

List of Annexes

Annex 1- Minutes of the Committee

Annex 2- Schedule for additional allocations to counties

Annex 3- Stakeholders Submissions

Annex 4- Advert



REPUBLIC OF KENYA
THE NATIONAL TREASURY

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

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

FEBRUARY, 2026

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

A. INTRODUCTION

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

B. LEGAL BASIS AND OBJECTIVES FOR 2026 BUDGET POLICY STATEMENT

2. The Budget Policy Statement (BPS) is prepared in accordance with the Public Finance Management Act, 2012. Section 25 of the Act, requires the National Treasury to submit the Budget Policy Statement approved by Cabinet to Parliament, by the 15th February in each year.

3. In compliance with the PFM Act and Regulations, the 2026 Budget Policy Statement:

- i) Presents an **assessment of the current state** of the economy and the **financial outlook** over the medium term.
- ii) Presents the **financial outlook** with respect to **Government revenues, expenditures and borrowing** for the FY2026/2027 and over the medium term.
- iii) Sets the **proposed expenditure limits** for the national government, and **indicative transfers** to county governments.
- iv) Presents the **fiscal responsibility principles** and **financial objectives** over the medium term.

4. The document forms the basis for the preparation of the **FY 2026/27 and medium-term budget**.

C. HIGHLIGHTS OF THE 2026 BUDGET POLICY STATEMENT

i) Policy Priorities

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

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

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

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

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

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

iv) Developing efficient **transport and logistics infrastructure** to connect markets, lower the cost of doing business, and strengthen Kenya's position as the aviation and commercial hub of East and Central Africa.

8. This roadmap emphasizes long-term industrial planning, expansion of productive capacity, large-scale investment in human capital, and strategic infrastructure development.

9. To sustainably finance this transformation agenda, the Government approved the establishment of the National Infrastructure Fund and the Sovereign Wealth Fund.

i) The **National Infrastructure Fund**, established with initial capitalization from privatization proceeds, will serve as the central vehicle for aligning public finances with national development priorities. The Fund will crowd-in large-scale private sector through domestic resources mobilisation, monetising mature public assets, leveraging capital markets while reducing on borrowing and taxation. To establish the Fund, the National Infrastructure Fund Bill, 2026 was tabled in Parliament last week.

ii) The **Sovereign Wealth Fund** will prudently manage mineral and petroleum revenues, returns from public investments, and a portion of privatisation proceeds to promote inter-generational equity, fiscal resilience, and strategic commercial investments. Anchored on Article 201 of the Constitution, the Fund will strengthen fiscal discipline, protect the economy from external shocks, and enhance long-term national competitiveness.

ii) Economic Developments and Outlook

Global Economic Environment

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

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

Table 1: Sectoral GDP Performance

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

Source of Data: Kenya National Bureau of Statistics

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

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

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

- Generally accommodative financial conditions.

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

Domestic Economic Performance and Outlook

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

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

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

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

Fiscal Performance for FY 2025/26

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

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

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

	2024/2025	2025/2026		Deviation KSh.	% Growth
	Actual*	Actual*	Target		
Total Revenue (a+b)	1,368,747	1,525,121	1,636,711	(111,591)	11.4
(a) Ordinary Revenue	1,157,762	1,241,288	1,351,853	(110,565)	7.2
Import Duty	71,535	84,731	83,717	1,014	18.4
Excise Duty	141,349	153,647	167,617	(13,970)	8.7
PAYE	275,994	303,001	310,746	(7,744)	9.8
Other Income Tax	254,840	239,353	316,147	(76,794)	(6.1)
VAT Local	149,905	171,649	186,747	(15,098)	14.5
VAT Imports	154,175	179,347	192,619	(13,272)	16.3
Investment Revenue	58,330	53,574	36,981	16,593	(8.2)
Traffic Revenue	1,808	1,842	1,998	(156)	1.9
Taxes on Intl. Trade & Trans.(IDF Fee)	22,596	23,986	23,858	129	6.2
Others ¹	27,230	30,157	31,425	(1,267)	10.8
(b) Appropriation In Aid²	210,985	283,833	284,858	(1,026)	34.5
o/w Railway Development Levy	15,878	22,937	19,204	3,733	44.5
(c) External Grants	7,513	5,759	17,919	(12,160)	(23.3)
Total Revenue and External Grants	1,376,260	1,530,879	1,654,630	(123,751)	11.2
Total Revenue and External Grants as a percentage of GDP	7.6	7.9	8.6		-

Source: The National Treasury

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

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

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

Source: The National Treasury

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

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

- The resultant fiscal deficit for FY 2025/26 is projected at **KSh 1,140.7 billion (6.0 percent of GDP)**, up from KSh 901.0 billion (4.7 percent of GDP) in the approved Budget, and will be financed through net external financing of **KSh 254.8 billion (1.3 percent of GDP)** and net domestic financing of **KSh 885.9 billion (4.7 percent of GDP)**.
- These adjustments will be tabled before Parliament during the supplementary budget process later this financial year.

iii) **FY 2026/27 and Medium-Term Budget**

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

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

Fiscal Projections for FY 2026/27 Budget

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

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

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

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

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

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

Budgetary Allocation for FY 2026/27

Hon. Chairperson and Members,

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

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

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

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

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

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

i) County Financial Management and Division of Revenue

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

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

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

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
A County Equitable Share	316,500	316,500	370,000	370,000	385,425	387,425	415,000	420,000
B Additional Allocations to County Governments	45,595	30,204	39,880	22,359	46,362	42,002	70,666	75,693
Of which a) Gov-funded unconditional allocations	-	-	-	-	10,117	-	2,946	1,981
b) Gov-funded conditional allocations	6,505	-	7,537	5,200	3,044	4,584	9,984	16,312
c) Allocations from proceeds of loans and grants	39,090	30,204	32,343	17,159	33,202	37,659	57,735	57,400
C Total County Allocations (A+B)	362,095	346,704	409,880	392,359	431,787	429,427	485,666	495,693

Source: The National Treasury

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

Division of Revenue Bill, 2026

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

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

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

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

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

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

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

of revenues to 8.7 percent and 39.8 percent from FY 2013/14 to FY 2025/26. This trend is expected to remain the same in FY 2026/27.

Table 6 below shows the breakdown of these mandatory expenditures in FY 2026/27;

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

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

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

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

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

County Allocation of Revenue Bill, 2026

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

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

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

County Governments Additional Allocation Bill, 2026

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

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

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

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

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

Hon. Chairperson and Members,

I. INTRODUCTION

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

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

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

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

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

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

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

II. ASSUMPTIONS

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

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

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

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

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

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

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

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

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

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

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

CONCLUSION

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

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

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

16. To safeguard debt sustainability, the National Treasury will continue to sustain **fiscal consolidation** measures anchored on expenditures controls and revenue mobilization. As part of the process, the National Treasury will explore **innovative financing instruments, diversify borrowing sources, prioritize concessional external financing** to lower financing costs, and strategically **extend the maturity profile of public debt** through the issuance of medium- to long-term debt instruments.

17. The National Treasury will also sustain push for more **domestic debt market reforms**, aimed at lowering borrowing costs and enhance the effectiveness of public debt management operations.

18. Collectively, these actions will enhance Kenya's debt management outcomes and support long-term fiscal and external stability.

19. I thank you once again, **Hon. Chairperson and Hon. Members**, for giving us this opportunity to engage with you on the 2026 Budget Policy Statement and the Medium-Term Debt Management strategy. We remain available to support the Committee when called upon during this approval process.

A handwritten signature in dark ink, appearing to read 'John Mbadi Ng'ongo', is enclosed within a large, hand-drawn oval.

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

overtakes the functions of the National Council for Persons with Disabilities, which, under the recently assented Persons with Disabilities Act 2025, has been explicitly mandated to handle registration, issuance of certificates, and disability cards of persons with disabilities and organizations of persons with disabilities. These functions have already been operationalized through the eCitizen platform, making SPCR's intervention appear to encroach on the Council's assigned role.

35. (1) In order to facilitate access by persons with disabilities to the services set out under this Part, the Council shall register on a continuous basis—

**Registration of
Persons with
Disabilities,
organizations and
institutions**

- (a) persons with disabilities, to whom it shall issue disability identification cards in such form as it may determine;**
- (b) institutions, entities owned by Persons with Disabilities, associations and organizations, including those controlled and managed by the Government, which promotes the rights of and provide services to persons with Disabilities and issue certificates of registration thereof.**

Source: PWD ACT, 2025.

2. The sector should reassess its priorities and broaden coverage to include all disability groups in the provision of actual medical necessities.

Providing sunscreen for persons with albinism is a critical and appropriate intervention but expanding drug provision for autism risks diverting resources from disability groups whose conditions necessitate continuous medical or pharmaceutical support. Among the achievements highlighted by the sector in the 2026 Budget Policy Statement is the provision of drugs to 6,941 persons with autism and sunscreen to 3,800 persons with albinism across the financial years 2022/23 to 2024/25. In the coming medium term, the sector seeks to expand drug and essential supply provision to 20,000 persons with autism and sunscreen provision to 5,000 persons with albinism. While autism and albinism are specifically highlighted in Kenya's disability discourse due to the unique social stigma they face and the need for targeted interventions, it is important to note that autism does not inherently require medication. In contrast, there are other disability categories where individuals must rely on essential drugs or supplies daily to survive and function.

2.5 Food Security (ARUD) and Climate Change

Parliament should mandate the state departments within the ARUD sector to develop climate resilient strategies and outcomes within their programmes to enhance readiness and long-term adaptation and mitigation against climate change. This will ensure a whole rounded approach towards climate change adaptation and mitigation and not a siloed approach

targeting ASAL regions only. While this performance in food production is good, the government must note that the climate change conditions continue to deteriorate, and its effects are already hitting other areas, especially in the ASAL regions much more. Kenya's National Drought Early Warning Bulletin shows a consistent increase in the number of counties falling into the "Alarm" category of drought signs with more counties showing signs of deterioration from the "Alert" category into the 'Alarm' category.

Table 1: Number of counties in the Alarm and Alert categories of the Drought Phase classification

Month	Jan (2026)	Dec	Nov	Oct	Sept	Aug	Jan (2025)
Alarm Category	4	1	1	0	0	0	0
Alert Category (High risk / likely to Worsening)	12	5	5	15	5	1	3

Source: Bajeti Hub Analysis of the National Drought early warning bulletin, 2025

2.6 Water and Sanitation (WASH): Environment Protection, Water and Natural Resources Sector

There should be a review of all stalled projects mostly those tied to external and donor funds, to ensure effective Development and service delivery. A peer country that the sector can learn from is Rwanda which established the Kigali Bulk Water Supply Project under a PPP model. The project includes a water treatment plant, 38 wells, three pumping stations, pipelines, and three reservoirs. Kigali has over years faced water insecurity due to rapid urbanization and climate change but with this project, the city is serving over hundreds of thousands of its residents with a potential of producing 40,000 cubic meters of clean water per day. The EPWNR sector has been heavily dependent on donor funds to establish projects, recognizing that most projects are capital-intensive as the State Department for Water and Sanitation aims to improve access to clean water services from the current 74% to 80% (same as for 2025 BPS) by completing major projects such as the Water and Sanitation Development Projects and the Mwache Dam project over the medium term. However, these flagship projects have repeatedly been rolled over due to persistent challenges, including exchequer delays, budget cuts during supplementary budgeting, and inadequate allocations. Donor funding has been shrinking over the years, prompting the government to consider other alternatives like Public Private Partnerships (PPPs). The BPS has made significant stride towards realizing its dream of successful water PPPs and it has presented some water projects like Sabaki Water Carrier Project (KSh 28billion) for abstraction of 80,000 m³ /day water from the Baricho aquifer.

Below are the current sector report and auditor reviews that have flagged several projects as incomplete, due to the above-mentioned challenges.

ANNEX 1: MINUTES OF
THE COMMITTEE
PROCEEDINGS



MINUTES OF THE TWO HUNDRED AND FIFTY-FOURTH (254TH) HYBRID MEETING OF THE SENATE STANDING COMMITTEE ON FINANCE AND BUDGET HELD ON MONDAY, 23RD FEBRUARY 2026, IN MT. KILIMANJARO 1, FOUR POINTS BY SHERATON AT 4.00 P.M.

PRESENT

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

ABSENT WITH APOLOGY

8. Sen. Richard Momoima Onyonka, MP	-	Member
9. Sen. Shakila Abdalla Mohamed, MP	-	Member

SECRETARIAT

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

MIN/SEN/SCF&B/1475/2026

PRELIMINARIES

The Chairperson called the meeting to order at 4:04 p.m. This was followed by a word of prayer and introductions.

MIN/SEN/SCF&B/1476/2026

ADOPTION OF THE AGENDA

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

1. Prayer;
2. Adoption of the Agenda;
3. Resumption of consideration of the draft report on the 2026 Budget Policy Statement;
4. Adoption of the report on 2026 Budget Policy Statement;
5. Any other Business; and
6. Adjournment and Date of the Next Meeting.

MIN/SEC/SCF&B/1477/2026

**RESUMPTION OF CONSIDERATION OF THE
DRAFT REPORT ON THE 2026 BUDGET
POLICY STATEMENT**

The meeting resumed reviewing and discussing the draft report on the 2026 Budget Policy Statement (BPS). The Committee noted, among others, the following -

- a) the shareable revenue is projected to increase by Ksh.147.2 billion, which is a 5.3 percent increase from the approved revenue of Ksh.2,754.7 billion for FY 2025/26. However, despite this projected revenue increase, the county equitable share is proposed to increase by Ksh.5 billion only, which is 1.2% growth from the previous allocation of Ksh.415 billion in FY 2025/26.
- b) The fiscal deficit for the FY 2026/27 is projected to increase to Ksh.1.1 trillion with concerns over reliance on domestic borrowing and its impact on availability of private sector credit.
- c) The Social Health Insurance Fund's relies on narrow contribution base. Therefore, for the objects of the Fund to be fully realized, there was need for an increased and significant exchequer support to the Fund.
- d) The national government and the county governments owe KEMSA significant outstanding payment for medical supplies. This negatively impacts KEMSA on execution of its mandate.
- e) There was need for clarification on how proceeds from securitization of the Road Maintenance Levy Fund (RMLF) have benefited county governments and ensure future securitization proceeds are shared with county governments for maintenance of county roads.
- f) There is need to undertake immediate remedial measures to curb nonremittance of statutory deductions such as pension by county governments. Possible mechanism may include deductions at source once payroll is integrated with IFMIS.
- g) The National Treasury should provide clarification on the funding of additional Community Health Promoters (CHPs) as proposed in the BPS, increase from 107,831 to 120,000 CHPs.
- h) The Committee noted with great concern that the recommendations of the Senate on the BPS in previous years were not taken into account and subsequent BPS' do not give an

explanation on how the National Treasury intends to take into account the House's resolution.

- i) The establishment of the National Infrastructure Fund was positive step towards economic recovery; Additionally, there was establishment of the Sovereign Wealth Fund to mobilize proceeds from sale of government owned enterprises and the mineral royalties. However, strong parliamentary oversight will be required to ensure the Fund achieves its purpose.

Following deliberations, the Committee noted-

- a) Each Standing Committees should be keen on following up implementation of policy proposals contained in the BPS.
- b) Several civil society institutions had submitted valuable information for consideration.

MIN/SEC/SCF&B/1478/2026

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

The Committee having considered the report on the 2026 Budget Statement unanimously adopted it having been proposed by Sen. Mohamed Faki Mwinyihaji, CBS, MP, and seconded by Sen. Boni Khalwale, CBS, MP. Among the recommendations-

- a) The national government's equitable share for FY 2026/27 will be Ksh.2,437,529,429,840.
- b) The county equitable share for FY 2026/27 will be Ksh.454,743,157,879.
- c) That the Equalisation Fund be allocated Ksh.15,163,170,425, of which Allocation in FY 2026/27 Division of Revenue—Ksh.9,602,170,425 and Arrears—Ksh.5,561,000,000
- d) That Additional Allocations to counties be Ksh.66,755,175,182 billion.

The County Equitable share of Ksh.454.73 billion was arrived at by- Baseline allocation (FY 2025/26)-Ksh.415 billion, adjustment for inflation at 5% equivalent to Ksh.20.75 billion, inclusion of Ksh.10.05 billion for implementation of 3rd and 4th Cycle Review of county salary and remuneration and Ksh.8.94 billion for transitioning of UHC workers to permanent and pensionable-.

MIN/SEN/SCF&B/1479/2026

**ADJOURNMENT AND DATE OF THE NEXT
MEETING**

The meeting adjourned at 5:22 p.m. Next meeting shall be held on Monday, 23rd February, 2026 at 5:40 p.m.

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

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

(CHAIRPERSON)



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

PRESENT

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

ABSENT WITH APOLOGY

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

SECRETARIAT

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

IN ATTENDANCE

THE NATIONAL TREASURY AND ECONOMIC PLANNING

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

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

MIN/SEN/SCF&B/1471/2026

PRELIMINARIES

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

MIN/SEN/SCF&B/1472/2026

ADOPTION OF THE AGENDA

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

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

MIN/SEC/SCF&B/1473/2026

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

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

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

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

MIN/SEN/SCF&B/1474/2026

ADJOURNMENT AND DATE OF THE NEXT MEETING

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

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

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

(CHAIRPERSON)



MINUTES OF THE TWO HUNDRED AND FIFTY-SECOND (252ND) MEETING OF THE SENATE STANDING COMMITTEE ON FINANCE AND BUDGET HELD ON MONDAY, 23RD FEBRUARY 2026, IN MT. KILIMANJARO 1, FOUR POINTS BY SHERATON AT 9.30 A.M.

PRESENT

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

ABSENT WITH APOLOGY

9. Sen. Shakila Abdalla Mohamed, MP	-	Member
-------------------------------------	---	--------

SECRETARIAT

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

MIN/SEN/SCF&B/1466/2026

PRELIMINARIES

The Chairperson called the meeting to order at 9:55 a.m. This was followed by a word of prayer and introductions.

MIN/SEN/SCF&B/1467/2026

ADOPTION OF THE AGENDA

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

2. Introduction;
3. Adoption of the Agenda;
4. Confirmation of minutes of the 251st, 250th, 249th, 248th, 247th, 246th, 245th, and 236th Sittings;
5. Matters arising from the minutes of the previous sittings;
6. Consideration of the draft report on the 2026 Budget Policy Statement;
7. Any other Business; and
8. Adjournment and Date of the Next Meeting.

MIN/SEC/SCF&B/1468/2026

CONFIRMATION OF MINUTES OF THE SITTINGS

- a) The Minutes of the Two Hundred and Fifty-First (251st) meeting held on Thursday, 19th February, 2026 at 9:00 a.m. were confirmed as a true record of the proceedings of the Committee having been proposed by Sen. Boni Khalwale, CBS, MP, and seconded by Sen. Essy Okenyuri Nyaituga, MP.
- b) The Minutes of the Two Hundred and Fiftieth (250th) meeting held on Tuesday, 17th February, 2026 at 9:00 a.m. were confirmed as a true record of the proceedings of the Committee having been proposed by Sen. Mariam Sheikh Omar, MP, and seconded by Sen. Essy Okenyuri Nyaituga, MP.
- c) The Minutes of the Two Hundred and Forty-Ninth (249th) meeting held on Tuesday, 2nd December, 2025 at 1:30 p.m. were confirmed as a true record of the proceedings of the Committee having been proposed by Sen. Mohamed Faki Mwinyihaji, CBS, MP, and seconded by Sen. Essy Okenyuri Nyaituga, MP.
- d) The Minutes of the Two Hundred and Forty-Eighth (248th) meeting held on Tuesday, 18th November, 2025 at 9:00 a.m. were confirmed as a true record of the proceedings of the Committee having been proposed by Sen. Essy Okenyuri Nyaituga, MP, and seconded by Sen. Mohamed Faki Mwinyihaji, CBS, MP.
- e) The Minutes of the Two Hundred and Forty-Seventh (247th) meeting held on Tuesday, 11th November, 2025 at 9:00 a.m. were confirmed as a true record of the proceedings of the Committee having been proposed by Sen. Mohamed Faki Mwinyihaji, CBS, MP, and seconded by Sen. Essy Okenyuri Nyaituga, MP.
- f) The Minutes of the Two Hundred and Forty-Sixth (246th) meeting held on Tuesday, 4th November, 2025 at 9:00 a.m. were confirmed as a true record of the proceedings of the Committee having been proposed by Sen. Boni Khalwale, CBS, MP, and seconded by Sen. Essy Okenyuri Nyaituga, MP.
- g) The Minutes of the Two Hundred and Forty-Fifth (245th) meeting held on Thursday, 30th October, 2025 at 9:00 a.m. were confirmed as a true record of the proceedings of the Committee having been proposed by Sen. Boni Khalwale, CBS, MP, and seconded by Sen. Mariam Sheikh Omar, MP.
- h) The Minutes of the Two Hundred and Thirty-Sixth (236th) meeting held on Tuesday, 23rd September, 2025 at 9:00 a.m. were confirmed as a true record of the proceedings of the

Committee having been proposed by Sen. Mariam Sheikh Omar, MP, and seconded by Sen. Boni Khalwale, CBS, MP.

MIN/SEC/SCF&B/1469/2026

**CONSIDERATION OF THE DRAFT REPORT
ON THE 2026 BUDGET POLICY STATEMENT**

The meeting consideration of the report on the 2026 Budget Policy Statement-

- a) Chapter one– which contained legal underpinnings, key sections such as the macroeconomic framework, fiscal framework, adherence to public finance principles and proposed allocations to the two levels of government
- b) Chapter two- which entailed stakeholders’ submissions.
- a) Chapter three- summary of submissions from the Senate Committee Standing Committees and their recommendations.

MIN/SEN/SCF&B/1470/2026

**ADJOURNMENT AND DATE OF THE
NEXT MEETING**

The meeting adjourned at 12:46 p.m. Next meeting shall be held on Monday, 23rd February, 2026 at 2:00 p.m.

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

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



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

PRESENT

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

ABSENT WITH APOLOGY

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

SECRETARIAT

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

IN ATTENDANCE

The Commission on Revenue Allocation

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

The Council of Governors

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

MIN/SEN/SCF&B/1460/2026

PRELIMINARIES

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

MIN/SEN/SCF&B/1461/2026

ADOPTION OF THE AGENDA

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

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

MIN/SEC/SCF&B/1462/2026

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

The agenda item was deferred to the subsequent meeting.

MIN/SEC/SCF&B/1463/2026

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

Meeting with Commission on Revenue Allocation

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

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

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

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

Following deliberations, the Committee observed that-

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

Meeting with the Council of Governors

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

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

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

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

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

The Committee observed that-

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

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

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

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

Meeting with the National Treasury and Economic Planning

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

MIN/SEN/SCF&B/1464/2026

ANY OTHER BUSINESS

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

MIN/SEN/SCF&B/1465/2026

ADJOURNMENT AND DATE OF THE NEXT MEETING

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

SIGNATURE:  ... DATE: 23rd February, 2026.

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

(CHAIRPERSON)

ANNEX 2- SCHEDULE FOR
ADDITIONAL
ALLOCATIONS TO
COUNTIES

Annex II: Additional Allocations to County Governments in FY 2026/27.

SN	Project description	Amount (Ksh)
Unconditional Allocations to County Governments		
1	Unconditional Allocations from Court Fines	148,259,370
2	Unconditional Allocations for 20% Share of Mineral Royalties	1,833,128,821
	Sub-total (A)	1,981,388,191
Conditional Additional Allocations to County Governments from National Government's Revenue		
1	Community Health Promoters (CHPs) Programme	3,234,930,000
2	Supplement Construction of County Headquarters	523,100,000
3	County Aggregation and Industrial Parks (CAIPs) Programme	3,250,000,000
4	Allocations from 0.5% of Housing Levy Fund to the County Rural and Urban Affordable Housing Committees	365,991,679
	Sub-total (B)	7,374,025,679
Conditional Additional Allocations from Proceeds of Loans or Grants from Development Partners		
1	AfD (French)-Kenya Informal Settlements Improvement Project Phase Two (KISIP II)	400,000,000
	IDA (World Bank) - Building Resilient & Responsive Health Systems(BREHS)	7,800,000,000
3	KfW - Financing Locally- Led Climate Action(FLLoCA) Program-County Climate Resilience Investment Grant(CCRIG)	1,200,000,000
4	IDA (World Bank) -Financing Locally- Led Climate Action(FLLoCA) Program-County Climate Resilience Investment Grant(CCRIG)	6,187,500,000
5	IDA (World Bank) -Food Systems Resilience Project (FSRP)	3,900,000,000
6	IDA (World Bank)-National Agricultural Value Chain Development Project (NAVCDP)	3,560,000,000
7	IDA (World Bank)-Water and Sanitation Development Project (WSDP)	850,000,000
8	IDA (World Bank)-Kenya Urban Support Project (KUSP)- Urban Development Grant(UDG)	16,703,171,420
9	IDA (World Bank)-Kenya Urban Support Project (KUSP)- Urban Institutional Grant (UIG)	954,734,992
10	IFAD-Kenya Livestock Commercialization Project (KeLCoP)	378,730,000
11	KfW-Drought Resilience Programme in Northern Kenya (DRPNK)	853,600,000
12	IDA (World Bank)-Second Kenya Devolution Support Program (KDSP II)-Institutional Grant(level I Grant)	1,762,500,000
	IDA (World Bank)-Second Kenya Devolution Support Program (KDSP II)-Service Delivery and Investment Grant(level II Grant)	7,755,000,000
14	IDA (World Bank)-Kenya Water, Sanitation and Hygiene (K-WASH)-Programme	4,282,086,900
15	IFAD-Integrated Natural Resources Management (INReM)-Programme	812,442,000
	Sub-total (C)	57,399,765,312
	GRAND TOTAL (A+B+C)	66,755,175,182

ANNEX 3-
STAKEHOLDERS
SUBMISSIONS

MEMORANDUM TO THE SENATE ON THE BUDGET POLICY STATEMENT (BPS) 2026

Bajeti Hub

Date: February 20, 2026

Contact Person:

Dr. Abraham Rugo Murium
Executive Director, Bajeti Hub
Email: arugo@bajetihub.org | info@bajetihub.org

Introduction and About Bajeti Hub

Bajeti Hub is a Kenyan non-profit organization working to advance transparency, accountability, participation, and equity in national and county budgeting processes. Bajeti Hub's work is focused on strengthening the impact of civil society advocacy and citizens on budget policies and outcomes at both levels of governance in Kenya. Through deep and sustained engagement, Bajeti Hub provides support to build expertise and skills of civil society actors and citizens involved in budget advocacy. Citizen advocacy, generation of evidence, technical assistance, learning, and networking are all integral components of Bajeti Hub's work.

Summary of the Submissions to the Parliament

1. Macro-Fiscal Framework: Parliament should institute a legislative ceiling on the annual fiscal deficit to curb the unsustainable 21% projected increase in the fiscal deficit from Ksh 923.2 Bn in FY 2025/26 to the proposed Ksh 1.116 Tn in FY 2026/27, which continues to accelerate debt distress. In addition, there is need to relook at the situation as it seems it is not improving despite previous reforms.

Kenya's economy demonstrates underlying resilience, with GDP growth averaging 5.1% between 2022 and 2024, surpassing sub-Saharan Africa's regional average of 3.9%, and actual revenue collections growing at an average of 11% annually. However, revenue targets have persistently been missed by an average of 9%, with the sole exception being FY 2021/22 when targets were deliberately set lower due to COVID-19 disruptions. This consistent pattern of overambitious projections, previously flagged by the Parliamentary Budget Office yet repeatedly approved without adequate adjustment by Parliament, raises serious concerns about fiscal sustainability and budget credibility. Compounding this is the lack of a unified, scientific revenue forecasting methodology, with models used by the National Treasury, KIPPRA, and KNBS producing misaligned projections, undermining predictability and informed decision-making in budget planning.

The Senate Committee push National Treasury, and KNBS, to develop and adopt a single harmonized, evidence-based revenue forecasting model that anchors projections on historical performance trends rather than aspirational targets. Going forward, Parliament should condition its approval of the Budget Policy Statement on the submission of a credible revenue forecast that accounts for the consistent 9% underperformance rate, accompanied by a mandatory contingency expenditure plan to be triggered should mid-year revenue performance fall below 90% of target. This will restore budget credibility, enhance fiscal predictability, and safeguard priority social sector expenditures from disruptive mid-year cuts.

2. Gender: The Budget Policy Statement should be required to include gender and equity assessments across all five BETA pillars, moving beyond the narrow Women Agenda enabler to ensure that budget decisions are not gender-blind and that disaggregated data is used to track whether policy interventions are advancing gender equality in practice.

3. Health: The government should fully devolve health functions as per the IGTRC Gazette Notice of 2024, ensuring that resources follow function so that counties can independently and sustainably manage primary healthcare delivery without continued national government duplication.

4. Education: Parliament should push for a performance audit on infrastructure and increased development funding for public primary schools to address the deepening equity gap created by the technology-dependent Competency Based Curriculum, particularly for learners with special needs. While Education, has continued to receive significant resources, there are still significant gaps which even connects to cost of living and continuing to push parents to pay more out of pocket.

