



REPUBLIC OF KENYA

THE NATIONAL TREASURY AND ECONOMIC PLANNING

MEDIUM TERM

DRAFT 2025 BUDGET POLICY **STATEMENT**

**CONSOLIDATING GAINS UNDER BOTTOM-UP
ECONOMIC TRANSFORMATION AGENDA FOR
INCLUSIVE GREEN GROWTH**

15TH JANUARY, 2025

© Budget Policy Statement (BPS) 2025

To obtain copies of the BPS, please contact:

The National Treasury and Economic Planning
Treasury Building
P. O. Box 30007-00100
NAIROBI, KENYA

Tel: +254-20-2252-299

Fax: +254-20-341-082

The document is also available on the website at: www.treasury.go.ke

Foreword

The 2025 Budget Policy Statement (BPS), which is the third to be prepared under the Kenya Kwanza Administration, highlights the progress made in the implementation of the strategic interventions articulated in the Bottom-Up Economic Transformation Agenda (BETA) and anchored on the Fourth Medium Term Plan of the Vision 2030. BETA is the Government's transformation agenda geared towards economic turnaround through a value chain approach. BETA is about investing the limited capital available where it will create the most jobs at the bottom of the pyramid. It is a commitment to invest in smallholder agriculture and the informal sector and end socio-economic exclusion by levelling the playing field for all investors. Great progress has been realized in the implementation of the core pillars and enablers of BETA over the last two years. Going forward and over the medium term, the Government will consolidate the gains realized under the BETA for inclusive green growth with a special focus on the following six (6) objectives: bringing down the cost of living; eradicating hunger; creating jobs; expanding the tax base; improving foreign exchange balances; and inclusive growth. Emphasis will be placed on promoting investment in BETA core pillars and enablers and harnessing implementation of the targeted interventions through a value chain approach. The value chain approach targets to enhance production, value addition and market access, and attract local and foreign investments.

The 2025 BPS has been prepared against a backdrop of stable global and domestic economic outlook. Global growth is projected at 3.2 percent in 2024 and 3.3 percent in 2025 from 3.3 percent in 2023. The outlook reflects economic recovery in China, Euro area and UK, despite a slowdown in activity in the USA and Japan. On the domestic front, the Kenyan economy has remained resilient despite the challenging domestic and external environment. The focused interventions and structural reforms of the Government under BETA have stabilized the economy and supported economic recovery to 5.6 percent in 2023 from 4.9 percent in 2022 following a strong rebound in agriculture after two years of severe drought. Additionally, macroeconomic fundamentals have strongly rebounded and are projected to continue on an upward trajectory. Economic growth is estimated to have slowed down to 4.6 percent in 2024 from a growth of 5.6 percent in 2023 reflecting deceleration of economic activities in the first three quarters of 2024 and the slowdown in private sector credit growth to key sectors of the economy. Growth is expected to pick up to 5.3 percent in 2025 and retain the same momentum over the medium term largely driven by: enhanced agricultural productivity; resilient services sector, and ongoing implementation of priorities under BETA.

The Government's fiscal policy for the FY 2025/26 and over the medium-term places special emphasis on fiscal consolidation to reduce public debt vulnerabilities while providing fiscal space to deliver essential public goods and services. Fiscal consolidation will be supported by concerted expenditure rationalization and revenue mobilization efforts. This will bring public debt on downwards path consistent with Kenya's debt anchor. To boost revenues, emphasis will be placed on a combination of tax administrative and tax policy reforms that include: strengthening tax administration for enhanced compliance through expansion of the tax base, minimizing tax expenditures, leveraging on technology to revolutionize tax processes, sealing revenue loopholes and enhancing the efficiency of tax system; and, focusing on non-tax revenues that Ministries, Departments and Agencies can raise through the services they offer to the public. The Government will also sustain efforts to strengthen accountability, transparency and a revenue mobilization path guided by the Medium-Term Revenue Strategy – that makes tax regime more efficient, equitable, and progressive. These deliberate efforts will be put in place to

strike a right balance between the need to create a stronger and more reliable revenue stream and the need to protect the critical masses who have been grossly affected by the prevailing macroeconomic shocks.

To strengthen expenditure control and improve efficiency and effectiveness in public spending, the Government will: rationalize and reduce non-essential expenditure; roll out an end-to-end e-procurement system to maximise value for money and increase transparency in procurement; operationalize the Public Investment Management Information System to automate public investment management process; revamp the public service pension administration through digitization and re-engineering of the pension management system; and expedite governance reforms targeting state corporations. To strengthen public finance management, the Government will fast-track the process of transitioning from cash basis to accrual basis of accounting to improve cash management and enhance financial and fiscal reporting; and entrench the adopted Zero-Based Budgeting approach in preparing the FY 2025/26 and future budgets. The Government will also operationalize the Assets and Inventory Management Modules in the IFMIS for all MDAs. This will enable the Government have full visibility of all assets and inventory and facilitate optimal assets utilization and ensure idle and unserviceable assets are disposed in conformity with the existing legal requirements. To crowd-in the private in the provision of public services, the Government will scale up use of Public Private Partnerships (PPP) framework for commercially viable projects.

In view of the constrained fiscal environment, prioritization during resource allocation will be critical in ensuring low-priority expenditures are dropped or deferred to give way to high-priority service-delivery programmes. Ministries, Departments and Agencies (MDAs) are therefore, required to re-evaluate all the existing or planned activities, projects, and programmes to be funded in the FY 2025/26 and medium-term budget. Sector Working Groups (SWGs) are required to eliminate wasteful expenditures and pursue priorities which are aimed at safeguarding livelihoods, creating jobs, reviving businesses and economic recovery. SWGs should also ensure that all expenditure items in the FY 2025/26 Budget are justified and emphasis is placed on allocating the limited resources based on programme efficiency and requirement rather than incremental budgeting. The hard sector ceilings provided for the FY 2025/26 budget and the Medium Term will form the basis of allocations.

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

Acknowledgement

The 2025 Budget Policy Statement is prepared in compliance with the provisions of the Public Finance Management Act, 2012. It outlines the strategic priorities of the Government, highlights the current state of the economy, provides macro-fiscal outlook over the medium term together with a summary of Government spending plans as a basis for the FY 2025/26. The publication of the 2025 BPS aims to improve the public's understanding of Kenya's public finances and guide public debate on economic and development matters.

