower budget absorption rates, including Uasin Gishu, Kitui and Kisumu, point to constraints in the execution of approved budgets. The observed under-execution may arise from delays in procurement and project implementation, late disbursement of funds, administrative inefficiencies, and institutional capacity limitations. The National Government will continue to support measures aimed at addressing these bottlenecks, while County Governments will be expected to strengthen implementation capacity and improve expenditure planning to facilitate more effective budget execution and timely delivery of county programmes.

4.1.2 Recurrent Expenditure as a Percentage of Total Revenue

310. County Governments' recurrent expenditure shall not exceed their total revenue. The analysis indicates that all County Governments adhered to this principle, demonstrating that recurrent expenditure remained within the available revenue envelope and supporting fiscal sustainability.

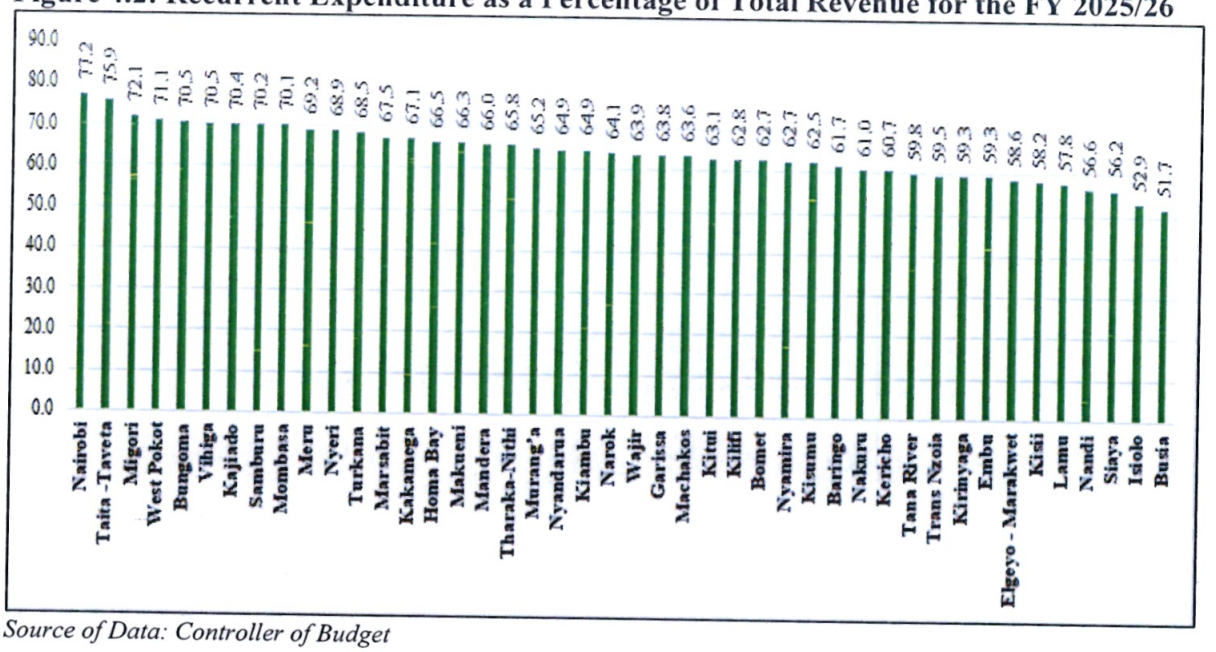
311. The County Governments with the lowest allocation of recurrent expenditure were Busia (51.7 percent), Isiolo (52.9 percent) and Siaya (56.2 percent), which may reflect containment of operational costs and the wage bill. In contrast, the highest allocation of recurrent expenditure included Nairobi (77.2 percent), Taita-Taveta (75.9 percent) and Migori (72.1 percent) as illustrated in **Figure 4.2**. Although these counties remained within the statutory threshold, the relatively large proportion committed to recurrent expenditure may be associated with high personnel and operational costs, reduced fiscal space for development spending, delays in the execution of development projects, or revenue shortfalls. Persistently high recurrent expenditure could limit the resources available for development interventions and, over the medium term, constrain counties' capacity to expand infrastructure and strengthen service delivery. Going forward, County Governments will be expected to maintain prudent expenditure structures and

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progressively create greater fiscal space for development priorities while sustaining essential service delivery.

Figure 4.2: Recurrent Expenditure as a Percentage of Total Revenue for the FY 2025/26

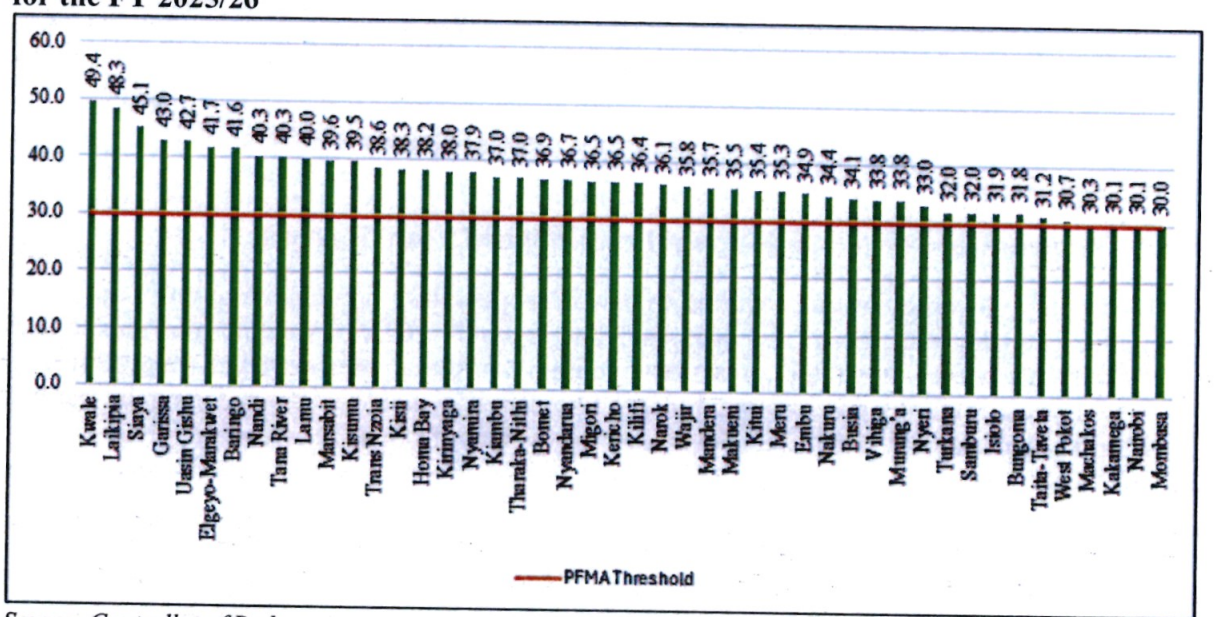


Source of Data: Controller of Budget

4.1.3 Development Budget as a Percentage of the Total Budget

312. County Governments shall allocate a minimum of 30 percent of their budgets to development expenditure over the medium-term. A review of FY 2025/26 budget estimates **(Figure 4.3)** indicates that all counties complied with this requirement at the budgeting stage. Overall, counties allocated on average 36.1 percent of their budgets to development, thereby meeting the statutory threshold.

Figure 4.3: Budgeted Development Expenditure as a Percentage of Total County Budget for the FY 2025/26



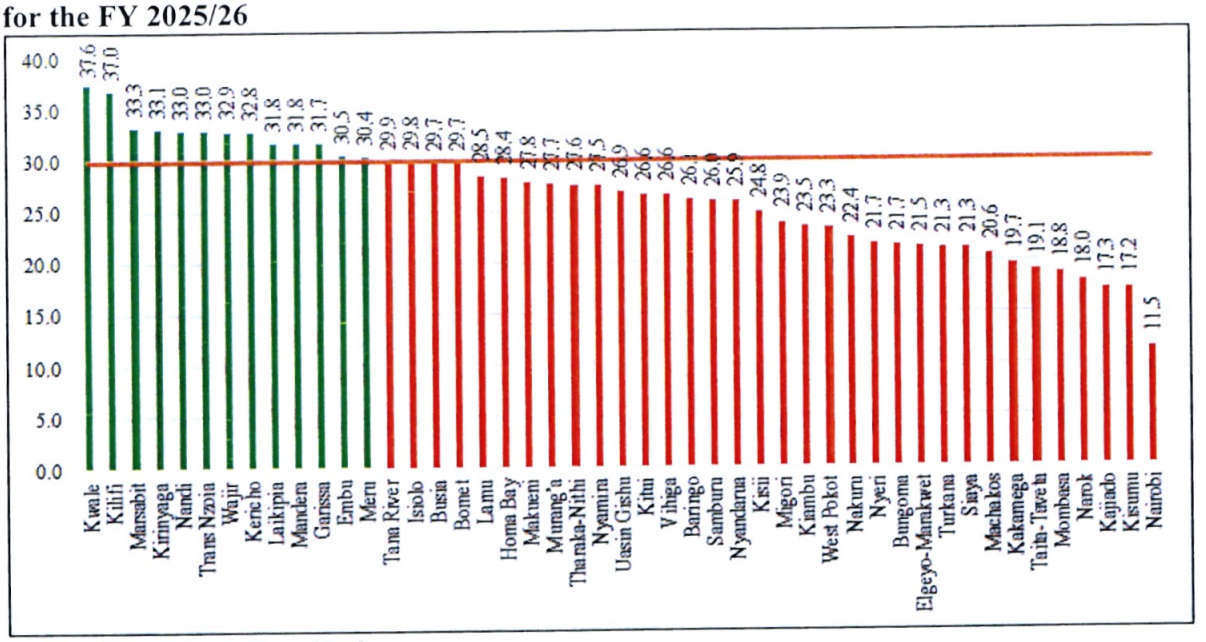
Source: Controller of Budget

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313. Actual expenditure during the FY 2025/26 differed considerably across counties, as shown in **Figure 4.4**, with most counties recording performance below the statutory threshold, mainly on account of low absorption of development expenditure. This points to persistent challenges in the implementation of development projects, including delays in procurement and execution. Thirteen counties, with the top three being Kwale, Kilifi, and Marsabit, achieved the statutory threshold for actual development expenditure. In contrast, Narok, Kajiado, Kisumu and Nairobi registered the lowest ratios of actual development expenditure to total expenditure.

Figure 4.4: Actual Development Expenditures as a Percentage of Actual Total Expenditure for the FY 2025/26



Source of Data: Controller of Budget

314. Development expenditure as a proportion of total actual expenditure dropped modestly from 26.3 percent in FY 2024/25 to 25.5 percent in FY 2025/26. The number of counties meeting the threshold prescribed under the PFM Act remains significantly low. A continued shift of expenditure towards recurrent activities could reduce the fiscal space available for development and, consequently, limit progress in addressing infrastructure and other development priorities. County Governments are expected to strengthen expenditure prioritisation and ensure that adequate resources are safeguarded for development programmes in line with the statutory requirement.

4.1.4 Expenditure on Wage Bill as a Percentage of Total Revenue

315. County Governments are required to contain expenditure on compensation of employees within 35 percent of their total revenue. Analysis for the FY 2025/26 indicates that most County Governments were above the prescribed ceiling. At the aggregate level, expenditure on compensation of employees accounted for 39.5 percent of total revenue, exceeding the statutory threshold of 35 percent. This is, however, an improvement from 41.4 percent in FY 2024/25.

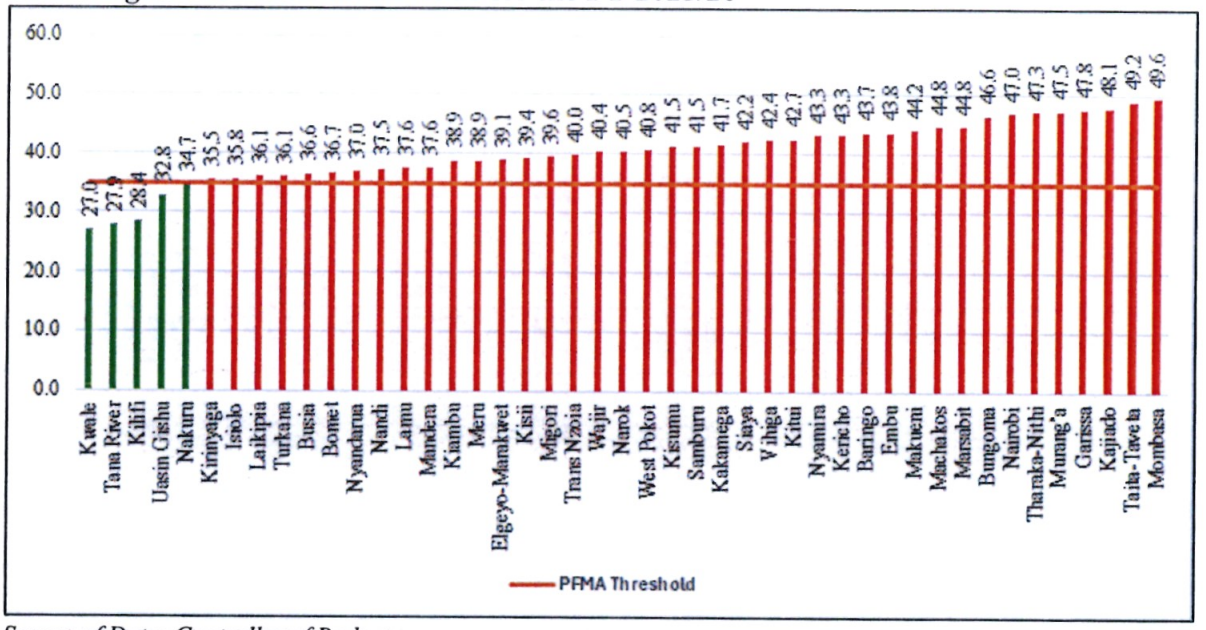
316. As presented in **Figure 4.5**, only five counties, namely Kwale (27.0 percent), Tana River (27.9 percent), Kilifi (28.4 percent), Uasin Gishu (32.8 percent) and Nakuru (34.7 percent), operated within the prescribed threshold, while the other forty-two counties surpassed the statutory limit. Mombasa recorded the largest wage bill relative to total revenue at 49.6 percent, followed by Taita-Taveta (49.2 percent) and Kajiado (48.1 percent). The substantial allocation of resources towards wages and employee benefits in most counties reduces the fiscal space

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available for operations and development expenditure, with implications for service delivery and the financing of long-term development priorities. County Governments are expected to implement measures to contain the growth of the wage bill and progressively align compensation expenditure with the statutory ceiling, while preserving adequate fiscal space for priority services and development programmes.

Figure 4.5: County Governments' Actual Expenditures on Wages and Benefits as a Percentage of Total Actual Revenue for the FY 2025/26



Source of Data: Controller of Budget

4.2 Performance of County Governments Own Source Revenue

4.2.1 Performance of Own Source Revenue Against Target

317. County Governments play a critical role in the delivery of devolved services and the promotion of socio-economic development at the local level. Their ability to effectively discharge these functions depends, in part, on their capacity to mobilize adequate Own Source Revenue (OSR). Own Source Revenue comprises revenue generated from county taxes, fees, charges and licences. A summary of this performance is presented in **Table 4.2**.

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Table 4.2: Total OSR for the FY 2025/26, (Including AiA)

County	Target Revenue (KSh Millions)			Actual Released (KSh Millions)			Perfomance (%)
	Ordinary OSR	FIF/AIA	Total OSR	Ordinary OSR	FIF/AIA	Total OSR	Performance of Actual revenue against Target Revenue(%)
Mombasa	6,664.57	1,723.61	**8,388.18**	15,618.11	5,508.12	**21,126.23**	251.9
Garissa	101.00	349.00	**450.00**	88.06	656.73	**744.79**	165.5
Kirinyaga	454.00	310.00	**764.00**	450.30	660.33	**1,110.63**	145.4
Samburu	342.00	-	**342.00**	336.83	117.11	**453.94**	132.7
Tharaka-Nithi	293.08	375.40	**668.48**	316.78	567.41	**884.19**	132.3
Wajir	110.00	240.00	**350.00**	100.36	332.16	**432.52**	123.6
West Pokot	98.15	253.51	**351.66**	99.89	329.42	**429.31**	122.1
Trans Nzoia	324.97	275.03	**600.00**	341.62	358.09	**699.71**	116.6
Makueni	1,067.56	600.00	**1,667.56**	715.26	1,193.97	**1,909.23**	114.5
Kitui	312.35	806.90	**1,119.25**	252.73	1,018.67	**1,271.40**	113.6
Vihiga	170.00	274.13	**444.13**	202.60	298.67	**501.27**	112.9
Nakuru	2,400.00	2,536.13	**4,936.13**	1,827.52	3,571.21	**5,398.73**	109.4
Elgeyo - Marakwet	107.43	350.00	**457.43**	76.18	403.11	**479.29**	104.8
Laikipia	725.00	626.00	**1,351.00**	512.30	856.48	**1,368.78**	101.3
Lamu	150.00	130.00	**280.00**	102.14	181.51	**283.65**	101.3
Homa Bay	566.18	1,104.91	**1,671.09**	393.97	1,262.39	**1,656.36**	99.1
Nyeri	800.00	-	**800.00**	746.51	-	**746.51**	93.3
Meru	796.00	1,025.50	**1,821.50**	441.26	1,225.55	**1,666.81**	91.5
Uasin Gishu	1,300.00	582.03	**1,882.03**	1,020.04	672.14	**1,692.18**	89.9
Kwale	536.86	467.50	**1,004.36**	401.48	483.39	**884.87**	88.1
Nandi	1,092.27	643.61	**1,735.88**	878.56	594.56	**1,473.12**	84.9
Bungoma	683.89	1,393.56	**2,077.45**	557.71	1,169.69	**1,727.40**	83.2
Turkana	232.00	368.00	**600.00**	210.06	285.80	**495.86**	82.6
Migori	525.00	507.00	**1,032.00**	301.04	548.99	**850.03**	82.4
Machakos	3,092.93	997.95	**4,090.88**	1,720.27	1,604.99	**3,325.26**	81.3
Kakanega	957.37	1,242.63	**2,200.00**	599.03	1,138.13	**1,737.16**	79.0
Kisii	1,467.00	1,700.00	**3,167.00**	743.43	1,743.46	**2,486.89**	78.5
Enbu	712.49	965.23	**1,677.72**	378.33	894.39	**1,272.72**	75.9
Nairobi	19,942.05	1,636.00	**21,578.05**	12,340.56	3,196.41	**15,536.97**	72.0
Nyandarua	675.00	363.48	**1,038.48**	272.24	466.31	**738.55**	71.1
Narok	6,206.93	120.95	**6,327.88**	4,218.21	261.63	**4,479.84**	70.8
Nyamira	218.71	650.00	**868.71**	129.66	483.35	**613.01**	70.6
Busia	554.70	445.06	**999.76**	203.91	499.07	**702.98**	70.3
Bomet	607.12	290.00	**897.12**	155.71	468.24	**623.95**	69.6
Murang'a	1,671.75	878.11	**2,549.86**	806.91	957.94	**1,764.85**	69.2
Marsabit	200.00	120.00	**320.00**	87.08	132.73	**219.81**	68.7
Taita-Taveta	669.60	280.00	**949.60**	343.45	304.95	**648.40**	68.3
Kilifi	1,875.71	691.78	**2,567.49**	791.97	937.87	**1,729.84**	67.4
Kericho	736.95	724.25	**1,461.20**	369.72	590.89	**960.61**	65.7
Tana River	196.07	4.35	**200.42**	118.55	3.01	**121.56**	60.7
Kiambu	7,734.22	2,200.00	**9,934.22**	3,985.80	2,014.29	**6,000.09**	60.4
Baringo	331.94	595.06	**927.00**	237.50	320.28	**557.78**	60.2
Mandera	360.00	322.53	**682.53**	177.21	232.04	**409.25**	60.0
Isiolo	271.21	104.00	**375.21**	149.33	67.41	**216.74**	57.8
Kisumu	865.75	2,758.13	**3,623.88**	901.05	902.45	**1,803.50**	49.8
Kajiado	1,400.00	568.47	**1,968.47**	666.36	298.94	**965.30**	49.0
Siaya	2,173.74	1,078.69	**3,252.43**	290.45	585.69	**876.14**	26.9
Total	**72,773.55**	**33,678.49**	**106,452.04**	**55,678.04**	**40,399.97**	**96,078.01**	**90.3**

Source of Data: Controller of Budget

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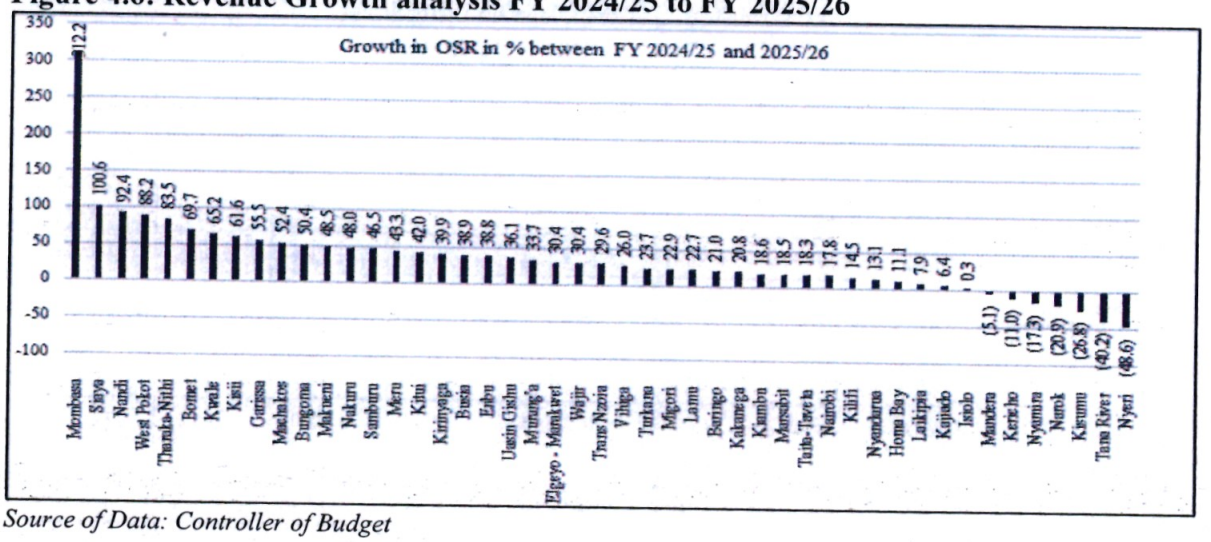
318. In the FY 2025/26, County Governments collectively mobilised KSh 96.07 billion in Own Source Revenue (OSR), an increase from KSh 67.3 billion realised during the corresponding period of FY 2024/25. This represented an overall performance rate of 90.3 percent against the annual target of KSh 106.45 billion. Of the total collections, Appropriations-in-Aid (AiA), including the Facility Improvement Fund (FIF) and other AiA sources, amounted to KSh 40.39 billion against a target of KSh 33.67 billion. Excluding AiA, counties collected ordinary OSR of KSh 55.67 billion against an annual target of KSh 72.77 billion, representing a performance rate of 76.5 percent.

319. Overall, County Governments made moderate gains in own source revenue mobilisation during the period, although aggregate collections remained below the annual target. The performance gap points to continued weaknesses in local revenue mobilisation and other factors affecting the ability of counties to realise their revenue potential. On average, counties achieved 90.3 percent of their annual OSR targets, with 18 counties surpassing this level.

320. The variation in OSR performance across counties reflects differences in revenue administration, enforcement, automation, taxpayer compliance and the accuracy of revenue projections. The relatively strong outcomes in counties such as Kirinyaga at 145.4 percent and Samburu at 132.7 percent demonstrate the potential for improved mobilisation through strengthened revenue administration and enhanced use of automated collection systems. Similarly, counties exceeding their annual targets may point to scope for improving the methodology used to establish revenue targets and better aligning projections with actual revenue potential. The very high-performance rates for Mombasa (251.9 percent) and Garissa (165.5 percent) may reflect one-off receipts rather than underlying revenue potential. The weaker outcomes recorded by counties such as Isiolo at 57.8 percent, Kajiado at 49.0 percent and Kisumu at 49.8 percent underscore the need to address gaps in revenue administration, enforcement of county revenue laws, automation and revenue forecasting.

321. An analysis of the growth in own-source revenue (OSR) collection compared to the previous financial year shows that most counties recorded an improvement in revenue performance. However, six counties recorded relatively low growth rates, namely Mandera (5.1 percent), Kericho (11.0 percent), Nyamira (17.3 percent), Kisumu (26.8 percent), Tana River (40.2 percent) and Nyeri (48.6 percent). At the other end, Mombasa recorded the highest overall growth in OSR collection, at 312.2 percent compared to the previous financial year, followed by Narok (202.9 percent), Siaya (100.4 percent), Nandi (92.4 percent) and West Pokot (88.2 percent). These performance levels are illustrated in **Figure 4.6**.

Figure 4.6: Revenue Growth analysis FY 2024/25 to FY 2025/26



Source of Data: Controller of Budget

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322. In the FY 2027/28 budget, County Governments will be required to: i) strengthen own-source revenue mobilisation through automation, revenue mapping, enforcement and improved taxpayer compliance; ii) develop and implement comprehensive revenue enhancement and receivables recovery plans; iii) strengthen revenue audit and control mechanisms to minimise leakages; and iv) adopt the revenue forecasting tool developed by the National Treasury to enable predictable OSR projections.

4.2.2 Other Revenue Raising Measures Implemented in FY 2025/26

323. The National Treasury continues to implement the National Policy to Support Enhancement of County Governments' Own Source Revenue 2018, which seeks to strengthen county revenue mobilization through legal, policy, and institutional reforms. A key milestone under the Policy is the enactment of the National Rating Act, 2024. The Act provides for the establishment of a framework to facilitate County Governments in claiming Contributions in Lieu of Rates (CILOR) payable by the National Government. Consequently, the National Land Commission, in consultation with the Cabinet Secretary responsible for Lands, the Council of Governors and the National Treasury, has commenced the development of regulations as provided under Section 20 (2) of the National Rating Act, 2024. These regulations will provide for: a) all public land that should be included in the valuation roll; b) all public land excluded from appearing on the valuation roll for rating purposes; and c) all public land exempted for purposes of appearing on the valuation roll.

324. Additionally, the National Treasury, in collaboration with other stakeholders, developed and validated the County Revenue Forecasting Tool to support County Governments in improving the accuracy and reliability of their own-source revenue (OSR) forecasts. The Tool provides a standardized and data-driven approach to revenue forecasting, addressing weaknesses arising from inconsistent forecasting methodologies that affects OSR performance. The Tool will be operationalized and adopted by County Governments.

325. Currently, the National Treasury is finalizing the review of the Policy. Engagement with the County Governments will be undertaken to take stock of the progress made so far in the implementation of the Policy as well as identify challenges and opportunities that will inform the next phase of implementing the Policy.

4.3 County Government Pending Bills (Trade Payables) as of 30th June 2026

Table 4.3: Pending Bills (Trade Payables) for the Counties as of 30th June 2026

County	County Executive (KSh Million)			County Assembly (KSh Million)			Grand Total (KSh Million)	FY 2025/26 Budget	% of Pending Bill to Budget
	Recurrent	Development	Sub-Total	Recurrent	Development	Sub-Total			
Baringo	475.43	330.10	805.53	64.70	-	64.70	870.23	10,075.96	8.64
Bomet*	603.41	787.98	1,391.39	-	40.00	40.00	1,431.39	10,853.28	13.19
Bungoma*	1,500.81	1,620.43	3,121.24	4.50	-	4.50	3,125.74	17,433.20	17.93
Busia	1,169.76	901.17	2,070.93	523.44	-	523.44	2,594.37	11,159.48	23.25
Elgeyo-Marakwet	186.17	52.54	238.71	-	-	-	238.71	9,144.87	2.61
Embu	811.70	735.84	1,547.54	77.44	-	77.44	1,624.98	9,395.13	17.3
Garissa	304.57	1,081.98	1,386.55	40.39	58.71	99.10	1,485.65	13,536.09	10.98
Homa Bay	667.99	145.97	813.96	152.61	151.44	304.05	1,118.01	13,601.46	8.22
Isiolo	948.68	531.24	1,479.92	89.82	102.72	192.54	1,672.46	7,202.84	23.22
Kajiado	1,526.43	958.65	2,485.08	66.41	3.94	70.35	2,555.43	13,546.89	18.86

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Kakamega	1,412.75	803.86	2,216.61	382.80	209.40	592.20	2,808.81	17,497.11	16.05
Kericho	565.23	871.96	1,437.19	0.99	44.86	45.85	1,483.04	10,491.81	14.14
Kiambu	3,400.96	2,201.60	5,602.56	173.28	24.29	197.57	5,800.13	27,202.74	21.32
Kilifi*	3,928.16	3,889.24	7,817.40	237.54	36.58	274.12	8,091.52	20,480.85	39.51
Kirinyaga	301.17	263.30	564.47	-	-	-	564.47	8,541.37	6.61
Kisii	727.21	498.52	1,225.73	13.54	8.43	21.97	1,247.70	20,160.90	6.19
Kisumu*	569.50	280.97	850.47	-	-	-	850.47	16,982.00	5.01
Kitui	80.67	368.83	449.50	45.46	-	45.46	494.96	14,753.53	3.35
Kwale	176.76	62.75	239.51	-	71.43	71.43	310.94	16,710.18	1.86
Laikipia*	506.41	380.01	886.42	93.08	3.64	96.72	983.14	9,768.88	10.06
Lamu	1.30	-	1.30	-	-	-	1.30	5,592.56	0.02
Machakos	2,742.80	1,543.70	4,286.50	207.00	-	207.00	4,493.50	15,193.59	29.57
Makueni*	78.90	194.90	273.80	150.45	-	150.45	424.25	12,862.92	3.3
Mandera	1,708.90	2,090.10	3,799.00	26.00	-	26.00	3,825.00	15,092.73	25.34
Marsabit*	338.80	998.40	1,337.20	8.90	81.50	90.40	1,427.60	11,033.90	12.94
Meru	1,216.70	640.90	1,857.60	30.60	13.60	44.20	1,901.80	15,124.98	12.57
Migori*	147.40	208.90	356.30	673.36	0.30	673.66	1,029.96	11,972.11	8.82
Mombasa	2,542.53	1,248.92	3,791.45	-	53.14	53.14	3,844.59	18,725.00	20.53
Murang'a*	1,294.13	110.87	1,405.00	74.90	-	74.90	1,479.90	12,130.58	12.2
Nairobi City	77,694.65	8,087.72	85,782.37	962.78	154.23	1,117.01	86,899.38	44,620.89	194.75
Nakuru*	2,508.54	496.98	3,005.52	132.15	-	132.15	3,137.67	25,649.10	12.23
Nandi	-	-	-	-	-	-	-	11,404.54	0
Narok*	2,578.26	1,592.51	4,170.78	74.92		74.92	4,245.69	17,231.06	24.64
Nyamira	267.97	89.71	357.68	-	-	-	357.68	8,646.30	4.14
Nyandarua	574.39	1,479.48	2,053.87	70.85	65.78	136.63	2,190.50	9,698.26	22.59
Nyeri*	349.55	158.16	507.71	64.12	0.23	64.35	572.06	9,441.73	6.06
Samburu	77.08	40.17	117.25	-	-	-	117.25	8,105.18	1.45
Siaya	607.23	563.98	1,171.21	105.68	-	105.68	1,276.89	13,377.98	9.54
Taita-Taveta	1,475.33	780.39	2,255.72	40.99	-	40.99	2,296.71	8,297.52	27.68
Tana River	1,084.67	686.61	1,771.28	-	-	-	1,771.28	10,237.38	17.3
Tharaka-Nithi*	554.18	203.11	757.28	97.38	3.92	101.29	858.58	7,777.00	11.04
Trans Nzoia	950.00	1,333.99	2,283.99	19.08	71.00	90.08	2,374.07	10,266.19	23.13
Turkana*	894.92	1,929.70	2,824.62	39.67	213.20	252.87	3,077.49	19,236.19	16
Uasin Gishu	708.56	445.16	1,153.72	-	-	-	1,153.72	17,427.22	6.62
Vihiga	304.46	486.11	790.57	-	20.67	20.67	811.24	7,926.21	10.23
Wajir	876.72	2,230.60	3,107.32	-	197.52	197.52	3,304.84	13,638.52	24.23
West Pokot	188.63	112.96	301.59	-	-	-	301.59	8,986.20	3.36
Total	**121,630.38**	**44,520.96**	**166,151.34**	**4,744.82**	**1,630.53**	**6,375.35**	**172,526.69**	**648,234.41**	**26.61**

Source of Data: Controller of Budget

326. Accumulation of trade payables remains a major fiscal risk to County Governments. As at 30th June 2026, County Governments reported outstanding trade payables of KSh 172.5 billion **(Table 4.3)**, comprising KSh 126.4 billion for recurrent activities and KSh 46.2 billion for

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development activities. The trade payables for the County Executive as of this date were KSh 166.2 billion, while the Assemblies amounted to KSh 6.4 billion.

327. The persistence of trade payables constrains the capacity of County Governments to finance current programmes, affects suppliers and contractors, increases litigation risks and undermines confidence in county procurement and payment systems. The Office of the Controller of Budget (OCoB) further identified inconsistent reporting of trade payables and weak adherence to the first-in-first-out principle in settling verified obligations pursuant to Regulation 55(2)(b) of the Public Finance Management (County Governments) Regulations, 2015.

328. To strengthen fiscal discipline, County Governments will be required to:

i) Adhere to Regulation 55(2)(b) of the Public Finance Management (County Governments) Regulations, 2015, County Governments by prioritizing the settlement of all eligible trade payables in the budget as a first charge;
ii) prepare, cost and implement credible multi-year trade payables clearance plans;
iii) maintain a stable and auditable trade payables register;
iv) reconcile trade payables records regularly and improve the consistency of financial reporting;
v) align trade payables action plans with the equitable share disbursement schedule; and
vi) refrain from initiating new projects where existing contractual obligations and viable ongoing projects remain unfunded.

4.4 Salary Arrears and Statutory Deductions Trade Payables as of 30th June 2026

329. As of 30th June 2026, County Governments reported outstanding salary arrears and statutory deductions trade payables totalling KSh 100.2 billion. This amount includes KSh 98.4 billion for County Executives and KSh 1.8 billion for County Assembly. **Table 4.4** shows more details on Salary Arrears and Statutory Deductions Trade Payables as of 30th June 2026.

Table 4.4: Salary Arrears and Statutory Deductions Trade Payables as of 30th June 2026

Category	County Executive					County Assembly				
	Under one year	1-2 years	2-3 years	Over 3 years	Total (KSh)	Under one year	1-2 years	2-3 years	Over 3 years	Total (KSh)
Baringo	115.50	-	-	-	115.50	-	-	-	-	-
Bomet	358.01	13.50	-	-	371.51	-	-	-	-	-
Bungoma	-	82.36	-	580.26	662.62	-	-	-	-	-
Busia	-	-	-	-	-	190.93	315.70	-	-	506.63
Elgeyo-Marakwet	85.00	-	-	-	85.00	-	-	-	-	-
Embu	-	-	-	-	-	20.01	-	-	-	20.01
Garissa	-	-	-	-	-	-	24.08	-	-	24.08
Homa Bay	-	-	-	-	-	-	-	-	38.17	38.17
Isiolo	-	-	-	-	-	-	-	-	-	-
Kajiado	94.51	-	-	-	94.51	18.53	8.01	-	-	26.54
Kakamega	319.21	-	-	-	319.21	21.15	51.84	30.25	41.40	144.63
Kericho	-	-	-	-	-	-	-	-	-	-
Kiambu	661.33	21.36	4.02	-	686.71	-	-	-	-	-
Kilifi	199.49	70.26	1.64	5.22	276.61	-	50.16	-	-	50.16
Kirinyaga	-	-	-	-	-	-	-	-	-	-
Kisii	631.68	-	-	-	631.68	7.47	-	-	-	7.47
Kisumu	16.53	-	-	-	16.53	-	-	-	-	-
Kitui	-	-	-	-	-	0.91	-	-	-	0.91
Kwale	-	-	-	-	-	-	-	-	-	-
Laikipia	301.31	-	-	-	301.31	22.70	-	-	-	22.70

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Lamu	-	-	-	-	-	-	-	-	-	-
Machakos	1,615.61	8.40	-	325.51	1,949.51	2.31	0.02	-	-	2.33
Makueni	39.42	-	-	-	39.42	-	-	-	-	-
Mandera	442.26	-	-	-	442.26	-	-	-	-	-
Marsabit	338.83	-	-	-	338.83	-	-	-	-	-
Meru	854.68	-	46.52	-	901.21	30.55	-	-	-	30.55
Migori	0.13	1.02	-	-	1.14	26.28	-	-	469.34	495.61
Mombasa	620.52	4.49	-	700.02	1,325.03	40.18	-	-	4.22	44.40
Murang'a	331.29	454.08	44.39	266.65	1,096.41	4.88	12.01	-	-	16.90
Nairobi	11,361.88	11,887.56	13,531.73	49,001.21	85,782.37	130.42	26.59	5.76	-	162.78
Nakuru	0.18	2.01	532.72	0.62	535.53	-	-	-	-	-
Nandi**	-	-	-	-	-	-	-	-	-	-
Narok	-	-	-	208.24	208.24	-	-	-	-	-
Nyamira	-	36.83	-	-	36.83	-	-	-	-	-
Nyandarua	-	-	-	-	-	-	-	-	-	-
Nyeri	54.15	0.04	-	-	54.19	1.51	-	-	-	1.51
Samburu	-	10.61	3.43	13.69	27.74	-	-	-	-	-
Siaya	143.65	-	-	-	143.65	29.36	-	-	-	29.36
Taita Taveta	-	50.05	127.57	452.27	629.89	-	-	-	-	-
Tana River	-	-	-	-	-	-	-	-	-	-
Tharaka-Nithi	-	-	-	20.69	20.69	-	-	15.33	-	15.33
Trans Nzoia	-	77.57	105.89	160.89	344.35	-	-	-	19.08	19.08
Turkana	-	-	-	-	-	-	-	-	-	-
Uasin Gishu	123.02	6.58	84.79	-	214.39	30.73	32.50	3.02	-	66.26
Vihiga	-	-	-	-	-	-	-	-	-	-
Wajir	-	-	-	662.28	662.28	58.88	5.77	7.29	-	71.94
West Pokot	-	-	71.06	55.01	126.07	-	-	-	-	-
TOTALS	**18,708.19**	**12,726.73**	**14,553.77**	**52,452.56**	**98,441.24**	**636.79**	**526.69**	**61.65**	**572.21**	**1,797.34**

Source of Data: Controller of Budget

Strengthening County Assembly Financial Autonomy

330. The operationalisation of County Assembly Funds remains an important component of strengthening financial management and institutional autonomy within devolved government. As at 30th June 2026, only two County Assembly Funds (Trans Nzoia and Marsabit) had been operationalised, with other County Assemblies at various stages of establishing their funds. County Governments and County Assemblies will therefore be required to ensure full operationalisation of County Assembly Funds and include clear and predictable disbursement schedules from the County Revenue Fund in annual budget submissions. In addition, County Treasuries and County Assemblies will strengthen coordination to ensure that approved resources are transferred in accordance with the approved budget and applicable legislation.

Strengthening Capacity for County Public Financial Management

331. The analysis of County Governments' fiscal performance indicates that several County Governments continue to experience institutional and technical capacity constraints in revenue administration, budget execution, procurement, project management, accounting, financial reporting, payroll management and monitoring and evaluation. In accordance with Article 190 of the Constitution and Section 12(1)(j) of the PFM Act, CAP 412A, the National Treasury will continue to support County Governments through targeted capacity development and technical assistance.

332. The National Treasury, in collaboration with relevant institutions, has continued to implement targeted capacity-building interventions to strengthen fiscal and financial management at the county level. These interventions have included support under the Financing Locally-Led Climate Action (FLLoCA) programme, particularly in strengthening county

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capacity in public financial management, as well as capacity building for County Assemblies on the management and oversight of the County Assembly Fund (CAF), following the operationalisation of the Fund under the County Public Finance Laws (Amendment) Act, 2023. Other capacity-building interventions have focused on medium-term fiscal and budget planning; own-source revenue mobilisation and forecasting; cash and liquidity management; management of trade payables and receivables; procurement planning and contract management; payroll and establishment management; accrual-based accounting and financial reporting; management of County Public Funds; monitoring and evaluation; and compliance with the Constitution, the Public Finance Management Act and subsidiary legislation.

333. Going forward, the National Treasury will continue to strengthen and expand these capacity-building interventions, with particular emphasis on FY 2027/28 following the transition to newly elected County Governments after the 2027 General Elections. The interventions will seek to support the incoming administrations to establish sound public financial management systems, strengthen institutional capacity, ensure continuity in service delivery, and promote compliance with the applicable legal and regulatory framework from the onset of their term.

334. The performance of County Governments during the FY 2025/26 demonstrates continued progress in implementing devolved functions but also highlights persistent structural weaknesses in revenue mobilisation, expenditure execution, development absorption, payroll management, trade payables, financial reporting and institutional capacity. The FY 2027/28 cycle will therefore place greater emphasis on fiscal sustainability, expenditure efficiency, revenue resilience, timely settlement of verified obligations, improved development absorption, stronger financial controls and measurable service delivery outcomes.

4.5 Equalisation Fund

335. The Equalisation Fund was established under Article 204(1) of the Constitution of Kenya 2010 (CoK 2010), which requires that 0.5 percent of all revenue collected by the National Government each year, calculated on the basis of the most recent audited revenue as approved by the National Assembly, be paid into the Fund.

336. Under Article 204(2), the National Government shall use the Fund only to provide basic services, including water, roads, health facilities and electricity, to marginalised areas, so far as possible to the extent necessary to bring those services to the level generally enjoyed by the rest of the nation. Under Article 204(6), the Fund has a lifespan of 20 years, so it currently has less than four years remaining.

337. The Fund is operationalised by the Public Finance Management (Equalisation Fund Administration) Regulations, 2021 (Kenya Gazette Supplement No. 69, Legal Notice No. 54 of 29th April 2021). As a precondition to its use, Article 216(4) requires the Commission on Revenue Allocation (CRA) to determine, publish and regularly review a policy setting out the criteria for identifying marginalised areas for purposes of Article 204(2). The Commission has so far developed two such policies: the First and Second Marginalisation Policies.

Allocations to the Equalisation Fund

338. Since inception (FY 2011/12 to FY 2026/27), the Fund's total entitlement under Article 204(1) is KSh 90,109,317,905. As of 30th June 2026, the National Treasury had paid KSh 22,422,361,366 (about 25 percent of the entitlement) into the Fund, leaving an outstanding entitlement of KSh 67,686,956,539, including the FY 2026/27 allocation.

Appropriation into the Equalisation Fund

339. Under Article 204(3), the National Government may use the Fund only to the extent that the expenditure has been approved in an Appropriation Bill enacted by Parliament, either directly

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or indirectly through conditional grants to counties in which marginalised communities exist. Parliament has so far enacted three appropriations:

i) Equalisation Fund Appropriation Act, 2018: KSh 12.4 billion, spent directly by the National Government through Ministries, Departments and Agencies (MDAs) on 360 projects in 14 counties identified as marginalised under the First Marginalisation Policy.

ii) Equalisation Fund Appropriation Act, 2023: KSh 10,330,317,433, applied as conditional grants to the 34 eligible counties identified as marginalised under the Second Marginalisation Policy.

iii) Equalisation Fund Appropriation Act, 2026: KSh 16,800,000,000, also applied as conditional grants to the same 34 counties. Implementation is underway. The Fund has set conditions that beneficiary counties must meet to access the funds, and the Equalisation Fund Advisory Board has called for project proposals from counties that have met them.

340. In addition, the Equalisation Fund Appropriation Bill, 2026 (National Assembly Bill No. 39) is in the legislative process. It would appropriate KSh 10,250,573,705 for the third phase of the Second Marginalisation Policy, in support of the 34 counties identified by the CRA.

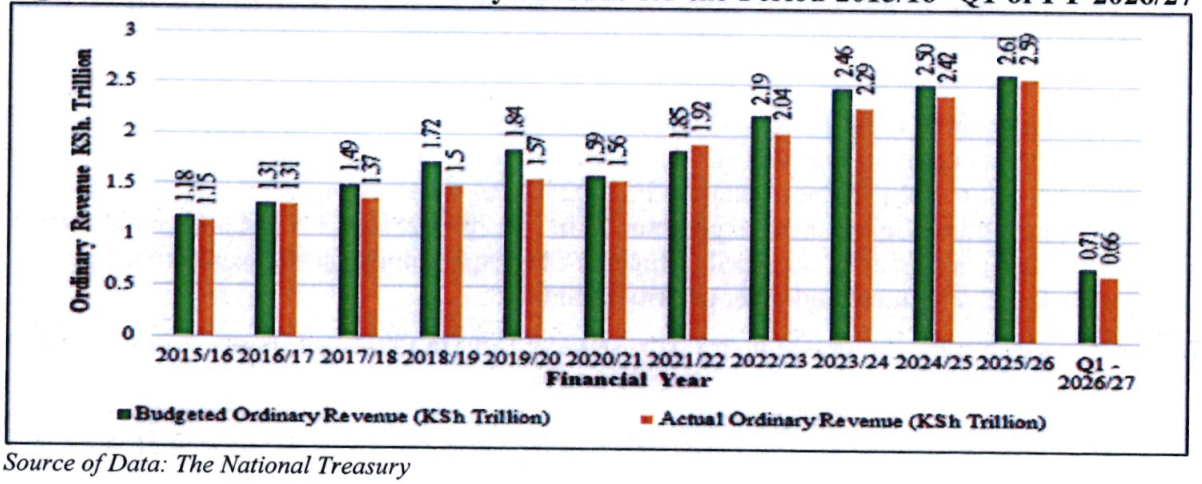
4.6 Division of Revenue for the FY 2027/28

4.6.1 Performance of Shareable Revenue

341. Ordinary revenue for FY 2026/27 is projected at KSh 2,985.7 billion. As at September 2026, ordinary revenue collections amounted to KSh 655.8 billion against a target of KSh 714.0 billion, resulting in a shortfall of KSh 58.2 billion. The shortfall was as a result of underperformance across most of the major revenue categories, particularly income tax and Value Added Tax (VAT).

342. Over the period FY 2015/16 to FY 2025/26, ordinary revenue performance remained below target, except in FY 2021/22, when collections exceeded the set target. **Figure 4.7** presents performance of ordinary revenues for the period FY 2015/16 to FY 2026/27(first quarter).

Figure 4.7: Performance of Ordinary Revenue for the Period 2015/16- Q1 of FY 2026/27



Source of Data: The National Treasury

4.6.2 Division of Revenue for FY 2027/28

343. Total sharable revenue for FY 2027/28 is projected at KSh 3,249.24 billion, out of which the National Government has been allocated KSh 2,789.52 billion and County Governments

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have been allocated a total of KSh 449.47 billion. The proposed equitable share to counties in FY 2027/28 includes KSh 8.61 billion for the conversion of UHC health workers into permanent and pensionable terms **(Table 4.5)**.

344. In addition, KSh 18.60 billion has been allocated to the Equalization Fund, being the sum of KSh 10.25 billion for FY 2027/28 (that is, 0.5 percent of the most recent audited and approved revenue of KSh 2,050.11 billion for FY 2022/23, as required by the Constitution) and KSh 8.35 billion in arrears to the Fund.

345. The allocation of KSh 449.47 billion as the County Equitable Share translates to 21.92 percent of the most recent audited and approved revenue of KSh 2,050.11 billion for FY 2022/23. **Table 4.5** summarises the division of revenue raised nationally between the National Government and County Governments in FY 2027/28.

Table 4.5: Division of Revenue Raised Nationally between the National Government and County Governments in FY 2027/28

Type/level of allocation	Amount in KSh	Percentage (%) of 2022/23 audited and approved Revenue i.e., KSh 2,050,114,740,913
A. Total Sharable Revenue	3,249,237,644,814	
B. National Government	2,789,520,256,109	
C. Equalization Fund	10,250,573,705	0.50%
D. County equitable share	449,466,815,000	21.92%

Source of Data: The National Treasury

346. The proposed allocation of KSh 449.47 billion to County Governments equitable revenue share is informed by the following factors:

i) The projected revenue and expenditure requirements in FY 2026/27: As at end of September 2026, overall ordinary revenue collection was below target by KSh 58.2 billion. If this trend continues, it is bound to impact negatively on the projected ordinary revenue for FY 2027/28;

ii) Share of ordinary revenue to GDP: Over the period FY 2013/14 to FY 2026/27 ordinary revenue to GDP has declined from a high of 18.1 percent in FY 2013/14 to 14.3 percent projected in FY 2026/27;

iii) High expenditure requirements to finance Consolidated Fund Services: Expenditures related to Consolidated Fund Services (CFS) have more than doubled from 3.2 percent of GDP in FY 2013/14 to 7.2 percent of GDP in FY 2026/27 thus narrowing the fiscal space available to support other Government expenditures. In FY 2024/25 and FY 2025/26 period, nearly half of ordinary revenue was used to finance CFS expenditures, significantly reducing fiscal space for development and other priority spending;

iv) High expenditure requirements for debt service: Debt in Present Value is estimated at 65.6 percent of GDP, against a of PV 55±5 percent anchor set out in Section 50 (2A) and (2B) of the Public Finance Management Act, CAP 412A. This calls for continuous liability management and strong fiscal consolidation that can yield a primary surplus of at least 2.3 percent of GDP each year;

v) The macroeconomic assumptions outlined in the 2027 Budget Policy Statement (BPS), including anticipated GDP growth rates, inflation, and other economic performance indicators, which influence the resources available for allocation;

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vi) The National Government continues to solely bear shortfalls in revenue in any given financial year except for FY 2024/25, when the shortfall due to rejection of the Finance Bill 2024 was borne by the National and County Governments. However, even after equitably sharing the projected revenue foregone due to suspension of revenue raising measures, the National Government solely bore the burden of shortfalls in revenue experienced in FY 2024/25;

vii) Over the years, County governments have continued to receive their full allocation despite the budget cuts affecting the National Government entities;

viii) Adjustment for Revenue Growth from the baseline by 3.0 percent or KSh 12.86 billion;

ix) Adjustment for financing of transferred health function by KSh 8.61 billion to fully transition UHC workers to permanent and pensionable staff;

x) Overall Adjustment for Revenue Growth from the baseline by 5 percent or KSh 21.47 billion; and

xi) The need for compliance with the 15 percent minimum threshold in allocating equitable share of revenue to County Governments as per Article 203(2) of the Constitution. The proposed equitable share of KSh 449.47 billion in the FY 2027/28 is equivalent to 21.92 percent of the most recently audited and approved actual revenues raised nationally of KSh 2,050.1 billion for financial year 2022/23, pursuant to Article 203 (2) and (3) of the Constitution.

347. The division of revenue has further taken into consideration provisions of Article 203 of the Constitution which provides the criteria to be considered in determining the equitable sharing of revenue between the National and County Governments. Specifically, the division of revenue between the two levels of governments has taken into account the resource requirements for other national obligations, including mandatory pension contributions and payments, financing of constitutional offices such as Parliament and the Judiciary, as well as expenditures relating to other statutory bodies. The cost of these obligations is projected at KSh 965.8 billion in FY 2027/28, up from KSh 891 billion allocated in FY 2026/27, reflecting an increase of KSh 75 billion **(Table 4.6)**.

Table 4.6: Summary of Expenditures Under Article 203 (1) of the Constitution

S/No	ITEM DESCRIPTION (KSh Millions)	FY 2027/28
	ORDINARY REVENUE (EXCLUDING AIA)	**3,249,238**
A	**National Interest** [Article 203 (1)(a)]	**177,850**
B	**Public debt (Art. 203 [1][b])**	**1,738,892**
C	**Other National obligations** (Article 203 [1][b])	**965,779**
D	**Emergencies** [Article 203 (1)(k)]	**2,000**
	Equalisation Fund [Article 203 (1) (g) and (h)]. Of which:	**18,602**
E	*a. Allocation in FY 2027/28*	10,250
	b. Arrears	8,352
F	**Total Mandatory Expenditures under Article 203(1) (A+B+C+D+E)**	**2,903,123**
G	**BALANCE TO BE SHARED BY THE 2 LEVELS OF GOVERNMENT**	**346,115**
	County Government allocation from revenue raised nationally of which; -	**453,305**
H	*a) Equitable Share of Revenue*	**449,467**
	b) Additional allocations financed from revenues raised nationally.	**3,838**
I	**Balance left for the National Government**	**(107,190)**

Source of Data: The National Treasury

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

348. Article 203(2) of the Constitution provides that the equitable share allocation to County Governments shall be not less than 15 percent of the most recent audited and National Assembly-approved revenues raised nationally. The proposed equitable share allocation of KSh 449.47 billion for FY 2027/28 represents 21.92 percent of the audited and approved national revenue of KSh 2,050.1 billion for FY 2022/23 as approved by the National Assembly. This allocation therefore exceeds the constitutional minimum threshold of 15 percent.

4.6.2.2 Allocation of Sharable Revenue among County Governments

349. The share of the nationally raised revenue to County Governments of KSh 449.47 billion has been shared among County Governments using the Fourth Basis formula for sharing revenue as approved by Parliament under Article 217 of the Constitution. The Fourth Basis formula, which is applicable from FY 2025/26 to FY 2029/30, takes into account the following parameters: 1) The Baseline Allocation Ratio; 2) Affirmative Action Allocation; and 3) The Fourth Basis indices, namely: (i) Population (45 percent); (ii) Basic Share index (35 percent); (iii) Poverty Index (12 percent); and (iv) Geographical Size (8 percent). The three components contained in the Fourth Basis are as follows:

i) The Baseline Allocation Ratio: This is derived from each County's allocation for FY 2024/25. The Baseline Allocation Ratio ensures that each county maintains what it had already secured in the FY 2024/25 out of KSh 387.43 billion, which is meant to ensure that no county loses on revenue, hence holding all Counties harmless.

ii)The Affirmative Action Allocation: This component provides for equitable share amounting to KSh 4.46 billion that has been ring-fenced to cater for the 12 smaller counties that are not favoured by the other parameters. Each of the 12 counties will receive an additional amount of KSh 371.7 million. This component considers disparities among counties and aims at equitable distribution of resources across all counties in line with Article 203(1)(g).

iii) Additional Equitable Share above KSh 391.9 billion: The third component of the formula shares out the difference amounting to KSh 57.6 billion using the parameters of the approved Fourth basis for allocating the Share of National Revenue among County Governments.

350. The horizontal distribution of County Governments' equitable revenue share allocation of KSh 449.47 billion among the forty-seven County Governments for FY 2027/28 is as shown in **Table 4.7**.