5. Social Protection: There should be a clear legislative distinction between the roles of the State Department for Social Protection and the National Council for Persons with Disabilities to eliminate duplication in the registration and issuance of disability cards, as mandated under the Persons with Disabilities Act 2025. This will give more clarity to the financing of the PWD Act 2025.

6. Food Security (ARUD) and Climate Change: Parliament should mandate all state departments within the ARUD sector to mainstream climate-resilient strategies across their programs, given the alarming escalation of drought conditions, with counties in the "Alarm" category rising from zero in August 2025 to four by January 2026.

7. Water and Sanitation (WASH): There is need to review and resolve all stalled donor-funded water projects and be more transparent on the adoption of PPP models, to meet the long-delayed target of improving clean water access from 74% to 80% of the population.

8. Costing and Transfer of Functions: So far there has been some progress in the functions that were gazetted by IGTRC. The transfer of functions must be accompanied by attendant resources, including administrative and operational costs. The compilation of some of the allocations based on the current allocations are not based on actual costing - from what is currently allocated in the national government. Therefore, a need for a creation of a costing framework for each function, beginning with key sectors such as health, agriculture, and education, to ascertain the actual needs of each level of government for service delivery. For example, how much does

health cost in Kenya and which are the county and national functions then progressively fund it.

General Submissions

1. Macro-fiscal Stability and Debt Sustainability

1.1 Macro-Economic and Fiscal Issues

1. Parliament should have a candid debate to interrogate the budget versus the policies and frameworks in place this will clearly determine where need to move funds from non-core administrative to social service sectors which in the recent past there is clear increasing demand for social services amidst rising cost of living. The proposed sector ceilings indicate a growth of 12 percent in the sectoral budget allocation, which shows that across all sectors there is a growth in the allocation. Parliament should request the National Treasury to provide the criteria used in defining the expenditures and priorities that fall under national interest within the division of revenue framework. This is highlighted by the ministerial allocation in public administration and international relations which seconds education in total allocation and seconds energy in development allocation. This indicates a move toward administrative maintenance rather than human capital investment, which in turn threatens healthcare due to minimal results left from debt.

2. Parliament should inquire about the revenue forecast used by the National Treasury to come up with the revenue projections before approval of the BPS. This will guide on the need for adjustments that may be required. Parliament should also require the National Treasury to submit a contingency plan for expenditure cuts if revenue targets are not met by mid-year. The 9% is clearly shown by the fact that there was a target of 1654.6Bn for total revenue inclusive of external grants but only 1506.3Bn was achieved resulting in a deviation of 148.3 billion. Despite this being a 12.2% increase from the same period the previous year 2024 from 1342.2 billion. Despite the rise it calls for a revise of the 2026 projection of 3533.7B seeing that it is a 6% rise from 3321.7B budgeted showing a 6% rise and a 5.3% anticipated economic growth rate. To note is that over-projection leads to artificial budget padding, which results in a widening fiscal deficit (projected at Ksh

1.116 trillion) and forces the government into expensive emergency domestic borrowing and panic supplementary budgets.

Table 1: Revenue Performance as of 31st December 2025

	As of Dec-24	As of Dec-25			
	Prel. Act. (Ksh. Trillion)	Target (Ksh. Trillion)	Prel. Act.	Deviation	Performance
Total Revenues (1+2)	1.3347	1.6367	1.5006	-0.1361	92%
1. Ordinary Revenue	1.1578	1.3519	1.2365	-0.1153	92%
Import duty	0.0715	0.0837	0.0847	+0.0010	101%
Excise duty	0.1413	0.1676	0.1536	-0.0140	92%
Income tax	0.5308	0.6269	0.5424	-0.0845	87%
VAT	0.3041	0.3794	0.3510	-0.0284	93%
Other Revenue	0.1100	0.0943	0.1048	+0.0105	111%
2. Ministerial Appropriation in Aid	0.1769	0.2849	0.2641	-0.0208	93%
3. External Grants	0.0075	0.0179	0.0058	-0.0122	32%

Source: BPS 2026

FY 2026/27 Projections

Revenue: 3.534 trillion	Deficit (Fiscal benefit / borrowing including grants): 1115.8 billion
Ordinary revenue: 2902 billion	Net external: 225.5 billion
Appropriations in aid (AIA): 632 billion	Net Domestic: 890.4 billion

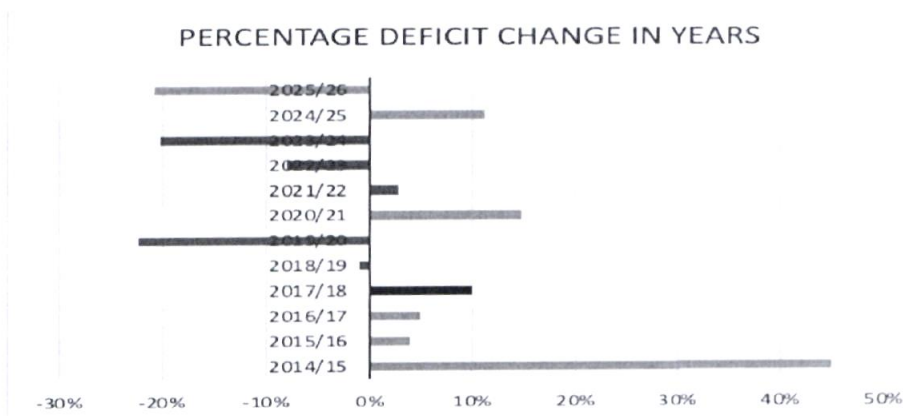
Source: BPS 2026 and National Treasury

3. Parliament should mandate that development expenditure for *new* non-priority projects be frozen until a larger portion of the verified pending bills is allocated in the 2026/27 budget. At the settled-on value of Ksh155.3B recommended for settlement in the FY 2025/26 on pending bills off a cleared claims value of Ksh637.6 B which totals 91,911 claims of a total 115,617 claims valued at 664.8B, highlights a weakness in a government enacting its own policies. This is from the act on treating pending bills as a first charge. This is further escalated by the government highlighting how they purpose to finance Ksh 80.3 B from securitization for the pending bills related to roads. It, however, does not indicate how it plans to cover the deficit. Furthermore, if all the uncleared claims are to be cleared and at a rate of payment of 155.3B it will take us 5 budget years without any new accumulation. Taking 5 years to clear debt destroys private sector confidence and liquidity. This also results to

Suppliers, especially SMEs, lose working capital, leading to business closures and job losses. The health sector alone owes billions (e.g., NHIF/SHA arrears), directly stalling hospital operations, which in turn pushes hospital into private insurance or out of pocket pay only approach limiting health equity.

4. Parliament should institute a legislative ceiling on the annual fiscal deficit (net borrowing limit) to ensure sustainability in public debt management.

Based off the FY 2025/26 there was a highlight of a deficit of 923.2 billion which is anticipated to rise to 1.1158 trillion for the FY 2026/27 which highlights a 21% increase in fiscal deficit. To match this is that the consolidated fund will rise from 1,337,324.8 million in FY 2025/26 approved budget to 1,450,123.4 million in the FY 2026/27 Projections highlighting a 7.8% increase in domestic interests, foreign interests, and pension and salaries for state officers. This highlights a rise in recurrent expenditure which in turn eats into the tight fiscal space that in turn crowds out development and prevents investment in productive sectors. Rising pension obligations (projected at Ksh 278B in FY 2026/27) and domestic interest rates increase the risk of a debt distress spiral. Doing this will cut out the historical proclivity of the national government to increase the budget deficit in-year through supplementary adjustments, precipitating higher than planned to borrow each year. A trends analysis of this across the past 11 financial years.



Source: National Treasury

1.2: Public Debt and Fiscal Sustainability

Kenya's public debt stock as of September 2025 as highlighted by the CBK stands at 12.3 trillion. This comes in hand with a 1.1 trillion proposed debt service cost from a 1.45 trillion contingency fund which translates to 30% of the 4.7 estimated budget. This highlights a drop in debt service cost but an increase in domestic funding to 890.4 billion in the 1.1158 trillion, which in turn adds to the already rising portion of domestic debt currently at 51%. This will narrow borrowing space for the public despite the reduced CBK rate as most commercial banks opt to do business with the government due to the lucrative interest rates on bonds and T-bills and the minimized level of risk. This weakens growth due to limited and costly credit, which in turn limits government revenue.

The government should partake innovative external financing. Kenya is exploring innovative external financing such as Samurai and Panda bonds, as well as Sustainability-Linked Bonds (SLBs), to diversify its currency exposure and attract a broader base of international investors. This is a good move to avoid crowding out the domestic market coming after an improved Moody's rating. We, however, should be careful not to rush into debt with no direct plan into absorption to avoid the already high amounts we are paying in commitment fees as highlighted by the Auditor General.

Parliament must ensure full implementation of the Government-Owned Enterprises Act, 2025, which requires SOEs to operate as commercially viable entities. This should be paired with strategic privatization and divestiture to raise revenue and reduce fiscal exposure. Fiscal sustainability is threatened by potential obligations arising from State-Owned Enterprises (SOEs) and Public-Private Partnerships (PPPs) that are currently off budget but could require government intervention. As of June 2025, outstanding government guaranteed debt amounted to Ksh 83.2 billion, primarily held by entities like Kenya Airways and KenGen. Furthermore, the cumulative on-lent loan portfolio stands at Ksh 1,051.1 billion, with a high concentration (52%) in the Kenya Railways Corporation. These represent "explicit and implicit contingent liabilities." If these entities face financial distress or operational failure, the government may be morally or legally forced to step in, creating unplanned and potentially massive pressure on the Exchequer.

2. Sectoral Submissions

2.1 Gender

Background

Kenya's commitment to advancing gender equality is embedded in Kenya's 2010 Constitution. Article 27(3) states that women and men have the right to equal treatment, including the right to equal opportunities in political, economic, cultural, and social spheres. Article 27(6) further mandates the State to take legislative and other measures, including affirmative action programmes and policies designed to redress any disadvantage suffered by individuals or groups because of past discrimination. Several policies have been put in place to further augment the government's commitment to gender equality with the sessional paper no. 10 of 2016 recognizing the role of public budgets in advancing gender equality. Budgets are the strongest expression of a government's priorities. Gender-responsive budgeting (GRB) aims to ensure that government budgets address gender inequalities and promote gender equality.

The Budget Policy Statement (BPS) is a government policy document that sets out broad strategic priorities and policy goals to guide the national and county governments when preparing their budgets for the upcoming fiscal year and over the medium term. As a policy document, the BPS should also be the place where the government outlines how the proposed priorities impact on gender. This appreciates that gender budgeting is not just about setting aside funds for women but rather about ensuring that the entire budget take into consideration and addresses the specific needs and priorities of the different genders.

Key Submission

The Budget Policy Statement, underpinned by the Bottom-up Economic Transformation Agenda for development, should include gender and equity assessments and implications of the proposed strategic policy interventions. This can be embedded in the narrative within the BPS or in an accompanying gender budget statement as recommended by the National Assembly. The National Assembly, in 2024, recommended that the Budget Policy Statement ought to speak to the gender responsiveness of the various policy proposals therein as shown in the snippet below. This is yet to be actualized outside of the *Women Agenda*, a BETA enabler, which is narrow in terms of the key initiatives. GBV prevention, provision of bursaries and scholarships, affirmative action funds and trainings/sensitizations are critical interventions but still narrow considering the scope of gender equality.

15	To improve the gender responsiveness of government policies, before finalization of the 2025 Budget Policy Statement, the National Treasury to incorporate a section on the gender responsiveness of the various policy proposals in line with international best practices.	The Government is committed to embracing Gender Responsive Budgeting (GRB) to ensure achievement of equity between genders. We also recognize that Gender responsiveness is critical in boosting economic growth and for sustainability. In this regard, the National Treasury is committed to adhere to this resolution of the National Assembly.
----	--	--

Snippet source: The Budget Policy Statement, 2026

The BPS is anchored on the BETA development agenda with five key pillars, all of which need to be alive to gender dynamics and not assume neutrality. The BPS, as a key policy document, should therefore, as put forward by the National Assembly, show how implementing the BETA has and will continue advancing gender equality across all the five pillars.

Further, the table below reveals some of the key issues/interventions within the BETA pillars and the gender implications. This is a lens that can be utilized to provide better assessments of policy proposals regarding how differently people experience policy and budgeting actions and decisions respectively including the gaps and blind spots. Generation and use of data is imperative in planning and budgeting to ensure that policy and budgeting decisions are not gender blind.

ISSUE	EVIDENCE & IMPLICATION	RECOMMENDATION
Agricultural Transformation for Inclusive Green Growth		
The government is implementing targeted reforms to modernize agriculture, improve access to inputs, enhance agricultural productivity, strengthen land administration, ensure food security, and enhance farmers' income. (BPS 2026)		
The fertilizer subsidy programme. (Paragraph 10)	- In 2026/27, the subsidy programme is targeting 4.4 million smallholder farmers nationwide. - According to a UN Women Sectoral Brief published in January 2025, women make up approximately 75 percent of the agricultural labour force in small scale agriculture. Despite women's significant contribution to agriculture and food security, only 25 percent of women own agricultural land and of these only 3 percent own it independently (KDHS 2022). Further, 62 percent of women owning agricultural land, do not	The BPS and other planning and budgeting documents should be required to provide gender disaggregated data/information regarding the beneficiaries of the fertilizer subsidy programme and those issued with the title deeds. This is critical for assessing whether policy interventions and this subsidy programme is advancing gender equality by ensuring women can access inputs, own land and ultimately enhance their income given their

	have title deeds for their land. The BPS 2026 notes the issuance of over 1 million title deeds as one of the key achievements under this pillar.	significant role in the agricultural sector.
Healthcare		
Human Resource for Health (Paragraph 22 and 25)	- The government seeks to expand the Community Health Promoter workforce to 120,000 ensuring that each community health unit is served by at least two CHPs. The latest data shows that the number of CHPs is at approximately 107,000. This means that 13,000 more CHPs will be brought onboard. - Approximately 70 to 90 percent of CHPs are women which further augments the fact that women are primary caregivers both in the context of paid and unpaid care work. From a gender equality perspective, it is imperative that budgetary allocations and the stipend programme in this case, be sufficiently funded and effectively implemented. - The stipend programme has faced disbursement challenges, and this was also raised in the sector public participation forum (Annex Table 6 and Annex Table 7, Issue 3).	- There is need for clarity on the additional number of CHPs disaggregated by gender and regions being targeted. - Clarity on measures being undertaken to ensure that both the financial and work-related needs of CHPs are adequately supported including mechanisms to ensure that disbursements are made in good time to safeguard community health provision and duly compensate CHPs for the work put in.
Digital Superhighway and Creative Economy		
Technology facilitated gender-based violence (TFGBV)	The government is investing in technological advancement through the digital superhighway and	Parliament should call for the acknowledgement of TFGBV as a key

	supporting the creative economy. A key aspect of this pillar has been expanding internet connectivity and trainings to equip especially young Kenyans with digital skills. • This means that the number of people with internet access will continue going up from 35 percent (2024) of the population according to data by the World Bank. The more people are connected the more susceptible women and other vulnerable groups are to TFGBV. • The BPS mentions various cybersecurity frameworks but only in the context of protecting critical government digital systems but does not speak to safeguards for the populace about technology and the exposure to cyberviolence. • According to UNESCO (2023), 58 percent of young women and girls globally have experienced online harassment on social media.	safety concern for women and other minorities. This pillar should be explicit about recognizing, addressing and preventing TFGBV from a policy standpoint. • Resources should be allocated for interventions geared towards addressing and preventing TFGBV. This includes interventions to create awareness that can be done concurrently with the existing trainings and awareness campaigns on gender-based violence and gender mainstreaming. • There is need for clear policy action and guidelines based on well updated legislations that speak to gender based violence and the use of technology.
--	--	--

2.2 Health Sector

Health is one of the priority sectors of the Bottom-up Economic Transformation Agenda (BETA). The key areas of focus as highlighted in the BPS 2026 include achieving UHC through integrated Primary Healthcare Networks, expansion of community health services, and deployment of sufficient medical personnel. In addition, the government intends to strengthen community health systems, expand specialized services, and implement health financing reforms.

1. The National Government should push to fully devolve health functions as per the IGRTC Gazette Notice of 2024¹ by compelling the National Treasury to adhere to these provisions and consequently allocate the necessary resources to the appropriate level of government.

There is a remaining concern that the National Government is still heavily invested in primary functions that should be handled by the counties despite health devolution. This continually undermines the ability of counties to manage health services, hence denying them the much-needed resources to improve primary healthcare services. For example, recruitment of health personnel such as Community Health Promoters (CHPs) is a primary responsibility of the county's governments, yet we see the national government still increasing the allocation and targets of CHPs. In addition, Primary Healthcare Networks which are anchored at the Health Centers are the mandate of the county governments, yet the National government is still playing a significant role in their establishment.

2. The Verification committee ought to prioritize the bills related to health services as this will unlock the resources that are still being held by various levels of government.

These resources would go a long way in ensuring that health services will continue to be delivered in a more sustainable way and ensuring that SHA works as envisioned in providing coverage for all registered Kenyan. However, there are still a huge number of pending bills relating to NHIF and this has greatly impacted delivery of health services for Kenyans. Health facilities decline to cover patients and demand for cash payments for services to be rendered demeaning equity in service delivery despite the UHC rally.

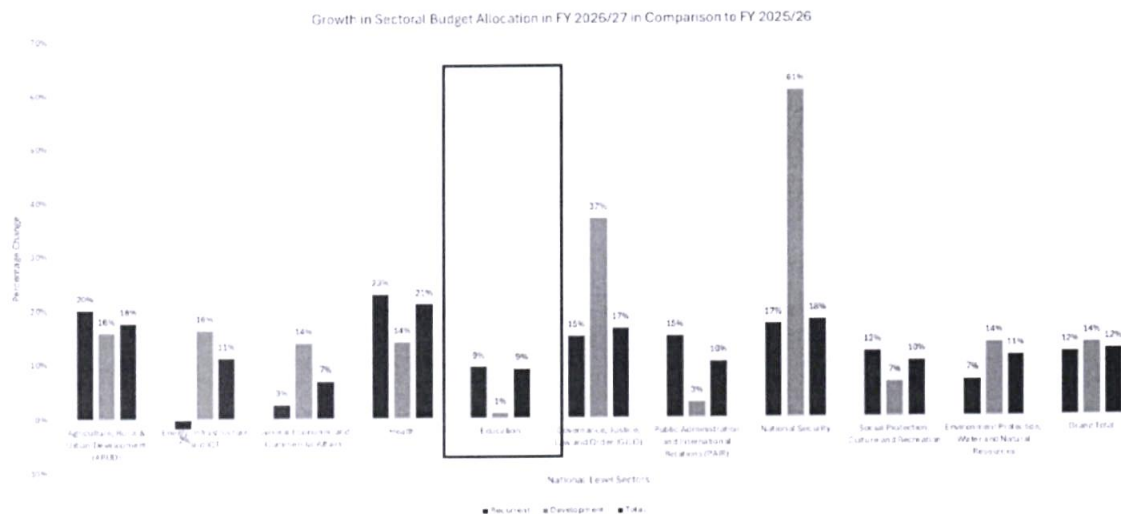
3. The government needs to prioritize improving efficiencies and sealing all loopholes that prevent all resources allocated to health from being utilized fully to achieve the intended outcomes.

Despite the health sectors at both national and county levels receiving a lot of resources, the outcomes are not commensurate with that increase. BPS 2026 indicates a projected increase in the budget for health from KES 138 billion in 2025/26 to a projection of KES 167 billion in 2026/2027. The concern remains that with increased investments in the health sector, including contributions to the Social Health Authority, health outcomes remain largely low or unachieved.

¹ <https://igrtc.go.ke/sites/default/files/2025-11/Gazette%20Notices%20Vol.%20CXXVI—No.%20219%20of%2016th%20December%202024%20Delineation%20of%20the%20National%20and%20County%20Governments%20Functions..pdf>

2.3 Education Sector

The BPS 2026 provides an overall proposed allocation ceiling of 767.3 billion, an increase from both the previous 2025 BPS ceiling of 759.6 billion and FY 2025/26 actual allocation of 701.1 billion. Despite the sector still receiving the largest proposed share of the national budget at 26.8%, the allocation increases in the sector as seen in the graph below, is among the least of the other sectors. This questions whether the education sector is a priority area despite its crucial weight as social service.



Source: BPS 2026

1. Parliament should push for a performance audit report on infrastructure and an increase in funds for development in public primary schools to enhance equity in the Competency Based curriculum. Reports by the MOE in 2021 revealed that there was both a lack of and need for a long-term plan for infrastructure expansion, improvement, and maintenance in public primary schools. The curriculum's heavy reliance on technology, developed infrastructure and skilled teachers continue to wedge the inequality gap within a sector that should be among the greatest equalizers in society. There is also a lack of comprehensive mention on how the government will go about ensuring that Special Needs Learners equally access quality and affordable education in the CBC system. This comes at a time when based on the BPS 2026/27, the sector's development expenditure is projected to rise by 1% and the State Department for Economic Planning that houses NG-CDF projected to decrease by 0.7 billion, already setting the ambitious targets for underachievement.

2. There should be justifications on steps to ensure the target learners under the school feeding program are reached to counter the previous underachievement history. The undeniable neglect of needy learners outside the ASAL regions should also be addressed as a priority area to ensure inclusion. Based on education sector report 2025/26, there has been under

achievement of school feeding targets due to budgetary constraints. The report also highlights that despite an increase in allocation to the programme, the number of school days where a meal was provided has dropped: FY 2022/23 135 school days, FY 2023/24 110 school days, FY 2024/25 118 school days out of a possible 1,050 school days. A performance audit report on the National School Meals and Nutrition Programme by the OAG, in 2023, also revealed that the allocations per student for meals had not changed from 10 shillings and 12 shillings, even after the handover to NACONEK. This historical trend is an indication of dedicated action on the execution of the nutrition programme that has been found to have a direct effect on class attendance of learners.

3. There should be a push to mandate disaggregated reporting of TVET expenditure and trainer deployment by county to promote transparency and ensure equitable distribution of resources across regions. Additionally, there should be a push for condition budget approvals on the achievement of clearly defined infrastructure completion milestones. Despite the significant increase in enrolment in TVETS from 562,499 learners in 2022/23 to 708,885 in 2024/25 there has been challenges in financing with a high skewness towards recurrent expenditure critically in trainer compensation and transfers. Despite BPS noting 108 ongoing projects and 36 completed one's underachievement in infrastructure investment most notable in inclusive learning facilities remains limited and inconsistent seeing that Special Needs in TVET remains flat at Ksh. 209–220 million annually, less than 1% of programme spending. This highlights a growing mismatch between expanding demand and constrained staffing and infrastructure financing seeing trainer recruitment that has been limited to 3,300 instructors, leaving teacher-to-student ratios far above the recommended 1:20–1:25 which is persistent in the FY 2025/26 and FY 2026/27 projections.

2.4 Social Protection

The expected budget allocation for SPCRS is KSh. 87.2 billion for FY 2026/27, which is an increment of 8.4 billion from previous year's allocation of KSh 78.8B. Despite the rise in amounts, there is a ministerial percentage allocation drop questioning priorities of government. This would reverse a trend of a decreasing share of the sector in the total national budget, which has been observed from FY 2021/22 to FY 2024/25. The social protection sector houses six State Departments: Sports, Culture and Heritage, Labor, Social Protection, Pensions and Senior Citizens Affairs, Development of Arid and Semi-Arid Lands (ASALs), and Gender. This analysis, however, will focus on the State Department for Social Protection.

1. There should be a clear distinction in registration and issuance of disability cards to persons with disabilities to avoid duplication of Functions between SPCR and National Council for Persons with Disabilities. One of the key interventions the SPCR sector is proposing is the registration and issuance of disability cards to 510,000 persons with disabilities. However, this duplicates and

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

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

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

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN	ICPAK RECOMMENDATIONS																																	
		■ Budgeted Ordinary Rev. ■ Actual Ordinary Rev. <table><thead><tr><th>Year</th><th>Budgeted Ordinary Rev.</th><th>Actual Ordinary Rev.</th></tr></thead><tbody><tr><td>2015/16</td><td>1,184.4</td><td>1,153.0</td></tr><tr><td>2016/17</td><td>1,311.3</td><td>1,306.6</td></tr><tr><td>2017/18</td><td>1,489.6</td><td>1,365.1</td></tr><tr><td>2018/19</td><td>1,717.0</td><td>1,499.8</td></tr><tr><td>2019/20</td><td>1,843.8</td><td>1,573.4</td></tr><tr><td>2020/21</td><td>1,594.0</td><td>1,562.0</td></tr><tr><td>2021/22</td><td>1,851.5</td><td>1,917.9</td></tr><tr><td>2022/23</td><td>2,192.0</td><td>2,041.1</td></tr><tr><td>2023/24</td><td>2,461.0</td><td>2,288.9</td></tr><tr><td>2024/25</td><td>2,496.2</td><td>2,420.2</td></tr></tbody></table> 2015/16 2016/17 2017/18 2018/19 2019/20 2020/21 2021/22 2022/23 2023/24 2024/25 Issues of concern a. Inability of county governments to adhere to the Public Procurement Act resulting in high outstanding pending bills b. Low development budget absorption c. Under-performance in own-source revenue d. Non-adherence to fiscal responsibility principles	Year	Budgeted Ordinary Rev.	Actual Ordinary Rev.	2015/16	1,184.4	1,153.0	2016/17	1,311.3	1,306.6	2017/18	1,489.6	1,365.1	2018/19	1,717.0	1,499.8	2019/20	1,843.8	1,573.4	2020/21	1,594.0	1,562.0	2021/22	1,851.5	1,917.9	2022/23	2,192.0	2,041.1	2023/24	2,461.0	2,288.9	2024/25	2,496.2	2,420.2	management and expenditure control. ▪ There is a need to build capacity in macroeconomic forecasting (revenue and expenditure forecasting) macro fiscal sensitivity analysis, fiscal impact analysis and economic analysis.
Year	Budgeted Ordinary Rev.	Actual Ordinary Rev.																																		
2015/16	1,184.4	1,153.0																																		
2016/17	1,311.3	1,306.6																																		
2017/18	1,489.6	1,365.1																																		
2018/19	1,717.0	1,499.8																																		
2019/20	1,843.8	1,573.4																																		
2020/21	1,594.0	1,562.0																																		
2021/22	1,851.5	1,917.9																																		
2022/23	2,192.0	2,041.1																																		
2023/24	2,461.0	2,288.9																																		
2024/25	2,496.2	2,420.2																																		
20.	4.5.2 Division of Revenue for FY 2026/27	Article 218(2) of the Constitution requires division of revenue between the two levels of government and across county Governments. The table below shows the analysis of the division of revenue: <table><thead><tr><th>Revenue Share</th><th>BPS 2026</th><th>DORB 2025</th><th>DORA (Amm.) 2024</th><th>DORB 2023</th><th>DO RA 2022</th><th>DORA 2021</th><th>DORA 2020</th><th>DORA 2019</th><th>DORA 2018</th></tr></thead><tbody><tr><td>Total Shareable</td><td>2,982.3</td><td>2,835.0</td><td>2,602.1</td><td>2,571.2</td><td>2,141.0</td><td>5.0 1,77</td><td>1,856.0</td><td>1,877.0</td><td>1,688.0</td></tr></tbody></table>	Revenue Share	BPS 2026	DORB 2025	DORA (Amm.) 2024	DORB 2023	DO RA 2022	DORA 2021	DORA 2020	DORA 2019	DORA 2018	Total Shareable	2,982.3	2,835.0	2,602.1	2,571.2	2,141.0	5.0 1,77	1,856.0	1,877.0	1,688.0	▪ There is a need to expedite the approval of audited accounts to give a clear reflection of the total government's collection. This will increase the allocation to the counties in tandem with the prevailing													
Revenue Share	BPS 2026	DORB 2025	DORA (Amm.) 2024	DORB 2023	DO RA 2022	DORA 2021	DORA 2020	DORA 2019	DORA 2018																											
Total Shareable	2,982.3	2,835.0	2,602.1	2,571.2	2,141.0	5.0 1,77	1,856.0	1,877.0	1,688.0																											