The Government is keen on fostering prudent management of public resources in order to support inclusive green growth and development. Budget implementation in the first quarter of the FY 2024/25 was impeded by: protests that led to a slowdown of economic activities; the withdrawal of Finance Bill 2024 that was expected to raise an additional revenue amounting to Ksh 344.3 billion; and the implementation of the Collective Bargaining Agreements has continued to put pressure on the expenditures. Revenue shortfalls and emerging expenditures pressures is affecting our ability to execute the FY 2024/25 budget in a timely manner leading to cash flow challenges and associated build-up in unpaid bills. To ensure seamless implementation of the FY 2024/25 budget and safeguard the fiscal consolidation plan, the fiscal framework for FY 2024/25 budget was revised downwards through the Supplementary Estimates No. I taking into account the lower base effect following the preliminary actual outcome for FY 2023/24. Additionally, while preparing this budget, all proposed Ministries, Departments and Agencies (MDAs) budgets for FY 2025/26 have been scrutinized carefully to ensure quality and alignment to the Government's Bottom - Up Economic Transformation Agenda as outlined in this BPS and the Fourth Medium Term Plan and other strategic interventions of national interest.

The policy measures outlined in the 2025 BPS are expected to improve economy-wide efficiencies, create an enabling environment that supports growth in businesses and investment, reduce the cost of living as well as enhance the wellbeing of all Kenyans. The tight fiscal stance is expected to reduce debt vulnerabilities through implementation of reforms to broaden the domestic tax base and improve tax compliance. Expenditure rationalization will continue to focus on enhanced efficiency of public investments, better targeting of subsidies and transfers, addressing weakness in state corporations, and digital delivery of public services. Social safety nets and fiscal risk management framework will be enhanced.

The completion of this policy statement was as a result of collective effort by various MDAs who provided valuable information. We are grateful for their contributions. We are also grateful for the inputs we received while preparing this document from the Macro Working Group; stakeholders and the general public during the Public Sector Hearings from 20th to 22nd November, 2024. A dedicated team in the National Treasury spent substantial amount of time putting together this BPS. We are particularly grateful to them for their tireless efforts and dedication.

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

Foreword	iii
Acknowledgement	v
I. CONSOLIDATING GAINS UNDER BOTTOM-UP ECONOMIC TRANSFORMATION AGENDA FOR INCLUSIVE GREEN GROWTH	1
1.1 Overview	1
1.2 Core Pillars	3
1.2.1 Agricultural Transformation for Inclusive Green Growth	3
1.2.2 Transforming the Micro, Small and Medium Enterprise (MSME) Economy	5
1.2.3 Housing and Settlement	6
1.2.4 Healthcare	7
1.2.5 Digital Superhighway and Creative Economy	8
1.3 Enablers	9
1.3.1 Infrastructure	10
1.3.2 Manufacturing Sector	13
1.3.3 Blue Economy	18
1.3.4 The Services Economy	19
1.3.5 Environment and Climate Change	22
1.3.6 Education and Training	22
1.3.7 Women Agenda	23
1.3.8 Social Protection	24
1.3.9 Sports, Culture and Arts	25
1.3.10 Youth Empowerment and Development Agenda	27
1.3.11 Governance	27
1.3.12 Foreign Policy and Regional Integration	30
II. RECENT ECONOMIC DEVELOPMENTS AND MEDIUM-TERM OUTLOOK	33
2.1 Global Economic Outlook	33
2.2 Domestic Economic Performance	34
2.3 Fiscal Performance	42
2.4 Fiscal Policy	43
2.4.1 Domestic Revenue Mobilization	44
2.4.2 Expenditure Reforms	45
2.4.3 Deficit Financing Policy	47
2.5 Fiscal Responsibility Principles	47
2.5.1 Allocation to Development Expenditure over the Medium Term	48
2.5.2 Compliance with the Requirement on Expenditure on Wages and Benefits	49
2.5.3 Compliance with the Requirement to use National Government’s Borrowings only for Financing Development Expenditure	50
2.5.4 Maintenance of Public debt and Obligations at a Sustainable Level	50
2.5.5 Prudent Management of Fiscal Risks	51
2.5.6 Compliance with the Requirement to Maintain of a Reasonable Degree of Predictability with respect to the Level of Tax Rates and Tax Bases	51
2.6 Kenya’s Macroeconomic Outlook	52
2.6 Risks to the Economic Outlook	55

III. BUDGET FOR FY 2025/26 AND THE MEDIUM TERM.....	56
3.1 Fiscal Framework for FY 2025/26 and Medium-Term Budget.....	56
3.2 FY 2025/26 and Medium-Term Budget Priorities.....	56
3.3 Budgetary Allocations for the FY 2025/26 and the Medium-Term.....	57
3.4 Details of Sector Priorities.....	58
3.5 Public Participation/ Sector Hearings and Involvement of Stakeholders	70
IV. COUNTY FINANCIAL MANAGEMENT AND DIVISION OF REVENUE.....	71
4.1 County Governments’ Compliance with Fiscal Responsibility Principles.....	71
4.1.1 Allocation to Development Expenditure over the Medium-Term	72
4.1.2 Actual Development Expenditure over the Medium Term	72
4.1.3 Compliance with the Requirement on Expenditure on Wages and Benefits.....	73
4.1.4 Prudent Management of Fiscal Risks.....	74
4.2 Performance of County Governments Own Source Revenue.....	76
4.2.1 Performance of Own Source Revenue against Target	76
4.2.2 OSR Growth in FY 2023/24	79
4.2.3 National Government Support on enhancement of County Government OSR.....	80
4.3 Division of Revenue for FY 2025/26	81
4.3.1 Performance of Shareable Revenue	81
4.3.2 Division of Revenue for FY 2025/26.....	82
4.4 Intergovernmental Fiscal Transfers	86
4.4.1 Intergovernmental Agreements in respect of the Additional Conditional Allocations	87
4.5 Equalization Fund.....	87
4.6 Emerging Issues and Policy Interventions.....	88
4.6.1 County Revenue Forecasting Model.....	88
4.6.2 County Governments Capacity building on Public Finance Management	88
4.6.3 Integrated County Revenue Management Systems.....	88
V. STATEMENT OF SPECIFIC FISCAL RISKS	90
5.1 Introduction	90
5.2 Risk in Changes in Macroeconomic Assumptions	90
5.3 Specific Fiscal Risks.....	94
5.3.1 Fiscal Risk Associated with Public Debt	94
5.3.2 Crystallization of Contingent Liabilities.....	95
5.3.3 Fiscal Risks Related to Devolution.....	99
5.3.4 Climate Change Related Fiscal Risks to the Economy	99
5.3.5 Other Fiscal Risks.....	108
Annex Table 1: Macroeconomic Indicators	110
Annex Table 2: Government Fiscal Operations, Ksh Billion	111
Annex Table 3: Government Fiscal Operations, Percent of GDP	112
Annex Table 4: Summary of Expenditure by Programmes (Ksh Million)	113
Annex Table 5: Memorandum on how Resolutions by Parliament on Previous Budget Policy Statements Have Been Incorporated	124
Annex Table 6: Highlights of the Issues Raised During Public Participation	130

About the Budget Policy Statement

The Budget Policy Statement (BPS) is a Government policy document that sets out the broad strategic priorities and policy goals to guide the National Government and the County Governments in preparing their budgets for the subsequent financial year and over the medium term. In the document, adherence to the fiscal responsibility principles demonstrates prudent and transparent management of public resources in line with the Constitution and the Public Finance Management (PFM) Act, 2012.