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Table 4.7: Allocation of Each County Government's Equitable Share of Revenue Raised Nationally in FY 2027/28

SNO.	County	Equitable Share FY 2026/27	*Baseline Allocation of KSh. 387.425 Billion in FY 2024/25		**Affirmative Action Allocation of KSh. 4.460 Billion in FY 2027/28	***Additional Equitable Share Above KSh. 391.885 (KSh. 57.582 Billion) Using 4th Generation Formula parameters		Total Equitable Share Allocation for FY 2027/28
			Allocation Ratio	Equitable Share		Allocation Ratio	Equitable Share	
		Column A	Column B	Column C	Column D	Column E	Column F	Column G=C+D+F
1	Baringo	7,308,538,764	1.72520442	6,683,873,223	-	1.72965677	995,967,759	7,679,840,982
2	Bomet	7,690,203,903	1.81070446	7,015,121,755	-	1.86925695	1,076,352,079	8,091,473,834
3	Bungoma	12,213,393,358	2.88331254	11,170,673,599	-	2.88722071	1,662,514,087	12,833,187,686
4	Busia	8,204,938,281	1.93971364	7,514,935,582	-	1.91057095	1,100,141,431	8,615,077,013
5	Elgeyo-Marakwet	5,693,287,501	1.24584940	4,826,732,019	371,666,667	1.37031376	789,051,536	5,987,450,221
6	Embu	6,266,341,359	1.38604809	5,369,896,832	371,666,667	1.45307451	836,706,678	6,578,270,177
7	Garissa	9,208,106,330	2.13988446	8,290,447,365	-	2.54093580	1,463,116,953	9,753,564,318
8	Homa-Bay	8,914,134,592	2.10886773	8,170,280,800	-	2.05968100	1,186,001,702	9,356,282,502
9	Isiolo	5,820,428,671	1.27082847	4,923,507,187	371,666,667	1.45439517	837,467,139	6,132,640,993
10	Kajiado	9,203,151,126	2.15396880	8,345,013,610	-	2.37612492	1,368,215,857	9,713,229,467
11	Kakamega	14,065,352,058	3.35045578	12,980,503,320	-	3.00387301	1,729,684,600	14,710,187,920
12	Kericho	7,426,240,914	1.73929543	6,738,465,302	-	1.90440430	1,096,590,560	7,835,055,862
13	Kiambu	13,509,437,586	3.17318105	12,293,696,674	-	3.36630462	1,938,379,296	14,232,075,970
14	Kilifi	13,175,334,595	3.14121274	12,169,843,476	-	2.78413711	1,603,156,682	13,773,000,158
15	Kirinyaga	6,337,662,004	1.40653616	5,449,272,719	371,666,667	1.43077009	823,863,387	6,644,802,772
16	Kisii	10,108,734,057	2.40197088	9,305,835,688	-	2.22317145	1,280,142,471	10,585,978,159
17	Kisumu	9,181,372,763	2.16953696	8,405,328,573	-	2.14881404	1,237,326,124	9,642,654,697
18	Kitui	11,851,440,460	2.80982593	10,885,968,099	-	2.67332787	1,539,350,710	12,425,318,809
19	Kwale	9,333,631,268	2.22634358	8,625,411,603	-	1.96101250	1,129,186,590	9,754,598,193
20	Laikipia	6,298,325,916	1.39047164	5,387,034,732	371,666,667	1.49418391	860,378,212	6,619,079,611
21	Lamu	3,987,831,441	0.84001567	3,254,430,723	371,666,667	1.00161720	576,749,362	4,202,846,752
22	Machakos	10,506,401,278	2.47718241	9,597,223,940	-	2.51745075	1,449,593,833	11,046,817,773
23	Makueni	9,245,743,223	2.19327825	8,497,308,272	-	2.07236592	1,193,305,909	9,690,614,181
24	Mandera	12,588,136,749	3.01751786	11,690,618,560	-	2.48516735	1,431,004,466	13,121,623,026
25	Marsabit	8,391,662,265	1.96093468	7,597,151,194	-	2.19994759	1,266,769,749	8,863,920,943
26	Meru	10,896,791,506	2.56677821	9,944,340,480	-	2.63727267	1,518,589,472	11,462,929,952
27	Migori	9,164,503,127	2.16430958	8,385,076,399	-	2.15818006	1,242,719,249	9,627,795,648
28	Mombasa	8,655,427,079	2.03902021	7,899,674,038	-	2.09262921	1,204,973,883	9,104,647,921
29	Murang'a	8,226,820,359	1.93892161	7,511,867,031	-	1.97965756	1,139,922,753	8,651,789,784
30	Nairobi City	22,113,620,446	5.20841762	20,178,711,957	-	5.35763115	3,085,021,256	23,263,733,213
31	Nakuru	14,898,407,452	3.52764991	13,666,997,646	-	3.40969073	1,963,361,806	15,630,359,452
32	Nandi	8,011,197,944	1.89612728	7,346,071,107	-	1.84169137	1,060,479,315	8,406,550,422
33	Narok	10,067,523,987	2.38545796	9,241,860,519	-	2.28620647	1,316,439,183	10,558,299,702
34	Nyamira	6,265,653,089	1.38349048	5,359,987,994	371,666,667	1.47860565	851,407,967	6,583,062,628
35	Nyandarua	6,862,041,197	1.53230216	5,936,521,652	371,666,667	1.53358128	883,063,934	7,191,252,253
36	Nyeri	7,108,453,869	1.68254740	6,518,609,255	-	1.63323997	940,449,216	7,459,058,471
37	Samburu	6,529,355,285	1.45143667	5,623,228,509	371,666,667	1.47988401	852,144,071	6,847,039,247
38	Siaya	8,009,251,583	1.88461597	7,301,473,431	-	1.95978998	1,128,482,641	8,429,956,072
39	Taita-Taveta	5,941,906,759	1.30764364	5,066,138,383	371,666,667	1.39582365	803,740,589	6,241,545,639
40	Tana-River	7,446,174,779	1.76155871	6,824,718,834	-	1.72076961	990,850,374	7,815,569,208
41	Tharaka-Nithi	5,219,759,236	1.13557677	4,399,508,312	371,666,667	1.24209956	715,223,472	5,486,398,451
42	Trans-Nzoia	8,244,551,895	1.94631243	7,540,500,922	-	1.94946967	1,122,540,022	8,663,040,944
43	Turkana	14,274,615,989	3.41053967	13,213,283,320	-	2.93875860	1,692,190,541	14,905,473,861
44	Uasin-Gishu	9,260,813,408	2.18684880	8,472,398,961	-	2.18306645	1,257,049,282	9,729,448,243
45	Vihiga	6,202,310,291	1.36617969	5,292,921,648	371,666,667	1.48891590	857,344,798	6,521,933,112
46	Wajir	10,847,713,122	2.55605576	9,902,799,041	-	2.61640338	1,506,572,555	11,409,371,596
47	West Pokot	7,223,277,137	1.70606846	6,609,735,714	-	1.69885483	978,231,447	7,587,967,161
		428,000,000,000	**100.00000000**	**387,425,000,000**	**4,460,000,000**	**100.00000000**	**57,581,815,000**	**449,466,815,000**

Source of Data: The National Treasury

County Allocation *= (Baseline Allocation Ratio*KSh 387.425 billion) + (KSh 4.46 billion shared equally among the 12 identified counties) + {[(0.45*Population Index) + (0.35*Basic Share Index) + (0.12*Poverty Index) + (0.08* Geographical Size Index)] * (County Equitable Share - 391.89 billion)}*

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4.6.2.3 Additional Allocations to County Governments in FY 2027/28

351. Article 202 (2) of the Constitution provides that County Governments may be given additional allocations from the National Government's Share of revenue either conditionally or unconditionally; while Article 190 of the Constitution also provides that Parliament shall by legislation (Public Finance Management Act, CAP 412A) ensures that County Governments have adequate support to enable them to perform their functions. Additional Allocations to County Governments shall therefore constitute expenditures approved by Parliament in the Budget Policy Statement to finance National Government Policies or support County Governments to perform their functions as assigned in the Fourth Schedule of the Constitution. These allocations will be financed either from the National Government's share of revenue or from the proceeds of loans or grants from Development Partners. Funds designated for additional allocations to County Governments shall be included in the budget estimates of the National Government and shall be submitted to Parliament for approval.

352. To support various National Government policies and enable County Governments to perform their functions assigned to them in the Fourth Schedule of the Constitution, KSh 56.99 billion has been allocated as additional allocations to County Governments. Of this amount, KSh 3.8 billion will be financed from the National Government's share of revenue, KSh 443 million financed from 0.5 percent Housing Levy Fund to County Rural and Urban Affordable Housing Committees, and KSh 52.71 billion from proceeds of loans and grants from Development Partners. This is summarized in **Table 4.8**.

Table 4.8: Additional Allocations to County Governments in FY 2027/28

Additional Allocations to County Governments in FY 2027/28		
S. No.	**Project Description**	**Amount in KSh**
Additional Unconditional Allocations Financed from National Government Share of Revenue		
1	Unconditional Additional Allocation from Court Fines	43,117,562
2	Unconditional Additional Allocation from 20% Share of Mineral Royalties to County Government Royalties to County Governments	559,802,001
Sub-Total		**602,919,563**
Additional Conditional Allocations Financed from National Government Share of Revenue		
1	Conditional Additional Allocation for Community Health Promoters (CHPs) Program	3,234,930,000
2	Conditional Additional Allocations from 0.5% of Housing Levy Fund to the County Rural and Urban Affordable Housing Committees	443,084,897
Sub-Total		**3,678,014,897**
Additional Conditional Allocations Financed from Proceeds *of* Loans and Grants from Development Partners		
1	French Development Agency (AfD) Credit for the Kenya Informal Settlements Improvement Project Phase Two (KISIP II)	110,000,000
2	IDA (World Bank) Credit/Grant Building Resilient & Responsive Health Systems –BREHS	6,638,834,553
3	KFW (German Financial Cooperation) Credit Co- Financing of Financing Locally-Led Climate Action Program, (FLLoCA) CCRIG - GRANT	1,500,000,000
4	IDA (World Bank) Credit for the Food Systems Resilience Project (FSRP)	4,600,000,000
5	IDA World Bank Credit for the National Agricultural Value Chain Development Project (NAVCDP)	1,500,000,000
6	IDA (World Bank) Credit for the Kenya Urban Support Project (KUSP)-Urban Institutional Grant (UIG)	130,000,000

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Additional Allocations to County Governments in FY 2027/28		
S. No.	**Project Description**	**Amount in KSh**
7	IDA (World Bank Credit for the Kenya Urban Support Project (KUSP)-Urban Development Grant (UDG) - Loan	13,202,556,217
	IDA (World Bank Credit for the Kenya Urban Support Project (KUSP)-Urban Development Grant (UDG) - Grant	2,637,314,853
8	International Fund for Agricultural Development (IFAD) Credit for Kenya Livestock Commercialization Project (KeLCoP)	761,400,000
9	KfW (German Development Bank) Credit and Grant for Drought Resilience Program in Northern Kenya (DRPNK)	805,383,174
10	IFAD - Integrated Natural Resources Management Program - (INReMP)	882,742,338
11	UNFPA -10th Country Program	65,190,000
12	IDA (World Bank) loan for the Kenya Devolution Support Program Phase Two (KDSP II) Level 2 Grant	4,955,000,000
13	IDA (World Bank Credit for the Kenya Water, Sanitation and Hygiene (K-WASH) Program	5,100,000,000
14	IDA (World Bank) Kenya Watershed Services Improvement (KEWASIP)	2,400,000,000
15	IFAD - Kenya Health Self-Reliance G2G Program	7,425,268,649
Sub-Total		**52,713,689,784**
GRAND TOTAL		**56,994,624,244**

Source of Data: The National Treasury

4.6.2.4 Additional Allocations to County Governments from the National Government Revenue

353. **Table 4.9** provides specific additional allocations to County Governments from the National Government revenue.

Table 4.9: Division of Revenue Raised Nationally FY 2020/21 – FY 2027/28 (KSh Million)

Types/Levels of Allocation	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27*	2027/28*
a) National Government Share	1,533,700	1,398,799	1,764,516	2,177,867	2,235,993	2,319,813	2,472,273	2,789,520
Out of which Additional Allocations to County Governments	6,505	7,537	5,363	10,117	16,925	12,838	17,927	3,838
i. Leasing of Medical Equipment	6,205	7,205	5,200	-	-	-	-	-
ii. County Aggregated Industrial Park (CAIPs)	-	-	-	4,500	2,000	4,448	3,250	-
iii. Road Maintenance Levy Fund	-	-	-		10,552	-	-	-
iv. Supplement for Construction of County Headquarters	300	332	163	454	-	449	523	-
v. Community Health Promoters	-	-	-	-	2,584	3,235	3,235	3,235
vi. Transferred Museums Functions	-	-	-	-	30	-	-	-
vii. Outstanding Basic Salary Arrears for Health Workers	-	-	-	-	1,759	1,759	-	-
viii. Fertilizer Subsidy Programs	-	-	-	5,000	-	-	-	-
ix. Transfer of Library Service Function	-	-	-	163	-	-	-	-
x. Court Fines	-	-	-	-	-	12	148	43
xi. 20% Share of Mineral Royalties	-	-	-	-	-	2,935	1,833	560
xii. Conversion of UHC Workers to PnP	-	-	-	-	-	-	8,938	
b) Equalization Fund	6,500	6,825	7,068	8,369	8,000	9,602	9,602	10,250
of which *i. 0.5% Equalization Fund*	6,500	6,825	7,068	8,369	7,853	9,602	9,602	10,250
ii. Equalization Fund Arrears	-	-	-	-	147	987	5,561	8,352
c. County Equitable Share	316,500	370,000	370,000	385,425	387,425	415,000	428,000	449,467
TOTAL SHAREABLE REVENUE	1,856,700	1,775,624	2,141,584	2,571,661	2,631,418	2,744,415	2,909,875	3,249,237
* Determination of the Total Sharable Revenue is exclusive of arrears due to the Equalization Fund								

Source of Data: The National Treasury

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4.6.2.5 Total Allocation to County Governments in FY 2027/28

354. Total allocation to the County Governments for FY 2027/28, including additional allocations, is KSh 506.46 billion. **Table 4.10** provides the breakdown of allocations to County Governments, both equitable share and additional allocations for the period FY 2019/20 to FY 2027/28.

Table 4.10: Disaggregation of County Governments' Allocation (KSh Millions)

Fiscal Year/KSh Million		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
A	**County Equitable Share**	**316,500**	**316,500**	**370,000**	**370,000**	**385,425**	**387,425**	**420,000**	**428,000**	**449,467**
B	**Additional Allocations to County Governments**	**45,595**	**30,204**	**39,880**	**22,359**	**46,363**	**42,002**	**70,666**	**71,092**	**56,995**
	Of which a) GOK-funded unconditional allocations	-	-	-	-	*10,117*	-	*2,946*	*1,981*	*603*
	b) GOK-funded conditional allocations	*6,505*	-	*7,537*	*5,200*	*3,044*	*4,584*	*9,984*	*12,732*	*3,678*
	c) Allocations from proceeds of loans and grants	*39,090*	*30,204*	*32,343*	*17,159*	*33,202*	*35,659*	*57,735*	*56,379*	*52,714*
C	**Total County Allocations (A+B)**	**362,095**	**346,704**	**409,880**	**392,359**	**431,788**	**429,427**	**490,666**	**499,092**	**506,461**

Source of Data: The National Treasury

4.7. Intergovernmental Fiscal Transfers

355. National Government Ministries, Departments and Agencies (MDAs) are responsible for developing frameworks for managing conditional additional allocations to beneficiary County Governments. These frameworks outline the total allocation for each conditional additional allocation, the specific amount allocated to each participating County Government, the conditions to be met by participating County Governments, and the responsibilities of both MDAs and beneficiary County Governments. The Accounting Officers in the respective MDAs are responsible for submitting these frameworks to the National Treasury for inclusion in the County Governments Additional Allocations Act.

4.7.1 National Policy on Management of Intergovernmental Fiscal Transfers

356. The Government, through the National Treasury, is finalizing the National Policy on Management of Intergovernmental Fiscal Transfers to strengthen the framework for the allocation, disbursement, management, reporting and oversight of fiscal transfers between the National and County Governments. The Policy is expected to enhance fiscal predictability and transparency, strengthen coordination between the two levels of government, improve the efficiency and accountability of intergovernmental transfers, and contribute to the effective financing of devolved functions and delivery of services to citizens.

357. The policy, which is earmarked for completion within the FY 2026/27, will guide management of transfers to County Governments including providing mechanisms to enhance faster approval of fiscal transfers. This is intended to reduce fiscal inefficiencies, late disbursements of additional allocations and low absorption of the funds by County Governments.

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V. STATEMENT OF SPECIFIC FISCAL RISKS

5.1 Introduction

358. In line with the requirements of the Public Finance Management Act, CAP 412A, this Chapter presents the Statement of Specific Fiscal Risks (SSFR). It provides an assessment of fiscal risks that could affect the achievement of the macroeconomic and fiscal targets and objectives set out in this Budget Policy Statement (BPS). The Kenyan economy grew by 4.6 percent in 2025 and is projected to expand by 5.0 percent in 2026 and 5.1 percent in 2027. The 2026 growth projection has been revised downward from 5.3 percent projected in the 2026 BPS, reflecting the impact of the Middle East conflict, which has resulted in higher global energy prices, disruptions to global supply chains, and weaker external demand. The growth outlook for 2027 is expected to remain resilient, supported by easing of external pressures, normalization of global supply chains and continued implementation of Government priority programmes.

359. Despite the resilient growth outlook, significant downside risks remain from both domestic and external shocks. These include heightened geopolitical tensions and global economic uncertainty, volatility in international energy and commodity prices, tighter global financial conditions, uncertainties in macroeconomic assumptions, public debt and debt-service dynamics, revenue mobilisation and expenditure pressures, risks arising from State Corporations and contingent liabilities, financial sector vulnerabilities, and climate-related and other natural risks. If these risks materialise, they could adversely affect economic growth, revenue performance, the fiscal balance and debt sustainability, and constrain the Government's ability to implement and sustain the fiscal and macroeconomic policies set out in this BPS. This section assesses these risks and outlines the measures being implemented by the Government to strengthen fiscal resilience and mitigate their potential impact.

5.2 Risk in Changes in Macroeconomic Assumptions

360. The fiscal sensitivity analysis assesses the impact of changes in key macroeconomic variables on revenue, expenditure and the overall budget balance relative to the baseline projections. The analysis considers shocks to real GDP growth, inflation, the exchange rate and the value of imported goods. The results demonstrate that fiscal outcomes remain sensitive to changes in macroeconomic conditions, with the magnitude and direction of the impact varying across the different shocks and over the medium term, as presented in **Table 5.1.**

361. A 1.0 percentage point reduction in real GDP growth reduces revenue by KSh 14.1 billion in FY 2027/28, with the reduction rising to KSh 18.5 billion by FY 2030/31. Expenditure declines by KSh 7.7 billion and KSh 10.4 billion over the same period, resulting in a deterioration of the budget balance by KSh 6.5 billion in FY 2027/28 and KSh 8.1 billion by FY 2030/31. This underscores the importance of sustaining economic growth, given the adverse implications of weaker economic activity for revenue mobilisation and the fiscal position.

362. A 1.0 percentage point increase in inflation increases revenue by KSh 14.4 billion in FY 2027/28, rising to KSh 19.0 billion by FY 2030/31, while expenditure increases by KSh 8.0 billion and KSh 10.9 billion, respectively. The resulting improvement in the budget balance is estimated at KSh 6.1 billion in FY 2027/28 and KSh 8.2 billion by FY 2030/31. While higher inflation may

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improve nominal fiscal aggregates in the short term, sustained inflationary pressures could adversely affect real incomes, demand and the cost of Government programmes.

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

	Revenue				Expenditures				Budget Balance			
	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Reduction in real GDP (%) by 1.0 % point	-14.1	-15.5	-17.0	-18.5	-7.7	-8.5	-9.3	-10.4	-6.5	-7.1	-7.7	-8.1
Increase in inflation rate (%) by 1.0 % Point	14.4	15.9	17.5	19.0	8.0	8.9	9.8	10.9	6.4	7.1	7.8	8.2
Depreciation in exchange rate (Ksh/US$) by 10%	22.1	24.3	26.8	26.8	3.5	3.9	4.4	5.0	18.6	20.4	22.4	21.8
Increase in value of imported goods (US$) by 10%	13.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0	13.0	0.1	0.1	0.1
All shocks Combined	35.3	22.1	24.5	24.5	3.4	3.9	4.3	4.9	31.9	18.3	20.1	19.6

Source of Data: National Treasury

363. A 10 percent depreciation of the exchange rate increases revenue by KSh 22.1 billion in FY 2027/28, rising to KSh 26.8 billion by FY 2030/31, while expenditure increases by KSh 3.5 billion and KSh 5.0 billion, respectively. Consequently, the budget balance improves by KSh 18.6 billion in FY 2027/28 and KSh 21.8 billion by FY 2030/31. The results nevertheless demonstrate the exposure of fiscal outcomes to exchange rate movements, particularly through their effects on external financing, imported inputs and domestic prices.

364. A 10 percent increase in the value of imported goods increases revenue by KSh 13.0 billion in FY 2027/28, with relatively limited effects thereafter. The corresponding impact on expenditure is negligible, resulting in an improvement in the budget balance of KSh 13.0 billion in FY 2027/28, moderating to about KSh 0.1 billion from FY 2028/29 onwards. This reflects the sensitivity of tax revenues, particularly taxes on international trade, to developments in import values.

365. Under a scenario where all shocks are combined, revenue increases by KSh 35.3 billion in FY 2027/28 and remains above the baseline by KSh 24.5 billion in FY 2030/31, while expenditure increases by KSh 3.4 billion and KSh 4.9 billion, respectively. The combined effect results in an improvement in the budget balance of KSh 31.9 billion in FY 2027/28, moderating to KSh 19.6 billion by FY 2030/31. The combined scenario illustrates that the net fiscal effect of simultaneous macroeconomic shocks depends on the relative magnitude and interaction of individual shocks.

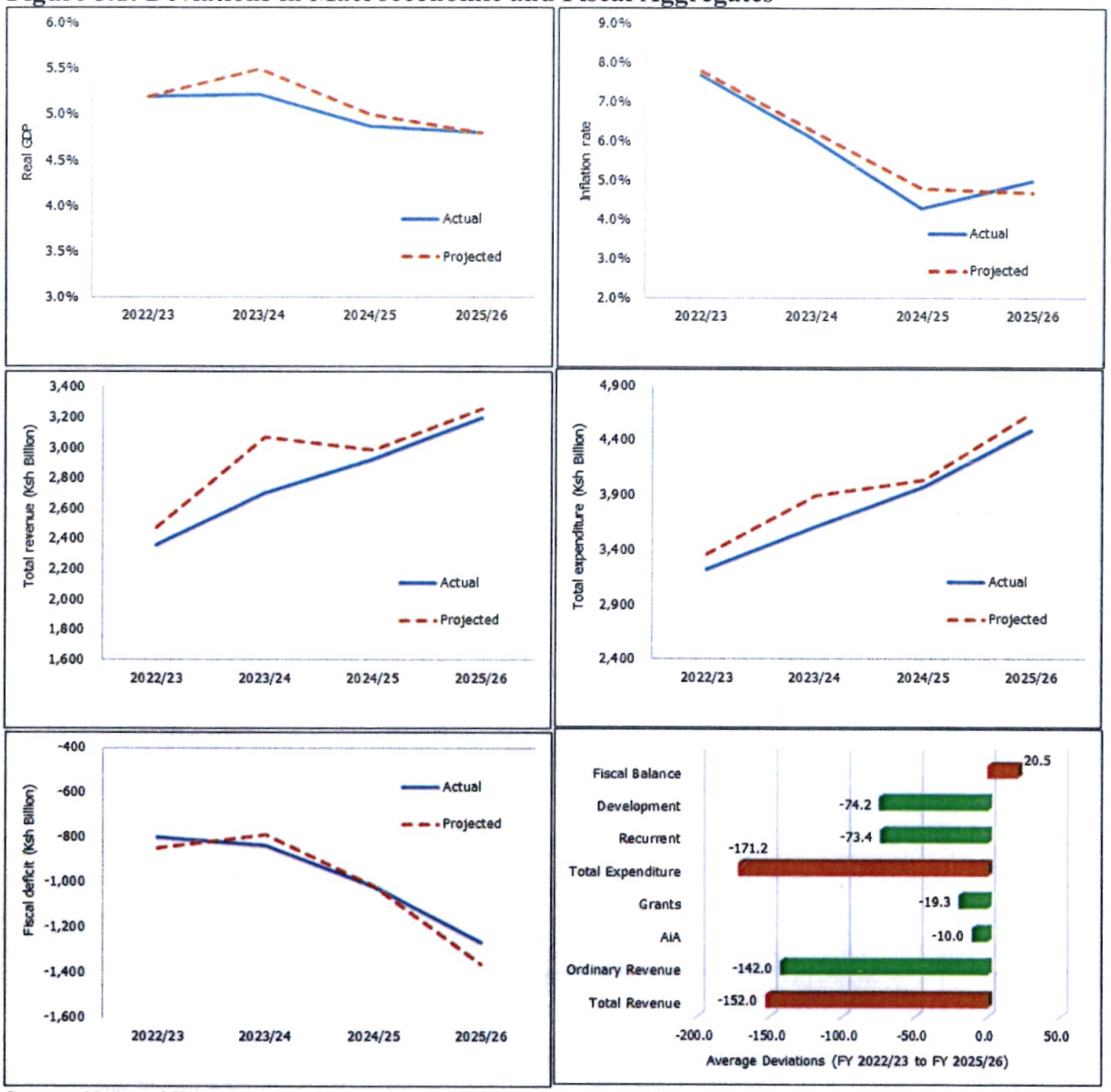
Assessment of Past Forecast Accuracy of Underlying Assumptions and Budgetary Aggregates

366. Macroeconomic assumptions have remained broadly credible. Over FY 2022/23 - FY 2025/26, actual real GDP growth and inflation remained broadly aligned with projections, with limited deviations from the forecast assumptions **(Figure 5.1).** The standard deviation of deviations in both real GDP growth and inflation was 0.2 percentage points, indicating a high degree of accuracy in macroeconomic forecasting over the period. This performance reflects the effectiveness of the macroeconomic forecasting framework in capturing prevailing economic conditions.

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Figure 5.1: Deviations in Macroeconomic and Fiscal Aggregates



Source: National Treasury

367. Despite the relative accuracy of macroeconomic forecasts, budget execution continued to exhibit deviations from approved targets. Over FY 2022/23 - FY 2025/26, total revenue underperformed the approved targets by an average of KSh 152 billion annually, comprising shortfalls of KSh 142 billion in ordinary revenue and KSh 10 billion in Ministerial Appropriations-in-Aid (A-I-A) **(Table 5.2).** On the expenditure side, total expenditure was underspent by an average of KSh 171 billion, mainly reflecting lower absorption of KSh 73 billion in recurrent expenditure and KSh 74 billion in development expenditure. While lower recurrent expenditure is partly consistent with ongoing fiscal consolidation efforts and expenditure rationalisation, persistent underspending of development expenditure points to implementation and absorptive capacity constraints that could affect the timely delivery of priority programmes and the achievement of growth and service delivery objectives. The average deviation in the budget balance was KSh 20 billion, reflecting the combined effect of revenue shortfalls and lower-than-targeted expenditure.

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Table 5.2: Deviations in Macroeconomic and Fiscal Aggregates

	2022/23			2023/24			2024/25			2025/26			2026/27	Average	Standard
	Proj.	Actual	Dev.	Proj.	Actual	Dev.	Proj.	Actual	Dev.	Proj.	Prel Actual	Dev.	Proj	Deviations	Deviations
I. Key Macroeconomic Assumptions															
Real GDP	5.2%	5.2%	0.0%	5.5%	5.2%	-0.3%	5.0%	4.9%	-0.1%	4.8%	4.8%	0.0%	5.0%	-0.1%	0.2%
Inflation Rate (avg)	7.8%	7.7%	-0.1%	6.3%	6.1%	-0.2%	4.8%	4.3%	-0.5%	4.7%	5.0%	0.3%	5.5%	-0.1%	0.2%
Exchange rate (Ksh/US$), avg		139.7			129.4			129.3			129.7				
Export growth		8.2%			10.0%			9.7%			5.6%				
Import growth		-2.4%			-1.5%			6.9%			18.6%				
II. Fiscal Aggregates (in Ksh billion)															
Total Revenue	2,479	2,361	-118	3,071	2,703	-368	2,986	2,924	-62	3,259	3,199	-60	3,631	-152	198
Ordinary Revenue	2,145	2,041	-104	2,625	2,289	-336	2,496	2,420	-76	2,641	2,589	-52	2,986	-142	182
AiA	333	319	-14	446	414	-32	489	503	14	618	610	-8	645	-10	19
Grants	42	23	-19	47	22	-25	47	33	-14	40	21	-19	44	-19	20
Total Expenditure	3,367	3,221	-146	3,903	3,605	-298	4,045	3,976	-69	4,657	4,484	-172	4,819	-171	190
Recurrent	2,368	2,312	-56	2,760	2,678	-82	2,989	2,948	-41	3,401	3,285	-115	3,566	-73	79
Development	561	494	-67	718	546	-171	602	583	-19	771	732	-39	751	-74	95
Domestic	337	344	7	438	377	-61	395	398	3	553	548	-4	563	-14	31
External	194	138	-56	250	152	-98	185	166	-19	211	176	-35	178	-52	60
Net Lending	16	12	-4	19	17	-1	20	20	0	-	0	0	-	-1	2
Equalization Fund	14	-	-14	11	-	-11	3	-	-3	8	7	0	10	-7	9
County Allocation	436	416	-21	424	380	-43	454	445	-9	485	467	-18	502	-23	26
Balance	- 846	- 800	46	- 785	- 835	-50	- 1,012	- 1,019	-7	- 1,358	- 1,265	93	- 1,145	20	58
Financing	846	770	-76	785	818	33	1,012	1,034	22	1,358	1,251	-107	1,145	-32	68
Net Foreign Financing	363	311	-52	362	223	-139	186	180	-7	384	267	-117	247	-79	95
Net Domestic Financing	484	460	-24	423	596	173	826	854	29	974	984	10	898	47	89
Memo Items:															
Nominal GDP (Ksh billion)	14,336	14,299	-37	16,132	15,667	-465	17,435	17,144	-291	18,642	18,631	-12	20,817	-201	275

Source: National Treasury

368. Real GDP growth is projected at 5.1 percent in FY 2027/28, up from a projected 5.0 percent in FY 2026/27, reflecting continued resilience in economic activity and the expected strengthening of key sectors. Forecast uncertainty remains, with a 95 percent confidence interval ranging between 4.8 percent and 5.4 percent, corresponding to a standard deviation of 0.2 percentage points **(Figure 5.2).** Deviations from the central growth projection could arise from adverse weather conditions, weaker-than-expected performance in key sectors, heightened geopolitical tensions, disruptions in global supply chains, volatility in international commodity and energy prices, and other external shocks. A lower-than-projected growth outcome would adversely affect revenue mobilisation and could widen the fiscal deficit.

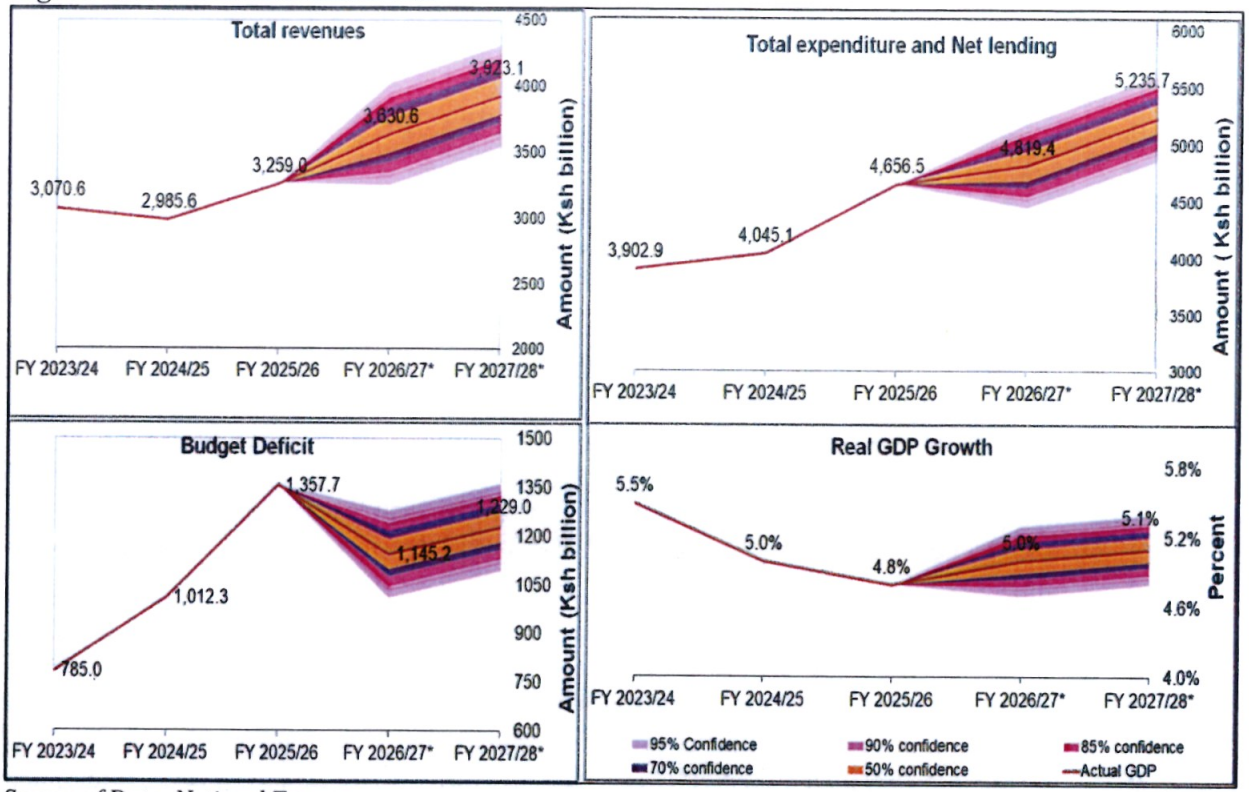
369. Fiscal projections for FY 2027/28 remain subject to notable uncertainty. Total revenue is projected at KSh 3,923.1 billion, with a 95 percent confidence interval ranging from KSh 3,535.1 billion to KSh 4,311.0 billion, corresponding to a standard deviation of KSh 198 billion. Total expenditure is projected at KSh 5,235.7 billion, with a 95 percent confidence interval ranging from KSh 4,863.5 billion to KSh 5,607.9 billion, corresponding to a standard deviation of KSh 190 billion. Consequently, the fiscal deficit is projected to range between KSh 1,094.8 billion and KSh 1,363.1 billion at the 95 percent confidence level. The range highlights the uncertainty surrounding the fiscal outlook and the potential for revenue shortfalls or expenditure pressures to widen the fiscal deficit.

370. These uncertainties pose fiscal risks by potentially increasing borrowing requirements and exerting pressure on debt sustainability. Lower-than-expected economic growth or revenue outturns could necessitate additional borrowing or in-year expenditure adjustments, while expenditure pressures or overruns could widen the fiscal deficit and undermine ongoing fiscal consolidation efforts. Strengthening revenue mobilisation, expenditure controls and prudent debt management will therefore remain critical to maintaining fiscal resilience.

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Figure 5.2: Confidence Intervals



Source of Data: National Treasury

5.3 Specific Fiscal Risks

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

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

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

5.3.1 Fiscal Risk Associated with Public Debt

373. The escalation of geopolitical tensions in the Middle East, including the conflict involving Iran, Israel and the United States, may disrupt global energy supplies, increase oil prices and heighten volatility in international financial markets. In addition, the ongoing war in Ukraine continues to disrupt global financial markets. These developments could contribute to higher sovereign bond yields and increased external borrowing costs for the Government. The Government will continue to closely monitor global financial market conditions and undertake liability management operations, when market conditions are favourable, to extend the maturity profile of public debt, reduce refinancing risks and optimise the cost-risk profile of the debt portfolio.

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374. An increase in domestic interest rates may raise the cost of servicing domestic debt, particularly for debt that is subject to refinancing or repricing. The Government will continue to pursue prudent borrowing strategies that promote access to longer-term financing and manage exposure to interest rate and refinancing risks.

375. The relatively high stock of Treasury Bills increases the proportion of domestic debt requiring frequent refinancing, thereby exposing the Government to higher rollover and refinancing risks. The Government will continue to implement measures to lengthen the maturity profile of domestic debt and promote greater reliance on medium- and long-term financing instruments, subject to prevailing market conditions.

376. Contingent liabilities arising from Government guarantees to State-Owned Enterprises (SOEs), as well as commitments under Public-Private Partnerships (PPPs), may expose the Government to fiscal risks if the underlying obligations materialise. In particular, the Government may be required to intervene where guaranteed SOEs are unable to meet their debt obligations. Materialisation of such liabilities could increase public debt and debt service costs. The Government will strengthen monitoring, reporting and risk assessment of contingent liabilities and undertake appropriate mitigation measures to minimise the likelihood and fiscal impact of their materialisation.

377. Constraints in accessing concessional financing may increase the Government's reliance on relatively more expensive sources of borrowing, thereby increasing the overall cost of public debt. The Government will continue to strengthen engagement with development partners and prioritise concessional and semi-concessional financing for eligible development programmes while ensuring that new borrowing remains consistent with debt sustainability objectives.

378. Weak investor demand or adverse market conditions may result in underperformance of Government securities auctions, thereby affecting the Government's ability to achieve planned domestic borrowing targets. The Government will continue to enhance market communication, improve predictability and transparency in domestic borrowing operations, and implement appropriate debt issuance strategies to support efficient mobilisation of domestic resources.

379. A deterioration in Kenya's sovereign credit rating may increase the cost of borrowing, constrain access to international capital markets and reduce investor appetite for Government securities. The Government will continue to implement prudent fiscal and debt management policies, strengthen macroeconomic stability and maintain effective engagement with credit rating agencies and investors.

380. Underperformance of revenues relative to targeted levels may widen the fiscal deficit and increase the Government's borrowing requirements. Higher borrowing requirements would, in turn, increase public debt and future debt service obligations. The Government will continue to strengthen domestic revenue mobilisation, enhance tax administration and broaden the revenue base while maintaining expenditure discipline to contain the fiscal deficit and reduce reliance on debt financing.

381. The growing use of future tax revenues as security for financing specific Government projects may reduce fiscal flexibility and constrain future revenue available for other priority expenditures. The Government will strengthen the assessment, monitoring and management of such arrangements to ensure that they remain consistent with prudent fiscal management, debt sustainability and the Government's overall financing strategy.

5.3.2 Fiscal Risks Arising from Accumulation of National Government's Pending Bills

382. The accumulation of pending bills is a fiscal risk because it represents expenditure commitments that must be met from future budgets, reducing fiscal space for priority programmes.

If not addressed, arrears can also constrain private sector liquidity and give rise to additional costs. The Government has made decisive progress in resolving pending bills, which supports private sector liquidity, particularly for MSMEs, and strengthens confidence in public financial management. Following conclusion of the work of the Pending Bills Verification Committee, KSh 80.3 billion owed to road contractors has been settled. In October 2026, Cabinet approved the settlement of all verified claims of KSh 50 million and below, covering 98 percent of eligible claims by number. The balance is being cleared over FY 2026/27 - FY 2027/28 under a phased strategy (see Settlement and Resolution of Pending Bills in Chapter II).

383. The Government continues to monitor related obligations closely. The remaining claims above KSh 50 million, valued at about KSh 131.6 billion, are provided for under the phased strategy. Obligations of State Corporations and Government-Owned Enterprises, reported at KSh 365 billion as at June 2026, are being addressed through the reforms under the Government-Owned Enterprises Act, 2025. Arrangements that use future Road Maintenance Levy flows are being managed within the Government's overall financing strategy.

384. To consolidate these gains and prevent the build-up of new arrears, the Government will: complete settlement of the verified balance in line with the phased strategy and treat verified pending bills as a first charge on the budget; ensure that MDAs commit expenditure only against approved budgets and available cash, using IFMIS, the Treasury Single Account and the e-Government Procurement system; and strengthen the monitoring and reporting of State Corporation obligations under the Government-Owned Enterprises Act, 2025.

5.3.3 Crystallization of Contingent Liabilities

385. Contingent liabilities are potential obligations from uncertain events, recognised in financial statements only when probable and measurable; otherwise, they are disclosed. They may be explicit, arising from legal or contractual commitments, or implicit, from moral or political expectations. Often excluded from the budget, they can act as hidden subsidies and create fiscal risks. To safeguard fiscal sustainability, the Government will systematically identify, assess, monitor, and disclose all contingent liabilities, strengthening transparency, risk management, and resource planning.

5.3.3.1 State Corporations and Government Owned Enterprises (GOEs)

386. State Corporations and Government-Owned Enterprises (GOEs) constitute an important source of fiscal risk because, despite having operational and financial autonomy, they may create direct or contingent obligations for Government. The risks arise from explicit and implicit Government support, including guaranteed and on-lent borrowing, commercial borrowing, contractual commitments, pending bills, legal claims and operational failures. Weak financial performance or governance may also increase the likelihood of Government intervention, particularly where an entity provides strategically important goods or services. Similar risks may arise from Government-Linked Corporations in which Government has less than 50 percent ownership, where contractual, economic or other considerations create pressure for Government support. As at 30th June 2026, the main quantified exposures were as follows:

i) **Government-guaranteed debt:** Outstanding Government guarantees amounted to KSh 70.4 billion, a 15 percent decline from KSh 83.2 billion as at June 2025. The reduction was mainly attributable to debt repayments and the conversion of Kenya Airways' guaranteed debt to equity during FY 2025/26.

ii) **Non-guaranteed State Corporation debt:** Eleven State Corporations had non-guaranteed debt amounting to KSh 62.0 billion, an increase of KSh 17.1 billion or 38.2 percent from

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KSh 44.9 billion in June 2025. The increase was concentrated in the agriculture, energy and petroleum, roads and transport, and forestry sectors. Although this debt does not constitute a direct obligation of Government, rapid accumulation may create an implicit fiscal risk where entities experience difficulties in meeting their obligations.

iii) **On-lent and direct Government loans:** The cumulative portfolio of on-lent loans and direct Government lending stood at KSh 1,041.3 billion, compared to KSh 1,051.2 billion in June 2025, representing a reduction of KSh 9.9 billion. The decline reflects repayments and approved write-offs exceeding new disbursements. Government continues to monitor the concentration and repayment performance of the portfolio to minimise the risk of non-recovery.

iv) **Pending bills:** Pending bills of State Corporations and GOEs exceeded KSh 365 billion as at June 2026, comprising mainly unpaid obligations to contractors for capital projects, unremitted taxes and pension contributions, and outstanding payments for utilities and other services. The accumulation of such obligations may increase pressure for Government intervention and affect the implementation of public programmes.

387. In order to mitigate the SOE-related fiscal risks, the Government will continue to implement the following measures and reforms:

i) State Corporations Reforms: Implementing the Cabinet-approved reforms, including mergers, dissolution, restructuring and declassification of State Corporations, to reduce duplication, improve efficiency and limit reliance on the Exchequer.

ii) Government-Owned Enterprises Act, 2025: Implementing the Act to strengthen governance and performance management, promote commercially viable and self-sustaining GOEs, ensure fiscal assessment of new entities, provide for transparent funding of public service obligations, and facilitate restructuring, merger or dissolution where necessary.

iii) Privatisation and Partial Divestiture: Reducing Government's financial exposure to commercial State Corporations through privatization and partial divestiture, thereby limiting reliance on Exchequer support, guarantees and on-lending and reducing the potential crystallization of contingent liabilities.

iv) Strengthening Corporate Governance and Risk Management: Implementing the Mwongozo Code, strengthening audit committees and risk management frameworks, and applying applicable Capital Markets Authority governance and disclosure requirements to listed State Corporations and GOEs to enhance oversight, transparency and early identification of fiscal risks.

5.3.3.2 Public Private Partnerships (PPP) Projects

388. Public Private Partnerships (PPPs) remain an important mechanism for mobilizing private sector capital, expertise and innovation for the delivery of public infrastructure and services. PPPs complement public financing by leveraging private capital while allocating project risks between the public and private parties. Over KSh 196 billion in private capital has been mobilized through PPPs, of which KSh 51 billion was mobilized in FY 2025/26 as the equity component of the anticipated KSh 183 billion private investment in the Rironi – Gilgil – Mau Summit (A8) road projects, subject to financial close. The National List of PPP Projects comprises 61 projects at various stages of development and implementation. The Government will continue to use PPPs to deliver priority infrastructure while ensuring affordability, value for money and prudent management of fiscal commitments and contingent liabilities.

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PPP Fiscal Commitments and Contingent Liabilities

389. PPP projects may give rise to direct fiscal commitments and contingent liabilities over the life of their contracts. Direct commitments include Government payments and capital contributions, while contingent liabilities may arise from guarantees, termination provisions, Letters of Support and other obligations triggered by specified events. Inflation and exchange rate movements may also affect the Government's exposure, depending on the contract terms. For fiscal management and parliamentary oversight, PPP projects are classified into three categories:

i) **Category 1 – User-pay projects without Government support**: the private party bears the commercial and demand risks and there is no Government payment or contingent liability;

ii)**Category 2 – Government expenditure:** projects that require multi-year Government payments, such as availability and annuity payments, or capital contributions, such as viability gap funding and grants; and

iii) **Category 3 – Contingent obligations:** projects that give rise to contingent liabilities through guarantees, termination provisions, Letters of Support or other obligations that may require Government payment if specified events occur.

Management, Reporting and Oversight

390. The fiscal commitments and contingent liabilities of each PPP project are identified, assessed and reported in accordance with the Public Finance Management Act, CAP 412A, the Public Private Partnerships Act, 2021 and their regulations. Each project is assessed and evaluated any Government support measure before it is issued. Contingent liabilities are reported annually to the Fiscal Risk Committee of the National Treasury, and the Cabinet Secretary reports to Parliament each year on the state of PPPs. Fiscal commitments and contingent liabilities are presented in the Budget Policy Statement for approval, and funds for payments under each project are allocated through the annual budget process.

PPP Fiscal Commitments, FY 2027/28 – FY 2029/30

391. National Government payments under 14 existing and proposed PPP projects are estimated at KSh 40.3 billion in FY 2027/28, KSh 43.3 billion in FY 2028/29 and KSh 44.6 billion in FY 2029/30, about 1.3 percent of ordinary revenue in each year **(Annex II, Table 1)**. Of the FY 2027/28 amount, KSh 10.3 billion relates to signed agreements, KSh 24.8 billion to approved projects and KSh 5.2 billion to projects awaiting approval. Viability gap funding for the Mau Summit – Eldoret – Malaba Road, payable during construction, accounts for KSh 21.7 billion a year from FY 2027/28 to FY 2029/30. Payments under county PPP projects are met from county budgets and are not included. The amounts are estimates based on each project's stage in the PPP project cycle; amounts falling due each year, including any contractual indexation, will be provided for in the annual Estimates and appropriated in accordance with the Constitution and the Public Finance Management Act, CAP 412A.

Medium-Term PPP Contingent Liabilities

392. PPP contingent liabilities arise mainly from termination payments that would fall due if a Project Agreement ended early. Maximum exposure under signed agreements is estimated at KSh 413.8 billion (1.8 percent of GDP) in FY 2027/28, declining to KSh 387.6 billion (1.5 percent of GDP) in FY 2029/30. Approved projects expected to reach commercial close over the medium term would add up to KSh 1.67 trillion (6.6 percent of GDP), and projects awaiting approval a further

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KSh 229.7 billion (0.9 percent of GDP), bringing total maximum exposure to KSh 2.28 trillion (9.0 percent of GDP) in FY 2029/30 **(Annex II, Table 2)**.

393. The likelihood, value and timing of termination payments cannot be determined in advance, and it is unlikely that all projects would be terminated at the same time. Applying a 6 percent probability of early termination, based on a World Bank (2017) review of 3,400 infrastructure PPPs in developing countries, of which 191 (approximately 6 percent) were terminated before the end of their contracts, the expected contingent liability is estimated at KSh 90.1 billion (0.4 percent of GDP) in FY 2027/28, rising to KSh 137 billion (0.5 percent of GDP) in FY 2029/30. Adding the risk-weighted exposure to public debt would raise the debt-to-GDP ratio by only 0.4 - 0.5 percentage points over the medium term **(Annex II, Table 3)**.

Overall Contingent Liability Limit

394. Under Section 36 of the PPP Act, the Government proposes an aggregate PPP contingent liability limit of 10 percent of nominal GDP, equivalent to KSh 2.31 trillion in FY 2027/28 and rising to KSh 2.54 trillion in FY 2029/30 **(Annex II, Table 3)**. The limit sets a portfolio-level ceiling within which contingent liabilities may be assigned to individual projects, and a basis for monitoring aggregate exposure.

395. The limit is set against maximum rather than expected exposure, as a prudent basis for control. With total exposure projected at 9.0 percent of GDP in FY 2029/30, a lower limit would not accommodate the identified priority projects, while the 10 percent limit leaves headroom of about KSh 258 billion (1.0 percent of GDP). Given this limited headroom, further projects will be admitted against the limit in order of priority, and exposure will be reviewed as projects reach commercial close. The limit does not by itself authorize any individual guarantee or liability, which remains subject to the applicable approval process. This limit constitutes the maximum approved limit for contingent liabilities arising from PPPs. Any payment in settlement of a contingent liability that crystallizes will be reported to Parliament as required under Section 88 of the PPP Act.

PPP Project Pipeline

396. The PPP pipeline is disclosed quarterly for transparency, programme monitoring and medium-term fiscal planning. It comprises 13 existing projects, 48 approved projects on the National List of PPP Projects and 8 projects awaiting approval, with a combined estimated value of KSh 2.47 trillion **(Annex II, Annex Table 8)**. Where a project later creates a defined National Government fiscal commitment or liability, that obligation will be submitted through the applicable approval process before it is assumed.

5.3.4 Fiscal Risks Related to Devolution

397. Section 107 (2) (f) of the PFM Act, CAP 412A, requires County Treasuries to manage their fiscal risks prudently. During the review period, a number of fiscal risks were identified in revenue and expenditure performance. These are:

i) High levels of pending bills that negatively affect effective delivery of public services as well as local business development. As at 30th June 2026, County Governments reported outstanding trade payables of KSh 172.5 billion (Section 4.3);

ii) Non-remittance of statutory deductions by some County Governments specially pension contributions, posing a huge challenge to the social security of the pensioners;

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iii) High expenditure on wage bill that lowers the ability of County Governments to meet financial obligations on operations and maintenance and development requirements. In FY 2025/26, County Governments' expenditure on wages averaged 39.5 percent of their total revenue; and

iv) Underperformance in OSR, which results in unfunded budgets and the accumulation of pending bills. County Governments collectively collected KSh 96.1 billion against a target of KSh 106.5 billion, representing 90.3 percent of their target in FY 2025/26.

5.3.5 Climate Change Related Fiscal Risks to the Economy

398. Climate change is a long-term shift in the state of the climate, persisting for an extended period (generally 30 years or more), and is attributed directly or indirectly to anthropogenic activities that alter the composition of the global atmosphere through increased concentrations of greenhouse gases (GHGs). The principal anthropogenic sources of GHGs are energy production and transport, industrial processes, agriculture (including livestock and fertilizer use), land-use change and deforestation, and waste decomposition. Kenya generates less than 0.1 percent of global GHG emissions, even though its own emissions have more than doubled since 1995.

399. National statistics estimate that climate variability already costs the Kenyan economy 2.0–2.4 percent of GDP every year, with floods alone costing an estimated 5.5 percent of GDP every seven years and droughts costing approximately 8 percent of GDP every five years. Without adequate adaptation, the World Bank's Kenya Country Climate and Development Report projects that climate change could reduce real GDP by up to 7 - 7.25 percent from baseline by 2050 and push as many as 1.1 million additional people into poverty under a dry-and-hot scenario.

400. Increased GHGs in the atmosphere contribute to global warming which causes rising global average temperatures, increasing frequency and intensity of extreme weather events, changing rainfall patterns; melting glaciers and ice sheets; rising sea levels; and ocean warming and acidification In Kenya, the mean annual temperature increased by approximately 1.0°C between 1901 and 2021, particularly in the arid and semi-arid areas which has increased drought severity, water stress and pressure on livelihoods. Increased variability and unpredictability of rainfall patterns make planning harder, disrupting agricultural patterns and livelihoods. Flooding is projected to become more frequent and severe, with extreme five-day rainfall under a high-emissions pathway (RCP8.5) projected to increase by 1.77 mm/decade in 2020–2040, to 2.10 mm/decade in 2041–2070, to 4.39 mm/decade in 2071–2100. Extreme rainfall events have increased from fewer than 3 events per year in the 1980s to more than 10 events per year by 2000-2006. Major droughts now occur approximately every 3-5 years compared to roughly every 7 years historically.

401. Climate hazards translate into fiscal risk through physical risks, transition risks and liability risks. These risks affect the fiscal framework by reducing revenue from climate sensitive sectors such as agriculture, increasing expenditure to cover damages or reconstruction as a result of adverse effects of physical risks arising from climate change and social protection, increasing contingent liabilities to support distressed enterprises and/or increasing borrowing to finance recovery and building resilience efforts.

5.3.5.1 Sector Specific Fiscal Risk Assessment Related to Climate Change

Nature of Specific Fiscal Risks

402. Climate change presents significant fiscal risks to Kenya by affecting productive sectors, reducing economic output, increasing public expenditure, and creating growing demands for disaster

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response and social protection. The impacts are already evident across multiple sectors and are expected to intensify over time, posing challenges to economic growth, public finances, and sustainable development.

i) Agriculture

403. Agriculture, which contributes approximately 23.2 percent of GDP and is predominantly rain-fed, remains one of the most climate-sensitive sectors. Climate change is expected to reduce crop yields, increase food insecurity, accelerate land degradation, and heighten livestock losses due to droughts, pests, diseases, and invasive species. These impacts may reduce agricultural revenues and exports while increasing government expenditure on food security programmes, drought relief, and climate-resilient agricultural interventions.

ii) Blue Economy and Fisheries

404. In the Blue Economy and Fisheries sector, ocean warming, acidification, biodiversity loss, and shifting fish migration patterns threaten fish stocks and the livelihoods of small-scale fishers. The decline of coral reef cover by more than 30 percent between 2000 and 2020 highlights growing ecosystem degradation. These developments could reduce fisheries income, affect coastal economies, and necessitate increased investment in marine conservation and ecosystem restoration.

iii) Energy

405. The Energy sector faces risks from extreme weather events that damage infrastructure, disrupt power generation and transmission, and reduce system efficiency. Declining water availability, projected to fall to approximately 293 m^3 per person per year by 2050, may constrain hydropower production and increase reliance on alternative energy sources. Consequently, public investment needs for resilient and diversified energy systems are expected to rise.

iv) Environment and Ecosystems

406. Climate change is also accelerating degradation within Environment and Ecosystems, resulting in biodiversity loss, invasive species proliferation, wildfires, declining air quality, and resource conflicts. The 44 percent reduction in Mount Kenya glacier cover between 2004 and 2016 demonstrates the severity of ecological change. These impacts increase the need for environmental restoration, conservation efforts, and natural resource management programs.

v) Forestry

407. Similarly, the Forestry sector faces declining productivity, forest fires, pest infestations, diseases, and mangrove degradation. While Kenya's ambitious target of restoring forests through the planting of 15 billion trees by 2032 strengthens resilience, achieving this goal will require substantial financial resources and sustained government investment.

vi) Health

408. The Health sector is projected to experience some of the highest climate-related losses, accounting for approximately 57.7 percent of total projected impacts. Rising incidences of food-, water-, and vector-borne diseases, respiratory illnesses, cardiovascular conditions, and weather-related injuries are expected to increase healthcare costs, reduce labor productivity, and place additional pressure on public health systems.

vii) Housing and Human Settlements

409. Climate risks are equally evident in Housing and Human Settlements, where increased flooding, coastal inundation, storm damage, and declining building quality threaten lives and assets.