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN				ICPAK RECOMMENDATIONS																																																									
		<table><thead><tr><th>Financial Year</th><th>Approved Audited Revenues (Kshs.)</th><th>Amount of Equalisation Fund Entitlement (Kshs.)</th><th>Amount Transferred to the Fund (Kshs.)</th></tr></thead><tbody><tr><td>2011/2012</td><td>468,151,970,000</td><td>2,340,759,850</td><td></td></tr><tr><td>2012/2013</td><td>529,300,000,000</td><td>2,646,500,000</td><td></td></tr><tr><td>2013/2014</td><td>529,300,000,000</td><td>2,646,500,000</td><td></td></tr><tr><td>2014/2015</td><td>776,900,000,000</td><td>3,884,500,000</td><td>6,400,000,000</td></tr><tr><td>2015/2016</td><td>776,900,000,000</td><td>3,884,500,000</td><td></td></tr><tr><td>2016/2017</td><td>776,900,000,000</td><td>3,884,500,000</td><td>6,000,000,000</td></tr><tr><td>2017/2018</td><td>776,900,000,000</td><td>3,884,500,000</td><td></td></tr><tr><td>2018/2019</td><td>776,900,000,000</td><td>3,884,500,000</td><td></td></tr><tr><td>2019/2020</td><td>776,900,000,000</td><td>3,884,500,000</td><td></td></tr><tr><td>2020/2021</td><td>1,357,698,000,000</td><td>6,788,490,000</td><td></td></tr><tr><td>2021/2022</td><td>1,357,698,000,000</td><td>6,788,490,000</td><td></td></tr><tr><td>2022/2023</td><td>1,413,694,840,000</td><td>7,068,474,200</td><td></td></tr><tr><td>2023/2024</td><td>1,673,715,000,000</td><td>8,368,574,000</td><td>1,030,000,000</td></tr><tr><td>Total</td><td>11,990,948,810,000</td><td>59,954,788,050</td><td>13,430,000,000</td></tr></tbody></table> Issues of concern i. The 20-year period designated for the Equalization Fund under Article 204 is approaching its conclusion, yet there is limited evidence of new projects being initiated. ii. Of the total 51 billion allocated since 2011, only 12.4 billion from two financial years has been transferred to the fund. Though one billion has been paid into the account for the financial year 2023/24, there is still a huge outstanding deficit. Though The National Treasury proposes to allocate an additional KSh 5.56 billion in FY 2026/27 as partial payment to arrears for Equalization Fund.	Financial Year	Approved Audited Revenues (Kshs.)	Amount of Equalisation Fund Entitlement (Kshs.)	Amount Transferred to the Fund (Kshs.)	2011/2012	468,151,970,000	2,340,759,850		2012/2013	529,300,000,000	2,646,500,000		2013/2014	529,300,000,000	2,646,500,000		2014/2015	776,900,000,000	3,884,500,000	6,400,000,000	2015/2016	776,900,000,000	3,884,500,000		2016/2017	776,900,000,000	3,884,500,000	6,000,000,000	2017/2018	776,900,000,000	3,884,500,000		2018/2019	776,900,000,000	3,884,500,000		2019/2020	776,900,000,000	3,884,500,000		2020/2021	1,357,698,000,000	6,788,490,000		2021/2022	1,357,698,000,000	6,788,490,000		2022/2023	1,413,694,840,000	7,068,474,200		2023/2024	1,673,715,000,000	8,368,574,000	1,030,000,000	Total	11,990,948,810,000	59,954,788,050	13,430,000,000	
Financial Year	Approved Audited Revenues (Kshs.)	Amount of Equalisation Fund Entitlement (Kshs.)	Amount Transferred to the Fund (Kshs.)																																																												
2011/2012	468,151,970,000	2,340,759,850																																																													
2012/2013	529,300,000,000	2,646,500,000																																																													
2013/2014	529,300,000,000	2,646,500,000																																																													
2014/2015	776,900,000,000	3,884,500,000	6,400,000,000																																																												
2015/2016	776,900,000,000	3,884,500,000																																																													
2016/2017	776,900,000,000	3,884,500,000	6,000,000,000																																																												
2017/2018	776,900,000,000	3,884,500,000																																																													
2018/2019	776,900,000,000	3,884,500,000																																																													
2019/2020	776,900,000,000	3,884,500,000																																																													
2020/2021	1,357,698,000,000	6,788,490,000																																																													
2021/2022	1,357,698,000,000	6,788,490,000																																																													
2022/2023	1,413,694,840,000	7,068,474,200																																																													
2023/2024	1,673,715,000,000	8,368,574,000	1,030,000,000																																																												
Total	11,990,948,810,000	59,954,788,050	13,430,000,000																																																												
19.	4.5.1 Performance of Shareable Revenue	Ordinary revenue collected over the past ten years has been below target except for FY 2021/22 when the target was surpassed.				Adhering to existing provisions of existing policies, legislations, regulations, and guidelines guiding economic planning, public finance																																																									

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

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

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

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

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

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

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

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

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

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

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN	ICPAK RECOMMENDATIONS																									
		TRENDS IN APPROVED BUDGET ESTIMATES FOR THE EDUCATION SECTOR <table><thead><tr><th>Year</th><th>Basic Education</th><th>TVET</th><th>Higher Education</th><th>Teachers Service Commission</th></tr></thead><tbody><tr><td>2021/22</td><td>14,100</td><td>4,008</td><td>4,353</td><td>515</td></tr><tr><td>2022/23</td><td>24,222</td><td>4,097</td><td>4,621</td><td>1,076</td></tr><tr><td>2023/24</td><td>20,631</td><td>7,005</td><td>3,743</td><td>1,202</td></tr><tr><td>2024/25</td><td>14,361</td><td>5,111.60</td><td>1,220</td><td>395</td></tr></tbody></table>	Year	Basic Education	TVET	Higher Education	Teachers Service Commission	2021/22	14,100	4,008	4,353	515	2022/23	24,222	4,097	4,621	1,076	2023/24	20,631	7,005	3,743	1,202	2024/25	14,361	5,111.60	1,220	395	adopt robust data systems to align resource allocation with emerging needs across education levels. - Enhance Governance, Accountability, and Financing by building capacity of school Boards of Management and Parent-Teacher Associations and improve transparency and accountability in education financing through digital fund management systems. - Align Education with Labour Market and Skills Demand by Expand and modernize Technical and Vocational Education and Training (TVET) institutions. - Strengthen public-private partnerships to support infrastructure development and skills training.
Year	Basic Education	TVET	Higher Education	Teachers Service Commission																								
2021/22	14,100	4,008	4,353	515																								
2022/23	24,222	4,097	4,621	1,076																								
2023/24	20,631	7,005	3,743	1,202																								
2024/25	14,361	5,111.60	1,220	395																								

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN	ICPAK RECOMMENDATIONS
			should be facilitative rather than punitive
8.	1.3.6 Education and Training	- Over the 5-year period FY 2021/22 to FY 2023/24, the approved budget for the education sector rose by 18%, from Ksh. 567.9 billion to Ksh. 689.9 billion. This increase was primarily driven by a 19% growth in recurrent expenditure, which expanded from Ksh. 533.9 billion to Ksh. 657.3 billion. - According to the 2025 KNBS Economic Survey, the education sector remains a key employer in the public service, accounting for 45.2% of total public sector employment. - However, the sector faced a projected budget contraction in FY 2024/25, with overall expenditure expected to fall from Ksh. 601.5 billion to Ksh. 594.2 billion. This includes a 1.7% reduction in recurrent spending to KSh 566.1 billion, while development spending is projected to rise by 9.8% to Ksh 28.1 billion. The following trends were observed in FY 2021/22 – 2023/24	ICPAK recommends the following for the Education Sector; - Given that recurrent expenditure continues to dominate the sector's budget, measures should be instituted to enhance its efficiency and ensure value for money, particularly in personnel costs which are the primary driver. - Given the declining share of development expenditure, a strategic review is necessary to prioritize capital investments that support infrastructure growth, especially in the expanding TVET and junior school subsectors. - With the significant growth in institutions and student populations, the Ministry should

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

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

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

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

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

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

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN	ICPAK RECOMMENDATIONS																																														
		<table><tr><td>Medical Doctors, Dentists and COHO</td><td>13,881</td></tr><tr><td>Pharmacists and Pharmtechs</td><td>10,112</td></tr><tr><td>Registered Nurses</td><td>75,043</td></tr><tr><td>Clinical Officers</td><td>30,866</td></tr><tr><td>Public Health Officers and Technicians</td><td>2,367</td></tr><tr><td>Medical Laboratory Techs</td><td>14,475</td></tr><tr><td>Nutritionists and Dieticians</td><td>14,261</td></tr><tr><td>Physiotherapists</td><td>2,684</td></tr></table> Health is primarily a devolved function under the Fourth Schedule of the Constitution of Kenya 2010. The health sector is responsible for providing and coordinating health policy formulation, ensuring quality service delivery, and regulating health care at the national level. According to KNBS economic survey 2025, in October 2024, Kenya launched the Social Health Authority (SHA) to drive universal health coverage, registering 16.9M members. NHIF/SHA Principal Members by Sector, 2020/21 – 2024/25 ('000) <table><tr><th>Sector</th><th>2020/21</th><th>2021/22</th><th>2022/23</th><th>2023/24</th><th>2024/25</th></tr><tr><td>Formal Private</td><td>3,285</td><td>3,476</td><td>3,531</td><td>3,608</td><td>3,655</td></tr><tr><td>Formal Public</td><td>1,154</td><td>1,170</td><td>1,376</td><td>1,394</td><td>1,403</td></tr><tr><td>Informal</td><td>5,061</td><td>9,296</td><td>10,637</td><td>11,248</td><td>11,802</td></tr><tr><td>Total</td><td>9,501</td><td>13,942</td><td>15,544</td><td>16,250</td><td>16,860</td></tr></table> Challenges 1. Health Financing and Financial Protection - Insufficient and unpredictable public financing for health	Medical Doctors, Dentists and COHO	13,881	Pharmacists and Pharmtechs	10,112	Registered Nurses	75,043	Clinical Officers	30,866	Public Health Officers and Technicians	2,367	Medical Laboratory Techs	14,475	Nutritionists and Dieticians	14,261	Physiotherapists	2,684	Sector	2020/21	2021/22	2022/23	2023/24	2024/25	Formal Private	3,285	3,476	3,531	3,608	3,655	Formal Public	1,154	1,170	1,376	1,394	1,403	Informal	5,061	9,296	10,637	11,248	11,802	Total	9,501	13,942	15,544	16,250	16,860	national and county levels - Fully implement the Community Health Promoters (CHP) program - Equip health centres and dispensaries with essential MNCH commodities Stabilize and Strengthen Human Resources for Health by: - Resolving health worker payroll, dispute and contract issues - Harmonizing HRH management between national and county governments - Recruiting health workers to underserved areas such as refugee camps and informal settlements. Strengthening Governance and Accountability by: - Ensuring timely disbursement of funds to counties and facilities
Medical Doctors, Dentists and COHO	13,881																																																
Pharmacists and Pharmtechs	10,112																																																
Registered Nurses	75,043																																																
Clinical Officers	30,866																																																
Public Health Officers and Technicians	2,367																																																
Medical Laboratory Techs	14,475																																																
Nutritionists and Dieticians	14,261																																																
Physiotherapists	2,684																																																
Sector	2020/21	2021/22	2022/23	2023/24	2024/25																																												
Formal Private	3,285	3,476	3,531	3,608	3,655																																												
Formal Public	1,154	1,170	1,376	1,394	1,403																																												
Informal	5,061	9,296	10,637	11,248	11,802																																												
Total	9,501	13,942	15,544	16,250	16,860																																												

#	KEY BUDGET IMPERATIVES	DISCUSSION & ISSUE OF CONCERN	ICPAK RECOMMENDATIONS
			ensure the Financial Inclusion Fund (FIF) program meets its intended goals. ▪ The National Treasury to require the State department in charge of MSMEs to monitor, document and publish the going-concern status of all the businesses supported under the various programs, outlining the challenges that they still continue to face and the steps towards resolving them. ▪ The Government to simplify the tax regime, create awareness on the regulatory and tax landscape for MSMEs
3.	1.2.3 Healthcare	The doctor-to-patient ratio in Kenya stands at 1:17000, far off the 1:1000 ratio recommended by the World Health Organisation (WHO) and has compromised the delivery of quality healthcare services. The figure below shows Licensed Health Personnel by Profession 2024;	Prioritize Primary Healthcare (PHC) and Community Health by: ▪ Increasing PHC budget allocations at

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

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

1.0 INTRODUCTION

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

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

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

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

2.0 SUMMARY OF ICPAK SUBMISSION ON BPS 2026

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



SUBMISSION

ON

THE DRAFT BUDGET POLICY STATEMENT 2026

FEBRUARY 2026

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

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

Submitted by:



Dr. Lyla Latif

Chair, Committee on Fiscal Studies,

Faculty of Law, University of Nairobi

latif@uonbi.ac.ke

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

XIV. CONCLUSION

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

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

XIII. RECOMMENDATIONS

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

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

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

XII. CONSOLIDATED ASSESSMENT

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

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

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

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

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

XI. TRANSPARENCY AND CONSTITUTIONAL COMPLIANCE

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

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

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

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

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

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

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

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

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

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

VIII. EXPENDITURE FRAMEWORK: DEBT SERVICE VERSUS DEVELOPMENT

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

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

IX. RISK MANAGEMENT: PARALLEL OMISSIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IV. FINANCING STRATEGY: TARGETS, OUTTURNS, AND CREDIBILITY

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

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

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

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

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

A. Natural Resources: An Uncosted Revenue Frontier

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

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

B. ISDS Awards: Fiscal Transparency on Litigation Outcomes

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

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

III. THE REVENUE–FINANCING NEXUS

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

I. INTRODUCTION

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

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

II. MACROECONOMIC ASSUMPTIONS: CONSISTENCY AND REALISM

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

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

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

Submitted to

The Clerk of the Senate of the Republic of Kenya

clerk.senate@parliament.go.ke / financebudgetcomm.senate@parliament.go.ke



Prepared by:

Lyla Latif (PhD)

Committee on Fiscal Studies, Faculty of Law – University of Nairobi

latif@uonbi.ac.ke

February 2026



48 Governments 1 Nation

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

Introduction

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

1.1. General Comments

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



48 Governments 1 Nation

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

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

1.2. Specific Comments

Below are the detailed specific comments on the 2026 BPS;

2.4.2 Fiscal Policy and Outlook

Table 2.7: Fiscal Framework

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

Table 1: County Transfers as a share of GDP

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

Source: National Treasury's 2026 BPS



COG's Proposal

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

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

3.4 Details of Sector Priorities

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

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

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

Source: 2026 BPS



48 Governments 1 Nation

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

Health Sector

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

COG's Proposal

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

COUNTY FINANCIAL MANAGEMENT AND DIVISION OF REVENUE

4.1.4 Expenditure on Wage Bill as a Percentage of Total Revenue

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



48 Governments 1 Nation

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

COG's Proposal

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

4.5 Division of Revenue for the FY 2026/27

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

COG Proposal

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



48 Governments 1 Nation

Justification for the Council of Governors' Recommendations

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

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

S/No.	County	Arrears of FY 2024/2025 – (3 rd Review Cycle)	Arrears of FY 2025/2026 – (4 th Review Cycle)	Total Budget Requirement for FY 2025/2026 onwards
-------	--------	--	--	---



48 Governments 1 Nation

1.	Baringo	79,553,014	87,977,551	167,530,565
2.	Bomet	79,880,969	88,340,236	168,221,205
3.	Bungoma	144,949,428	160,299,340	305,248,768
4.	Busia	79,151,393	87,533,399	166,684,792
5.	Elgeyo-Marakwet	62,114,711	68,692,559	130,807,270
6.	Embu	66,465,040	73,503,581	139,968,621
7.	Garissa	95,442,473	105,549,678	200,992,151
8.	Homa Bay	120,696,204	133,477,739	254,173,943
9.	Isiolo	57,369,542	63,444,884	120,814,426
10.	Kajiado	102,051,188	112,858,245	214,909,433
11.	Kakamega	153,627,277	169,896,160	323,523,437
12.	Kericho	75,014,666	82,958,599	157,973,265
13.	Kiambu	196,776,415	217,614,722	414,391,137
14.	Kilifi	113,569,974	125,596,853	239,166,827
15.	Kirinyaga	59,441,141	65,735,863	125,177,004
16.	Kisii	118,497,614	131,046,322	249,543,936



48 Governments 1 Nation

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



48 Governments 1 Nation

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

Source: SRC Circular



48 Governments 1 Nation

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

Table 4: Consolidated Available Budget for Transfer to Counties

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



48 Governments 1 Nation

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

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

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

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

COG Proposal:

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



48 Governments 1 Nation

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

4.5.2.4 Additional Allocations to County Governments in FY 2026/27

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

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

COG Proposal:

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

4.6 Intergovernmental Fiscal Transfers

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

COG Proposal:

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



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

4.6.1 Intergovernmental Agreements in respect of the Additional Conditional Allocations

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

COG Proposal:

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

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

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

COG Proposal:

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

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

Council of Governors Comments

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

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

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

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

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

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

COG's Proposal

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

No	Paragraph/ Section	Issue	Recommendation
		• The FY 2021/22 audited and approved accounts may not give an equitable allocation to the Fund for the FY 2026/27. • The constitutional requirement on the use of audited and approved accounts of revenue limits the allocations to the Fund.	• Alternatively, Parliament should amend Article 204 to the effect that the allocations to the Fund are based on only the audited accounts.
10.	Table 4.9 on additional allocations to county governments in the FY 2026/27	• The BPS has provided for Ksh. 8.93 billion as an additional conditional allocation to the county governments in the FY 2026/27 for the remuneration of the Universal Health Coverage (UHC) Workers.	• The 12th National and County Governments Coordinating Summit held in December, 2025 resolved that the allocation of Ksh. 8.93 billion was to facilitate counties to pay the UHC workers in perpetuity. • It is therefore the considered opinion of the Commission that the Ksh. 8.93 billion should form part of the equitable share base to counties and it is to be shared based on each county government's UHC workers payroll.
11.	Table 4.10: Division of Revenue Raised Nationally	• Table 4.10 has omitted the additional conditional allocations of 0.5% of Housing Levy Fund to the County Rural and Urban Affordable Housing Committees.	• The table to include the additional conditional allocations of 0.5% of Housing Levy Fund to the County Rural and Urban Affordable Housing Committees in the FYs 2025/26 and 2026/27. • This is in line with Section 11(4)(c) and 11(5) of the Affordable Housing Act which provides that not less than point five percent (0.5%) of the monies from the Affordable Housing Levy shall be allocated to the county committees.

END.

No	Paragraph/ Section	Issue	Recommendation
		• However, the analysis of national government's adherence to fiscal responsibility principles is presented in the annex 1. • Paragraph 321 analyses county development expenditure. Although counties budgeted to spend on average 36.4 percent, actual expenditure was 26.3 percent against a PFM Act requirement of at least 30 percent. Whereas this is a concern, the analysis is biased in two ways: ✓ The Section on county financial management does not analyse total county revenues to include transfers from the national government (Equitable share and additional transfers) ✓ The section also fails to analyse disbursements by the national government to county government. This is important to acknowledge the fact that the national government has been unable to disburse transfers as scheduled	• Section IV should include the analyses of transfers to county government from the nationally raised revenue, which constitute more than 85 percent of county revenues. • It is impossible for county governments to adhere to fiscal responsibility measures once the national government fails to adhere to the disbursement schedule.
8.	Paragraph 331-335	• Detailed analysis of county governments pending bills is provided. However, no similar analysis of national government pending bills is provided and therefore it is not possible to ascertain adherence to Section 94(1)(a) of PFM Act 2012 by the national government.	• The 2026 BPS should provide details of national government's pending bills. • The data/information for both levels of government is available from the OCOB reports.
9.	Paragraph 338-339	• The Equalisation Fund allocation of 0.5 per cent is based on the most recent audited and approved accounts of revenue for the FY 2021/22.	• The National Assembly should expedite the approval of audited accounts.

No	Paragraph/ Section	Issue	Recommendation
		the FY 2025/26, revenue is expected to grow by Ksh. 157.5 billion. • Therefore, the proposed increase of Ksh. 5 billion to the county governments allocation against Ksh. 152.5 billion to the national governments does not amount to equity in the sharing of revenues between the two levels of government for FY 2026/27.	throughout the country, especially the financing of health care provision and employment of adequate personnel in this critical sector.
6.	Paragraph 240, and Table 2.7	• In paragraph 240, the BPS provides the projected expenditure for FY 2025/26 as Ksh. 4,532.8 billion, for FY 2026/27 as Ksh.4,703.9 billion and Ksh. 4,931.4 billion for the FY 2027/28. • Table 3.1. on summary of budgetary allocations for the FY 2026/27-2028/29 and Annex Table 2 presents different figures for the projected expenditure: for FY 2025/26 –Ksh. 4,301.8 billion, for FY 2026/27-Ksh. 4,737.5 billion and Ksh. 5,199.59 for the FY 2027/28. • This amounts to a variance of Ksh. (231) billion for FY 2025/26, Ksh. 33.6 billion for FY 2026/27 and Ksh. 268.2 billion for the FY 2027/28.	• There is need for clarity on the correct projections for FYs 2025/26, 2026/27 and 2027/28 between the numbers presented on Paragraph 240, and Annex Table 2. • The variations are substantial and will affect the budgets
Section IV: COUNTY FINANCIAL MANAGEMENT AND DIVISION OF REVENUE			
7.	Paragraph 313-322	• Section IV of the draft 2026 BPS is dedicated to analysis of county governments' adherence to fiscal responsibility principles.	• The national government adherence to fiscal responsibility principles should also be a substantive section in the 2026 BPS, rather than annexing it.

No	Paragraph/ Section	Issue	Recommendation
		Operation Centers to protect critical digital infrastructure”, whereas paragraph 37 indicates that ...” the Government has completed and operationalized the National Cybersecurity Agency, the National Security Operations Centre, and seven Sectoral Security Operations Centres”.	
Section II. Recent Economic Developments and Medium-Term Outlook			
3.	Section 2.3, paragraph 184 and 187	- The revenue for the FY 2025/26 to December, 2025 underperformed by Ksh. 136.1 billion (out of which Ksh. 115.3 billion was in ordinary revenue and 20.8 in Ministerial A-I-A. - However, recurrent expenditure went up by Ksh. 10.9 billion during the period to December, 2025.	- Increased expenditure leads to worsening of the fiscal deficit which leads to increased public debt. - The government needs to operationalise its policy on fiscal consolidation.
4.	Paragraph 184 on Page 43	Paragraph 184 presents the total revenue target to December 2025 as Ksh. 1,637.7 billion, while Table 2.5 on page 44 presents the target as Ksh. 1,636.7 giving a variance of Ksh. One billion.	There is need for clarity on the correct figures
Section III. Budget for FY 225/26 and the Medium Term			
5.	Section 3.2, and Table 3.1 page 58	- In Table 3.1, The 2026 BPS proposes an allocation to county governments of Ksh. 420 billion in the FY 2026/27 as equitable share of revenue. - This proposal will increase county allocation by Ksh. 5 billion from Ksh. 415 billion allocated in the FY 2025/26. - Based on a revenue projection of Ksh. 2,901.9 for the FY 2026/27 from a target of Ksh. 2,744.4, in	- Parliament to consider increasing the county governments' equitable share above the Ksh. 5 billion proposed in the 2026 BPS. - The Commission in its recommendation on the sharing of revenue between the national and county governments for the FY 2026/27 recommended an allocation of Ksh. 458.94 billion to the county governments. - The additional allocations to the county government is important to finance and improve service delivery



Promoting an Equitable Society

COMMENTS ON THE 2026 BUDGET POLICY STATEMENT

No	Paragraph/ Section	Issue	Recommendation
Section I. Accelerating Gains Under the Bottom-Up Economic Transformation Agenda for Inclusive and Sustainable Growth			
1.	Paragraph 22 on Page 6	Expansion of Community Health Promoters workforce to 120,000.	- The expansion of the Community Health Promoters programme needs more clarity. During the FY 2025/26 resources amounting to Ksh. 3.23 billion were transferred as conditional grants to county governments. In the FY 2026/27 a similar amount of resources (Ksh. 3.23 billion) have been budgeted for transfer to county governments. More information is needed on the following: ✓ How many CHPs have currently been recruited? ✓ What is the budget implication of the additional CHPs to be recruited? ✓ Which level of government will pay for the stipends?
2.	Paragraph 34 on Page 8 and paragraph 37 on page 9	- The information presented in paragraph 34 on page 8 is conflicting to the information in paragraph 37 on page 9. - Paragraph 34 communicates the intention of government “to complete the National Cybersecurity Agency, the National Security Operations Centre, and seven Sectoral Security	There is need for clarity on whether the National Cybersecurity Agency, the National Security Operations Centre, and seven Sectoral Security Operation Centers have been completed and operationalised or are yet to be completed.

5. THE COMMISSION'S REQUEST

To this end, and in light of the foregoing, the Commission respectfully requests the Senate's support pursuant to Article 249(3) of the Constitution. This provision mandates Parliament to allocate adequate funds to enable each constitutional and independent commission to effectively perform its functions. We therefore seek your assistance in making recommendations to enhance the Commission's budget, addressing the substantial resource gap of **KSh. 671.5 million**, which threatens to impede the implementation of our constitutional mandate in the planning period FY 2026/27. The commission functions on making recommendations to achieve vertical and horizontal equity, ensure prudent public financial management of county governments and determination of a policy that sets the criteria to identify marginalised areas requires extensive stakeholder consultations at both the national and county governments levels. Therefore, the Commission budget on such engagements needs to be considered by parliament as core to the execution of the commission functions.



S.No	Priority Area	Requirement	Allocation	Resource Gap
	a) Prepare an assessment report on the implementation of First and Second Policies, identifying marginalized areas The First Policy was implemented between financial years 2016/17 to 2020/2021. The implementation of the Second Policy commenced in the financial year 2023/24 and is currently ongoing. During the MTEF budget period 2026/27 – 2028/29, the Commission will assess the implementation of the First and Second Policies. The assessment report will document the extent to which service delivery has been improved in areas defined as marginalised and any challenges encountered during the implementation of the two policies to inform subsequent policies.			
SP 1	General Administration and Planning Personnel Emoluments (PE) Capital Expenditure and O & M The proposed capital budget allocations include KSh 150 million for the enhancement of ICT hardware and software infrastructure to boost operational efficiency and digital compliance; KSh 42 million for the replacement of the old fleet of motor vehicles to ensure reliable mobility and reduced maintenance costs; KSh 12 million for office furniture and fittings to support a modernized workspace; and KSh 7.5 million for the purchase of office equipment, totaling KSh 211.5 million in non-recurrent expenditures. Additionally, unfunded Operations and maintenance amount to KSh. 149.4 million.	235.1 388.5	230.4 27.6	(4.7) (360.9)
Total				(671.5)

S.No	Priority Area	Requirement	Allocation	Resource Gap
	2025/26, 2026/27, and 2027/28. These will be submitted to Parliament by December of each year in line with Section 190 of the Public Finance Management Act (PFMA) 2012, which requires the Commission to submit its recommendations at least six months before the beginning of the next Financial Year.			
	b) Framework on Financing Cities and Urban Areas Section 173 of PFMA requires that Cities and Urban areas are financed using an objective criterion. More than ten years after devolution, some County Governments have not developed any objective criteria to finance cities and urban areas despite the establishment of boards. The Commission is required to make recommendations on the criteria to allocate funds to urban areas and cities. To operationalize Section 173 of the PFMA, the Commission, in the budget period, will develop a framework, i.e., Policy and Bill, to guide Counties on the development of the criteria to finance cities & urban areas	6.2	-	(6.2)
SP 3	Public Financial Management			
	a) County Recurrent Expenditure Budget Ceilings and develop a framework on prudent financial management for both levels of government for the financial years 2026/27, 2027/28, and 2028/29.	30.7	0.6	(30.1)
	b) County Own Source Revenue by supporting counties to maximize their OSR potential.	152.0	2.0	(150.0)
	c) Framework for Equitable Sharing of Benefits from the National Parks.	80.4	-	(80.4)
	d) Report on Public Expenditure by County Governments between FYs 2026/27 – 2028/29.	15.0	-	(15.0)
SP 4	Transitional Equalization	39.8	26.0	(13.8)

b. Financial Plan for FY 2026/27 and the Medium Term

The Commission prepared its budget for FY 2026/27 and the medium term in full alignment with the Government's policy directives and its constitutional mandate.

Following the finalization of the Sector Working Groups retreat and in accordance with the Budget Policy Statement, the Commission's proposed budget allocation is **KSh. 510.7 million** against a budget request of **KSh. 1,182.2 billion**, resulting in a resource shortfall of **KSh. 671.5 million**.

The Senate is requested to note the following:

- i. That the Commission's proposed allocation for salaries and allowances is **KSh. 230.4 million** (45% of the total allocation), with a minimal shortfall of KSh. 4.7 million. This funding will enable the Commission to achieve an optimal staff complement over the planning period.
- ii. In contrast, the three technical sub-programmes constituting the Commission's core mandate may face significant compromise due to budgetary constraints. Only 15% of the proposed allocation, equivalent to **KSh. 74.0 million** will be allocated to these sub-programmes collectively, which may directly impede the realization of the Commission's constitutional mandate.

Further, the Commission's recommendations have direct implications for operations at both national and county levels of government. Accordingly, comprehensive stakeholder consultations and engagements are essential for all recommendations developed. This necessitates adequate resource provision for effective execution.

Table 3 and **4** provide budget summaries as per Sub-Programmes and Economic classification respectively highlighting the resource gaps.