Section 25 of the PFM Act, 2012, provides that the National Treasury shall prepare and submit to the Cabinet the BPS for approval. Subsequently, the approved BPS is submitted to the Parliament, by the 15th of February each year. Parliament shall, not later than 14 days after the BPS is submitted, table and discuss a report containing its recommendations and pass a resolution to adopt it with or without amendments. The Cabinet Secretary, the National Treasury and Economic Planning shall take into account resolutions passed by Parliament in finalizing the budget for the FY 2025/26 and the medium term.

The Budget Policy Statement contains:

- (a) an assessment of the current state of the economy, including macroeconomic forecasts as well as the priorities of the Government current pillars of growth and strategic directions;
- (b) the financial outlook with respect to Government revenue, expenditures and borrowing for the next financial year and over the medium term;
- (c) the proposed expenditure ceilings for the National Government, including those of Parliament and the Judiciary and indicative transfers to County Governments;
- (d) the fiscal responsibility principles and financial objectives over the medium-term including limits on total annual debt; and
- (e) Statement of Specific Fiscal Risks.

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

I. CONSOLIDATING GAINS UNDER BOTTOM-UP ECONOMIC TRANSFORMATION AGENDA FOR INCLUSIVE GREEN GROWTH

1.1 Overview

1. The 2025 Budget Policy Statement (BPS), which is the third to be prepared under the Kenya Kwanza Administration, highlights the progress made in the implementation of the strategic interventions articulated in the Bottom-Up Economic Transformation Agenda (BETA) and anchored on the Fourth Medium Term Plan of the Vision 2030. BETA is the Government's transformation agenda geared towards economic turnaround through a value chain approach. BETA is about investing the limited capital available where it will create the most jobs at the bottom of the pyramid. It is a commitment to invest in smallholder agriculture and the informal sector and end socio-economic exclusion by levelling the playing field for all investors.

2. Despite the challenging domestic and external environment, significant success have been registered following the various interventions rolled out by the Government during the past two years. The focused interventions and structural reforms of the Government under BETA have stabilized the economy and supported economic recovery to 5.6 percent in 2023 from 4.9 percent in 2022 following a strong rebound in agriculture after two years of severe drought. Growth is estimated to have slowed down to 4.6 percent in 2024 from a growth of 5.6 percent in 2023 reflecting deceleration of economic activities in the first three quarters of 2024 and the slowdown in private sector credit growth to key sectors of the economy. Growth is expected to pick up to 5.3 percent in 2025 and retain the same momentum over the medium term largely driven by: enhanced agricultural productivity; resilient services sector, and ongoing implementation of priorities under BETA.

3. Additionally, macroeconomic fundamentals have strongly rebounded and are projected to continue on an upward trajectory. In particular:

- i) Inflation has significantly declined from a peak 9.6 percent in October 2022 to 3.0 percent in December 2024 reflecting the effectiveness of the Government's tight monetary policy and pass-through effects of the strengthening exchange rate that have eased food and energy prices;
- ii) The Kenya Shilling has stabilized significantly appreciating from an average of Ksh 159.7 to the US dollar in January 2024 to Ksh 129.4 in December 2024, an appreciation of 19 percent. The recovery has restored confidence in financial markets and significantly reduced the cost of servicing external debt, creating vital fiscal space for development imperatives;
- iii) The foreign exchange reserves have grown to US dollar 9.6 billion in November 2024 from US dollar 7.4 billion in November 2023, providing 4.9 months of import cover. The resilience shields the country from external shocks in the global economy and restores investor confidence;
- iv) Interest rates have begun to decline as a result of the easing of the monetary policy, reducing borrowing costs and freeing up fiscal space for growth-enhancing initiatives by businesses. Interbank rate declined to 11.4 percent in December 2024 from 11.7 percent in December 2023 in line with the easing of the monetary policy. The 91-day Treasury Bills rate declined to 10.0 percent in December 2024 from 15.7 percent in December 2023.
- v) Tax revenues have grown by 11.5 percent in the year to June 2024, reflecting the success of the Government's tax base expansion measures.

4. Great progress has also been realized in the core pillars of the Bottom-Up Economic Transformation Agenda. Key achievements include:

- i) To ensure food security in the country and reduce the cost of living, the Government has continued to roll out fertilizer and seeds subsidies to farmers across the country enabling them to increase the key food value chains and revamp underperforming/collapsed export crops. Since February 2024, the Government has distributed subsidised fertiliser to 6.45 million registered farmers in 45 counties, from the Fertilizer Subsidy Programme, as well as animal feed and certified seeds more easily and affordably, enabling them to increase their yields. Additionally, maize production doubled to 61 million bags of maize in 2023 compared to the 30 million bags that was harvested in 2022. The achievement was made possible through leveraging on technology, utilizing an integrated digital platform that registered over 6 million farmers;
- ii) To support livelihood and businesses, the Government disbursed Ksh 60.0 billion through the Financial Inclusion Fund, or the ‘Hustler Fund’ by end of November 2024 providing access to affordable credit to over 24.6 million customers with a repeat customers’ base of 8.5 million beneficiaries and a repayment rate of 79 percent. Additionally, in keeping up with the BETA policy to inculcate a culture of saving for posterity, the Fund has successfully mobilized Ksh 3.3 billion in savings;
- iii) To promote achievement of the universal health coverage, the Government has replaced the National Health Insurance Fund with Taifa Care and established the Social Health Authority (SHA), which administer three essential funds primary healthcare funds including the Social Health Insurance Fund (SHIF in a way that ensures every Kenyan, especially the most vulnerable, can access quality healthcare services when they need them most). The newly established SHIF empowers citizens to contribute towards accessing a broad range of healthcare benefits;
- iv) To facilitate delivery of affordable houses and enable low-cost housing mortgages, the Government has facilitated construction of 124,000 housing units which are at different stages of completion across 75 sites in 37 counties. Already, 4,888 housing units are set for completion across 21 social housing projects and will soon be launched; and
- v) To foster digital transformation, the Government has expanded last-mile fibre-optic connectivity using the extensive Kenya Power transmission lines network to the most remote and underserved areas of our country, and made significant strides to establish digital and ICT hubs. In 2023, the Government had laid 13,712 kilometers of fibre cable and increased the number of Public-Wi-Fi hot spots from 40 in 2022 to 1,222 in 2023, giving a total of 1,262 public Wi-Fi spots.

5. Over the medium term, the Government will consolidate the gains realized under the BETA for inclusive green growth with a special focus on the following six (6) objectives: bringing down the cost of living; eradicating hunger; creating jobs; expanding the tax base; improving foreign exchange balances; and inclusive growth. Emphasis will be placed on promoting investment in BETA core pillars and enablers and harnessing implementation of the targeted interventions through a value chain approach. The five core pillars are: Agricultural Transformation; Micro, Small and Medium Enterprise (MSME) Economy; Housing and Settlement; Healthcare; and Digital Superhighway and Creative Economy.