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Floods in 2018 displaced approximately 225,000 people and affected 40 counties, demonstrating the growing fiscal burden associated with disaster response, reconstruction, and resettlement efforts.

viii) Manufacturing

410. The Manufacturing sector is vulnerable to water shortages, power disruptions, supply chain interruptions, infrastructure damage, and rising operational costs. Climate-related shocks to agriculture and natural resources can also affect industrial production, reducing economic output and government revenue while increasing infrastructure rehabilitation costs.

ix) Tourism and Wildlife

411. In Tourism and Wildlife, climate change threatens wildlife habitats, biodiversity, tourism infrastructure, and ecosystem health. Increased disease outbreaks, invasive species, and habitat degradation could reduce tourism earnings and foreign exchange inflows. Climate-related losses in the sector are projected to account for approximately 7.8 percent of total losses by 2050.

x) Transport and Infrastructure

412. The Transport and Infrastructure sector faces increasing exposure to floods, storms, and sea-level rise, which damage roads, railways, bridges, ports, and airports. Flooding in 2018 damaged infrastructure across 40 counties and disrupted essential services. These impacts create significant fiscal liabilities through increased maintenance, repair, and climate-proofing costs.

xi) Waste Management

413. Climate change also affects Waste Management systems by increasing flood-related contamination of dumpsites, thereby creating environmental and public health risks. This necessitates additional investment in resilient waste management infrastructure and environmental remediation measures.

xii) Water and Sanitation

414. In the Water and Sanitation sector, declining water availability, worsening water quality, droughts, and floods threaten water security. Per capita water availability is projected to decline from approximately 586 m^3 in 2013 to 293 m^3 by 2050. These challenges will require substantial investment in water storage, treatment, and distribution systems, while increasing operational and emergency response costs.

xiii) Climate Security

415. The growing impacts of climate change are also creating Climate Security challenges through resource conflicts, displacement, migration, livelihood losses, and food insecurity. Between September 2022 and February 2023, drought conditions displaced approximately 77,616 households (465,000 people). Such trends increase government expenditure on humanitarian assistance, security operations, and recovery programmes.

xiv) Social Protection

416. Finally, Social Protection systems are becoming increasingly important as climate shocks expose vulnerable populations to greater risks. Demand for cash transfers, nutrition support, and emergency safety nets is expected to rise, particularly among women, children, older persons, and persons with disabilities. Expanding these programmes will place additional pressure on public finances and require stronger contingency financing mechanisms.

417. Overall, climate change presents a cross-cutting fiscal challenge for Kenya by reducing productivity and revenues while increasing expenditure on adaptation, disaster response,

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infrastructure rehabilitation, healthcare, environmental conservation, and social protection. The most significant fiscal risks are concentrated in agriculture, health, water resources, infrastructure, and social protection, underscoring the importance of sustained investment in climate resilience and risk-informed public financial management.

5.3.5.2 Long Term Climate Change Fiscal Risks Analysis Using Q-CRAFT

418. Climate change remains one of the most significant sources of long-term macroeconomic and fiscal risk facing Kenya. Rising temperatures, changing precipitation patterns, and increasing frequency of extreme weather events are expected to adversely affect economic activity, productivity, and public finances. These impacts pose risks to fiscal sustainability through lower revenue mobilisation, higher expenditure pressures, and increased borrowing requirements.

419. To assess these risks, the Government applied the Quantitative Climate Change Risk Assessment Fiscal Tool (Q-CRAFT), which quantifies the macroeconomic and fiscal implications of climate change under alternative temperature pathways. The analysis is undertaken over a long-term horizon extending to the end of the century to capture the cumulative effects of climate change on economic growth, labour productivity, fiscal balances, and public debt dynamics.

420. The assessment evaluates four climate scenarios relative to a baseline scenario that assumes the continuation of the current macro-fiscal trajectory without climate change impacts. The scenarios reflect varying levels of global mitigation efforts and associated temperature outcomes **(Table 5.3).**

Table 5.3: Climate Change Scenarios in Kenya

Scenario	Description	Temperature Change Degrees Celsius	
		2021-2050	2021-2100
Paris:	Countries maintain current climate policies and undertake additional actions to meet Paris Agreement commitments.	1.0	1.0
Moderate:	Current climate policies are maintained but additional Paris commitments are not fully implemented.	1.2	1.6
High:	Climate mitigation efforts weaken, resulting in continued reliance on fossil fuels and limited energy efficiency improvements.	1.4	2.2
Hot:	Follows the emissions pathway of the High scenario but assumes higher-end temperature outcomes among climate models.	1.9	2.9

5.3.5.3 Macroeconomic Impacts of Climate Change

421. The Q-CRAFT results indicate that climate change will have increasingly adverse effects on Kenya's economic performance over the long term. Under the Paris-aligned scenario, effective global climate action moderates the economic impacts of climate change, resulting in slightly higher economic output relative to the baseline scenario. However, under the Moderate, High, and Hot scenarios, rising temperatures lead to progressively larger economic losses.

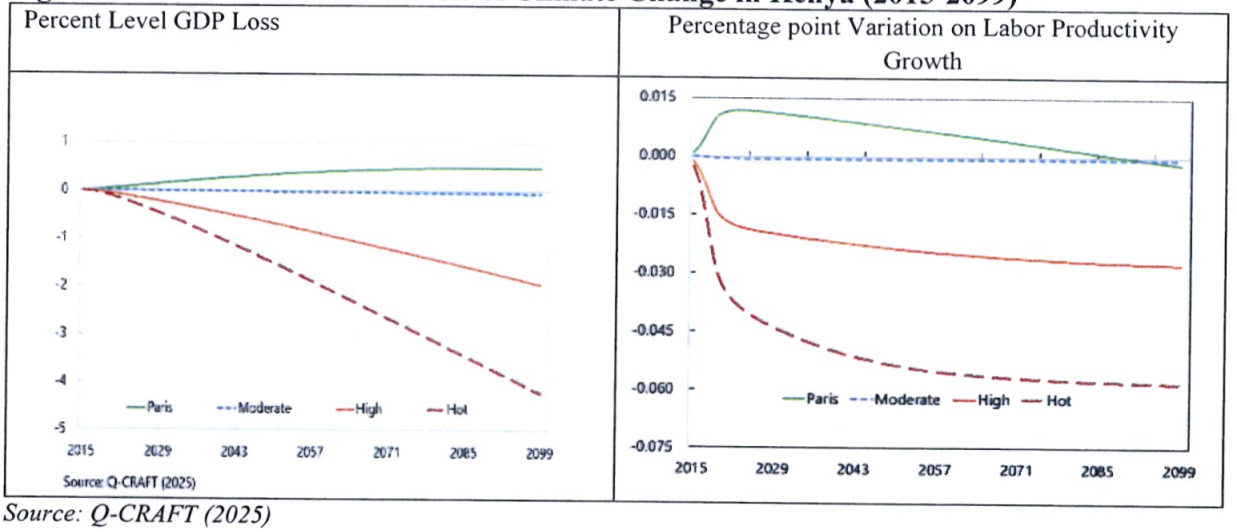
422. The projected impacts accumulate over time, resulting in substantial reductions in economic output by the end of the century. Under the Hot scenario, the level of GDP is projected to be approximately 4 percent lower than the baseline by 2099. Similarly, the High and Moderate scenarios result in notable declines in GDP, reflecting the adverse effects of increasing temperatures on economic activity **(Figure 5.3)**.

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423. Climate change is also expected to reduce labour productivity growth. While productivity improves marginally under the Paris scenario, productivity growth declines progressively under the Moderate, High, and Hot scenarios as rising temperatures reduce worker efficiency and increase climate-related disruptions. These impacts are particularly relevant for Kenya given the importance of climate-sensitive sectors such as agriculture, energy, tourism, and water resources.

Figure 5.3: Macroeconomic Effects of Climate Change in Kenya (2015-2099)



Source: Q-CRAFT (2025)

5.3.5.4 Fiscal Implications of Climate Change

424. The deterioration in macroeconomic performance under adverse climate scenarios has important implications for public finances. Lower GDP growth weakens domestic revenue mobilisation. At the same time, climate-related expenditures associated with disaster response, adaptation measures, social protection, rehabilitation of infrastructure, and emergency interventions are expected to remain significant.

425. The Q-CRAFT assessment assumes an expenditure rigidity parameter of one, implying that Government expenditure follows its baseline trajectory and does not automatically adjust downward in response to climate-induced reductions in economic activity and revenue collections. Under this assumption, the fiscal effects of climate change are transmitted primarily through lower revenue performance, resulting in wider fiscal deficits and increased borrowing requirements over time.

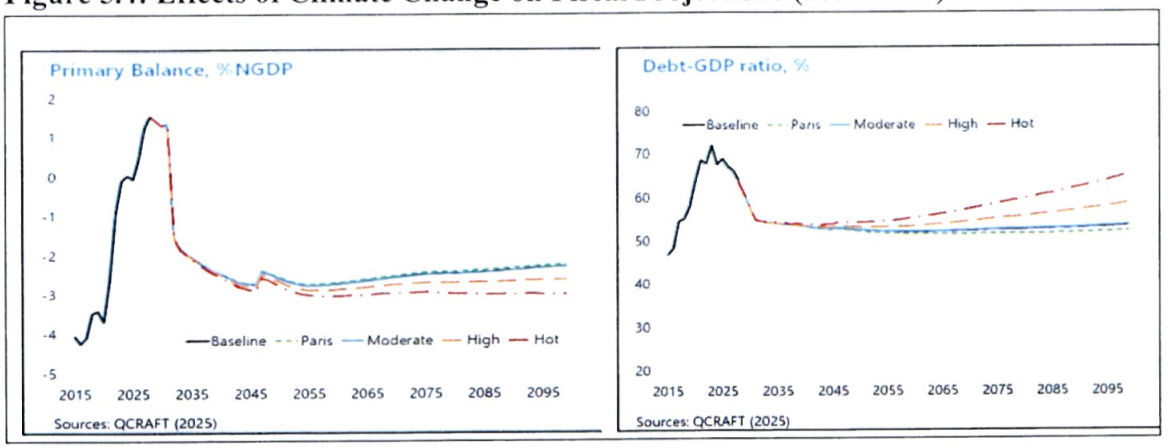
426. Under the Moderate, High, and Hot climate scenarios, weaker economic growth leads to a progressive erosion of the revenue base relative to the baseline. With expenditure maintained at planned levels, fiscal balances deteriorate and public debt accumulates more rapidly. The magnitude of these effects increases with the severity of the climate scenario, underscoring the growing fiscal costs associated with delayed climate action.

427. The debt dynamics become particularly pronounced under the Hot scenario, where persistent output losses and lower revenue mobilisation generate sustained increases in borrowing requirements. In contrast, the Paris-aligned scenario results in stronger economic performance, improved revenue outcomes, and lower fiscal pressures over the long term, highlighting the macroeconomic and fiscal benefits of effective climate mitigation and adaptation policies **(Figure 5.4).**

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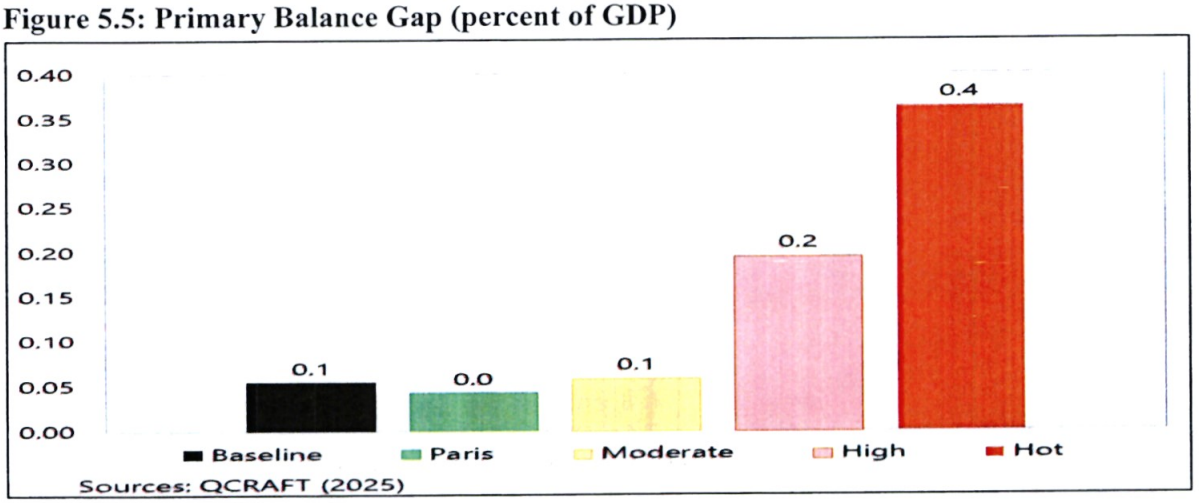
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Figure 5.4: Effects of Climate Change on Fiscal Projections (2015-2095)



428. The primary balance gap (PB gap), defined as the difference between the debt-stabilising primary balance and the projected primary balance, provides an indication of the magnitude of fiscal adjustment required to stabilise public debt. A wider gap implies a greater need for fiscal adjustment. Under the baseline scenario, the required fiscal consolidation is relatively modest, at about 0.1 percentage points of GDP over the projection horizon. However, when climate change impacts are incorporated, the required adjustment increases to approximately 0.4 percentage points of GDP **(Figure 5.5).**

Figure 5.5: Primary Balance Gap (percent of GDP)



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

429. Climate change poses risks to Kenya's economic growth, inflation and public finances through its effects on production, infrastructure and natural resources. To assess these risks, the National Treasury, in collaboration with the World Bank, has been developing KENMod, a customised macroeconomic model that integrates climate considerations into macroeconomic forecasting and fiscal analysis.

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430. KENMod is based on the World Bank's Macro-Fiscal Model (MFMod), a structural macro-econometric model estimated using Kenyan data. It captures key macroeconomic variables, including GDP, consumption, investment, government expenditure, trade and the exchange rate, as well as the transmission of monetary and fiscal policies. Its extension incorporates climate-related damages, adaptation and reconstruction expenditure, energy use and emissions, and land use and natural capital considerations, enabling climate and environmental shocks to be assessed within an integrated macro-fiscal framework.

431. The model's Climate and Natural Capital Extension comprises four interlinked modules:

i) **Climate Damages Module**: Estimates the economic costs of climate impacts, including heat stress, health effects, water stress, land degradation, livestock losses, flooding and damage to roads and bridges.

ii) **Reconstruction and Adaptation Module**: Assesses the costs of reconstruction and adaptation measures relative to the damages they avert.

iii) **Energy, Emissions and Pollution Module**: Examines the role of energy in production and assesses carbon pricing, emissions and local air pollution.

iv) **Land Use and Natural Capital Module:** Examines land allocation, ecosystem services and natural resource depletion.

432. Collectively, the modules provide an integrated framework for assessing the economic and fiscal costs of climate damages, the benefits of adaptation and reconstruction, the implications of mitigation measures, and the consequences of natural capital depletion. The following simulations illustrate how selected climate shocks and policy interventions may affect Kenya's macroeconomic and fiscal outlook, supporting climate-related fiscal risk assessment, informed policy choices and resilient, sustainable and inclusive growth.

433. The simulations were undertaken before the incorporation of the latest Natural Capital Accounts data. The five accounts covering Water, Land, Forest, Ecosystem and Energy, released on 27th October 2026, are presented in the subsequent section and provide an expanded evidence base to strengthen future applications of KENMod.

Economic Policy Simulations: Anticipated El Niño Scenarios

434. For the 2027 Budget Policy Statement, KENMod was used to assess the potential macroeconomic and fiscal implications of the anticipated El Niño episode, projected to begin in the fourth quarter of 2026 and continue through 2027. A baseline scenario representing the expected economic path in the absence of El Niño-related disruptions was established, against which four alternative scenarios were simulated to assess the effects of excessive rainfall and flooding on economic growth, inflation and fiscal aggregates:

i) **Scenario 1 – Crop losses:** a 35 percent loss in crop output arising from flood damage to standing crops, waterlogging and post-harvest losses.

ii) **Scenario 2 – Livestock losses:** a 30 percent loss in livestock output resulting from livestock deaths, disease outbreaks and disruptions to pasture, water and market access.

iii) **Scenario 3 – Damage to roads and bridges:** Damage equivalent to 3 percent of the public capital stock, with its monetary value estimated using the capital-stock-to-GDP ratio.

iv) **Scenario 4 – Combined shock:** The simultaneous occurrence of the three shocks to assess their compounded macroeconomic and fiscal effects.

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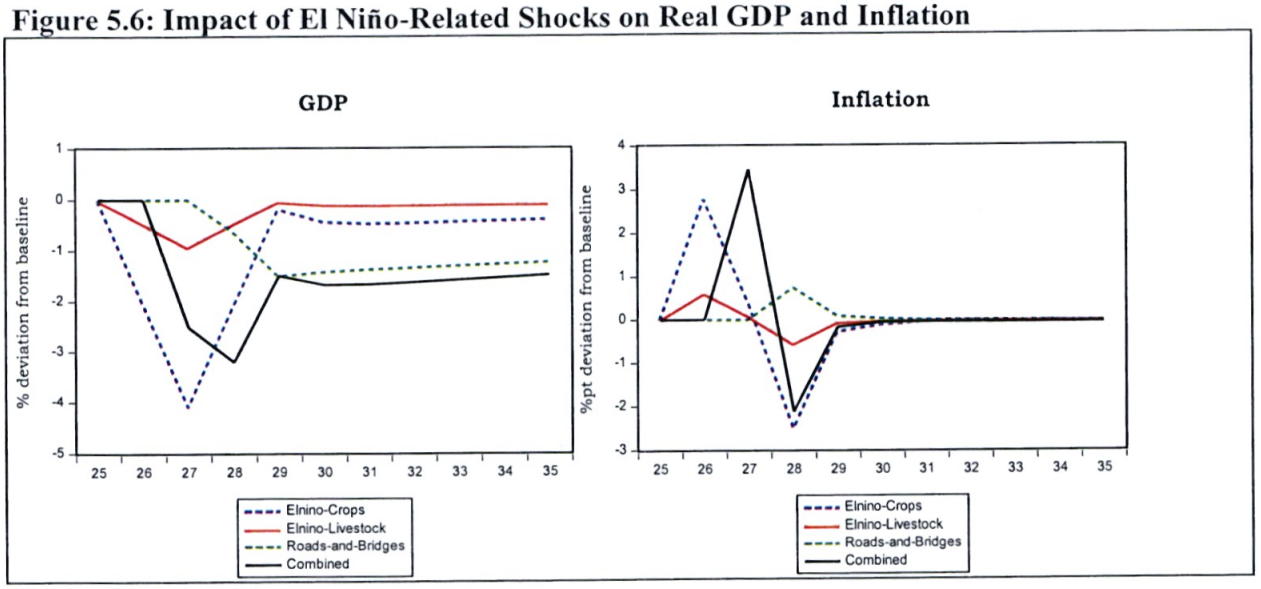
Results of the Simulations

i. Impact of El Niño-related Shocks on Real GDP and Inflation

435. The simulations indicate that the anticipated El Niño episode could adversely affect economic performance, with the magnitude and persistence of the effects varying across scenarios. The crop shock produces the largest initial contraction, with real GDP falling to about 4 percent below baseline at the trough in 2027. This reflects the immediate decline in agricultural output and spillover effects on agro-processing, trade and transport. As production normalises, output recovers, with GDP approaching baseline by 2029, although remaining slightly lower over the medium term. The livestock shock has a smaller impact, with GDP falling to about 1 percent below baseline at the trough before recovering almost fully.

436. Damage to roads and bridges produces more persistent output losses. GDP declines gradually to about 1.5 percent below baseline by 2029 and remains about 1.2 percent below baseline in 2035. The destruction of public capital reduces productive capacity and increases transport and transaction costs, with losses persisting until infrastructure is restored. These results highlight the importance of timely reconstruction and adequate financing to support economic recovery.

Figure 5.6: Impact of El Niño-Related Shocks on Real GDP and Inflation



Source: The National Treasury

437. El Niño-related shocks also exert upward pressure on inflation, particularly in the short term. The crop shock raises inflation by about 1.5 percentage points above baseline in 2027, reflecting food supply shortages, while the livestock shock increases inflation by about 0.6 percentage points. Infrastructure damage raises inflation by about 0.75 percentage points in 2028 through higher transport and distribution costs. The combined shock produces the largest increase, with inflation peaking at about 3.4 percentage points above baseline in 2027.

438. Overall, the simulations show that agricultural shocks generate relatively sharp but temporary output and price effects, while infrastructure damage results in more persistent output losses. The combined shock produces the greatest inflation volatility and sustained economic disruption. These findings underscore the importance of early preparedness, climate-resilient agricultural systems and infrastructure, and timely recovery measures to mitigate the economic costs of El Niño.

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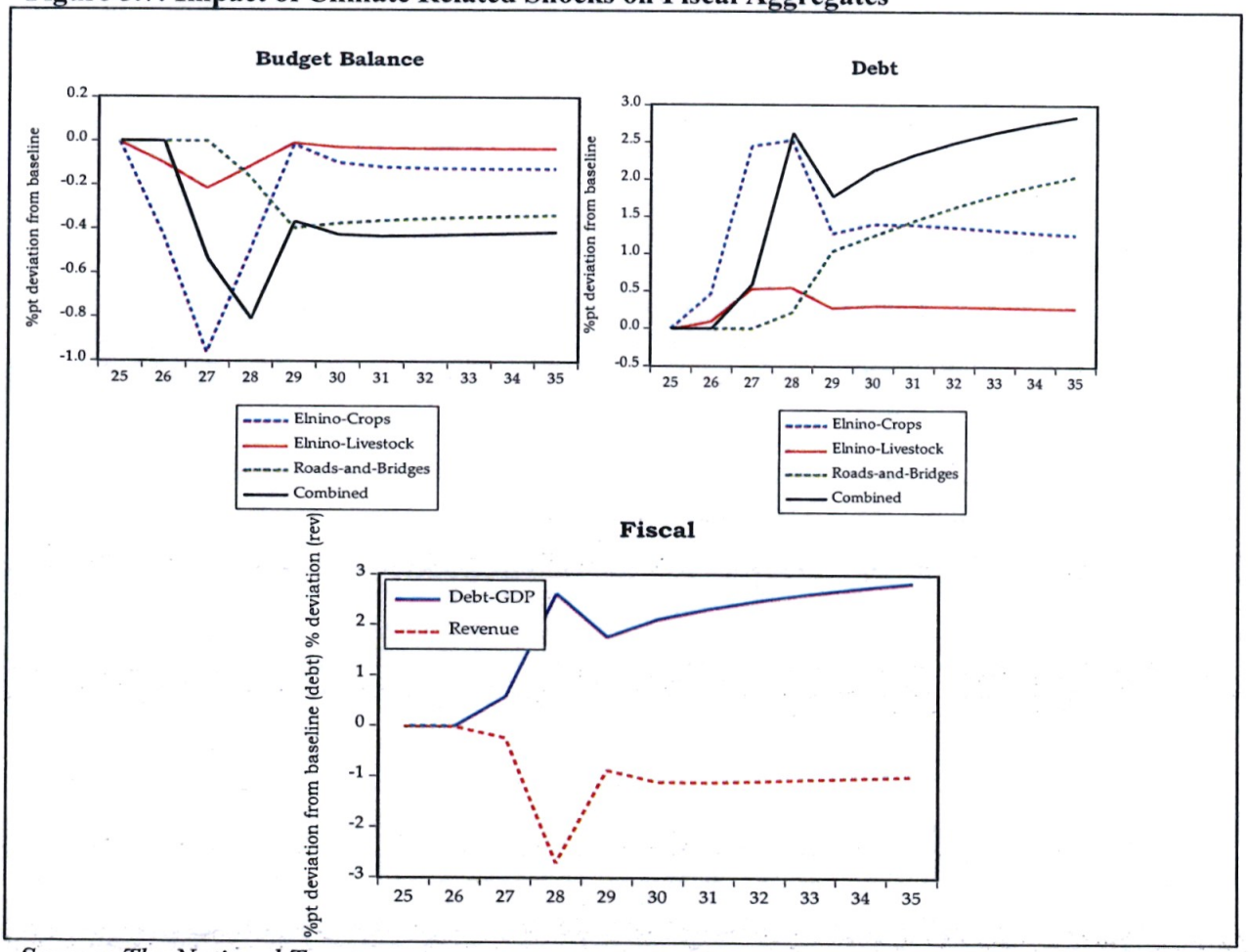
ii. Impact of Climate Related Shocks on Fiscal Aggregates

439. The simulated El Niño shocks affect the fiscal position primarily through changes in government revenue and interest payments. Lower economic activity reduces revenue collections, while changes in financing requirements and debt dynamics influence interest payments through the model's interlinkages. Government expenditure is held constant in the simulations, except for changes in interest payments arising endogenously from these interlinkages.

440. The crop shock produces the largest initial deterioration in the budget balance, which falls by about 1 percentage point of GDP below baseline in 2027 before recovering towards baseline by 2029. The livestock shock has a smaller effect, with the budget balance deteriorating by about 0.2 percentage points of GDP at its weakest before recovering. These differences reflect the varying effects of the shocks on economic activity and revenue collections.

441. Infrastructure damage has more persistent fiscal implications. The budget balance deteriorates by about 0.4 percentage points of GDP below baseline by 2029 and remains at approximately that level throughout the projection period. Under the combined shock, the budget balance falls to about 0.8 percentage points of GDP below baseline in 2028 before settling at around 0.4 percentage points below baseline thereafter. These persistent effects reflect the prolonged disruption to economic activity and revenue associated with damage to public infrastructure.

Figure 5.7: Impact of Climate Related Shocks on Fiscal Aggregates



Source: The National Treasury

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442. The debt-to-GDP ratio increases under all scenarios, reflecting the effects of weaker economic activity, lower revenue and changes in interest payments. Under the crop shock, the ratio rises by about 2.5 percentage points above baseline over 2027–2028 before easing to approximately 1.3 percentage points above baseline. The livestock shock has a smaller effect, adding about 0.3–0.5 percentage points. Under the infrastructure shock, the ratio rises progressively to about 2 percentage points above baseline by 2035. The combined shock results in an increase of about 2.6 percentage points in 2028, followed by a decline in 2029 and a subsequent rise to about 2.8 percentage points above baseline by 2035. Government revenue falls by about 2.7 percent below baseline in 2028 and recovers only partially, remaining about 1 percent below baseline over the medium term.

443. Overall, the simulations demonstrate that El Niño-related shocks can weaken Kenya's fiscal position through reduced revenue and adverse debt dynamics, with infrastructure damage generating more persistent effects. Since the model holds non-interest expenditure rigid, the results do not capture the potential fiscal costs of additional disaster relief, food assistance, infrastructure rehabilitation and reconstruction. The actual fiscal impact could therefore be greater if the Government were to accommodate such expenditure pressures. The findings underscore the importance of integrating climate risks into fiscal planning and debt management, strengthening early-warning and preparedness systems, investing in climate-resilient infrastructure and agriculture, and planning for contingency financing. Beyond the Contingency Fund and the allocation for emergencies, the Government will draw on the instruments in the Disaster Risk Financing Strategy 2026–2030, including contingent credit lines such as a Catastrophe Deferred Drawdown Option, to finance the response should this downside scenario materialise.

5.3.5.6 Natural Capital Accounting: Strengthening the Evidence Base for Economic and Fiscal Policy

444. Natural Capital Accounting (NCA) provides a systematic framework for measuring the extent, condition and economic contribution of natural resources and ecosystems. Kenya has made significant progress in advancing NCA to strengthen the evidence base for sustainable economic planning and management of natural resources. With support from the Global Program on Sustainability (GPS), the Government has developed five priority accounts covering Land, Ecosystems, Forests, Water and Energy, released by the Kenya National Bureau of Statistics (KNBS) on 27 October 2026. This work has been supported by account-specific Technical Working Groups (TWGs), identification of policy use cases, coordination through the National Steering Committee (NSC), and implementation of the National Plan for Advancing Environmental-Economic Accounting (NP-AEEA) 2025–2028.

445. The accounts provide evidence on the contribution of natural resources and ecosystems to economic activity, livelihoods and national development, as well as the pressures arising from resource depletion and ecosystem degradation. They strengthen the capacity of Government to assess the economic implications of changes in the natural asset base, evaluate trade-offs between alternative development pathways, and identify opportunities for sustainable resource management, conservation and restoration.

i. Land Accounts

446. Land accounts provide a statistical basis for tracking land use and land cover changes and informing spatial planning, climate action and investment decisions. Land in Kenya is a critical resource that supports livelihoods, socioeconomic development, and environmentally sustainable development. The Constitution of Kenya defines land broadly to include the earth's surface and subsurface, water bodies, marine areas, natural resources, and airspace. Land in Kenya is classified

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into public, community, and private land, and its governance is guided by constitutional principles such as equitable access, secure land rights, sustainable management, environmental conservation, transparency, gender equality, and community-based dispute resolution.

447. Kenya covers approximately 59.2 million hectares, of which 97.8 percent is land and about 2 percent water. Only about 20 percent of the land is suitable for medium to high-potential agriculture, while the major part is arid and semi-arid. Key land uses include agriculture, forestry, pastoralism, fishing, settlements, infrastructure, industry, wildlife conservation, and recreation. However, population growth, urbanization, agricultural expansion, and infrastructure development are driving rapid land use and land cover changes.

448. Analysis of land cover changes between 1990 and 2024 indicates declines in forests and wooded grasslands alongside increases in cropland, urban settlements, wetlands and open water. These changes reflect competing demands arising from agricultural expansion, urbanisation and infrastructure development. The findings underscore the importance of balancing land conversion with the conservation of natural assets and the sustainable use of land. They can inform decisions on agricultural investment, land banking, urban development, green job creation and climate-resilient livelihoods. Further development of monetary, land-use and land-ownership accounts would strengthen the assessment of land's economic value and its contribution to national development.

ii. Ecosystem Accounts

449. Ecosystem Accounts provide evidence on changes in the extent and condition of Kenya's natural ecosystems and their contribution to economic activity. Between 2002 and 2018, all natural terrestrial ecosystems declined, largely due to the expansion of cropland and built-up areas. Savanna ecosystems accounted for 66 percent of the country's land area in 2018, while forests covered approximately 6 percent. Annual cropland increased by nearly 1.4 million hectares (30 percent), while built-up areas more than doubled. Although montane forests, particularly those within protected areas, generally remained in good condition, dryland forests, coastal forests and mangroves experienced significant degradation. These changes have implications for the capacity of ecosystems to provide essential services.

450. The estimated monetary value of sediment retention declined by 17 percent, from KSh 29.6 billion in 2002 to KSh 23.9 billion in 2018, although sediment retention within major dam catchments increased slightly over the period. In contrast, the estimated value of ecosystem-based tourism doubled from KSh 19 billion to KSh 38 billion, with 84 percent of attraction-based tourism revenue directly linked to natural ecosystems. Ecosystem contributions to livestock production also increased, with supported livestock numbers rising from 5.6 million to 10.2 million Tropical Livestock Units and the estimated monetary contribution increasing by 32 percent, from KSh 139.1 billion to KSh 184.6 billion.

451. These findings demonstrate the economic importance of ecosystem conservation and restoration in sustaining tourism, livestock production and water-related services. Regular updating of the accounts, improved data availability and coverage, and expansion of ecosystem service valuation to include carbon, wood fuel and other resources will strengthen their application in development planning, investment appraisal and natural resource management.

iii. Forest Accounts

452. Forest Accounts highlight the contribution of forests to livelihoods, energy supply, water security and economic resilience, as well as the continued pressures on forest resources. Forest cover increased from approximately 3.47 million hectares in 2019 to 3.59 million hectares in 2024,

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representing a net gain of 124,003 hectares. This improvement reflected afforestation of 342,427 hectares, which exceeded deforestation of 218,424 hectares during the period. Despite this progress, forest area remained below the approximately 3.93 million hectares recorded in 1990.

453. At the county level, Samburu, Garissa, Narok, Turkana and Lamu recorded the largest forest areas. In terms of forest cover relative to county size, Nyeri ranked highest at 45.8 percent, followed by Lamu (41.8 percent), Elgeyo-Marakwet (31.4 percent), Nandi (30.5 percent), Bomet (29.4 percent), Kericho (28.6 percent) and Nyandarua (28.6 percent). The largest net gains in forest cover were recorded in Turkana (23,978 hectares), Nandi (17,134 hectares), Makueni (14,657 hectares) and Kakamega (11,184 hectares). Conversely, notable losses occurred in Narok (13,800 hectares), Kiambu (2,128 hectares), Mandera (1,948 hectares) and Lamu (1,458 hectares). On average, afforestation amounted to 68,485 hectares annually between 2019 and 2024, compared with annual deforestation of 43,685 hectares. Nandi, Makueni and Kakamega recorded the largest areas of afforestation.

454. Despite the overall increase in forest cover, the accounts estimate that deforestation between 2019 and 2024 resulted in the loss of more than 22 million tonnes of forest biomass, with an estimated economic cost of USD 369.6 million. The Physical Supply and Flow Account further indicates that Kenya's forest stock declined by approximately 23.3 million cubic metres between 2021 and 2024, despite the increase in forest area. This reflects the time required for newly established forests to accumulate biomass, alongside continued pressure from resource use. Gross fellings were estimated at 343.9 million cubic metres, of which 29.8 million cubic metres were utilised for industrial wood production. Households accounted for the largest share of wood-fuel consumption, estimated at over 256.7 million cubic metres, highlighting the substantial pressure on forest resources from firewood and charcoal demand.

455. Forests support the livelihoods of more than four million people, supply over 60 percent of national energy needs through wood fuel and charcoal, and contribute approximately 75 percent of freshwater through the country's five principal montane water towers. These findings underscore the importance of strengthening forest conservation and restoration, addressing unsustainable harvesting and promoting sustainable wood-fuel use. Integrating forest account data into economic and fiscal analysis can also inform decisions on energy security, water resource management, livelihoods and public investment.

iv. Physical Water Accounts

456. Physical Water Accounts provide evidence on water availability, abstraction, consumption and wastewater management, supporting assessment of the resource's contribution to economic activity and the pressures on its sustainability. Total national water supply stood at 304,495.2 million cubic metres in 2021, declined marginally to 296,590.8 million cubic metres in 2022, then nearly doubled to 579,812.2 million cubic metres in 2023. This increase is almost entirely explained by the El Niño rainfall event of 2023, which drove rain-fed agricultural water use from 247,016.7 million cubic metres in 2022 to 529,108.8 million cubic meters in 2023.

457. When rain-fed agriculture is set aside, the managed water economy grew modestly and consistently, from 48.3 billion cubic metres in 2021 to 50.7 billion cubic metres in 2023. This distinction between precipitation-dependent and abstraction-based water use is fundamental to interpreting the accounts and to designing effective water governance.

458. Among sectors that abstract water directly, irrigated agriculture recorded the sharpest growth at 31.8 percent over the period, while construction remained the largest managed water consumer at 7,977.1 million cubic metres in 2023. Hydropower water use was effectively unchanged across all three years, reflecting its baseload nature, though it remains acutely sensitive to upstream flow

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changes. Groundwater abstraction grew across every productive sector, including households, where it accounts for 56.4 percent of supply, signalling a structural diversification of sources that is not yet matched by systematic aquifer monitoring.

459. A persistent compliance gap between actual abstraction and permitted volumes widened from 16 billion cubic metres in 2021 to 18.2 billion cubic metres in 2023, with irrigated agriculture contributing disproportionately to unpermitted volumes. Wastewater treatment improved from 33.3 percent to 45.5 percent over the period, though 185.4 million cubic meters of untreated effluent was still discharged in 2023. Non-revenue water declined by 8.5 percent, reflecting genuine gains in utility infrastructure management.

460. These accounts establish the first statistical baseline for evidence-based water governance in Kenya, providing the empirical foundation for SDG 6.4 monitoring, basin-level allocation planning, and compliance enforcement. Annual production of the accounts, formalized data sharing with contributing agencies, and systematic aquifer monitoring are the immediate priorities for building on this foundation.

v. Monetary Energy Accounts

461. Monetary Energy Accounts quantify the value of energy supplied to and used by the economy, providing insights into energy expenditure, import dependence and exposure to external price shocks. Total energy supplied to the economy in 2024 was 1.67 million terajoules (TJ), valued at KSh 2.99 trillion. Traditional biomass underpins household energy use, while petroleum and electricity dominate monetary value and industrial activity. Households consume most energy physically, but industries and imports drive most of the monetary value, highlighting distributional and transition challenges.

462. Energy supplied to the economy in 2024 was drawn from petroleum products, electricity, coal, coke, and biomass products. Energy drawn from petroleum products, coal, and coke had an estimated value of KSh 1.32 trillion in 2024. Supply of energy from electricity was valued at an estimated KSh 0.24 trillion, while supply from biomass products was valued at KSh 0.89 trillion during the reference year. Households supplied energy worth KSh 0.36 trillion to the economy in 2024, all of which was sourced from charcoal and wood. Industries supplied energy valued at KSh 0.10 trillion to the economy during the same period, while flows from the environment were valued at KSh 0.46 trillion. Trade and transport margins for energy products in 2024 were estimated at KSh 1.14 trillion. Imports of coal, coke, electricity, and petroleum products were valued at KSh 0.61 trillion in the year 2024. While all petroleum products supplied to the economy in 2024 were imported, almost all the energy from electricity supplied to the economy was domestically generated.

463. In 2024, households and all industries spent almost the same amount on energy products, estimated at about KSh 1.45 trillion. Households spent KSh 0.88 trillion on energy drawn from biomass, accounting for 61 percent of total expenditure on energy by households during the year under review. In the same year, industries spent 81 percent of their energy expenditure on petroleum products, coal, and coke. The energy accounts reveal that industries rely heavily on imported energy while households mostly use biomass.

464. The accounts will provide an additional evidence base for strengthening KENMod, including the progressive incorporation of natural capital and climate-related information into macroeconomic and fiscal analysis. Their integration into future analysis will strengthen the assessment of climate shocks, natural resource risks and alternative policy responses, supporting better-informed investment prioritisation and sustainable, resilient economic growth.

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5.3.5.7 Mitigation and Adaptation Measures to Curb Fiscal Risks

465. Based on the National Climate Change Action Plan (NCCAP 2023–2027) framework provided by the Ministry of Environment, Climate Change and Forestry, climate change poses significant macro-fiscal risks to Kenya, with future projections indicating potential additional net economic costs of between 3 percent to 5 percent of GDP each year by 2030. The Government categorizes structural, adaptation, and mitigation measures across the following Medium-Term Expenditure Framework (MTEF) sectors to curb these fiscal risks:

Disaster Risk Management & Public Sector Governance

466. Climate hazards like severe droughts and floods disrupt economic stability, leading to unanticipated contingent liabilities, infrastructure rehabilitation costs, and community conflicts over resources.

- **Establish a National Disaster Risk Management Authority:** Centralize and formalize the coordination, implementation, and tracking of countrywide disaster responses to optimize resource utilization.
- **Expand Shock-Responsive Social Protection:** Increase the fiscal reach of devolved adaptive services and safety nets, such as the *Hunger Safety Net Programme*, to lower the long-term post-disaster fiscal burden on the state.
- **Institutionalize Climate Databases:** Maintain an active national registry tracking disaster preparation, economic impacts, and recovery expenditures to accurately model fiscal exposures.
- **Mainstream Climate Risk in Security and Planning:** Create specialized protocols to manage climate-driven mobility, displacement, and localized resource conflicts (e.g., between pastoralists and crop farmers) before they escalate into high-cost security crises.

Food and Nutrition Security and the Agriculture Sector

467. As a climate-sensitive pillar of the economy, failures in agriculture drastically contract GDP, cause severe revenue shortfalls, and trigger expensive emergency relief food interventions.

- **Upscale Climate-Smart Agriculture (CSA):** Drive institutional uptake of CSA technologies, crop/livestock diversification, and agroforestry to protect agricultural productivity from volatility.
- **Promote Conservation Agriculture and Soil Management:** Set structural targets to increase acreage under integrated soil nutrient management and minimum/no-tillage conservation agriculture to preserve arable land values.
- **Expand Water Infrastructure and Irrigation:** Cushion farming from rainfall variability by investing in on-farm water harvesting, water storage, and expanded irrigation networks.
- **De-Risk Farming via Agricultural Insurance:** Strengthen the design and public-private implementation of index-based agricultural insurance to protect smallholder livelihoods and lower state bailout risks.

Energy, Transport, and Blue Economy Infrastructure

468. Floods destroy fixed capital assets (roads and bridges) and silt up hydro-generation dams, while droughts cripple baseload river flows—forcing expensive thermal power generation and causing fiscal drag.

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- **Climate-Proof Infrastructure Design:** Enforce structural engineering standards ensuring transport networks, public works, and utility grids are resilient against projected intense weather anomalies.
- **Diversify the Electricity Supply Mix:** Lessen fiscal vulnerability to hydrological shocks by expanding the share of geothermal and other stable renewable energies within the national grid.
- **Transition to Clean Cooking:** Lower biomass degradation and deforestation demand by systematically supporting the transition to modern, clean cooking technologies.
- **Enhance Resource and Water Efficiency:** Implement rigorous "reduce, re-use, and recycle" water efficiency metrics in industrial and irrigation layouts to counter declining per capita water availability.

Health, Sanitation, and Human Settlements

469. Outbreaks of water-borne, vector-borne (e.g., malaria), and respiratory diseases under extreme weather events present high unexpected costs to the public healthcare system.

- **Mainstream Adaptive Health Management:** Build early warning and capacity frameworks within public health facilities to manage and track climate-sensitive diseases expanding into new geographic zones.
- **Enforce the Waste Hierarchy in Urban Planning:** Target source-segregation of solid waste (aiming for 90 percent) and upscaled composting/biological processing to minimize costly landfill expansions and curb municipal methane emissions.
- **Develop Climate-Smart Affordable Housing:** Integrate flood control and resilient urban spatial zoning within the state's affordable and social housing development agendas.

Macro-Fiscal and Cross-Cutting Enabling Measures

470. To structurally shield public finance from climate vulnerability, financial and governance frameworks must be institutionalized.

- **Scale Up Access to Climate Finance:** Capitalize on global carbon markets and international green financing architectures by generating bankable, public-led adaptation and mitigation proposals.
- **Enforce Statutory Mainstreaming Mandates (Climate Change Act, 2016):** Ensure every state department and public entity integrates the national climate action plan directly into its sector budgets and strategy projections.
- **Establish Dedicated Climate Units:** Require government ministries to designate specialized units with adequate funding and personnel to coordinate and annually report on emissions inventories and climate statutory functions.
- **Operationalize Youth Climate Innovation Hubs:** Devolve resource-access platforms to county levels to fund and scale youthful grassroots climate technologies and risk management practices.

5.3.6 Other Fiscal Risks

5.3.6.1 Natural Disasters and Man-made Hazards

471. Disasters remain a major source of fiscal risk, putting pressure on public finances and threatening lives and livelihoods. Kenya has faced repeated climate shocks in close succession. The failure of the October–December 2025 short rains led to drought conditions in 23 counties in early 2026. Above-average rainfall is now forecast across the country for the October–December 2026 season as El Niño develops, raising the risk of floods and landslides. Disaster response has largely

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been financed after the fact, through supplementary budgets and reallocations. This displaces planned spending.

472. To shift from reaction to preparedness, the Government enacted the National Disaster Risk Management Act, 2026. In June 2026 it launched the Disaster Risk Financing Strategy 2026–2030. The Strategy is built on three pillars: risk reduction, risk retention and risk transfer. It aims to arrange financing before disasters strike. Going forward, the Government will prioritize the implementation of the Disaster Risk Management Act, 2026, which serves as the overarching legislative framework on Disaster Risk Management including operationalization of the Disaster Risk Management Authority. The Government will also support implementation of the Disaster Risk Financing Strategy (2026-2030) with the goal of enhancing the financial capacity of National and County Governments to effectively manage disaster risks across the disaster risk management continuum to protect the most vulnerable, safeguard development goals, build resilience and ensure fiscal stability. The Government will also continue to fast track the finalization of the Disaster Risk Management Fund as a key instrument for mobilization of resources for effective disaster risk management in the country. Further, the Government will continue to prioritize investments in Early Warning Systems at both National and County Governments to ensure that early warning information translates to early action including operationalization of the National Meteorological Services Authority.

5.3.6.2 Money Laundering, Terrorist Financing & Proliferation Financing

473. Safeguarding the integrity of Kenya's financial system remains a priority, given its importance for investor confidence, correspondent banking relationships and the cost of external financing. Since February 2024, Kenya has been among the jurisdictions under increased monitoring by the Financial Action Task Force (FATF), a status the June 2026 Plenary confirmed. To address the deficiencies identified, the Government has made significant legislative progress. This includes enacting the Anti-Money Laundering and Combating of Terrorism Financing Laws (Amendment) Act, 2025, and the Virtual Asset Service Providers Act, 2025, which brings virtual asset businesses under licensing and AML/CFT supervision.

474. The National Treasury chairs the National Taskforce on AML/CFT/CPF and will continue to lead a Whole-of-Government effort to complete the remaining items in the FATF Action Plan. These are: strengthening risk-based supervision of financial institutions; improving beneficial ownership transparency, including for trusts; improving the use of financial intelligence; increasing money laundering investigations and prosecutions; aligning the targeted financial sanctions framework with FATF standards; and making regulation of non-profit organizations risk-based. The Government will ensure timely reporting to the FATF and ESAAMLG, with the goal of exiting the list and restoring confidence in Kenya's financial system.

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ANNEX I: ADHERENCE TO FISCAL RESPONSIBILITY PRINCIPLES

1. In line with the Constitution, the Public Finance Management (PFM) Act, CAP 412A, the PFM (National Government) Regulations, 2015 and in keeping with prudent and transparent management of public resources, the Government is committed to the fiscal responsibility principles set out in the statute as follows **(Table 1)**.

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

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

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

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

v) Fiscal risks shall be managed prudently; and

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

Table 1: Performance of Fiscal Responsibility Indicators

	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
	Actual	Prel. Actual	Budget	BPS'27	BPS'27	BPS'27	BPS'27
	KSh Billion						
1.0 Total Expenditure & Net Lending	3,975.9	4,484.2	4,819.4	5,235.7	5,680.8	6,175.8	6,730.8
1.1 Total Ministerial National Govt Expenses	**2,378.6**	**2,813.6**	**2,976.7**	**3,293.7**	**3,649.2**	**3,936.8**	**4,337.6**
Total Recurrent	2,948.4	3,285.3	3,565.6	3,810.2	4,069.2	4,387.8	4,765.8
CFS (Interest & Pensions)	1,206.2	1,284.3	1,501.3	1,571.0	1,661.1	1,779.4	1,887.8
Ministerial Recurrent	1,742.2	2,001.1	2,064.3	2,239.2	2,408.0	2,608.4	2,878.0
o/w Wages & Salaries	624.7	684.4	702.0	812.2	857.6	955.2	1,055.5
Wages as % National Government Revenues	**24.9%**	**24.6%**	**21.9%**	**23.4%**	**21.7%**	**21.5%**	**21.3%**
Development	636.4	812.6	912.4	1,054.5	1,241.1	1,328.4	1,459.7
Development as % Ministerial National Government expenditures	**26.8%**	**28.9%**	**30.7%**	**32.0%**	**34.0%**	**33.7%**	**33.7%**
1.2 County Allocation	444.6	467.3	502.0	506.5	519.1	565.4	616.7
Equitable share	418.3	415.0	428.0	449.5	465.9	512.2	563.5
Conditional Grants	26.3	52.3	74.0	57.0	53.2	53.2	53.3
Contigency Fund	-	-	1.0	2.0	5.0	5.0	5.0
2.0 Total Revenues	2,923.6	3,198.8	3,630.6	3,923.1	4,417.9	4,962.5	5,521.6
3.0 Total National Government Revenues (Incl. A-I-A)	**2,505.3**	**2,783.8**	**3,202.6**	**3,473.6**	**3,952.0**	**4,450.3**	**4,958.1**
4.0 National Government Domestic Borrowing (net)	852.8	997.3	898.0	659.0	914.4	647.9	443.9

Source: The National Treasury

i) Allocation to Development Expenditure over the Medium Term

2. In alignment with statutory provisions, the National Government continues to anchor its budget framework on the requirement that development expenditures constitute no less than 30 percent of total ministerial spending. In FY 2025/26, actual development outlays accounted for 28.9

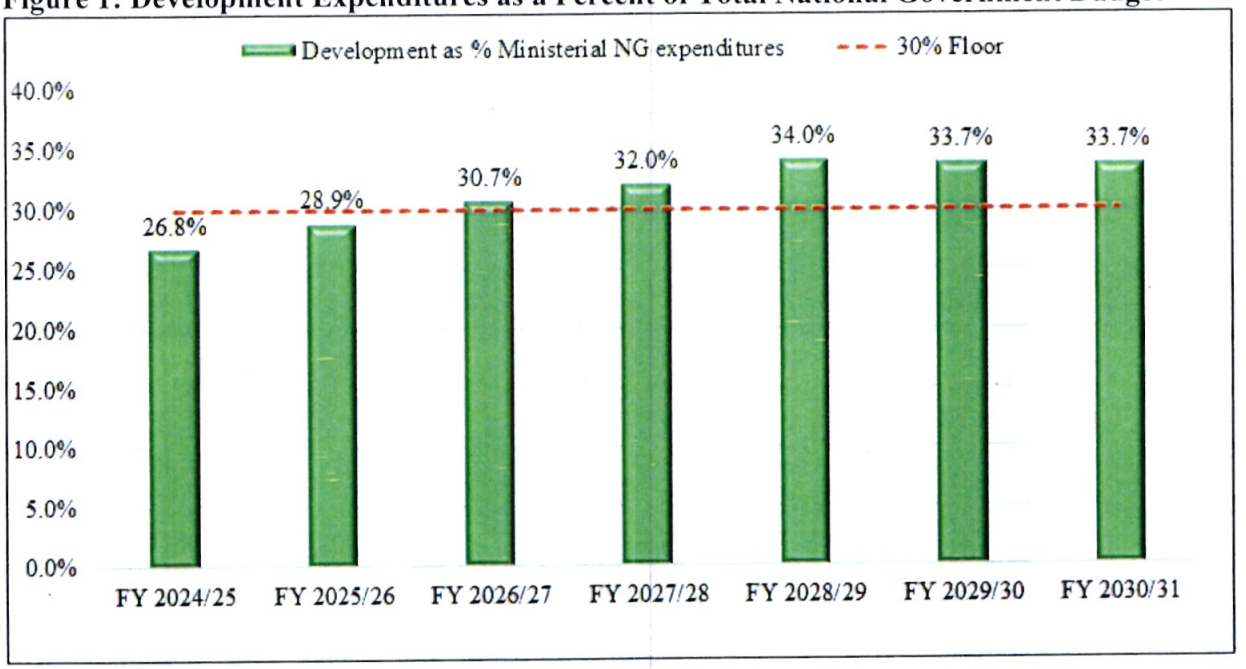
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percent, slightly falling below the threshold set under the PFM Act, CAP 412A. This variance stemmed from expenditure rationalization measures undertaken during budget execution.

3. Looking ahead, the share of development spending is expected to rise to 30.7 percent in FY 2026/27 and remain above the recommended minimum over the medium term, as illustrated in **Table 1 and Figure 1.**

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



Source: The National Treasury

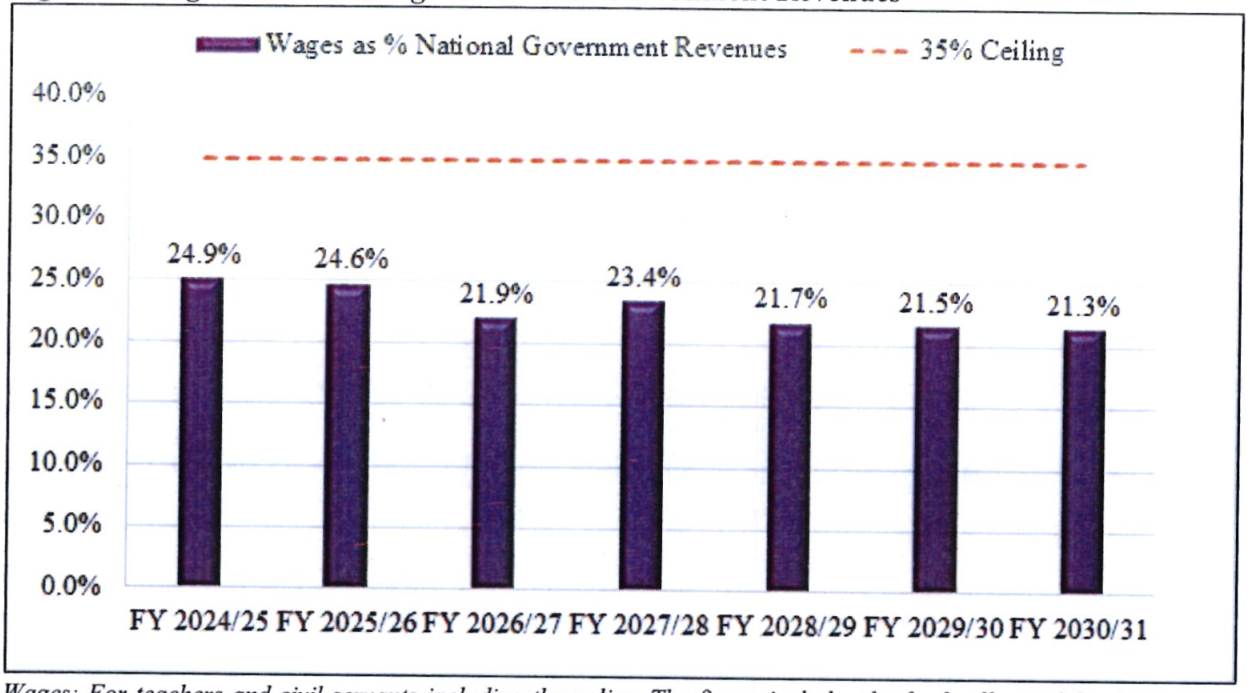
ii) Compliance with the Requirement on Expenditure on Wages and Benefits

4. The legal framework stipulates that expenditure by the National Government on compensation of employees including salaries, benefits, and allowances must not exceed 35 percent of the National Government's equitable share of nationally raised revenues together with other revenues generated under Article 209(4) of the Constitution. In adherence to this requirement, the National Government's wage and benefits bill accounted for 24.6 percent of revenues in FY 2025/26, remaining well within the statutory ceiling of 35 percent. Over the medium term, this ratio is projected at 21.9 percent in FY 2026/27 and 23.4 percent in FY 2027/28, remaining well within the statutory ceiling **(Figure 2).**

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Figure 2: Wages as a Percentage of National Government Revenues



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

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

5. The National Treasury continues to mobilize resources through borrowing to finance development programmes endorsed by Parliament in accordance with Section 15(2)(c) of the Public Finance Management Act, CAP 412A, which stipulates that National Government borrowing shall be directed solely toward development expenditure and not recurrent spending. In FY 2025/26, the National Government borrowing amounted to KSh 1,264.7 billion. Out of this, KSh 999.8 billion, equivalent to 79.1 percent, was utilized for development expenditure. Over the medium term, the Government will ensure adherence to the fiscal responsibility principles.