Table 3: Budget as per sub-programs FY 2026/27

No.	Sub-programs	Baseline FY2025/26	Resource requirement	Resource Allocation	Resource Gap
	A	B	C	D	E= D - C
SP 1	General Administration & Support Services	356.7	716.0	436.7	(279.30)
SP 2	Equitable Sharing of Revenue	4.8	28.4	18.0	(10.40)
SP 3	Public Financial Management	7.2	398.0	30.0	(368.00)
SP 4	Transitional Equalization & Stakeholder Engagement	1.3	39.8	26.0	(13.80)
	Total	370.0	1,182.2	510.7	(671.5)

Table 4: Budget as per Economic classification FY 2026/27

No.	Particulars	Baseline 25/26	Resource requirement	Resource Allocation	Resource Gap	% Allocation on the budget
		A	B	C	D = C - B	E
1	Salaries and Allowances	227.7	235.1	230.4	(4.7)	45%
2	Operation and maintenance	114.3	402.0	178.7	(223.3)	35%
3	Other recurrent Expenditure (Fixed Assets)	14.7	79.0	27.6	(51.4)	5%
4	Core mandate (Technical sub-programs)	13.3	466.1	74.0	(392.1)	15%
	Total	370.0	1,182.2	510.7	(671.5)	100%

4. PROGRAMMES / PROJECTS AND ACTIVITIES NOT ACCOMMODATED WITHIN THE PROPOSED CEILING.

The Commission recorded a significant resource gap of **KSh.671.5 million** given the proposed budget allocation of **KSh.510.7 million** against our resource requirement of **KSh 1,182.2 billion**.

The resource gap will impede the full execution of certain constitutional mandates. These are detailed in Table 5.

Table 5: Activities not Accommodated Within the Proposed Ceiling.

S.No	Priority Area	Requirement	Allocation	Resource Gap
SP 2	Equitable Sharing of Revenue			
	a) Recommendations on Equitable Sharing of Revenue between the National and County Governments Pursuant to Article 216 (1) (a) of the Constitution, the Commission on Revenue Allocation is mandated to make recommendations concerning the basis for equitable sharing of revenue raised by the national government between the national and county governments. In the MTEF budget period 2026/27 – 2028/29, the Commission will prepare three recommendations for financial years	28.4	18.0	(10.4)

Sub-Programme	Key Output	Key Performance Indicator(S)	Target Baseline 2025/26	Target 2026/27	Target 2027/28	Target 2028/29	Remarks
B	D	E	F	G	H	I	J
	Third Policy identifying marginalised areas	Third Policy identifying marginalized areas	1	1	-	-	The Commission prepared a draft Third Policy and subjected it to stakeholder engagement in FY 2024/25. The Commission is considering the views of stakeholders in finalizing the Third policy in FY 2025/26 subject to availability of budget.
		No. of stakeholder fora on the Third Policy identifying marginalised areas	6	-	-	-	The Commission is currently taking into consideration the views from stakeholders gathered in FY 2024/25 and will subject the revised Third policy to further stakeholder engagements in FY 2025/26
		Published Third Policy identifying marginalized areas	1	-	-	-	This activity was not done in 2024/25, given that the policy had not been finalised.
	Appropriation Bill on the Equalization Fund	Memoranda on the Equalization Fund Appropriation Bill	1	1	1	1	The Commission prepares a memorandum whenever there is a Bill appropriating money from the Equalisation Fund
	State of inequality in Kenya	Published report on State of Inequality in Kenya	-	-	1	-	Report on State of Inequality in Kenya will be prepared in FY 2027/28

Sub-Programme	Key Output	Key Performance Indicator(S)	Target Baseline 2025/26	Target 2026/27	Target 2027/28	Target 2028/29	Remarks
B	D	E	F	G	H	I	J
 SP 4. Transitional Equalization	Report on the implementation of the first and second policy identifying marginalised areas.	(Assessment of Revenue Management System)					dissemination of the report. Despite multiple requests from other counties for revenue automation support, we were unable to meet their needs due to budget constraints.
		No. of county governments trained on the OSR model laws	5	30	12	-	Dissemination of the OSR Model laws will be done over a period of two years.
		No. of county governments trained on Model Tariffs & Pricing Policy	5	30	12	-	Dissemination of the Model Tariffs and Pricing Policy will be done over a period of two years.
		A framework to define the entertainment Tax for County Governments developed.	-	1	-	-	The framework will provide a foundation to identify and enhance OSR from the entertainment revenue sources for county governments.
		No. of Counties trained on Entertainment Act Model law	-	-	20	27	Capacity build the legislators on revenue laws -Entertainment tax(unprecedented)
		Assessment report on the implementation of projects under the first & second policies, identifying marginalized areas	-	1	-	-	The implementation of the Second policy commenced in FY 2025/26 and therefore its assessment will begin in FY 2026/27.
		Published a report on the assessment of the implementation of the First policy.	-	1	-	-	The report on the implementation of projects under the First Policy was not published due to budget cuts. Hence, the activity has been planned for in FY2026/27
		Published a report on the assessment of the implementation of the Second policy	-	-	1	-	The assessment on implementation of the Second Policy has not been done. The Policy is currently under implementation and publication of the report will be done in FY 2027/28.

Sub-Programme	Key Output	Key Performance Indicator(S)	Target Baseline 2025/26	Target 2026/27	Target 2027/28	Target 2028/29	Remarks
B	D	E	F	G	H	I	J
		County Revenue Enhancement Action Plans (REAPs)	36	47	47	47	Bungoma, Nandi, Machakos, Murang'a and Wajir counties. CRA capacity-built on OSR administration & collection and reviewed revenue collection systems for Trans-Nzoia, Busia, Kajiado and Murang'a counties. The Commission with support from World Bank supported preparation of REAPs for 6 counties of Kisumu, Bungoma, Nandi, Machakos, Murang'a and Wajir. The REAPs for the 6 counties were launched in FY 2025/26.
		No. of Counties engaged in the revenue target-setting and forecasting model	10	10	10	10	On need basis from Counties request
		No. of County Executive and Assembly members trained on OSR	4	4	4	4	This activity is based on the need basis by county governments
		Cost of County OSR Collection study	20	27	-	-	No achievement because of the budgetary cut. However, this activity will be supported by donor in the planning period.
		No. of counties supported on revenue automation.	10	10	10	10	The Commission will continue to provide technical support to at least 10 counties annually, both before, during, and after ICRMS implementation.
		No. of multi-agency task force progress report on Integrated County Revenue Management system (ICRMS)	4	4	4	4	Quarterly progress reports
		No. of counties supported on revenue automation.	5	5	5	5	Successfully assessed revenue management systems in five counties, including the

Sub-Programme	Key Output	Key Performance Indicator(S)	Target Baseline 2025/26	Target 2026/27	Target 2027/28	Target 2028/29	Remarks
B	D	E	F	G	H	I	J
	Financial Bills reviewed	No. of Bills reviewed on financial management and financing	15	17	20	24	Financial Bills reviewed as per Article 205 CoK and section 161 of the PFM Act
	Revenue Enhancement to National and County Governments from Natural Resources	Regulations for sharing mineral royalties to county governments and Communities developed (%)	-	50	100	-	Framework for royalties sharing: NG70%/ CG 20% and Community 10%. Regulations for benefiting communities were developed but approval has been stopped because of inadequate public participation.
	Counties supported on Revenue enhancement	No. of bills reviewed on revenue for both levels of government	48	48	48	48	Revenue bills reviewed annually.
		No. of County Revenue Administration Assessments Report	10	10	22	-	Commission conducted revenue system assessments for Kericho, Busia, Trans Nzoia, Murang'a and Kajiado. The remaining 42 counties to be assessed during the MTEF period
		County Revenue forecasting tool developed	-	-	1	-	The interagency team, which the Commission was part of, developed two forecasting models: The Elasticity and Centre Moving Average Models. After development in the base year, the forecasting tool will be reviewed in FY 2027/28
		Dissemination County OSR Potential and Tax Gap Study	10	10	10	10	The Commission in collaboration with the World Bank disseminated the potential study to 6 counties and developed revenue enhancement action plans for Kisumu,

Sub-Programme	Key Output	Key Performance Indicator(S)	Target Baseline 2025/26	Target 2026/27	Target 2027/28	Target 2028/29	Remarks
B	D	E	F	G	H	I	J
	PFM provision on the establishment of CBEFs and their effectiveness.	No. of CBEFs being monitored for effectiveness and strengthening CBEF monitoring system developed (%)	24	8	-	15	Training to be done for the remaining 32 counties in a phased approach.
		No. of the Digitized CBEF monitoring system developed and deployed	-	-	100	-	The target for FY27/28
	Model Framework on Financing of cities and urban areas for County Governments	No. of Model Framework for allocation of funds to urban areas and cities for county governments	-	1	-	-	A fully functional CBEF monitoring system will be developed in Year 1 and rolled out in phases across counties. This investment will institutionalize citizen participation, enable real-time tracking of forum activities, and enhance accountability in budget formulation, directly meeting the KPI.
		No. of counties trained on the model framework for allocation of funds to urban areas and cities	-	15	15	17	Framework developed and incorporated into third revenue sharing basis among county governments for FYs 2020/21 – 2024/25. The formula allocated 5% of the equitable share to county governments for the financing of urban areas and cities. Target shortfall due to budgetary constraints
	A Framework on Entertainment Tax	Framework to define entertainment tax	-	1	-	-	Training to be conducted over the medium term.
		No. of counties trained on the model entertainment framework	-	-	24	23	The model framework will guide counties by defining entertainment tax as one of revenue sources
							Training to adopt a phased approach for two years.

Sub-Programme	Key Output	Key Performance Indicator(S)	Target Baseline 2025/26	Target 2026/27	Target 2027/28	Target 2028/29	Remarks
B	D	E	F	G	H	I	J
		Report on public expenditure tracking for county governments	-	1	-	-	Report on public expenditure tracking for county governments will be prepared in FY 2026/27.
		County Factsheets (Fourth edition)	-	-	1	-	County factsheets will provide useful data for policy formulation and analysis.
SP 3. Public Finance Management	Framework for recurrent expenditure budget ceilings for county governments.	No. Annual recommendation on recurrent budget ceiling FY2024/25, 2025/26, 2026/27, 2027/28 and 2028/29	1	1	1	1	The FY 2025/26 budget ceiling was approved by the Commission and submitted to the Senate. The recommendation was included in the CARA, 2025
	Enhanced Financial Management (Counties engaged and supported to be compliant with PFM legislations)	No. of ADPs, CBs, CFSPS and Financial Statements reviewed	188	188	188	188	24 County Fiscal Strategy Papers for 2024/25 submitted. They were reviewed and comments were shared with the Counties.
		County Fiscal Strategy Paper Review Report	1	1	1	1	The CFSP Report is prepared annually and submitted to the Senate after the Commission's approval.
		Report on County Financial Management	1	1	1	1	A framework has been developed and will be used to analyze Financial Statements.
		No. of bills reviewed on financial management and financing	48	48	48	48	
	Portal on county budgetary information and financial reports	% of Portal developed for access of county budgetary information and financial reports.	-	50	30	20	The Portal's development will undertake a phased approach running across the medium term.
	Enhanced compliance of	No. of Counties supported on CBEF establishment	8	-	10	37	The Commission to follow up on the other 8 counties for establishment

Sub-Programme	Key Output	Key Performance Indicator(S)	Target Baseline 2025/26	Target 2026/27	Target 2027/28	Target 2028/29	Remarks
B	D	E	F	G	H	I	J
SP 2. Equitable Sharing of Revenue	Equitably shared revenue between National and County government	Recommendation on the equitable sharing of revenue between the national and county governments	1	1	1	1	Recommendation are prepared annually and submitted to the Senate, National Assembly, county assemblies, national and county executives.
		No. of memoranda on Bills that deal with the sharing of revenue (DoRB, CARB, CGAAB)	3	3	3	3	Memoranda DoRB, CARB, and CGAAB are submitted to the National Assembly and the Senate annually
		No. of Memoranda on national policy documents submitted to National Treasury and Parliament (BROP, BPS, MTDMS)	3	3	3	3	Memoranda on national policy documents submitted to National Treasury and Parliament.
		No. of stakeholder engagements held on equitable sharing of revenue between the national and county governments	6	6	6	6	Stakeholder engagements to be held annually with National Assembly, Senate, Governors (COG) and National Treasury, non state actors e.t.c
		Popular Version on the Fourth Basis on revenue sharing	1	-	-	-	Popular version of the Fourth Basis recommendation will be prepared, published and disseminated in FY 2025/26
		No. of reports on the approved Fourth Basis on revenue sharing among county governments	1	-	-	-	A report on the approved Fourth Basis for Revenue Sharing among County Governments will be developed in FY 2025/26
		Printing and publishing of the Fourth basis and Popular version	-	3000	-	-	Publication of the Fourth Basis was not done in FY 2024/25 due to budget constraints. However, the publication will be done in FY 2025/26

Sub-Programme	Key Output	Key Performance Indicator(S)	Target Baseline 2025/26	Target 2026/27	Target 2027/28	Target 2028/29	Remarks
B	D	E	F	G	H	I	J
	ICT Strategy	No. of monitoring and evaluation of ICT strategy reports	-	2	2	2	Monitoring and evaluation reports are prepared on an annual basis.
	No. of Enhanced and secure ICT Software and Hardware Infrastructure	No. of software solutions and licenses installed and renewed	16	16	16	16	Procurement of software solutions will be completed in the first year, with licenses renewed annually to sustain 16 critical systems that power the Commission's ICT operations.
		No. of hardware procured and maintenance agreements signed	2	12	11	11	Procurement of server infrastructure and end-user devices, together with annual maintenance contracts, will ensure reliable ICT operations, minimize downtime, and enhance overall institutional performance. .
	Business continuity plan (BCP)	No. of operationalized Business Continuity Plan and Disaster Recovery	-	1	-	-	In Year 1, a consultant will develop the Business Continuity Plan (BCP) and Disaster Recovery (DR) framework, followed by acquisition of a secure recovery site, equipment, and staff sensitization. This investment protects critical financial data, ensures seamless service continuity, strengthens compliance with governance standards, and safeguards public trust.
	Enhanced customer satisfaction.	No. Customer service charter developed and implemented	-	3	-	-	Customer service charter materials in English, Kiswahili and Braille produced and disseminated
	Enhanced CRA's knowledge management capability.	Knowledge management strategy and policy implementation reports	-	1	1	1	Annual reports on the implementation of knowledge management activities

Sub-Programme	Key Output	Key Performance Indicator(S)	Target Baseline 2025/26	Target 2026/27	Target 2027/28	Target 2028/29	Remarks
B	D	E	F	G	H	I	J
	Streamlined Operations	CRA's QMS ISO9001:2015 Certification	-	1	-	-	training. This phased implementation allows for effective management of resources while ensuring continuous capacity building over time ISO9001 certification to be reviewed after 3 years
		No. of Commissioners and staff trained on QMS ISO9001:2015 Certification.	-	65	30	30	Training of commissioners and staff will be conducted following certification and review, and will be implemented on a phased basis unless funding becomes available to accelerate the process
	Enhanced Fleet Management	No. of vehicles procured	2	3	2	2	A staggered motor vehicle acquisition approach will be adopted to replace the old fleet, given the budgetary constraints.
	Effective oversight	No. of Audit committee meetings	6	6	6	6	Hold at least quarterly Audit Committee meetings.
		Audit Committee training reports.	1	1	1	1	Capacity building of the Audit Committee.
	Enhanced governance, risk management and internal control systems.	No. Annual Risk-Based Audit Plans.	1	1	1	1	Prioritize audit of high-risk areas to achievement of the strategic objectives of the Commission.
		No. Internal Audit Reports	7	7	8	9	Assess the adequacy and effectiveness of Commission operations. One IS Audit/ERP to be undertaken in FY25/26, and FY26/27 two Audits on Governance and legal compliance will be undertaken by a consultant.
		Revised Internal Audit Charter.	-	1	-	-	Define the mandate, purpose, authority, responsibilities and reporting structure of the Department.

3. INDICATIVE PERFORMANCE TARGETS LINKED TO THE POLICIES AND PROGRAMMES IN THE BUDGET POLICY STATEMENT

a) Key Outputs, Key Performance Indicators and Performance Targets

Table 2 Provides detailed analysis of the key outputs and performance indicators for the planning period.

Table 2: Programmes, Key Outputs and Targets FY 2026/27 – 2028/29

Sub-Programme	Key Output	Key Performance Indicator(S)	Target Baseline 2025/26	Target 2026/27	Target 2027/28	Target 2028/29	Remarks
B	D	E	F	G	H	I	J
SP 1. General Administration and Support Services	Efficient and effective Financial management Enhanced staff motivation	No. of Unqualified (clean) Audit opinions obtained	3	3	3	3	The Commission prepares three (3) sets of financial statements: Main, Staff Mortgage and Staff Car Loan Scheme.
		No. of Reports on Work environment & employee satisfaction surveys	-	2	-	2	The Commission plans to conduct two surveys on the work environment and employee satisfaction during the FY 2026/27, with a follow-up survey scheduled for FY 2028/29
		Workload analysis report	-	1	-	1	The Commission intends to identify cases of overloading or underutilization, enabling managers to redistribute tasks effectively, prevent employee burnout, support timely project completion, and improve overall team performance.
		No. of Car Loan applications facilitated	22	24	26	28	The number of car loan applications to be processed cumulatively
		No. of staff Mortgage Loan applications facilitated	30	32	34	36	The Staff mortgage loan applications to be facilitated cumulatively
	Enhanced staff capacity	No. of Commissioners and staff trained	25	30	35	40	A staggered approach model with an approximate three-year cycle is adopted due to the limited resources available for

through public forums, open days, town hall meetings, conferences, trade shows, and other outreach initiatives. Additionally, the Commission will strengthen engagement with mass media to expand its reach and improve public understanding of its mandate and recommendations.

xxi. Enhance governance, risk management, and internal control systems

The Commission will build the capacity of the Commissioners, Audit Committee, and Senior Management to ensure effective oversight.

Further, the Commission plans to implement an audit management system to enhance efficiency, improve accuracy, data integrity, consistency, and standardization of internal audit processes. In addition to routine audit engagements, the Commission will undertake Governance audit and legal compliance. This is aimed at strengthening the Commission's ability to create, protect, and sustain value by providing the Audit Committee and Senior Management with independent, risk-based, and objective assurance, advice, insight, and foresight.

xxii. To Build Strategic Operational Resilience and Strengthen Data Security through Disaster Recovery and Business Continuity Planning.

To enhance the Commission's operational resilience and align with the BETA agenda's Digital Superhighway initiative, we propose the development of a Robust Disaster Recovery Site (DRS) and a Comprehensive Business Continuity Plan (BCP). This initiative aims to mitigate cyber threats, safeguard critical data, and ensure seamless operations during disruptions. By establishing an off-site DRS for rapid system recovery and crafting a BCP to guide emergency response and recovery procedures, we ensure the Commission's ability to fulfil its mandate without interruption, protecting public finance systems and enhancing trust in government operations. This strategic investment will reduce downtime, enhance data protection, and align with national digital infrastructure priorities.

xxiii. Advanced Data and Analytics for Policy and Accountability

The Commission will establish a modern data warehouse equipped with advanced analytics tools to transform financial and socio-economic data into actionable insights. This will improve evidence-based decision-making, strengthen monitoring of county performance, and align fiscal planning with Vision 2030. The outcome will be a data-driven Commission that delivers credible, timely insights to guide equitable revenue sharing and sustainable fiscal planning.

xxiv. Public Engagement and Corporate Social Responsibility

The Commission will enhance its visibility, image, and brand reputation by producing and disseminating a comprehensive array of print, electronic, and digital information and educational materials, including Brand Guidelines and the Annual Report. Furthermore, it will implement public education and sensitization campaigns aimed at deepening citizen participation in CRA policy processes



Commission will also prepare the second edition of the state of social economic inequality in Kenya. This is important to ascertain whether the development of counties is converging after fifteen years of devolution.

xvi. Prudent financial management

The Public Finance Management (PFM) Act, 2012, requires that public funds be managed with utmost prudence to enhance transparency, accountability, and the efficient utilization of resources. The Commission will steadfastly adhere to the principles of fiscal responsibility to ensure prudent financial management throughout the Financial Year 2026/27 and the Medium Term.

xvii. Recruitment of staff/replacements

The Commission plans to recruit and onboard new members of staff. This exercise will attract expenses, including costs for advertising job vacancies in local newspapers, fees for pre-employment screening and background checks, such as payments to the Kenya National Examinations Council (KNEC) and other relevant assessment bodies, as well as expenditures related to onboarding activities, which cover orientation programs.

xviii. Training and Development

In the budget period, the commission plans to facilitate training and capacity development for Commissioners and Staff. The training and development will encompass various activities such as internal and external training through workshops, courses, and seminars; leadership development programs designed for future managers and high-potential employees; industry-specific certification programs; costs associated with professional subscriptions; and initiatives to ensure labor law compliance, including training, policy updates, and audits.

xix. Enhanced Employee Welfare

This includes provisions such as health insurance covering medical care, group personal cover, and pension schemes. Additionally, wellness programs like subscriptions to club memberships will be considered in the planning period.

xx. Review of Policies and Procedures Manual and QMS ISO9001:2015 Certification

The Commission will continuously review its operational policies and Procedure manuals, including but not limited to the Finance and Procurement Procedure Manuals. Additionally, the Commission is planning to commence the ISO Certification Process by developing the Standard Operating Procedure manuals and undertaking training for Certification.

xii. Support automation of County Government's systems

To enhance compliance, transparency, and accountability, the Commission will drive digital transformation at the county level by providing technical support for the County Revenue Management Systems, introducing a financial reporting portal, and automating the monitoring system for the County Budget and Economic Forums (CBEFs). These initiatives will seal revenue leakages, unlock untapped potential, and improve citizen participation, resulting in digitally enabled counties with stronger fiscal governance and improved revenue mobilization. Additionally, the Commission will disseminate standard guidelines on own source revenue to the county governments.

xiii. Revenue enhancement from Natural Resources

The Commission is mandated to make recommendations on revenue enhancement for both the National and County Governments, in accordance with Article 216(3)(b) of the Constitution. Recognizing the untapped potential of revenue from natural resources across the country, the Commission will, during the planning period, conduct comprehensive studies to identify potential revenue sources arising from the exploration and exploitation of natural resources. Additionally, the Commission will finalize the development of a comprehensive framework for natural resource revenue and benefit sharing applicable to all natural resources. Furthermore, the Commission will undertake capacity-building initiatives targeted at officials from both the National and County Governments to ensure effective understanding and implementation of the natural resource revenue and benefit-sharing framework.

xiv. Prepare an assessment report on the implementation of First and Second Policies, identifying marginalized areas

The First Policy was implemented between financial years 2016/17 to 2020/2021. The implementation of the Second Policy commenced in the financial year 2023/24 and is currently ongoing. During the MTEF budget period 2026/27 – 2028/29, the Commission will assess the implementation of the First and Second Policies. The assessment report will document the extent to which service delivery has been improved in areas defined as marginalised and any challenges encountered during the implementation of the two policies to inform subsequent policies.

xv. Develop and disseminate the policy that defines the criteria for identifying marginalised areas

The Commission has a mandate to determine, publish and regularly review a policy that sets out the criteria by which to identify marginalised areas. The is currently review the policy for purposes of the Equalisation Fund in accordance with Article 216 (4) of the Constitution. Upon completion, the Commission shall undertake the dissemination of the Policy at both the national and county levels. In addition, the



viii. Framework for County Borrowing

The Commission actively participated in the development of a framework for a market-based county borrowing product, in collaboration with relevant stakeholders, to facilitate counties' access to alternative financing mechanisms. Additionally, the Commission will provide support to counties in conducting credit rating self-assessments.

ix. Enhancement of County Own Source Revenue

The Commission, mandated by Article 216 (3) (b) of the Constitution to define and enhance revenue sources for both national and county governments, has prioritized the following areas within the budget period: developing a county revenue target setting and forecasting model; conducting training on county own-source revenue (OSR); reviewing county revenue and finance bills; promoting the adoption of an integrated county revenue management system; supporting counties to maximize their OSR potential; assessing the cost of county OSR collection for the remaining 42 counties; developing guidelines on county revenue mapping; creating a framework for cleaning tax registers and cadasters; supporting the development of County Revenue Enhancement Action Plans; evaluating county revenue administration systems and providing tailored support aligned with best practices. Additionally, in line with the implementation of Article 209 of the Constitution concerning entertainment tax as a revenue source for counties, the Commission plans to develop a policy framework and a model bill on county entertainment tax.

x. Developed a framework to define entertainment tax for adoption by county governments

Article 209(5) of the Constitution identifies two taxes, namely property rates and entertainment tax, as sources of own-source revenue for county governments. In line with the Commission's mandate to define and enhance own-source revenue for counties, this initiative seeks to build county capacity to effectively levy entertainment tax by clearly defining its scope as a revenue source and developing a comprehensive model framework. At present, no county government imposes this tax due to the absence of clarity regarding its definition and the appropriate rates to be charged.

xi. Dissemination of tariffs and pricing policy

During the budget period, the Commission plans to disseminate the model tariffs and pricing policy to the remaining 30 counties. This model policy is designed to strengthen the technical capacity of counties in complying with Section 120 of the County Government Act. Furthermore, the policy is guided by the national framework aimed at supporting the enhancement of county governments' own-source revenue, thereby mandating the Commission to provide the necessary technical assistance.

iv. Review Bills on the sharing of revenue

The Commission is required to review bills that include provisions dealing with any financial matter concerning county governments (Article 205 (1)). In the budget period, the Commission will review bills dealing with the sharing of revenue, including the Division of Revenue Bill (DoRB), County Allocation of Revenue Bill (CARB), and County Government's Additional Allocation Bill (CGAAB).

v. Framework on Financing Cities and Urban Areas

Section 173 of PFMA requires that Cities and Urban areas are financed using an objective criterion. More than ten years after devolution, some County Governments have not developed any objective criteria to finance cities and urban areas despite the establishment of boards. The Commission is required to make recommendations on the criteria to allocate funds to urban areas and cities. To operationalize Section 173 of the PFMA, the Commission, in the budget period, will develop a framework, i.e., Policy and Bill, to guide Counties on the development of the criteria to finance cities and urban areas.

vi. Make Recommendations on Prudent Financial Management.

Pursuant to Article 216(2) of the Constitution and Section 107(2)(a) of the PFM Act, 2012, the Commission shall, during the budget period, prepare and submit to the Senate recommendations on the County Recurrent Expenditure Budget Ceilings for the financial years 2026/27, 2027/28, and 2028/29.

In support of County Public Financial Management structures, the Commission will continue to enhance the capacities of County Governments to promote prudent financial management. Furthermore, the Commission will undertake the review and provide recommendations on county planning documents, budget implementation processes, and financial statements.

To further promote transparency and accountability, the Commission will develop and maintain an online portal to facilitate the uploading and public access of county budgeting information and financial reports. Additionally, the Commission shall review county government revenue and finance bills to ensure their compliance with constitutional provisions.

vii. Fiscal Responsibility Framework

The Commission is mandated to promote fiscal responsibility in accordance with Article 216(3)(c) of the Constitution. In line with this, the Commission is currently developing County Public Financial Management (PFM) ranking criteria focused on Fiscal Responsibility and Own Source Revenue (OSR) performance. This initiative aims to incentivize county governments to adhere to the prescribed fiscal responsibility thresholds. The fiscal responsibility framework will serve to evaluate county governments' performance in relation to own source revenue. Furthermore, the Commission will undertake assessments of government compliance with the principles of fiscal responsibility.

2. KEY PRIORITIES UNDERLYING EXPENDITURE CEILINGS IN THE 2026 BUDGET POLICY STATEMENT.

The Commission on Revenue Allocation has outlined strategic priorities aimed at safeguarding institutional resilience, reinforcing county revenue governance, and advancing evidence-based policy formulation. These priorities are firmly aligned with the Government's BETA Agenda and Vision 2030, while upholding fiscal prudence and promoting equity across all 47 counties.

i. Recommendations on Equitable Sharing of Revenue between the National and County Governments

Pursuant to Article 216 (1) (a) of the Constitution, the Commission on Revenue Allocation is mandated to make recommendations concerning the basis for equitable sharing of revenue raised by the national government between the national and county governments. In the MTEF budget period 2026/27 – 2028/29, the Commission will prepare three recommendations for financial years 2025/26, 2026/27, and 2027/28. These will be submitted to Parliament by December of each year in line with Section 190 of the Public Finance Management Act (PFMA) 2012, which requires the Commission to submit its recommendations at least six months before the beginning of the next Financial Year.

ii. Recommendations on Equitable Sharing of Revenue among County Governments

Pursuant to Article 216 (1) (b) of the Constitution, the Commission on Revenue Allocation is mandated to make recommendations concerning the basis for equitable sharing of revenue raised nationally, among the county governments. During the MTEF budget period 2026/27 – 2028/29, the Commission will finalize the preparation of a report on the approved Fourth Basis for Revenue Sharing among the County Governments and disseminate the report. The Fourth Basis will be used to share revenues for five financial years: 2025/26, 2026/27, 2027/28, 2028/29 and 2029/30. In the budget period, the Commission will disseminate the Fourth Basis and publish the Popular version of the Fourth Basis.

iii. Report on Public Expenditure by County Governments

During the MTEF budget period 2026/27 – 2028/29, the Commission will prepare, publish, and publicize a report on public expenditure tracking for county governments. This exercise entails various activities, which include: analysis of data from secondary sources, drafting of the report, and engagement with various stakeholders. The report on the assessment of public expenditure by the county governments will provide useful information on the sectors where county governments spend most of their resources and their priorities in service delivery.