6. A value chain describes the production-to-market linkages generating added benefit for the customer. The value chain approach targets to enhance production, value addition and market access, and attract local and foreign investments. The priority BETA value chains are: (i) Leather and leather products; (ii) Textile and apparel; (iii) Dairy; (iv) Edible oils (sunflower, canola, palm oil, coconut, soya); (v) Tea; (vi) Rice; (vii) Blue economy; (viii) Minerals including forestry; and (ix) Construction/building materials. Other value chains include: (i) Maize; (ii)

Potatoes; (iii) Pyrethrum; (iv) Beef; (v) Coffee; (vi) Apiculture (bees); and (vii) Indigenous poultry.

7. The Government will also build on the solid foundation already built over the last two years by entrenching structural reforms, enhancing governance, transparency and accountability, and promoting responsibility for the use of public resources. Key reforms will include: entrenching of the zero-based budgeting to re-orient the budgeting and expenditure framework of the Government; migrating from cash basis to accrual basis of accounting; implementing the Treasury Single Account to improve cash management; implementing a unified Personal Identification system for all personnel working across all the arms of Government; and exploiting the power of Information and Communication Technology to radically diminish opportunities for corruption, conflict of interest, and abuse of office by digitizing procurement and making it open and transparent.

1.2 Core Pillars

1.2.1 Agricultural Transformation for Inclusive Green Growth

8. Agriculture remains a core pillar for the realization of the Bottom-Up Economic Transformation Agenda's aspiration for inclusive green growth given that more than two-thirds of Kenyans derive livelihoods directly or indirectly from agriculture, which has the highest employment multiplier effect and consists of crucial value chains with the highest impact on job creation for economically excluded segments of the population. Given the critical role the agricultural sector plays in providing livelihoods, the Government embarked on implementation of interventions and boosted investments intended to transform the sector by raising productivity of key value chains in the sector that includes: fisheries and aquaculture, horticulture, food crops like maize, rice, edible oils, livestock, beekeeping, and rangeland development.

9. The interventions were aimed at: i) transforming poor farmers from food deficit to surplus producers through input making inputs, especially fertilizer, more accessible and affordable, and providing intensive agricultural extension support; ii) raising the productivity of key food value chains, and reduce post-harvest losses; iii) reducing dependence on basic food imports by 30 percent; revamp underperforming or collapsed export crops and expand emerging ones; iv) boosting coffee and tea value chains; and v) providing adequate and affordable working capital to farmers through cooperative societies and deploy modern agricultural risk management instruments that ensure farming is profitable and income is predictable.

10. Implementation of these interventions over the last two years has borne fruits. Maize production in the country doubled to 61 million bags of maize in 2023 compared to the 30 million bags that was harvested in 2022. The achievement was made possible through leveraging on technology, utilizing the Kenya Integrated Agriculture Information System – an integrated digital platform that registered over 6 million farmers. Through the platform, farmers accessed fertilizer using mobile phone vouchers, make payments, and receive collection notifications at nearby Government storage facilities. Additionally, more land has been put under cultivation, with each acre yielding higher production since the availability and affordability of fertilizer. Notably, since February 2024, the Government has distributed subsidised fertiliser to 6.45 million registered farmers in 45 counties, from the Fertilizer Subsidy Programme, as well as animal feed and certified seeds more easily and affordably, enabling them to increase their yields. Further, the Government in 2024 has procured and through e-vouchers distributed 7 million bags of both planting and top-dressing fertilizer to boost food production across the country. The intervention is projected to further increase maize production to 74 million 90 kg bags. The Government has also concluded long-term agreements with eleven suppliers of assorted fertiliser so as to make this commodity available all year round. Fertiliser for the long rains season will be stocked in outlets nationwide, ensuring our farmers are ready to plant, grow and produce. This

will not only increase agricultural output, but also reduce reliance on costly food imports, securing a more self-reliant and prosperous Kenya.

11. The dairy sector remains a vital value chain with a quick turnaround impact on households and the economy. To support the sub-sector, the Government has released Ksh 3 billion to modernise the New KCC, ensure farmers are paid on time, and maintain a high price of Ksh 50 per litre. As a result, milk intake to KCC has increased from 100,000 litres to 220,000 litres a day. Other strategic interventions include: the extension of duty-free imports for feed manufacturing raw materials; subsidised artificial insemination services; and the reduction of sexed semen costs from Ksh 7,000 to Ksh 2,900 through the Kenya Animal Genetic Resource Center. These measures have led to a 14 percent increase in milk production, from 4.6 billion litres in 2022 to 5.2 billion litres in 2023, with projections exceeding 6 billion litres this year. In addition, the value of exported dairy products has nearly doubled, rising from Ksh 4.8 billion in 2022 to Ksh 7.2 billion in 2023.

12. To revitalize the coffee sub-sector, the Government has raised disbursements through the Cherry Advance Fund from Ksh 2.7 billion to Ksh 6 billion, complemented by an additional disbursement of Ksh 1.5 billion by the Commodities Fund. The Government also allocated 320,000 bags of fertilizer specifically for the coffee sector as part of its overall goal of providing 600,000 seedlings and 15,000 metric tons of subsidized fertilizer and modernization of coffee cooperative factories. The measures were geared towards boosting coffee productivity from 2 kilogram to 10 kilogram, and increasing smallholder farmer earnings from Ksh 300,000 to Ksh 500,000 per acre annually by the end of 2027. In FY 2023/24, the country produced and exported 48,000 metric tonnes, earning farmers Ksh 25 billion. The Government is on track to increase exports from 51,000 metric tonnes to 150,000 metric tonnes by 2027.

13. To facilitate the holistic development of the livestock sector and anchor all its value chains in a sustainable strategic platform, the Government is implementing several policies and legislative reforms and improvements to transform the livestock sector, guide training institutions and provide a predictable environment to attract investments. These frameworks include the Veterinary Policy, Livestock Policy, Livestock Bill, Livestock Masterplan, Food Safety Policy, and Food Safety Coordination Bill. All these are at various stages of consideration by the Cabinet and Parliament.