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

6. Kenya's public debt remains at sustainable levels but with high risk of debt distress. Below is a summary of the DSA results:

7. As at June 2026, the present value (PV) of total debt-to-GDP ratio is 65.6 percent and is projected to remain above the 55 ± 5 percent ceiling over the medium term. The Government will continue to implement policies intended to maintain public debt within sustainable levels **(Table 2).**

Table 2: Kenya's Public Debt Sustainability Analysis

Indicators	Benchmark	2024	2025	2026	2027	2028	2029	2030
PV of debt-to-GDP ratio	55	65.7	65.3	65.6	65.0	64.2	63.1	62.1
PV of public debt-to-revenue and grant ratio		391.5	379.8	379.0	369.5	365.0	367.1	365.1

Source: The National Treasury

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8. The External Debt Sustainability Analysis (DSA) indicates that while the present value (PV) of external debt to GDP remains below the 40 percent threshold throughout the projection period, the PV of public and publicly guaranteed (PPG) external debt relative to exports is expected to remain below the 180 percent threshold from 2026 through 2030. In addition, debt service pressures remain significant, as the debt service-to-revenue ratio, which breached the 18 percent threshold in 2024 and 2025 due to heavy maturities, is projected to fall below the threshold in 2026 and 2027, breach it again in 2028 (18.3 percent) and ease to about 16 percent in 2029 and 2030, while the debt service-to-exports ratio is anticipated to remain above the 15 percent sustainability benchmark through 2030 **(Table 3)**.

Table 3: Kenya's External Debt Sustainability

Indicators	Thresholds	2024	2025	2026	2027	2028	2029	2030
PV of external debt–to-GDP ratio	40	30.8	28.3	27.5	26.8	25.5	24.4	24.6
PV of PPG external debt-to-exports ratio	180	180.3	182.2	167.5	158.7	147.9	141.6	145.1
PPG Debt service-to-exports ratio	15	26.3	22.5	18.3	15.9	18.3	15.9	15.9
PPG Debt service-to-revenue ratio	18	27.0	20.6	17.6	15.5	18.3	16.1	16.2

Source: The National Treasury

9. To safeguard debt sustainability and reduce elevated risk of debt distress, the Government will adopt targeted policy measures aimed at strengthening external debt indicators. These measures include broadening and diversifying the export base to enhance foreign exchange earnings, while simultaneously building and maintaining robust gross international reserves to provide a stronger buffer against external shocks. These measures will improve the debt service-to-exports ratio, ease pressure on external debt sustainability thresholds, and reinforce Kenya's overall resilience in managing public debt obligations.

10. To strengthen debt sustainability and mitigate risks, the Government will continue to pursue fiscal consolidation measures over the medium term, thereby creating fiscal space and reducing vulnerabilities associated with public debt. Further, the Government will maximize the use of concessional external financing to lower borrowing costs. The National Treasury will continue to actively pursue Liability Management Operations (LMOs) aimed at lengthening the maturity profile of both domestic and external debt, thereby alleviating short-term repayment pressures and reducing rollover risks. Together, these measures will enhance Kenya's debt management strategy and support long-term fiscal and external stability.

v) Prudent Management of Fiscal Risks

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

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

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

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ANNEX II: PUBLIC PRIVATE PARTNERSHIPS

1. Public Private Partnerships (PPPs) remain an important mechanism for mobilizing private sector capital, expertise and innovation for the delivery of public infrastructure and services. PPPs complement public financing by leveraging private capital while effectively allocating project risks between public and private parties. The Government will continue to use PPPs to support delivery of priority infrastructure while ensuring affordability, value for money and prudent management of fiscal commitments and contingent liabilities.

2. As at 30th June 2026, over KSh 196 billion in private capital had been mobilized through PPPs, of which KSh 51 billion was mobilized in FY 2025/26, representing the equity component of the anticipated KSh 183 billion total private capital investment in the Rironi–Gilgil (A8), Rironi–Mai Mahiu–Naivasha (A8 South) and Gilgil–Nakuru–Mau Summit (A8) road projects. The National List of PPP Projects comprises 61 projects, and the PPP project pipeline is set out in **Annex Tables 8 and 9.**

PPP Fiscal Commitments and Contingent Liabilities

3. PPP projects may give rise to direct fiscal commitments and contingent liabilities over the life of their contractual arrangements. Direct commitments include Government payments and capital contributions, while contingent liabilities may arise from guarantees, termination provisions, Letters of Support and other contractual obligations triggered by specified events. Inflation and exchange rate movements may also affect the Government's exposure, depending on the contractual terms. For effective fiscal management and parliamentary oversight, the following three categories distinguish the forms of fiscal exposure:

i) **Category 1** – PPPs without Government fiscal commitment or public liability: These are user-pay projects in which the private party bears the relevant commercial and demand risks without any Government support measures, hence no fiscal commitment or contingent liability to Government;

ii) **Category 2 - Government expenditure:** These are projects that require (a) multi-year fiscal commitments, comprising Government payments over the life of the project, such as availability payments, annuity payments and other periodic contractual Government payments; and (b) Government capital contributions, including viability gap funding and grants from the Exchequer; and

iii) **Category 3 - Government contingent fiscal obligations:** These are projects giving rise to contingent liabilities through guarantees, termination provisions, Letters of Support and other contractual obligations that may require Government payments upon the occurrence of specified events.

Prudent Management, Reporting and Oversight of Fiscal Commitment and Contingent Liabilities

4. The PPP Directorate has put in place processes to ensure that the fiscal commitments and contingent liabilities arising from PPP projects are identified, assessed and reported in accordance with the PFM Act, CAP 412A and attendant regulations, thereby enabling the relevant Government institutions, including Parliament, to exercise appropriate oversight over Government guarantees, fiscal commitments and contingent liabilities. In particular:

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i) Assessment of Fiscal Commitment and Contingent Liability by the PPP Directorate prior to Issuance of Government Support Measures: The PPP Directorate undertakes Fiscal Commitment and Contingent Liability (FCCL) assessment in respect of every PPP project. The assessment identifies and quantifies the direct fiscal commitments that may arise to Government as well as the contingent liabilities associated with the project.

ii) Assessment of Fiscal Commitment and Contingent Liability by the Public Debt Management Office (PDMO): The FCCL assessed by the PPP Directorate is submitted to the Public Debt Management Office (PDMO), which is responsible under Section 63 of the PFM Act, CAP 412A, for public debt management and supporting the Cabinet Secretary in the implementation of the Government's debt-management policy. This assessment facilitates the PDMO in discharging its statutory and regulatory functions, including the assessment of risks associated with Government guarantees and contingent liabilities inherent in PPP projects.

iii) Assessment and evaluation of Government Support Measures before issuance: Prior to the issuance of GSMs, the PPP Directorate and PDMO evaluates and structures them effectively to ensure minimum exposure to Government.

iv) Annual reporting of Contingent Liabilities through fiscal risk report: Before the end of each financial year, the Directorate prepares a report setting out the potential termination liabilities arising under the respective project agreements that have been executed. The information on such contingent liabilities is incorporated into the Government's fiscal-risk reporting framework and is reported through the annual Fiscal Risk Committee (FRC) reporting process.

v) Report of the state of PPPs to Parliament by the Cabinet Secretary: Each year the Cabinet Secretary submits a report to Parliament through the Annual Report to facilitate effective oversight of PPPs by Parliament. The report discloses to Parliament key information on PPPs, including Government support measures issued and the value of contingent liabilities for PPPs.

vi) Reporting and approval of the FCCLs in the Budget Policy Statement: Each year the National Treasury reports funds targeted for mobilization under the PPP model as well as the specific projects implemented and targeted in the following financial year, for consideration and approval by Parliament.

vii) Annual allocation of Funds and Approval of expenditure for PPP Projects: Each year, the entities carrying out PPP projects secure the allocation of funds for payment obligations in line with their budgeting processes provided for under the constitutional and legal framework. Annuity payments drawn from the Road Annuity Fund for PPP projects under the annuity programme are allocated by the Road Annuity Fund Committee in line with Road Annuity Fund Regulations, while availability payments for KPLC electricity tariff for power transmission lines are budgeted for and expenditure approved by the Board with approval of the National Treasury in line with the PFM Act, CAP 412A. Expenditure relating to availability payments funded from rental collections by Kenya Defence Forces is appropriated every year by Parliament.

PPP Fiscal Commitments and Expenditure for the FY 2027/28

5. **Table 1** presents the projected fiscal commitments of the National Government arising from 14 existing and proposed PPP projects, estimated at KSh 40,306 million for FY 2027/28, KSh 43,291 million for FY 2028/29 and KSh 44,623 million for FY 2029/30. These commitments comprise

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annuity payments, availability payments, capital grants and viability gap funding. The amounts presented are estimates based on the respective stages of the projects in the PPP project cycle. The projected fiscal commitments are presented for parliamentary consideration as part of the approval of the Government's medium-term fiscal framework, thereby facilitating parliamentary oversight of financial commitments arising from PPP projects. Amounts falling due in each financial year, including any adjustments arising from contractual indexation, shall be provided for in the annual budget Estimates and appropriated in accordance with the Constitution and the Public Finance Management Act, CAP 412A.

Table 1: Projected Annual PPP Payments by the National Government, FY 2027/28 – 2029/30 (KSh millions)

Project	Nature of fiscal commitment	Commitment period	Est. annual	Est. total	FY 2027/28	FY 2028/29	FY 2029/30
A. Existing PPP payment commitments (signed agreements)							
Road Annuity Programme, Lot 33 (Road Annuity Fund)	Annuity payments from Road Annuity Fund	10 years: FY 2017/18 – FY 2027/28	2,793	27,930	3,680	–	–
Road Annuity Programme, Lot 18 (Road Annuity Fund)	Annuity payments from Road Annuity Fund	10 years: FY 2021/22 – FY 2031/32	2,785	27,850	2,696	2,784	2,875
Road Annuity Programme, Lot 15 (Road Annuity Fund)	Annuity payments from Road Annuity Fund	10 years: FY 2021/22 – FY 2031/32	3,496	34,960	3,384	3,495	3,609
KDF Residential Accommodation (rental collections by the Ministry of Defence)	Availability payments funded from rental collections	15 years: FY 2025/26 – FY 2040/41	500	7,500	500	500	500
Power Transmission Lines – Africa50/PowerGrid (escrow managed by KETRACO)	Availability payments for KPLC electricity tariff	27.5 years: FY 2028/29 – FY 2055/56	7,591	221,713	–	6,466	7,591
Sub-total: existing commitments			**17,165**	**319,953**	**10,260**	**13,245**	**14,575**
B1. Anticipated new commitments (approved projects)							
Pwani Teaching and Referral Hospital	Capital grant (35% of capex)	3 years: FY 2027/28 – FY 2029/30	1,036	3,109	1,036	1,036	1,037
	Availability payments	27 years: FY 2030/31 – FY 2056/57	1,857	101,521	–	–	–
Mau Summit – Eldoret – Malaba Road	Viability gap funding	3 years: FY 2027/28 – FY 2029/30	21,667	65,000	21,667	21,667	21,667
REREC Hybridization of Off-Grid Diesel Stations	Availability payments funded from diesel cost savings	15 years: FY 2027/28 – FY [2042/43]	500	7,500	500	500	500
Meru Cancer Care Project	Viability gap funding (10% of project cost)	3 years: FY 2027/28 – FY 2029/30	310	930	310	310	310
KNH Staff and Caregiver Accommodation	Availability payments funded from staff rent payroll deductions	28 years: FY 2030/31 – FY 2057/58	972	33,230	–	–	–
Njoro Kubwa Bulk Water Supply Project (Taita Taveta)	Viability gap funding (40% of project cost)	3 years: FY 2027/28 – FY 2029/30	1,333	4,000	1,333	1,333	1,334

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Project	Nature of fiscal commitment	Commitment period	Est. annual	Est. total	FY 2027/28	FY 2028/29	FY 2029/30
Greenfield Transmission Lines (KETRACO)	Availability payments (indicative)	27.5 years: FY 2031/32 – FY 2058/59	23,722	652,355	–	–	–
Sub-total B1			**51,397**	**867,645**	**24,846**	**24,846**	**24,848**
B2. Anticipated new commitments (projects awaiting approval)							
Justice Centre (OAG-DOJ)	Availability payments funded from the OAG-DOJ rental budget	15 years: FY 2027/28 – FY 2041/42	500	7,500	500	500	500
KNH Hospital	Availability payments funded from user charges	27 years: FY 2027/28 – FY 2053/54	4,700	126,900	4,700	4,700	4,700
Sub-total B2			**5,200**	**134,400**	**5,200**	**5,200**	**5,200**
Sub-total: new commitments (B1 + B2)			**56,597**	**1,002,045**	**30,046**	**30,046**	**30,048**
Total projected National Government PPP payments			**73,762**	**1,321,998**	**40,306**	**43,291**	**44,623**
Ordinary revenue (KSh M)					3,249,238	3,654,999	4,136,931
PPP payments / ordinary revenue					**1.24%**	**1.18%**	**1.08%**
Of which: availability and annuity payments / ordinary revenue					**0.50%**	**0.56%**	**0.57%**

Source: National Treasury

Notes:

1. *Estimated fiscal commitments are stated on the basis of the latest available concept notes, feasibility study financial model, procurement documentation or signed Project Agreement, as applicable. The amounts shown for projects that have not completed procurement are estimates and do not constitute fiscal ceilings. Final contractual commitments will be determined through procurement and reflected in the respective Project Agreements. The applicable adjustment mechanism, including inflation or foreign-exchange indexation, will similarly be determined through procurement and reflected in the final Project Agreement. Blank entries indicate fiscal commitments that fall outside the Medium-Term Expenditure Framework (MTEF) period.*
2. *Payments by County Governments under county PPP projects, including availability payments and viability gap funding for the Nairobi Smart Street Lighting project and availability payments for the Eldoret City Solar-Powered Street Lighting project, are required to be provided for in the respective county budgets and are therefore not included in the table.*

Medium-Term PPP Contingent Liability

6. PPP projects may give rise to contingent liabilities that become payable on the occurrence of specified events, mainly early termination of a Project Agreement. **Table 2** sets out the maximum contingent liability exposure for existing PPP agreements and for prospective projects expected to reach commercial close over the medium term, split between approved projects and projects awaiting approval. For projects that have reached financial close, this exposure consists mainly of the termination payments due under the respective Project Agreements.

7. The likelihood, value and timing of termination payments cannot be determined with certainty in advance, and it is unlikely that all projects would be terminated at the same time. Applying a 6 percent probability of early termination, based on a World Bank (2017) review of 3,400 infrastructure PPPs in developing countries, of which 191 (approximately 6 percent) were terminated before the end of their contracts, the expected contingent liability for FY 2027/28 is estimated at KSh 90.1 billion (0.4 percent of GDP), against maximum exposure of KSh 1.50 trillion

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(Table 2), rising to KSh 137 billion (0.5 percent of GDP) in FY 2029/30. Adding the risk-weighted exposure to public debt would raise the debt-to-GDP ratio by only 0.4–0.5 percentage points over the medium term **(Annex II, Table 3)**. The amounts in **Table 2** represent the estimated maximum exposure for each project based on the latest available project information.

Table 2: Existing and Estimated PPP Contingent Liability Exposure (KSh million)

Component (cumulative maximum exposure)	Project value	Contract term	Expected close	FY 2027/28	FY 2028/29	FY 2029/30
A. Existing and advanced projects						
Nairobi Expressway	86,800	30 years	FC November 2021; O&M since May 2022	72,040	67,700	63,360
Road Annuity Programme – Lot 33	12,740	10 years (annuity)	FC February 2018; O&M since May 2020	3,200	1,780	360
Road Annuity Programme – Lot 18	6,400	10 years (annuity)	FC February 2022; O&M since April 2024	4,470	3,750	3,040
Road Annuity Programme – Lot 15	8,090	10 years (annuity)	FC February 2022; O&M since April 2024	5,650	4,740	3,830
35MW Sosian Menengai Geothermal	11,700	25 years	FC December 2023; O&M since November 2023	10,390	9,750	9,100
Galana-Kulalu (Nafaka) Food Security	12,500	30 years	Signed December 2024; FC December 2025; O&M (Phase 1)	13,310	12,690	12,060
35MW Quantum Menengai Geothermal	15,200	25 years	FC December 2023; commercial operation July 2026	15,720	14,880	14,040
Rironi–Naivasha–Gilgil and Rironi–Mai Mahiu–Naivasha (A8 and A8 South), CRBC–NSSF	96,382	30 years	FC May 2024; in construction (79–100 percent complete)	93,379	90,558	88,933
Gilgil–Nakuru–Mau Summit (A8), SDRBI	86,346	30 years	Signed October 2024; in construction; FC pending	87,347	88,322	89,141
35MW Orpower 22 Menengai Geothermal	11,700	25 years	Signed 5 May 2026; in construction	12,410	11,770	11,140
Supply of Smart Driving Licences and Associated Services	45,000	21 years	Signed 30 June 2026; in construction	50,220	48,740	45,860
Power Transmission Lines – Africa50/PowerGrid	41,600	30 years	Signed 2025; construction not started; commercial operation mid-2028	41,049	43,943	42,956
KDF Residential Accommodation	4,500	15 years	Signed 15 December 2025; construction ongoing	4,620	4,220	3,820
Sub-total A	**438,958**			**413,805**	**402,843**	**387,640**
Percent of GDP				**1.8%**	**1.6%**	**1.4%**
B1. Contingent liabilities for approved projects						
Sabaki Water Carrier	27,900	30 years	FY 2027/28	33,000	33,000	33,000
UoN Purpose Built Student Accommodation	4,500	30 years	FY 2027/28	5,000	5,000	5,000
Pwani Teaching and Referral Hospital	9,000	30 years	FY 2027/28	11,000	11,000	11,000
KNH Staff and Caregiver Accommodation Facility	8,854	30 years	FY 2027/28	10,625	10,625	10,625
MTRH Medical Training Complex	4,000	30 years	FY 2028/29	–	5,000	5,000
Nairobi – Mombasa Expressway	389,000	30 years	FY 2027/28	467,000	467,000	467,000
KPA Port Assets Phase 1	79,690	30 years	FY 2027/28	96,000	96,000	96,000

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Component (cumulative maximum exposure)	Project value	Contract term	Expected close	FY 2027/28	FY 2028/29	FY 2029/30
KPA Port Assets Phase 2	80,000	30 years	FY 2027/28	96,000	96,000	96,000
Commercial Space Port Project (KSA)	17,000	30 years	FY 2028/29	–	18,500	18,500
REREC Hybridization of Off-Grid Diesel Stations	7,500	15 years	FY 2027/28	9,000	9,000	9,000
Meru Cancer Centre	9,373	30 years	FY 2027/28	11,248	11,248	11,248
Nairobi Street Lighting Project	6,183	10 years	FY 2027/28	7,420	7,420	7,420
Diplomatic Housing (MFA)	5,700	30 years	FY 2027/28	6,200	6,200	6,200
Eldoret City Solar-Powered Street Lighting (Uasin Gishu County)	3,300	15 years	FY 2026/27	3,960	3,960	3,960
Njoro Kubwa Bulk Water Supply Project (Taita Taveta)	10,000	30 years	FY 2027/28	12,000	12,000	12,000
Greenfield Transmission Lines (KETRACO)	130,000	30 years	FY 2028/29	–	156,000	156,000
Konza Data Cloud Expansion and Smart City Facilities	6,500	30 years	FY 2028/29	–	7,800	7,800
NCPB National Food Crops Warehouse Receipts System	8,000	30 years	FY 2028/29	–	9,600	9,600
Mau Summit – Eldoret – Malaba Road	169,000	30 years	FY 2027/28	202,800	202,800	202,800
LNG-fired power plant at Dongo Kundu	39,000	30 years	FY 2027/28	47,000	47,000	47,000
Karura 90MW Hydro Power Dam (KenGen)	39,000	30 years	FY 2027/28	47,000	47,000	47,000
Kibuka (High Grand) Falls Hydropower and Irrigation Dam (KenGen and NIA)	337,000	30 years	FY 2029/30	–	–	404,000
Sub-total B1	**1,390,500**			**1,065,253**	**1,262,153**	**1,666,153**
Percent of GDP				**4.6%**	**5.0%**	**6.0%**
B2. Contingent liabilities for anticipated projects (awaiting approval)						
Justice Centre	4,550	15 years	FY 2027/28	5,460	5,460	5,460
KNH Private Hospital	25,000	30 years	FY 2029/30	–	–	30,000
Mombasa Northern Bypass	30,000	30 years	FY 2028/29	–	36,000	36,000
Nairobi – Thika – Juja – Kenol – Sagana – Marua	100,000	30 years	FY 2028/29	–	120,000	120,000
Nairobi Southern Bypass (operation, maintenance and tolling)	12,265	25 years	FY 2028/29	–	14,718	14,718
Mt. Elgon Orchards Avocado Processing and Export, Trans-Nzoia (ADC)	3,642	30 years	FY 2027/28	4,370	4,370	4,370
Kenyatta University Hostels (PIP)	6,000	30 years	FY 2028/29	–	7,200	7,200
KWS National Smart Conservation and Wildlife Protection Programme	10,000	15 years	FY 2027/28	12,000	12,000	12,000
Sub-total B2	**191,457**			**21,830**	**199,748**	**229,748**
Percent of GDP				**0.1%**	**0.8%**	**0.8%**
Sub-total B (B1 + B2)	**1,581,957**			**1,087,083**	**1,461,901**	**1,895,901**
Percent of GDP				**4.7%**	**5.8%**	**6.8%**
Total projected portfolio exposure	**2,020,915**			**1,500,888**	**1,864,744**	**2,283,541**
Percent of GDP				**6.5%**	**7.3%**	**8.2%**
Expected (risk-weighted) exposure			**6% of total exposure**	**90,053**	**111,885**	**137,012**

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Component (cumulative maximum exposure)	Project value	Contract term	Expected close	FY 2027/28	FY 2028/29	FY 2029/30
Percent of GDP				**0.4%**	**0.4%**	**0.5%**
Nominal GDP				22,943,852	25,405,625	27,977,306

Source: National Treasury

Note: Amounts in Part A represent estimated maximum exposure under signed Project Agreements. Amounts in Part B represent estimated maximum contingent liability exposure for the upcoming projects, based on the latest available information, including concept notes, feasibility study financial model, procurement documentation or signed Project Agreement, as applicable. The project-specific amounts presented are estimates for fiscal-risk assessment and planning.

Overall Contingent Liability Limit

8. The Government proposes an aggregate PPP contingent liability limit equivalent to 10 percent of nominal GDP. Based on projected nominal GDP of KSh 22.94 trillion in FY 2027/28, the proposed limit is approximately KSh 2.29 trillion, rising to KSh 2.80 trillion in FY 2029/30 on projected nominal GDP of KSh 27.98 trillion. The limit establishes a portfolio-level fiscal-risk constraint within which contingent liabilities may be assigned to individual PPP projects and provides a transparent basis for monitoring aggregate exposure and available fiscal headroom.

9. The proposed limit of 10 percent of GDP is based on the projected requirements of the PPP portfolio over the medium term. In particular:

i) projects with signed Project Agreements account for maximum contingent liability exposure of approximately 1.8 percent of GDP in FY 2027/28, declining to 1.4 percent in FY 2029/30;

ii) the identified national priority projects are projected to require contingent liability capacity of up to approximately 6.8 percent of GDP, bringing total projected exposure to approximately 8.2 percent of GDP in FY 2029/30;

iii) a limit below the projected exposure of approximately 8.2 percent of GDP would provide insufficient capacity to accommodate the identified priority projects;

iv) setting the limit at 10 percent of GDP provides headroom of approximately 1.8 percent of GDP (about KSh 514 billion) in FY 2029/30 above the currently identified portfolio and pipeline. As this headroom is limited, further projects will be admitted against the limit in order of priority, and project exposure will be reviewed as projects reach commercial close;

v) the limit is assessed against maximum rather than expected or probability-weighted exposure, providing a prudent basis for controlling aggregate PPP contingent liabilities while avoiding reliance on assumptions regarding the probability of individual liabilities crystallizing;

vi) the contingent liability limit is a portfolio-level fiscal-risk ceiling. It does not, by itself, authorize the National Government to assume an individual guarantee, termination liability or other contingent liability. Project-specific contingent liabilities remain subject to the applicable approval process before they are assumed. Any payment arising from the crystallization of a PPP contingent liability shall be provided for in the budget Estimates and submitted to Parliament for approval; and

vii) **Table 3** sets out the proposed contingent liability limit and projected utilization over the medium term. As the limit is expressed as a share of nominal GDP, its equivalent value increases from approximately KSh 2.29 trillion in FY 2027/28 to KSh 2.80 trillion in FY 2029/30.

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Table 3: PPP Contingent Liability Limit and Headroom, FY 2027/28 – 2029/30 (KSh million)

Indicator (KSh million)	FY 2027/28	FY 2028/29	FY 2029/30	Basis
A. Contingent liability limit under section 36 of the PPP Act				
Nominal GDP (projection)	22,943,852	25,405,625	27,977,306	Annex Table 1 (BPS 2027 macroeconomic framework)
(a) Proposed contingent liability limit	**2,294,385**	**2,540,563**	**2,797,731**	**10% of GDP**
(b) Contingent liabilities of projects with signed project agreements (Table 2, Part A)	413,805 (1.8%)	402,843 (1.6%)	387,640 (1.4%)	Table 2; % of GDP
(c) Available headroom (a – b)	1,880,580 (8.2%)	2,137,720 (8.4%)	2,410,091 (8.6%)	% of GDP
(d) Contingent liabilities of new projects over the medium term (Table 2, Part B)	1,087,083 (4.7%)	1,461,901 (5.8%)	1,895,901 (6.8%)	Cumulative; % of GDP
(e) Headroom remaining (c – d)	**793,497 (3.5%)**	**675,819 (2.7%)**	**514,190 (1.8%)**	**% of GDP**
Total projected portfolio exposure (b + d)	**1,500,888 (6.5%)**	**1,864,744 (7.3%)**	**2,283,541 (8.2%)**	**Table 2; % of GDP**
Expected (risk-weighted) exposure	**90,053 (0.4%)**	**111,885 (0.4%)**	**137,012 (0.5%)**	**6 percent probability of early termination (World Bank, 2017) applied to (b + d); % of GDP**
Public debt, PV (percent of GDP)	**64.2%**	**63.1%**	**62.1%**	**Debt Sustainability Analysis (Annex I, Table 2); 65.6% at June 2026**
Public debt plus expected (risk-weighted) PPP exposure	**64.6%**	**63.5%**	**62.6%**	**PV of public debt plus expected exposure; % of GDP**

Source: National Treasury

Note: Maximum exposure is the worst-case exposure arising from early termination, consistent with the IMF–World Bank PPP Fiscal Risk Assessment Model (PFRAM). Expected exposure is an indicative estimate that applies a 6 percent probability of early termination, based on international experience of PPP contract cancellation, to total projected portfolio exposure.

PPP Project Pipeline – Disclosure and Fiscal Planning

10. The wider PPP pipeline is disclosed quarterly for transparency, programme monitoring and medium-term fiscal planning. Where a project subsequently creates a sufficiently defined National Government fiscal commitment or public liability, that obligation will be submitted through the applicable approval process before it is assumed. The PPP project pipeline comprises 13 existing projects, 48 approved projects on the National List of PPP Projects and 8 projects awaiting approval, giving a total of 69 projects with a combined estimated value of KSh 2.47 trillion. The 61 existing and approved projects constitute the National List, while the 8 projects awaiting approval are disclosed separately. This is set out in **Annex Tables 8 and 9**.

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Annex Table 1: Macroeconomic Indicators

	2024/25	2025/26		2026/27	2027/28		2028/29		2029/30		2030/31	
	Act.	Suppl.II	Prel.	Budget	BROP 2026	BPS 2027	BROP 2026	BPS 2027	BROP 2026	BPS 2027	BROP 2026	BPS 2027
	annual percentage change, unless otherwise indicated											
National Account and Prices												
Real GDP	4.6	4.8	4.8	5.0	5.1	5.1	5.2	5.2	5.3	5.3	5.3	5.3
GDP Deflator	3.3	4.9	5.1	6.1	5.8	5.8	5.7	5.7	5.2	5.2	5.2	5.2
CPI Index (eop)	4.7	5.1	5.3	5.3	5.1	5.1	4.8	4.8	4.5	4.5	4.8	4.8
CPI Index (avg)	4.3	4.7	5.0	5.5	5.1	5.1	5.0	5.0	4.5	4.5	4.5	4.5
Terms of Trade (-deterioration)	-0.4	3.1	2.0	2.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Money and Credit (end of period)												
Net domestic assets	6.4	11.6	6.4	10.8	9.0	9.5	9.0	9.8	8.5	9.0	9.3	9.7
Net domestic credit to the Government	37.7	9.5	5.5	8.0	7.7	6.7	7.0	8.7	6.6	5.7	6.0	3.7
Credit to the rest of the economy	2.2	3.9	10.6	10.4	8.5	9.5	9.2	9.1	9.0	9.9	10.5	11.7
Broad Money, M3 (percent change)	7.5	10.3	11.3	11.7	10.7	10.7	10.7	10.7	10.1	10.1	10.2	10.2
Reserve money (percent change)	-1.3	7.8	14.0	11.6	10.6	10.6	10.6	10.6	10.0	10.0	10.1	10.1
	in percentage of GDP, unless otherwise indicated											
Investment and Saving												
Investment	16.7	17.2	16.9	17.5	17.8	17.8	18.1	18.2	19.3	18.3	9.6	19.1
Central Government	4.2	4.3	4.3	4.3	4.5	4.5	4.7	4.7	4.5	4.5	4.8	4.8
Private	12.6	12.9	12.5	13.2	13.3	13.4	13.5	13.5	14.8	13.8	4.8	14.4
Gross National Savings	14.9	14.7	14.3	14.8	14.7	14.4	15.0	15.0	16.1	15.2	6.2	15.7
Central Government	-2.1	-2.5	-2.3	-1.3	-1.6	-1.1	-1.1	-0.1	-0.7	0.6	-0.6	1.0
Private	17.0	17.3	16.5	16.1	16.3	15.5	16.2	15.1	16.8	14.6	6.8	14.7
Central Government Budget												
Total revenue	17.3	17.5	17.2	17.4	17.4	17.1	17.6	17.4	18.0	17.7	18.2	17.9
Total expenditure and net lending	23.5	25.0	24.1	23.2	23.6	22.8	23.3	22.4	23.4	22.1	23.4	21.8
Overall Fiscal balance excl. grants	-6.2	-7.5	-6.9	-5.7	-6.2	-5.7	-5.7	-5.0	-5.3	-4.3	-5.2	-3.9
Overall Fiscal balance, incl. grants, cash basis	-6.0	-7.3	-6.8	-5.5	-5.9	-5.4	-5.4	-4.6	-5.1	-4.0	-4.9	-3.6
Statistical discrepancy	0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Fiscal balance, incl. grants, cash basis- adj. descrepancy	-6.0	-7.3	-6.8	-5.5	-5.9	-5.4	-5.4	-4.6	-5.1	-4.0	-4.9	-3.6
Primary budget balance	-0.1	-1.2	-1.0	0.5	0.5	0.4	1.0	0.9	1.4	1.4	1.6	1.6
Net domestic borrowing	5.1	5.2	5.3	4.3	4.0	2.9	3.6	3.6	3.3	2.3	2.9	1.4
External Sector												
Exports value, goods and services	16.2	15.1	15.2	14.5	14.3	14.4	14.1	14.1	13.8	13.9	13.2	13.2
Imports value, goods and services	22.6	21.6	21.8	20.5	20.4	20.7	19.8	19.9	19.2	19.3	18.5	18.5
Current external balance, including official transfers	-1.8	-2.5	-2.6	-2.6	-3.1	-3.4	-3.1	-3.2	-3.2	-3.2	-3.4	-3.4
Gross reserves in months of next yr's imports	5.0	4.8	4.7	4.9	4.9	5.0	5.0	5.0	5.1	5.1	7.0	7.0
Gross reserves in months of this yr's imports	5.4	5.1	5.1	5.2	5.3	5.3	5.4	5.4	5.5	5.5	5.6	5.6
Public debt												
Nominal central government debt (eop), gross	69.9	70.6	69.9	68.8	68.0	68.0	66.8	66.1	65.7	64.0	64.6	61.6
Nominal debt (eop), net of deposits	67.9	67.5	67.9	65.9	66.4	66.4	65.4	64.6	64.4	62.7	63.4	60.5
Domestic (gross)	37.4	39.2	39.3	39.4	39.9	38.7	39.6	38.6	39.2	37.3	38.5	35.3
Domestic (net)	35.4	36.0	37.4	36.5	38.3	37.1	38.2	37.1	37.9	36.0	37.3	34.1
External	32.5	31.5	30.5	29.4	28.1	29.3	27.2	27.5	26.5	26.6	26.1	26.3
Memorandum Items:												
Nominal GDP (in Ksh Billion)	16,905	18,642	18,627	20,817	22,944	22,944	25,406	25,406	27,977	27,977	30,825	30,825
Nominal GDP (in US$ Million)	128,009	144,132	143,588	160,454	175,467	175,158	193,464	193,110	213,725	213,317	236,169	235,699

Source: The National Treasury

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Annex Table 2: Government Fiscal Operations, KSh Billion

	2024/25	2025/26		2026/27	2027/28		2028/29		2029/30		2030/31	
	Act.	Suppl.II	Prel.	Budget	BROP 2026	BPS 2027	BROP 2026	BPS 2027	BROP 2026	BPS 2027	BROP 2026	BPS 2027
TOTAL REVENUE	**2,923.6**	**3,259.0**	**3,198.8**	**3,630.6**	**4,093.7**	**3,923.1**	**4,477.6**	**4,417.9**	**5,041.3**	**4,962.5**	**5,615.3**	**5,521.6**
Ordinary Revenue (Tax/ Non Tax Revenue)	2,820.2	2,640.6	2,588.4	2,985.7	3,219.2	3,219.2	3,655.6	3,655.6	4,136.9	4,136.9	4,601.1	4,601.5
Tax Revenue	2,272.4	2,457.4	2,467.2	2,858.7	3,139.0	3,139.0	3,542.7	3,542.7	4,010.8	4,010.8	4,470.0	4,470.0
Income Tax	1,093.0	1,169.4	1,175.6	1,383.6	1,485.8	1,485.8	1,666.8	1,666.8	1,893.5	1,893.5	2,098.4	2,098.4
Import duty (net)	157.1	176.5	180.0	186.2	220.7	220.7	247.9	247.9	279.8	279.8	313.5	313.5
Excise duty	292.5	313.3	312.0	382.2	404.6	404.6	446.1	446.1	497.0	497.0	549.2	549.2
Value Added Tax	660.7	721.4	722.4	820.2	939.8	939.8	1,083.1	1,083.1	1,232.4	1,232.4	1,390.7	1,390.7
Other Tax Revenue	69.1	76.8	77.2	86.4	88.0	88.0	98.8	98.8	108.2	108.2	118.2	118.2
Non-Tax Revenue	117.8	183.2	121.2	127.1	110.2	110.2	112.8	112.8	126.1	126.1	131.1	131.5
Ministerial Appropriation in Aid	**503.4**	**618.3**	**610.4**	**644.8**	**754.5**	**673.8**	**822.6**	**762.9**	**904.4**	**825.6**	**1014.1**	**920.2**
Railway Development Levy	36.8	47.1	48.5	48.5	55.7	55.7	59.5	59.5	67.9	67.9	76.6	76.6
African Union & Int'l Subscription Fund	5.2	6.6	11.2	9.7	9.7	9.7	10.7	10.7	12.3	12.3	14.1	14.1
Recurrent	199.7	255.2	229.2	270.2	312.5	267.3	337.5	242.7	357.2	241.5	400.7	268.1
Road Maintenance Levy - Normal	73.3	70.2	80.3	62.8	99.4	90.8	109.5	102.1	122.0	111.4	134.8	122.1
NMS - Recurrent	22.5	25.5	24.0	22.0	34.1	11.0	37.5	37.3	42.2	42.2	47.4	47.4
PDL - Recurrent	12.4	66.7	81.8	80.2	89.0	61.3	101.8	60.3	121.9	41.8	144.1	50.1
NMS - Development	14.1	14.4	15.0	7.0	18.5	6.7	20.4	8.2	22.8	9.7	25.1	11.0
PDL - Development	32.2	32.0	35.0	32.7	43.2	57.2	47.7	60.7	53.1	66.3	58.7	72.4
Housing Development Levy	73.2	95.0	79.1	110.0	90.2	106.3	96.3	179.5	102.9	230.4	109.8	255.7
EXPENDITURE AND NET LENDING	**3,975.9**	**4,656.5**	**4,484.2**	**4,819.4**	**5,415.5**	**5,235.7**	**5,929.3**	**5,680.8**	**6,533.7**	**6,175.8**	**7,213.2**	**6,730.8**
Recurrent expenditure	2,918.1	3,400.7	3,285.3	3,565.6	4,021.1	3,810.2	4,400.8	4,069.2	4,836.7	4,387.8	5,317.7	4,765.8
Interest payments	995.1	1,126.8	1,074.4	1,254.2	1,457.4	1,314.9	1,632.8	1,398.8	1,817.1	1,504.3	2,012.2	1,598.8
Domestic interest	784.1	911.9	862.7	986.7	1,150.5	1,008.0	1,288.6	1,054.7	1,443.2	1,130.5	1,616.4	1,203.0
Foreign Interest	211.0	214.8	211.8	267.5	306.9	306.9	344.2	344.2	373.8	373.8	395.8	395.8
Pensions & Other CFS	176.8	201.6	166.2	207.5	218.7	212.3	223.6	217.3	231.7	227.9	258.5	239.5
Pensions	172.9	196.5	162.4	202.4	213.2	206.7	217.9	211.9	225.8	222.5	252.3	233.6
Other CFS	3.9	5.1	3.9	5.2	5.1	5.6	5.7	5.4	6.0	5.4	6.3	5.8
Contribution to Civil Service Pension Fund	34.3	38.4	43.6	39.6	40.8	43.8	42.4	45.0	44.1	47.2	44.5	49.6
Net Issues/Net Expenditure	1,441.5	1,676.4	1,656.4	1,699.6	1,848.3	1,857.8	2,007.0	2,015.7	2,210.2	2,201.6	2,435.2	2,426.5
O/W: Wages & Salaries	621.7	689.3	684.4	702.0	777.9	812.2	857.6	857.6	955.2	955.2	1,055.5	1,055.5
Free Secondary education	54.6	54.9	50.0	54.6	59.8	56.6	65.4	65.4	71.5	71.5	78.2	78.2
Free Primary Education	30.4	7.9	6.9	7.0	8.4	7.0	9.2	9.2	10.3	10.3	11.8	11.8
Junior Secondary School - Capitation	7.6	30.9	25.6	30.8	51.3	30.7	56.6	33.7	62.3	37.0	62.3	40.7
IEBC	3.9	5.9	11.1	24.9	29.2	27.9	11.2	11.2	7.2	7.2	7.2	7.2
Defense and NIS	231.4	264.1	278.8	297.4	298.3	317.4	299.2	350.1	297.1	377.6	299.5	396.4
Others	465.6	578.0	558.5	552.0	585.9	566.7	669.7	650.2	767.1	703.3	879.7	795.8
Ministerial Recurrent AIA	300.8	357.6	344.6	364.7	456.0	381.4	495.0	392.4	583.7	406.8	597.3	451.4
Development and Net lending	**582.9**	**771.0**	**731.5**	**750.8**	**915.8**	**917.1**	**1,033.6**	**1,087.5**	**1,155.8**	**1,217.6**	**1,273.0**	**1,343.3**
Domestically financed (Gross)	397.7	552.8	548.4	562.8	612.2	596.6	699.2	752.4	779.3	839.3	866.8	932.3
O/W Domestically Financed (Net)/NMS	227.3	324.0	317.6	315.3	357.0	338.1	419.2	419.2	461.6	461.6	508.6	508.6
Ministerial Development AIA	170.4	228.8	230.8	247.4	255.2	258.6	280.0	333.2	317.6	377.7	358.2	423.7
Foreign financed	165.6	210.6	175.9	177.8	285.0	301.9	311.8	312.6	353.4	355.2	383.1	387.9
Net lending	19.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equalization Fund	0.0	7.6	7.3	10.3	18.6	18.6	22.6	22.6	23.1	23.1	23.1	23.1
County Tranfers	**444.6**	**484.8**	**467.3**	**502.0**	**473.5**	**506.5**	**490.0**	**519.1**	**536.3**	**565.4**	**587.5**	**616.7**
Equitable Share	418.3	415.0	415.0	428.0	440.9	449.5	457.3	465.9	503.6	512.2	554.8	563.5
Conditional Allocation	26.3	69.8	52.3	74.0	32.7	57.0	32.7	53.2	32.7	53.2	32.7	53.3
Contingency Fund	**0.0**	**0.0**	**0.0**	**1.0**	**5.0**	**2.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**
Fiscal Balance ***(commitment basis excl. grants)***	**-1,052.4**	**-1,397.6**	**-1,285.4**	**-1,188.8**	**-1,411.8**	**-1,312.7**	**-1,451.6**	**-1,262.8**	**-1,492.4**	**-1,213.4**	**-1,597.9**	**-1,209.2**
Grants	**33.3**	**39.9**	**20.7**	**43.6**	**58.8**	**83.7**	**67.1**	**87.9**	**77.1**	**98.9**	**77.1**	**101.9**
Fiscal Balance ***(incl. grants)***	**-1,019.1**	**-1,357.7**	**-1,264.7**	**-1,145.2**	**-1,352.9**	**-1,229.0**	**-1,384.6**	**-1,174.9**	**-1,415.3**	**-1,114.4**	**-1,520.8**	**-1,107.3**
Fiscal Balance ***(cash basis incl. grants) Exl. SGR***	**1,019.1**	**1,357.7**	**1,264.7**	**1,145.2**	**1,352.9**	**1,229.0**	**1,384.6**	**1,174.9**	**1,415.3**	**1,114.4**	**1,520.8**	**1,107.3**
Adjustment to Cash Basis	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance ***(incl. grants) Cash Basis***	**-1,019.1**	**-1,357.7**	**-1,264.7**	**-1,145.2**	**-1,352.9**	**-1,229.0**	**-1,384.6**	**-1,174.9**	**-1,415.3**	**-1,114.4**	**-1,520.8**	**-1,107.3**
Statistical discrepancy	15.1	0.0	-13.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FINANCING	**1,034.2**	**1,357.7**	**1,251.0**	**1,145.2**	**1,352.9**	**1,229.0**	**1,384.6**	**1,174.9**	**1,415.3**	**1,114.4**	**1,520.8**	**1,107.3**
Net Foreign Financing	**179.7**	**384.0**	**267.3**	**247.2**	**423.8**	**570.0**	**475.8**	**260.5**	**500.9**	**466.5**	**625.4**	**663.4**
Disbursements	**527.0**	**907.7**	**771.7**	**790.1**	**883.9**	**994.0**	**975.6**	**805.5**	**1,159.3**	**1,085.8**	**1,220.7**	**1,220.7**
Commercial Financing	253.1	540.1	475.1	300.9	280.5	390.0	331.0	325.0	391.7	390.0	399.8	399.8
of which: External Debt Operations - Refinancing	188.3	143.6	142.7	130.0	0.0	0.0	0.0	65.0	0.0	0.0	0.0	0.0
Total Project loans (AIA + Revenue)	151.4	232.7	196.8	191.6	258.8	270.9	277.4	277.4	309.0	309.0	338.7	338.7
o/w: Project loans (AIA)	65.6	102.5	86.1	75.3	123.3	129.0	137.4	137.4	153.1	153.1	169.1	169.1
Project Loans Revenue	85.8	130.2	110.7	116.3	135.6	141.9	140.0	140.0	155.9	155.9	169.5	169.5
Use of IMF SDR Allocation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OPEC Funds	8.8	4.0	0.0	114.5	206.4	195.0	229.1	65.0	266.8	195.0	290.5	290.5
Programme Loans	113.7	130.9	99.9	183.1	138.1	138.1	138.1	138.1	191.8	191.8	191.8	191.8
o/w: P for R Programme Loans	15.3	3.5	2.6	5.0	5.0	5.0	5.0	5.0	0.0	0.0	0.0	0.0
IMF - EFF/ECF/RSF	50.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
World Bank DPO	21.8	101.4	97.2	94.3	97.5	97.5	97.5	97.5	170.5	170.5	170.5	170.5
AfDB	26.3	26.0	0.0	83.9	35.6	35.6	35.6	35.6	21.3	21.3	21.3	21.3
Debt repayment - Principal	-347.3	-523.6	-504.3	-542.9	-460.1	-424.0	-499.8	-544.9	-658.4	-619.3	-595.3	-557.4
Net Domestic Financing	**854.5**	**973.6**	**983.7**	**898.0**	**929.1**	**659.0**	**908.8**	**914.4**	**914.4**	**647.9**	**895.4**	**443.9**
Memo Items												
Gross Debt (Stock)	11,813.9	13,168.5	13,013.2	14,313.7	15,594.7	15,606.4	16,979.3	16,781.3	18,394.6	17,895.8	19,915.5	19,003.1
External Debt	5,488.5	5,868.9	5,684.7	6,116.1	6,439.1	6,721.0	6,914.9	6,981.5	7,415.8	7,448.0	8,041.2	8,111.4
Domestic Debt (gross)	6,325.5	7,299.6	7,328.5	8,197.6	9,155.6	8,885.4	10,064.4	9,799.8	10,978.8	10,447.7	11,874.2	10,891.7
Domestic Debt (net)	5,988.1	6,709.1	6,960.9	7,607.0	8,788.0	8,517.8	9,696.7	9,442.2	10,611.2	10,080.1	11,506.6	10,524.0
Financing gap	15.1	0.0	-13.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP	**16,904.9**	**18,642.5**	**18,627.5**	**20,816.8**	**22,943.9**	**22,943.9**	**25,405.6**	**25,405.6**	**27,977.3**	**27,977.3**	**30,824.7**	**30,824.7**

Source: The National Treasury

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Annex Table 3: Government Fiscal Operations, Percent of GDP

	2024/25	2025/26		2026/27	2027/28		2028/29		2029/30		2030/31	
	Act.	Suppl.II	Prel.	Budget	BROP 2026	BPS 2027	BROP 2026	BPS 2027	BROP 2026	BPS 2027	BROP 2026	BPS 2027
TOTAL REVENUE	**17.3**	**17.5**	**17.2**	**17.4**	**17.4**	**17.1**	**17.6**	**17.4**	**18.0**	**17.7**	**18.2**	**17.9**
Ordinary Revenue (Tax+Non-Tax Revenue)	**14.3**	**14.2**	**13.9**	**14.3**	**14.2**	**14.2**	**14.4**	**14.4**	**14.8**	**14.8**	**14.9**	**14.9**
Tax Revenue	13.4	13.2	13.2	13.7	13.7	13.7	13.9	13.9	14.3	14.3	14.5	14.5
Income Tax	6.5	6.3	6.3	6.6	6.5	6.5	6.6	6.6	6.8	6.8	6.8	6.8
Import duty (net)	0.9	0.9	1.0	0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Excise duty	1.7	1.7	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Value Added Tax	3.9	3.9	3.9	4.0	4.1	4.1	4.3	4.3	4.4	4.4	4.5	4.5
Other Tax Revenue	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Non-Tax Revenue	0.9	1.0	0.7	0.6	0.5	0.5	0.4	0.4	0.5	0.5	0.4	0.4
Ministerial Appropriation in Aid	**3.0**	**3.3**	**3.3**	**3.1**	**3.3**	**2.9**	**3.2**	**3.0**	**3.2**	**3.0**	**3.3**	**3.0**
Railway Development Levy	0.2	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
African Union & Int't Subscription Fund	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recurrent	1.2	1.4	1.2	1.3	1.4	1.2	1.3	1.0	1.3	0.9	1.3	0.9
Road Maintenance Levy - Normal	0.4	0.4	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
NMS - Recurrent	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2
PDL - Recurrent	0.3	0.4	0.4	0.4	0.4	0.3	0.4	0.2	0.4	0.1	0.5	0.2
NMS - Development	0.1	0.1	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0
PDL - Development	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Housing Development Levy	0.4	0.5	0.4	0.5	0.4	0.5	0.4	0.7	0.4	0.8	0.4	0.8
EXPENDITURE AND NET LENDING	**23.5**	**25.0**	**24.1**	**23.2**	**23.6**	**22.8**	**23.3**	**22.4**	**23.4**	**22.1**	**23.4**	**21.8**
Recurrent expenditure	**17.4**	**18.2**	**17.6**	**17.1**	**17.5**	**16.6**	**17.3**	**16.0**	**17.3**	**15.7**	**17.3**	**15.5**
Interest payments	5.9	6.0	5.8	6.0	6.4	5.7	6.4	5.5	6.5	5.4	6.5	5.2
Domestic interest	4.6	4.9	4.6	4.7	5.0	4.4	5.1	4.2	5.2	4.0	5.2	3.9
Foreign Interest	1.2	1.2	1.1	1.3	1.3	1.3	1.4	1.4	1.3	1.3	1.3	1.3
Pensions & Other CFS	1.0	1.1	0.9	1.0	1.0	0.9	0.9	0.9	0.8	0.8	0.8	0.8
Pensions	1.0	1.1	0.9	1.0	0.9	0.9	0.9	0.8	0.8	0.8	0.8	0.8
Other CFS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution to Civil Service Pension Fund	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.2
Net Issues/Net Expenditure	8.5	9.0	8.9	8.2	8.1	8.1	7.9	7.9	7.9	7.9	7.9	7.9
O/W: Wages & Salaries	3.7	3.7	3.7	3.4	3.4	3.5	3.4	3.4	3.4	3.4	3.4	3.4
Free Secondary education	0.3	0.3	0.3	0.3	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Free Primary Education	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Junior Secondary School - Capitation	0.0	0.2	0.1	0.1	0.2	0.1	0.2	0.1	0.2	0.1	0.2	0.1
IEBC	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Defense and NIS	1.4	1.4	1.5	1.4	1.3	1.4	1.2	1.4	1.1	1.3	1.0	1.3
Others	2.8	3.1	3.0	2.7	2.6	2.5	2.6	2.6	2.7	2.5	2.9	2.6
Ministerial Recurrent AIA	1.8	1.9	1.9	1.8	2.0	1.7	1.9	1.5	1.9	1.5	1.9	1.5
Development and Net lending	**3.4**	**4.1**	**3.9**	**3.6**	**4.0**	**4.0**	**4.1**	**4.3**	**4.1**	**4.4**	**4.1**	**4.4**
Domestically financed (Gross)	2.4	3.0	2.9	2.7	2.7	2.6	2.8	3.0	2.8	3.0	2.8	3.0
O/W Domestically Financed (Net)/NMS	1.3	1.7	1.7	1.5	1.6	1.5	1.7	1.7	1.7	1.7	1.7	1.7
Ministerial Development AIA	1.0	1.2	1.2	1.2	1.1	1.1	1.1	1.3	1.1	1.4	1.2	1.4
Foreign financed	1.0	1.1	0.9	0.9	1.2	1.3	1.2	1.2	1.3	1.3	1.2	1.3
Net lending	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equalization Fund	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
County Tranfers	**2.6**	**2.6**	**2.5**	**2.4**	**2.1**	**2.2**	**1.9**	**2.0**	**1.9**	**2.0**	**1.9**	**2.0**
Equitable Share	2.5	2.2	2.2	2.1	1.9	2.0	1.8	1.8	1.8	1.8	1.8	1.8
Conditional Allocation	0.2	0.4	0.3	0.4	0.1	0.2	0.1	0.2	0.1	0.2	0.1	0.2
Contingency Fund	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Fiscal Balance (commitment basis excl. grants)	**-6.2**	**-7.5**	**-6.9**	**-5.7**	**-6.2**	**-5.7**	**-5.7**	**-5.0**	**-5.3**	**-4.3**	**-5.2**	**-3.9**
Grants	**0.2**	**0.2**	**0.1**	**0.2**	**0.3**	**0.4**	**0.3**	**0.3**	**0.3**	**0.4**	**0.3**	**0.3**
Fiscal Balance (incl. grants)	**-6.0**	**-7.3**	**-6.8**	**-5.5**	**-5.9**	**-5.4**	**-5.4**	**-4.6**	**-5.1**	**-4.0**	**-4.9**	**-3.6**
Adjustment to Cash Basis	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance (incl. grants) Cash Basis	**-6.0**	**-7.3**	**-6.8**	**-5.5**	**-5.9**	**-5.4**	**-5.4**	**-4.6**	**-5.1**	**-4.0**	**-4.9**	**-3.6**
Statistical discrepancy	0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FINANCING	**6.1**	**7.3**	**6.7**	**5.5**	**5.9**	**5.4**	**5.4**	**4.6**	**5.1**	**4.0**	**4.9**	**3.6**
Net Foreign Financing	**1.1**	**2.1**	**1.4**	**1.2**	**1.8**	**2.5**	**1.9**	**1.0**	**1.8**	**1.7**	**2.0**	**2.2**
Disbursements	**3.1**	**4.9**	**4.1**	**3.8**	**3.9**	**4.3**	**3.8**	**3.2**	**4.1**	**3.9**	**4.0**	**4.0**
Commercial Financing	1.5	2.9	2.6	1.4	1.2	1.7	1.3	1.3	1.4	1.4	1.3	1.3
of which: External Debt Operations - Refinancing	1.1	0.8	0.8	0.6	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0
Total Project loans (AIA + Revenue)	0.9	1.2	1.1	0.9	1.1	1.2	1.1	1.1	1.1	1.1	1.1	1.1
o/w: Project loans (AIA)	0.4	0.5	0.5	0.4	0.5	0.6	0.5	0.5	0.5	0.5	0.5	0.5
Project Loans Revenue	0.5	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5
Use of IMF SDR Allocation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OPEC Funds	0.1	0.0	0.0	0.6	0.9	0.8	0.9	0.3	1.0	0.7	0.9	0.9
Programme Loans	0.7	0.7	0.5	0.9	0.6	0.6	0.5	0.5	0.7	0.7	0.6	0.6
o/w: P for R Programme Loans	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF - EFF/ECF/RSF	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
World Bank DPO	0.1	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.6	0.6	0.6	0.6
AfDB	0.2	0.1	0.0	0.4	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Debt repayment - Principal	-2.1	-2.8	-2.7	-2.6	-2.0	-1.8	-2.0	-2.1	-2.4	-2.2	-1.9	-1.8
Net Domestic Financing	**5.1**	**5.2**	**5.3**	**4.3**	**4.0**	**2.9**	**3.6**	**3.6**	**3.3**	**2.3**	**2.9**	**1.4**
Memo Items												
Gross Debt (Stock)	69.9	70.6	69.9	68.8	68.0	68.0	66.8	66.1	65.7	64.0	64.6	61.6
External Debt	32.5	31.5	30.5	29.4	28.1	29.3	27.2	27.5	26.5	26.6	26.1	26.3
Domestic Debt (gross)	37.4	39.2	39.3	39.4	39.9	38.7	39.6	38.6	39.2	37.3	38.5	35.3
Domestic Debt (net)	35.4	36.0	37.4	36.5	38.3	37.1	38.2	37.1	37.9	36.0	37.3	34.1
Financing gap	0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: The National Treasury