1. INTRODUCTION

Mandate

The Commission on Revenue Allocation (CRA) is established under Article 215 of the Constitution of Kenya. The principal function of the Commission is to make recommendations concerning the basis for the equitable sharing of revenue raised by the national government between the national and county governments and among the county governments. The Commission also makes recommendations on other matters concerning the financing of, and financial management by, county governments, as required by the Constitution and national legislation. In formulating its recommendations, the Commission seeks to promote and give effect to the criteria set out in Article 203(1) of the Constitution. When appropriate the Commission is required to define and enhance the revenue sources of the national and county governments; and also, to encourage fiscal responsibility. Further, the Commission is required to determine, publish and regularly review a policy in which it sets out the criteria by which to identify the marginalised areas for purposes of Article 204(2) of the Constitution.

Vision

No Kenyan Left Behind

Mission

To make reliable recommendations on equitable revenue sharing, revenue enhancement and prudent public financial management

Strategic Goal / Objective of the Sub Sector

To make reliable recommendations on how nationally raised revenues shall be equitably shared between national and county governments and among county governments for equitable development and prosperity.



OUTLINE

1. Introduction
2. The key policies underlying the expenditure ceilings in the 2026 Budget Policy Statement
3. Indicative Performance Targets linked to the Policies and Programmes in the Budget Policy Statement.
 - a) Key Outputs, Key Performance Indicators, and Performance Targets
 - b) Financial plan for FY 2026/27 and the Medium Term
4. Programmes/Activities not accommodated within the proposed ceiling
5. The Commission's request



COMMISSION ON REVENUE ALLOCATION

Promoting an Equitable Society

BUDGET PRIORITIES

FY 2026/27

AND

THE MEDIUM-TERM

(PROGRAMME, OUTPUTS AND TARGETS)

SUBMISSION TO THE SENATE

Friday 20th February, 2026

No	Paragraph/ Section	Issue	Recommendation
	Raised Nationally		This is in line with Section 11(4)(c) and 11(5) of the Affordable Housing Act which provides that not less than point five percent (0.5%) of the monies from the Affordable Housing Levy shall be allocated to the county committees.

END.

No	Paragraph/ Section	Issue	Recommendation
9.	Paragraph 331-335	Detailed analysis of county government pending bills is provided. However, no similar analysis of national government pending bills is provided and therefore it is not possible to ascertain adherence to Section 94(1)(a) of PFM Act 2012 by the national government.	- The 2026 BPS should provide details of National Government pending bills. - The data/information for both levels of government is available from the OCOB reports.
10.	Paragraph 338-339	- The Equalisation Fund allocation of 0.5 per cent is based on the most recent audited and approved accounts of revenue for the FY 2021/22. The FY 2021/22 audited and approved accounts may not give an equitable allocation to the Fund for the FY 2026/27. - The constitutional requirement on the use of audited and approved accounts of revenue limits the allocations to the Fund.	- The National Assembly should expedite the approval of audited accounts. - Alternatively, Parliament should amend Article 204 to the effect that the allocations to the Fund are based on only the Audited accounts.
11.	Table 4.9 on additional allocations to county governments in the FY 2026/27	The BPS has provided for Ksh. 8.93 billion as an additional conditional allocation to the county governments in the FY 2026/27 for the remuneration of the Universal Health Coverage (UHC) Workers.	- The 12th National and County Governments Coordinating Summit held on 10th December, 2025 resolved that the allocation of Ksh. 8.93 billion was to facilitate counties to pay the UHC workers in perpetuity. - It is therefore the considered opinion of the Commission that the Ksh. 8.93 billion should form part of the equitable share base to counties. The allocation to each county government should be based on the UHC workers' payroll with the Ministry of Health.
12.	Table 4.10: Division of Revenue	Table 4.10 has not provided the additional conditional allocations of 0.5% of Housing Levy Fund to the County Rural and Urban Affordable Housing Committees	The Table to include the additional conditional allocations of 0.5% of Housing Levy Fund to the County Rural and Urban Affordable Housing Committees in the FYs 2025/26 and 2026/27.

No	Paragraph/ Section	Issue	Recommendation
Section IV: COUNTY FINANCIAL MANAGEMENT AND DIVISION OF REVENUE			
8.	Paragraph 313-322	• Section IV of the draft 2026 BPS is dedicated to analysis of county governments' adherence to fiscal responsibility principles. • However, the analysis of national government's adherence to fiscal responsibility principles is presented in the annex 1. • Paragraph 321 analyses county development expenditure. Although counties budgeted to spend on average 36.4 percent, actual expenditure was 26.3 percent against a PFM Act requirement of at least 30 percent. Whereas this is a concern, the analysis is biased in two ways: ✓ The Section on County financial management does not analyse total county revenues to include transfers from the national government (Equitable share and additional transfers) ✓ The section also fails to analyse disbursements by the national government to county government. This is important to acknowledge the fact that the national government has been unable to disburse transfers as scheduled	• The national government adherence to fiscal responsibility principles should also be a substantive section in the 2026 BPS, rather than annexing it. • Section IV should include the analyses of transfers to county government from the nationally raised revenue, which constitute more than 85 percent of county revenues. • It is impossible for county governments to adhere to fiscal responsibility measures once the national government fails to adhere to the disbursement schedule.

No	Paragraph/ Section	Issue	Recommendation
		- Based on a revenue projection of Ksh. 2,901.9 billion for the FY 2026/27 from a target of Ksh. 2,744.4 billion in the FY 2025/26, revenue is expected to grow by Ksh. 157.5 billion. - Therefore, the proposed increase of Ksh. 5 billion to the county governments allocation against Ksh. 152.5 billion to the national governments does not amount to equity in the sharing of revenues between the two levels of government for FY 2026/27.	The additional allocations to the county government is important to finance and improve service delivery throughout the country, especially the financing of health care provision and employment of adequate personnel in this critical sector.
7.	Paragraph 240, and Table 2.7	- In paragraph 240, the BPS provides the projected expenditure for FY 2025/26 as Ksh. 4,532.8 billion, for FY 2026/27 as Ksh. 4,703.9 billion and Ksh. 4,931.4 billion for the FY 2027/28. - Table 3.1. on summary of budgetary allocations for the FY 2026/27-2028/29 and Annex Table 2 presents different figures for the projected expenditure: for FY 2025/26 Ksh. 4,301.8 billion, for FY 2026/27 Ksh. 4,737.5 billion, and Ksh. 5,199.59 billion for the FY 2027/28. - This amounts to a variance of Ksh. (231) billion for FY 2025/26, Ksh. 33.6 billion for FY 2026/27 and Ksh. 268.2 billion for the FY 2027/28.	- There is need for clarity on the correct projections for FYs 2025/26, 2026/27 and 2027/28 between the numbers presented on Paragraph 240, and Annex Table 2. - The variations are substantial and will affect the budgets



No.	Paragraph/Section	Issue	Recommendation
		protect critical digital infrastructure”, whereas paragraph 37 indicates that ...” the Government has completed and operationalized the National Cybersecurity Agency, the National Security Operations Centre, and seven Sectoral Security Operations Centres”.	
Section II. Recent Economic Developments and Medium-Term Outlook			
3.	Section 2.3, paragraph 184 and 187	- The revenue for the FY 2025/26 to December, 2025 underperformed by Ksh. 136.1 billion (out of which Ksh. 115.3 billion was in ordinary revenue and Ksh 20.8 in Ministerial A-I-A. - However, recurrent expenditure went up by Ksh. 10.9 billion during the period to December, 2025.	- Increased expenditure leads to worsening of the fiscal deficit which leads to increased public debt. - The government needs to operationalise its policy on fiscal consolidation.
4.	Paragraph 184 on Page 43	Paragraph 184 presents the total revenue target to December 2025 as Ksh. 1,637.7 billion, while Table 2.5 on page 44 presents the target as Ksh. 1,636.7 billion giving a variance of Ksh. One billion.	There is need for clarity on the correct figures
Section III. Budget for FY 225/26 and the Medium Term			
6.	Section 3.2, and Table 3.1 page 58	In Table 3.1, The 2026 BPS proposes an allocation to county governments of Ksh. 420 billion in the FY 2026/27 as equitable share of revenue. This proposal will increase county allocation by Ksh. 5 billion from Ksh. 415 billion allocated in the FY 2025/26.	- Parliament to consider increasing the county governments' equitable share above the Ksh. 5 billion proposed in the 2026 BPS. - The Commission in its recommendation on the sharing of revenue between the national and county governments for the FY 2026/27 recommended an allocation of Ksh. 458.94 billion to the county governments.



Promoting an Equitable Society

COMMENTS ON THE 2026 BUDGET POLICY STATEMENT

No	Paragraph/ Section	Issue	Recommendation
Section I. Accelerating Gains Under the Bottom-Up Economic Transformation Agenda for Inclusive and Sustainable Growth			
1.	Paragraph 22 on Page 6	Expansion of Community Health Promoters workforce to 120,000.	- The expansion of the Community Health Promoters programme needs more clarity. During the FY 2025/26 resources amounting to Ksh. 3.23 billion were transferred as conditional grants to county governments. In the FY 2026/27 a similar amount of resources (Ksh. 3.23 billion) have been budgeted for transfer to county governments. More information is needed on the following: ✓ How many CHPs have currently been recruited? ✓ What is the budget implication of the additional CHPs to be recruited? ✓ Which level of government will pay for the stipends?
2.	Paragraph 34 on Page 8 and paragraph 37 on page 9	- The information presented in paragraph 34 on page 8 is conflicting to the information in paragraph 37 on page 9. - Paragraph 34 communicates the intention of government “to complete the National Cybersecurity Agency, the National Security Operations Centre, and seven Sectoral Security Operation Centers to	There is need for clarity on whether the National Cybersecurity Agency, the National Security Operations Centre, and seven Sectoral Security Operation Centers have been completed and operationalised or are yet to be completed.

ANNEX 4- PUBLIC ADVERT

REPUBLIC OF KENYA



THIRTEENTH PARLIAMENT | FIFTH SESSION (2026)
THE SENATE

INVITATION FOR SUBMISSION OF MEMORANDA

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

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

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

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

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

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

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

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

National News

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

BY COLLINS OMULO

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

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

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

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

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

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

Kanja backs senators on arrest of 'rogue' governors

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

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

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

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

Mr Kanja said that, where the



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

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

Moses Kajwang, Homa Bay senator

“

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

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

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

Kitui Senator Enock Wanjau said there are many criminal activities going on in counties where financial documents and records are up in flames to cover up the truth.

Last month, Senator Kajwang said errant governors were being paid the Sh500,000 to be disposed after summonses.

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

Other governors who have been in the crosshairs of the committee include Isiolo Governor Guyo, Kisumu Governor Simba Arati, and Mandera Governor Abdulswamad Nassir of Mandera.

comulo@ke.nationmedia.com



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

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

IN THE MATTER OF CONSIDERATION BY THE NATIONAL ASSEMBLY OF—
(1) THE LOCAL CONTENT BILL (NATIONAL ASSEMBLY BILL NO. 45 OF 2025); AND

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

INVITATION TO SUBMIT MEMORANDA

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

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

IT IS NOTIFIED that—

- (1) The Local Content Bill (National Assembly Bill No. 45 of 2025) is a Bill sponsored by the Hon. Jane Kagiri, MP that seeks to create a framework to regulate local content in Kenya. Lack of a local content regulatory framework has inhibited the growth of the local industry in key economic sectors as companies incorporated outside Kenya procure their goods, services, supplies and workforce without adequate involvement of local companies and workforce. This has contributed to unfair practices that have rendered the local businesses and players unable to compete effectively.
- (2) The Sexual Offences (Amendment) Bill (National Assembly Bill No. 50 of 2025) is a Bill sponsored by the Hon. Amina Udegum Shyau Kume, MP that seeks to amend the Sexual Offences Act (Cap. 63A) to strengthen the legal framework governing the prosecution of sexual offences in Kenya. The Bill seeks to ensure that offences specified under the Sexual Offences Act are adjudicated exclusively through formal judicial processes to safeguard the rights of victims from processes that are repugnant to justice and morality, and ensure that justice is administered in a manner consistent with the Constitution.

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

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

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

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

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

"The Pillars of Justice and the Just Government of the People"

REPUBLIC OF KENYA



THIRTEENTH PARLIAMENT | FIFTH SESSION (2026) THE SENATE

INVITATION FOR SUBMISSION OF MEMORANDA

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

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

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

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

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

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

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

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



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

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

IN THE MATTER OF CONSIDERATION BY THE NATIONAL ASSEMBLY OF—

- (1) THE MISCELLANEOUS FEES AND LEVIES (AMENDMENT) BILL, 2025 (NATIONAL ASSEMBLY BILL NO. 57 OF 2025); AND
(2) THE NATIONAL INFRASTRUCTURE FUND BILL, 2026 (NATIONAL ASSEMBLY BILL NO. 1 OF 2026).

INVITATION TO SUBMIT MEMORANDA

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

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

IT IS NOTIFIED that—

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

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

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

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

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

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

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

S. NJOROGE, CBS
CLERK OF THE NATIONAL ASSEMBLY

13th February, 2026

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

REPUBLIC OF KENYA



THIRTEENTH PARLIAMENT | FIFTH SESSION (2026)
THE SENATE

INVITATION FOR SUBMISSION OF MEMORANDA

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

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

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

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

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

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

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

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



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

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

IN THE MATTER OF CONSIDERATION BY THE NATIONAL ASSEMBLY OF—

- (1) THE LOCAL CONTENT BILL (NATIONAL ASSEMBLY BILL NO. 45 OF 2025); AND
(2) THE SEXUAL OFFENCES (AMENDMENT) BILL (NATIONAL ASSEMBLY BILL NO. 50 OF 2025).

INVITATION TO SUBMIT MEMORANDA

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

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

IT IS NOTIFIED that—

- (1) The Local Content Bill (National Assembly Bill No. 45 of 2025) is a Bill sponsored by the Hon. Jane Kagiri, MP that seeks to create a framework to regulate local content in Kenya. Lack of a local content regulatory framework has inhibited the growth of the local industry in key economic sectors as companies incorporated outside Kenya procure their goods, services, supplies and workforce without adequate involvement of local companies and workforce. This has contributed to unfair practices that have rendered the local businesses and players unable to compete effectively.
- (2) The Sexual Offences (Amendment) Bill (National Assembly Bill No. 50 of 2025) is a Bill sponsored by the Hon. Amine Ugoni Syal Kumo, MP that seeks to amend the Sexual Offences Act (Cap. 63A) to strengthen the legal framework governing the prosecution of sexual offences in Kenya. The Bill seeks to ensure that offences specified under the Sexual Offences Act are adjudicated exclusively through formal judicial processes to safeguard the rights of victims from processes that are repugnant to justice and morality, and ensure that justice is administered in a manner consistent with the Constitution.

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

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

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

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

S. NJOROGE, CBS
CLERK OF THE NATIONAL ASSEMBLY

13th February, 2026

4. This memorandum provides a detailed sectoral analysis and offers concrete recommendations to ensure the 2026/27 budget and the Medium-Term Expenditure Framework (MTEF) are more responsive, equitable, and effective for the people of Northern Kenya.

2.0 General Observations on the 2026 BPS

- **Positive Recognition of ASAL Context:** We commend the BPS for acknowledging the high vulnerability of ASAL regions to climate change (Section 5.3.4) and for identifying key programs like the School Meals Programme, livestock disease control, and water interventions that are relevant to our counties.
- **Risk of "Value Chain" Approach:** The BETA value chain approach, while economically logical, tends to favor areas with existing production and market infrastructure. For the pastoralist economy, which is extensive and mobile, this approach requires deliberate design to include and benefit producers at the base. Without this, it risks exacerbating regional inequalities.
- **Disconnect in Fiscal Decentralization:** While the equitable share to counties has increased, the vertical fiscal imbalance persists. The National Government retains a vast share of revenue, yet counties (especially in ASALs) are on the front lines of delivering essential services like healthcare, agriculture, and water in an extremely challenging environment.
- **Insufficient Climate Financing:** Despite a sophisticated analysis of climate-related fiscal risks (Section 5.3.4), the BPS does not ring-fence adequate, predictable resources for climate adaptation and resilience-building at the community level. The reliance on donor-funded programs like FLoCA, while valuable, is not a sustainable substitute for direct national government investment.

3.0 Sectoral Analysis and Specific Recommendations

3.1 Health Sector

Analysis:

The UHC agenda, particularly through SHA and the expansion of Community Health Promoters (CHPs), is a major opportunity for our region. However, implementation challenges in Northern Kenya are immense: vast distances, sparse populations, insecurity, and a chronic shortage of health workers and medical supplies.

Recommendations:

1. **CHP Stipend and Support:** We recommend the National Assembly ensures that the **Ksh 3.235 billion** allocated for CHPs in FY 2026/27 is disbursed promptly and that a framework for County Governments to pay their share of the stipend is enforced. Furthermore, CHPs in ASALs require rugged, durable equipment, and comprehensive training to handle the unique health challenges of pastoralist communities.
2. **SHA Targeting:** The National Treasury and Ministry of Health must provide clear guidelines to the Social Health Authority on identifying and registering the most vulnerable households in ASAL counties, ensuring they are fully subsidized and not



WAJIR COUNTY CIVIL SOCIETY
CONSORTIUM
P. O. BOX 34-70200, WAJIR
Email: wccs5@gmail.com



MEMORANDUM

TO: The Clerk of the National Assembly

CC: The Cabinet Secretary, The National Treasury

CC: The Chairperson, Budget and Appropriations Committee (National Assembly)

CC: The Chairperson, Finance and National Planning Committee (Senate)

FROM: Northern Regional Budget Hub, Wajir County Civil Society Consortium, and Wajir County Civil Society Network

DATE: 20th February 2026

**SUBJECT: SUBMISSIONS ON THE 2026 BUDGET POLICY STATEMENT (BPS):
PRIORITIZING CLIMATE RESILIENCE, INCLUSIVE DEVELOPMENT, AND SERVICE
DELIVERY IN THE ASAL COUNTIES OF NORTHERN KENYA (WAJIR, MANDERA,
GARISSA, ISIOLO & MARSABIT)**

1.0 Introduction and Background

1. We, the undersigned coalition comprising the **Northern Regional Budget Hub, the Wajir County Civil Society Consortium, and the Wajir County Civil Society Network**, representing a broad spectrum of community-based organizations, non-governmental organizations, and citizens from Northern Kenya, hereby submit our analysis and recommendations on the 2026 Budget Policy Statement (BPS).
2. We acknowledge the Government's efforts to consolidate the gains of the Bottom-Up Economic Transformation Agenda (BETA) and the focus on macroeconomic stabilization as outlined in the 2026 BPS. We appreciate the strategic shift towards harnessing capital, technology, and infrastructure.
3. However, our analysis reveals a persistent gap between national policy aspirations and the lived realities in the Arid and Semi-Arid Lands (ASALs), specifically in the counties of **Wajir, Mandera, Garissa, Isiolo, and Marsabit**. While the BPS contains positive sectoral programs, it lacks an integrated, adequately resourced strategy to address the unique vulnerabilities of our region, particularly concerning climate change, pastoral livelihoods, and historical marginalization.

The Clerk of the Senate,
Main Parliament Building
Nairobi

20th February, 2026

Submission of Draft Budget Policy Statement (BPS) 2026

1.0 Introduction

Section 25 of the Public Finance Management Act, 2012, requires the National Treasury to prepare and submit to the cabinet a Budget Policy Statement (BPS) for approval. The BPS sets out broad strategic priorities and policy goals to guide the National Government and the County Governments in preparing their budgets for the subsequent fiscal year and over the medium term.

Following the call for public comments, The Coast Regional Budget Hub is Pleased to submit, their views on the draft BPS 2026.

The Coast Regional Budget Hub is a platform for Public Finance Management (PFM) practitioners that brings together regional voices for collective efforts and synergy to enhance public budgets and services across the Coast Region of Kenya. The Hub operates in six Coastal counties: Mombasa, Kwale, Kilifi, Lamu, Taita-Taveta, and Tana River Counties. The Hub comprises budget coordinators, facilitators, and champions from various organizations/institutions, informal groups, academia, and individuals across the Coast.

Summary of Submission;

1. Fiscal Performance (Half Year 2025/2026)
2. Financing the 2026/27 budget
3. Public debt
4. Financing devolution
5. Sector-based analysis (water, health).

FISCAL PERFORMANCE (HALF-YEAR 2025/2026)

Revenue and Expenditure Performance

The Draft Budget Policy Statement 2026 shows by the end of December 2025, total revenue collected including A-I-A amounted to KSh 1,500.6 billion against a target of KSh 1,637.7 billion (The revenue collection was below target by KSh 136.1 billion. This performance is attributed to underperformance recorded in ordinary revenue of KSh 115.3 billion, and KSh 20.8 billion in Ministerial A-I-A. During the period July 2025 to December 2025, the fiscal balance including grants amounted to KSh 518.1 billion (2.7 percent of GDP) against a targeted deficit of KSh 442.4 billion (2.3 percent of GDP). The deficit was financed by net foreign borrowing amounting to KSh 7.8 billion and net domestic financing of KSh 509.2 billion.

The total expenditure and net lending for the period ending December 2025 amounted to KSh 2,024.4 billion, against a target of KSh 2,097.0 billion. Transfer to counties recorded a shortfall of KSh 50.4 billion mainly due to delayed disbursements.

Concerns

- i. Revenue underperformance is significant and persistent. The shortfall is mainly from ordinary revenue (KSh 115.3B), raising concerns about the credibility of full-year targets.
- ii. Total expenditure/net lending was below target (KSh 2,024.4B vs KSh 2,097.0B), which can indicate funding constraints due to revenue shortfalls which may often lead to accumulation of pending bills, stalled projects, and uneven service delivery.
- iii. The government continues to lean heavily on domestic debt to cover the deficit. This pattern can crowd out private sector credit, keep interest rates elevated, and increase the cost of debt service.

Recommendation

- i. The Government should reset revenue projections and strengthen revenue credibility. The Government should also shift emphasis from expanding the tax base to closing leakages.
- ii. The Government should scale down spending, particularly on non-essential operations and non-core expenditures to align spending with available resources.

FINANCING THE 2026/2027 BUDGET

Revenue and Expenditure

According to the Draft Budget Policy Statement 2026, the total revenues, inclusive of Appropriation-in-Aid, are projected at KSh 3,533.7 billion (16.9 percent of GDP) in FY 2026/27, up from the projected KSh 3,352.1 billion (17.6 percent of GDP) in FY 2025/26. Within this, ordinary revenue is expected to reach KSh 2,901.9 billion (13.9 percent of GDP), compared to the projected KSh 2,744.4 billion (14.4 percent of GDP) in FY 2025/26.

In expenditure, the Government's overall expenditures and net lending are projected at KSh 4,703.9 billion (22.5 percent of GDP) in FY 2026/27, compared to KSh 4,532.8 billion (23.9 percent of GDP) projected for FY 2025/26. The FY 2026/27 expenditure outlook comprises recurrent spending of KSh 3,456.9 billion (16.5 percent of GDP); development expenditure of KSh 749.5 billion (3.6 percent of GDP).

The fiscal deficit including grants is expected to reach KSh 1,115.8 billion (5.3 percent of GDP) in FY 2026/27, from the projected deficit of KSh 1,140.7 billion (6.0 percent of GDP) in FY 2025/26. The FY 2026/27 fiscal deficit will be financed through net external borrowing amounting to KSh 225.5 billion (1.1 percent of GDP) and net domestic financing of KSh 890.4 billion (4.2 percent of GDP).

Concerns

- i. The revenue targets remain overly ambitious in light of persistent historical shortfalls. These revenue underperformances are already widening the budget deficit and driving increased borrowing.
- ii. Although tax policy and revenue administration reforms are being actively implemented, the immediate effect has been a growing burden on citizens and businesses. The expanded tax measures, compliance requirements, and enforcement efforts are raising the cost of living and the cost of doing business at a time when incomes remain constrained. This heightens the risk of reduced disposable income, suppressed private sector activity, and potential resistance to further reforms.

Recommendations

- i. Use evidence-based assumptions anchored on the last 3–5 years' collection performance to forecast revenue targets.
- ii. The government should have a clear and transparent communication strategy on how additional revenue is effectively used to improve public service especially in the social sectors.
- iii. Adopt a clear domestic borrowing path that avoids crowding out private sector credit.

PUBLIC DEBT

On public debt servicing, the 2026 BPS has taken into account public debt related costs. These comprise the annual debt redemption cost as well as the interest payment for both domestic and external debt. The allocation for payment of public debt related costs is expected to increase from KSh 1,437.9 billion allocated in FY 2025/26 to KSh 1,542.1 billion allocated in the FY 2026/27, reflecting an increase of KSh 56.0 billion.

Concern

The designation of public debt as a “first charge” reduces fiscal space and limits the reallocation of funds toward priority functions. The high level of public debt stock and the associated servicing costs therefore present a significant challenge to fiscal sustainability. The growing allocation of resources to debt servicing continues to compress fiscal space for essential public services such as health, education, and social protection, thereby risking underfunding of critical development priorities and adversely affecting service access and the overall well-being of Kenyans. Further, the increased government domestic borrowing risks crowding out small businesses and the private sector, which also relies on loans for business, hence a retrogressive move.

Recommendation

The national treasury should strengthen debt management strategies to reduce the reliance on expensive domestic borrowing, focusing instead on concessional external financing with favorable terms to lower overall debt servicing costs.

FINANCING DEVOLUTION

Equitable Share

The proposed Equitable Share for financial year 2026/27 of KSh 420 billion is equivalent to 21.9 percent of the most recent audited and approved actual revenues raised nationally of KSh 1,920.4 billion for FY 2021/22, pursuant to Article 203 (2) and (3) of the Constitution. The Draft BPS also proposes additional conditional allocations equivalent of Kshs. 18,293B financed from revenues raised nationally out of which Kshs.1,981 is Unconditional Additional Allocations and 16,312 is Conditional Additional Allocations.

Concerns

- i. Over the years, we have noted the differences in recommendation of county allocation between what is proposed by the CRA against what is proposed by the National Treasury. It is noted that the proposed allocation of Kshs.420 billion which is equivalent to 21.9% of the latest audited and approved actual revenues raised nationally amounting to Ksh 1,920.4 in FY 2021/22. This is unfair to use the audited accounts for FY 2021/2022 whereas the auditor general last audited accounts are for FY 2023/2024 which puts the actual revenues raised nationally at Kshs. 2,702.7B.
- ii. For the period between July and December 2025, transfers to counties had a KSh 50.4B shortfall mainly due to delayed disbursements. This undermines devolution and service delivery as it risks salary delays, stalled essential services, stalled development projects, and weakened county fiscal planning.

Recommendations

- i. The Government should use the most recent audited national revenue base for equitable revenue-sharing computation by applying the latest audited and approved actual revenues (FY 2023/24: KSh 2,702.7B) as the basis for calculating the minimum county allocation, rather than relying on outdated audited accounts (FY 2021/22). Secondly, the National Assembly should expedite the approval of the latest audited accounts of national raised revenue to reflect the clear actual Governments collection and to avoid being unfair to counties by relying on FY 2021/22 accounts.
- ii. The National Government should prioritize timely releases for county transfers, to avoid service disruptions.

3.4 Agriculture Sector

Analysis:

The national focus on crop-based agriculture has limited direct application in our counties. The budget must explicitly support climate-smart dryland farming and alternative livelihoods.

Recommendations:

1. **Targeted Support for Dryland Crops:** The distribution of fruit tree seedlings, particularly date palms, should be scaled up significantly in suitable areas. We recommend a dedicated fund within the National Agricultural Value Chain Development Project (NAVCDP) for dryland horticulture and fodder production.
2. **Fertilizer Subsidy Review:** The fertilizer subsidy program should be reviewed to include inputs relevant to dryland farming, such as seeds for drought-resistant sorghum, millet, and green grams.

3.5 Education Sector

Analysis:

The School Meals Programme is the most impactful national intervention in our counties. Its expansion to 3 million learners is a significant commitment that must be matched with implementation capacity and resources. The TVET agenda also holds great promise for our youth.

Recommendations:

1. **Guarantee School Meals Funding:** We call on Parliament to **ring-fence the budget for the School Meals Programme** and ensure that the increase in food ratios, as requested during public hearings, is accommodated. The National Treasury should provide a quarterly disbursement schedule to ensure schools receive funds on time.
2. **Make TVET Relevant:** The new TVET centers planned for the region must be equipped with workshops and trainers for courses relevant to the local economy: solar technology, water pump maintenance, mobile phone repair, and livestock health. We recommend a formal linkage between the TVET curriculum in these counties and the local economic priorities outlined in the BETA framework.
3. **Teacher Incentives:** The recruitment of 30,000 teachers must be accompanied by a clear policy on hardship allowances to attract and retain qualified teachers in remote, hard-to-staff schools in Northern Kenya.

3.6 Drought and Climate Resilience

Analysis:

The BPS's own analysis confirms that climate shocks are a major threat to our economy and fiscal stability. However, the response remains fragmented. Northern Kenya needs a comprehensive, multi-year resilience strategy, not an annual emergency response.

Recommendations:

1. **Establish a Dedicated Climate Resilience Fund:** We recommend the National Assembly amends the 2026 BPS to include a dedicated, multi-year **National Climate**

excluded from coverage. A report on the registration and coverage rates in Northern Kenya should be submitted to Parliament by December 2026.

3. **Health Infrastructure and Staffing:** We call for a special, time-bound recruitment and deployment program for health workers (doctors, nurses, clinical officers) to hardship areas like Wajir and Mandera, with enhanced allowances to attract and retain them. Funding for the operationalization of health facilities in these counties must be protected.