14. The Government's interventions in the livestock value chain are robust and have led to an 8.6 percent increase in meat exports from 15,000 metric tonnes, valued at Ksh 9 billion in 2022, to 16,000 metric tonnes valued at Ksh 10 billion. There has also been a 42 percent growth in the export of live animals from 33,000 animals in 2022 to 47,000 animals in 2023. The Government plans to increase annual red meat production by an additional 108,500 metric tonnes valued at Ksh 54 billion. To sustain high livestock performance, several interventions have been undertaken with the aim of improving genetics and eliminating feed-water supply constraints, diseases, and barriers to market access. Key actions include the implementation of a countrywide breed improvement programme in collaboration with the counties and to upgrading of dairy and beef breeds. In 2023, the Kenya Animal Genetic Resource Centre provided farmers with 900,000 doses of bull semen with the aim of increasing production and productivity. To enhance livestock disease and pest management, the Government plans to launch a National Vaccination Programme to eradicate the Peste des Petits Ruminants (PPR) disease and control the Foot and Mouth Disease. Under this programme, more than 22 million cattle will be vaccinated against foot and mouth disease, while 50 million goats will be vaccinated through a collaborative nationwide exercise.

15. In an effort to increase food production and expand economic opportunities for the youth, the Government commissioned and trained 18,000 agripreneurs across the country. The agripreneurs will work through National Agricultural Value Chain Development Project (NAVCDP) to guide farmers on best agricultural practices, pest management, and irrigation

techniques. The programme will also connect farmers with suppliers for quality inputs and link them to markets to secure fair prices. The agripreneurs will assist farmers in accessing financial services, support loan applications, and connect them with providers of farm and mechanization services. The agripreneur model will regularly track progress, provide feedback for improvement, and maintain accurate records to inform decision-making and planning. To enhance the Government's capacity to coordinate agricultural production and deliver services to the sector more efficiently, the Government is developing and integrating a farmers' and agripreneurs database into the Kenya Integrated Agriculture Information System.

16. Over the medium term, the Government will consolidate the gains made in the agricultural sector by aligning all policies under the sector towards increasing food production, boosting smallholder productivity and reducing the cost of food. Overall, the strategies will be geared towards: addressing the cost, quality and availability of inputs; reducing the cost of food and cost of living in general; reducing the number of food insecure Kenyans; raising productivity of key food value chains; increasing access to affordable credit and agricultural extension services; creating direct and indirect jobs, increasing average daily income of farmers as well as foreign exchange earnings; and revamping underperforming and collapsed export crops while expanding emerging ones.

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

17. The Micro, Small and Medium Enterprise (MSME) sector remains a vital sector of the Bottom-Up Economic Transformation Agenda as it serves as an engine for inclusive green growth and transformation by providing jobs and income opportunities for economically excluded segments of the population, including youth, women, persons with disabilities and low-skilled persons. The sector, however faces challenges in accessing to finance, inadequate infrastructure, regulatory and compliance constraints, limited market access and competition, skills and capacity gaps, weak institutional support and networking. To address these challenges and transform the MSME economy, the Government initiated a number of reforms including: establishment and strengthening of the Financial Inclusion Fund, popularly known as Hustler Fund to provide access to affordable credit; capacity building; and linkage to markets; and strengthen the capacity of MSMEs to venture into economic activities in building and construction value chains and ring-fencing certain components of low-cost housing projects for MSMEs.

18. Significant progress has been realized in the delivery of these reforms. By the end of November 2024, the Hustler Fund had disbursed Ksh 60.0 billion benefitting 24.6 million customers, with a repeat customers' base of 8.5 million beneficiaries and a repayment rate of 79 percent. Additionally, in keeping up with the BETA policy to inculcate a culture of saving for posterity, the Fund has successfully mobilized Ksh 3.3 billion in savings. Building on the gains made, the Government will roll out a third product offering, specifically tailored to the Small and Medium Enterprises (SME) sector. The new product will initially target the 2 million beneficiaries who have demonstrated a strong credit history with the Fund. The ground breaking initiative aims to create a pathway for the SME entrepreneurs to transition into the formal banking system, thereby deepening financial inclusion and strengthening the SME sector.

19. To further address the challenges facing the MSMEs, the Government has embarked on the review of the Micro, Small Enterprise (MSE) 2020 Policy. The review is aimed at pulling down the barriers in the MSME sector that stifle business growth and development. The new policy that will be developed will unlock and improve access to finance, reduce regulatory burden, enhance market access and upgrade MSME infrastructure as well as nurture a supportive MSME ecosystems.

1.2.3 Housing and Settlement

20. The Constitution of Kenya provides that every person has the right to accessible and adequate housing. As a core pillar of BETA, the Affordable Housing Programme provides an avenue to ensure the development of quality and affordable houses for Kenyans. The Affordable Housing Programme is expected to increase the supply of affordable houses from the current 2 percent to 50 percent, by facilitating the delivery of 200,000 housing units annually. In addition, the Programme aims to tackle the housing deficit that has left many Kenyans living in insecure, unsanitary, and poorly constructed dwellings while also fostering the inclusive green growth and generating job opportunities across various sectors. To realize these objectives, the Affordable Housing Programme was designed to increase opportunity for manufacturers, developers and the Jua Kali industry to produce high quality construction products and provide employment to different types of professional services and materials, bringing together labourers, masons and brick layers, artisans, electricians and carpenters, as well as architects, engineers, quantity surveyors, lawyers and real estate economists.

21. Progress has been made in the delivery of the affordable housing agenda. Notably, the enactment of the Affordable Housing Act, 2024, provides a long-term solution in financing the Affordable Housing Programme. The Act is a landmark legislation in Kenya aimed at addressing the housing deficit and ensuring that every Kenyan has access to affordable, adequate, and decent housing. The enactment of the Affordable Housing Act gives effect to Article 43(1)(b) of the Constitution which guarantees every person the right to accessible and adequate housing. This article delves into the key aspects of the Act, its implications, and how it aims to transform the housing sector in Kenya. The Act aims to create a framework for the development and access to affordable housing, emphasizing community engagement, public-private partnerships and inclusivity.

22. Additionally, after two years of implementing the Affordable Housing Programme, 124,000 housing units are at different stages of completion across 75 sites in 37 counties. The Programme includes houses for military, police, and correctional services personnel, student accommodation, and private-sector developments. In addition, the online portal platform, Boma Yangu, over 547,000 have registered, of which 52,000 have collectively saved more than Ksh 2.3 billion towards homeownership. The Affordable Housing Programme has created over 164,000 jobs through the housing value chain. Already, 4,888 housing units are set for completion across 21 social housing projects and will soon be launched. The units, comprise of studios, one-bedroom, two- bedroom, and three-bedroom homes, and are tailored to meet the needs of Kenyans, offering 1,041 social housing units, 2,133 affordable housing units, and 1,714 affordable middle-class housing units in 24 counties.

1.2.3.1 Urban Housing

23. The rapid pace of urbanization has outpaced the development of necessary infrastructure leading to over 10 million people living in the informal settlement and 60 percent living in slum areas. To improve urban housing, the Government will scale-up implementation of the Kenya Urban Settlement Program Phase II that will strengthen the capacities of urban municipalities to improve delivery and resilience of urban infrastructure and services. In addition, the Program will enhance the contribution of the private sector in urban planning and development and support the transition of refugee camps into integrated host communities and refugee settlements. Through the Kenya Informal Settlement Improvement Project Phase II, the Government will also fast track land tenure regularization, upgrade infrastructure, improve access to basic services, and strengthen institutional capacity development for slum upgrading in informal settlements in 33 counties.