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

Sector Code	Sector/Vote/Programme	Printed Estimates 2026/27			BPS Ceilings								
					2027/28			2028/29			2029/30		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
010	**Agriculture, Rural and Urban Development (ARUD)**	**44,958.0**	**66,395.6**	**111,383.6**	**44,127.5**	**64,466.8**	**108,594.3**	**46,493.0**	**64,331.3**	**110,824.4**	**49,084.4**	**64,917.1**	**114,001.5**
	1112 State Department for Lands and Physical Planning	**5,737.5**	**11,405.0**	**17,142.5**	**5,944.6**	**8,863.0**	**14,807.6**	**6,007.2**	**10,800.0**	**16,807.2**	**6,181.6**	**11,000.0**	**17,181.6**
	0101000 Land Policy and Planning	4,316.6	10,621.5	14,938.1	4,380.1	7,875.0	12,255.1	4,475.0	9,570.0	14,045.0	4,571.7	10,030.0	14,601.7
	0121000 Land Information Management	67.0	783.5	850.5	79.2	988.0	1,067.2	93.0	1,230.0	1,323.0	102.0	970.0	1,072.0
	0122000 General Administration, Planning and Support Services	1,353.9	-	1,353.9	1,485.3	-	1,485.3	1,439.2	-	1,439.2	1,507.9	-	1,507.9
	1162 State Department for Livestock Development	**5,865.3**	**6,229.9**	**12,095.2**	**6,461.0**	**8,865.0**	**15,326.0**	**7,019.2**	**7,620.0**	**14,639.2**	**7,847.1**	**5,133.0**	**12,980.1**
	0112000 Livestock Resources Management and Development	5,865.3	6,229.9	12,095.2	6,461.0	8,865.0	15,326.0	7,019.2	7,620.0	14,639.2	7,847.1	5,133.0	12,980.1
	1166 State Department for the Blue Economy and Fisheries	**3,101.0**	**4,827.6**	**7,928.6**	**3,402.5**	**1,745.0**	**5,147.5**	**3,415.6**	**2,410.0**	**5,825.6**	**3,518.5**	**1,620.0**	**5,138.5**
	0111000 Fisheries Development and Management	2,755.5	3,886.7	6,642.2	2,913.1	329.0	3,242.1	2,900.7	684.0	3,584.7	2,959.1	860.0	3,819.1
	0117000 General Administration, Planning and Support Services	224.1	-	224.1	346.4	-	346.4	364.7	-	364.7	399.3	-	399.3
	0118000 Development and Coordination of the Blue Economy	121.4	940.9	1,062.3	142.9	1,416.0	1,558.9	150.2	1,726.0	1,876.2	160.1	760.0	920.1
	1169 State Department for Agriculture	**24,353.7**	**43,092.6**	**67,446.3**	**25,704.1**	**44,268.8**	**69,972.8**	**27,292.1**	**43,169.2**	**70,461.3**	**28,526.7**	**46,997.7**	**75,524.4**
	0107000 General Administration Planning and Support Services	15,026.1	4,622.0	19,648.1	16,403.4	4,644.4	21,047.8	17,595.1	3,521.6	21,116.7	18,659.2	3,875.5	22,534.7
	0108000 Crop Development and Management	3,876.7	37,870.7	41,747.3	3,362.7	39,201.1	42,563.7	3,646.6	39,143.2	42,789.8	3,771.7	42,722.2	46,494.0
	0109000 Agribusiness and Information Management	141.9	-	141.9	144.4	-	144.4	148.7	-	148.7	157.2	-	157.2
	0120000 Agricultural Research & Development	5,309.1	600.0	5,909.1	5,793.7	423.3	6,217.0	5,901.7	504.4	6,406.1	5,938.6	400.0	6,338.6
	2021 National Land Commission	**5,930.5**	**840.5**	**6,771.0**	**2,615.4**	**725.0**	**3,340.4**	**2,758.9**	**332.1**	**3,091.0**	**3,010.6**	**166.4**	**3,176.9**
	0116000 Land Administration and Management	5,930.5	840.5	6,771.0	2,615.4	725.0	3,340.4	2,758.9	332.1	3,091.0	3,010.6	166.4	3,176.9
020	**Energy, Infrastructure and ICT**	**138,221.5**	**392,030.2**	**530,251.7**	**137,454.8**	**444,906.5**	**582,361.3**	**137,939.8**	**559,915.1**	**697,854.9**	**142,310.1**	**631,965.9**	**774,275.9**
	1091 State Department for Roads	**57,802.0**	**167,085.3**	**224,887.3**	**60,076.3**	**182,499.6**	**242,575.9**	**61,362.2**	**204,116.6**	**265,478.8**	**62,657.7**	**252,028.0**	**314,685.7**
	0202000 Road Transport	57,802.0	167,085.3	224,887.3	60,076.3	182,499.6	242,575.9	61,362.2	204,116.6	265,478.8	62,657.7	252,028.0	314,685.7
	1092 State Department for Transport	**7,626.3**	**57,175.0**	**64,801.3**	**7,235.3**	**62,824.0**	**70,059.3**	**7,674.8**	**96,198.5**	**103,873.3**	**8,178.0**	**83,704.4**	**91,882.4**
	0201000 General Administration, Planning and Support Services	1,647.3	1,600.9	3,248.2	1,699.3	2,650.0	4,349.3	1,909.8	2,640.5	4,550.3	2,187.0	3,908.4	6,095.4
	0203000 Rail Transport	474.0	48,643.1	49,117.1	424.0	48,027.0	48,451.0	558.0	64,008.0	64,566.0	655.0	74,873.0	75,528.0
	0204000 Marine Transport	25.8	6,150.0	6,175.8	28.0	10,875.0	10,903.0	34.0	28,723.0	28,757.0	40.0	3,800.0	3,840.0
	0216000 Road Safety	5,479.2	781.0	6,260.2	5,084.0	1,272.0	6,356.0	5,173.0	827.0	6,000.0	5,296.0	1,123.0	6,419.0
	1093 State Department for Shipping and Maritime Affairs	**5,136.0**	**1,851.0**	**6,987.0**	**5,198.7**	**2,209.0**	**7,407.7**	**5,587.0**	**2,286.0**	**7,873.0**	**5,968.6**	**1,097.0**	**7,065.6**
	0220000 Shipping and Maritime Affairs	5,136.0	1,851.0	6,987.0	5,198.7	2,209.0	7,407.7	5,587.0	2,286.0	7,873.0	5,968.6	1,097.0	7,065.6
	1094 State Department for Housing & Urban Development	**5,620.9**	**132,662.5**	**138,283.4**	**6,400.0**	**125,766.4**	**132,166.4**	**6,545.5**	**183,572.2**	**190,117.7**	**6,689.5**	**231,305.9**	**237,995.4**
	0102000 Housing Development and Human Settlement	4,574.9	113,490.5	118,065.4	4,759.3	107,222.5	111,981.8	4,874.0	179,913.7	184,787.7	4,969.8	230,487.3	235,457.1
	0105000 Urban and Metropolitan Development	525.0	19,171.9	19,696.9	853.3	18,543.9	19,397.2	867.9	3,658.5	4,526.4	899.6	821.6	1,721.2
	0106000 General Administration Planning and Support Services	521.1	-	521.1	787.4	-	787.4	803.6	-	803.6	820.1	-	820.1

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

Sector Code	Sector/Vote/Programme	Printed Estimates 2026/27			BPS Ceilings								
					2027/28			2028/29			2029/30		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
020	**Energy, Infrastructure and ICT**	**138,221.5**	**392,030.2**	**530,251.7**	**137,454.8**	**444,906.5**	**582,361.3**	**137,939.8**	**559,915.1**	**697,854.9**	**142,310.1**	**631,965.9**	**774,275.9**
	1095 State Department for Public Works	**3,574.5**	**1,837.0**	**5,411.5**	**3,862.3**	**1,415.0**	**5,277.3**	**4,216.0**	**1,578.0**	**5,794.0**	**4,381.6**	**1,105.9**	**5,487.5**
	0103000 Public Buildings	801.6	654.6	1,456.1	894.6	290.0	1,184.6	924.5	366.0	1,290.5	955.5	345.0	1,300.5
	0104000 Ocean, Rivers & Lakes Ecosystem Infrastructure	117.0	1,090.4	1,207.5	123.7	955.0	1,078.7	128.2	1,017.0	1,145.2	130.6	515.9	646.5
	0106000 General Administration Planning and Support Services	388.9	-	388.9	457.6	-	457.6	473.3	-	473.3	477.1	-	477.1
	0218000 Regulation and Development of the Construction Industry	2,267.0	92.0	2,359.0	2,386.4	170.0	2,556.4	2,690.0	195.0	2,885.0	2,818.4	245.0	3,063.4
	1097 State Department for Aviation and Aerospace Development	**13,281.2**	**651.0**	**13,932.2**	**14,799.1**	**871.0**	**15,670.1**	**15,057.1**	**844.0**	**15,901.1**	**15,265.0**	**688.7**	**15,953.7**
	0205000 Air Transport	13,281.2	651.0	13,932.2	14,799.1	871.0	15,670.1	15,057.1	844.0	15,901.1	15,265.0	688.7	15,953.7
	1122 State Department for Information Communication Technology & Digital Economy	**3,913.9**	**8,849.9**	**12,763.8**	**4,572.6**	**11,730.0**	**16,302.6**	**4,948.9**	**7,572.0**	**12,520.9**	**5,452.7**	**5,405.0**	**10,857.7**
	0207000 General Administration Planning and Support Services	420.3	-	420.3	509.5	-	509.5	522.3	-	522.3	542.9	-	542.9
	0210000 ICT Infrastructure Development	2,000.9	8,105.7	10,106.6	2,161.5	11,091.0	13,252.5	2,383.9	6,732.0	9,115.9	2,633.1	4,455.0	7,088.1
	0217000 E-Government & Digital Economy Development	500.2	362.2	862.4	723.1	509.0	1,232.1	733.0	370.0	1,103.0	809.8	450.0	1,259.8
	0222000 ICT Security & Data Protection Services	992.5	382.0	1,374.5	1,178.5	130.0	1,308.5	1,309.7	470.0	1,779.7	1,466.9	500.0	1,966.9
	1123 State Department for Broadcasting & Telecommunications	**6,583.2**	**397.4**	**6,980.7**	**6,232.8**	**627.4**	**6,860.2**	**6,809.8**	**671.5**	**7,481.3**	**7,382.2**	**547.9**	**7,930.0**
	0207000 General Administration Planning and Support Services	245.1	-	245.1	269.2	-	269.2	286.3	-	286.3	303.8	-	303.8
	0208000 Information And Communication Services	6,018.8	347.4	6,366.2	5,578.2	527.4	6,105.6	6,116.2	400.5	6,516.7	6,621.3	399.9	7,021.1
	0209000 Mass Media Skills Development	319.4	50.0	369.4	385.4	100.0	485.4	407.3	271.0	678.3	457.1	148.0	605.1
	1152 State Department for Energy	**12,792.5**	**21,371.1**	**34,163.6**	**14,581.4**	**52,914.1**	**67,495.5**	**15,221.8**	**58,920.9**	**74,142.7**	**15,793.8**	**51,826.4**	**67,620.2**
	0211000 General Administration Planning and Support Services	380.3	796.0	1,176.3	441.4	330.0	771.4	457.7	515.0	972.7	477.1	620.0	1,097.1
	0212000 Power Generation	2,749.2	936.0	3,685.2	3,677.8	15,271.0	18,948.8	3,974.7	15,162.9	19,137.6	4,397.5	14,163.3	18,560.8
	0213000 Power Transmission and Distribution	9,593.3	16,495.1	26,088.4	10,387.1	33,466.1	43,853.2	10,711.2	38,668.9	49,380.1	10,813.0	32,705.0	43,518.0
	0214000 Alternative Energy Technologies	69.7	3,144.0	3,213.7	75.1	3,847.0	3,922.1	78.2	4,574.1	4,652.3	106.2	4,338.1	4,444.3
	1193 State Department for Petroleum	**21,891.0**	**150.0**	**22,041.0**	**14,496.3**	**4,050.0**	**18,546.3**	**10,516.7**	**4,155.4**	**14,672.1**	**10,541.0**	**4,253.7**	**14,794.7**
	0215000 Exploration and Distribution of Oil and Gas	21,891.0	150.0	22,041.0	14,496.3	4,050.0	18,546.3	10,516.7	4,155.4	14,672.1	10,541.0	4,253.7	14,794.7
030	**General Economic and Commercial Affairs**	**39,908.7**	**21,311.5**	**61,220.2**	**39,489.8**	**23,692.4**	**63,182.2**	**43,822.5**	**25,448.1**	**69,270.6**	**44,983.9**	**23,577.9**	**68,561.8**
	1036 State Department for the ASALs and Regional Development	**7,496.9**	**3,947.0**	**11,433.9**	**7,667.8**	**4,477.9**	**12,145.7**	**9,689.5**	**4,854.1**	**14,543.6**	**9,967.3**	**4,453.4**	**14,420.7**
	0733000 Accelerated ASAL Development	5,107.1	2,034.0	7,141.1	5,261.2	3,033.5	8,294.7	6,737.5	3,866.1	10,603.6	7,091.1	3,493.4	10,584.4
	0743000 General Administration, Planning and Support Services	362.5	-	362.5	342.0	-	342.0	334.0	-	334.0	356.9	-	356.9
	1013000 Integrated Regional Development	2,017.3	1,913.0	3,930.3	2,064.7	1,444.4	3,509.0	2,618.0	988.0	3,606.0	2,519.3	960.0	3,479.3
	1173 State Department for Cooperatives	**5,731.3**	**551.8**	**6,283.0**	**4,821.2**	**551.7**	**5,372.9**	**5,914.0**	**654.2**	**6,568.2**	**6,001.8**	**545.0**	**6,546.9**
	0304000 Cooperative Development and Management	5,731.3	551.8	6,283.0	4,821.2	551.7	5,372.9	5,914.0	654.2	6,568.2	6,001.8	545.0	6,546.9

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

Sector Code	Sector/Vote/Programme	Printed Estimates 2026/27			BPS Ceilings								
					2027/28			2028/29			2029/30		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
030	**General Economic and Commercial Affairs**	**39,908.7**	**21,311.5**	**61,220.2**	**39,489.8**	**23,692.4**	**63,182.2**	**43,822.5**	**25,448.1**	**69,270.6**	**44,983.9**	**23,577.9**	**68,561.8**
	1174 State Department for Trade	**4,795.7**	**416.3**	**5,211.9**	**4,960.1**	**416.3**	**5,376.4**	**5,444.3**	**493.6**	**5,937.9**	**5,618.2**	**411.2**	**6,029.5**
	0309000 Domestic Trade and Enterprise Development	2,306.7	348.8	2,655.5	2,586.4	348.8	2,935.1	2,927.3	360.6	3,287.9	2,960.9	343.7	3,304.6
	0310000 Fair Trade Practices And Compliance of Standards	193.6	67.5	261.1	193.3	67.5	260.8	232.0	133.0	365.0	260.8	67.5	328.3
	0311000 International Trade Development and Promotion	1,900.5	-	1,900.5	1,653.7	-	1,653.7	1,736.5	-	1,736.5	1,819.7	-	1,819.7
	0312000 General Administration, Planning and Support Services	394.8	-	394.8	526.8	-	526.8	548.5	-	548.5	576.9	-	576.9
	1175 State Department for Industry	**5,107.9**	**3,577.6**	**8,685.4**	**5,020.4**	**3,677.5**	**8,697.9**	**5,393.9**	**4,341.8**	**9,735.7**	**5,711.5**	**3,634.2**	**9,345.7**
	0301000 General Administration Planning and Support Services	583.4	-	583.4	542.4	-	542.4	559.9	-	559.9	571.6	-	571.6
	0320000 Industrial Promotion and Development	3,247.6	2,827.6	6,075.2	3,156.1	3,000.3	6,156.4	3,465.7	3,091.8	6,557.5	3,691.5	2,051.6	5,743.1
	0321000 Standards and Quality Infrastucture & Research	1,276.9	750.0	2,026.9	1,321.9	677.3	1,999.1	1,368.4	1,250.0	2,618.4	1,448.4	1,582.7	3,031.0
	1176 State Department for Micro Small and Medium Enterprises Development	**2,338.7**	**3,394.8**	**5,733.5**	**2,634.0**	**4,246.0**	**6,880.0**	**2,813.1**	**4,417.6**	**7,230.7**	**2,962.4**	**5,542.7**	**8,505.0**
	0316000 Promotion and Development of MSMEs	821.9	3,294.8	4,116.7	1,075.5	3,646.0	4,721.5	1,100.3	3,787.6	4,887.9	1,133.7	4,942.7	6,076.4
	0317000 Product and Market Development for MSMEs	626.9	-	626.9	619.7	-	619.7	741.2	-	741.2	815.4	-	815.4
	0318000 Digitization and Financial Inclusion for MSMEs	331.0	100.0	431.0	439.0	600.0	1,039.0	449.0	630.0	1,079.0	472.0	600.0	1,072.0
	0319000 General Administration, Planning and Support Services	558.9	-	558.9	499.9	-	499.9	522.6	-	522.6	541.3	-	541.3
	1177 State Department for Investments Promotion	**1,701.2**	**3,406.0**	**5,107.3**	**1,702.0**	**4,302.0**	**6,004.0**	**1,799.7**	**4,651.1**	**6,450.8**	**1,881.6**	**2,971.3**	**4,852.9**
	0322000 Investment Development and Promotion	1,701.2	3,406.0	5,107.3	1,702.0	4,302.0	6,004.0	1,799.7	4,651.1	6,450.8	1,881.6	2,971.3	4,852.9
	1202 State Department for Tourism	**11,937.7**	**6,018.0**	**17,955.7**	**11,815.1**	**6,021.0**	**17,836.1**	**11,858.5**	**6,035.9**	**17,894.4**	**11,895.9**	**6,020.0**	**17,915.9**
	0313000 Tourism Promotion and Marketing	1,160.0	-	1,160.0	1,160.0	2,106.7	3,266.7	1,160.0	2,165.9	3,325.9	1,160.0	2,418.4	3,578.4
	0314000 Tourism Product Development and Diversification	10,504.9	6,018.0	16,522.9	10,296.6	3,905.0	14,201.6	10,301.9	3,870.0	14,171.9	10,310.1	3,601.6	13,911.7
	0315000 General Administration, Planning and Support Services	272.8	-	272.8	358.6	9.3	367.9	396.6	-	396.6	425.8	-	425.8
	1221 State Department for East African Community	**809.4**	**-**	**809.4**	**869.2**	**-**	**869.2**	**909.5**	**-**	**909.5**	**945.2**	**-**	**945.2**
	0305000 East African Affairs and Regional Integration	809.4	-	809.4	869.2	-	869.2	909.5	-	909.5	945.2	-	945.2
040	**Health**	**141,021.6**	**35,231.3**	**176,252.9**	**140,570.0**	**79,707.7**	**220,577.7**	**160,198.4**	**74,995.9**	**235,194.3**	**169,174.0**	**61,968.2**	**231,142.2**
	1082 State Department for Medical Services	**107,681.9**	**25,735.0**	**133,416.9**	**105,765.3**	**58,355.3**	**164,120.7**	**124,650.8**	**59,894.7**	**184,545.5**	**133,095.2**	**53,376.8**	**186,472.0**
	0402000 National Referral & Specialized Services	67,068.8	8,530.2	75,599.0	69,076.8	14,183.0	83,259.8	72,489.8	16,699.7	89,189.5	75,687.7	12,699.7	88,387.4
	0410000 Curative & Reproductive Maternal New Born Child Adolescent Health RMNCAH	2,226.1	16,719.8	18,945.9	2,222.9	40,832.3	43,055.2	2,063.8	40,480.0	42,543.8	2,115.0	39,122.1	41,237.1
	0411000 Health Research and Innovations	3,454.2	455.0	3,909.2	3,673.0	3,290.0	6,963.0	3,625.8	2,490.0	6,115.8	3,680.8	1,330.0	5,010.8
	0412000 General Administration	34,932.8	30.0	34,962.8	30,792.7	50.0	30,842.7	46,471.4	225.0	46,696.4	51,611.6	225.0	51,836.6
	1083 State Department for Public Health and Professional Standard	**33,339.7**	**9,496.3**	**42,836.0**	**35,104.6**	**21,352.4**	**56,457.1**	**35,547.5**	**15,101.2**	**50,648.7**	**36,078.9**	**8,591.3**	**44,670.2**
	0406000 Preventive and Promotive Health Services	6,379.9	8,212.1	14,591.9	6,688.6	19,502.4	26,191.0	6,814.8	13,313.6	20,128.4	6,910.8	6,985.0	13,895.8
	0407000 Health Resources Development and Innovation	21,109.1	1,047.7	22,156.8	21,896.1	1,100.0	22,996.1	22,043.6	1,100.0	23,143.6	22,255.3	1,256.3	23,511.7
	0408000 Health Policy, Standards and Regulations	4,975.3	206.4	5,181.7	5,783.7	500.0	6,283.7	5,924.5	637.6	6,562.1	6,119.4	300.0	6,419.4
	0412000 General Administration	875.4	30.1	905.5	736.3	250.0	986.3	764.7	50.0	814.7	793.3	50.9	843.3

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

Sector Code	Sector/Vote/Programme	Printed Estimates 2026/27			BPS Ceilings								
					2027/28			2028/29			2029/30		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
050	**Education**	**748,164.2**	**36,317.9**	**784,482.1**	**817,755.3**	**39,595.0**	**857,350.3**	**896,371.3**	**45,933.0**	**942,304.3**	**970,187.3**	**46,160.0**	**1,016,347.3**
	1064 State Department for Technical, Vocational Education and Training	**49,886.2**	**8,619.1**	**58,505.3**	**53,958.0**	**10,809.0**	**64,767.0**	**57,467.0**	**12,669.0**	**70,136.0**	**59,877.0**	**13,560.0**	**73,437.0**
	0505000 Technical Vocational Education and Training	48,607.2	8,619.1	57,226.3	52,641.0	10,809.0	63,450.0	56,117.0	12,669.0	68,786.0	58,515.0	13,560.0	72,075.0
	0507000 Youth Training and Development	69.6	-	69.6	74.0	-	74.0	77.0	-	77.0	80.0	-	80.0
	0508000 General Administration, Planning and Support Services	1,209.4	-	1,209.4	1,243.0	-	1,243.0	1,273.0	-	1,273.0	1,282.0	-	1,282.0
	1065 State Department for Higher Education & Research	**155,325.9**	**8,587.6**	**163,913.5**	**165,421.4**	**8,019.0**	**173,440.4**	**207,101.4**	**9,828.0**	**216,929.4**	**248,977.4**	**10,822.0**	**259,799.4**
	0504000 University Education	154,885.6	8,587.6	163,473.2	164,869.0	8,019.0	172,888.0	206,561.0	9,828.0	216,389.0	248,395.0	10,822.0	259,217.0
	0508000 General Administration, Planning and Support Services	440.2	-	440.2	552.4	-	552.4	540.4	-	540.4	582.4	-	582.4
	1066 State Department for Basic Education	**118,185.7**	**18,369.2**	**136,554.9**	**121,931.9**	**18,244.0**	**140,175.9**	**131,739.9**	**20,360.0**	**152,099.9**	**141,582.9**	**18,347.0**	**159,929.9**
	0501000 Primary Education	12,436.4	10,188.2	22,624.5	12,499.0	8,880.0	21,379.0	15,853.0	10,586.0	26,439.0	16,226.0	8,455.0	24,681.0
	0502000 Secondary Education	86,451.0	8,009.0	94,460.0	88,404.0	9,324.0	97,728.0	94,533.0	9,774.0	104,307.0	103,665.0	9,870.0	113,535.0
	0503000 Quality Assurance and Standards	14,125.7	172.0	14,297.7	14,868.0	40.0	14,908.0	15,034.0	-	15,034.0	15,190.0	22.0	15,212.0
	0508000 General Administration, Planning and Support Services	5,172.6	-	5,172.6	6,160.9	-	6,160.9	6,319.9	-	6,319.9	6,501.9	-	6,501.9
	1067 State Department for Science, Innovation and Research	**1,256.1**	**-**	**1,256.1**	**1,385.0**	**495.0**	**1,880.0**	**1,533.0**	**930.0**	**2,463.0**	**1,688.0**	**1,235.0**	**2,923.0**
	0506000 Research, Science, Technology and Innovation	1,256.1	-	1,256.1	1,385.0	495.0	1,880.0	1,533.0	930.0	2,463.0	1,688.0	1,235.0	2,923.0
	2091 Teachers Service Commission	**423,510.3**	**742.0**	**424,252.3**	**475,059.0**	**2,028.0**	**477,087.0**	**498,530.0**	**2,146.0**	**500,676.0**	**518,062.0**	**2,196.0**	**520,258.0**
	0509000 Teacher Resource Management	413,495.6	680.0	414,175.6	464,341.0	1,924.0	466,265.0	487,098.0	1,846.0	488,944.0	506,410.0	1,846.0	508,256.0
	0510000 Governance and Standards	1,021.4	-	1,021.4	1,069.0	-	1,069.0	1,569.0	-	1,569.0	1,569.0	-	1,569.0
	0511000 General Administration, Planning and Support Services	8,993.3	62.0	9,055.3	9,649.0	104.0	9,753.0	9,863.0	300.0	10,163.0	10,083.0	350.0	10,433.0
060	**Governance, Justice, Law and Order (GJLO)**	**331,801.9**	**29,721.4**	**361,523.3**	**356,503.3**	**29,810.0**	**386,313.2**	**338,158.8**	**35,487.4**	**373,646.2**	**371,040.7**	**38,258.6**	**409,299.3**
	1023 State Department for Correctional Services	**41,571.8**	**1,072.4**	**42,644.2**	**44,649.2**	**1,072.4**	**45,721.6**	**46,883.9**	**2,106.5**	**48,990.4**	**47,967.7**	**2,628.9**	**50,596.5**
	0623000 General Administration, Planning and Support Services	787.7	100.0	887.7	911.8	100.0	1,011.8	943.7	196.4	1,140.2	957.8	245.1	1,202.9
	0627000 Prison Services	38,563.1	782.6	39,345.8	41,024.4	782.6	41,807.0	43,116.9	1,537.3	44,654.2	44,125.6	1,918.5	46,044.1
	0628000 Probation & After Care Services	2,220.9	189.8	2,410.7	2,713.0	189.8	2,902.8	2,823.3	372.8	3,196.0	2,884.3	465.2	3,349.5
	1024 State Department for Immigration and Citizen Services	**13,428.9**	**12,457.0**	**25,885.9**	**15,380.8**	**13,081.1**	**28,461.9**	**15,616.1**	**13,914.7**	**29,530.8**	**16,132.0**	**14,244.7**	**30,376.6**
	0605000 Migration & Citizen Services	5,827.9	7,441.1	13,269.0	6,668.8	8,191.7	14,860.5	6,741.8	8,843.0	15,584.9	6,950.4	9,005.1	15,955.5
	0626000 Population Management Services	6,277.0	4,715.9	10,993.0	7,064.8	4,539.4	11,604.2	7,165.5	4,721.7	11,887.2	7,500.1	4,839.6	12,339.7
	0631000 General Administration and Planning	1,323.9	300.0	1,623.9	1,647.2	350.0	1,997.2	1,708.7	350.0	2,058.7	1,681.5	400.0	2,081.5
	1025 National Police Service	**144,259.5**	**3,050.9**	**147,310.4**	**154,816.1**	**2,832.0**	**157,648.1**	**158,035.6**	**3,623.1**	**161,658.7**	**185,667.5**	**3,936.3**	**189,603.8**
	0601000 Policing Services	144,259.5	3,050.9	147,310.4	154,816.1	2,832.0	157,648.1	158,035.6	3,623.1	161,658.7	185,667.5	3,936.3	189,603.8
	1026 State Department for Internal Security and National Administration	**53,051.3**	**9,535.5**	**62,586.8**	**55,290.8**	**9,800.0**	**65,090.8**	**51,195.8**	**12,291.1**	**63,486.9**	**52,077.4**	**12,604.3**	**64,681.7**
	0629000 General Administration and Support Services	26,771.5	8,680.0	35,451.5	28,082.3	8,918.8	37,001.1	22,673.0	10,450.0	33,123.0	22,408.0	10,460.0	32,868.0
	0630000 Policy Coordination Services	1,723.2	80.0	1,803.2	1,853.2	300.0	2,153.2	1,984.2	500.0	2,484.2	2,059.9	500.0	2,559.9
	0632000 National Government Field Administration Services	24,556.6	1,075.5	25,632.1	25,355.3	581.2	25,936.5	26,538.7	1,341.1	27,879.8	27,609.5	1,644.3	29,253.7

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

Sector Code	Sector/Vote/Programme	Printed Estimates 2026/27			BPS Ceilings								
					2027/28			2028/29			2029/30		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
060	**Governance, Justice, Law and Order (GJLO)**	**331,801.9**	**29,721.4**	**361,523.3**	**356,503.3**	**29,810.0**	**386,313.2**	**338,158.8**	**35,487.4**	**373,646.2**	**371,040.7**	**38,258.6**	**409,299.3**
	1252 State Law Office	**5,670.1**	**300.0**	**5,970.1**	**6,159.9**	**350.0**	**6,509.9**	**6,578.2**	**745.6**	**7,323.8**	**6,784.4**	**902.1**	**7,686.5**
	0606000 Legal Services	4,828.0	20.0	4,848.0	5,311.2	70.0	5,381.2	5,639.9	150.0	5,789.9	5,782.1	-	5,782.1
	0609000 General Administration, Planning and Support Services	842.0	280.0	1,122.0	848.8	280.0	1,128.8	938.3	595.6	1,533.9	1,002.3	902.1	1,904.4
	1253 State Department for Justice Human Rights and Constitutional Affairs	**1,480.4**	-	**1,480.4**	**1,647.6**	-	**1,647.6**	**1,839.3**	-	**1,839.3**	**1,934.7**	-	**1,934.7**
	0633000 Governance, Human Rights and Constitutional Affairs	1,480.4	-	1,480.4	1,647.6	-	1,647.6	1,839.3	-	1,839.3	1,934.7	-	1,934.7
	1261 The Judiciary	**27,084.5**	**2,329.9**	**29,414.4**	**28,438.7**	**1,970.5**	**30,409.2**	**29,860.7**	**2,152.9**	**32,013.6**	**31,353.7**	**3,152.9**	**34,506.6**
	0610000 Dispensation of Justice	27,084.5	2,329.9	29,414.4	28,438.7	1,970.5	30,409.2	29,860.7	2,152.9	32,013.6	31,353.7	3,152.9	34,506.6
	1271 Ethics and Anti-Corruption Commission	**4,973.7**	**123.0**	**5,096.7**	**5,222.4**	**173.0**	**5,395.4**	**5,529.4**	**368.5**	**5,897.9**	**5,776.5**	**445.9**	**6,222.4**
	0611000 Ethics and Anti-Corruption	4,973.7	123.0	5,096.7	5,222.4	173.0	5,395.4	5,529.4	368.5	5,897.9	5,776.5	445.9	6,222.4
	1291 Office of the Director of Public Prosecutions	**6,551.3**	**491.0**	**7,042.3**	**7,244.9**	**450.0**	**7,694.9**	**7,482.3**	**112.5**	**7,594.8**	**7,808.8**	**134.9**	**7,943.6**
	0612000 Public Prosecution Services	6,551.3	491.0	7,042.3	7,244.9	450.0	7,694.9	7,482.3	112.5	7,594.8	7,808.8	134.9	7,943.6
	1311 Office of the Registrar of Political Parties	**2,479.4**	-	**2,479.4**	**2,823.8**	-	**2,823.8**	**2,764.4**	-	**2,764.4**	**2,799.2**	-	**2,799.2**
	0614000 Registration, Regulation and Funding of Political Parties	2,479.4	-	2,479.4	2,823.8	-	2,823.8	2,764.4	-	2,764.4	2,799.2	-	2,799.2
	1321 Witness Protection Agency	**979.4**	-	**979.4**	**1,081.8**	-	**1,081.8**	**1,199.5**	-	**1,199.5**	**1,235.7**	-	**1,235.7**
	0615000 Witness Protection	979.4	-	979.4	1,081.8	-	1,081.8	1,199.5	-	1,199.5	1,235.7	-	1,235.7
	2011 Kenya National Commission on Human Rights	**593.0**	-	**593.0**	**679.9**	-	**679.9**	**815.7**	-	**815.7**	**845.9**	-	**845.9**
	0616000 Protection and Promotion of Human Rights	593.0	-	593.0	679.9	-	679.9	815.7	-	815.7	845.9	-	845.9
	2031 Independent Electoral and Boundaries Commission	**24,903.3**	**61.7**	**24,965.0**	**27,890.9**	**81.0**	**27,971.9**	**4,583.9**	**172.5**	**4,756.4**	**4,695.1**	**208.8**	**4,903.9**
	0617000 Management of Electoral Processes	24,903.3	61.7	24,965.0	27,890.9	81.0	27,971.9	4,583.9	172.5	4,756.4	4,695.1	208.8	4,903.9
	2051 Judicial Service Commission	**967.4**	-	**967.4**	**1,037.8**	-	**1,037.8**	**1,081.6**	-	**1,081.6**	**1,127.3**	-	**1,127.3**
	0619000 Judicial Oversight	967.4	-	967.4	1,037.8		1,037.8	1,081.6		1,081.6	1,127.3		1,127.3
	2101 National Police Service Commission	**1,578.5**	-	**1,578.5**	**1,739.5**	-	**1,739.5**	**1,922.5**	-	**1,922.5**	**1,975.6**	-	**1,975.6**
	0620000 National Police Service Human Resource Management	1,578.5	-	1,578.5	1,739.5	-	1,739.5	1,922.5	-	1,922.5	1,975.6	-	1,975.6
	2141 National Gender and Equality Commission	**667.7**	-	**667.7**	**744.5**	-	**744.5**	**942.9**	-	**942.9**	**980.8**	-	**980.8**
	0621000 Promotion of Gender Equality and Freedom from Discrimination	667.7	-	667.7	744.5	-	744.5	942.9	-	942.9	980.8	-	980.8
	2151 Independent Policing Oversight Authority	**1,561.6**	-	**1,561.6**	**1,654.4**	-	**1,654.4**	**1,827.2**	-	**1,827.2**	**1,878.5**	-	**1,878.5**
	0622000 Policing Oversight Services	1,561.6	-	1,561.6	1,654.4	-	1,654.4	1,827.2	-	1,827.2	1,878.5	-	1,878.5

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

Sector Code	Sector/Vote/Programme	Printed Estimates 2026/27			BPS Ceilings								
					2027/28			2028/29			2029/30		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
070	**Public Administration and International Relations (PAIR)**	**228,763.5**	**130,089.3**	**358,852.8**	**270,936.3**	**159,205.1**	**430,191.4**	**287,212.1**	**181,276.9**	**468,489.0**	**348,427.1**	**226,549.3**	**574,976.4**
	1011 Executive Office of the President	**6,187.6**	**1,311.2**	**7,498.8**	**6,645.1**	**1,275.0**	**7,920.1**	**7,000.9**	**1,314.6**	**8,315.5**	**7,293.6**	**1,409.2**	**8,702.8**
	0603000 Government Printing Services	792.2	500.0	1,292.2	792.2	500.0	1,292.2	827.1	518.2	1,345.3	856.7	561.6	1,418.3
	0701000 General Administration Planning and Support Services	2,776.8	576.2	3,353.0	3,125.7	530.0	3,655.7	3,264.4	549.2	3,813.6	3,377.1	595.2	3,972.3
	0703000 Government Advisory Services	1,724.3	185.0	1,909.3	1,798.4	185.0	1,983.4	1,933.9	185.0	2,118.9	2,046.7	185.0	2,231.7
	0770000 Leadership and Coordination of Government Services	894.3	50.0	944.3	928.8	60.0	988.8	975.5	62.2	1,037.7	1,013.1	67.4	1,080.5
	1012 Office of the Deputy President	**3,476.4**	**100.0**	**3,576.4**	**4,041.6**	**130.0**	**4,171.6**	**3,944.6**	**187.2**	**4,131.8**	**4,052.1**	**323.9**	**4,376.0**
	0734000 Deputy President Services	3,476.4	100.0	3,576.4	4,041.6	130.0	4,171.6	3,944.6	187.2	4,131.8	4,052.1	323.9	4,376.0
	1013 Office of the Prime Cabinet Secretary	**1,139.8**	**-**	**1,139.8**	**941.6**	**-**	**941.6**	**982.8**	**-**	**982.8**	**1,025.8**	**-**	**1,025.8**
	0755000 Government Coordination and Supervision	1,139.8	-	1,139.8	941.6	-	941.6	982.8	-	982.8	1,025.8	-	1,025.8
	1014 State Department for Parliamentary Affairs	**361.2**	**-**	**361.2**	**409.9**	**-**	**409.9**	**425.5**	**-**	**425.5**	**441.5**	**-**	**441.5**
	0759000 Parliamentary Liaison and Legislative Affairs	82.4	-	82.4	104.4	-	104.4	109.5	-	109.5	115.8	-	115.8
	0760000 Policy Coordination and Strategy	83.6	-	83.6	86.5	-	86.5	92.7	-	92.7	98.8	-	98.8
	0761000 General Administration, Planning and Support Services	195.3	-	195.3	219.0	-	219.0	223.3	-	223.3	226.9	-	226.9
	1016 State Department for Cabinet Affairs	**269.4**	**-**	**269.4**	**307.1**	**-**	**307.1**	**318.6**	**-**	**318.6**	**330.5**	**-**	**330.5**
	0758000 Cabinet Affairs Services	269.4	-	269.4	307.1	-	307.1	318.6	-	318.6	330.5	-	330.5
	1017 State House	**12,516.8**	**1,027.0**	**13,543.8**	**14,088.6**	**1,050.0**	**15,138.6**	**14,170.0**	**1,072.0**	**15,242.0**	**14,611.2**	**1,124.6**	**15,735.8**
	0704000 State House Affairs	12,516.8	1,027.0	13,543.8	14,088.6	1,050.0	15,138.6	14,170.0	1,072.0	15,242.0	14,611.2	1,124.6	15,735.8
	1018 State Department for National Government Coordination	**1,232.3**	**-**	**1,232.3**	**1,312.1**	**309.1**	**1,621.2**	**1,371.3**	**318.4**	**1,689.7**	**1,433.2**	**187.2**	**1,620.4**
	0755000 Government Coordination and Supervision	1,232.3	-	1,232.3	1,312.1	309.1	1,621.2	1,371.3	318.4	1,689.7	1,433.2	187.2	1,620.4
	1032 State Department for Devolution	**1,462.7**	**10,659.3**	**12,122.0**	**1,529.2**	**6,567.9**	**8,097.1**	**1,648.5**	**1,096.5**	**2,745.0**	**1,827.1**	**1,201.6**	**3,028.7**
	0712000 Devolution Services	1,462.7	10,659.3	12,122.0	1,529.2	6,567.9	8,097.1	1,648.5	1,096.5	2,745.0	1,827.1	1,201.6	3,028.7
	1033 State Department for Special Programmes	**1,294.3**	**165.0**	**1,459.3**	**1,369.7**	**200.0**	**1,569.7**	**1,538.1**	**288.0**	**1,826.1**	**1,693.5**	**498.2**	**2,191.7**
	Disaster Risk Management	1,294.3	165.0	1,459.3	1,369.7	200.0	1,569.7	1,538.1	288.0	1,826.1	1,693.5	498.2	2,191.7
	1053 State Department for Foreign Affairs	**24,269.9**	**2,356.3**	**26,626.2**	**26,636.7**	**2,500.0**	**29,136.7**	**27,734.4**	**3,550.0**	**31,284.4**	**28,854.5**	**3,550.0**	**32,404.5**
	0714000 General Administration Planning and Support Services	3,655.5	243.1	3,898.6	3,871.5	270.0	4,141.5	3,990.0	700.0	4,690.0	4,160.2	243.0	4,403.2
	0715000 Foreign Relation and Diplomacy	20,396.2	1,913.2	22,311.4	22,472.5	2,180.0	24,652.5	23,312.2	2,450.0	25,762.2	24,079.0	2,707.0	26,786.0
	0741000 Economic and Commercial Diplomacy	51.0	-	51.0	75.0	-	75.0	80.0	-	80.0	100.0	-	100.0
	0742000 Foreign Policy Research, Capacity Dev and Technical Cooperation	165.2	200.0	365.2	217.7	50.0	267.7	352.2	400.0	752.2	515.3	600.0	1,115.3
	1054 State Department for Diaspora Affairs	**817.3**	**-**	**817.3**	**838.7**	**-**	**838.7**	**887.5**	**-**	**887.5**	**936.1**	**-**	**936.1**
	0752000 Management of Diaspora Affairs	817.3	-	817.3	838.7	-	838.7	887.5	-	887.5	936.1	-	936.1
	1071 The National Treasury	**76,550.8**	**47,322.9**	**123,873.7**	**106,320.8**	**71,331.1**	**177,651.9**	**115,723.5**	**87,057.8**	**202,781.3**	**170,616.2**	**118,033.8**	**288,650.0**
	0717000 General Administration Planning and Support Services	65,787.8	6,291.0	72,078.8	92,298.3	17,237.7	109,536.0	97,922.4	37,640.3	135,562.7	152,126.6	70,103.8	222,230.4
	0718000 Public Financial Management	8,269.4	25,432.2	33,701.5	11,423.9	52,462.1	63,886.0	14,895.2	49,417.5	64,312.7	15,317.0	47,930.0	63,247.0
	0719000 Economic and Financial Policy Formulation and Management	1,765.7	15,599.8	17,365.5	1,843.2	1,631.3	3,474.5	2,052.7	-	2,052.7	2,249.0	-	2,249.0
	0720000 Market Competition	727.9	-	727.9	755.4	-	755.4	853.2	-	853.2	923.6	-	923.6

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

Sector Code	Sector/Vote/Programme	Printed Estimates 2026/27			BPS Ceilings								
					2027/28			2028/29			2029/30		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
070	**Public Administration and International Relations (PAIR)**	**228,763.5**	**130,089.3**	**358,852.8**	**270,936.3**	**159,205.1**	**430,191.4**	**287,212.1**	**181,276.9**	**468,489.0**	**348,427.1**	**226,549.3**	**574,976.4**
	1072 State Department for Economic Planning	**5,150.6**	**61,995.9**	**67,146.5**	**5,793.6**	**70,712.0**	**76,505.6**	**6,278.0**	**80,473.3**	**86,751.3**	**6,727.6**	**91,730.7**	**98,458.3**
	0710000 Monitoring and Evaluation Services	192.3	56.0	248.3	289.5	107.0	396.5	307.3	100.0	407.3	335.6	50.0	385.6
	0707000 National Statistical Information Services	1,039.7	98.8	1,138.5	1,570.4	190.0	1,760.4	1,728.8	97.6	1,826.4	1,872.5	556.8	2,429.3
	0709000 General Administration Planning and Support Services	1,490.1	-	1,490.1	789.5	-	789.5	793.8	-	793.8	806.2	-	806.2
	077400 Macro-economic Policy, National Planning and Research	1,641.5	3.0	1,644.5	1,845.2	30.0	1,875.2	2,051.1	176.2	2,227.3	2,234.2	100.0	2,334.2
	077500 Sectoral & Intergovernmental Development Planning Coordination	786.9	61,838.1	62,625.0	1,299.0	70,385.0	71,684.0	1,397.0	80,099.5	81,496.5	1,479.1	91,023.9	92,503.0
	1073 State Department for Public Investments and Assets Management	**4,334.0**	**322.7**	**4,656.7**	**4,449.2**	**855.0**	**5,304.2**	**4,785.7**	**745.2**	**5,530.9**	**5,176.2**	**960.7**	**6,136.9**
	0777000 Public Investment & Portfolio Management	816.1	-	816.1	822.2	135.0	957.2	902.6	195.2	1,097.8	977.4	360.5	1,337.9
	0778000 Public Pensions & Retirement Benefits Management	20.4	42.7	63.1	337.3	150.0	487.3	347.9	150.0	497.9	358.9	150.0	508.9
	0779000 Government Assets Management	2,746.4	280.0	3,026.4	2,722.9	570.0	3,292.9	2,951.8	400.0	3,351.8	3,232.9	450.2	3,683.1
	0780000 General Administration, Planning and Support Services	751.2	-	751.2	566.8	-	566.8	583.4	-	583.4	607.0	-	607.0
	1213 State Department for Public Service and Human Capital Development	**24,275.6**	**2,512.9**	**26,788.5**	**28,002.2**	**2,130.5**	**30,132.7**	**29,721.0**	**2,924.4**	**32,645.4**	**30,113.0**	**4,855.7**	**34,968.7**
	0710000 Public Service Transformation	1,404.7	444.6	1,849.3	1,488.8	296.0	1,784.8	1,565.8	1,024.0	2,589.8	1,533.2	3,465.7	4,998.9
	0781000 Human Resource Management and Development	10,149.7	1,926.8	12,076.5	12,076.4	1,684.0	13,760.4	12,191.1	1,799.6	13,990.7	12,511.8	1,390.0	13,901.8
	0709000 General Administration Planning and Support Services	384.3	-	384.3	600.1	-	600.1	627.2	-	627.2	731.1	-	731.1
	0747000 National Youth Service	12,336.9	141.5	12,478.4	13,836.9	150.5	13,987.4	15,336.9	100.8	15,437.7	15,336.9	-	15,336.9
	Parliament	**49,097.0**	**1,915.0**	**51,012.0**	**51,010.8**	**1,565.0**	**52,575.8**	**53,005.5**	**1,565.0**	**54,570.5**	**55,084.8**	**1,565.0**	**56,649.8**
	2061 The Commission on Revenue Allocation	**421.0**	**98.0**	**519.0**	**523.2**	**104.5**	**627.7**	**541.5**	**22.5**	**564.0**	**560.6**	**-**	**560.6**
	0737000 Inter-Governmental Transfers and Financial Matters	421.0	98.0	519.0	523.2	104.5	627.7	541.5	22.5	564.0	560.6	-	560.6
	2071 Public Service Commission	**3,736.0**	**-**	**3,736.0**	**4,020.3**	**150.0**	**4,170.3**	**4,084.4**	**194.0**	**4,278.4**	**4,150.7**	**299.1**	**4,449.8**
	0725000 General Administration, Planning and Support Services	1,015.9	-	1,015.9	1,141.3	150.0	1,291.3	1,187.7	194.0	1,381.7	1,236.0	299.1	1,535.1
	0726000 Human Resource management and Development	2,410.0	-	2,410.0	2,615.5	-	2,615.5	2,626.4	-	2,626.4	2,637.6	-	2,637.6
	0727000 Governance and National Values	158.9	-	158.9	160.9	-	160.9	164.9	-	164.9	169.0	-	169.0
	0744000 Performance and Productivity Management	86.0	-	86.0	71.0	-	71.0	73.0	-	73.0	75.0	-	75.0
	075000 Administration of Quasi-Judicial Functions	65.3	-	65.3	31.6	-	31.6	32.4	-	32.4	33.1	-	33.1
	2081 Salaries and Remuneration Commission	**1,014.4**	**-**	**1,014.4**	**962.5**	**-**	**962.5**	**1,003.5**	**-**	**1,003.5**	**1,046.0**	**-**	**1,046.0**
	0728000 Salaries and Remuneration Management	1,014.4	-	1,014.4	962.5	-	962.5	1,003.5	-	1,003.5	1,046.0	-	1,046.0
	2111 Auditor General	**9,526.3**	**303.1**	**9,829.4**	**9,979.3**	**325.0**	**10,304.3**	**10,180.1**	**468.0**	**10,648.1**	**10,521.8**	**809.6**	**11,331.4**
	0729000 Audit Services	9,526.3	303.1	9,829.4	9,979.3	325.0	10,304.3	10,180.1	468.0	10,648.1	10,521.8	809.6	11,331.4
	2121 Office of the Controller of Budget	**935.4**	**-**	**935.4**	**1,021.3**	**-**	**1,021.3**	**1,058.4**	**-**	**1,058.4**	**1,096.8**	**-**	**1,096.8**
	0730000 Control and Management of Public finances	935.4	-	935.4	1,021.3	-	1,021.3	1,058.4	-	1,058.4	1,096.8	-	1,096.8
	2131 The Commission on Administrative Justice	**694.6**	**-**	**694.6**	**782.8**	**-**	**782.8**	**808.3**	**-**	**808.3**	**834.3**	**-**	**834.3**
	0731000 Promotion of Administrative Justice	694.6	-	694.6	782.8	-	782.8	808.3	-	808.3	834.3	-	834.3

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

Sector Code	Sector/Vote/Programme	Printed Estimates 2026/27			BPS Ceilings								
					2027/28			2028/29			2029/30		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
080	**National Security**	**305,598.2**	**10,634.4**	**316,232.6**	**326,392.8**	**35,650.4**	**362,043.2**	**363,335.7**	**38,650.4**	**401,986.1**	**393,117.0**	**43,650.4**	**436,767.4**
	1041 Ministry of Defence	**241,513.2**	**10,634.4**	**252,147.6**	**258,380.8**	**35,650.4**	**294,031.2**	**289,717.6**	**38,650.4**	**328,368.0**	**310,566.0**	**43,650.4**	**354,216.4**
	0801000 Defence	225,161.1	10,334.4	235,495.5	240,971.8	35,650.4	276,622.2	267,493.2	38,450.4	305,943.6	285,872.6	43,350.4	329,223.0
	0802000 Civil Aid	335.0	-	335.0	335.0	-	335.0	335.0	-	335.0	335.0	-	335.0
	0803000 General Administration, Planning and Support Services	3,177.7	-	3,177.7	3,588.9	-	3,588.9	3,739.0	-	3,739.0	3,868.0	-	3,868.0
	0806000 Defence Industrialization	12,839.4	300.0	13,139.4	13,485.1	-	13,485.1	18,150.4	200.0	18,350.4	20,490.4	300.0	20,790.4
	1281 National Intelligence Service	**64,085.0**	**-**	**64,085.0**	**68,012.0**	**-**	**68,012.0**	**73,618.1**	**-**	**73,618.1**	**82,551.0**	**-**	**82,551.0**
	0804000 National Security Intelligence	64,085.0	-	64,085.0	68,012.0	-	68,012.0	73,618.1	-	73,618.1	82,551.0	-	82,551.0
090	**Social Protection, Culture and Recreation**	**59,337.9**	**41,932.3**	**101,270.3**	**64,925.8**	**38,104.7**	**103,030.5**	**70,004.5**	**38,422.4**	**108,426.9**	**70,092.4**	**38,610.0**	**108,702.4**
	1132 State Department for Sports	**3,758.0**	**28,638.9**	**32,396.9**	**2,393.0**	**25,354.5**	**27,747.6**	**2,608.9**	**25,304.3**	**27,913.2**	**2,671.5**	**25,304.3**	**27,975.8**
	0901000 Sports	3,758.0	28,638.9	32,396.9	2,393.0	25,354.5	27,747.6	2,608.9	25,304.3	27,913.2	2,671.5	25,304.3	27,975.8
	1134 State Department for Culture and Heritage	**3,057.7**	**254.0**	**3,291.8**	**3,202.8**	**190.2**	**3,393.0**	**3,448.4**	**206.0**	**3,654.4**	**3,537.5**	**134.0**	**3,671.5**
	0902000 Culture/ Heritage	1,689.5	149.0	1,838.6	1,769.0	179.1	1,948.1	1,857.7	142.0	1,999.7	1,940.8	110.0	2,050.8
	0903000 The Arts	309.3	-	309.3	323.4	-	323.4	342.6	-	342.6	355.1	-	355.1
	0904000 Library Services	462.7	40.0	502.7	509.9	-	509.9	540.1	-	540.1	563.0	-	563.0
	0905000 General Administration, Planning and Support Services	160.0	-	160.0	153.5	-	153.5	188.8	-	188.8	188.9	-	188.9
	0916000 Public Records Mangement	124.2	65.0	189.2	447.0	11.1	458.1	519.3	64.0	583.3	489.7	24.0	513.7
	0917000 Lottery Control, Licensing and Regulations	292.1	-	292.1									
	1135 State Department for Youth Affairs and Creative Economy	**3,387.4**	**3,576.3**	**6,963.7**	**3,375.5**	**3,922.6**	**7,298.1**	**3,645.2**	**4,053.6**	**7,698.7**	**3,718.0**	**4,082.6**	**7,800.7**
	0221000 Film Development Services	974.9	33.5	1,008.4	1,092.8	25.0	1,117.8	1,154.8	75.0	1,229.8	1,281.2	58.0	1,339.2
	0711000 Youth Empowerment Services	716.7	2,175.6	2,892.3	840.8	75.0	915.8	913.6	136.4	1,050.0	919.4	162.5	1,081.9
	0748000 Youth Development Services	699.7	1,367.2	2,066.9	698.8	3,822.6	4,521.4	811.0	3,842.1	4,653.2	749.5	3,862.1	4,611.7
	0749000 General Administration, Planning and Support Services	996.1	-	996.1	743.0	-	743.0	765.8	-	765.8	767.9	-	767.9
	1184 State Department for Labour and Skills Development	**5,116.7**	**1,690.3**	**6,807.0**	**5,078.4**	**1,562.3**	**6,640.7**	**5,276.1**	**1,605.9**	**6,882.0**	**5,216.1**	**1,675.3**	**6,891.4**
	0910000 General Administration Planning and Support Services	839.8	-	839.8	757.6	-	757.6	772.7	-	772.7	784.7	-	784.7
	0906000 Labour, Employment and Safety Services	1,611.4	75.3	1,686.7	1,646.3	125.3	1,771.6	1,822.2	168.9	1,991.1	1,744.7	238.3	1,983.0
	0907000 Manpower Development, Industrial Skills & Productivity Management	2,665.5	1,615.0	4,280.5	2,674.4	1,437.0	4,111.4	2,681.2	1,437.0	4,118.2	2,686.7	1,437.0	4,123.7
	1185 State Department for Social Protection and Senior Citizens Affairs	**30,370.9**	**1,908.0**	**32,278.9**	**34,412.3**	**2,013.2**	**36,425.5**	**35,932.6**	**2,216.5**	**38,149.0**	**35,846.7**	**2,436.7**	**38,283.3**
	0908000 Social Development and Children Services												
	0909000 National Social Safety Net	27,427.8	1,800.0	29,227.8	31,007.7	1,897.5	32,905.2	32,209.0	2,091.7	34,300.7	32,222.0	2,299.4	34,521.4
	0914000 General Administration, Planning and Support Services	409.2	-	409.2	657.8	-	657.8	715.5	-	715.5	718.5	-	718.5
	0908000 Social Development and Disability Inclusion	2,533.9	108.0	2,641.9	2,746.8	115.8	2,862.5	3,008.1	124.8	3,132.9	2,906.2	137.2	3,043.5
	1186 State Department for Children Services	**12,430.6**	**740.0**	**13,170.6**	**14,255.9**	**861.3**	**15,117.2**	**16,727.1**	**864.7**	**17,591.8**	**16,752.2**	**859.2**	**17,611.4**
	0918000 Child Protection, Rights and Family Support	12,430.6	740.0	13,170.6	14,255.9	861.3	15,117.2	16,727.1	864.7	17,591.8	16,752.2	859.2	17,611.4
	1212 State Department for Gender and Affirmative Action	**1,236.6**	**5,124.8**	**6,361.4**	**2,208.0**	**4,200.5**	**6,408.5**	**2,366.3**	**4,171.5**	**6,537.8**	**2,350.3**	**4,118.0**	**6,468.3**
	0911000 Community Development	-	5,011.8	5,011.8	911.0	4,118.0	5,029.0	911.0	4,118.0	5,029.0	911.0	4,118.0	5,029.0
	0912000 Gender Empowerment	994.5	113.0	1,107.5	1,060.7	82.5	1,143.2	1,166.5	53.5	1,220.0	1,155.4	-	1,155.4
	0913000 General Administration, Planning and Support Services	242.1	-	242.1	236.3	-	236.3	288.7	-	288.7	284.0	-	284.0

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

Sector Code	Sector/Vote/Programme	Printed Estimates 2026/27			BPS Ceilings								
					2027/28			2028/29			2029/30		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
0100	**Environment Protection, Water and Natural Resources**	**40,465.9**	**80,771.5**	**121,237.5**	**44,973.2**	**90,048.0**	**135,021.2**	**47,757.8**	**134,431.0**	**182,188.8**	**50,534.3**	**139,647.0**	**190,181.3**
	1104 State Department for Irrigation	**987.7**	**10,513.9**	**11,501.5**	**1,192.8**	**10,516.6**	**11,709.4**	**1,256.0**	**13,436.6**	**14,692.6**	**1,310.7**	**15,221.0**	**16,531.6**
	1014000 Irrigation and Land Reclamation	-	1,110.4	1,110.4	-	-	-	-	-	-	-	-	-
	1023000 General Administration, Planning and Support Services	251.4	60.0	311.4	310.3	60.0	370.3	327.1	100.0	427.1	335.6	150.0	485.6
	1026000 Irrigation and Drainage Development	625.6	7,891.5	8,517.1	737.3	8,875.6	9,612.9	776.8	11,359.6	12,136.3	818.9	12,740.0	13,558.9
	1027000 Land Reclamation and Climate Resilience Irrigation Development	110.7	1,452.0	1,562.6	145.1	1,581.0	1,726.1	152.1	1,977.0	2,129.1	156.1	2,331.0	2,487.1
	1109 State Department for Water & Sanitation	**8,684.6**	**52,693.6**	**61,378.3**	**10,258.0**	**60,000.5**	**70,258.5**	**10,930.1**	**95,046.2**	**105,976.3**	**11,528.3**	**98,124.8**	**109,653.1**
	1001000 General Administration, Planning and Support Services	882.9	150.0	1,032.9	967.6	375.0	1,342.6	1,027.8	285.0	1,312.8	1,070.7	295.0	1,365.7
	1004000 Water Resources Management	2,004.9	4,345.0	6,349.9	2,613.9	8,793.0	11,406.9	2,932.7	8,488.0	11,420.7	3,154.9	1,650.0	4,804.9
	1017000 Water and Sewerage Infrastructure Development	5,429.5	46,059.8	51,489.3	6,273.5	47,911.5	54,185.0	6,583.8	77,435.2	84,019.0	6,891.6	80,051.8	86,943.4
	1015000 Water Storage and Flood Control	367.2	2,138.8	2,506.1	403.0	2,921.0	3,324.0	385.9	8,838.0	9,223.9	411.1	16,128.0	16,539.1
	1192 State Department for Mining	**2,172.5**	**478.0**	**2,650.5**	**2,491.0**	**607.0**	**3,098.0**	**2,686.1**	**712.0**	**3,398.1**	**2,806.1**	**752.0**	**3,558.1**
	1007000 General Administration Planning and Support Services	595.9	-	595.9	691.5	-	691.5	766.5	-	766.5	808.0	-	808.0
	1009000 Mineral Resources Management	986.5	203.0	1,189.5	1,167.6	305.0	1,472.6	1,253.1	373.1	1,626.2	1,317.6	447.5	1,765.1
	1021000 Geological Survey and Geoinformation Management	590.0	275.0	865.0	632.0	302.0	934.0	666.5	338.9	1,005.4	680.5	304.5	985.0
	1203 State Department for Wildlife	**14,799.8**	**1,830.0**	**16,629.8**	**14,933.1**	**1,819.0**	**16,752.1**	**17,266.0**	**2,907.8**	**20,173.7**	**18,417.6**	**3,375.0**	**21,792.6**
	1019000 Wildlife Conservation and Management	14,799.8	1,830.0	16,629.8	14,933.1	1,819.0	16,752.1	17,266.0	2,907.8	20,173.7	18,417.6	3,375.0	21,792.6
	1331 State Department for Environment & Climate Change	**4,248.7**	**6,225.0**	**10,473.7**	**5,967.0**	**5,527.0**	**11,494.0**	**5,200.2**	**5,776.0**	**10,976.2**	**5,769.2**	**5,775.0**	**11,544.2**
	1002000 Environment Management and Protection	2,231.4	5,891.0	8,122.4	2,669.0	5,137.0	7,806.0	3,086.7	5,125.0	8,211.7	3,576.2	5,175.0	8,751.2
	1010000 General Administration, Planning and Support Services	516.7	50.0	566.7	1,823.0	100.0	1,923.0	556.0	100.0	656.0	578.0	100.0	678.0
	1012000 Meteorological Services	1,500.6	284.0	1,784.6	1,475.0	290.0	1,765.0	1,557.5	551.0	2,108.5	1,615.0	500.0	2,115.0
	1332 State Department for Forestry	**9,572.7**	**9,031.0**	**18,603.7**	**10,131.3**	**11,577.9**	**21,709.2**	**10,419.5**	**16,552.4**	**26,971.9**	**10,702.5**	**16,399.2**	**27,101.7**
	1018000 Forests Development, Management and Conservation	9,348.1	9,031.0	18,379.1	9,769.2	11,577.9	21,347.1	10,032.1	16,552.4	26,584.5	10,299.1	16,399.2	26,698.3
	1024000 Agroforestry and Commercial Forestry Development	23.8	-	23.8	31.3	-	31.3	32.4	-	32.4	33.1	-	33.1
	1025000 General Administration, Planning and Support Services	200.8	-	200.8	330.8	-	330.8	355.0	-	355.0	370.3	-	370.3
	TOTAL	**2,078,271.5**	**844,435.4**	**2,922,706.9**	**2,243,478.7**	**1,005,186.5**	**3,248,665.3**	**2,391,293.8**	**1,198,891.6**	**3,590,185.3**	**2,608,951.2**	**1,315,304.5**	**3,924,255.5**

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

1. **Section 25(8)** of the **Public Finance Management (PFM) Act, CAP 412A** prescribes that the Cabinet Secretary for The National Treasury shall take into account resolutions passed by Parliament in finalizing the budget for a given financial year. The National Assembly approved the 2026 Budget Policy Statement and the 2025 Budget Policy Statement on 10th March 2026 and 12th March 2025, respectively.