3.2 Water and Irrigation Sector

Analysis:

The BPS's focus on mega-dams is not a solution for the water security needs of our counties, which require a decentralized, climate-resilient approach focused on both human and livestock needs.

Recommendations:

1. **Re-prioritize Investments:** We recommend that a significant portion of the water development budget for Northern Kenya be reallocated from large-scale irrigation projects to strategic, climate-resilient water infrastructure. This includes: (a) Sub-surface dams and sand dams; (b) Strategic boreholes powered by solar energy; and (c) Rehabilitation of existing water pans and construction of new ones along critical livestock migration routes.
2. **Allocation for ASALs:** Parliament should direct the Ministry of Water, Sanitation and Irrigation to provide a supplementary budget statement detailing the specific allocation and planned projects for Wajir, Mandera, Garissa, Isiolo, and Marsabit in FY 2026/27.

3.3 Livestock Sector

Analysis:

The livestock sector is the economic lifeblood of our region. While policies on disease control and value addition are welcome, they are insufficient without a focus on rangeland management and drought mitigation.

Recommendations:

1. **Disease Control as a Priority:** We urge the National Assembly to ensure the **Ksh 22.7 million cattle vaccination program** is fully funded and that its implementation in Northern Kenya is prioritized and monitored. An effective vaccination campaign is the best form of trade facilitation for our livestock keepers.
2. **Operationalize the DRIVE Program:** The DRIVE livestock insurance program must be expanded and its payout mechanisms simplified and made transparent to build trust among pastoralists. A report on its performance and reach in the five target counties should be tabled in Parliament.
3. **Support for Camel Milk Value Chain:** We commend the establishment of a camel milk processing facility. However, its success depends on a robust network of collection and cooling centers. We recommend that **KSh 500 million** be ring-fenced within the State Department for Livestock to establish and support these centers in camel-producing areas of Garissa, Marsabit, and Isiolo.

SIGNED ON BEHALF OF:

1. Northern Regional Budget Hub
2. Wajir County Civil Society Consortium
3. Wajir County Civil Society Network

Enclosures:

- Copy of the detailed analysis report.



Hassan Abass

A handwritten signature in black ink, appearing to be "Hassan Abass".

Abdi Billow

A handwritten signature in black ink, appearing to be "Abdi Billow".

Fatuma Yusuf

A handwritten signature in black ink, appearing to be "Fatuma Yusuf".

Northern Regional Budget Hub
Wajir County Civil Society Consortium (WCCSC)

Emails:

hassooow4@gmail.com | ibrahimabdibillow@gmail.com | fatmahani952@gmail.com

Phones:

+254 7206100117 | +254 724 873 677 | +254 721 652 589

Resilience Fund, capitalized with at least **KSh 10 billion** in FY 2026/27, to finance long-term resilience projects. This fund should finance:

- Rangeland restoration and management.
 - Strategic fodder reserves and water infrastructure.
 - Scaled-up livestock insurance and cash transfer programs that are triggered by early warning systems.
2. **Finalize and Resource the Disaster Risk Financing Strategy:** We urge the National Treasury to finalize and present the Disaster Risk Financing Strategy to Parliament within six months. This strategy must articulate how predictable, pre-arranged finance will be accessed to respond to droughts, ensuring funds are not diverted from development budgets.
 3. **Strengthen the National Drought Management Authority (NDMA):** We call for a review of NDMA's funding to ensure it has adequate resources to perform its early warning and coordination mandate effectively.

4.0 Cross-Cutting Issues

1. **Pending Bills:** The BPS mentions KSh 80.3 billion for roads sector pending bills. We urge the National Assembly to ensure that contractors from Northern Kenya, who have completed works for agencies like KeNHA and KURA, are prioritized in the verification and payment process to stimulate the local economy.
2. **Security for Development:** No budget allocation can be effective without a stable security environment. We call for increased investment in security infrastructure and community policing in our counties to protect development investments and enable the safe delivery of services like health and education.
3. **Public Participation:** While we appreciate the public hearings, we urge the National Assembly and the National Treasury to devolve these hearings further to the ward level in future budget cycles to ensure that the voices of the most marginalized, including pastoralist women and youth, are truly captured.

5.0 Conclusion

The 2026 BPS provides a foundation for continued development, but it requires deliberate amendments and robust oversight to ensure it delivers for the people of Northern Kenya. We urge the Budget and Appropriations Committee to adopt the recommendations in this memorandum. Our region stands ready to partner with the National Government and the National Assembly to co-create a budget that is truly inclusive, resilient, and transformative.

We thank you for the opportunity to contribute to this critical national process and request the opportunity to appear before the Committee to further elaborate on these submissions.

Recommendations

Health worker strikes should be addressed through structured labour relations and comprehensive HRH reforms by implementing a negotiated dispute-prevention framework that ensures timely remuneration, clear job grading, predictable career progression, and improved working conditions, while strengthening dispute resolution mechanisms, adhering to collective bargaining agreements and corrective actions taken to minimize recurrent service disruptions.

Concerns on SHA

- i. The BPS indicates the Pending Bills Verification Committee will prioritize verification of 23,706 claims valued at KSh 27.2B, largely relating to NHIF (transitioning to SHA). Delayed settlement constrains facility cashflows, disrupts continuity of care, and increases the risk of arrears re-accumulating during the transition.
- ii. Governance and integrity risks around SHA claims management remain a major red flag. Recent public reporting and official communication point to significant fraud risks during the transition period, with losses estimated at around Kshs 10B from fraudulent or fictitious claims.

Recommendations

To avoid repeated integrity problems, the government must strengthen accreditation and contract oversight, apply risk-based facility profiling, and impose penalties and recoveries when fraud is proven.

Concerns on Health Sector Allocation

- i. In FY 2026/27, the Government has proposed an allocation of KSh 167.4 billion to the health sector, representing an increase from KSh 138.1 billion in FY 2025/26. Of this amount, KSh 136,024.1 B is allocated to recurrent expenditure and KSh 31,382.9 to development expenditure.

Recommendations

Since health service delivery is mostly devolved and the National Government mainly runs a limited number of Level 6 referral facilities plus policy/oversight roles, the large recurrent allocation (KSh 136.0B) needs clearer breakdown and justification to show it matches the national mandate and is not crowding out funding for county frontline services.

Water

Concerns

The Government's intention to map out new dam locations raises concerns given the slow completion and operationalization of existing major dams, including Mwache dam in the Coast Region. Prioritizing new site identification before finalizing ongoing dam investments risks spreading limited resources too thin, increasing project delays, cost overruns, and leaving communities without the intended water supply and irrigation benefits from already-funded projects.

The Coastal region has been expecting that the two water projects(Mwache dam and Mzima II water pipeline) will be implemented and would bridge the water needs of the people of the coastal counties. Notably in the Draft BPS 2026, there is no mention of the Mzima 2 water project which is always mentioned in the president's tours in the region. The Mwache Dam water project has been stagnant for some time.

Recommendation

The Government should fast-track completion, commissioning, and functionality of ongoing major dams before committing significant resources to new dam pipelines. The Government should produce progress reports for all major dams to improve accountability.

For more information, please Contact

Isabella Kidede.

Lead Budget Coordinator

Email: ikidede@crbhub.org

Crbhub@gmail.com

Website: www.crbhub.org

Equalization Fund

The Equalization Fund in Kenya is a fund that receives 0.5% of the national government's yearly revenue. The fund is used to improve basic services in marginalized areas. This funding aims to bridge development gaps and improve access to essential services such as water, healthcare, and infrastructure. The BPS proposes an allocation of KSh 9.6 billion to the Equalization Fund. The National Treasury proposes to allocate an additional KSh 5.6 billion in FY 2026/27 as partial payment to arrears for Equalization Fund.

Concerns

- i. The fact that National Treasury is planning an additional KSh 5.6 billion in FY 2026/27 as a partial arrears payment signals persistent backlog and weak absorption/execution in the Fund.
- ii. Continued arrears undermine the Fund's constitutional purpose by delaying delivery of basic services in marginalized areas, worsening regional inequalities, and creating uncertainty for project planning and implementation.

Recommendations

- i. To maximize impact, it is crucial for the government to ensure timely, transparent, and accountable disbursement of Equalization Fund resources, with clear reporting on their utilization and effectiveness.
- ii. The National Government should improve intergovernmental coordination by aligning the National Treasury, implementing agencies, and county structures on roles, implementation timelines, and monitoring to accelerate delivery of basic services in targeted counties.

SECTOR BASED ANALYSIS (SECTOR CEILING AND PRIORITIES)

HealthCare

Achieving Universal Health Coverage (UHC) remains a cornerstone of the Government's social policy under the Bottom-Up Economic Transformation Agenda BETA framework, aimed at ensuring equitable access to quality health services for all Kenyans. The Government also intends to expand Primary Healthcare Networks in all forty-seven counties, integrating community health units, health centers, and hospitals into coordinated systems that provide a continuum of care. These networks promote effective referrals and integrated community-based care. Infrastructure investments include construction of new health facilities, equipping existing facilities with modern medical equipment, and full rehabilitation of hospitals. To reduce dependence on overseas medical referrals, the Government will continue to prioritize establishing cancer treatment centers, cardiac catheterization laboratories, and renal dialysis

centers providing Kenyans with advanced medical care within the country. 22. Community health services will be strengthened through expansion of the Community Health Promoter workforce to 120,000 CHPs receiving monthly stipends, ensuring at least two CHPs serve each community health unit. The Government remains focused on addressing unequal distribution of healthcare personnel through targeted recruitment and deployment strategies, with particular focus on underserved rural areas. These interventions will enhance human resource capacity across the health system.

Concerns on Primary Health Care

- i. Promotion of Primary health care (PHC) is largely a county function under the Fourth Schedule of the Constitution. The BPS proposal that the Government will expand Primary Healthcare Networks across all 47 counties therefore raises a devolution concern. Without clear role delineation, the national government may unintentionally duplicate or overlap county service-delivery mandates, weakening accountability for PHC outcomes and creating parallel systems.
- ii. The proposed expansion of Community Health Promoters (CHPs) to 120,000 with monthly stipends is critical for strengthening community health services. However, implementation risks remain due to inconsistent county compliance in honoring CHP payment commitments, which can undermine continuity of services.
- iii. Further, without a clear intergovernmental agreement and structured framework on recruitment, deployment, and financing, scaling up CHPs and other health workers may shift unfunded obligations to counties and strain county wage bills.

Recommendations

The Government should establish a clear intergovernmental financing and accountability framework through a formal National–County agreement that defines financing responsibilities and payment timelines for the CHPs. Another option is to fund CHP stipends through a conditional transfer or other ring-fenced arrangement with clear conditions, rather than leaving counties to absorb the full cost within their wage bill.

Concerns on Health Work Force

- i. The persistent industrial actions and frequent strikes by health workers point to unresolved human resource for health (HRH) and labour relations challenges that could disrupt service delivery even as staffing numbers increase.

Programme	Delivery Unit	Key Output	Key Performance Indicators	Planned Target			Achieved Target			Remarks
				2022/23	2023/24	2024/25	2022/23	2023/24	2024/25	
	Water Harvesting Projects-CWWDA	Water services	No. of water projects	-	7	7	-	0	7	Completion of projects initiated in FY 2023/24
			No. of people accessing water services	-	-	3,500	-	0	3,650	
	Affordable Housing Water Supply BETA	Water services to Creek Village affordable housing programme	% of project completion	-	10	12	-	5	12	Delayed/Partial release of funds for the projects in FY 2023/24
	Mzima II Water Supply Project	Water supply Services	% of project completion	-	10	10	-	5	10	The Project is at Project Development Stage to be implemented under PPP arrangements.
	Sirisia - Chwele (Koica)- Phase 2	Water supply Services	% completion of project	50	100	100	65	98	100	Project completed benefiting
			No. of additional people served	-	75,000	5,000	-	70,000	6,020	
	Moi's Bridge-Matunda Water and sewerage	Water and sewerage services provided to Moi's Bridge-Matunda Towns	% completion of project	20	30	20	10	10	10	Reduced budget in supplementary allocations, and delayed disbursement of funds and compensation for persons affected by the project.
	Malava Gravity.	Water supply services	% completion of project	20	30	40	5	17	40	Slow project implementation caused by inadequate budget and delayed disbursement of funds

Source: EPWNR Sector Report FY 2026/27

No.	Project Name	Issues Noted	Amount (Kshs.)
23	Kenya Towns Sustainable Water Supply and Sanitation Program CR. NO. P-KE-E00-011 (AFDB Loan No.200000501) – Central Rift Valley Water Works Development Agency	Review of records on six (6) failures to implement the projects as planned with one stalled and one at 43% completion. Failure to implement projects as planned may negatively impact on service delivery to the public.	5,037,586,618
24	Kenya Towns Sustainable Water Supply and Sanitation Programme (AfDB Loan No.2000200000501) - Tana Water Works Development Agency	Eight projects delayed with a contract value of Kshs.4,614,332,242 whose contract dates had expired but were between 17% to 94% completion	4,614,332,242
25	Kenya Water Security and Climate Resilience Project (Grant No. TFOA0761A and Credit No.5268/5674/7423-KE) - State Department for Irrigation	Physical verification of the Project revealed that resettlement of the project affected persons had not been completed and there were unpaid claims totalling Kshs.140,872,646. This had led to a delay in completion of the project.	140,872,646
26	Lake Nakuru Biodiversity Conservation Project Grant No. 201567916 and Loan No. 2016 65 116 (KFW -German Financial Cooperation) - Central Rift Valley Water Works Development Agency	The detailed designs, tender for contract works and construction phase is behind the implementation schedule while the procurement process for the identification of the contractor is still on-going and behind schedule. The first loan repayment is due 15 May,2026 and therefore the GoK will start repaying for a loan when the construction phase is still ongoing.	7,484,754
27	Lake Victoria Water and Sanitation Project Grant No. CKE 1093 02 M, Credit No. CKE1093 01 L and EIB No. FI N083890 Serapis N0 2011-0619 – Lake Victoria South Water Works Development Agency	The consultancy contract of Kshs.34,321,622 commenced on 14 August 2018 for 45 months and extended to 31 July 2023. However, as at the time of audit in October,2024 the Project had not been completed while no further extension of contract had been granted.	34,321,622

Source: Auditor General's Report on Donor Funded Projects 2023/24.

REPUBLIC OF KENYA



COUNTY ASSEMBLIES FORUM (CAF)

Flamingo Towers, 5th Floor Wing B, Mara Road, Upper Hill P.O. Box 73552-00200 Nairobi Kenya Tel: 0701 046 933
Email: communication@countyassembliesforum.org www.countyassembliesforum.org

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

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

FROM: The County Assemblies Forum.

DATE: 20th February 2026

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

1. INTRODUCTION

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

2.1 OVERVIEW OF THE 2026 BPS

Economic Outlook and Budget implementation for FY 2025/026

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

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

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

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

2.4.1 SUMMARY OF THE 2025/2027 BPS

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

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

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

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

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

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

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

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

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

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

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

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

3.1 THE MINISTERIAL BUDGET CEILING FOR THE FY 2026/27

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

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

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

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

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

Smmarised DORA 2026

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

Source: National Treasury

CAF POSITION ON THE PROPOSED DORA 2026

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

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

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

3.3.1 **GOVERNMENT PRIORITIES OVER MEDIUM -TERM**

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

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

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

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

4.1 **CAF COMMENT ON THE MINISREAL ALLOCATION**

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

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

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

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

4.2.1 CAF POSTION ON MINSTREAL ALLOCATION

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

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

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

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

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

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

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

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

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

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

6.1. KEY SUMMARY HIGHLIGHTS OF THE MTDS 2026

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

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

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

POTENTIAL SOURCES OF FINANCING

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

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

7.1.CAF POSITION ON THE MTDS 2026

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

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

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

8.1.CAF RECOMMENDATIONS ON MTDS

8.2.Ring-Fence County Allocations

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

from fiscal adjustments arising from national debt servicing pressures.

8.3.Strengthen Fiscal Responsibility Compliance

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

8.4.Shift Toward Concessional and Long-Term Financing

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

8.5.Link Borrowing to Devolved Development Outcomes

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

Thank you.

Yours sincerely,

HON. SETH KAMANZA
CHAIRPERSON, CAF



Draft Memorandum to the Senate (Standing Committee on Finance and Budget)

Date: February 20, 2026

To: The Clerk of the Senate

Attention: The Hon. Chairperson, Standing Committee on Finance & Budget, Parliament of Kenya

From: Food for Education

Subject: MEMORANDUM ON DRAFT 2026 BUDGET POLICY STATEMENT (BPS): SUBMISSIONS ON THE SCHOOL FEEDING PROGRAMME

Honorable Chairperson and Members of the Committee,

We submit this memorandum pursuant to the public participation invitation on the Draft 2026 Budget Policy Statement and the Medium-Term Debt Management Strategy, in line with Article 118(1)(b) of the Constitution.

Food for Education (F4E) commends the Senate, particularly the Departmental Committee on Education and this standing Committee on Finance and Budget for your consistent and robust defense of the School Feeding Programme. As recent as the 2024/25 budget process, this Committee demonstrated leadership by reinstating critical funding for school meals when proposed cuts were made. We urge you to exercise similar vigilance in the 2026 cycle.

Our analysis of the Draft 2026 BPS reveals a promising policy evolution but exposes a concerning disconnect between the government's stated ambition and the fiscal commitments required to achieve it.

1. The Policy Opportunity: A Progressive Narrative

We welcome the strategic framing linking meals to human capital, nutrition, agriculture, and climate-smart growth (e.g., local sourcing, clean cooking). This aligns with global evidence on returns (\$7-35 per \$1 invested, per WFP).

2. The Fiscal Concern: An Ambition-Reality Gap

However, the fiscal projections in the BPS do not match the abovementioned ambitious policy narrative:

- **Stagnant Allocations:** The national allocation for school feeding has remained at approximately **Ksh 3 billion** for three consecutive fiscal years, eroded by ~4-5% inflation (higher for food).
- **Uncosted scale-up pathway:** While the BPS targets reaching 3 million learners, it does not explicitly state the annual fiscal requirement for delivering this commitment. Based on an indicative unit cost of Ksh 20 per child per day over a 190-day school year ((drawing on costings from the Report of the Presidential Working Party on Education Reform), feeding 3 million learners would require approximately **Ksh 11.4 billion annually** ($20 \times 190 \times 3,000,000$).
- Beyond the immediate target, the government has publicly committed to feeding 10 million learners by 2030. Preliminary estimates suggest this would require approximately **Ksh 38 billion per year** at current unit costs. However, neither the medium-term fiscal framework nor the budget projections outline a phased, costed pathway showing how financing will expand from the current level to meet this long-term ambition.
- **Historical Precedent for Action:** This Committee has previously intervened to restore funding. In 2024, when the school feeding allocation was reduced from Ksh 4.9 billion, the Education Committee reinstated Ksh 2 billion and recommended full restoration. We urge similar scrutiny of the 2026 estimates to prevent further erosion.

3. Implications of Underfunding

If current allocation levels persist, the consequences will be severe:

- **Programme Quality:** Schools will serve less nutritious meals or reduce meal frequency, undermining the education and health outcomes the programme is designed to achieve.
- **Coverage Stagnation:** Expansion to 3 million learners will be nominal if per-learner funding does not increase, effectively spreading limited resources too thin.
- **Missed Economic Opportunity:** The BPS's vision of linking school feeding to agriculture will remain unrealized. Local farmers and food processors cannot invest in capacity to supply a programme with uncertain and inadequate funding.

4. Recommendations for the 2026 Budget Process

In light of the policy ambitions articulated in the Draft 2026 BPS, and recognizing Parliament's constitutional mandate to oversee public finance and ensure value for money, we respectfully submit the following recommendations to strengthen governance, enhance coordination, and align financing with the programme's scale-up targets:

A. Strengthen Monitoring, Evaluation, Accountability, Reporting and Learning (MEARL)

We encourage continued strengthening of Monitoring, Evaluation, Accountability, Reporting and Learning (MEARL) systems for the School Feeding Programme to ensure consistent tracking of coverage, quality, and impact. Strengthened reporting and learning mechanisms will support evidence-based decision-making and enhance programme effectiveness over time.

B. Enhance Governance Coordination within the National Framework

We recommend continued efforts to strengthen coordination between the Ministry of Education and the designated school feeding implementing agency to ensure clarity of roles, efficient resource utilization, and alignment with national education priorities.

C. Deepen Structured Partnerships within the School Feeding Ecosystem

We encourage continued collaboration between the Ministry of Education and school feeding implementation partners within the existing national framework. Strengthened coordination in planning, data-sharing, procurement standards, and programme design will enhance coherence, reduce duplication, and maximize the overall impact of school feeding investments.

D. Strengthen National-County Collaboration

Given the shared responsibilities in education service delivery, we recommend enhanced collaboration between national and county governments to promote coherence in school feeding interventions to expedite the achievements of universal school feeding.

E. Institute a Costed Medium-Term Framework

We urge the Committee to request that the National Treasury, in the final BPS or subsequent Budget Estimates, provide a quantified, multi-year expenditure forecast for the school feeding programme. This framework should chart a realistic, year-on-year pathway from the current 3 million learners towards the 10 million by 2030 target, with explicit assumptions on meal costs and inflation.

F. Increase the Allocation for 2026/27

To protect programme quality and ensure meaningful expansion, we recommend an increase in the overall budget envelope for school feeding in the 2026/27 Estimates. This increase must outpace inflation to restore real value and purchasing power. We propose the Committee considers restoring funding toward the previous 2024 Ksh 4.9 billion level as a starting point.

G. Embed Home-Grown School Feeding (HGSF) Principles

We recommend the Committee encourage the Ministry of Education to develop clear procurement guidelines that prioritize local sourcing from smallholder farmers. This would transform school feeding from a cost centre into a stimulus for local economies, directly advancing the BPS's food systems agenda.



K. Provide Fiscal Guidance for Counties on Pre-Primary Feeding

As pre-primary education is a devolved function, we recommend the Committee, through the Intergovernmental Budget and Economic Council (IBEC), encourage counties to establish dedicated budget lines for school feeding within their County Fiscal Strategy Papers (CFSPs) and next cycle of CIDPs. This would ensure a continuum of support for children from early years through primary school.

5. Conclusion

The Draft 2026 Budget Policy Statement (BPS) sets a bold and commendable direction for the advancement of school feeding in Kenya. However, ambition must be matched with adequate, predictable financing and robust accountability mechanisms to translate policy intent into measurable impact. We commend this Committee for its longstanding leadership on this issue and respectfully urge you to once again safeguard and strengthen the resource allocation to the school feeding programme. Doing so will accelerate Kenya's progress toward universal school feeding – a foundational pillar in achieving universal access to quality education.

Food for Education stands ready to provide any additional data, costings, or technical support to inform your deliberations. In case of any questions, feel free to email policy@food4education.org or contact Stella Kimani (0726812326) or Kevin Goga (0722807304).

Yours sincerely,

Food for Education

policy@food4education.org

P.O. Box 65737-00607
Nairobi, Kenya

www.food4education.org



Highview Estate Phase 1, House No.2,
Mbagathi road, Nairobi-Kenya



info@mtotonews.com



+254 705855258



www.mtotonews.com

MEMORANDUM

TO: THE CLERK OF THE SENATE

FROM: MTOTO NEWZ INTERNATIONAL LTD

DATE: FEBRUARY 20, 2026

Contact Person: atulo@mtotonews.com

**SUBJECT: SUBMISSION OF CHILDREN'S VOICES FOR THE 2026 BUDGET POLICY
STATEMENT AND MEDIUM-TERM DEBT MANAGEMENT STRATEGY (FY 2026/27
– 2028/29)**

Mtoto Newz International Ltd (Mtoto News) is a digital and media platform with a mission to make children visible. Our commitment involves curating, creating, and circulating content on children and by children through various media such as audio, video, written materials, and infographics. Emphasizing child participation, we strive to empower children, create platforms for active involvement, and promote initiatives where they take the lead in addressing matters that affect them. Additionally, we strongly believe in the impact of research and data in making children visible, which guides our efforts to empower children to inform policy, programs, and practice through child-led and child-informed research.

Mtoto News works directly with children across the country to ensure their voices are integrated into political, economic, and social discourses. In this regard, during the Public Participation to the FY 2026/2027 and Medium-Term Budget following the Public Sector Hearings on the FY 2026/2027 and Medium-Term Budget, Mtoto News International consulted children from across the country. We facilitate the children to appear before treasury and they submitted their memo raising key issues affecting them. These issues are affected by the national government. They went ahead and gave recommendations for the same.

The following issues were raised by children followed by recommendations:

No.	Issue	Recommendation
1.	High cost of Education	Provide free compulsory education and increase funding for school infrastructure (labs and classrooms).

2.	Digital Divide	Provide adequate computers and reliable internet connectivity to all public schools. This will ensure that all students are able to learn effectively in line with the CBE Curriculum.
3.	Child Hunger and School Meals	Scale up school feeding programs (for example "Dishi na County") and ensure meals are balanced diets.
4.	Expensive medication and Healthcare	Expand Social Health Insurance and the Primary Health Care Fund to reduce medical costs for families and children across the country.
5.	Child Abuse and Violence	Allocate funds to employ more Children Officers and establish Child Protection Units in all police stations to deal with all cases of children abuse and also children in conflict with the law.
6.	Parent Unemployment	Ensure that the government puts in place measures that will create jobs for parents in order for them to feed their children and take care of their basic needs.
7.	Menstrual Hygiene	Provide free sanitary towels and proper disposal bins in all schools across the nation. This ensures that girls do not miss school or get lied to by bodaboda because of missing the sanitary towels.
8.	Mental Health	Increase investment in mental health facilities and make these services free for children. Schools should have professional counsellors that attend to children when they need to talk to someone. The government should also budget for mental health awareness campaigns through media.
9.	Children With Disability	Ensure school infrastructure is inclusive and provide specialized support for children with special needs. They also need to be provided with items that help them to be like other children especially in school like braille machines.
10.	Online safety	Fund digital literacy programs for children, teachers and parents, to protect children from online grooming and inappropriate content.

11.	Drug and Substance Abuse	Fund nationwide awareness campaigns and provide free rehabilitation for affected children.
12.	Child Participation	Institutionalize child participation in national and county budgeting and policy-making processes. Platforms like Student Councils and the Kenya Children Assembly need to be budgeted for to ensure children voices are heard in kenya.
	Clean Water and Sanitation	Increase funding for water projects to ensure clean water is available in homes and schools.

Thank you for your reconsideration in ensuring that the voice of the child in government budgeting processes is heard.

Endorsed by Mtoto News International Ltd



All Saints' Cathedral Church

P.O. Box 40539 - 00100, NAIROBI

Tel: +254 702 645 069 / + 254 728 271 715

E-mail: info@allsaintsnairobi.org | Website: www.allsaintsnairobi.org

MEMORANDUM ON THE 2026 BUDGET POLICY STATEMENT

SUBMITTED TO THE CLERK OF THE SENATE

SUBMITTED BY
THE VERY REVEREND CANON EVANS OMOLLO
PROVOST, ALL SAINTS' CATHEDRAL, NAIROBI

20 February 2026

ISSUE	RECOMMENDATION
1. Equitable share of the budget based on national interest. Article 203(1) of the Constitution of Kenya sets out the criteria for determining the equitable shares of national revenue, the first of which is national interest. The 2026 Budget Policy Statement (BPS) indicates that in FY2026/2027, expected national revenue is Ksh 2.901875 trillion, of which Ksh 36.430 billion is allocated to national interest, Ksh 1.542069 trillion to public debt obligations, and Ksh 876.111 billion to other national obligations. Although national interest is the first criterion in the Constitution, it appears third in order of priority allocation. The BPS and its annexes do not provide sufficient detail on what constitutes national interest.	Parliament should request the National Treasury to clearly outline to the public the detailed budgets for national interest, public debt obligations, and other national obligations. In view of the Programme-Based Budgeting approach, details should be categorized under Programmes and Sub-programmes, with clear Outcomes, Outputs, and targets. Providing such details is essential as stated in Article 201(a) of the Constitution, which provides for openness and accountability, including public participation in financial matters. Parliament should also clarify what 'public participation in financial matters' means, as it extends beyond participation in the budget process alone.