1.2.3.2 Rural Housing and Settlement

24. Rural housing is affected by rapid urbanization, rural-urban migration, and a lack of affordable housing. In the rural areas, the quality of housing is below the standard requirement and lack basic sanitation requirement. To support rural housing and settlement, the Government will continue to ensure that urbanization is planned and controlled through integrated land use planning and development programme that we are implementing throughout the country, in every county. Key initiatives will include supporting construction of affordable housing projects using local materials, supporting planned rural settlements with essential infrastructure, and promoting climate-resilient housing designs to foster inclusive green growth and bridge the urban-rural divide.

1.2.4 Healthcare

25. The right to the highest quality of health is enshrined in the Constitution of Kenya. The Medium-Term Plan IV of Vision 2030 and Bottom-Up Economic Transformation Agenda prioritizes provision of equitable, accessible, affordable and quality healthcare. Despite recent strong economic growth in the country, many Kenyans face financial barriers in accessing healthcare and only 20 percent of Kenya's population have health insurance, with most of them being employed in the formal sector. In order to achieve Universal Health Coverage by 2030, the Government's BETA focuses on various interventions to: i) provision of a fully public financed primary health care system, an emergency care fund and a health insurance fund that will cover all Kenyans, ii) installation of digital health management information system, iii) set up of a Fund for improving health facilities; iv) set up of an Emergency Medical Treatment Fund, iv) establishment of a National Insurance Fund that covers all Kenyans, and v) availing of medical staff who would deliver Universal Health Coverage.

26. Significant milestones have been realized in the implementation of these interventions. To accelerate the implementation of the Universal Health Coverage, the Government enacted the Social Health Insurance Act, 2023; ii) Primary Health Care Act, 2023; iii) Facility Improvement Financing Act, 2023; and iv) Digital Health Act, 2023. The Social Health Insurance Act replaced the National Health Insurance Fund and established the Social Health Authority (SHA), which administer three essential funds primary healthcare funds in a way that ensures every Kenyan, especially the most vulnerable, can access quality healthcare services when they need them most. The shift from the National Health Insurance Fund model to Taifa Care is fundamental and radical in both scale and character. NHIF served a few salaried Kenyans and those who could pay, but Taifa Care covers every Kenyan regardless of their employment status. Secondly, despite serving a limited class of citizens, NHIF nevertheless accumulated billions of shillings of debt because of misalignment between contributions and the actual cost of healthcare. Taifa Care has undertaken an accurate costing of all healthcare-related goods and services, in order to provide timely, effective and efficient service to everyone. Additionally, the NHIF had a waiting period, lasting between registration and eligibility for services. Under Taifa Care, citizens are eligible for all services upon registration.

27. To date, over 15 million Kenyans have enrolled in Taifa Care and more than 60 percent of employers have successfully transitioned into its framework. The newly established Social Health Insurance Fund (SHIF) empowers citizens to contribute towards accessing a broad range of healthcare benefits. This represents a seismic shift from the old, reactive healthcare model to a forward-looking system that prioritises prevention and preparedness. Once the transition from NHIF is complete and SHIF becomes fully operational, Kenya will have a healthcare system that guarantees dignity, peace of mind and equitable access for every citizen. Under the Digital Health Act, the Government will continue to enhance the efficiency and transparency provided by technology in the provision of healthcare services to eliminate fraud and fake claims.

28. As a start, free primary healthcare is increasingly becoming available at dispensaries, health centres and hospitals. Ambulance and emergency services are also slowly but surely being made available at no fee. Under Taifa Care, we have introduced a comprehensive benefits package that brings specialised care, such as cardiothoracic surgery, within reach for many Kenyans, without the burden of financial strain. Through the Digital Health Act, the Government has revolutionized healthcare delivery process including registration, eligibility checks, as well as claims. By eliminating unnecessary human interaction, the Government is tackling corruption, reducing inefficiencies and ensuring that resources are used where they are needed most.

29. Building on the gains made, the Government through the Facility Improvement Fund (FIF) will ensure that hospitals are equipped with the tools they need including: medicine, equipment and other resources necessary to provide quality care, while involving citizens in decision making at every facility. To start of the process, the Government is clearing decade-old debts, and ensuring access to medicine and equipment. Already, the Government has paid disbursed Ksh 8.7 billion to settle historical debts owed to public, private and faith-based medical facilities, and will continue to clear the remaining balances in a phased-out approach over the coming months. This underscores the Government's commitment to ensuring uninterrupted delivery of healthcare services.

30. To increase availability of human capital in the public health sector, the Government will continue to implement programmes like Afya Bora Mashinani that has engaged over 100,000 community health promoters who provide direct care in households across the country. In addition, the Government will implement institutional and strategic measures to extend the impact of Universal Health Coverage by developing the biomedical, pharmaceutical, and medical supplies production industries.

31. Over the medium term, the Government will continue to implement strong institutional and strategic measures to extend the impact of Universal Health Coverage by developing the biomedical, pharmaceutical, and medical supplies production industries. To enhance healthcare delivery and ensure the security of medical supplies, the Government will improve the overall supply chain, starting with capacity upgrades and the establishment of Kenya Medical Supplies Agency (KEMSA) regional distribution centres in Kisumu, Embakasi, and Mombasa. Further, the Government will scale up the scope of existing programmes such as Edu Afya to encompass all school-going children, extending beyond its current focus on secondary school students. In addition to covering prenatal care, the Linda Mama Programme will be enhanced to provide comprehensive postnatal care ensuring a holistic approach to maternal and child health.

1.2.5 Digital Superhighway and Creative Economy

1.2.5.1 Digital Superhighway

32. The digital economy has undergone rapid changes both globally and domestically in recent years, with the COVID-19 pandemic accelerating the shift towards digital technologies. In order to entrench Kenya's lead in digital economy, the Government under the BETA committed to: i) promote investment in the digital superhighway and the creative economy which provides tremendous potential for the country in employing hundreds of thousands of young people and generating immense wealth if the young people are facilitated to plug into the global digital economy; ii) support extension of National Fiber Optic Backbone infrastructure to ensure universal broadband availability; and iii) digitize and automate all critical Government processes throughout the country, with a view of bringing greater convenience to citizens.

33. Towards this end, the Government has expanded last-mile fiber-optic connectivity using the extensive Kenya Power transmission lines network to the most remote and underserved areas of the country, and making significant strides to establish digital and ICT hubs. Government is

on schedule to establish 1,450 ICT by end of 2024 across the country's wards to provide digital literacy training, support content creation, and facilitate access to Government services. This will create a foundation for digital transformation, enabling IT economy workers, young digital creators and entrepreneurs to access a wealth of opportunities both locally and globally.