2. **Section 38(1) (iii)** of the **PFM Act** requires the Cabinet Secretary to prepare a memorandum explaining how the resolutions adopted on the BPS have been taken into account. In this regard, the following Section provides a brief to Parliament on the extent to which the resolutions of the House on the 2026 BPS and 2025 BPS have been taken into account and the reasons thereof.

No.	Resolution	Action taken
A. Policy Resolutions on the 2026 BPS		
1.	The Cabinet Secretary for the National Treasury expedite the rationalization, merger, and dissolution of non-viable or duplicative State-Owned Enterprises (SOEs) by end of October 2026 to enhance efficiency and ensure prudent utilization of public resources.	The National Treasury has made significant progress in expediting the rationalization, merger, and dissolution of non-viable and duplicative State-Owned Enterprises (SOEs), in line with the October 2026 timeline. Following Cabinet approval of the State Corporations Reforms, an all-inclusive Multi-Agency Technical Working Committee was constituted, comprising representatives from the Executive Office of the President, the State Department for Public Service, the Office of the Attorney General/State Law Office, the State Corporations Advisory Committee, and the Inspectorate of State Corporations. The Committee is overseeing implementation of the reforms in two phases. Under Phase One, the Committee has substantially completed preparatory and foundational work required to operationalize the reforms. Specifically, the following key milestones have been achieved: i) Review of enabling legislation for affected State Corporations and preparation of the necessary draft Bills to provide for amendments, repeals, and a revised legal framework to anchor the reforms;

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No.	Resolution	Action taken
		ii) Assessment of staff complements and skills, and development of placement and deployment plans to ensure smooth transition of personnel across Ministries, Departments, and Agencies, while safeguarding service delivery; and iii) Comprehensive documentation and validation of assets and liabilities of affected entities to facilitate orderly restructuring. In terms of implementation, the merger of the Tourism Fund (TF) and the Tourism Promotion Fund (TPF) has been successfully completed. Additionally, the National Treasury has finalized and submitted to the National Assembly thirteen (13) draft Bills and eleven (11) draft Regulations (Ref: DGIGE/A/I/85/ (20), dated 27th March 2026) to facilitate the restructuring of forty-six (46) State Corporations through mergers, dissolutions, and transfer of functions to Ministries, Departments, and other Agencies. Further, following the enactment of the Government-Owned Enterprises Act, 2025, the National Treasury is developing regulations under Section 35(2)(b) to guide merger and dissolution procedures for Government-Owned Enterprises. Enactment of the submitted legislative instruments will enable completion of Phase One reforms and support the timely rollout of Phase Two, ensuring the overall reform programme remains on track for completion within the stipulated timeline.
2.	In submitting of the Budget Estimates for FY 2026/27, the Cabinet Secretary for the National Treasury ensure the full adoption of the Government Finance Statistics Manual 2014 (GFS 2014) framework in the preparation and presentation of the fiscal framework.	The National Treasury has aligned the fiscal reporting structure and budgetary classifications with international standards to ensure compliance with the GFS 2014 framework.
3.	The National Treasury, in consultation with the Attorney-General, sets up a comprehensive framework for verification	Provision for settlement of duly validated court awards is currently made through budgetary allocations to respective Ministries, Departments and

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No.	Resolution	Action taken
	and settlement of court awards across Ministries, Departments and Agencies, and reports back to the House by February 2027.	Agencies (MDAs) upon verification and clearance for payment by the Office of the Attorney General. In compliance with the resolution, the National Treasury, in consultation with the Office of the Attorney General will develop a comprehensive framework for the verification and settlement of court awards across MDAs.
4.	Beginning FY 2026/27, the National Treasury publishes exchequer releases including programmes in line with the programme-based budget. This will enhance quarterly performance monitoring and oversight of expenditure.	The National Treasury will comply with this resolution.
5.	In the finalization of the Budget Estimates for FY 2026/27, the National Treasury prioritizes funding for key ongoing projects, building priority value chains under the Bottom-Up Economic Transformation Agenda to consolidate the progress towards the attainment of the Medium-Term Plan (MTP) IV.	The National Treasury, while finalizing the FY 2026/27 Budget Estimates required MDAs to prioritize allocation to ongoing projects to ensure their completion before commencing on any new project. In this regard, the Government has prioritized ongoing projects nearing completion in the FY 2026/27 Budget. To ensure we consolidate the gains achieved in the priority Value Chains under BETA, the National Treasury has allocated KSh 379.5 billion in the FY 2026/27 for BETA priorities.
6.	By 30th June 2026, the National Treasury tables report on the progress of implementation of the Electronic Government Procurement (e-GP) system and its integration with other Government systems such as the Integrated Financial Management Information System (IFMIS) and Kenya Revenue Authority (KRA) tax systems.	To streamline public procurement processes and enhance integrity, the Government has undertaken significant legal, institutional and technological reforms. In part, the Government developed the Public Procurement and Asset Disposal (Amendment) Bill, 2025 to modernize Kenya's procurement legal framework in line with evolving governance, digitization and local content objectives. Key reform areas in the Bill include: enhancement of transparency and accountability through mandatory disclosure and reporting requirements; strengthen the role of the Regulator to enforce standards, compliance and sanctions for noncompliant Procuring Entities; promotion of local content and preference and reservation schemes, especially for youth, women and

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No.	Resolution	Action taken
		persons with disabilities; and provision a stronger legal basis for electronic procurement and framework contracting. To operationalize procurement reforms and eliminate manual inefficiencies, the Government has prioritized the rollout of an end-to-end e-Government Procurement (e-GP) System. The system that was officially launched in July 2025, has shifted procurement processes from fragmented and manual processes to a fully digitized procurement platform. The platform has been integrated with core Government systems, including: IFMIS, Business Registration Services (BRS), e-Citizen, and i-Tax, with initial on-boarding prioritizing National Government Ministries, Departments and Agencies (MDAs): State Corporations; and County Governments. Next steps will include full rollout to Schools, and other Procuring Entities yet to onboard to the e-GP System; continuous user training and change management to improve adoption and system utilization; and issuance of manuals and guidelines to assist users of the system. To date 1,546 Procuring Entities have been registered, over 40,000 suppliers registered, over 22,000 staff trained, over 12.000 suppliers/contractors trained, 652 Annual Procurement plans published, 8,000 tenders closed, and 1,863 contracts published in the e-GP system.
7.	By December 2026, the National Treasury integrates financial literacy in programmes linked to Micro Small and Medium Enterprises (MSMEs) financing including National Youth, Hustler Fund, National Micro Small and Medium Advancement (NYOTA), and other initiatives.	The National Treasury will incorporate structured financial literacy components into programmes linked to MSME financing, including NYOTA, the Hustler Fund, the Rural Kenya Financial Inclusion Facility, among other initiatives. These efforts will focus on enhancing beneficiaries' capacity in areas such as financial management, credit utilization, savings, and investment decision-making, thereby improving the effectiveness, sustainability, and impact of these financing programmes.

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No.	Resolution	Action taken
8.	By the beginning of the next budget cycle, the State Department for Industry diversifies the raw materials used in the textile industry; the National Treasury, in collaboration with the Ministry of Trade, Industry and Investment Promotion, domiciles the textile value chain under the State Department for Industry.	The National Treasury will be closely collaborating with the State Department for Industry to ensure diversification of raw materials used in the textile industry as well as ensuring the textile Value Chain is domiciled under the Ministry of Trade, Industry and Investment Promotion in compliance with this resolution.
9.	By 30th April 2026, the Principal Secretary for the National Treasury, in collaboration with the Principal Secretary for Energy, separates the current consolidated vote head (115210400 – Electrification of Public Facilities) implemented by Rural Electrification and Renewable Energy Corporation (REREC) into two distinct vote heads, namely: (i) Electrification of Constituencies; and (ii) Electrification of Public Institutions, to ensure transparency, ring-fence resources, and ensure balanced prioritization and timely implementation of electrification projects.	The National Treasury will decouple the current consolidated electrification funding into separate vote heads for constituencies and public institutions. This transition aims to ring-fence resources and ensure more transparent implementation of energy projects.
11.	By 30th June, 2026, the Cabinet Secretary for the National Treasury fully implements the resolution of the National Assembly approving the Chief Executive Officer of the National Land Commission as the collector of revenue for the National Government in line with the provisions of Section 76(1) of the Public Finance Management Act, CAP 412A, to enhance collection of Appropriation-in-Aid.	The National Treasury has not received any request from the National Land Commission requesting approval to be the collector of revenue, and clearly specifying which revenues they plan to collect. The National Treasury will endeavor to engage the National Land Commission on the enhancement of the Appropriation in Aid, as per Section 76(1) of the Public Finance Management Act, CAP 412A.
14.	By 30th June 2026, the Cabinet Secretary for the National Treasury implement the Cabinet-approved mergers and dissolutions of State Corporations and publishes a clear transition framework and reports to Parliament to ensure continuity of services during restructuring.	The National Treasury has made substantive progress in implementing Cabinet-approved mergers and rationalization of State Corporations in line with the resolution. Notably, the merger of the Tourism Fund (TF) and the Tourism Promotion Fund (TPF) has been successfully completed.

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No.	Resolution	Action taken
		To ensure continuity of services during the restructuring process, the National Treasury has developed and is operationalizing a transition management framework that provides for the orderly transfer of functions, assets, liabilities, and personnel, while safeguarding service delivery across affected entities. In support of the broader Phase One reforms, the National Treasury finalized and submitted to the National Assembly thirteen (13) draft Bills and eleven (11) draft Regulations, through a letter dated 27th March 2026 (Ref: DGIGE/A/I/85/ (20)). These legislative instruments are intended to facilitate the restructuring of forty-six (46) State Corporations through mergers, dissolutions, and the transfer of functions to Ministries, Departments, and other Agencies. Further, following the enactment of the Government Owned Enterprises Act, 2025, the National Treasury is developing regulations under Section 35(2)(b) to guide merger and dissolution procedures for Government-Owned Enterprises. Enactment of the submitted Bills and Regulations will enable full implementation of Phase One reforms and provide the foundation for the rollout of Phase Two reforms.
19.	By the time of finalization of the Annual Estimates for FY 2026/2027, the Cabinet Secretary for the National Treasury, in consultation with the Inspector General of Police, adopts a phased and fiscally sustainable police recruitment plan that aligns the intake of new personnel with the availability of operational resources. The recruitment process should be sequenced to ensure that newly recruited officers are adequately trained, equipped, housed, and operationally facilitated to effectively discharge their duties.	The National Treasury, in consultation with the Inspector General of Police, will adopt a phased recruitment strategy to align new personnel intake with available funding and operational resources. This approach will ensure that all officers are fully trained, housed, and equipped for effective service delivery.

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No.	Resolution	Action taken
20.	The National Treasury to forthwith cease the allocation of funds for the renovation, partitioning, or structural modification of leased premises, including the premises currently occupied by the Office of the Prime Cabinet Secretary.	The National Treasury will cease all funding allocations for the renovation or structural modification of leased office spaces to ensure prudent use of public resources.
B. Policy Resolutions on the 2025 BPS		
1.	Further to the resolution of the House during the approval of FY 2024/25 Estimates on reengineering the Integrated Financial Management Information System (IFMIS), the National Treasury submits geographical information of development projects per county and constituency by 30th April, 2025.	The Integrated Financial Management Information System (IFMIS) has established a standardized chart of accounts that includes a segment dedicated to geographical location, which is essential for budgeting purposes. Counties are mandated to allocate budgets for projects by specifying the cost center associated with the geographical location. This functionality has been integrated into the system, where a designated section for geographical codes constitutes a segment of the budget line for each project
2.	The Cabinet Secretary for the National Treasury ensures that projects that are nearing completion are prioritized for resource allocation. This should include a list of development projects that are earmarked for completion in FY 2025/26 for all Ministries, Departments and Agencies (MDAs).	During the finalization of the FY 2025/26 Budget, the National Treasury prioritized funding to projects that are nearing completion. A list of these projects, which are set to be completed in FY 2025/26 and the Medium-Term, is provided alongside the submitted FY 2025/26 Budget in accordance with this resolution.
3.	Given that several policy pronouncements in the BPS have not been funded, before submission of the Budget Estimates for FY 2025/26 to the National Assembly, the Cabinet Secretary for the National Treasury ensures that these unfunded priorities have been factored within the approved ceilings as provided in the Fourth Schedule to the Report.	In light of the fiscal consolidation policy and the existing resource constraints, the National Treasury has prioritized critical expenditures in the FY 2025/26 Budget. Any priority expenditure not included in the FY 2025/26 Budget will be considered during the preparation of FY 2026/27 and the Medium-Term Budget.
4.	On submission of the Budget Estimates for FY 2025/26, the Cabinet Secretary for the National Treasury submits to the	In accordance with the Cabinet directive, MDAs are to implement Zero-Based Budgeting (ZBB) starting from FY2025/26. The National

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No.	Resolution	Action taken
	National Assembly a statement on the fiscal impact of adopting zero-based budgeting.	Treasury has adopted the ZBB, ensuring that all expenditures are thoroughly costed and justified for funding. To facilitate the implementation of Zero-Based Budgeting, the National Treasury has developed a Costing Tool that is now integrated into the IFMIS.
5.	To entrench oversight of Appropriations in Aid (AIA) and earmarked public funds, the National Treasury: a) collates and reports on all AIA generated by non-commercial national government entities, including fees, charges, levies, together with related expenditure, projects, and programs and provide the report to the National Assembly by 30th April, 2025; b) Reports to the National Assembly on all extra budgetary funds realized and related expenditure by 30th April, 2025; c) Proposes changes to the Controller of Budget Act to provide for the Controller of Budget to approve the utilization of A-I-A and related expenditure by September 2025; and d) Identifies and proposes legislation to the National Assembly on the overall framework for the financial management of AIA, including the repeal of non-critical public funds and AIA mandates by September 2025.	The details of AIA projections for FY 2025/26 by non-commercial government entities and their related expenditures are as provided in the Itemized Budget Estimates for FY 2025/26 under their specific Votes and Heads. The National Treasury will develop framework for the financial management of AIA, including the repeal of non-critical public funds and AIA mandates by September 2025 as resolved.
6.	Given the government reliance on several payment systems for various functions such as capitation for schools, salaries payments, transfer to counties, and exchequer releases, the Cabinet Secretary for the National Treasury provides to Parliament with an update on integration of government	Ministries, Departments, Agencies, and Counties (MDCAs) utilize the IFMIS for payment processing, which integrates with KRA iTax and the CBK core banking system. IFMIS facilitates budget uploads and transaction processing, while KRA's iTax generates Payment Registration Numbers (PRN) to alert suppliers about tax obligations.

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No.	Resolution	Action taken
	payment systems within the Integrated Financial Management Information System (IFMIS) ecosystem to enhance transparency and accountability by the 30th April, 2025.	CBK serves as the disbursement platform for funds. Key concerns have been addressed as outlined below: i) Capitation funding for schools is administered through the Integrated Financial Management Information System (IFMIS). The Ministry of Education does not utilize any alternative payment systems. The National Education Management Information System (NEMIS) is solely designated for the maintenance of student data and is not intended for processing payments; ii) Processing of salaries for public servants is conducted through the Integrated Financial Management Information System (IFMIS). The National Treasury is currently finalizing the integration between IFMIS and the Human Resource Integrated System (HRIS) to ensure seamless maintenance of employee data and efficient payroll processing; iii) Transfer of equitable shares to Counties is facilitated through the Integrated Financial Management Information System (IFMIS). However, the notification regarding the funds transferred to the County Revenue Fund is conducted manually; iv) Processing of Exchequer for MDAs is efficiently automated through the IFMIS; and v) National Treasury is currently engaged in the integration of the Debt Management System and E-Citizen with the IFMIS
7.	On submission of the Budget Estimates for FY 2025/26, the Cabinet Secretary for the National Treasury submits a statement to the National Assembly on timelines and fiscal impact of merging, restructuring, and winding up state	In light of the Cabinet Decision dated 21st January 2025, a Multi-Agency Technical Working Committee was established to execute the State Corporations' Reforms as sanctioned by the Cabinet. This Committee includes representatives from the Executive Office of the President, the State Department for Public Service, the Office of the Attorney

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No.	Resolution	Action taken
	entities in line with the Cabinet Decision of 21st January 2025.	General/State Law Office, the State Corporations Advisory Committee, and the Inspectorate of State Corporations. The reforms are being implemented in two phases; Phase One is under way, with the enabling Bills and Regulations submitted to the National Assembly in March 2026.
8.	On submission of the Budget Estimates for FY 2025/26, the Intergovernmental Relations Technical Committee (IGRTC) submits a statement to the National Assembly on fiscal impact and timelines for implementation of Gazette Notice No. Vol. CXXVI-No. 219 of 2024 on the delineation and transfer of devolved functions.	Following the publication of the re-validated sector exercise reports on the delineation of functions, IGRTC published the respective Gazette Notices (No. 16472 to 16483) on 16th December, 2024 on the delineated functions. Additionally, the IGRTC through the letter dated 26th March 2025, Ref: IGR/FIN/8/1/VOL IV (63) provided the status of this resolution. Annex 2 of this Budget Summary provides a Statement on fiscal impact and timelines for implementation of Gazette Notice No. Vol. CXXVI-No. 219 of 2024 on the delineation and transfer of devolved functions.
9.	On submission of the Budget Estimates for FY 2025/26, the Cabinet Secretary for the National Treasury provides a list of all Public-Private Partnerships (PPP) projects to be implemented in FY 2025/26.	A list of all Public-Private Partnerships (PPPs) projects was provided in Annex 3 of the Budget Summary for the FY 2025/26.
10.	By 30th June, 2025, the National Treasury submits a comprehensive report detailing the implementation status of the new digitized pension system. Additionally, the report should include an action plan to clear pension arrears, ensure timely contributions, and enhance administrative efficiency.	In line with the ongoing Public Service Pension Schemes (PSPS) reforms, the National Treasury is undertaking the comprehensive re-engineering of the Pension Management Information System (PMIS) to improve functionality, operational efficiency, data reliability. The reform aim to deliver a fully integrated Enterprise Resource Planning (ERP) solution that automates pension administration processes, eliminates manual interfaces, strengthens internal controls, and enhances service delivery to pensioners and beneficiaries. Development of the new system has been completed, and pilot implementation is ongoing across selected Ministries, Departments and

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No.	Resolution	Action taken
		Agencies (MDAs). Complementary activities include user training, data migration, and system stabilization, ahead of phased roll-out across the wider public service. Upon full implementation, the system is expected to significantly improve timeliness of pension processing, contribution management, compliance oversight, and reporting, thereby reinforcing confidence in the public service pension framework.

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

Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
	HEALTH SECTOR	
Policy issues	Health-sector governance and policy: Fragmented health policies	Develop and implement the health professionals' policy
	Quality of care and regulation: Reports included fake doctors, unlawful charges, overdoses, incompetence and poor-quality services	Strengthen regulation, clinical governance, patient-safety enforcement and penalties for malpractice and fraud
	Budget analysis and performance reporting; The budget document contains promotional language, inconsistent institutional information, inaccurate narratives, unexplained over-expenditure and targets below previous achievements	Use a consistent reporting template, verify data, explain variances, report underperformance and set realistic targets
	Revenue mobilisation; The health sector requires additional sustainable resources, while taxation of tobacco and alcohol was viewed as an underused revenue source	Treasury, the Ministry of Health and partners should explore stronger taxation of tobacco and alcohol to finance health priorities
	Accountability and public participation; Citizens and civil-society organisations need better access to spending information and meaningful participation in budget decisions	Strengthen transparency, data systems, monitoring, evaluation and public tracking of allocations
Project implementation issues	Primary healthcare; The allocation for Primary Health Care Fund may be inadequate, and communities requested protection of existing PHC financing	Increase and protect PHC funding, develop a cost-based multi-year financing plan and strengthen preventive and community-level services
	Primary healthcare and community participation: Community health promoters are not the only actors supporting communities	Recognise and adequately fund community health promoters, peer monitors, TB champions and other community-based actors
	Mental health; Mental health was not clearly addressed in the presentation, and access through SHA may still involve out-of-pocket costs	Include mental health as an explicit medium-term priority and provide dedicated financing for accessible services
	Prevention and health promotion; Participants could not identify a clear budget line for prevention	Make prevention more visible in the budget, while using catalytic interventions in cancer, HIV, NCDs, road safety and community health
Resource Allocation issues	Health financing: The difference between the previously presented allocation and the revised allocation was unclear	The Ministry clarified that the revised figure includes commitments under the Kenya–US operations framework
	Social Health Authority and private facilities; Outstanding SHA bills reported to have contributed to closure of some level and private facilities	Factor outstanding claims into the budget and ensure timely payment to public and private providers
	Emergency care; The Emergency Care Fund may be insufficient following the launch and expected expansion of the emergency-care programme	Review the allocation against projected demand and ensure adequate financing

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
	HIV, TB, malaria and adolescent health; Participants were concerned about inadequate dedicated funding for the "triple threat," declining external financing and continuing infections among young people	Provide explicit budget lines for HIV, TB and malaria prevention and treatment, with stronger adolescent and youth interventions
	Reproductive and adolescent health; Young people lack accurate reproductive-health information and youth-friendly services, while sexual violence, transactional relationships and teenage pregnancy remain concerns	Fund reproductive-health education, HIV testing, contraception, counselling and partnerships with schools, youth groups and CBOs
	Maternal and newborn health; Maternal mortality has made only marginal progress, blood supplies remain a challenge, and some communities face high transport costs to referral facilities	Prioritise maternal-health financing, blood availability, equipment and facilities in high-burden counties
	Disability services; The budget did not specify allocations, coverage or benefits for persons with disabilities	Implement disability medical-assessment guidelines nationally, strengthen rehabilitation centres, publish disability-related targets and review SHA contributions for persons with disabilities
	Prioritisation and resource allocation; Emerging issues were presented without sufficient ranking by impact, fiscal implications or implementation feasibility	Prioritise interventions, link each issue to its budget requirement, legal needs or efficiency measures, and use national Kenyan data
Governance issues	Labour-relations disruptions, Health-worker disputes Unclear national–county responsibilities	Harmonise professionals, Strengthen intergovernmental relations and Clarify accountability between national and County Governments
	Medicines and supplies; Delays and shortages of ARVs and other medicines were reported in public facilities, while medicines were available in private facilities	Strengthen supply-chain accountability and ensure equitable distribution to public and peripheral facilities
	Medicines and local manufacturing; KEMSA and local manufacturers face substantial pending bills, affecting manufacturers' working capital and medicine availability	Clear KEMSA debts, support local manufacturing and attract international manufacturers to establish production in Kenya
	Geographical access and infrastructure; Remote communities may pay for emergency boat transport to reach higher-level facilities	Consider remote and island communities in facility construction, equipping and referral planning, in cooperation with County Governments
	Waste management and environmental health; Poor hospital-waste disposal was reported, including waste along roads	Strengthen hospital waste-management systems and enforcement

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
	GENERAL ECONOMIC AND COMMERCIAL AFFAIRS SECTOR	
Policy issues	Policy implementation gaps and incomplete frameworks were identified across resilience programming, MSME finance, e-commerce, tourism, water and other subsectors	Prioritize low-hanging policy reforms, improve reporting of progress and work jointly with KIPPRA and development partners
	Outdated legislation and incomplete policy reforms, including the need to review the relevant tourism Act and regulations	Review legislation in line with the requirement for periodic review and changing technology and operating conditions
	Tourism: Need for stronger tourism policy and product diversification, including greater promotion of domestic and regional tourism	Validate the National Tourism Strategy, implement the Domestic Tourism Strategy and diversify tourism products
	Disability inclusion; Persons with disabilities face barriers to finance, entrepreneurship support, markets, digital services and skills development	Apply affirmative-action and accessibility measures, improve outreach, and ensure inclusive MSME and digital-transformation programmes
	Disability inclusion; Insufficient disability-disaggregated data limits evidence-based planning, budgeting and resource allocation	Collect and maintain disability-disaggregated data across MSME, finance, cooperatives, investment and trade programmes
	Disability inclusion; Persons with disabilities were not fully accessing available programme budgets and opportunities.	The MSME representative stated that NYOTA reserves 5% of beneficiaries for persons with disabilities, waives some requirements, and that catalytic funds include disability provisions. Organizations were urged to improve registration, sensitization and referrals.
Project implementation issues	Pending bills to contractors, suppliers and service providers, including youth, women and persons with disabilities, were not reflected in the presentation.	Publish a department-by-department schedule of pending bills and provide clear information on settlement plans.
	Large difference between requested and allocated resources was questioned, including an example of Recurrent requested allocation of KSh 71,071.89 million versus an actual allocation of KSh 38,594.20 million same for Development KSh 95,450.73billion versus an actual allocation of KSh 23,692.40 billion	Improve the credibility and justification of budget submissions and ensure allocations are aligned with prioritised programmes and activities
	Financial inclusion/MSME; Questions were raised about loan repayment, savings figures and the sustainability of government-supported funds	The fund representative stated that more than KSh 92 billion had been disbursed, over KSh 13 billion repaid, and borrowers have individual statements showing their savings and loan records
	A KSh 2.2 trillion project and related refinery and petroleum developments may not adequately address local needs or environmental and economic risks	Clarify expected local benefits, safeguards and implementation responsibilities, with some questions referred to the Energy, Infrastructure and ICT sector

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
	Industrialization and special economic zones; County Aggregation and Industrial Parks and Special Economic Zones are incomplete, stalled or not operational, resulting in underutilized public investment	Publish the status of stalled and functional parks, complete priority facilities and incentivize capable investors to lease and use them
	Trade development; A publicly funded meat-export facility has reportedly remained idle for approximately three years, representing wastage of taxpayers' resources	Operationalize the facility and ensure it delivers its intended economic and benefits taxpayer
	Digital transformation; Digital platforms can exclude beneficiaries if accessibility and awareness are inadequate especially the visually impaired	Expand mobile-based delivery of opportunities, building on NYOTA and the Hustler Fund, while ensuring accessibility for persons with disabilities and marginalized groups.
Resource Allocation issues	Commercial agencies generate revenue but are inadequately funded, despite the sector's contribution to foreign exchange and economic transformation.	Increase budgetary support while reviewing the balance between Exchequer funding and agencies' internally generated revenue
	Regional tourism potential, especially in Northern Kenya and other underserved regions, is not considered or sufficiently prioritized and marketed.	Allocate resources for regional tourism hubs, county-level conference and event infrastructure, and targeted promotion by the Kenya Tourism Board
	Cross-border trade and regional integration; Insufficient infrastructure and budget allocations for one-stop border posts, production centres and cross-border markets along key transport corridors.	Provide specific MTEF allocations to establish and operationalize one-stop facilities and cross-border trade markets.
Governance issues	Insufficient support for hotel grading and classification, affecting competitiveness and standards	Reconsider and implement the proposed grading and classification intervention as a starting point for tourism-sector improvement
	Security concerns, health emergencies and weak crisis communication can negatively affect tourist arrivals	Implement the MOU with the Ministry of Interior, work with the tourism police unit and establish a crisis-communication mechanism with the private sector.
	Concern over the large number of agencies, approximately 40 and possible duplication of roles, high administrative costs and unclear value for money.	Review, rationalize or consolidate agencies and assess whether commercially oriented entities should continue receiving public funding
	MSME development; Pastoralist youth and communities affected by natural disasters have limited awareness and access to MSME, machinery, accommodation and value-addition opportunities	Strengthen grassroots sensitization, training, clustering and access to machinery and enterprise-support programmes.

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
General comments	Participants raised concerns about poor logistical organization, absence of senior officials and limited responsiveness during the public sector hearing	Improve public-hearing organization, ensure attendance by accountable officers and provide channels for written memoranda and follow-up responses
ENERGY, INFRASTRUCTURE AND ICT SECTOR		
Policy Issues	Finalization of the National Nuclear Policy	KIPPRA recommended expediting the ongoing review and finalization of the policy to strengthen planning and performance in the energy sector.
	Review of the National Petroleum Policy 2025 and Petroleum Act	KIPPRA called for expedited review of the National Petroleum Policy and Petroleum Act, together with the relevant regulations, to provide an appropriate policy and regulatory framework for the sector.
	Finalization of the railway legislation	KIPPRA recommended fast-tracking completion of the pending railway Bill during the FY 2027/28–2029/30 Medium Term period.
	Implementation of the National Urban Mobility Policy	KIPPRA recommended implementation of the policy and acceleration of Bus Rapid Transit (BRT) and non-motorized transport infrastructure to improve urban mobility.
	Review of the Traffic Act and road safety policy framework	The participant recommended expediting the ongoing review of the Traffic Act and advancing the National Road Safety Action Plan, including measures addressing boda boda safety.
	Review of the Urban Areas and Cities Act regulations and National Urban Development Policy	The participant recommended completing the ongoing regulatory and policy reviews to strengthen urban development planning and implementation. No specific response was recorded.
	People-centred infrastructure prioritization	The participant proposed incorporating quality-of-life considerations into project prioritization, including accessibility, affordability, equity, safety, inclusion, service adequacy and satisfaction. The proposal also included measuring infrastructure outcomes through access, quality, reliability, utilization, cost competitiveness and investment efficiency.
	Social safeguards for infrastructure projects	The participant called for mandatory grievance-redress mechanisms, livelihood restoration programmes and safeguards

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
		for vulnerable and indigenous communities affected by infrastructure projects. The concerns included displacement and land-related grievances associated with projects in Lamu and other areas.
	Accessibility of public infrastructure for persons with disabilities (PWDs)	The participant questioned whether the design of public infrastructure adequately considered PWDs, citing steep access stairs at Mkoani Jetty. The State Department for Public Works indicated that the new Building Code provides for accessible designs and that retrofitting of existing buildings would be pursued to improve compliance.
Project Implementation Issues	LAPSSET-related displacement and delayed compensation in Lamu: participant raised concern that genuine landowners and squatters affected by the LAPSSET project had experienced prolonged uncertainty, with inadequate communication on compensation and resettlement.	The sector acknowledged the ongoing compensation process, stated that compensation was a priority and indicated that settlement was expected soon.
	Accessibility of Affordable Housing by PWDs: The participant stated that Mkoani Jetty had steep stairs that could cause users to slip and fall into the water, and asked whether persons with disabilities had been considered in the design of the completed facility.	The Housing representative stated that accessible designs were being considered in public buildings. The Public Works representative explained that the new Building Code provides for accessibility and that retrofitting existing buildings was being pursued. No specific completion date for Mkoani Jetty was provided.
	Displacement associated with the proposed oil refinery/industrial development: The participant reported that approximately 560 people described as long-term occupants were facing displacement and questioned the fairness of implementing national development projects without adequate compensation. Another participant referred to approximately 1,300 Kenyans affected by land-related grievances.	The sector clarified that the compensation of the PAPs is a priority
	Poor condition and premature deterioration of the Lamu–Mombasa Road: The participant questioned the quality and durability of the road, stating that it had deteriorated within five years of construction and called for accountability by contractors.	The sector acknowledged road deterioration in several areas, including Lamu, Mombasa and Kisumu, and indicated that the identified challenges were being addressed. No specific contractor-sanction or remedial works timeline was provided.

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
	Completion and quality of road projects in Kisumu County: The participant questioned the prolonged lack of tarmacking of the Kibos–Chiga–Mamboleo road and Muhoroni–Owasi road, citing dust pollution, road safety risks and disparities in prioritization.	The sector representative explained that not all roads could be undertaken simultaneously and that prioritization was necessary.
	Pedestrian and cycling infrastructure along major roads: The participant recommended budgeting for dedicated pedestrian walkways and cycling lanes to reduce conflicts between pedestrians, motorcycles and vehicles.	The session chair indicated that a policy was in place to provide pedestrian walkways along urban road contracts.
	Slow implementation of BRT and urban mobility projects: The participant questioned the progress of BRT and the effectiveness of the Nairobi Metropolitan Area Transport Authority, citing persistent traffic congestion and limited visible improvement in urban mobility.	The participant indicated that the project needs to be fast tracked for completion to ease urban mobility
	Last-mile electricity connectivity in Wajir and other underserved areas: The participant noted that Wajir, including remote areas such as Dif and Khorof Harar, continued to depend on generators and faced inadequate electricity access despite reported national improvements.	The State Department for Energy reported that there are plans to implement 113 solar-based mini-grids with battery storage, supported by backup diesel generation, and indicated that a further World Bank-supported project was being formulated.
	Construction of the Garissa–Wajir transmission line: The participant noted that Wajir relied on generators rather than the national grid and that remote public institutions in areas such as Dif and Khorof Harar remained underserved despite reported improvements in national electricity access.	The State Department for Energy reported that assessments and designs for the Garissa–Wajir line had been completed, but financing was still being sought. KETRACO was expected to receive additional funding for transmission infrastructure, while Kenya Power would undertake last-mile distribution.
	Expansion of broadband and public Wi-Fi connectivity: The participant questioned the visibility and functionality of the planned 16,936 Wi-Fi hotspots (1,571 installed to date) and called for expansion of connectivity to underserved communities	The ICT representative acknowledged challenges arising from vandalism, power disconnections and ownership arrangements. A community ownership framework was being developed, with Kenya Power infrastructure and other support expected to facilitate expansion and improve availability.
	Linking trained youth to employment and enterprise opportunities: The participant noted that, of 434,000 youths reportedly trained, only 62,000 had been linked to job opportunities.	He proposed supporting youth entrepreneurship and enterprise creation in addition to conventional job placement.
	Construction of housing for public servants in underserved areas: The participant stated that some areas lacked rental housing for public servants.	The participant recommended considering housing projects in areas where public servants experience difficulty obtaining rental accommodation.

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
	Completion of ongoing public works and housing projects: The Participant raised concerns on efforts by the government to complete existing housing projects before initiating new ones	The State Department for Housing reported a deliberate shift towards completing existing projects rather than advertising as many new contracts. The representative indicated that approximately 12,000 projects had been completed and another 45,000 were targeted for completion around December–January. These figures were presented during the hearing and were not independently verified in the transcript.
	Building collapses and enforcement of construction standards: The participant raised concern over continued building collapses in urban and rural areas and associated loss of life.	The State Department for Public Works reported a declining trend in building collapses since 2022, attributing this partly to a multi-sectoral consultative committee involving regulators, agencies and ministries. The Department also indicated that the new Building Code would strengthen compliance with building design requirements.
	Increasing aviation accidents: The participant expressed concern over the rising number of air accidents in Kenya and called for stronger attention to aviation safety.	The sector representative stated that the Kenya Civil Aviation Authority and the Directorate of Aircraft Accident Investigation worked together to investigate accidents and take necessary action.
	Road safety and the rising cost of accident-related healthcare: The participant raised concern about increasing road accidents and their impact on health expenditure, noting that money used to treat accident victims could otherwise be used to purchase medicines and provide other health services.	The participant recommended stronger road safety interventions to prevent accidents and reduce treatment costs.
Resource Allocation Issues	Budget rationalization, delays and protection of priority expenditure: KIPPRA identified "budget rationalization and delays" as constraints and noted that infrastructure funding remained a challenge	The presenter proposed protecting funding for priority policy, regulatory and technical assignments and improving coordination and adherence to timelines.
	Funding for last-mile electricity and power transmission: The participant recommended increasing resources to KETRACO to support power transmission and enable households, small businesses and young people in underserved areas to access electricity.	The State Department for Energy stated that KETRACO would receive more resources for transmission, while Kenya Power would handle last-mile distribution. The Government was also exploring public-private partnerships.
	The participant proposed establishing a dedicated Northern ASAL Infrastructure Access Window to prioritize last-mile electricity connections,	The Energy representative outlined that there are planned mini-grids and the proposed Garissa–Wajir transmission line.

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
	reliable power for public institutions and strategic access roads serving isolated communities.	
	Pending bills and funding for completion of ongoing road projects: The participant noted that pending bills delay contractors, increase project costs and contribute to stalled projects. He recommended settling verified bills and completing existing projects before starting lower-readiness projects.	The Director General of the Kenya Roads Board reported that KSh 174 billion had been raised through a securitization programme to address pending bills and stated that road-sector bills were up to date, although additional funding was still required to complete some projects.
	Dedicated funding for underserved northern ASAL infrastructure:	The participant proposed establishing a dedicated Northern ASAL Infrastructure Access Window to prioritize last-mile electricity connections, reliable power for public institutions and strategic access roads serving isolated communities.
	Funding for broadband and digital access in underserved areas	The participant emphasized the need to expand broadband and mobile connectivity to schools, health facilities, Huduma Centres and other public service access points in remote settlements. The state Department for ICT outlined a community ownership framework and measures to improve Wi-Fi functionality and expand connectivity.
	Budgeting for pedestrian walkways and cycling lanes	The participant called for specific budgetary provision for pedestrian and cycling infrastructure along major roads, beyond footbridges, to improve safety and non-motorized mobility. The session chair confirmed that pedestrian walkways were being incorporated into urban road contracts.
	Funding for infrastructure projects in underserved areas: The participant highlighted the need for investments in strategic access roads and electricity connectivity to address regional disparities, especially in ASAL counties.	The Energy representative outlined planned mini-grids and the proposed Garissa–Wajir line, while noting that financing for the transmission line was still being sought.
	Mobilization of alternative financing for infrastructure	The participant welcomed the proposed National Infrastructure Fund as a potential means of reducing pressure on the ordinary

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
		budget and increasing resources for infrastructure investment. The
Governance Issues	Accountability for road construction quality and contractor performance: The participant questioned whether contractors were being held accountable for roads that deteriorated within a few years of construction and called for measures to ensure value for money.	The State Department for Roads acknowledged the road-condition challenges and indicated that remedial action was being pursued.
	Transparency and communication on LAPSSET compensation: The participant questioned why affected communities had not received adequate communication on LAPSSET compensation and what would happen to squatters who did not hold title deeds.	The sector representative acknowledged that compensation was ongoing and indicated that it was a priority issue.
	Accountability for the performance of the Nairobi Metropolitan Area Transport Authority	The participants questioned the Authority's effectiveness in addressing persistent congestion and the slow progress of BRT.
	Use and accountability of affordable housing units: The participant raised concerns about affordable housing units being used as Airbnb accommodation and questioned whether the programme was meeting its intended social objectives.	The State Department for Housing stated that eligibility was based on a one-ID-one-house approach and characterized the subsequent use of a unit as a moral rather than a policy issue.
	Inter-agency coordination and data interoperability	KIPPRA recommended harmonizing approvals and strengthening data sharing across ministries, departments and agencies, alongside targeted technical support in policy analysis, cybersecurity, planning and project preparation.
	Cybersecurity and resilience of public digital systems	KIPPRA called for stronger cybersecurity audit capacity and improved resilience of public systems as government digital infrastructure expands.
	Accountability for the delivery of public Wi-Fi	The participant questioned the credibility and visibility of reported public Wi-Fi installations. The ICT representative acknowledged vandalism, power and ownership challenges and indicated that community ownership arrangements were being developed to improve sustainability.
	Compliance with disability-accessibility requirements: The participant questioned whether public infrastructure designs sufficiently considered PWDs.	The State Department for Public Works indicated that the new Building Code would require accessible designs and that retrofitting existing buildings was being pursued.

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
	GOVERNANCE, JUSTICE, LAW AND ORDER SECTOR	
Policy Issues	Birth Certificate replacement. The participant wanted to know the policy in place for birth certificate replacement. This is due to the many cases being reported especially in informal settlements which are highly affected by disasters like flooding and fire.	The State Department for Immigration and Citizen Services indicated that Digital birth registration is being rolled out and this will enable applicants to apply and download birth certificates from e-citizen platform
	Data privacy in police stations. Most police officers are not well trained to handle data privacy specifically in cases of gender-based violence.	The National Police Service confirmed that the police officers have been trained on data privacy even before the enactment of data privacy laws and assured the public that data privacy in police stations is being practiced.
	Lack of Medical Cover for inmates	The State Department for Correctional Services confirmed that they have a line-item budget for inmate treatment and the discussions are ongoing with the Social Health Authority to have the inmates covered.
Resource Allocation Issues	The participants appreciated the Judiciary for the good work being done in Lamu County. However, it was indicated that the Judiciary lacks speed boats to facilitate movements of mobile court. Requested for budgetary allocation to facilitate acquisition of boats to facilitate access to justice in Lamu.	The Judiciary agreed that the issue of boats in Lamu is an area of concern and its being addressed. The issue came up during the Judiciary public engagement with the residents of Lamu. OPPP confirmed that they have boats in Lamu that are being used by the prosecution officers
Governance Issues	The participant requested for capacity building on protection of witness in Lamu Courts	The WPA confirmed that they have offices in the Coast Region and the participant can contact the office through their official contact available in WPA website to address the capacity challenges
	The participant indicated that most people in informal settlements don't understand the rule of Law, Justice and Constitution. They requested for sensitization on Law and Governance in the informal settlement.	The State Department for interior confirmed that it conducts civic education from time to time through its jukwa la usalama forums
	The participant indicated that ID cards and Passports were not being collected country-wide.	The State Department for Immigration and Citizen Services indicated that they have partnered with the Office of the President through the provincial administrators to get the owners. This is done by sending notifications by SMS to the applicants. The list of pending passports and IDs to be sent to the applicants. It was

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
		indicated that two new passport centres have been opened in Nyeri and Malindi.
	The participant wanted to know the security intervention in addressing clashes in border counties, specifically in Migori and Transmara borders.	The State Department for Interior indicates that proactive measures like early warning systems and intelligence led policing are being used to avert clashes in the high-risk border counties. They indicated that they also rely on community informants and early responses that might lead to clashes.
	FGM still being practiced across the neighbouring country of Tanzania. what are the priorities by the National Gender and Equality Commission to eradicate FGM along border counties.	The National Gender and Equality Commission indicated that it has continued to monitor the GBV issues and is working in collaboration with other stakeholders
SOCIAL PROTECTION, CULTURE AND RECREATION SECTOR		
Policy Issues	Lack of a clear reporting mechanism for children sexual abuse cases has increased cases for teenage pregnancies. Currently, there are 136 cases reported in Elgeyo Marakwet county reported and the problem is exacerbated by a lack of child psychosocial support services	Strengthen child protection services through phased recruitment to address the staffing gap in the State Department for Children Services. The Department has 1,392 staff against an approved establishment of 4,000, and additional recruitment has been approved over the Medium Term. Improved staffing and service coverage across sub-counties are expected to support reporting, response and follow-up of child protection cases.
	Lack of Rescue centres and safe spaces for children	The country currently has three children's safe homes in Kwale, Kisumu and Bura, with the Bura facility undergoing refurbishment. The State Department for Children Services plans to expand child rescue and safe-space facilities to strengthen protection and support services for children.
	Children from parents with disability unable to access school for lack of bursaries	Limited budgetary resources constrain bursary and scholarship coverage for children with disabilities. Partnerships with institutions, including Kenya Pipeline, are expected to expand opportunities for bursaries and scholarships, subject to available resources and partner support.
	A lot of children dropping out of school to be involved in sand harvesting and mining activities and other involved in early marriages	Reported cases of children leaving school to engage in sand harvesting and mining, as well as cases of early marriage and female genital mutilation (FGM), are being addressed in the

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
		affected areas, including Migori County and communities along the Kenya–Tanzania border. Continued coordination and follow-up are important to support child protection and school retention.
	Intellectual disability (neurodivergent disability) be prioritised in the budget by provision of a budget line like other special groups like autism and albinism. They have not been mainstreamed in empowerment programmes like youth enterprise employment opportunities like in EPZ	Consider establishing a dedicated budget line for children with intellectual disabilities to support access to education, healthcare, training and social protection, and to improve their inclusion in empowerment, youth enterprise and employment programmes.
	Caregivers' issues left out in the budget including their mental health and empowerment programmes.	Caregiver empowerment is being supported through a programme implemented in partnership with UNICEF. Continued attention to caregivers' mental health and empowerment needs is important in strengthening support for children and families.
	Social Halls in Mathare Constituency not available for sporting activities e.g. boxing and lack of a public studio for Arts	Refurbishment of the Mathare social halls is recommended to restore their use for sporting and creative activities. The State Department for Sports should follow up with the relevant government agencies on the management and availability of the facilities for public use.
	Positive parenting programme roll-out and the target group and provide list of Boy Child programmes being implemented by the State Department for Gender	The State Department for Children Services will continue implementing the 15-day positive-parenting programme, which is available to parents. Child-protection initiatives for adolescent boys also target young males at risk of crime and sexual abuse. Programmes are being implemented in partnership with stakeholders including churches and partners.
	Funyula Constituency had few beneficiaries of the Presidential bursaries award	Consideration for expanding the number of beneficiaries under the Presidential Bursary Award in Funyula Constituency will be made, subject to programme criteria and available budgetary resources.
	Full operationalization of the National heroes Council including the National Heroes fund	Efforts are ongoing to operationalise the National Heroes Council, including arrangements for the National Heroes Fund to be managed by a trustee. A task force is working on the outstanding arrangements required for full operationalisation.

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
	Implementation of the Inua Jamii programme in Narok County to evaluate the register some deserving cases left out some with ID errors	Persons affected by omissions or identification-detail errors in the Inua Jamii register have been advised to resubmit their details to the relevant social protection offices for verification and consideration.
Project Implementation Issues	Lack of rescue centres and Stalled Rescue Centre for young girls in Lamu whose objective was to host girls who were victims of sexual abuse in the community. The project was commissioned in 2017 and was to save the purpose of rescuing young girls	Bills of Quantities have been prepared for the Lamu Rescue Centre. Resource allocation is required to support implementation of the project. The Children Act also provides for the establishment of children's rescue centres in every sub-county, and the State Department will continue to make budgetary provision towards this objective in the medium-term
	Lack of sanitation & hygiene facilities for you young girls	The sanitary programme for girls is implemented through the National Government Affirmative Action Fund (NGAAF) and is provided for in the budget. Continued implementation should support access to essential sanitation and hygiene supplies
	Planned Construction of 155 sports academies to consider Funyula Constituency to get one	Confirm whether Funyula Constituency is included in the planned construction of 155 sports academies and communicate the outcome to the constituency.
Resource Allocation Issues	Few Beneficiaries of The Presidential Bursaries Award in Funyula Constituency	The budget for the Presidential Bursary Award has reportedly been reduced from KSh 400 million to KSh 100 million, affecting the potential number of beneficiaries. The implications for coverage should be considered during resource allocation and budget prioritisation.
	Increase of the Inua Jamii Stipend for the senior citizens from KSh 2,000 to KSh 5,000	The proposed increase in the Inua Jamii stipend for older persons from KSh 2,000 to KSh 5,000 requires consideration within the applicable policy, legislative and fiscal framework. The Older Persons Bill before Parliament is expected to guide implementation of the Inua Jamii programme.
	Development budget KSh 144 million for State department for culture. It was noted it was too low to support any meaningful development of the infrastructure required for the creative industry including film, music, the arts	Stakeholders proposed ring-fencing 1 per cent of the national and county budgets to support the arts and creative economy, citing the need for infrastructure investment in film, music and the arts and the sector's potential to create youth employment. The

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
		proposal requires assessment of its fiscal implications and alignment with budget priorities.
Governance Issues	Underutilization of Mathare Social Hall	The Principal Secretary responsible for Social Protection and Senior Citizens should follow up with the relevant agencies to establish when the Mathare Social Hall can be made available for public use and to address concerns about its utilisation.
ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES SECTOR		
Policy Issues	Environmental adaptation and mitigation interventions lacked sufficiently clear, measurable outcomes and costing. The KSh 9.6 billion Multilateral Climate Multisectoral Project also required clearer presentation of expected results.	Define measurable climate outcomes, clarify unit costs, and link the project to a financing pipeline and expected results. Operationalise the System of Environmental-Economic Accounting (SEEA).
	Integration of artificial intelligence, digital systems and modernised meteorological infrastructure required further clarification.	Clarify how AI and digital systems will be integrated into sector programmes, including meteorological modernisation. Strengthen data governance and cybersecurity.
	Irrigation proposals did not adequately distinguish new schemes, rehabilitation, land reclamation and water-storage investments, or demonstrate cost per acre and expected crop output.	Separate the different investment categories and provide unit costs, readiness assessments, expected completion levels and climate-related water-availability risk assessments.
	Forestry performance focused on seedlings planted rather than survival rates, restored-area quality, forest cover, carbon stocks and biodiversity outcomes.	Introduce outcome-oriented forestry indicators and demonstrate the financing and implementation pathway for the 15-billion-tree restoration agenda within available ceilings. Clarify the contribution of private, community and forest-carbon financing.
	Mining investment proposals required stronger integration of geodata, mineral appraisal, environmental rehabilitation and community safeguards.	KIPPRA recommended clarifying investment sequencing, demonstrating the economic case for mining projects and incorporating environmental and social safeguards into project planning.
	Sector and subsector results frameworks required clearer outcome indicators, consistent baselines and stronger links between programmes and national development objectives.	Develop concise subsector-specific results chains and a manageable set of sector-level outcome indicators, with consistent baselines, annual targets and end-of-MTP targets.

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
	The role of environmental taxes in waste management and financing environmental interventions required clarification, including how the government engages the private sector on such taxes.	This is intended to build private sector acceptance of, and compliance with, such taxes.
	Persons with disabilities were reportedly inadequately considered in disaster preparedness, including the ability of emergency personnel to assist them during disasters.	The PS for Water and Sanitation referred to ongoing flood-prevention measures, including drainage works and the opening up of river corridors.
	The role of the shamba system in forest management, tree growing and community livelihoods required clarification.	The PS explained that local communities within a five-kilometre radius could cultivate harvested plantation areas through Community Forest Associations for a maximum of three years, subject to the described arrangement.
Project Implementation Issues	Water and sanitation reporting required a credible pathway for reducing non-revenue water and improving project completion.	Prioritise projects based on readiness, beneficiaries, unit costs and completion potential within the available budget ceilings.
	In Mabatini Village, Mathare, water supply pipes reportedly passed through sewage-contaminated areas, including the Mathare River. School pit latrines discharged waste directly into the river, raising public-health and environmental concerns. The participant sought specific FY 2027/28 interventions and accountability measures.	The PS for Water and Sanitation outlined ongoing sewerage expansion under the Nairobi Rivers Regeneration Programme, including works in Ruaraka and planned coverage in parts of Mathare and Juja Road. The PS also indicated that school sanitation standards would be developed to ensure accessible facilities.
	Residents of Babadogo and Ruaraka reported waste dumping along roads and in public spaces, making movement difficult and affecting the local environment.	The participant invited government representatives to visit the affected area and observe the situation.
	Schools in Pokot North, West Pokot, lacked clean and reliable water. Kasei Secondary School and Kamket Secondary School reportedly relied on river water. The Muruny Water Project was not yet providing the expected service.	The PS for Water and Sanitation reported that the Muruny project was approximately 92% complete and that impounding was expected before December 2026. A separate project supplying Chepareria town had been completed.
	Water rationing and damaged water infrastructure in Mathare and surrounding areas affected reliable access to water. The participant also reported that government water pipelines had been damaged during works in Babadogo and replaced by makeshift connections.	The PS explained that national government infrastructure supplies bulk water, while last-mile connections and local distribution are largely managed by county-level water service providers. The PS cited the additional 140 million litres per day from the Northern Collector and called for improved infrastructure protection and rationing management.