ISSUE	RECOMMENDATION
It is therefore not possible to ascertain the specific priorities and budget projections under national interest, nor to distinguish between national interest and other national obligations.	On public debt, Parliament should ensure that Kenyans can easily understand the amounts previously borrowed, the beneficiaries of projects financed, and what measures are being taken to keep debt repayments manageable without limiting funding for other priority needs.
2. Zero-Based Budgeting (ZBB). The FY 2026/2027 budget preparation guidelines (section 22) direct Ministries, Departments and Agencies (MDAs) to adopt ZBB, justifying all programmes and projects anew based on efficiency, effectiveness, and economy, and prioritizing high-impact initiatives while eliminating wasteful expenditure. However, a review of sector budget proposals indicates that resource requirements do not demonstrate fresh justification of programmes and projects. The MDAs budget proposals lack sufficient detail for the public to determine whether the priorities are justified and whether waste has been eliminated. Consolidation of budget figures also makes it difficult to understand how totals were arrived at.	Parliament should request the National Treasury to illustrate how it reviewed MDAs' budget justifications, beyond numerical adjustment, and provide evidence of the reviews and how MDAs considered the review comments from the National Treasury. Parliament should further resolve that the National Treasury prepare and publicize a status report on compliance with ZBB across sectors. Given diverse local contexts, Parliament should direct that each MDA's budget proposal include a sub-county-specific list of projects, expected outcomes, and the number of direct beneficiaries.
3. Non-financial indicators attached to the BPS. While the National Treasury submitted indicators and targets for all MDAs, as part of the BPS submission to Parliament, the targets are not matched with corresponding budget projections at programme and sub-programme level. It is therefore not possible to know the estimated recurrent or development budget projected for each target. Some MDAs are missing targets in the non-financial indicators, for example, the State Department for Basic Education (page 60 of the Non-Financial Indicators)	Parliament should resolve that the National Treasury amend the budget presentation templates to show the budget associated with each target under every Output, rather than aggregating at sub-programme and programme levels. For each MDA section outlining Programmes, Sub-programmes, Expected Outcomes, Outputs, Key Performance Indicators and Targets, the template should include the proposed funding per target with brief explanatory notes.

ISSUE	RECOMMENDATION
4. Alignment of county government priorities to national priorities. Section 25(3) of the Public Finance Management Act requires the BPS to set out strategic priorities guiding both national and county budgets while Section 117(2) requires County Fiscal Strategy Papers to align with BPS objectives. The 2026 BPS identifies priorities e.g., Agricultural Transformation, MSMEs, Healthcare, Housing and Settlement, and the Digital Superhighway and Creative Economy and indicates Ksh 438 billion in county allocations. However, it provides limited guidance on how county governments should align, and little evidence of alignment in previous cycles beyond adherence to ceilings.	Parliament should outline criteria for assessing alignment of County Fiscal Strategy Papers to the BPS beyond allocation compliance. For example, in the 2026 BPS it is stated that achieving Universal Health Coverage remains a cornerstone of the Government's social policy for ensuring equitable access to quality health services for all Kenyans, so health service delivery being a county government function, the BPS should clearly outline how County Governments health budget priorities are precisely to align to the BPS priorities on health.
5. Public participation in budget preparation. Although section 51 of the FY 2026/2027 guidelines expects Accounting Officers to ensure consultative processes with documented stakeholder input, sector budget proposals do not clearly demonstrate how state departments consulted the public. Only one face-to-face participation forum was held at the KICC, Nairobi, from 19–21 November 2025. No forums were held in the 290 constituencies or 47 counties. In the 2026 BPS, Annex Table 6 ('Highlights of the Issues Raised During Public Sector Hearings', from page 132) does not provide adequate detail to show how public views were considered, for example, by constituency or county.	Parliament should request the National Treasury to clearly show how feedback from sector hearings were considered when preparing the BPS. Parliament should also request for a specific report from the National Treasury on 'Public Participation in the Budget Preparation Process', categorizing public views by constituency and sub-county, to help Members verify alignment with local priorities.
6. Access to food. Article 43(1)(c) of the Constitution provides that every person has the right to be free from hunger and to have adequate food of acceptable quality. Many households, particularly in rural areas and urban	While the BPS prioritizes fertilizer subsidies, irrigation, and crop diversification, it should explicitly show how resources are apportioned in proportion to the number of Kenyans unable to access adequate nutritious food year-round.

ISSUE	RECOMMENDATION
informal settlements, lack access to adequate, nutritious daily meals, contributing to preventable diseases and poor learning outcomes (especially where school feeding programmes are absent).	The Executive should provide Parliament with a detailed sub-county list of ongoing and planned food and nutrition security interventions for review.
7. Employment opportunities for young people. Despite Article 55(c) of the Constitution obligating the the State to take measures, including affirmative action, to ensure youth access to employment, many young people remain without sustainable income-generating opportunities.	The BPS should present a clear approach (formula) to ensure that, in every sub-county, at least 70% of young people access sustainable employment opportunities that generate adequate regular income. The Executive should provide Parliament with sub-county data on unemployed youth and the planned opportunities to engage them in income-generating initiatives.
8. Social assistance for vulnerable households. Whereas Article 43(3) requires the State to provide appropriate social security to persons unable to support themselves and their dependants. Article 21(3) further obliges State organs and public officers to address the needs of vulnerable groups., many Kenyans remain unable to provide for basic needs such as water, food, and shelter.	The BPS should prioritize increased social assistance of at least Ksh 6,000 per month (Ksh 72,000 per year) for every household unable to support itself. The BPS should also state the number of Kenyans unable to meet basic needs. The Executive should provide Parliament with a sub-county list of beneficiaries, current support, and planned interventions for the next financial year.
9. Capitation for primary, junior, and senior schools. Article 53(1)(b) guarantees every child the right to free and compulsory basic education, implying parents should not pay fees. In practice, parents in primary, junior, and senior schools pay levies due to inadequate and delayed capitation. In January 2026, during Grade 10 admissions, many learners were unable to report to school due to lack of fees.	The BPS should prioritize increased capitation to primary, junior, and senior schools to make basic education truly free. In senior and secondary schools, all bursaries and scholarships should be channeled directly to schools based on enrolment data to ensure equitable benefit to all learners.
10. Teacher recruitment. Many schools face teacher shortages, leading Boards of Management and parents to hire additional teachers.	While the BPS prioritizes recruitment of 30,000 teachers, this number should be aligned to actual needs across primary, junior, and senior

ISSUE	RECOMMENDATION
	schools. The BPS should state the total teacher shortfall and the number to be recruited in FY 2026/2027 to clarify progress.
11. Teacher capacity development. Many teachers require ongoing support to deliver the Competency-Based Curriculum (CBC), and parents express concerns about delivery challenges.	The BPS should prioritize proportionate budgets for continuous professional development for all teachers to support effective delivery of CBC.
12. Civic education on public finance management. Many Kenyans, including children, youth, and older persons, wish to engage in public finance matters but lack accessible knowledge and skills. Government budget documents are complex for the common mwananchi , affecting the quality of participation.	The BPS should allocate funding for a national civic education programme on public finance management and invest in simplifying budget processes and documents to enable more informed public engagement in preparation and implementation.
13. Public participation in budget implementation. Communities are concerned about the timing of projects under the FY 2025/2026 budget, procurement processes, and disbursement delays. If the public participates in budget preparation, they should also participate in implementation.	Parliament should resolve that all MDAs publish the following on their websites and in Chiefs' and Assistant Chiefs' offices to support public participation in implementation: - Annual Departmental Work Plans. - Annual Departmental Procurement Plans. - Annual Departmental Cash Flow Plans. - Annual Departmental Monitoring Plans. - Sub-county-specific list of national government development projects for FY 2025/2026, categorized by MDAs.

ABOUT ALL SAINTS CATHEDRAL

All Saints' Cathedral Church is the Provincial Cathedral of the Anglican Church of Kenya and the Diocesan Cathedral of All Saints' Cathedral Diocese in Nairobi, established in 1917. It is a landmark house of worship, attracting a diverse and cosmopolitan congregation that represents the social, economic, and political diversity that exists in Kenya. Our Vision is *A Christ-Centered Cathedral, Impacting Generations* and Our Mission is *To transform people through the Word of God, equipping disciples for holistic ministry.*



TO: THE CLERK OF THE SENATE,
P.O.BOX 41842-00100,
NAIROBI

FROM: LAKE REGION BUDGET HUB
P.O.BOX 905-50400
BUSIA KENYA

DATE: 20th February 2026

SUBJECT: SUBMISSIONS TO THE SENATE ON THE BUDGET POLICY STATEMENT FY 2026/2027 AND MEDIUM-TERM IN ACCORDANCE WITH ARTICLE 118 (1)(B) OF THE CONSTITUTION OF KENYA, 2010, AND STANDING ORDER 186 (6) OF THE SENATE STANDING ORDER

The Lake Region Budget Hub is a platform that brings together civil society organizations consisting of highly trained budget facilitators and budget champions actively participating in budget advocacy work in counties within the Lake Region Economic Block (LREB). The Lake Region Economic Bloc (LREB) was established in 2014 out of the understanding that strategic connections between counties with shared interests, seated in a desire for mutual benefit, can be a plausible and effective means of creating remarkable development impact across the member counties. The regional hub idea was mainly to bring together resource persons in the civil society group with the capacity and passion for the Public Finance Management (PFM) process to cross-learn and share innovative ideas important in improving our PFM status and enhancing service delivery. The budget facilitators and champions are drawn from Busia, Bungoma, Kakamega, Trans Nzoia, Siaya, Kisumu, Migori, Homa Bay, Kisii, and Nyamira counties

Background

This memorandum analyzes the 2026 Budget Policy Statement (BPS), released by the National Treasury in February 2026. The document outlines Kenya's medium-term fiscal framework under the Bottom-Up Economic Transformation Agenda (BETA), projecting 5.3% economic growth in 2026 despite challenges like geopolitical tensions, climate risks, and fiscal constraints. Health and social protection are positioned as critical enablers for human capital development and inclusive growth.

The BPS highlights progress in Universal Health Coverage (UHC) through the Social Health Authority (SHA) and safety nets like Inua Jamii. However, significant gaps in priority setting, data transparency, and resource allocations undermine effective implementation. These gaps risk fiscal sustainability,

equity, and service delivery for vulnerable populations. This analysis integrates BPS content with external insights to recommend reforms for Senate scrutiny during deliberations.

The BPS and the Medium-Term Expenditure Framework (MTEF) for the period 2026/2027 to 2028/2029 emphasize Kenya's commitment to **Universal Health Coverage (UHC)** and align with global and national policies, including the Bottom-Up Economic Transformation Agenda (BETA), Vision 2030, and the Sustainable Development Goals (SDGs).

Key Findings, Justifications, and Recommendations

Health Sector

The BPS prioritizes UHC as a BETA cornerstone, focusing on SHA enrolment (target: 35 million), Primary Healthcare Networks expansion (target: 315), Community Health Promoters (target: 120,000), digital platforms, and infrastructure upgrades like cancer and dialysis centers.

1. Priority Setting Gaps

The BPS strongly emphasizes scaling Universal Health Coverage (UHC), strengthening primary healthcare, reducing maternal and child mortality, and expanding insurance enrollment. However, these priorities are framed broadly and lack specific, measurable indicators. For example, there are no clearly stated annual targets for UHC coverage rates, health worker-to-population ratios, facility upgrades, or maternal mortality reductions.

The absence of baselines makes it difficult to determine current performance gaps, while the lack of timelines or phased milestones limits the ability to track incremental progress. Without clear Key Performance Indicators (KPIs), monitoring and evaluation become weak, and accountability for results, at both national and county levels, is undermined. This creates a risk that commitments remain aspirational rather than operational.

2. Limited Focus on Preventive and Public Health

While curative services and insurance expansion receive substantial emphasis, preventive and promotive health interventions are comparatively under-prioritized. Public health measures such as immunization outreach, health education, nutrition programs, disease surveillance, sanitation, and early screening services receive limited budget visibility.

Importantly, the BPS does not present clear costing for preventive interventions, even though global evidence consistently shows that prevention yields long-term cost savings and reduces pressure on tertiary facilities. Underinvestment in prevention risks increases the future burden of communicable and non-communicable diseases (NCDs), escalating long-term treatment costs, and straining already limited health financing space. A stronger preventive health financing framework would enhance system sustainability and resilience.

3. Donor Transition Risks

The BPS insufficiently addresses risks associated with donor funding transitions. The US-Kenya Health Cooperation Framework commits US \$1.6 billion between 2026–2030, while Kenya has pledged US \$850 million in domestic financing, beginning with KSh 10 billion in FY 2026/27. However, there is limited clarity on how domestic resources will progressively replace donor support, particularly if fiscal pressures intensify.

Additionally, GAVI is accelerating Kenya’s transition to full self-financing of immunization by 2029. This implies a sharp increase in domestic allocations for vaccines and immunization systems. Without a detailed transition plan outlining annual financing increments, risk mitigation strategies, and contingency measures, there is a potential for service disruption, especially in immunization and HIV programs that have historically depended on external financing. Failure to proactively manage donor transitions could reverse health gains, particularly among vulnerable populations.

4. Chronic Disease Financing Gaps

Chronic disease management has been partly addressed through the Emergency Chronic and Critical Illness Fund (ECCIF), which targets vulnerable patients requiring expensive treatment for conditions such as cancer, renal disease, and other critical illnesses. While the intent is progressive and equity-oriented, operational details remain unclear.

There is limited transparency regarding eligibility criteria, benefit ceilings, funding sustainability, reimbursement mechanisms, and the integration of ECCIF within broader health insurance reforms. Additionally, without preventive and early detection investments, the number of eligible beneficiaries may grow rapidly, raising long-term fiscal sustainability concerns. A comprehensive chronic disease strategy should combine prevention, early diagnosis, pooled risk financing, and clear operational frameworks to avoid financial strain and inequitable access.

5. SHA Subsidy Implementation Delays

The Social Health Authority (SHA) is mandated to subsidize premiums for vulnerable groups, including the elderly, Orphans and Vulnerable Children (OVCs), and indigent households. In principle, this represents a significant step toward equity and universal coverage.

However, implementation delays—particularly around beneficiary identification, registration systems, verification processes, and timely fund disbursement—have slowed effective rollout. Weak targeting systems risk either exclusion errors (leaving out eligible beneficiaries) or inclusion errors (covering non-eligible individuals), both of which undermine equity and fiscal efficiency.

Additionally, delayed reimbursements to facilities could weaken service delivery, discourage provider participation, and reduce public confidence in the new health financing framework. Strengthening operational systems, digital integration, and transparent reporting will be critical for SHA to achieve its intended impact.

6. Data Gaps

Data is insufficiently disaggregated by care level (primary/secondary/tertiary), county, or vulnerability, limiting equity analysis. Spending trends are not linked to outcomes like maternal mortality or immunization coverage. UHC reforms lack full actuarial costing, fiscal sustainability details, and quantification of contingent liabilities (e.g., arrears, pending bills). Achievements include SHA enrolment over 27 million (200% growth), but baselines for donor impacts, NCDs by vulnerability, or unmet needs (e.g., doctor ratio ~30/10,000 vs. WHO 45; nurse deficit 46%) are missing. Malnutrition data remains unquantified despite affecting hundreds of thousands.

7. Allocation Gaps

Nominal allocations grow (KSh 167.4 billion in FY 2026/27, rising to KSh 203.1 billion by 2028/29), but growth lags demand from population, epidemiological shifts, and inflation. Recurrent spending (wages, subsidies) dominates, constraining development (infrastructure, digitization). Specific shortfalls include PHC-F (KSh 13.1 billion allocated vs. higher needs), ECCIF (KSh 8 billion, short KSh 99 billion), and SHA vulnerable subsidies (KSh 3.7 billion). Overall, SHA faces a Sh166 billion deficit, with low compliance (~18%) exacerbating gaps. UHC funding has seen cuts, and donor absorption (e.g., staff) remains under-resourced.

III. Social Protection Sector Analysis

The BPS aligns social protection with BETA for resilience, prioritizing cash transfers (Inua Jamii), safety nets, and support for orphans, the elderly, PWDs, youth, and women.

- **Priority Gaps**

Expansion is emphasized, but coverage metrics (percentage of eligible beneficiaries) and targeting accuracy (exclusion/inclusion errors) are inconsistent. This hinders alignment with poverty levels. Shock-responsiveness is minimal, with limited adaptive mechanisms for droughts, floods, or climate integration despite rising vulnerabilities.

- **Data and Monitoring Gaps**

The results framework is weak, lacking outcome indicators (e.g., poverty gap reduction) or inflation-linked transfer adjustments, risking real-value erosion. Gender, disability, and intersectional disaggregation is limited, constraining targeted refinements. Outputs focus on beneficiaries (e.g., Inua Jamii 1.75 million), but impact metrics (e.g., poverty reduction ~1.2%) and climate/disaster data are absent.

- **Allocation Gaps**

Allocations (KSh 87.2 billion in FY 2026/27) risk stagnant real per-beneficiary values amid inflation. Fragmentation across schemes lacks harmonization, efficiency, or digital integration. Coverage reaches only ~36.7% of needs, with unaddressed calls for 1.4 million more beneficiaries and imbalances (e.g., elderly over-targeted relative to child poverty at 48.7%).

Recommendations

The following recommendations are therefore laid before the Senate for consideration as follows:

- Demand granular, disaggregated data and county-level baselines in future BPS documents.
- Align priorities with benchmarks (e.g., WHO standards, GAVI timelines) and quantify donor transitions (US-Kenya, GAVI).
- Advocate increased allocations to close SHA's Sh166 billion gap, boost preventive health, and expand social protection coverage.
- Push for stronger M&E, efficiency reforms, and inter-sectoral integration to ensure equity and sustainability amid fiscal pressures.

CONCLUSION

It is our view that the above matter, as raised through our memorandum, will be addressed to enhance budget transparency and comprehensiveness in our budget documents. Should there be a need for clarification, kindly reach out to the undersigned for further information.

List of Contributors

N O	NAME	EMAIL	PHONE NO.	ORGANIZATION	DESIGNATI ON	COUNTY
1	Jack Agola	jackagolla93@gmail.com	740767926	CEDC	Budget Facilitator	Busia
2	Kristine Yakhama	kristineyakhama@gmail.com	722765627	Good Health Community Programmes	Budget Facilitator	Kakamega
3	Evangelist Fred NW	redokenya@gmail.com	726528486	REDO Kenya	Budget Facilitator	Bungoma
4	George Okinyi	gombengokinyi@gmail.com	721175933	Justice and Peace Centre	Budget Facilitator	Trans Nzoia
5	Fredrick Ekasiba	ekasibafredrick@gmail.com	702382858	CEDC	Budget Facilitator	BUSIA
6	Habel Ouma	oumahabel@gmail.com	721620753	Kakamega Deaf Association	Budget Facilitator	Kakamega
7	Paul Odongo	paulodongo73@gmail.com	720861956	Network For Research & Governance	Budget Facilitator	Kakamega
8	Ezekiel Odeoh	ezezielodeoh@gmail.com	724856015	REDO K	Budget Facilitator	Bungoma
9	Nyaguti Michael	magnamenviromentalnet@gmail.com	721728653	MAGNAM environmental network	Budget Facilitator	Kisumu
10	Kennedy Oyier	oyierkennedy@yahoo.com	710552610	Hocen	Budget Facilitator	HomaBay
11	Joseph Oloo	oderojoseph7@gmail.com	702558797	CIAG-K	Budget champion	Siaya
12	Francis Namuju	fnamuju@gmail.com	724510595	CEDC	Budget Facilitator	Busia
13	Ombati Kerubo	ombatieunike6@gmail.com	724035091	Glad You Smile	Budget Facilitator	Nyamira





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

To:

Date: 20th/02/2026

The Clerk of the Senate.
P.O Box 41842-00100,
Main Parliament Building,
Nairobi.

Email: clerk.senate@parliament.go.ke
financebudgetcomm.senate@parliament.go.ke

From:

Muthoki Nyamai J.W.
Budget Talk Global (BTG)
Email: budgettalkglobal@gmail.com
<https://budgettalkglobal.org/>

Introduction

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

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

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

A. Budget Policy Statement 2026

Key Submissions

1. Revenue projections for 2026/27

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

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

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

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

2. Expenditure framework and reforms

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

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

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

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

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

3. Financing deficit

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

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

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

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

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

4. Public debt stock and debt servicing

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

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

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

5. County financial management and division of revenue

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

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

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

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

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

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

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

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

7. Pending bills and arrears

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

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

8. Equity, gender, children, and disadvantaged groups

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

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

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

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

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

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

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

1. Composition of the existing debt portfolio

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

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

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

2. Refinancing risks

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

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

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

3. Interest Rates Risk

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

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

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

4. Foreign Exchange (FX) risk

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

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

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

5. Debt sustainability indicators

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

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

Concerns:

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

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

6. Deviation from previous MTDMS Targets.

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

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

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

7. Average terms of new external Debt

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

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

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

Conclusion

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

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

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

Sincerely,



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



**MEMORANDUM ON THE DRAFT BUDGET POLICY STATEMENT 2026 WITH A
FOCUS ON THE WATER AND HEALTH SECTORS**

PRESENTED TO

SENATE

BY

RIFT VALLEY BUDGET HUB

Submitted on 20th February 2026.

Contact Person:
Mr. Evans Kibet.
Coordinator, Rift Valley Region Budget Hub.
Email: riftvalleybudgethub@gmail.com
Tel: +254711221294

Introduction

The Rift Valley Budget Hub brings together budget practitioners from the 7 counties of Nakuru, Baringo, Elgeyo Marakwet, West Pokot, Kericho, Bomet and Nandi as a platform to build synergy in the county, regional and national level budget engagements. The hub is also a platform for peer-to-peer learning on best practices in the budget processes.

The hub builds the budget capacity of citizens, civil society organizations and government officials to deliberate and make budget decisions that are responsive to citizens' needs. Over the last 4 years, the hub has conducted budget analyses and monitoring with focus on the water sector with the objective of contributing to improved access to adequate, clean and safe water in the Rift Valley Region

Pursuant to the call for submissions, and in fulfillment of our mandate, the Rift Valley Budget Hub hereby presents our submission for your consideration review and adoption of the Budget Policy Statement 2026.

1. BUDGET FINANCING

We note that the National Treasury intends to finance the Ksh.4.703,9 Trillion budget for FY 2026/2027 with a revenue projection of Ksh. 3,533.7 Trillion and a deficit of Ksh 1115.8 Billion; which is to be externally financed at Ksh 225.8 billion (33%) and domestic borrowing of Ksh 890.4 Billion (77%)

The total ordinary tax revenue projection for FY 2026/2027 which is at 2,901.9 Billion is unrealistic considering the actual revenue raised in FY 2024/2025 which was Ksh. 2.31 Trillion This implies that the government intends to raise Ksh. 591 Billion more; and in a more constrained economy

The half-year performance for the current year, 2025/2026, also shows a revenue shortfall of Ksh. 115. 3 Billion. The ordinary revenue collection was Ksh 1,236.5 Billion against a target of Ksh 1,351.9 Billion. The half-year revenue growth between 2023/24 and 2024/25 is also 6.7% compared to the projected growth of **31.8%** between FY 2022/23 and 2025/26.

It is therefore highly likely that the National Treasury will miss the 2.901.9 Trillion target in FY 2026/27 and thus result in either more borrowing to bridge the budget deficit during implementation or budget amendments to reduce the services being rendered.

Our Key Asks to the Senate:

- I. Review the ordinary revenue projection based on historical performance and realities on the current state of the economy.
- II. Higher domestic borrowing by the government will impact negatively on local lenders and borrowers and is likely to result in crowding out private-sector credit hence reduction of loans to businesses and individuals. The Senate should moderate domestic borrowing and also institute austerity measures.
- III. The Senate should sanction expenditure rationalization by the line departments to avoid huge deficits which might lead to more borrowing, especially for recurrent expenditures.
- IV. The Senate to compel the National Treasury to publish a comprehensive debt register accompanied by a debt management strategy that balances short-term financing needs with long-term debt sustainability objectives.

2. BUDGET PERFORMANCE

According to the Office of the Controller of Budget, Budget absorption remains a concern in critical sectors and departments. The State Department of Water and Sanitation has not been able to absorb all its budget **even as the demand for water services is increasing**. The budget absorption for the department has remained below 85% over the last 3 years i.e. 2021/22 (82%), 2022/23 (78%), and 2023/24 (80%). However, there was marginal improvement of absorption rate to 91% in 2024/25 FY.

In the FY 2023/24, the department could not absorb close to **Ksh 10 Billion** of the budget allocated which implied delayed delivery and or denial of the much-needed services. For 2024/25 FY, the department failed to spend around Ksh 3 Billion.

The Hub is more concerned that the majority of the capital projects especially in the Water and Sanitation sub-sector are far behind their implementation schedules with ***delays running between 1 to 5 years mainly due to contractual issues and low disbursement of external funding***. We have also observed a worrisome trend where subsequent Sector Reports are shifting the project implementation timelines without providing justifications, additionally, the state Department is introducing new projects at the cost of the incomplete projects.

Our Key Asks to the Senate:

- I. The Senate should push for the development of a sound strategy to improve budget implementation.
- II. The Senate to sanction the enforcement of the Public Finance Management (Public Investment Management) Regulations 2022 that requires all public investment projects to be procured and delivered on time, within budget, and in accordance with the design specifications.
- III. The Senate should ensure that the National Treasury is undertaking public engagements during all critical stages of the PPP project implementation processes. Contracting Authorities should publish all intended and ongoing projects in line with Sections 43 and 69 of the PPP Act of 2021.
- IV. The Senate to sanction development of a plan to complete all ongoing projects and share it with all stakeholders
- V. The non-revenue water share of 43% remains significantly high, impacting both revenue generation and the sustainability of water projects. The Senate should ensure that the National Treasury has set a maximum threshold of 15%.

3. PRIORITIES

We are concerned that the State Department of Water and Sanitation has left out water-scarce counties such as **Kitui, Samburu, West Pokot, Baringo, and Marsabit** where only 21%, 29%, 38%, 39 %, 41% of households, respectively, have access to basic drinking water services according to the KDHS 2022¹.

According to BPS 2026, the Environmental Protection, Water and Natural Sector has prioritized scaling of irrigation by 300,000 acres, increased water storage by 1 billion cubic meters, and improved access to clean water by 6% from 74% to 80% in the financial year 2026/27-2028-29.

These Counties also have capital projects that ought to be completed. Examples include; Amaya Dam in Baringo County, Badassa Dam in Marsabit County. Further, the majority of the capital projects in the Water and Sanitation Sub-sector are far behind their implementation schedules, with delays running between 1 to 5 years. Examples include: Muruny Siyoi Dam in West Pokot County, Itare Dam in Nakuru County, Kirandich Phase II in Baringo County , Badasa Dam in Marsabit County, Yamo Dam in Samburu and Thwake Dam in Makueni County etc.

As per the Environment, Water and Natural Resources Sector Report for FY 2026/27, the Ministry of Water and Sanitation requires at least Ksh. 1.040 Trillion more to complete all the ongoing water and irrigation projects but resource availed is Kshs. 107B for development for the entire sector.

Our Key Asks to the Senate:

- I. The Senate should interrogate the priorities for capital expenditure based on established needs in publicly available reports e.g. KDHS as in the case of water, health and related sectors.
- II. The Senate should put a caveat on the initiation of new water projects in favour of the completion of ongoing projects, especially in water-scarce locations.
- III. The Senate must ensure an equitable distribution of resources within the water sector, prioritizing regions with the lowest water access.

¹ <https://dhsprogram.com/pubs/pdf/FR380/FR380bis.pdf>

4. INADEQUATE ALLOCATION TO THE COUNTIES

Article 203 (2) and (3) of the Kenyan Constitution requires that the equitable share of the revenue raised nationally that is allocated to county governments be calculated on the basis of the **most recent audited accounts of revenue received, as approved by the National Assembly**.

The Ksh.420.0 billion recommended in the Budget Policy Statement Bill 2026 is equal to about 21.9% of the Ksh 1.920.4 Trillion recently audited revenue for FY 2021/22. Based on the trend of revenue growth, this is unjust. Kenya reported ordinary revenue of **Ksh. 2.23 Trillion** in 2023/24, which is significantly higher than the **Ksh. 1.920.4 Trillion** realized in FY 2021/22. Although the revenue has grown by 42%, the projected equitable share has increased only by 32.91% (from 316.5 billion in the FY 2019/2020 to 420 billion in 2026/27 FY).

The fact that revenue divides are still based on **out-of-date audited** revenue implies that counties are getting the shorter end of the stick.

It is also worth noting that the demand for increased services is increasing daily with a constrained economy. Essential services such as healthcare, education, water supply, and infrastructure continue to be underfunded leading to poor quality or lack of access.

Our key asks to the National Assembly:

- I. Raise the percentage of revenue allocation to county governments in line with the Principle of *Resources follow functions* to ensure adequate funding for devolved functions.
- II. Use up-to-date audited revenue computations as a basis for equitable share allocations to counties. The equitable share should be increased in proportionality to reflect the current revenue growth.
- III. The Senate sanctions strengthen the capacity of counties to develop and implement strategies to increase their own source revenue.
- IV. Ensure timely approval of audited revenue accounts to enhance transparency and fairness in revenue sharing.

4. BUDGET TRANSPARENCY AND PUBLIC PARTICIPATION

As a budget advocacy platform, we continue to emphasize the need for robust and meaningful public participation in the formulation and implementation of budgets.

Observably, there has been low public participation in the national budget decisions. Due to the centralized nature of deliberation, only elites and small sections of urban dwellers who have access to digital mechanisms are able to present their views and thus a significant number of the population are locked out or excluded. Most importantly, there has been low public participation in the identification and implementation of water projects by the regional water works development agencies, yet these agencies spend a considerable share of the budget for the Ministry of Water.

Key Asks to the Senate

- I. The Senate should ensure that the National Treasury comes up with a framework for coordination and collaboration between the County Government and the National Treasury with a view to use the decentralized units for robust public participation.
- II. Just like ministries and departments do through sector hearings, all SAGAs should conduct public participation on their budgets and report on the same.