34. The Government committed to increase and fast-track broadband connectivity across the country, by constructing at least 100,000 kilometres of National Fibre Optic connectivity. So far, the Government has laid 13,712 kilometres of fiber cable and increased the number of Public-Wi-Fi hot spots from 40 in 2022 to 1,222 in 2023, giving a total of 1,262 public Wi-Fi spots. The Government's flagship initiative under the Jitume Programme targets to empower over 1 million youths in the country to access reasonable and sustainable income and to provide infrastructure and over 23,000 digital devices to centres among other activities. In order to make Government services more accessible and improve efficiency and service deliver, the Government has digitized 20,855 services up from 350 in 2022, representing an increase of almost 6,000 percent which has improved revenue collection.

35. Over the medium, the Government will continue to: increase and fast-track broadband connectivity across the country by construction of national fibre optic connectivity network; enhance Government service delivery through digitization and automation of all Government critical processes; establish Africa Regional Hub and promote the development of software for export; implement the Digital Master Plan will adhere to environmental agreements in which Kenya is a signatory; and strengthen Konza Technopolis to bring together industry, academic institutions, and other innovators to co-invest in emerging technologies to create high-quality jobs that leverage artificial intelligence, robotics, and other technologies.

1.2.5.2 Creative Economy

36. The Government is committed to supporting the creative economy which plays a key role in fostering creativity and addressing the high unemployment rates. The sector offers the opportunity to enhance our cultural values, heritage, and national identity. Currently, the creative economy is growing at faster rate than any other economy in the region and has a potential to contribute significantly to GDP. The sector interlinks the arts, business and technology, which are intensive in creative skills and can generate income through trade and intellectual property rights. Acknowledging this potential, the Government is expanding and supporting the creative economies as part of economic diversification strategies and efforts to stimulate economic growth.

37. To further support the creative economy, the enactment of the Creative Economy Support Bill, 2024 will establish a legal framework for the support of persons in the creative industry and further enhance entry and contribution to the industry. Further, the Bill seeks to establish a Creatives Fund for purposes of financing creative initiatives by various creatives in the industry and for supporting the implementation and execution of creative projects.

1.3 Enablers

38. Actualization of the Government's Bottom – Up Economic Transformation Agenda (BETA) for inclusive green growth will be underpinned by sound and innovative policy and structural reforms targeted at all socio-economic sectors. These include: building efficient infrastructure; harnessing the manufacturing sector; climate-change mitigation and adaptation mechanisms; building human capital; social protection; as well as enhancing governance and the rule of law. The following enablers will be prioritized to enhance the attainment of the Agenda:

1.3.1 Infrastructure

39. Infrastructure remains a key enabler to the implementation of BETA through provision of cost-effective public utilities and essential services geared at promoting socio-economic transformation across the country. For this reason, the Government will intensify investments in: construction of water pans, small, large and mega dams and associated irrigation infrastructure; expansion of roads and transport network, clean energy generation and distribution capacity; exploration and commercialization of oil and gas; to foster an enabling environment for inclusive green growth, enhance Kenya's competitiveness, and facilitate cross-border trade and regional integration. These infrastructure developments are also designed to stimulate business growth, attract private investment, and contribute to long-term economic prosperity and poverty reduction.

1.3.1.1 Water and Irrigation

40. To enhance access to safe water for domestic, irrigation and industrial use, the Government has made significant progress over the last two years. Notably, the Government has increased access to improved water services by connecting an additional 5,843,258 people; improved access to sanitation services by connecting an additional 280,000 households; increased water storage per capita from 107 cubic metres to 108 cubic metres by completion of Karimenu Dam, Yamo Dam, Pemba Dam and Bakuli Dam; operationalized bulk water supply at the Karimenu II (70,000 cubic metres per day) and Northern Collector Water Diversion Tunnel (140,000 cubic metres per day); and completed groundwater mapping for Wajir, Turkana, and Marsabit counties. Additionally, the Government has developed an additional 181,069 acres under irrigation for rice, maize and other value chains; completed 15 MCM Thiba Dam and expanded Mwea Irrigation Scheme by 5,600 acres to 30,600 acres; harvested and stored 52.1 million cubic meters of water for irrigation; reclaimed, rehabilitated and restored 3,183 acres of degraded land; and equipped 25 public schools with boreholes, greenhouses and irrigation kits. To address the issue of land degradation, the Government is finalizing the development of the Land Reclamation Policy 2024 in order to enhance reclamation of degraded lands, marginal lands, wastelands, and wastewater; establish a new legal and institutional framework to support land reclamation; and secure land neutrality

41. Over the medium term, the Government will build on the progress made in order to provide reliable safe and clean water through water harvesting for domestic use and recharge of ground water in 23 ASAL counties, 100 small towns and 300 schools. This will entail supporting 1,150 water harvesting projects for irrigation to provide 517.5 million cubic metres of water in ASALs; construction of small dams and water pans, and drilling of boreholes; water harvesting from "laggahs" and exploitation of ground water for irrigation in arid counties; and building capacity on uptake of irrigation in schools by drilling and equipping 465 boreholes and installing 510 greenhouses. In addition, the Government will facilitate construction of the following multi-purpose dams: Arror, Kimwarer, High Grand Falls, Muny, Lower Ewaso Ng'iro, Ewaso Ng'iro North River, and Oloshoibor ; and two (2) dams at Kieni Integrated Irrigation Project, desilting ten (10) tributaries at Integrated Ecosystem Irrigation in Athi River Basins; construction of a fruit and vegetable processing plant through the Kimira Oluch Smallholder Farm Improvement Project Phase II, and construction of a sugar mill through the Tana Delta Sugar Irrigation Project

42. Further, the Government will expedite the enactment of the Water (Amendment) Bill, 2023 to promote private investment in the water sector through the Public-Private Partnerships (PPPs) model. The amendments seek to expand the role of National Government entities such as the Water Works Development Agencies (WWDAs) and National Water Storage Authority (the NWSA) to provide water services by allowing them to enter into bulk water purchase agreements

under the PPP Act, 2021 which was previously the preserve of county water service providers (WSPs).