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
	Residents of Mathare and Ruaraka raised concerns about flooding, which damaged businesses, affected school areas and threatened livelihoods.	The PS for Water and Sanitation reported that the Government was undertaking drainage works, opening up river corridors and expanding sewerage infrastructure to improve flood-water conveyance. The PS cited the Nairobi Rivers Regeneration Programme and expansion of the main trunk sewer towards Ruai.
	The Maragua Dam/Water Infrastructure Project had experienced prolonged delays, with concerns that it had remained incomplete for nearly ten years.	The PS stated that the previous implementation problem had been resolved and that the Government was engaging the development partner to resume construction. The revised design was intended to serve additional towns and communities, and approximately KSh 4 billion had been set aside for upstream communities.
	The accessibility of the Kenya Meteorological Department's website and early-warning information for persons with disabilities was questioned. The participant also raised concerns about the accessibility of proposed emergency shelters during floods.	The KMSA and relevant disaster preparedness should incorporate accessibility into dissemination of weather forecasts, alerts and early warning information
	School and public sanitation facilities were reportedly inaccessible and hazardous for learners with disabilities, increasing the risk of injury and disease.	The PS for Water and Sanitation undertook to have the technical team develop standards for accommodative school sanitation facilities. The PS also cited the World Bank-supported PAYWASH programme, which had identified approximately 10 schools in each of 19 counties for model sanitation facilities.
	Embobut Forest in Elgeyo-Marakwet County reportedly had extensive areas with inadequate tree cover following the eviction of communities. The participant sought the Government's restoration plan.	The Forestry sub sector clarified that there were initiatives of reafforestation that were ongoing in the Embobut forest
	Residents of Nyatike reported a decline in fish in Lake Victoria and raised concerns about the relationship between mining activities and the degradation of water quality.	The PS for Mining linked the concern to the use of toxic chemicals, including sodium cyanide, in mining. The State Department was undertaking sensitisation and capacity-building for artisanal miners on mine safety, environmental protection and health.
	The participant questioned the reported low completion rate of irrigation projects, noting that 30 projects were ongoing while only one was reported as completed.	The representative of the State Department for Irrigation clarified that some projects comprised multiple subprojects, some of which had been completed during the review period. The

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
		representative also provided implementation details for the Lower Kuja Irrigation Project.
	The participant from Babadogo raised concerns about access to clean public water, indicating that the area continued to experience water-supply challenges.	The PS outlined that there were targeted efforts to ensure reliable clean water supply to the area.
Resource Allocation Issues	The sector financing gap was projected to increase from KSh 106.58 billion in FY 2027/28 to KSh 165.79 billion in FY 2029/30.	Strengthen resource prioritisation and identify credible financing pathways, including climate finance, green and blue bonds, blended finance and private-sector contributions.
	Pending bills over the review period amounted to approximately KSh 45.1 billion, with KSh 1.854 billion attributed to lack of budgetary provision.	Clarify the measures for reducing pending bills and ensure adequate provision for existing obligations in future budgets.
	The sector needed to demonstrate how the 15-billion-tree restoration agenda would be financed and implemented within the available budget ceiling, including the contribution of private and community forest-carbon financing.	KIPPRA recommended presenting a quantified financing and implementation pathway and clarifying how non-Exchequer financing could reduce pressure on public resources. No specific response to this recommendation was recorded.
	Muhuru Bay and Nyatike South faced unsafe drinking water and waterborne diseases. The participant questioned whether the planned increase in national water coverage would adequately benefit the area and requested greater consideration for the community.	The PS reported that boreholes were being procured for wards in the area as an immediate intervention. A subsequent project was to draw water from Lake Victoria using solar power, treat it and supply the wider area.
	The participant raised concern about the adequacy of funding for safe water and sanitation relative to the commitment to expand coverage.	The PS acknowledged that water infrastructure was expensive and that available resources were insufficient to achieve universal coverage immediately. The sector was working towards universal water and sanitation access, with the MTP IV target of increasing water coverage from 76% to 80% over the next three years.
	The participant sought clarity on measures to reduce non-revenue water, noting substantial water losses and the implications for service delivery.	The PS reported that Nairobi loses a substantial proportion of its supplied water through illegal connections and other losses. A Water Police Unit had been established, with 350 police officers, to support enforcement against illegal connections and related practices.

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
	The participant sought clarification on the budget allocated for disability mainstreaming and the inclusion of persons with disabilities in environmental programmes and green jobs.	The PS for Forestry stated that the sector observed affirmative-action requirements in procurement and employment. The PS acknowledged that accessible buildings required investment and indicated that new developments were being designed to meet applicable accessibility guidelines.
	Nyatike South requested consideration for irrigation investments because declining fishing activity and prolonged dry spells had increased the community's reliance on farming.	The representative of the State Department for Irrigation explained that the Lower Kuja Irrigation Project in Nyatike was designed to cover 19,000 acres, of which 7,500 acres had been equipped. The proposed Nyatike/Lower Kuja Dam was expected to support an additional 55,000 acres of irrigation upon completion.
	The participant argued that the sector merited additional funding given its development contribution, capacity to mobilise external resources and reported development expenditure.	The participant recommended that the National Treasury consider increasing the sector's allocation. The PS for Mining also acknowledged the need for additional funding to address outstanding sector challenges.
	Lack of reliable, clean and safe piped water: Most households in Kinango, Ndavaya and Puma ward lack reliable access to clean and safe piped water and where the distribution lines exist, the water is inconsistently rationed. In Ndavaya and puma ward, the available water sources are shared between humans and livestock without any treatment	Participant proposal: Fund construction of water storage tanks at Vigurungani town centre, puma ward so as to stabilize the existing inconsistent supply Fund drilling of boreholes and construction of water reservoirs and treatment chambers in Ndavaya ward, so that residents and livestock stop depending on untreated drying dams, focusing on community-based solutions.
	Severe water scarcity: many locals rely on seasonal rivers, which dry up, leaving people without water for drinking, sanitation or irrigation. The few water-points are either non- functional or contain water with high levels of salt and dangerous chemicals	Participant Proposal: Funding programmes on water conservation practices borehole drilling and water harvesting projects to create sustainable water sources for household, schools and health facilities. Allocate resources for water purification system.
	Long distances to water points; women and girls who have been given the traditional roles of fetching water travel for long distances to access the commodity. In some areas, they have to contend with the twin risks of attack by wild animals or sex predators where access to water is a challenge	Increase budget allocations for permanent and sustainable water sources such as boreholes, water pans, and rain water harvesting systems, especially in remote areas where access is a challenge

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
		Fund and support community-based water management systems, with a particular focus on women's involvement in water committees and decision-making processes.
	Inadequate sanitation facilities: Limited access to clean water has led to poor hygiene and increased prevalence of water borne diseases like diarrhoea, cholera and typhoid	Allocate resources for sanitation in all schools Fund hygiene awareness campaigns on sanitation, proper waste disposal, hand washing and water purification Invest in integrated WASH hubs Invest in research and development for innovative and low- cost sanitation technologies
	Access to basic amenities by pastoral communities	Accelerate construction and solarization of boreholes in water stressed pastoralist settlements, develop multipurpose water infrastructure serving both households and livestock, protect springs and water catchment areas, increase investment in rangeland and landscape restoration Ensure water projects incorporate child safeguarding, accessibility and gender considerations
	Mismatch between external project funding and domestic obligations: projects such as Thwake and Mwache can stall when land acquisition, wayleave compensation and utility relocation are not funded on time. There is KSh 1.2 billion unpaid land claims at tana water Works	The CBO proposed that the State Department should budget for counterpart realistically and publish their release schedules
	Budget allocations and delayed funding for water projects, including Equalization fund projects in seven marginalized counties do not adequately address persistent gaps in basic services. Underserved communities face prolonged barriers to clean water, sanitation and healthy environment, undermining equitable access and progress towards fulfilling constitutional obligations	The CBO proposed that the department should prioritize allocations according to service gaps and vulnerability, release funds promptly for implementation- ready projects and publish clear justifications showing how budget decisions address the needs of marginalized communities
Governance Issues	The sector required stronger national-county and intersectoral coordination, risk management and digital data systems.	Strengthen joint planning, adopt a sector risk register and sensitivity analysis, institutionalise natural-capital indicators, and prioritise completion and readiness of capital projects before expanding the project portfolio.

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
	Performance reporting focused largely on outputs, with inadequate unit costing and gaps in linking expenditure to outcomes.	Incorporate unit costs and strengthen the link between financing, outputs, outcomes and national development results. Establish clear baselines, annual trajectories and end-of-MTP targets.
	Court awards amounted to approximately KSh 14.94 billion, while only about KSh 2.25 billion had been paid, exposing the sector to fiscal risks.	Strengthen monitoring of court awards, payment progress and associated fiscal risks, and integrate outstanding compensation liabilities into risk management.
	Inconsistencies existed in reported water beneficiaries, including the figure of an additional 6.45 million people, and in forestry tree-growing achievements and units of measurement.	Reconcile the beneficiary figures and forestry performance data, correct inconsistencies and standardise units across the report.
	Wildlife fencing and maintenance targets, including the reported 7,850 km figure, required reconciliation. Human-wildlife conflict reporting and compensation liabilities were not adequately integrated into performance and risk management.	Reconcile the reported targets, establish structured tracking of incidents and compensation backlogs, assess mitigation cost-effectiveness and link habitat restoration and tourism infrastructure to biodiversity and revenue outcomes.
	National and county expenditure on garbage collection was not clearly quantified.	The participant proposed obtaining consolidated data to support prioritisation and more efficient use of limited public resources, including household-level waste separation.
	Some residents affected by the March 2023 floods along riverbanks, including areas around Kiamaiko and Korogocho, reportedly had not received compensation.	The matter was raised for government attention.
	Water infrastructure protection, illegal connections and accountability for water losses required stronger enforcement and coordination with water service providers.	The PS called for collaboration with Nairobi Water and other water service providers to identify illegal connections and broken pipes. The PS emphasised the need for improved management of existing infrastructure and water rationing.
	Sector programmes lacked adequate disaggregated data on the number of persons with disabilities reached, limiting the ability to plan and budget for their needs.	Provide disaggregated data on the number of PWDs reached by the sector programmes
	Illegal logging remained a concern, requiring stronger enforcement and public cooperation in reporting unlawful activities.	The PS for Forestry stated that the Government was working to eliminate illegal logging and encouraged the public to report cases through established hotlines. The PS clarified the distinction between illegal logging and authorised harvesting of plantation trees.

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
	The fencing of Rimoi Reserve reportedly proceeded without adequate consultation with the local community, despite community concerns that the area required verification before fencing. The participant warned that this could cause conflict between the community and forestry authorities.	The issue was noted by the Government for necessary action
	Illegal mining in Nyatike and Migori was contributing to environmental degradation and potential water pollution. Enforcement remained challenging because some offenders returned to the sites after paying cash bail.	The PS reported collaboration with NEMA to suspend unauthorised mining operations, restrictions on authorised sodium cyanide suppliers, and measures to formalise artisanal miners through cooperatives. The department had issued notices to approximately 24 illegal mining operations in West Pokot and was pursuing enforcement against illegal operators.
	The participant commended the sector's presentation and accountability in reporting expenditure and implementation. However, concerns were raised about the sharing of Amboseli National Park revenue between the National and County Governments.	The participant advocated for the agreed 50:50 revenue-sharing arrangement between Kajiado County Government and the National Government/Kenya Wildlife Service.
	Over extraction and competing uses at Nyalani dam: The Nyalani irrigation scheme and the Nyalani dam that supplies it face significant strain because the same dam distributes water for both irrigation and human consumption, leaving insufficient water for domestic needs for Puma ward residents hence the inconsistent water rationing	Commission a technical assessment of the Nyalani dam's sustainable yield, and how it is currently allocated between irrigation and domestic consumption Consider developing a dedicated domestic- only off- take or distribution line, separate from the irrigation scheme's water use to protect household water security
	Ground water protection: Unsafe drilling may expose communities to unsuitable water that threaten aquifer quality, undermining ground water reliability during future shortages	The department should fund a joint WRA and ground water centre investigation, enforce drilling and testing requirements, and apply site- specific corrective measures supported by scientific evidence and community monitoring
	Potential conservation revenue, local processing opportunities and community benefits may remain unrealized. Poorly designed financing arrangements could also expose public budgets and community rights to risk	The CBO proposed the National Govt to fund carbon baselines, project preparation and transparent benefit sharing agreements with realistic revenue projections and accountable reporting as well as complete marine spatial planning through County and community participation, reconcile fisheries catch and licensing records, and assess lawful revenue sharing and local landing

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
		arrangements supported by adequate port capacity and artisanal fishing support
	Gaps in documenting agreements and institutional responsibilities create uncertainty over benefit sharing rights and safeguards for wild fish populations. Kenya risks missing legitimate benefits from commercial use of genetic resources, access pursuing unsupported royalty claims and exposing native fish populations to genetic contamination	The CBO proposed the national government to fund a coordinated aquatic genetic resource audit, review existing access and transfer agreements, and clarify applicable benefit sharing obligations before pursuing royalties or levies. Strengthen biosecurity to prevent farmed strains from escaping into natural waters.
	Inadequate domestic water supply in Mata ward: most households in Mata ward lack reliable access to clean and safe piped water	Consider funding a technical feasibility study and cost estimate for the proposed gravity fed water supply system and include the project in the appropriate budget programme Provide for rehabilitation of existing pipelines where required, water quality monitoring, storage, maintenance and sustainable operation
	Recurrent flooding in Matat ward: residents report flooding in residential and agricultural areas of Mata ward including Ngaa village, swampy areas in Kimorigo, Kiwalwa, Ngutini and Marodo	Consider funding an integrated flood risk and hydrological assessment of the identified locations Provide for maintenance of completed structures and community-based preparedness and early warning measures
	Siltation and ecological deterioration of aquatic life in the lake Jipe:	CBO proposed: Consider a costed lake catchment assessment if no suitable intervention exists
PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS SECTOR		
Policy Issues	Inconsistencies were identified in reported budget figures and absorption rates.	Review and correct discrepancies before publication.
	Equitable resource allocation: Marginalized and border communities raised concerns about unequal access to government services and resources.	Use the Equalization Fund, Division of Revenue Act and County Allocation of Revenue Act to promote equitable distribution; expand service points.
	Human-wildlife conflict: Elephants destroyed crops, threatening food security, livelihoods and children's school attendance	Report incidents through national government administration officers and pursue human-wildlife compensation and intervention by the responsible department.

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
	Disability inclusion: The sector was asked how public institutions would employ persons with disabilities, provide reasonable accommodation and improve accessible services.	The concern was acknowledged for further clarification and action under the Persons with Disabilities framework.
Project Implementation Issues	Only that capital projects were completed despite high-budget absorption; the report does not adequately explain project implementation stages or expenditure-to-results linkages.	Provide detailed project-status analysis, apply project-readiness criteria, strengthen monitoring and evaluation, and complete ongoing projects before starting new ones.
	Accumulating pending bills are affecting contractors, suppliers and MSMEs and delaying projects	Verify pending bills, establish time-bound payment plans, provide timely funding and strengthen commitment controls in IFMIS.
	Huduma services: Some communities travel long distances to access Huduma Centres, while applicants lack timely notification when IDs and other documents are ready	Expand Huduma Centres to sub-counties, establish additional border centres, continue Huduma Mashinani outreach and send SMS notifications when documents are ready.
Resource Allocation Issues	The sector faces a funding gap of approximately KSh 239.1 billion for FY 2027/28, limiting implementation of planned programmes	Prioritize high-impact programmes, essential commitments and efficiency savings; mobilize additional resources through PPPs and development partners.
Governance Issues	Participants reported cross-border arrests, strained relations with neighbouring countries and criminal activity along border areas.	Refer the matter to the responsible foreign-affairs and interior-security authorities for action and coordination
	Participants alleged that relief food is being politicized and not equitably reaching affected communities	The Government acknowledged the concern and stated that relief food should not be politicized; the matter would be taken up with the responsible authorities.
	Reports were raised of children being out of school, child labour and inadequate support for special-needs learners.	Coordinate with the education sector and refer the matter to the relevant public-hearing forum; affirmative action was proposed for affected communities.
	Retired teachers reported delays in receiving their dues	Pensioners were advised to seek assistance through Huduma Centres; the government stated that reforms had improved processing and that specific long-outstanding cases required follow-up
	County governance: Concerns were raised about misuse and misappropriation of county funds	Strengthen oversight by the Senate, county assemblies, EACC and other mandated institutions, and report suspected corruption.

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
	Refugee and asylum-seeker services: Concerns were raised about closed registration offices and a backlog of pending cases	The matter was referred to the Governance, Justice, Law and Order sector for detailed response; border Huduma Centres are being expanded.
AGRICULTURE, RURAL AND URBAN DEVELOPMENT SECTOR		
Policy Issues	Bio-fortified seeds and stunting Requested inclusion of bio-fortified seeds in the Government fertilizer/seed subsidy programme, noting persistent stunted growth and exclusion of Endebess from the programme.	The agriculture representative indicated that the matter would be taken up with seed-multiplication institutions, including Kenya Seed Company,
	Further reduction and continuity of fertilizer subsidy Asked whether fertilizer prices would fall from KSh2,000 to KSh 1,500 and whether the subsidy would continue beyond the election period.	The representative explained that Government subsidized the difference between the farmer price and the market price and urged that subsidized fertilizer be used domestically.
	Three-mile restriction affecting Garissa access to Tana River: Called for removal/review of a boundary restriction said to prevent Garissa farmers from accessing Tana River water and to contribute to recurring conflict and barriers to farming.	The matter requires follow-up by the relevant land/boundary and water authorities.
	Promotion of local edible-oil crops: Asked how the budget would support local production of sunflower, canola and other oil crops to reduce edible and industrial oil shortages and import costs.	The Agriculture Ministry representative said sunflower and canola promotion was underway and that sunflower seed had been distributed to farmers, with the aim of reducing the large import bill for edible oil.
	Alternative financing for agriculture and land reforms.	Recommended non-traditional funding sources, including climate/green funds, carbon finance, non-conventional donors, civil-society/non-profit funding and corporate partnerships to supplement the Exchequer.
Project Implementation Issues	Human-wildlife conflict reporting and crop-loss compensation: Farmers in Endau/Malalani lost green grams, finger millet and watermelon to wildlife. The 72-hour reporting requirement and long distance to Mutomo prevented timely reporting, farm valuation and compensation.	State Department for Agriculture indicated it would work with the County Government to improve reporting and response, including exploring technology-based reporting and having officers visit affected farms. Reports would then be shared with KWS for further action.
	Titling of community land in Endau/Malalani Community members lack title deeds for land, limiting their ability to use land as security to obtain development loans.	The Sector Chair stated that Endau was an ongoing adjudication section and that titling would be fast-tracked. The titling

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
		programme was included in the budget request under consideration.
	Water pans/dams along Enziu (Nzeeu) River: Requested water pans or dams to capture seasonal runoff and support irrigation, given unreliable rainfall and dependence on rain-fed agriculture.	The State Department for Agriculture stated that they had a programme for water pans and dams for farming and domestic use in water-scarce areas.
	Titling of Muchongoi residents and inclusion of persons with disabilities: Asked for progress on title deeds for Muchongoi, noting the target of 1.13 million title deeds, and requested that persons with disabilities not be left behind in Government programmes.	The Sector Chair explained that Muchongoi remained gazetted forest land. A petition, KFS recommendation, Cabinet consideration, parliamentary approval and gazettement are required for degazettement. The process was being pursued, but court action and the need for an environmental assessment were noted.
	Pastoralist capacity-building and veterinary skills: Requested training, research and veterinary support for Pokot and other pastoralist communities to manage livestock, their main livelihood asset.	The State department for Livestock explained that relevant functions are partly devolved and encouraged engagement with County Governments. The State Department said it works with counties on capacity building and breed improvement, using livestock farms where appropriate.
	Severe human-elephant conflict in Kajiado: Reported elephant attacks destroying crops, worsening food insecurity and water access, and causing deaths of residents/children; requested Government intervention.	The sector indicated that wildlife cases reporting and assessment should be coordinated with County Governments and KWS.
	Flooding in Taveta affecting farms and agro-processing supply: Reported that flooding along the Lumi River had inundated farms and reduced raw-material supply to rice, banana and maize processing plants; sought support for affected farmers.	The State Department for Agriculture acknowledged the flooding concern and noted the role of agro-processing/value addition in increasing employment and retaining value locally.
	Drying of Lake Chala: Asked what measures were planned to conserve Lake Chala as it continued to dry.	
	Public participation submissions and written follow-up Participants raised multiple matters requiring detailed departmental responses, including irrigation and other issues that could not be fully addressed within the session time.	The Session Chair requested that outstanding questions be submitted as memoranda through the convener and committed to coordinating responses within 48 hours, including issues relating to irrigation.

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
Resource Allocation Issues	Allocation and compensation for cross-border Amororo/Damaloyo Dam: Asked whether the budget provided for the cross-border dam and compensation for people who may be displaced by the project.	The Session Chair undertook to follow up with the PS for Irrigation and the relevant Secretary
	Relative funding for ARUD compared with other sectors: Argued that agriculture, land, livestock and blue economy contribute substantially to GDP but receive a lower share of development funding than Education and Infrastructure; sought a more equitable allocation.	The Sector Chair acknowledged the need for more resources but noted competing priorities and a constrained resource envelope. PPPs and securitisation were mentioned as possible ways to finance infrastructure and free resources for the sector.
	Additional funding for National Land Commission historical claims: Requested more than KSh 10 billion for NLC to settle historical land compensation claims, including those linked to SGR, Masinga, Nyandarua and other projects.	The Sector Chair acknowledged the need for additional resources and the sector's competing demands.
	Budget figures and recurrent/development balance Questioned the consistency of the sector's budget requirement and projected allocation and the balance between development and recurrent expenditure; requested clearer explanation of the figures.	The Sector Chair acknowledged resource constraints and the need to explore alternative financing, including PPPs and securitisation.
	Drought-related livestock losses and improved breeds Reported severe drought losses of approximately 1,100 livestock among two households and requested Zebu and Boran breeding bulls to improve meat and milk production.	The State Department for Livestock representative outlined that the Government had undertaken restocking programmes in recent years.
Governance Issues	Land compensation and settlement for Lamu project-affected residents: Raised lack of communication and uncertainty over compensation/settlement for residents who said they had occupied the land for decades, in relation to land set aside for the Lamu/LAPSSET corridor, refinery and Government institutions.	The Sector Chair (PS Lands) stated that a technical committee would be constituted to identify deserving beneficiaries and that people would not be deprived of land without compensation or settlement. Government records of beneficiaries were said to be available through NLC. The concerns were disputed in part by the response, which described the launch site as public/government land.
	Location of Teso North land registry/records Questioned why title deeds/land records for Teso North, Busia County, were managed in Bungoma County and requested that administration be returned to Busia.	The Sector Chair acknowledged the concern and said the Chief Land Registrar would work towards identifying a central location in Busia North, gazetting the registry and establishing an office; an existing Government building could be adapted if suitable.

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
	Illegal diversion/resale of subsidized fertilizer Raised concern that subsidized fertilizer intended for Kenyan farmers was allegedly being resold across the border to Uganda at higher prices.	The Agriculture Ministry representative stated that cases had been investigated by DCI and some taken to court. Members of the public near border areas were asked to report suspected diversion to police; those found culpable would face the law.
	Historical land injustice at Rimoi/Kaptagat (Chemusart): Reported alleged illegal acquisition of community land, noting a prior NLC inquiry and lack of resolution, and described conflict with KWS and land degradation linked to livestock activity.	The sector referred generally to collaboration on historical land injustices.
	EDUCATION SECTOR	
Policy Issues	Equity and impact of sector spending: clarify whether available resources will improve equitable access, learning outcomes and employability; prioritise measurable learning-outcome indicators for the next MTEF.	The participant recommended stronger links between resources, implementation and measurable outcomes; use of disaggregated equity and learning indicators and outcome-focused monitoring.
	Review and regulation of Alternative Provision of Basic Education and Training (APBET)/community schools, including learners still following 8-4-4 and difficulties transitioning to CBE.	The Ministry noted that APBET guidelines and relevant provisions under the Basic Education Act were under review, with submissions received by the Parliamentary Committee. It also cited targeted classroom expansion in Nairobi, including 560 classrooms during the Grade 9 transition.
	Need for clear policy and guidance on school leadership, governance, values, morals, safeguarding and child protection, including support for school boards to develop and implement policies.	The Teachers Service Commission is implementing the Teacher Induction and Mentorship and Coaching programme which aims to address all governance issues for teachers, identify any gaps with a view to address them. The Community Service-Learning Area is expected to address any issues with learners by combining classroom learning and community service, giving students the opportunity to work with community members to solve local problems.
	Clarify the mandate for SNE services across national and County Governments, especially pre-primary SNE, and ensure responsibilities are matched with budgets and expenditure monitoring.	The Ministry explained that ECD is devolved and that the Ministry of Education handles policy and only funds SNE to the level that concerns the National Government. The other bits of ECDE are under the Domain of the County Government. The Ministry of Education works very closely with the Council of

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
	Clarification of responsibility for ECD and special-needs education at pre-primary level, including who should budget for and monitor SNE ECD services.	Governors and County Governments on policy, regulation and delivery.
	The participant raised concern on the level of transparency when it comes to teacher recruitment alleging lack of fairness and involvement of the political class	Strengthen the integrity and transparency of teacher recruitment and prevent political interference in recruitment decisions
	Review the policy and implementation of school levies and ensure capitation arrangements prevent learners being excluded from school or transition because of additional charges. A participant also cited concerns about levies for sports, prayer meetings, examinations and other activities.	The Ministry stated that capitation is provided across primary, junior and secondary education and that field officers address excessive levies where identified.
	Review the basis and value for money of national examination expenditure and strengthen examination integrity in view of reported cheating.	The PS explained that examination costs cover examiners, supervisors, invigilators, printing, transport/logistics and security, including helicopter transport where necessary and have been costed accordingly.
	Develop stronger measures to link TVET and higher education programmes to labour-market needs, employment, self-employment, enterprise creation and local innovation.	The research-institute representative recommended tracking employment and enterprise outcomes and aligning investment to current and emerging skills demand.
Project Implementation Issues	School feeding programme coverage in drought-affected Nyatike South Sub-County, where learners reportedly receive only an evening meal and are not benefiting from the programme.	The Ministry explained that the programme targets identified drought-affected areas, informal settlements and other vulnerable pockets.
	ECD institutions in Nyatike reportedly lack teaching and learning materials, while CBE-related devices are unavailable.	The Ministry acknowledged that some county ECD institutions lack adequate facilities and stated that the State Department of Basic Education works closely with the Council of Governors and County Governments on policy, regulation and delivery. The Ministry will continue to encourage County Governments to construct more ECDE infrastructure
	In Lamu County, inadequate classrooms, laboratories and libraries, teacher shortages, overcrowding, insecurity and delayed school opening in Basuba Ward are disrupting learning.	The PS acknowledged the budget has a component for school infrastructure and indicated that the Ministry would review the urgent support for the school in Lamu with a view to support it further within available resources.

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
		On teacher recruitment, it was noted that the Government for the last 4 years has increased the budget for teacher recruitment with 100,000 teachers employed. The Government has equally provided resources for conversion of intern teachers into permanent and pensionable terms. Security interventions were said to have really improved but the Ministry will still follow up.
	KIBHT (Kenya Institute of Building and Highway Technology) in Ratama, Teso North, reportedly has 10 acres secured but no development has commenced.	The TVET representative stated that the institution is associated with the Ministry of Roads and Transport, while TVET provides policy direction on quality, examinations and infrastructure standards. The representative undertook to continue engagement and provide feedback.
	School land ownership remains unresolved in some institutions because title deeds have not been issued.	The Ministry stated that it was working with the National Land Commission, Department/Ministry of Lands and national administration structures to document school land and secure title deeds. The process had started but was not yet complete.
	Learners in Mathare face inadequate TVET training materials and tutors; concern was raised about a deaf tailoring tutor being deployed to train learners without adequate accommodation/support.	The TVET representative explained that Vocational Training Centres (VTCs) fall under County Governments, while the national government handles National Polytechnics, Technical, Vocational Centres (TVCs) and Special Needs TVETs. Engagement with counties on revitalization of VTCs especially tutors/trainers, infrastructure and equipment were said to be ongoing.
	Some learners in Mathare community/APBET schools reportedly remain on the 8-4-4 system and face barriers transitioning to CBE; some neighbourhoods lack government schools.	The Ministry cited ongoing APBET guideline/Basic Education Act review and classroom expansion efforts in Nairobi.
	Learners at Mathare Special School reportedly lack birth certificates and disability identification documents, limiting access to support.	It was clarified that any eligible citizen is guaranteed of obtaining Ids upon attaining 18 years.
	Garissa reportedly has only one school for deaf learners serving a wide geographical area; a proposal was made to establish deaf centres in every sub-county.	The Ministry cited the existing network of special and integrated schools and explained that County Education Boards register

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
		public schools where need is demonstrated and minimum standards are met. There has been investment in the area of special schools with dedicated SNE schools all the way to Senior schools. The Ministry equally provides top up capitation for SNE students over and above the normal capitation to ensure that SNE students are equally well resourced
	Lamu lacks a dedicated special school; the existing disability facility reportedly combines learners with different needs in one setting.	The Ministry acknowledged the concerns raised by the Lamu representative and referred to the need to assess local needs and school-registration requirements.
	Slum-upgrading and housing developments in Kibera, Mathare and Mukuru are increasing demand for education facilities, while Sarang'ombe and Lindi wards reportedly lack public ECDE, primary or secondary institutions.	The Ministry cited urbanisation, limited land and historical planning challenges in Nairobi, and referred to classroom expansion and targeted interventions.
	Concerns over delayed completion of ongoing education projects, stalled projects, pending bills and projects with low completion despite high expenditure.	KIPPRA recommended prioritising completion of high-impact ongoing projects, verifying physical progress, establishing realistic completion dates and calculating costs to complete before initiating new commitments. A time-bound pending-bills clearance plan was recommended.
Resource Allocation Issues	Declining sector absorption rising pending bills and fiscal pressures; request for a time-bound plan to clear pending bills and prioritise projects.	The discussant recommended a sequenced financing plan to clear pending bills and complete high-priority projects.
	Need to protect essential services and determine which commitments take priority when sub-sector financing gaps occur.	Recommendations included prioritising essential service delivery and critical learner-transition needs; no definitive ranking of protected items was recorded.
	CBE transition creates additional demand for classrooms, laboratories, science hubs, learning materials and assessment systems; allocations should reflect actual enrolment and geographic/remoteness needs.	The Ministry acknowledged that infrastructure funding was generally inadequate and indicated that urgent gaps would be reviewed subject to available resources.
	Targeted financing for learners with Special Needs Education (SNE) is inadequate, with concern about reduced support per learner, insufficient teachers, materials and infrastructure, and children remaining out of school.	The PS assured participants that SNE was a priority and that the Ministry was very keen on Special Needs Education (SNE) and referred to assistive devices and partnerships.

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
		The Ministry equally provides top up capitation for SNE students over and above the normal capitation to ensure that SNE students are equally well resourced This is prioritised before distributing the remaining budget. Participants continued to call for increased and better-targeted funding.
	Declining allocations to the SNE Directorate and to institutions producing learning materials for visually impaired learners; limited investment in stage-based learning pathways and special-school infrastructure.	The participant urged the sector to review the SNE resource envelope and strengthen investment in stage-based pathways, special-school infrastructure and materials. The Ministry described existing interventions but acknowledged that more needed to be done.
	Need for more funding for science, research and innovation embedded in the CBE curriculum, including laboratories/research innovation centres and teacher capacity to support local research.	The participant recommended increased and integrated funding for research and innovation.
	Higher education funding: request to increase government university funding and Constituency Development Fund/bursary support so university education can become free or more affordable.	Concern was raised for consideration. It is however noted that the Government has continued to increase resources towards funding the Students Centred Funding Model (SCFM) through increased allocation to HELB and Universities Fund for Student Loans and Scholarships respectively
	Concerns that a high share of education resources goes to recurrent spending and examinations while development allocations remain low; request to prioritise development and value for money.	The PS explained that examination expenditure covers staffing, printing, logistics and security, and stated that development funding supports infrastructure and related items. There was emphasize that every item of expenditure is properly costed before consideration for funding.
	University learning disruptions due to lecturers' strikes and students staying away from class or taking longer to complete courses.	The PS stated that the Cabinet Secretary for Education, the State Department for Higher Education and the State Department for Labour had begun negotiations aimed at reaching a workable solution and restoring continuous learning.
	Additional levies for sports, prayer meetings, examinations and other activities place an unaffordable burden on parents and may prevent transition to junior school.	The Ministry stated that capitation is provided and that field officers address excessive levies when identified.

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
	Need for adequate Educational Assessment and Resource Centre (EARC) assessment services and staffing at sub-county level so learners with disabilities can be assessed and placed in schools.	The participant noted that EARC functions were being performed by officers available only intermittently and recommended employment of dedicated officers and revitalisation of local centres.
	Need for adequate infrastructure, equipment and tutor funding for county vocational training centres.	The TVET representative said the national government would continue engaging County Governments to ensure vocational grants are used for tutors, infrastructure and equipment. A previous KSh 2 billion grant to vocational training centres was mentioned as having been transferred to county custody following devolution arrangements.
Governance Issues	Teacher shortages and uneven deployment, particularly in Lamu and special-needs institutions, are affecting class sizes, safety and teaching effectiveness.	The PS cited increased teacher recruitment in recent years with 100,000 teachers employed over the last 4 years and stated that TSC periodically balances deployments and could address identified shortages through recruitment or redeployment.
	Insecurity and attacks in Basuba Ward, Lamu, cause school closures and delayed opening, disrupting access to education.	The PS stated that security had improved and undertook to follow up the concern about the limited number of schools serving Basuba. Security coordination was attributed to the relevant national administration structures.
	Potential undue influence of teacher unions/associations in school affairs and concern that school funds may be used to support associations or that principals are coerced.	The PS stated that unions and professional associations participate as education stakeholders in policy and sector discussions, and that the Ministry engages them where necessary.
	School governance and safeguarding capacity is weak, with school boards and school leaders needing clearer guidance, capacity building and resources to address unrest, values and child protection.	The participant encouraged capacity building of school boards and school leaders
	School principals allegedly continue withholding certificates contrary to the Ministry's directive; request for accountability and sanctions.	The participant proposed that the ministry should come up with ways of enforcing the directive
	Concerns about unauthorised or excessive school levies and lack of accountability for charges imposed on parents.	The Ministry stated that field officers are expected to investigate and address excessive levies where reported.
	Need for reliable KEMIS learner records, system interoperability, verification, data protection and transparent monitoring of learner transitions and equitable resource deployment.	The research-institute representative welcomed the transition from NEMIS to KEMIS and recommended clear readiness milestones, equity checks and improved data governance.

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Category of Issues	Issues	Proposed Way Forward/Action Taken/Response
	School land protection and inter-agency coordination are needed to complete title deeds and prevent disputes or loss of school land.	The Ministry described ongoing collaboration with the National Land Commission, Lands, Interior and local administration/community structures to document and protect school land. The Intergovernmental collaboration will ensure that school land is protected across the Country.

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Annex Table 7: Public Proposals and Comments on the 2027 Budget Policy Statement

Sector/Policy Area	Proposal/Comment	Way Forward/Action Taken/Response
Securing the gains of the Bottom-up Economic Transformation Agenda for resilient and broad-based growth	Proposed Cash Transfer for Orphans and Vulnerable Children (CT-OVC) target would cut support to 12,538 of the poorest households with children and the sector priorities leave the programme out altogether. The proposal is to review the target of CT-OVC to 429,023 households.	The Government remains committed to protecting vulnerable children through the CT-OVC Programme, which currently supports 429,023 households. The medium-term target in paragraph 92(i) has been reviewed to sustain the current caseload, and households exiting the programme after recertification.
	The BPS presents a positive picture of restored macroeconomic stability that does not fully reflect the realities facing citizens, including the high cost of living, fuel and milk shortages and reduced food production arising from drought in maize-producing areas. The BPS should explain how the half-price input subsidy and other measures will cushion households in the election year.	The Government recognises that households continue to face cost-of-living pressures arising from the drought, the oil price shock and the anticipated El Niño rains. To cushion households, the Government is implementing the fertiliser and seed subsidy programme, which reaches 7.4 million registered farmers with targeted interventions to enhance agricultural productivity and food supply, alongside the cash transfer programmes, the school meals programme and the reduction of VAT on petroleum products.
	The share of agriculture in GDP, which rose from 21.0 percent in 2022 to 23.2 percent in 2025, is presented as an achievement. Under a structural transformation agenda, a rising agricultural share alongside a static manufacturing share signals slow transformation. Agricultural performance should be reported through output growth and productivity, and the manufacturing share of GDP should be included.	Agriculture is the backbone of the economy and the first pillar of BETA, and the growth in its share of GDP reflects improved productivity supported by the input subsidy programme.
	The commitment of KSh 50 billion a year through the Hustler Fund (paragraph 14) should be withdrawn or restated, and the Fund's loan recovery position and expected write-off should be disclosed.	The Hustler Fund has disbursed KSh 93.4 billion to 28.5 million beneficiaries, extending affordable credit to previously unbanked and underserved Kenyans. The commitment of KSh 50 billion a year in paragraph 14 covers the Hustler Fund together with SACCOs, venture capital, equity funds and long-term debt for start-ups and growth-oriented enterprises. The

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		performance of the Fund, including loan recovery, will continue to be monitored to ensure its sustainability.
	Housing delivery figures differ across the document: 277,281 units completed or under implementation (paragraph 3(xiv)), more than 280,000 units (paragraph 22(i)) and 183,977 units (paragraph 244). The social housing target is 120,000 units in paragraph 23 and 150,000 units in paragraph 246. The figures should be reconciled.	The housing figures have been reconciled across the document. The social housing target has also been aligned.
	Homeownership remains out of reach for informal sector households, and there is little information on the affordability of housing finance products, beneficiary income bands and uptake. Land administration faces delays in registration, unresolved disputes and fragmented systems. The Government should expand tenant-purchase schemes and low-interest mortgages for low-income and informal workers, and accelerate digitisation of land administration, reporting on title processing timelines, pending transactions and dispute resolution.	The Government will continue to deepen affordable housing finance through the Kenya Mortgage Refinance Company, tenant-purchase arrangements and the Affordable Housing Levy, with a focus on low-income and informal sector households. Digitisation of land administration will continue, to improve the efficiency and transparency of registration and titling.
	Reported achievements for FY2023/24 to FY2025/26 differ between Chapters I and III. Irrigation area expanded by 108,210 acres (paragraph 35) against 66,703 acres (paragraph 291). Paddy production is 303,724 tonnes in 2025 (paragraph 10(viii)), 867,549 tonnes (paragraph 291) and an implied baseline of 353,047 tonnes (paragraph 294). Services on e-Citizen are nearly 21,000 (paragraph 25(iii)) against 12,677 paragraph 245), and public institutions connected are 5,865 (paragraph 25(i)) against 5,786 (paragraph 245).	In Chapter I the achievements noted are for five years, from FY 2021/22 to FY 2025/26 while in Chapter III it is over the three years MTEF review period from FY 2023/24 to FY 2025/26.
	Paragraph 44 lists first oil from South Lokichar at 20,000 barrels per day by December 2026 as a medium-term priority, although the date falls before FY 2027/28. Paragraph 248 repeats the 20,000 barrels per day target. The	The project is still ongoing. The following activities are planned for implementation: Preliminary activities on land acquisition; resettlement for Etom, Agete and Ekales oil fields; and monitoring of crude oil production and evacuation.

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	status of the Early Oil Production Facilities and the treatment of oil revenues in the projections are not stated. The BPS should report progress on this milestone and state whether petroleum revenues are included in the revenue projections.	
	The electricity priorities for FY 2027/28 and the medium term (Section 1.3.1.3) should be presented according to the budget programmes, that is, Generation; Transmission and Distribution; Alternative Energy; and Policy and Regulations.	Section 1.3.1.3 has been restructured in line with the budget programmes of the State Department for Energy.
	Beyond the use of PPPs for mega dams (paragraph 32), the Government should implement targeted interventions to bridge inequalities in access to clean and safe water in water-scarce counties such as Kitui, West Pokot, Baringo, Marsabit, Samburu and Turkana. The number of people connected to clean and safe water since 2022 should be disaggregated by location.	The Government is committed to universal access to clean and safe water. It will continue to prioritise arid, semi-arid and water-scarce counties through investment in water pans, boreholes, small dams and bulk water supply, in line with the principle of equity in resource allocation.
	Allocations to mega dams have been inconsistent, with projects such as Saimo-Soi, Siyoi-Muruny, Itare, Badasa, Amaya, Kirandich, Yamo, Keben, Kimwarer and Arror appearing and disappearing across programme-based budgets. The Government should prioritise a few strategic dams in water-scarce locations, maintain a schedule of all mega dams with their status and allocations, and include water treatment in the design and costing of dams.	In line with the budget guidelines, priority is given to ongoing projects, especially those nearing completion, before new projects are initiated. The sector is prioritising completion of strategic projects such as Siyoi-Muruny Water Project and Mwache Dam through a mix of public financing and PPPs. A schedule is kept tracking the budget for projects, allocations to date and completion status.
	Capitation for Free Primary Education, Junior School and Free Day Secondary Education is below the approved per-learner rates, and the shortfall is recovered from parents through levies that block transition. The Government should fund capitation at approved rates adjusted for inflation, publish a termly disbursement schedule and school-level	The Government remains committed to free and compulsory basic education, and capitation grants support to more than 14 million learners. The education sector has been allocated KSh 857.4 billion, KSh 942.3 billion and KSh 1,016.3 billion in FY 2027/28, FY 2028/29 and FY 2029/30 respectively, within which capitation will be prioritised.

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	receipts, and consider redirecting bursary resources of about KSh 26.5 billion to capitation.	
	Strengthen the link between sector ceilings, programme outputs and measurable development outcomes by requiring a limited set of costed, time-bound and disaggregated indicators aligned with national priorities and the Sustainable Development Goals. Integrating the indicators into e-NIMES would improve expenditure tracking, corrective action and accountability for results.	In line with Economic Planning, Statistics and Accountability for Results, MDAs will integrate costed, time-bound and disaggregated outcome indicators into the Programme-Based Budget and MTEF process, while e-NIMES will link programme outputs and sector ceilings to measurable development outcomes.
	Institutionalise Gender Responsive Budgeting across the budget cycle so that MDAs identify gender gaps, allocate resources to address them and report against sex and age-disaggregated indicators. This would show how mainstream sector expenditure affects women and girls, beyond dedicated women's programmes.	Under the Women Agenda and the criteria for resource allocation, MDAs will identify gender gaps, allocate resources to address them and report against sex and age-disaggregated indicators across sectors.
	Shift measurement of youth expenditure from participation and programme coverage towards transitions into employment, decent work, job quality, enterprise survival, productivity and income growth. The Youth Enterprise Graduation Framework and Kenya Youth Development Index should be linked to programme budgets and labour-market evidence.	The Youth Enterprise Graduation Framework, Youth Skills-to-Work Transition Framework, and Kenya Youth Development Index and Results Dashboard will be linked to programme budgets and labour-market evidence to track durable employment, enterprise and income outcomes.
	Reporting on State Corporation and Government-Owned Enterprise reforms should show the status of mergers, dissolutions and transfers of functions; realised fiscal savings; changes in Exchequer support and guarantees; and the treatment of assets, liabilities and employees.	The National Treasury will report periodically on implementation of State Corporation and Government-Owned Enterprise reforms, including progress against approved timelines, fiscal implications, realised savings, transfers and guarantees, and the treatment of assets, liabilities and employees.
	The Government should develop a comprehensive strategy for completing viable stalled projects, prioritise ongoing projects nearing completion before starting new ones, and	Sector Working Groups will continue to prioritise viable ongoing projects, particularly those nearing completion, in accordance with the Public Investment Management

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	publish their financing requirements, implementation constraints and revised completion dates.	framework. MDAs will report project status, financing requirements, implementation constraints and revised completion dates through the budget process.
	Women Enterprise Fund allocations and medium-term projections should be clearly identified and linked to loan disbursement, recovery, beneficiary, financial literacy and enterprise outcome targets, supported by consistent sex, age, county and socioeconomic disaggregated reporting.	Women Enterprise Fund financing and performance will be reported separately from other affirmative action funds. Budget submissions and performance reports will link allocations to disbursement, recovery, beneficiary and enterprise outcome indicators and will strengthen disaggregated reporting for value-for-money assessment.
	The commitment to reduce unpaid care work should be supported by identifiable interventions for care services and infrastructure, including school feeding and long-term care, and by resources for time use and care economy data to inform policy.	MDAs will identify relevant care-economy interventions within their programmes and strengthen reporting on related expenditure and outcomes. The Government will also support the production and use of time use and care economy data to inform future policy and resource allocation decisions.
	Special needs education funding should be ring-fenced with a published per-learner rate, and an educational assessment officer should be funded in every sub-county. Funding for the Kenya Institute for the Blind should be restored and TVET scholarships funded to meet the target of 440,826 trainees	The Government will continue to provide top-up capitation for learners with special needs as a distinct item within the Basic Education budget, to promote inclusive education. Staffing of the Educational Assessment and Resource Centres at sub-county level will be addressed progressively within the approved establishment. TVET scholarships will continue to be provided under the student-centred funding model.
	The commitment to build climate-resilient school infrastructure (paragraph 84(iii)) is welcome but does not have an identifiable allocation. The commitment should be costed and anchored in national guidelines, with a tracked allocation within the education development budget that prioritises ASAL and climate-exposed counties.	The Government is committed to integrating climate resilience, disaster preparedness and water conservation into school infrastructure. Development expenditure for the education sector has been enhanced over the medium term, and the Ministry of Education will identify the climate-resilient infrastructure component within its development budget, with priority given to ASAL and climate-exposed counties.
	The BPS records the student-centred funding model as an achievement (paragraphs 83(vi) and 84(viii)) but does not reflect the court proceedings on the model, the funding gap	The student-centred funding model has widened access to university education by targeting support according to need, and the Government will continue to improve the means-

	at HELB, university arrears of over KSh 100 billion or the ongoing lecturers' strike. The paragraphs should be replaced with a costed plan to settle verified university arrears, fund HELB at its assessed requirement, provide for the 2025–2029 CBA and set a floor for university operating grants.	testing mechanism and the timely disbursement of scholarships and loans. The Government is engaging the university staff unions on the 2025–2029 CBA. Verified university arrears, including unremitted statutory deductions, will be settled progressively under the pending bills framework.
	Inua Jamii reaches about 1.2 million households against 4 million poor and vulnerable households registered in the Enhanced Social Registry, and the transfer value of KSh 2,000 a month has not been reviewed since 2013. The Government should develop a costed plan to expand coverage to eligible households not yet reached and review the stipend under the Social Protection Act, 2025.	The Government is committed to expanding social protection coverage to poor and vulnerable households. The Enhanced Social Registry, anchored in the Social Protection Act, 2025, has registered over 4 million households and will be used to progressively extend coverage to eligible households not yet reached, within available resources. Any review of the transfer value will be undertaken by the National Board for Social Protection in line with the Act and within the applicable policy, legislative and fiscal framework.
	The targets of resolving 365,000 violence-against-children cases and training 2,000,000 parents depend on sub-county children's offices, which receive about KSh 8,000 a month for operations, while the State Department has 1,392 staff against an establishment of 4,000. The Government should invest KSh 328.5 million to raise operational funding to at least KSh 30,000 a month per office and fill 473 priority vacancies.	The Government remains committed to strengthening child protection services. Additional recruitment for the State Department for Children Services, which has 1,392 staff against an approved establishment of 4,000, has been approved over the medium term. Operational funding for sub-county children's offices will be prioritised within the State Department's ceiling.
	The BPS neither resources nor reports spending on child-focused climate commitments in the NDC and NCCAP III. The Government should adopt a comprehensive climate budget tagging framework, report tagged climate and disaster risk reduction expenditure by sector and level of government, and include a child-sensitive marker.	In line with the Climate Change Act, 2016, every State Department and public entity is required to integrate the national climate action plan into its sector budget and strategy. The Government will consider introducing climate budget tagging and expenditure tracking within ongoing PFM reforms, to enable reporting of climate-related spending by sector and every level of Government.
	Para 3(ix) and the Foreword present the National Infrastructure Fund as "initially capitalised at KSh 310.6	Paragraph 3(ix) has been qualified to reflect that the Safaricom proceeds are subject to the outcome of the appeal.

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	billion" (KPC IPO KSh 106.3bn plus Safaricom divestiture KSh 204.3bn) as a completed fact. However, para 210 states that the capital base is "subject to the outcome of the appeal on the Safaricom transaction", and para 218 lists the appeal as a risk, while also stating that the divestiture has already raised KSh 204.3bn. About two-thirds of the NIF capital is therefore contingent. Clarify the status of the appeal and whether the KSh 204.3bn is actually available. Qualify para 3(ix) accordingly, and disclose in Chapter V the fiscal treatment and the downside scenario (including the KSh 40.2bn upfront dividend payment) if the appeal succeeds.	
	The statement that "PPP fits well in bridging annual budget deficit" and "complements fiscal consolidation by reducing borrowing" is conceptually incorrect and conflicts with Chapter V and Annex II. PPPs do not finance the budget deficit. They create direct fiscal commitments (KSh 40–45bn a year, Annex II Table 1) and contingent liabilities (up to 8.9% of GDP by FY 2029/30, Annex II Table 2). The Mau Summit–Eldoret–Malaba VGF (KSh 65bn) is itself to be financed by a sovereign AIIB loan (Annex Table 7, No. 33). Reword to present PPPs as a delivery modality whose liabilities are debt-like and are managed under the PFM and PPP Acts.	Paragraph 32 has been recast in the final report to present PPPs as a delivery modality that mobilizes private capital for commercially viable projects, while recognizing that they create fiscal commitments and contingent liabilities that are managed under the PFM Act and the PPP Act.
	Implementation under the Business Laws (Amendment) Act, 2024 is ahead of schedule: 3 of the 24 initially non-compliant banks met the KSh 10 billion threshold by April 2026, and 6 more are projected to comply by December 2027. Extending the deadline to 2032 instead of 2029 or removing the annual milestones could delay capital raising, prolong	Comment noted and accepted. The proposal to extend the deadline has been dropped from the 2027 BPS. The current timelines and annual milestones under the Business Laws (Amendment) Act, 2024 remain in force.

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	undercapitalisation, heighten systemic risk and undermine regulatory credibility, including in international markets. Consider dropping the proposal.	
	The dynamics in the financial sector and need to strengthen banking-sector resilience and modernize the supervisory framework, CBK deemed it necessary to review the Prudential Guidelines (PGs) and Risk Management Guidelines (RMGs) to align the guidelines with international standards and emerging best practices. We propose including progress made as the revised draft guidelines alongside revised Guidance Notes and a framework for Domestic Systemically Important Banks (D-SIBs), have proceeded to the public consultation stage.	Paragraph 173 has been updated to reflect progress in the review of the Prudential Guidelines and Risk Management Guidelines to align them with international standards and emerging best practices, including the publication of the revised draft guidelines, Guidance Notes and the framework for Domestic Systemically Important Banks for public consultation.
	Create a statutory Vulnerable Populations Health Fund under the Social Health Insurance Act with automatic annual appropriations of at least KSh 20 billion for indigents, the elderly, orphans and persons with disabilities, and automatically enrol Inua Jamii beneficiaries in SHA.	The Government Sponsorship Programme under SHA, which currently covers 449,494 indigent households, provides the mechanism for covering vulnerable populations. The Enhanced Social Registry will be used to progressively extend coverage, within available resources.
Recent Economic Developments and Medium-Term Outlook	The real GDP growth projection of 5.1 percent in 2027 is optimistic given the historical slowdown in economic activity during election years, external price shocks and climate risks. The forecast El Niño rains are also not reflected in the growth and revenue projections. The growth projection should be revised downwards.	The growth projection is supported by the expected recovery in agriculture, resilient services sectors and the continued implementation of BETA priorities. The macroeconomic projections take into account the information available at the time of preparation.
	The total revenue projects in the FY 2027/28 is KSh 4,003.7 billion translating to 17.4 percent of GDP supported by ongoing reforms in tax policy and administration. Comparison of the tax to GDP ratio trends in Kenya with selected peer countries indicates that Kenya's ratio is relatively low reflecting an under exploitation of economic	The Government acknowledges that Kenya's tax-to-GDP ratio remains below its potential and that of peer countries. To address this, the Government continues to implement the National Tax Policy and the Medium-Term Revenue Strategy, which focus on expanding the tax base, simplifying the tax system, rationalising tax expenditures and strengthening tax

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	potential. This remains a bottleneck towards realization of projected revenue. Additionally, the reliance on borrowing and non-recurring inflows raises sustainability concerns.	administration through technology. These measures include eTIMS, third-party data integration and risk-based compliance. Tax expenditure has declined from 1.75 percent of GDP in 2024 to 1.49 percent in 2025, and the successor MTRS will build on these efforts to raise revenue progressively over the medium term. To reduce reliance on borrowing, the Government remains committed to its growth-friendly fiscal consolidation plan, with the fiscal deficit projected to decline from 5.4 percent of GDP in FY 2027/28 to 3.6 percent in FY 2030/31. Proceeds from asset monetisation and privatisation are channelled to the National Infrastructure Fund to finance commercially viable infrastructure, rather than to meet recurrent budget needs, which limits reliance on non-recurring inflows in the fiscal framework.
	Total expenditure and net lending for the period ending August 2026 surpassed the target by KSh 154 billion largely due to higher than targeted disbursements towards recurrent expenditure and transfer to County Governments however mitigation measures for such occurrences are not properly articulated.	The variance was driven mainly by non-discretionary expenditure, namely domestic interest payments, which follow the maturity profile of domestic debt, and pensions, together with front-loaded disbursements of the equitable share to County Governments. These are expected to even out over the remainder of the financial year. To contain expenditure within the fiscal framework, exchequer releases will continue to be aligned with revenue performance and cash flow plans, commitment controls will be strengthened through IFMIS and the Treasury Single Account, and non-priority expenditure will be rationalised through the Supplementary Estimates.
	The BPS provides a projected deficit of 5.9 percent in the FY 2027/28 which is 0.4 percent above the FY 2026/27 projection of 5.5. This is above the EAC agreed common	The Government remains committed to the EAC macroeconomic convergence criteria, including the fiscal deficit ceiling of 3 percent of GDP, and to its own growth-

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	practice of 3 percent. This can lead to increased borrowing putting pressure on existing debt servicing mechanisms.	friendly fiscal consolidation plan. The fiscal deficit is projected to decline progressively from 5.4 percent of GDP in FY 2027/28 to 3.6 percent in FY 2030/31, supported by enhanced revenue mobilisation and rationalisation of non-priority expenditure. The deficit in FY 2027/28 reflects expenditure pressures, including the conduct of the 2027 General Election and the settlement of verified pending bills. The Government will continue to prioritise concessional financing and to implement liability management operations to lengthen the maturity profile of public debt and contain debt service costs, as set out in the 2027 Medium-Term Debt Management Strategy.
	The transition to accrual accounting ends on 30th June 2027, the most demanding year, requiring recognition of all non-financial assets. The BPS gives no readiness indicators (such as entities with complete, valued asset registers), the deadline coincides with the transition to new county administrations after the 2027 elections, and the BPS does not explain how accrual-based financial statements will be reconciled with cash-based budget reporting. Accrual liability data should be used to disclose the full stock of pending bills.	The transition to accrual accounting is being implemented in phases in line with IPSAS, with support to County Governments ahead of the June 2027 deadline. Progress indicators, and the framework for reconciling accrual-based financial statements with cash-based budget reporting, will be set out by the Public Sector Accounting Standards Board and the National Treasury in the implementation reports.
	The e-GP system faces user resistance, litigation and inadequate funding (paragraph 204), which delay procurement, worsen under-absorption of development budgets and contribute to pending bills. The Treasury should urgently resolve the litigation and ring-fence adequate funding for full rollout and maintenance.	The National Treasury is addressing the challenges facing the e-GP system, including through engagement on the pending litigation and continued user training and change management. The rollout and maintenance of the system will continue to be prioritised within the existing allocation, with full rollout to schools and other procuring entities yet to onboard.
	Revenue targets for FY 2027/28 are ambitious relative to historical performance. Ordinary revenue has fallen short of target in every year since FY 2015/16 except FY 2021/22 and	The Government is committed to ensuring that revenue projections are realistic and grounded in the actual capacity of the economy. The projections take into account revenue

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	was KSh 58.2 billion below target at end of September 2026. The Government should align revenue targets with historical performance, set out the tax policy and administrative measures underpinning the projections with their estimated yields, and develop a contingency framework for revenue shortfalls.	performance in FY 2025/26 and the first quarter of FY 2026/27, and are underpinned by the tax policy and administrative measures in the Medium-Term Revenue Strategy. These measures include expanding the tax base, deepening the use of technology in tax administration, strengthening compliance and rationalising tax expenditures. Should revenue underperform, expenditure will be adjusted in line with actual collections to safeguard the fiscal framework.
	The MTRS (FY 2024/25–FY 2026/27) targets revenue of at least 20 percent of GDP by FY 2026/27, while the BPS projects 17.4 percent in that year, and the strategy lapses in June 2027. The BPS should assess MTRS performance against its target and state the timelines for preparing the successor strategy.	The National Treasury will undertake a review of the implementation of the current MTRS, which will inform the preparation of the successor MTRS for FY 2027/28–FY 2029/30.
	The fiscal deficit widens from 5.5 percent of GDP in FY 2026/27 to 5.9 percent in FY 2027/28, a General Election year, while the primary surplus narrows from 0.9 to 0.3 percent of GDP against the 2.3 percent that paragraph 345(iv) states is required for debt sustainability. The BPS should explain the widening, set out safeguards for the consolidation path through the election period, and target a primary surplus of at least 1.5 percent of GDP.	The Government is committed to continuing its growth-friendly fiscal consolidation plan by containing expenditure without compromising service delivery and by enhancing revenue mobilisation. The fiscal deficit is projected to decline gradually from 5.4 percent of GDP in FY 2027/28 to 3.6 percent of GDP in FY 2030/31. The consolidation path will be safeguarded through the election period by strict commitment controls, prioritisation of expenditure and the continued rationalisation of non-priority spending.
	The Government should review the tax-free income threshold and PAYE bands, publish a timetable for the Tax Expenditure Management Framework, assess the effectiveness of tax incentives, and distinguish policy-driven reductions in tax expenditure from changes in the benchmark tax system.	Personal income-tax thresholds and bands will be considered through the annual tax-policy process, taking into account equity, affordability and revenue implications. The Tax Expenditure Management Framework will guide periodic evaluation and rationalisation of incentives, supported by improved disclosure of legal provisions, beneficiaries, costs and policy effects.