OTHER KEY MERGING ISSUES

A. Public-private partnerships

Budget Policy Statement 2026 in Page 46 targets to raise Ksh. 80 Billion through PPP model to finance the projects in the water, energy, ICT, agriculture, agribusiness, Manufacturing, Transport and Logistics, Urban Development, roads, and housing sectors.

It is our view that basic services such as water provision should be financed through ordinary revenue and AIA to reduce the risk of the private sector increasing the cost of these services in their bid to maximize profit.

To mitigate against corruption, the Senate should ensure that the National Treasury is publishing the PPP agreements for transparency and accountability. Budget transparency creates a foundation for trust, collaboration, and effective governance, hence making it a critical aspect of modern public financial management. More importantly, it signifies fiscal discipline, which can attract investment and foster economic growth.

B. Duplication of functions

The intended expansion of the role of National government entities such as the Water Works Development Agencies and National Water Storage Authority to the core function of bulk water purchase creates more room for duplications of functions between national and county government entities. It is worthwhile to note that the mandate of bulk water purchase is a preserve of county government owned water service providers as provided for in the fourth schedule of the CoK 2010 and subsequent legislation and gazette notices.

The Rift Valley Budget Hub has continually observed Central Rift and North Rift Water Works Development Agencies and the Kerio Valley Development Agency implementing devolved functions such as borehole drilling and repair of water projects, with clear incidences of duplication.

IGRTC unbundling of functions has revealed that the National Government MDAs are implementing elements of county governments' functions amounting to about Ksh. 262 Billion. Out of this, Ksh. 28 Billion is in the water sector. These functions need to be transferred without further delay.

C. Health Services:

Despite the policy autonomy provided to primary health care facilities, inadequate and delayed disbursement funds by SHA has limited their capacities to effectively plan for service delivery. A report by the Institute of Economic Affairs¹ show that allocations to SHA has had a Ksh. 47 billion gap.

¹ <https://ieakenya.or.ke/download/is-kenyas-social-health-authority-working-as-intended-assessment-of-design-gaps-and-implementation-issues/>

Table 4: Social Health Authority (SHA) Resource Requirement Vs Allocation for FY 2026/27

	Approved Est. 2025/26	Requirement 2026/27	Allocation 2026/27	Gap
SHIF- Member Contributions	81,719.1	89,970.3	89,970.3	-
SHIF - County Govt & Other Sponsored Indigents	4,012.8	4,414.1	4,414.1	-
SHIF - National Govt Sponsored Indigents		14,338.6	-	14,338.6
SHIF - OPPSD & HISP - OVC (govt funded)	430.4	947.7	430.4	517.3
PHC Fund - Govt Funded	13,100.0	38,076.5	13,100.0	24,976.5
ECCIF - Govt. funded	8,000.0	15,873.7	8,000.0	7,873.7
SHA - other income	303.5	307.8	307.8	-
Gross Total	107,565.8	163,928.7	116,222.6	47,706.1

Source: National Treasury Health Sector Report 2025

In 2026/27 the health sector estimated their total budget requirement to Ksh. 461.51 billion, yet the budget policy statement has allocated 167.41 billion. While it's an increase from Ksh. 138.11 billion allocated in the FY 2025/26 it's just a third of the requirement.

This implies that the challenges facing the roll out of universal health coverage will continue to persist despite their government being keen on improving access to health services.

Conclusion:

Through the Budget Policy Statement, the Senate is expected to review revenue and expenditure performance and make realistic revenue and expenditure projections based on historical trends and the state of the economy.

It is also an opportunity to reflect on what is working and what is not working and therefore put in place sound budget strategies that will realize optimal service delivery to the people of Kenya.

We hope that the observations and recommendations made herein will go a long way to this end.

Renewed Partnership for Sustained Health Outcomes

Memorandum on Budget Policy Statement 2026 on Health Sector

To , The Clerk of the senate

P.O.BOX 41842-00100

Main Parliament Buildings

From : Health Ngos Network

Address: P.O Box 41907-00100, Nairobi, Kenya

www.hennet.or.ke | [Twitter@HennetKenya](https://twitter.com/HennetKenya) | Facebook:@Hennet17.Kenya

Renewed Partnerships for Sustained Health Outcome

Renewed Partnership for Sustained Health Outcomes

Introduction

The health sector in Kenya stands as a cornerstone of national development, enshrined in Article 43(1)(a) of the Constitution as the right to the highest attainable standard of health for every person. As the country advances toward Universal Health Coverage (UHC) under the Bottom-Up Economic Transformation Agenda (BETA) and the Fourth Medium Term Plan of Kenya Vision 2030, the 2026 Budget Policy Statement (BPS) represents a pivotal opportunity to consolidate gains in healthcare access, equity, and resilience. However, despite notable progress such as the establishment of the Social Health Authority (SHA) and the expansion of Primary Healthcare Networks to 228 out of a targeted 315 by 2025 the sector continues to grapple with systemic challenges that undermine its potential to deliver inclusive and sustainable health outcomes.

The 2026 BPS allocates KSh 167.4 billion to the health sector for FY 2026/27, marking an increase from the KSh 138.1 billion in FY 2025/26, yet this falls short of the estimated resource needs of KSh 235-250 billion required to fully operationalize UHC initiatives, address human resource deficits, and mitigate donor funding declines. This allocation represents approximately 3.5-4% of the projected national budget (KSh 4.7 trillion), well below the Abuja Declaration's 15% target and the World Health Organization's (WHO) recommended 5% of GDP for basic UHC services. Per capita health spending remains at around KSh 3,200, compared to the WHO minimum of US\$86 (approximately KSh 11,000), contributing to high out-of-pocket (OOP) expenditures that account for 27% of total health spending and push over 1 million Kenyans into poverty annually.

This memorandum, prepared by HENNET and its partners) in collaboration with different patterns and, aims to critically analyze the 2026 BPS health sector provisions, identify key gaps and challenges, and propose evidence-based recommendations to enhance efficiency, sustainability, and accountability. Drawing on verified data from government reports, independent assessments, and stakeholder consultations, it highlights the need for increased domestic financing, better integration of financial and non-financial data for decision-making, and targeted investments in primary care and HRH to bridge these gaps. By addressing these issues, the National Assembly can ensure that health investments yield tangible improvements in livelihoods, reduce vulnerabilities to external shocks like donor withdrawals and climate events, and advance Kenya's journey toward a resilient, self-reliant health system.

The following sections detail sector allocations, gaps/challenges, recommendations, and rationales backed by verified data, culminating in a conclusion urging decisive parliamentary oversight and action.

Sector Indicator	Allocation (Ksh Billion)	Provision in the 2026 BPS	Gaps/Challenges	Recommendations	Rationale
1.2.3 Health	167.4	The allocated amount of Money is still not sufficient to	Of the 35 million people, there is no indicator of how many are	The government should have key indicators on how to achieve the projections and	Rationale: The target of 35 million enrolments aligns with Universal

Renewed Partnership for Sustained Health Outcomes

		cater for the health needs of the nation	covered by the government and how many are individual contributors. BPS lacks real-time enrolment metrics disaggregated by demographics and contribution type; no projections for compliance rates or gender-specific barriers	should provide disaggregated data that is gender responsive.	Health Coverage (UHC) goals but lacks breakdown by funding source (government-subsidized vs. individual contributions), which hinders effective monitoring and equity assessment. As of January 2026, actual registrations stand at approximately 29 million, with only 4.9 million actively contributing (18% compliance rate overall, and 4% in the informal sector)...
1.2.3 Health	9,377.8	Community health services will be strengthened through expansion of the Community Health Promoter workforce to 120,000 CHPs receiving monthly stipends.	There is a challenge in increasing CHPs to 120,000 with stipends without a wage strategy because it will lead to unsustainable recurrent expenditure. (National government remits Ksh.2,500, with some counties failing to top up.)	The national government and county governments should develop a cost-sharing framework for CHPs and also increase the allocation; this will prevent wage arrears promoting continuity of services offered by the CHPs.	Expanding to 120,000 CHPs is essential for preventive care under UHC, but without a sustainable wage strategy, it risks fiscal strain. Current workforce is around 107,000, with stipends at Ksh 2,500-3,500 monthly (national base of Ksh 2,500, county top-ups varying). Delays in

Renewed Partnership for Sustained Health Outcomes

			BPS lacks cost projections for the expansion (e.g., total wage bill) and county-level funding commitments; no metrics on current arrears or turnover rates. A framework could include 50/50 national-county sharing, with allocations rising to Ksh 5 billion annually to cover stipends.		payments have been reported in 2025, leading to demotivation and service disruptions. indicates that irregular stipends and lack of clear terms contribute to high turnover; for instance, a 2025 study noted that 30% of CHPs experienced payment delays exceeding three months. This unsustainable expenditure could balloon recurrent costs by 20-30% without cost-sharing.
1.2.3 Health	17,670.8	The Government remains focused on addressing unequal distribution of healthcare personnel through targeted recruitment and deployment strategies, with particular focus on underserved rural areas.	Even though the governments acknowledge the mal-distribution it doesn't quantify the staffing gaps. Kenya has a 92% shortage of doctors and a 46% shortage of nurses, with rural counties having fewer professionals per capita compared to urban counties.	Introduce bonded deployment schemes by having agreements where health workers who receive public funding and scholarships for their training, are compelled to serve in underserved rural areas for a specified period after graduation.	Mal-distribution exacerbates rural-urban disparities; rural areas have 1 doctor per 10,000 people vs. 5 in urban centers. shortages: 92% for doctors (need 83,000 vs. 6,000 available) and 46% for nurses (need 187,000 vs. 100,000). By 2030, the gap could reach 114,000 health workers without action. Bonded schemes,

Renewed Partnership for Sustained Health Outcomes

		These interventions will enhance human resource capacity across the health system.			successful in India and South Africa, could retain 70-80% of graduates in underserved areas for 2-5 years.
1.2.3 Health	N/A	To strengthen financial resilience and sustainability, the Government commits to implementing financing reforms through the Social Health Insurance Fund, Primary Healthcare Fund, and Emergency Chronic and Critical Illness Fund. Financial sustainability will be enhanced by retaining funds at the facility level and ring-fencing resources for Health Products and Technologies. These reforms will	N/A (General provision; gaps inferred from funding shortfalls).	N/A	Reforms aim at sustainability, but shortfalls undermine them: Primary Health Care Fund allocated Sh13.1B vs. Sh61B needed; Emergency Fund Sh8B vs. Sh107B. Ring-fencing could reduce stockouts (affecting 40% of facilities in 2025), improving maternal mortality (355/100,000 live births).

Renewed Partnership for Sustained Health Outcomes

		improve maternal and child health outcomes and enhance supply chain management systems.			
1.2.3 Health	N/A	Digitalization of health services is a central focus to improve efficiency, transparency, and coordination across facilities. The Government will continue to implement digital health systems including claims management, supply chain management, and integrated health information systems. These digital platforms will enhance service delivery coordination and strengthen accountability across the	Despite the Digital Health Act (2023) promoting systems that facilitate seamless data exchange, implementation remains inconsistent due to variations in county-level digital infrastructure e.g., inadequate access to electricity and internet connectivity in rural and underserved areas (e.g., in most level 2-3 hospitals). System downtime in SHA/SHIF platform. Weak enforcement mechanisms due to inadequate resources and training (CHPs having tablets yet some don't know how to use	Have budgetary allocation for electricity and internet connectivity. Have all hospitals mapped in the last mile electricity connectivity. Fully operationalize the SHA platform and integrate it with existing systems like Kenya Health Information System and Kenya Electronic Medical Records. Have budget allocation for training and enforcement of all CHPs on technology and data entry. Implement laws governing health sector digitalization i.e., The Health Act, 2017, National eHealth Policy 2016-2030, Data Protection Act, 2019, Digital Health Act, 2023	Digitalization could reduce inefficiencies (e.g., 30% downtime in SHA platform in 2025), but rural infrastructure gaps (40% of level 2-3 facilities lack reliable electricity/internet) hinder progress. Training deficits affect 50% of CHPs. Verified: 2025 assessments show inconsistent implementation due to weak enforcement and resources. Budget for connectivity (e.g., Sh5B) and training (Sh2B) could achieve 80% interoperability by 2027. Data Gaps: No county-specific infrastructure audits or downtime metrics; lacks

Renewed Partnership for Sustained Health Outcomes

		healthcare system.	them). Failing to implement existing legal frameworks.	and the Social Health Insurance Act, 2023.	enforcement compliance rates.
Family Planning Financing Gap	There is no allocation	The estimated FP financing need of USD 17.0 million signals a high risk of contraceptive stock-outs and stalled progress on fertility and maternal health indicators		National Treasury to create a protected domestic budget line for FP commodities and close the financing gap within FY 2026/27	Heavy reliance on partner support for FP commodities remains unsustainable amid declining donor financing
Cross-Sector Nutrition Linkages		Weak visible linkage between agriculture investments and nutrition outcomes affecting RMNCAH	Introduce nutrition-sensitive budgeting across health, agriculture, and social protection.		
26.(ii) Primary Health Care Fund	8.1	Strengthening preventive and early intervention health services through dispensaries and health centers.	Underfunding limits the establishment and operationalization of community health units, especially in marginalized areas.	Increase funding for rural health infrastructure, recruit more community health workers, and invest in digital health monitoring tools.	Allocation of Sh8.1B is insufficient; actual need is Sh61B, limiting units in marginalized areas (e.g., 30% coverage in arid regions). Underfunding leads to bypassing primary care, inflating hospital claims. Increasing to

Renewed Partnership for Sustained Health Outcomes

					Sh30B could expand units by 20%, reducing maternal mortality by 15%.
Facility Improvement Fund	N/A	Facilities Improvement Financing Act 2023 establishes a system for collecting, managing, and retaining revenue from public health facilities.	Uneven implementation across counties and lack of clear guidelines on revenue allocation and usage within facilities.	All counties implement the facility improvement financing act and have clear guidelines on revenue allocation and usage. Example: 80% of all collections goes to the facility.	Uneven implementation (e.g., only 20 counties fully compliant by 2025) leads to revenue remittance to county funds, reducing facility autonomy. Guidelines like 80% retention could boost revenue by 15-20%, improving supplies. Verified: 2025 audits show procurement irregularities and debts due to lack of transparency.
Community Health Promoters (CHPs)	N/A	Stipends and equipment for community health workers to enhance grassroots healthcare service delivery.	Irregular payment of stipends, lack of clear employment terms, and inadequate training.	Institutionalize community health workers into the formal healthcare system and provide regular capacity-building programs.	Irregular stipends (delays in 40% of cases) and training gaps (30% untrained on digital tools) reduce effectiveness. Institutionalization could lower turnover by 25%, enhancing coverage. Verified: 2025 reports show payment

Renewed Partnership for Sustained Health Outcomes

Free Maternity Health Care (Linda Mama Program)	N/A	Ensuring free maternal healthcare services to reduce maternal and infant mortality.	Frequent stockouts of essential maternal health drugs and delayed reimbursements to health facilities.	Strengthen supply chain systems for maternity drugs and ensure timely reimbursements to hospitals to avoid service disruptions.	irregularities affecting continuity.. Stockouts affect 50% of facilities, delaying care; reimbursements delayed by 3-6 months in 40% of cases. This contributes to maternal mortality (355/100,000). Strengthening chains could reduce stockouts by 30%.: 2021-2025 KDHS 2022 studies confirm OOP costs despite program.
Managed Equipment Services (MES)	N/A	Provision and maintenance of critical medical equipment in public hospitals.	Issues of transparency in procurement, maintenance challenges, and distribution disparities between counties.	Improve accountability in procurement, establish a centralized monitoring system for equipment distribution, and invest in local capacity building for maintenance.	Transparency issues (e.g., inflated costs in 2015-2025 audits) and maintenance delays (20% equipment underutilized) widen disparities. Centralized monitoring could improve utilization by 25%. Verified: Senate reports highlight procurement flaws and sustainability risks..
HIV/AIDS, Malaria, and	N/A	Continuation of efforts to	Over-reliance on donor funding,	Develop domestic financing	70% of HIV/TB/malaria

Renewed Partnership for Sustained Health Outcomes

Tuberculosis (Global Fund-supported programs)		combat communicable diseases through treatment and prevention programs.	which poses sustainability risks in case of donor withdrawal.	strategies and integrate these programs into the national healthcare system for long-term sustainability.	funding from donors (e.g., Global Fund US\$407M for 2024-2026); withdrawal risks 50,000+ treatment gaps. Domestic strategies could sustain 80% coverage. Verified: 2025 reports show donor dependency at 75% for TB.
Vaccination and Immunization Programs	N/A	Supporting routine immunization against preventable diseases.	Periodic vaccine stockouts, especially in remote counties, and inadequate cold chain facilities.	Increase funding for vaccine procurement, expand cold chain infrastructure, and improve data management for vaccine distribution.	Stockouts in 33% of facilities (remote areas 50%), due to cold chain gaps (18% facilities lack equipment). Coverage at 90% but drops to 80% in remotes. Expanding infrastructure (e.g., 2,061 new units in 2024) could reduce stockouts by 40%. Verified: 2023-2025 audits show procurement delays..

Priority Advocacy Messages for Policymakers

Protect RMNCAH and FP within the MTEF.

Ring-fence RMNCAH and FP allocations across the MTEF through programme-based tagging and minimum thresholds aligned to the national RMNCAH Investment Case. In the budget statement

Renewed Partnership for Sustained Health Outcomes

recommend the full financing of KSh 2,200,464,609 FP requirement through a protected domestic budget line and pooled procurement to prevent commodity stock-outs and reduce donor dependence.

2. Rebalance toward Primary Health Care (PHC).

Shift marginal growth from hospital-based spending to PHC, preventive, and community health to improve cost-efficiency and reduce avoidable referrals.

Conclusion

The 2026 BPS presents an opportunity to enhance healthcare access and quality. Proper implementation and oversight, informed by verified data and addressing gaps, will be essential to achieving the intended health outcomes. This detailed analysis underscores the need for evidence-based adjustments to ensure sustainability and equity.



Dr. Margaret Lubaale

Executive Director

Health NGOs' Network (HENNET)

Email : margaret.lubaale@hennet.or.ke

Mobile : +254746278035

Address: P.O Box 41907-00100, Nairobi, Kenya

www.hennet.or.ke | [Twitter@HennetKenya](https://twitter.com/HennetKenya) | Facebook: [@Hennet17.Kenya](https://www.facebook.com/Hennet17.Kenya)

Renewed Partnerships for Sustained Health Outcome

Organization	
--------------	--

Hennet

Renewed Partnership for Sustained Health Outcomes

JHPIEGO	Sally Njiru
ACEPA	Jennifer Githenji
HENNET	Sharon Musakali
STOP TB	Steve Anguva
PATH	
EVALINE KIBUCHI	YSW

SUBMISSIONS OF RECOMMENDATIONS ON THE BUDGET STATEMENT 2026/2027

TO THE OFFICE OF THE CLERK, PARLIAMENT BUILDING

BY THE INTERREGIONAL DEVELOPMENT AGENCY (IRDA)

CONTACT: interreg013@gmail.com cc wambui0308@yahoo.co.uk

	1.2.4 Housing and Settlement		
26	The government commitment to expanding access to decent and affordable housing for low- and middle-income households, reducing the national housing deficit, and stimulating broad-based economic growth through construction-led employment and industrial development.	The government commitment to provide decent housing is a constitutional requirement enshrined in the Constitution Article 43:(b) to accessible and adequate housing, and to reasonable standards of sanitation. While the Government's Affordable Housing Programme (AHP) initiative	In addition to the Government's Affordable Housing Programme (AHP) initiative the Government will facilitate women, youth and persons with disability, particularly, those from the low income social economic strata to construct their own houses by subsidizing construction materials and government house construction
28	Reduced interest rates for refinanced mortgages (10 percent vs. commercial average of 16.2 percent in 2024) have made homeownership more affordable for low- and middle-income households.	not all citizens may have access to the affordable housing and so the Government should establish interventions to facilitate citizens who wish to construct their own houses. This will enable more Kenyans to access decent housing while at the same time creating more jobs in the construction industry.	certificates before, during, and after constructing such as the NEMA clearance, health and other approvals.
29	Currently, 214,057 housing units are under construction across all 47 counties,		
	1.3.7 Women Agenda	Issue/Concern	Recommendation(s)
112	the Government continues to advance gender equality by promoting meaningful inclusion of women in decision-making, enhancing their economic empowerment, and intensifying	There is no situational analysis on the of women's participation in decision-making.....Gender-Based Violence (GBV) and Female Genital Mutilation	Provide situational analysis including statistics and indicators on the various factors – marginalization in decision-making, feminization of poverty, GBV

	efforts to eliminate Gender-Based Violence (GBV) and Female Genital Mutilation (FGM)	(FGM) or what the government has done in the previous year to address these issues.	and FGM - to enable assessment on whether the various issues are being addressed/reducing
113	disbursement of KSh 12 billion to 16,850 Affirmative Action Groups, provision of bursaries and scholarships to 178,500 needy students, and support for girls' education through sanitary towels for 11.1 million girls and 7,500 dignity kits for GBV survivors. Additionally, KSh 9.6 billion will support 660,000 women entrepreneurs, while 1,200 duty bearers and 9,000 community members will be trained on GBV prevention. A further 99,000 individuals will be sensitized on gender mainstreaming, and 3,000 survivors will be engaged as frontline advocates in the fight against FGM	1. There is no situational analysis on the social economic status of women which would inform strategic interventions towards women's economic empowerment and poverty reduction in Kenya. 2. Data not disaggregated	For purposes of transparency as facilitating monitoring and evaluation of the quantitative and qualitative impact of the women's empowerment programmes, all data should be disaggregated by age, disability, social economic status and region.
115	Between FY 2022/23 and FY 2024/25, substantial progress was made in advancing gender equality and social empowerment. During this period, KSh 3.33 billion was disbursed to 10,785 Affirmative Action Groups, and 155,580 needy students benefited from bursaries and scholarships through the National Government Affirmative Action Fund (NGAAF). The Women Enterprise Fund (WEF) disbursed KSh 3.12 billion to 261,681 women entrepreneurs, and 361,481 women were trained in financial literacy. In addition, 64,000 individuals were trained on gender mainstreaming, 43,700 resource persons and	The data is not disaggregated by age, disability and region which makes it difficult to monitor the quantitative and qualitative impact on the programmes on the target beneficiaries	Break down the list of beneficiaries by age, disability status, and region so that both the quantitative and qualitative impacts of the affirmative action programs can be properly monitored and evaluated. Without this detailed disaggregation, aggregated figures can create opportunities for corruption.

	duty bearers received training on anti FGM strategies, and 11,485 persons were trained in psychosocial support and counselling to strengthen the national response to GBV		
	1.3.8 Social Protection	Issue/Concern	Recommendation(s)
116	Income security for vulnerable households will be enhanced through cash transfers to 1,211,863 beneficiaries under the Inua Jamii Programme, including 1,148,256 older persons and 63,607 households with persons with severe disabilities (PWSDs) . Additional support includes training, registration, and linkage of 206,000 community groups to Microfinance Institutions, and sensitization of 33,000 community members on healthy ageing and older persons' rights. Well-being interventions for persons with disabilities include registration and issuance of disability cards to 510,000 PWDs , provision of sunscreen lotion to 5,000 persons with albinism, and essential drugs and supplies to 20,000 persons with autism . Furthermore, adult literacy will be expanded through the establishment of 47 Accelerated Adult Education Centres (AECs).	While the intention of supporting the vulnerable members of the society is a noble and that which is anchored in our constitution, such as CoK article 43, 54 (e) 56 (e), 57 (c & d) and the relevant legislative frameworks the targeted number are just block figures.	1. These numbers should be given faces of targeted Kenyan citizens. This means the numbers should be disaggregated by sex, age, disability and geography. This will also make it possible to monitoring whether the services were delivered to the target groups. Otherwise, such block numbers may be a source of corruption as it makes it difficult to monitor. 2. Allocate some resources towards the sustainable economic empowerment to guardians/parents for PWDs. Economic empowerment for guardians/parents will enable them to meet the needs of their dependents and reduce reliance on the cash transfer thereby reducing the burden from the government.
117	disbursement of cash transfers to 441,516 households with Orphans and Vulnerable Children (OVC) and 22,300 learners under the Presidential Secondary School Bursary Programme annually rescue of 4,500 human trafficking victims, rescue and reintegration of 20,500 street persons , and		

	provision of care and protection services to 1,295,000 children affected by violence and 12,610 children in conflict with the law. Family-based care will be promoted by placing 50,000 children under Alternative Family Care Options..... the Nutritional Improvement Cash and through Education (NICHE) Programme will be implemented in 25 counties , and a cash-plus pilot programme for poor and vulnerable adolescents will be rolled out		
118	Lists of beneficiaries of the different social protection programmes “Between FY 2022/23 and FY 2024/25”.	The numbers stated are not disaggregated and it’s not clear who they were or where in Kenya (i.e. counties) they were which makes it difficult to monitor and/or evaluate the impact of these programmes for future learning.	The beneficiaries of the different social protection programmes should be disaggregated by sex, age, disability and region/county. KNBS is good at having data up to the individual household levels which would enable the monitoring of both the quantitative and qualitative impacts of each programme. Otherwise, there will be no means for verifying the allocated resources reached the target.

We hope our recommendations will be adopted and will contribute towards making Kenya a better place for all her citizens

Signature:  Date: February 21st, 2026
Contact details: interreg013@gmail.com cc wambui0308@yahoo.co.uk

MEMORANDUM TO THE NATIONAL PARLIAMENT OF THE REPUBLIC OF KENYA

Subject: Critical Gaps in the 2026 Budget Policy Statement (BPS) Relating to Child Protection, Budget Allocations & Implementation Recommendations

a) Critical Gaps Identified

- a. Insufficient financing for child protection systems: OVC cash transfers reach only 441,516 households; this must be contextualized against Kenya's 21.9 million children, with the State expected to clarify the actual national OVC caseload requiring support.
- b. Family-based care placements support only 50,000 children, far below national need. The State should disclose total children requiring alternative family-based care and indicate whether 50,000 meets or falls below initial targets.
- c. Underfunding of sanitary towels: Only 2.4M girls reached versus an 11.1M target. Clarification is needed on whether the 2.4M includes Women Representative-managed programmes and county-level initiatives.
- d. NICHE and adolescent cash-plus programmes remain unscaled despite high vulnerability. Given ongoing drought in ASAL regions, SDCS, NEMA and the Ministry of Interior should table data on affected populations especially children and budget requirements to guide scale-up in FY 2026/27.
- e. Sub-County Children Officers remain severely under-resourced. UNICEF Kenya should present the Social Workforce Investment Report (to Senate) to inform national investment in strengthening the child protection workforce. The report was shared with Parliament in 2025.
- f. Policy issue on page 142 of the BPS under Proposal for Child Welfare Fund, the action highlighted is misplaced, correction should be made since the State Department for Children Services has an existing Street Children Fund with zero targets reported on reach for the past financial years, the question is, is the Public aware of the existence of Street funds since we still have street children across the Nation who are not supported. The Policy issue on Child Welfare Fund, action should read-A proposal to have Child Welfare Fund meant to ensure that all children are brought up in family and community environment by providing funding for transition of children from institutional care to family and community-based care and strengthening the capacity of families and communities to provide proper care and prevent separation of children from their families.

Overall, the State department for Children Services should share accurate and updated data of children in need of care and protection that will guide Parliament, Senate & Treasury towards budget allocation within children department across the Nation.

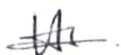
2. Additional Concern: Allocation to North Eastern & Pastoralist Counties

With the Presidential Launch of the comprehensive 10 year policy aimed at safeguarding the rights and dignity of Kenya Ethnic Minorities and Indigenous groups:-Kenya's national budget must be intentionally sensitive to the differentiated needs that exist across all sectors, regions, and communities. While the 2026 Budget Policy Statement outlines broad national priorities, it does not sufficiently reflect the unique vulnerabilities experienced in counties such as those in the North Eastern region and wider pastoralist belts. These areas face compounded risks, including chronic drought cycles, displacement, conflict, low school retention, harmful practices, limited access to protection infrastructure, and vast distances that hinder service delivery; yet the BPS lacks clear, disaggregated allocations that correspond to these heightened needs. A fair and equitable budget must therefore move beyond equal distribution and adopt not just programme based but also *needs-based budgeting*, ensuring that resource allocation matches population vulnerability, service delivery gaps, and socio-economic realities. This includes dedicated financing for mobile child protection units, community-anchored social workforce deployment, ASAL-responsive education and protection systems, and strengthened monitoring and quality assurance mechanisms to track outcomes in high-risk regions. Without explicit ASAL-sensitive allocations and transparent county-level implementation plans, the budget risks reinforcing existing inequities and leaving behind children in pastoralist and marginalized areas who require the highest level of State protection.

4. Recommendations for Implementation

- a) Establish a ring-fenced National Child Protection Fund for OVC, GBV, case management and care reform.
- b) Require counties to create mandatory child protection budget lines that will eventually compliment the National Government efforts towards safeguarding the rights of Children
- c) Clear all pending bills affecting Child Protection service providers
- d) Create a National Child Welfare Fund for children in institutions.
- e) Request public Child Protection Expenditure Reports from all levels of government.
- f) Scale NICHE and adolescent cash-plus programmes nationwide with psychosocial support

Prepared by:



Halima Sarah-Child Protection Specialist.

Email address: - sarahalima4@gmail.com; Contact: - 0727105628