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	Treasury Circular No. 10/2026 set real growth of at least 5.3 percent and expenditure below 21.4 percent of GDP, while the BPS projects growth of 5.1 percent and expenditure of 23.6 percent of GDP. The BPS should state the reasons for the revision and how sector bids were adjusted.	The parameters in the Treasury Circular were indicative at the start of the budget process. The macro-fiscal framework has since been revised to reflect domestic and global developments, including the oil price shock, the drought and actual fiscal performance in FY 2025/26. Sector ceilings have been set within the revised resource envelope.
	The proceeds from the privatization of KPC and divestiture should be tied to specific development projects. The Government should put in place a proper mechanism to ensure the funds already raised are not lost due to uncertainty. In addition to strengthening governance of NIF, there is a need to promote public confidence by ensuring that their oversight is carried out by constitutionally established institutions.	The proceeds from the partial privatisation of the Kenya Pipeline Company and the divestiture of part of the Government's stake in Safaricom PLC have been ring-fenced to capitalise the National Infrastructure Fund. They will finance commercially viable priority projects in national highways, airports and seaports, electricity generation and ICT, and water, irrigation and agribusiness (paragraph 211). Projects will be selected on the basis of appraisal and commercial viability, and the Fund's investments will be reported publicly. The Fund operates under a governance framework that includes a Board, an investment policy and the oversight requirements of the Government-Owned Enterprises Act, 2025. As a public entity, the Fund is subject to audit by the Auditor-General and to parliamentary oversight, which will safeguard public resources and promote public confidence. The risk to the capital base arising from the appeal on the Safaricom transaction has been recognised in the BPS (paragraphs 211 and 219), and the Government will continue to manage the proceeds prudently pending its outcome.
	Implementation of privatisation remains limited. Since 2008 the Privatisation Commission has completed only one privatisation, and none of the six proposals approved in FY 2022/23 had been completed by 30th June 2025 (OAG). This	The Government has accelerated the privatisation programme since the period covered by the Auditor-General's report. In March 2026 it completed the partial privatisation of the Kenya Pipeline Company through an IPO on the Nairobi Securities Exchange, raising KSh 106.3 billion, and undertook the partial

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	limits the extent to which privatisation can unlock value from State assets and reduce fiscal pressures.	divestiture of its stake in Safaricom PLC. Proceeds from these transactions provide the initial capital base for the National Infrastructure Fund. Implementation of the remaining approved transactions will continue under the Privatisation Act, 2023.
	Section 2.3 reports fiscal performance only for the first two months of FY 2026/27 and does not review the FY 2025/26 outturn against the approved targets. Table 2.7 retains the approved FY 2026/27 budget, while Table 2.6 shows revised figures, and the primary balances differ between the two tables.	Section 2.3 has been updated with fiscal performance to end of September 2026
	Paragraph 214 projects the FY 2027/28 deficit at KSh 1.32 trillion, while paragraphs 225–226 and Table 2.7 give KSh 1,352.9 billion. Paragraph 214 describes external financing as mainly concessional, while Annex Table 2 shows commercial and OPEC Fund borrowing of KSh 487 billion. The BPS should disclose the terms of these lines and the Government's position on an IMF programme.	Paragraph 215 has been aligned with Table 2.7. The Government remains committed to prudent debt management by minimising reliance on costly commercial borrowing and prioritising concessional and semi-concessional financing where feasible. The composition and terms of external financing are set out in the 2027 Medium-Term Debt Management Strategy.
	Public debt information is dispersed across the document. The BPS should add a short public debt paragraph in Chapter II that draws on the latest data published by the Public Debt Management Office on the stock, composition and cost of debt.	Annex I presents Kenya's public debt sustainability analysis, while the 2027 Medium-Term Debt Management Strategy sets out the framework guiding borrowing and the desired structure of the public debt portfolio.
	The revenue forgone from the reduction of VAT on petroleum products from 16 to 8 percent, and its proposed extension, should be quantified. Since the relief is untargeted, it should be allowed to lapse at the end of the current extension in favour of a targeted kerosene and clean cooking subsidy for the lowest-income households.	The temporary reduction of VAT on petroleum products was introduced to cushion households and businesses from the oil price shock arising from the conflict in the Middle East. The continuation of the relief will be reviewed in line with developments in international oil prices, and more targeted forms of support for vulnerable households will be considered
	The Government should explore a tax on net wealth and on land value to improve the progressivity of the tax system, and publish a distributional annex showing the incidence of the	The Government is committed to a fair and progressive tax system in line with the National Tax Policy. Proposals on the taxation of wealth and property, and on analysing the

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	proposed tax and expenditure measures by income quintile, sex and county.	distributional impact of tax and expenditure measures, will be considered in the preparation of the successor MTRS.
	The Tax Expenditure Report does not distinguish reductions in tax expenditure due to policy changes from those arising from changes in the benchmark tax system. Tax expenditure data should be linked to specific legal provisions, and the Tax Expenditure Management Framework should be tied to timelines and cover all incentives, including EPZs and SEZs. Rationalisation should not erode VAT reliefs on basic foodstuffs.	The Government continues to rationalise tax expenditures in line with the National Tax Policy and the MTRS, and tax expenditure declined from 1.75 percent of GDP in 2024 to 1.49 percent in 2025. The National Treasury, together with KRA, will continue to improve the Tax Expenditure Report, including disaggregation by legal provision. The Tax Expenditure Management Framework will be finalised to guide the review of all incentives, taking into account their cost, effectiveness and equity implications.
	Of the KSh 637.6 billion in pending bills analysed, KSh 235.6 billion was recommended for payment, but the provision for FY 2027/28 is not stated. The BPS should clarify the basis of the 63 percent settled, state how claims not recommended for payment will be resolved, and publish consolidated pending bills data across the National Government, County Governments and State Corporations.	The Pending Bills Verification Committee analysed 115,617 claims valued at KSh 664.8 billion, of which 29,885 claims amounting to KSh 235.6 billion were recommended for settlement. Of these, KSh 80.3 billion has been settled through securitisation in the roads sector. The National Treasury has adopted a phased strategy to clear the outstanding verified balance of KSh 155.3 billion over two years, beginning with a provision of KSh 23.74 billion in FY 2026/27 that prioritises claims of up to KSh 50 million. The remaining claims valued at KSh 131.6 billion and each above KSh 50 million will be settled progressively through budgetary provisions and other financing instruments.
	Section 2.3 on fiscal performance has provided useful analysis on the performance of revenues and expenditures. However, it does not cover recent developments in public debt, which are a key driver of macroeconomic conditions. We propose inclusion of a dedicated subsection on public debt developments to strengthen macro-fiscal analysis and policy coherence.	Section 2.3 focuses on fiscal performance, covering revenue, expenditure and the financing of the budget deficit. Kenya's public debt position and sustainability are presented in Annex I, which reports the debt sustainability analysis, while the fiscal risks associated with public debt are discussed in Section 5.3. In addition, the 2027 Medium-Term Debt Management Strategy provides a detailed analysis of public debt developments, including the stock, composition, cost and risk

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		profile of the debt portfolio, and sets out the borrowing strategy over the medium term.
	Section 2.3 identifies the revenue categories that underperformed in the first months of FY 2026/27 (Page 52) but not the drivers of the shortfalls. It would be useful to discuss the drivers to help assess whether the shortfalls are likely to persist through the remainder of the financial year.	The underperformance in income tax, excise duty and VAT in the first quarter of FY 2026/27 is being analysed together with KRA. Revenue performance will continue to be monitored closely, and expenditure will be adjusted in line with actual collections to safeguard the fiscal framework. The drivers of the shortfalls will be set out in the Quarterly Economic and Budgetary Reviews and Supplementary Estimates.
	The BPS discusses several expenditure reforms, including Zero-Based Budgeting, the TSA, e-GP, public investment management, SOE restructuring and asset optimization. Where possible, the expected savings from these reforms should be quantified, for example from SOE rationalisation, office-space consolidation, payroll and pension reforms and reprioritization under ZBB, and shown in the expenditure ceilings and the medium-term fiscal framework.	The expenditure reforms underpin the rationalisation of non-priority spending reflected in the sector ceilings for FY 2027/28 and the medium term. The TSA, for example, reduced the cost of overdraft financing from the Central Bank of Kenya by 58 percent in FY 2025/26 (paragraph 186). The National Treasury will work towards quantifying the savings from individual reforms including SOE rationalisation, office-space consolidation, payroll and pension reforms and reprioritisation under Zero-Based Budgeting and will report them in subsequent budget documents.
	The BPS states that the cost of overdraft financing from the Central Bank of Kenya declined by 61 percent in FY 2025/26. Part of the reduction may reflect the reclassification of overdraft-related account lines as financing items, in which case it would not represent an equivalent fall in the underlying cost of overdraft financing. The calculation should be verified and the discussion clarified if necessary.	The decline has been captured and harmonized across the document as 58 percent across the document. The calculation will be verified with the Central Bank of Kenya to distinguish the savings arising from the TSA from the effect of any reclassification of overdraft-related account lines and the discussion will be clarified in subsequent reports where necessary.
	The commitment to increase reliance on longer-term domestic securities is welcome. The discussion could be strengthened by quantifying the intended maturity extension for example through targets for the average time to maturity,	Targets for the cost and risk profile of the public debt portfolio, including the average time to maturity of domestic debt, the share of short-term debt and refinancing risk indicators are set out in the 2027 Medium Term Debt Strategy. The Government will continue to use liability management operations, including

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	Prioritization and budget execution. Ongoing high-impact projects should be completed before new ones, with the stock and cost-to-complete of ongoing and stalled projects disclosed, selection linked to appraisal results, better development-budget absorption and cash-release predictability, and fewer supplementary appropriations.	Ongoing projects to be given first call on resources and cost-to-complete disclosed for major projects, with selection linked to appraisal results. Measures on absorption, cash releases and supplementary appropriations to be strengthened in the final BPS and budget guidelines.
	Pending bills. Settlement of verified bills is welcome, and bills not reflected in budget presentations are a concern; enforceable controls are needed to prevent new arrears (commitment ceilings, mandatory invoice recording, first-in-first-out payment, sanctions, regular publication) across national government, counties and public entities.	Clearance strategy for verified pending bills retained. Preventive controls to be added to the final BPS, with regular publication of pending-bill stocks by MDA and state corporation.
	There's no visible budget line for ensuring the vaccination or full immunization of children under one year despite there being a target of reaching 90 percent by FY 2029/30. Consider ring-fencing financing to ensure the targets are met.	The Government is committed to achieving 90 percent full immunisation of children under one year by FY 2029/30. Vaccine financing, including Kenya's co-financing obligations to Gavi, has been prioritised within the enhanced health sector ceiling.
	Consider an allocation of KSh 706 million in FY 2027/28 for nutrition commodities to counter against the effects of El Nino and the drought.	The Government recognises the importance of nutrition in protecting children's growth, particularly in drought-affected counties and ahead of the El Niño rains. The allocation for nutrition commodities will be considered within the health sector ceiling during the preparation of the FY 2027/28 Budget Estimates, taking into account the matching resources available.
	Consider extending Social Health Authority sponsorship to registered poor households using the enhanced social registry to speed up universal health coverage, budgeting for their premiums and fast-tracking settlement of claims to Level 2 and 3 health facilities. Confirm whether the 449,494 number is relating to persons or households and review the document accordingly.	The Government Sponsorship Programme covers 449,494 indigent households, and paragraph 91(i) has been aligned with paragraph 257. The Enhanced Social Registry will be used to progressively extend sponsorship to registered poor households within available resources. SHA will continue to prioritise the timely settlement of claims owed to Level 2 and 3 health facilities.

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	The social protection sector has set out its priorities as cash transfers to older persons and persons with severe disabilities, affirmative action groups and bursaries but there's been no reference to CT-OVC. The proposal is the include CT-OVC in the list of priorities and the corresponding allocation.	Paragraph 287 has been revised to include the CT-OVC among the priorities of the Social Protection, Culture and Recreation sector.
	The programme through which the disbursement of KSh 3,294 million to 115,540 young beneficiaries has not been identified. Consider adding more details highlighting the programme through which the disbursement will be made.	Paragraph 286 has been revised to identify the programme through which KSh 3,294 million will be disbursed to 115,540 young beneficiaries.
	Protect human capital through a clear medium-term domestic financing pathway for high impact primary healthcare, community health, nutrition, maternal and child health, communicable disease and social protection interventions during fiscal consolidation, supported by costed targets, transparent allocation and execution data, and coverage and equity indicators.	The Government will protect essential healthcare and social-protection interventions through sustainable domestic financing, costed targets, transparent allocation and execution data, and indicators of service coverage and equity.
	Education financing should provide predictable and equitable capitation, ring-fence support for learners with special needs, protect school feeding, address university operating and statutory arrears, and publish disbursement timelines and performance indicators.	The education-sector ceiling will prioritise capitation, school feeding, special-needs education and the financial sustainability of universities within available resources. The Ministry of Education will strengthen publication of disbursement schedules, beneficiary and enrolment information, pending obligations and learning-outcome indicators.
	The reported 16,810 medical internship completions should be disaggregated by source of funding, cadre, county and facility, while the proposed increase in health development expenditure should be supported by a costed implementation and workforce plan.	The Ministry of Health will strengthen reporting on medical internship placements by funding source, cadre and location. Development expenditure will be supported by project-readiness, procurement, financing and workforce plans to improve absorption and ensure that infrastructure investments translate into service delivery.

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	The Enhanced Social Registry should be used to identify eligible households not covered by Inua Jamii, supported by a costed expansion plan, an assessment of allocation adequacy and restoration of health-coverage support for vulnerable children.	The Enhanced Social Registry will guide progressive expansion and improved targeting of social-assistance programmes within available resources. Medium-term allocations will be informed by beneficiary targets, payment requirements and coverage gaps, including health protection for vulnerable children.
	Paragraph 232 treats debt service, wages and pensions as non-discretionary expenditure, leaving capitation and statutory cash transfers to absorb revenue shortfalls. Capitation at the published rates and cash transfers under the Social Protection Act, 2025 should be added to the non-discretionary class and exempted from in-year rationalisation.	Non-discretionary expenditures are statutory obligations under the Constitution and the PFM Act, 2012 (CAP 412A). The Government will continue to prioritise capitation grants and cash transfers in exchequer releases to protect basic education and vulnerable households during budget execution.
	Projected development expenditure falls below the 30 percent of total expenditure required under the PFM Act, 2012 (CAP 412A). The Government should establish the root cause of the sustained decline, ensure adherence to the statutory threshold, and cut non-priority recurrent spending and administrative overheads to align expenditure with realistic revenue.	The Government remains committed to the fiscal responsibility principles, including the statutory 30 percent minimum for development spending. In Table 1, Annex 1 whereby development expenditure as a percentage of total expenditure has been maintained at above 30 percent from the FY2026/27 and over the medium term to FY 2030/31.
	Some sector ceilings change sharply without explanation. Public Administration and International Relations rises by 19.9 percent in FY 2027/28 and 22.7 percent in FY 2029/30, and National Security development spending rises from KSh 10.6 billion to KSh 35.7 billion. The Health ceiling falls in FY 2029/30, Social Protection rises by only 1.7 percent and Agriculture falls by 2.5 percent. The main drivers of these changes should be explained in the sector narratives.	The sector ceilings reflect the resource allocation criteria in Section 3.3, including the funding requirements of ongoing programmes and other one-off expenditures in FY 2027/28. The main drivers of significant changes in sector ceilings have been explained in the sector narratives in Section 3.4.
	Electricity targets in Section 1.3.1.3 and Section 3.4 do not tally: new customers connected (1,325,000 against 900,000), public facilities (1,631 against 2,086), transmission lines	The electricity targets in Section 1.3.1.3 have been updated. The medium-term targets have been aligned with the Sector Working Group reports.

	(1,786 km against 1,729 km) and new generation capacity (correct figure 201.9 MW). Targets for roads and livestock vaccines also differ between Chapters I and III. Section 3.4 omits several priorities, including the National System Control Centre, 34 geothermal wells, the Power Generation and Transmission Master Plan, the alternative energy and nuclear programmes and 18 distribution substations.	
	Paragraph 33(i) of Treasury Circular No. 10/2026 suspends all new recruitment, which cannot be reconciled with the BPS commitment to recruit additional teachers. Teachers, health workers and child protection officers provided for within sector ceilings should be exempted.	The suspension of new recruitment is intended to contain the growth of the wage bill. Recruitment of teachers and health workers in critical areas, provided for within approved ceilings, will continue subject to prior approval by the National Treasury.
	The BPS correctly acknowledges that the Vision 2030 horizon is approaching and explicitly refers to carrying current gains into a "successor long-term development framework." However, when the BPS reaches the substantive FY 2027/28 priorities, paragraph 227 goes back to MTP IV and BETA priorities, while paragraph 228 lists strategic enablers such as infrastructure, manufacturing, education, governance and regional integration. The development of the country's next long-term development framework needs to be identified as a Government priority	The Government is committed to prioritizing the formulation of the next development framework and this has been captured in Section 1.5 of the report.
	The financing mix in the fiscal framework should be aligned with the 2027 MTDS. The 2027 MTDS proposes a net financing of 73 percent and 27 percent from domestic and external sources, respectively, for the financial year 2027/28. However, the draft 2027 BPS proposes net financing Of 69 percent and 31 percent from domestic and external sources, respectively.	The financing mix in the fiscal framework reflects the latest assessment of external financing expected to be available in FY 2027/28, including project loans, programme financing from multilateral and bilateral development partners and other identified external inflows. The 2027 MTDS sets out the preferred medium-term borrowing strategy, and the annual financing mix may vary from the strategy benchmark depending on the timing of external disbursements, market conditions and the cost and risk trade-offs between domestic

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		and external borrowing. The higher share of external financing in FY 2027/28 is consistent with the strategy's objective of easing pressure on the domestic market and supporting private sector credit.
	There are huge financing gaps relative to the sector requirements reported in the Sector reports.	Sector ceilings are set within the available resource envelope under the fiscal consolidation path. Sectors will be required to prioritize high-impact programmes within their ceilings during the preparation of the FY 2027/28 Budget Estimates.
	National aggregates dominate the BPS. There is almost no spatial allocation or explicit Lake Region targeting for Youth Empowerment Centres, sports academies and stadia, libraries, GBV and child protection infrastructure, skills hubs or climate-resilient facilities. Deliberate spatial equity criteria and Lake Region targeting should be introduced within sector ceilings and programme matrices.	The BPS sets out sector ceilings and national priorities for the medium term. The spatial distribution of programmes and projects is determined by MDAs during the preparation of the Budget Estimates, guided by the resource allocation criteria in Section 3.3, including equity and need. The Government will continue to promote equitable distribution of resources across regions, including through the Equalisation Fund and transfers to County Governments.
County Financial Management and Division of Revenue	The share of nationally raised ordinary revenue going to counties is declining, reaching 13.6 percent in FY 2027/28, because the equitable share is based on audited revenue accounts that lag by about five years. The Government should base the equitable share on the most recent closed financial year (FY 2025/26) at a share of at least 17 percent, or raise it in line with projected revenue growth.	The equitable share is determined in accordance with Article 203 of the Constitution, on the basis of the most recent audited revenue accounts approved by the National Assembly. The allocation takes into account the recommendation of the Commission on Revenue Allocation, overall revenue performance and the need to meet mandatory expenditures, including public debt. Parliament is mandated to approve audited accounts, and the National Treasury will continue to engage Parliament for the process.
	Conditional allocations fall from KSh 74.0 billion to KSh 32.7 billion without explanation, carrying county health grants with them. Transfers to County Governments are KSh 473.5 billion in paragraph 224 and Table 2.7, but KSh 455.8 billion in paragraph 341 and Table 4.4. The figures should be reconciled and the additional allocations itemised by source.	The county transfer figures have been reconciled, and the additional allocations are itemised by source, distinguishing those financed from the National Government's share of revenue from those financed by development partners. The decline in conditional allocations reflects the completion of

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		county headquarters and KSh 8.6 billion moved from additional allocations and included in equitable share.
	Sections on county fiscal risks, pending bills and wage bill use the CoB nine-month report rather than the FY 2025/26 annual report, which is now published. County pending bills were KSh 172.53 billion at 30 June 2026 (not KSh 156.8 billion), and CoB puts county wages at 39.7 percent of revenue (not 39.5 percent). Non-remittance of statutory deductions and OSR underperformance remain critical risks, and strategies are needed to mitigate pending bills, wage bill and OSR risks.	The county data in Chapters IV and V has been updated using the CoB Annual County Budget Implementation Review Report for FY 2025/26. County Governments were directed by IBEC in June 2025 to customise and implement their Pending Bills Action Plans, which are monitored by the Office of the Controller of Budget, and will continue to be required to adhere to the fiscal responsibility principle limiting the wage bill to 35 percent of revenue.
	On average, since the inception of the devolved form of governance, ordinary revenue has grown by 10.7%, with the national government taking the largest share of this growth showing a 10.3% growth in allocation while the county government allocation growth has been 6.4%. The implication is reduced county fiscal space. There's need for joint advocacy on the adoption of the need-based allocation approach as suggested by the CRA to align county allocations with the actual costs of devolved functions.	The faster growth in the National Government's share reflects mainly the growth in mandatory obligations under Article 203(1) of the Constitution, particularly public debt service, which is projected at KSh 1,917.6 billion in FY 2027/28. It does not reflect growth in resources available for national functions. The Government supports the costing of devolved functions to inform the vertical sharing of revenue. This work is being advanced through the Intergovernmental Relations Technical Committee, CRA and the Intergovernmental Budget and Economic Council, and its findings will be considered in future revenue-sharing frameworks.
	Counties collected KSh 96.07 billion in OSR against a target of KSh 106.45 billion (90.3 percent), only 44.48 percent of their KSh 216 billion potential (CRA, 2022). FIF collections exceeded target by 19.96 percent, suggesting under-targeting, while ordinary OSR achieved only 76.52 percent. The BPS should propose stringent measures to help counties realise their revenue potential, including capacity building, legislation and accurate OSR projection, and support FIF implementation.	The National Treasury continues to implement the National Policy to Support Enhancement of County Governments' Own Source Revenue. Planned measures include finalising the integrated County Revenue Management System and a revenue forecasting model to provide objective criteria for setting county revenue targets, together with capacity building and support for county revenue legislation.

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	The outstanding Equalisation Fund entitlement is stated as KSh 67,921,053,133, whereas the entitlement less payments gives KSh 67,686,956,539. The FY 2027/28 provision of KSh 8.4 billion will not clear the arrears before the Fund lapses in 2030. The Government should adopt a schedule for clearing the arrears.	The Government will continue to clear the arrears progressively over the medium term, within available resources.
	The Equalisation Fund has received KSh 22.4 billion of its KSh 90.1 billion entitlement since inception, leaving KSh 67.9 billion outstanding. Mechanisms are needed to evaluate the impact of the projects implemented in the 34 qualifying counties.	The Board of the Equalisation Fund will explore ways to undertake and publish regular reviews of performance to assess the impact of the projects implemented and the achievement of the Fund's objectives.
	Table 4.4 deducts public debt costs that include redemptions, which are largely refinanced through new borrowing, and therefore overstates the claims on revenue. Interest and redemptions should be shown separately, and the balance in paragraph 341 corrected from KSh 164,135 billion to KSh 164.1 billion.	Table 4.5 assesses the division of revenue against the criteria in Article 203(1) of the Constitution, which require that public debt and other national obligations be taken into account. Total public debt service, comprising interest and principal redemptions, is therefore treated as a first charge on revenue in the assessment. Details of the composition of debt service, including the split between interest and redemptions and the refinancing of maturing debt, will be provided in the 2027 Medium-Term Debt Management Strategy.
	Paragraph 304 assesses county compliance with the 30 percent development rule on budget allocations rather than actual expenditure, which was 25.5 percent, with only 13 counties compliant. County development execution was only 54.2 percent in FY 2025/26, which falls directly on children's services. Counties should report quarterly on spending for health, ECDE, water and nutrition, and transition guidance should protect these services through the 2027 elections.	The National Treasury, together with the Office of the Controller of Budget, will continue to monitor county absorption of development funds. Transition guidance will provide for the uninterrupted funding of essential services through the 2027 General Election.
	The BPS does not adequately report National Government pending bills: trade payables were KSh 475.53 billion at 30 June 2026 (KSh 365.63 billion State Corporations, KSh	Section 2.4 reports progress by the Pending Bills Verification Committee, which analysed claims of KSh 664.8 billion and recommended KSh 235.6 billion for settlement, and the phased

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	109.90 billion MDAs), down 15 percent from KSh 557.33 billion. County pending bills are reported as at 31 March rather than 30 June 2026. The BPS should provide details of MDA pending bills with clear settlement timelines and a comprehensive clearance strategy, report county compliance with the CoB pending bills templates, and require counties to publish their pending bills on their websites.	strategy to clear the verified balance of KSh 155.3 billion over two years. County Governments will continue to implement the Pending Bills Action Plans adopted by IBEC.
	The National Rating Act, 2024 gave counties 24 months from 24th December 2024 to align their valuation rolls with the Act, but paragraph 322 reports only progress on the CILOR regulations. The BPS should report county progress against the December 2026 deadline and the support measures for counties yet to comply.	Counties can only align their valuation roles once the regulations mentioned in Section 20 (2) of the National Rating Act, 2024 are finalized.
	County efficiency. Weak development-budget execution, wage bill management, pending bills and own-source revenue; reform should be linked to measurable gains in efficiency, procurement, payroll management and service delivery.	Final BPS to set out a reform agenda with indicators, pursued with County Governments through the intergovernmental budget process.
	Strengthen coordination between national and county governments for complementary funding and joint monitoring of Lake Victoria and LREB-specific interventions.	The Government will continue to work with County Governments and regional economic blocs, through the intergovernmental framework, to coordinate the planning, funding and monitoring of complementary interventions.
Statement of Specific Fiscal Risks	The BPS does not adequately assess the risk of debt distress or demonstrate a quantified pathway to the statutory debt anchor of 55 percent of GDP in present value terms. It should provide a year-by-year consolidation path, state the expected year of compliance with the anchor, and include sensitivity analysis for revenue shortfalls, weaker growth and higher domestic borrowing costs.	Annex I of the BPS reports Kenya's public debt sustainability analysis. In addition, the 2027 Medium-Term Debt Management Strategy provides the framework guiding borrowing and debt management decisions, including stress tests on the debt portfolio. The fiscal consolidation path is expected to progressively reduce the present value of public debt towards the anchor, and the final BPS indicates the projected path.

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	The Government should strengthen accountability for public borrowing by requiring independent cost-benefit and value-for-money assessments for externally financed projects above KSh 1 billion, publishing annual performance evaluations of debt-financed projects, restricting borrowing by entities with unresolved adverse audit findings, and operationalising a fiscal correction mechanism whenever the present value of debt exceeds 60 percent of GDP.	All externally financed projects are appraised under the Public Investment Management Regulations before approval to ensure value for money. The National Treasury publishes the Annual Public Debt Management Report, which supports oversight of borrowing by Parliament and the public. The proposals on performance evaluation and fiscal correction will be considered in future PFM reforms.
	The budget balance effects in Table 5.1 do not equal revenue less expenditure, and the depreciation scenario understates the effect on foreign-currency debt service. The table should be corrected and a combined downside scenario of lower growth, revenue shortfall and higher interest rates added.	The sensitivity analysis in Table 5.1 captures the direct effects of each shock on the budget, as estimated by the National Treasury's macro-fiscal model. The effects of exchange rate movements on external debt service and the debt stock, together with stress tests under alternative scenarios for growth, interest rates and the exchange rate, will be presented in the 2027 Medium-Term Debt Management Strategy. The fiscal implications of a combined downside scenario under the El Niño shock are presented in paragraphs 434–443.
	Paragraph 376 identifies the growing use of future revenues as security for financing as a fiscal risk, but does not state its scale, including the KSh 175 billion Kenya Roads Board bond. The value, tenor, pledged revenue streams and terms of securitisation transactions should be disclosed and reported as a memorandum item in the debt tables, and future pledges should require parliamentary approval.	The Government will continue to strengthen the legal framework for approving and reporting such arrangements to safeguard fiscal flexibility.
	PPP portfolio figures are inconsistent (54, 61 and 68 projects; a pipeline of KSh 2.47 trillion against KSh 2.46 trillion), and the contingent liability limit appears to use a different GDP series from Table 2.7. The proposed limit of 10 percent of GDP is set to accommodate the pipeline rather than fiscal capacity.	The PPP figures have been harmonised and the aggregate contingent liability limit is proposed under section 36 of the Public Private Partnerships Act, 2021, and will be kept under review alongside the debt sustainability analysis.

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	The Government should provide a contingent financing line or standby facility sized to the El Niño scenario modelled in the BPS, and capitalise a pre-arranged window for children in the Disaster Risk Management Fund, triggered by early warning thresholds, to scale up the HSNP, nutrition, school meals, WASH and child protection services.	To shift from reaction to preparedness, the Government enacted the National Disaster Risk Management Act, 2026 and launched the Disaster Risk Financing Strategy 2026–2030, which aims to arrange financing before disasters strike. KSh 2.0 billion has been allocated to the Contingency Fund in FY 2027/28, and the Government will fast-track the finalisation of the Disaster Risk Management Fund. Pre-arranged financing windows will be considered in implementing the Strategy.
	Education is missing from the climate-sensitive sectors in Section 5.3.4.1, although floods and droughts close schools, damage infrastructure and cause learning loss. An education sub-section covering these fiscal costs should be added.	A detailed assessment will be done on the fiscal risks associated with climate change in the education sector and will be adopted in subsequent reports.
	Past election cycles have been accompanied by spending overruns, supplementary budgets and slowdowns in revenue and private investment, and public pronouncements on discontinuing some ongoing projects raise political transition risks. The continuity of priority projects should be safeguarded through multi-year budgeting insulated from political transitions.	The Government will maintain fiscal discipline through the election period by enforcing commitment controls and the fiscal responsibility principles. The MTEF and the Public Investment Management framework provide for multi-year budgeting of ongoing projects, which safeguards their continuity.
	Translate climate-risk analysis into funded resilience and adaptation measures through a comprehensive Climate Budget Tagging Framework covering adaptation, locally led action, disaster-risk reduction, climate-resilient food and water systems, resilient infrastructure and arid and semi-arid lands, with expenditure linked to measurable resilience outcomes.	The Government will adopt a comprehensive Climate Budget Tagging Framework to identify, track and report climate-related expenditure across sectors and levels of government and link tagged spending to measurable resilience outcomes.
	The Fiscal Risk Statement should disclose fiscal commitments arising from PPPs, concession agreements, guarantees, infrastructure-financing arrangements and securitisation, including future payments, pledged revenues,	Fiscal-risk reporting will continue to cover Government guarantees and PPP commitments and will be strengthened to disclose material long-term payment obligations and contingent liabilities arising from infrastructure-financing and

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	transaction costs, risk-sharing arrangements, value-for-money assessments and implementation performance.	securitisation arrangements, subject to applicable confidentiality provisions.
	Section 5.3(b) mentions the fiscal risks arising from accumulation of national government's pending bills. However, there is no discussion/analysis of the risks arising from the accumulation of national government pending bills. Discuss the risks arising from the accumulation of national government pending bills.	The BPS provides an analysis of the fiscal risks arising from the accumulation of National Government pending bills in Section 5.3.2, paragraphs 382-384. The analysis highlights the implications of pending bills on future budgetary resources, private sector liquidity and the potential for additional costs. Measures to prevent further accumulation of arrears, including treating verified pending bills as a first charge on the budget and strengthening expenditure commitment controls, are also provided.
	The Government should publish consolidated pending-bills data for National and County Governments and public entities, disaggregated by entity, creditor, age, category and verification status, together with a time-bound clearance plan prioritising verified claims and statutory obligations.	The National Treasury will consolidate and publish verified pending-bills information and implement a phased clearance strategy within available fiscal space. Settlement will prioritise validated claims and statutory obligations, while commitment controls, invoice tracking and the Public Investment Management framework will be strengthened to prevent new arrears.
	Election-year pressures and downside shocks. The August 2027 General Election could reduce revenue and raise spending pressures; temporary and permanent commitments, controls on supplementary budgets, new projects, hiring, subsidies and guarantees, and a contingency should be made explicit.	Framework retained. Election-related expenditure to be identified and set out controls and a contingency and cash-management plan. Past election-year revenue losses are small relative to the gap and are to be carried as an explicit allowance.
	Off budget and contingent liabilities. PPPs, the National Infrastructure Fund, Sovereign Wealth Fund and securitizations need a consolidated discussion of fiscal commitments, guarantees and debt impact, with affordability and value-for-money assessment.	Publication of current and pipeline PPP projects maintained. Further, a consolidated fiscal-risk statement and a commitment to affordability, value-for-money and fiscal-risk assessment will be published.
	Climate-shock responsive mechanisms such as anticipatory cash transfers, contingency financing, climate-resilient	The Government is strengthening disaster risk financing through the National Disaster Risk Management Act, 2026 and

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	construction standards etc are absent in relation to the lake region despite its high exposure to flooding.	the Disaster Risk Financing Strategy 2026–2030, which aims to arrange financing before disasters strike. The BPS provides KSh 2.0 billion for the Contingency Fund in FY 2027/28 and commits to expanding shock-responsive social protection (Chapter V). Climate resilience is also being integrated into the design of public infrastructure.
Annexes	Annex I paragraph 4 states National Government borrowing in FY 2025/26 as KSh 1,145.2 billion, which is the FY 2026/27 deficit, while Table 2.7 puts the FY 2025/26 deficit at KSh 1,264.7 billion. Borrowing exceeded development spending by about KSh 452 billion, the last sentence is incomplete and two paragraphs are numbered 4.	The figures and paragraph numbering in Annex I have been corrected. The paragraph also reports the share of borrowing that financed development expenditure, together with the measures to restore compliance with the fiscal responsibility principles.
	The table 3 of Annex 1 indicates that Kenya' s external debt burden is projected to improve over the medium term, but debt-service pressures remain elevated and vulnerability to external shocks persists. Specifically, the PPG debt service-to-exports ratio is projected to remain above the 15 percent threshold throughout 2026—2030, while the debt service-to-revenue ratio is projected to exceed its 18 percent threshold in 2028. Provide an assessment of the elevated debt service pressure in 2028 and the underlying drivers of the projected threshold breaches.	The rise in the debt service-to-revenue ratio to 18.3 percent in 2028 reflects a concentration of external debt maturities in that year, and is expected to be temporary. The breach of the debt service-to-exports threshold reflects high external debt service relative to a narrow export base. The Government will continue to use liability management operations, prioritize concessional financing and diversify exports to ease these pressures. Paragraph 8 of Annex I will be revised to reflect the 2028 breach, and further details will be provided in the 2027 MTDS.
	Consider having a dedicated budget line for Cash Transfer for Orphans and Vulnerable Children (CT-OVC) as this will make payments predicable and easy to track in Annex Table 4.	This will be considered in subsequent budget itemization.
	Consider clearing all arrears within the FY 2026/27 supplementary estimates to reduce carry-forwarding and ring-fencing exchequer releases for all cash transfer programmes in Annex Table 4.	The Government will consider clearing the CT-OVC arrears of KSh 2.68 billion in the FY 2026/27 Supplementary Estimates, and cash transfer programmes will continue to be prioritised in exchequer releases.

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	Consider matching Inua Jamii allocation to its targets to ensure full, on-time payments in Annex Table 4.	The allocation to the National Social Safety Net Programme has been enhanced in FY 2027/28 and will be considered for review against the targeted caseload during the preparation of the FY 2027/28 Budget Estimates to ensure full and timely payments.
	Parliament resolved that programme-level exchequer releases be published from FY 2026/27 (Resolution A.4), but the response is only that the Treasury 'will comply'. The National Treasury should report on implementation and publish quarterly programme-level releases, starting with the social sector votes in Annex Table 5.	The National Treasury will publish programme-level exchequer releases in line with Resolution A.4, beginning in FY 2026/27, to enhance budget transparency and credibility
	References to the Ministry alternate between 'The National Treasury' and 'The National Treasury and Economic Planning'. The Ministry should be referred to as 'The National Treasury' in line with Executive Order No. 1 of 2025 in Annex Table 5.	References to the Ministry have been harmonised throughout the document.
General	The Draft BPS lacks a list of abbreviations and acronyms.	A list of abbreviations and acronyms will be considered for inclusion in subsequent reports.
	The running footer on pp. 195–200 reads "Draft 2026 Budget Policy Statement" and the PDF document title property reads "2025 Budget Policy Statement". Correct the footer on Annex Tables 7–8 and the closing page, and reset the file metadata before circulation to Cabinet/Parliament.	This has been updated in the final report.
	Internal drafting notes and placeholders remain in the text and must be resolved or deleted before finalisation.	This has been updated in the final report.
	Standardise the citation of the PFM Act, currency abbreviations and units.	This has been updated in the final report.
	Delete the second sentence in paragraph 227. The sentence has been repeated in paragraph 230.	The second sentence in paragraph 228 has been deleted.

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Annex Table 8: PPP Project Pipeline (KSh million)

1. The pipeline is presented as prospective and existing projects, by group of contracting authority, with the stage of each project in the PPP project cycle shown consistently with the National List of PPP Projects. The groups are: Ministries, Departments and Agencies (MDAs); Semi-Autonomous Government Agencies (SAGAs), being non-commercial state corporations and agencies; Government-Owned Enterprises (GOEs) under the Government-Owned Enterprises Act, 2025; and County Governments.

No.	Project	Contracting authority	Group	Stage	Payment mechanism	Category	Estimated value (KSh million)
A. Existing PPP projects (project agreements signed)							
Ministries, Departments and Agencies (MDAs)							
1.	KDF Residential Accommodation	Ministry of Defence	MDA	Construction	Government-pay: rent collected by the Ministry	2 + 3	4,500
	Sub-total, MDAs (1 project)						**4,500**
Semi-Autonomous Government Agencies (SAGAs)							
2.	Nairobi Expressway	KeNHA	SAGA	Operation and maintenance	User-pay: tolls	3	86,800
3.	Lot 33 Road Annuity	KeRRA	SAGA	Operation and maintenance	Government-pay: Road Annuity Fund	2 + 3	12,740
4.	Lot 18 Road Annuity	KURA	SAGA	Operation and maintenance	Government-pay: Road Annuity Fund	2 + 3	6,400
5.	Lot 15 Road Annuity	KURA	SAGA	Operation and maintenance	Government-pay: Road Annuity Fund	2 + 3	8,090
6.	35MW Sosian Menengai Geothermal	GDC	SAGA	Operation and maintenance	GOE-pay: power purchase agreement with KPLC	3	11,700
7.	Galana-Kulalu (Nafaka) Food Security	NIA and ADC	GOE / SAGA	Operation and maintenance	User-pay: sale of produce	3	12,500
8.	35MW Quantum Menengai Geothermal	GDC	SAGA	Construction	GOE-pay: power purchase agreement with KPLC	3	15,200
9.	Rironi – Naivasha – Gilgil and Rironi – Mai Mahiu – Naivasha (A8 and A8 South), CRBC–NSSF	KeNHA	SAGA	Construction	User-pay: tolls	3	96,382
10.	Gilgil – Nakuru – Mau Summit (A8), SDRBI	KeNHA	SAGA	Construction	User-pay: tolls	3	86,346
11.	35MW Orpower 22 Menengai Geothermal	GDC	SAGA	Construction	GOE-pay: power purchase agreement with KPLC	3	11,700

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No.	Project	Contracting authority	Group	Stage	Payment mechanism	Category	Estimated value (KSh million)
12.	Smart Driving Licences	NTSA	SAGA	Commercial close	User-pay: user charges	3	45,000
13.	Power Transmission Lines (Africa50 / PowerGrid)	KETRACO	SAGA	Commercial close	Government-pay: transmission tariff collected by KPLC and remitted to an escrow managed by KETRACO	2 + 3	41,600
	Sub-total, SAGAs (12 projects)						**434,458**
	Sub-total A (13 projects)						**438,958**
B1. Approved PPP projects (National List of PPP Projects, 30 September 2026)							
Ministries, Departments and Agencies (MDAs)							
14.	Sabaki Water Carrier	Ministry of Water, Sanitation and Irrigation	MDA	Contract negotiations	Hybrid: user charges and grant from the Government of the Netherlands	2 + 3 (grant-funded contribution)	27,900
15.	Lamu Water Desalination Plant	Ministry of Water, Sanitation and Irrigation	MDA	Contract negotiations	User-pay	3	106,100
16.	Londiani Dam: concession for water sale and distribution	Ministry of Water, Sanitation and Irrigation	MDA	Feasibility/project development	User-pay: water sale by the concessionaire; dam and bulk infrastructure (about KSh 33.4 billion) delivered through public investment	3	TBD
17.	Naivasha SEZ Bulk Water Supply and Sanitation	Ministry of Water, Sanitation and Irrigation	MDA	Feasibility/project development	To be determined	TBD	12,500
18.	Development of Kenya's Diplomatic Properties	Ministry of Foreign Affairs	MDA	Early-stage preparations	To be determined	TBD	5,700
19.	Kenya Prisons Staff Housing	State Department for Correctional Services	MDA	Early-stage preparations	To be determined	TBD	TBD
20.	Liquefied Natural Gas fired power plant at Dongo Kundu	State Department for Energy	MDA	Early-stage preparations	GOE-pay: power purchase agreement with KPLC	3	39,000
21.	Battery Energy Storage System	State Department for Energy	MDA	Early-stage preparations	Services agreement with KPLC	3	TBD
	Sub-total, MDAs (8 projects)						**191,200**
Semi-Autonomous Government Agencies (SAGAs)							

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No.	Project	Contracting authority	Group	Stage	Payment mechanism	Category	Estimated value (KSh million)
22.	MTRH Medical Training Complex	MTRH	SAGA	Tender/procurement	User-pay	3	4,000
23.	UoN Purpose Built Student Accommodation	University of Nairobi	SAGA	Ready for tender	User-pay	3	4,500
24.	Pwani Teaching and Referral Hospital	Pwani University	SAGA	Ready for tender	Government-pay: availability payments	2 + 3	9,000
25.	Mombasa Southern Bypass (tolling, operation and maintenance)	KeNHA	SAGA	Feasibility/project development	User-pay: tolls	TBD	TBD
26.	Ndarugu 2 Dam Water Supply: concession for water sale and distribution	Athi Water Works Development Agency	SAGA	Feasibility/project development	User-pay: water sale by the concessionaire; dam and bulk infrastructure (about KSh 13.0 billion) delivered through public investment	3	TBD
27.	Mzima II Water Supply	Coast Water Works Development Authority	SAGA	Feasibility/project development	To be determined	TBD	50,600
28.	Maragua IV Dam Water Supply: concession for water sale and distribution	Athi Water Works Development Agency	SAGA	Feasibility/project development	User-pay: water sale by the concessionaire; dam and bulk infrastructure (about KSh 51.5 billion) delivered through public investment	3	TBD
29.	KNH Staff and Caregiver Accommodation Facility	KNH	SAGA	Feasibility/project development	Government-pay: availability payments funded from staff rent payroll deductions	2 + 3	8,854
30.	Biotech Life Sciences Park	Konza Technopolis Development Authority	SAGA	Feasibility/project development	To be determined	TBD	27,800
31.	Commercial Space Port, Malindi	Kenya Space Agency	SAGA	Feasibility/project development	To be determined	TBD	17,000
32.	Nairobi – Mombasa Expressway	KeNHA	SAGA	Early-stage preparations	User-pay: tolls	TBD	389,000
33.	Mau Summit – Eldoret – Malaba Road	KeNHA	SAGA	Early-stage preparations	User-pay: tolls; VGF financed by a sovereign loan from AIIB	2 (VGF) + 3	169,000
34.	Bomas – Kiserian – Ngong – Karen Road Network	KeNHA	SAGA	Early-stage preparations	To be determined	TBD	91,000
35.	Athi River – Namanga Road (A2)	KeNHA	SAGA	Early-stage preparations	To be determined	TBD	130,000
36.	James Gichuru – Rironi Road (A8)	KeNHA	SAGA	Early-stage preparations	To be determined	TBD	26,000

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No.	Project	Contracting authority	Group	Stage	Payment mechanism	Category	Estimated value (KSh million)
37.	Greenfield Transmission Lines (Kwale – Shimoni, Kipevu – Mbaraki, Kiambere – Maua – Isiolo, Meru – Maua)	KETRACO	SAGA	Early-stage preparations	Government-pay: availability payments through transmission tariff collected by KPLC	2 + 3	130,000
38.	Suswa Geothermal Project	GDC	SAGA	Early-stage preparations	GOE-pay: power purchase agreement with KPLC	3	TBD
39.	Hybridization of Off-Grid Diesel Stations	REREC	SAGA	Early-stage preparations	Government-pay: availability payments funded from diesel cost savings	2 + 3	7,500
40.	Irrigation Dams (Barsilinga, Lowaat, Soin Koru)	NIA	SAGA	Early-stage preparations	To be determined	TBD	TBD
41.	Tana Delta Irrigation Project (Rice)	TARDA	SAGA	Early-stage preparations	To be determined	TBD	TBD
42.	Tana Integrated Sugar Project	TARDA	SAGA	Early-stage preparations	To be determined	TBD	TBD
43.	BETA Pastoralist Feedlot	TARDA	SAGA	Early-stage preparations	To be determined	TBD	TBD
44.	Konza Data Cloud Expansion and Smart City Facilities	Konza Technopolis Development Authority	SAGA	Early-stage preparations	To be determined	3	6,500
	Sub-total, SAGAs (23 projects)						**1,070,754**
Government Owned Enterprises (GOEs)							
45.	Stoni Athi Affordable Housing Units	National Housing Corporation	GOE	Tender/procurement	User-pay: sale of housing units	3 (national GSM only)	7,500
46.	KPA Port Assets Phase 1: Mombasa Berths 11–14, Mombasa Container Terminal 1, and Lamu Container Terminal and Lamu SEZ	Kenya Ports Authority	GOE	Ready for tender	User-pay; concession fees payable to KPA; KPA co-investment of USD 60 million	3 (national GSM only)	79,690
47.	Operation of Dongo Kundu Berth 1	Kenya Ports Authority	GOE	Feasibility/project development	User-pay; concession fees payable to KPA	3 (national GSM only)	TBD
48.	KPA Port Assets Phase 2: Mombasa Container Terminal II (Berths 20–22), Container Terminal Berths 23–24, Cargo Terminal Berths 1–5 and 7–10, Mbaraki Wharfs, and Inland Container Depots at Nairobi (Embakasi) and Naivasha	Kenya Ports Authority	GOE	Early-stage preparations	User-pay; concession fees payable to KPA	3 (national GSM only)	80,000
49.	Kibuka (High Grand) Falls Hydropower and Irrigation Dam	KenGen and NIA	GOE / SAGA	Early-stage preparations	GOE-pay: power purchase agreement with KPLC (power); irrigation component through NIA	3 (national GSM only)	337,000

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No.	Project	Contracting authority	Group	Stage	Payment mechanism	Category	Estimated value (KSh million)
50.	Karura 90MW Hydro Power Dam	KenGen	GOE	Early-stage preparations	GOE-pay: power purchase agreement with KPLC	3 (national GSM only)	39,000
51.	Localization of Solar Panel Production, Olkaria	KenGen	GOE	Early-stage preparations	To be determined	3 (national GSM only)	TBD
52.	2000MW Nuclear Power Plant	KenGen	GOE	Early-stage preparations	GOE-pay: power purchase agreement with KPLC	3 (national GSM only)	TBD
53.	Geothermal-Powered Theme Park, Olkaria	KenGen	GOE	Early-stage preparations	To be determined	3 (national GSM only)	TBD
54.	National Food Crops under the Warehouse Receipts System	National Cereals and Produce Board	GOE	Early-stage preparations	User-pay: warehousing charges	3 (national GSM only)	8,000
	Sub-total, GOEs (10 projects)						**551,190**
County Governments							
55.	Eldoret Solar Power Plant and Solar-Powered Street Lighting	County Government of Uasin Gishu	County	Contract negotiations	County-pay: availability payments (USD 4.2 million in year 1, escalating at 3 percent a year; 15 years)	3 (national GSM only)	3,300
56.	Cancer Centre at Meru Level 5 Referral Hospital	County Government of Meru	County	Ready for tender	User-pay with viability gap funding	2 (VGF) + 3	9,373
57.	Nairobi Smart Street Lighting Project	Nairobi City County	County	Feasibility/project development	County-pay: availability payments and viability gap funding from the County budget	3 (national GSM only)	6,183
58.	Njoro Kubwa Bulk Water Supply (Taita Taveta)	County Government of Taita Taveta	County	Feasibility/project development	User-pay: water sale by the concessionaire; viability gap funding of about 40 percent of project cost	2 (VGF) + 3	10,000
59.	Makueni County Fruit Processing Plant	County Government of Makueni	County	Early-stage preparations	To be determined	TBD	TBD
60.	Multi-Storey Mobility Hub, Nairobi	Nairobi City County	County	Early-stage preparations	To be determined	TBD	TBD
61.	Nairobi Dignity Centre: Funeral and Forensic Services	Nairobi City County	County	Early-stage preparations	To be determined	TBD	TBD
	Sub-total, County Governments (7 projects)						**28,856**
	Sub-total B1 (48 projects)						**1,842,000**
B2. PPP projects awaiting approval							
62.	Justice Centre	Office of the Attorney	MDA	Awaiting approval (PIIP received)	Government-pay: availability	2 + 3	4,550

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No.	Project	Contracting authority	Group	Stage	Payment mechanism	Category	Estimated value (KSh million)
		General and Department of Justice			payments from the OAG-DOJ rental budget (DBFT, 15 years)		
63.	KNH Private Hospital	KNH	SAGA	Awaiting approval	Government-pay: availability payments (structure under development)	2 + 3	25,000
64.	Mombasa Northern Bypass	KeNHA	SAGA	Awaiting approval	User-pay: tolls; VGF financed	2 (VGF) + 3	30,000
65.	Nairobi – Thika – Juja – Kenol – Sagana – Marua Road	KeNHA	SAGA	Awaiting approval	User-pay: tolls	TBD	100,000
66.	Nairobi Southern Bypass (operation, maintenance and tolling)	KeNHA	SAGA	Awaiting approval	User-pay: tolls	3	12,265
67.	Kenyatta University Hostels	Kenyatta University	SAGA	Awaiting approval	User-pay: student accommodation charges	3	6,000
68.	KWS National Smart Conservation and Wildlife Protection Programme	Kenya Wildlife Service	SAGA	Awaiting approval	Government-pay: availability/service payments from ring-fenced KWS revenues	2 + 3	10,000
69	Mt. Elgon Orchards Avocado Processing and Export Project, Trans-Nzoia County	Agricultural Development Corporation	GOE	Awaiting approval	User-pay: sale of processed produce (domestic and export)	3 (national GSM only)	3,642
	Sub-total B2 (8 projects)						**191,457**
	TOTAL (69 projects)						**2,472,415**

Source: National Treasury

Annex Table 9: PPP Project Pipeline by Stage

Stage of PPP project	No. of projects
Projects in operation and maintenance phase	6
Projects in construction phase	5
Projects at Commercial Close (PPP Contracts Signed)	2
Sub-total: existing projects	**13**
Projects at Contract Negotiations (Contracts Not Yet Signed)	3
Projects in Tender/Procurement of Private Party	2
Projects Ready for Tender	4
Projects at Feasibility Study/ Project Development Phase	12
Projects in Early-Stage Preparations	27
Sub-total: approved projects	**48**
Projects awaiting approval	8
TOTAL	**69**

Source: National Treasury

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THE NATIONAL TREASURY
NOVEMBER 2026