1.3.1.2 Roads and Bridges

43. In order to expand road and bridges in the country, the Government has over the last two years, constructed 2,766 kilometres of roads; rehabilitated 280 kilometres of roads; maintained 10,320 kilometres of roads under Performance Based Contracts; maintained 117,294 kilometres of roads under routine maintenance; maintained 2,389 kilometres of roads under periodic maintenance; and constructed 77 bridges. These efforts aim to enhance transportation networks, support inclusive green growth, and improve overall connectivity across the country. To streamline transport accident investigations, the Government established the Kenya Transport Accident Investigation Bureau (KTAIB) in October 2023 as part of institutional and legal reforms. The KTAIB will investigate accidents involving road, rail, and water transport. It will also promote the sharing of best practices, resources, and safety lessons between different modes of transport

44. Over the medium term, the Government will prioritize: completion of 1,542 kilometres of roads; construction of 62 bridges across the country; rehabilitation of 675 kilometres of roads; maintenance of 84,988 kilometres of roads under routine maintenance programme; maintenance of 1,633 kilometres of roads under periodic maintenance programme; and maintenance of 30,234 kilometres of roads under Performance Based Contracts. The Government will also: upgrade and maintain rural access roads to open up the rural areas to enable farmers to get their produce to markets faster and cheaply; and improve road infrastructure in urban informal settlement and critical national and regional trunk roads that have the highest immediate economic impact. To streamline transport and reduce traffic congestion, the Government will commence the construction of Bus Rapid Transport (BRT) Line 5; and Establish the National Intelligent Traffic System (ITS) and Junction Improvement.

1.3.1.3 Electricity

45. Access to clean, sustainable and affordable energy remains a key enabler for inclusive green growth and transformation as envisioned by the Bottom-Up Economic Transformation Agenda. To expand access to electricity, the Government has over the last two years, installed an additional 240MW of electricity thus increasing total installed capacity by 5.4 percent from 3,076MW in 2022 to 3,243 MW in October 2024; constructed 675 kilometres of transmission lines and built 4 high voltage substations; installed 1,266.7 kilometres of medium voltage distribution lines and constructed 30 distribution substations; and installed 54,577 street lighting points to enhance security and promote a 24-hour economy. Consequently, 774,000 more customers were added to electricity including 1,702 public facilities, increasing the total number of customers connected to electricity to 9,693,954 in October 2024 from 8,919,584 in 2022.

46. Over the medium term, the Government will build on the progress made by strengthening policy guidelines and laws to enhance energy generation, transmission and distribution aimed at connecting 1,440,000 new customers and 1,080 public facilities to electricity. Some of the interventions will involve: drilling of 34 geothermal wells; construction of 1,742 kilometres transmission lines and 21 transmission substations; construction of 1,050 kilometres distribution lines and 33 distribution substations; installation of 19,500 street lighting points; and construction of 55 institutional and 1,800 household biogas plants to enhance power grid resilience, improve service delivery, and ensure long-term energy sustainability.

1.3.1.4 Petroleum and E-mobility

47. BETA aims to promote clean, affordable, and quality alternative renewable energy sources for inclusive green growth and transformation. Towards this end, specific interventions include: expansion of energy centres from 16 to 47; installation of 4,350 solar PV systems; installation of 50,823 stand-alone systems; development of 10 small hydro's; installation of 80 wind masts and data loggers; development of two (2) bio fuel plants for value addition; construction of 300 biogas plants in counties; development of 195 energy efficient charcoal kilns; and promotion of clean cooking solutions; promotion of energy efficiency and conservation including E-mobility, green building and reduction of GHGs; electrification of institutions and community boreholes; development of Kenya green hydrogen; and promotion of energy production from municipal waste.

Petroleum

48. In order to boost local production of petroleum products, the Government has reviewed South-Lokichar Field Development Plan to facilitate development of the oil fields; developed and gazetted Petroleum (Importation) Regulations, 2023 and Petroleum (Pricing) Regulations, 2022 of the Petroleum Act, 2019; demarcated land for development of oil fields in South-Lokichar, and registered 23 of 63 communities and their Community Land Management Committees in Turkana County.

49. Over the medium term, the Government will prioritize the advancement of the oil and gas sector to strengthen energy security and foster inclusive green growth. Key initiatives will include: acquisition of Geo-Scientific data in 3,600 square kilometres to establish oil and gas potential; completion of evaluation of gas potential in Petroleum Blocks 9, L4 and L8 in Marsabit, Garissa & Lamu, and Kilifi Counties respectively; provision of clean cooking gas to 600 public learning institutions. Additionally, the Government will distribute 6 kilogram LPG cylinders and accessories to 210,000 low-income households; import and distribute 22.6 million metric tons of petroleum fuels; and complete land acquisition in South-Lokichar for the development of the oil fields, and water make-up and crude oil pipelines.

E-Mobility

50. Transitioning to electric mobility (e-mobility) remains a priority intervention of the Government's inclusive green growth and climate action plan aimed at reducing greenhouse gas emissions and air pollution while at the same time meeting the mobility needs of consumers. Significant developments and encouraging efforts have been realized. The arrival and use of electric vehicles and motorcycles in Nairobi, marks a significant turning point towards this transformation. In addition to lowering carbon emissions, these vehicles and motorcycles are economically friendly. Additionally, electric vehicles and motorcycles are an important breakthrough toward bettering air quality and easing traffic in busy cities because of their quiet operation and lower running costs as compared to fuel diesel buses.

51. As a significant step towards e-mobility, the Government launched the first batch of locally assembled electric buses in partnership with BasiGo and Kenya Vehicle Manufacturers (KVM) in April 2024. This initiative is aligned with the national goal of transitioning to a fully electric bus fleet by 2027. In order to promote local manufacturing and assembly of electronic vehicles and motorcycles, the Government has developed draft National E-Mobility Policy. Once finalized, the Policy will guide the development of electric mobility in all transportation modes – road, rail, air and maritime, by providing a transition framework from the use of conventional internal combustion engine (ICE) vehicles. The Policy will also support establishment of E-mobility charging infrastructure, reduction in emissions, lower operating costs, decrease reliance on imported fuels, and create green jobs. Additionally, the Government has partnered with

BasiGo and KVM to assemble electric buses locally, with BasiGo planning to deliver 1,000 electric buses in the next three years. These efforts are aimed at reducing carbon emissions, improving transport infrastructure, and creating green jobs.

1.3.2 Manufacturing Sector

52. The manufacturing sector in Kenya plays an important role in accelerating inclusive green growth and development, creating jobs directly and indirectly through backward and forward linkages with other sectors; and enhancing competitiveness of the country in export markets. To realize these objectives, the Government under the Bottom-Up Economic Transformation Agenda has embarked on interventions aimed at revamping and improving competitiveness of local industries by focusing on value chains development. To support value chains development, special emphasis has been placed on boosting productivity and value addition, addressing input constraints, strengthening extension services, and enhancing market for locally manufactured products. Key value chains prioritized include: agro-processing; leather and leather products; building and construction materials; textiles and apparel; dairy products; edible and crop oils; tea and coffee, and sugar. The Government has implemented and or plans to implement the following initiatives under each value chain:

1.3.2.1 Agro-Processing

53. Agro-processing remains a priority of the Government's efforts to support value addition across the agricultural value chain to create jobs and increase wealth for Kenyans. A major challenge in agriculture is post-harvest losses, which range from 20 percent to 50 percent due to poor storage and handling. To address this, 200 integrated fresh produce markets are at various stages of construction to support farmers and traders. Additionally, the Government is constructing 18 County Aggregation and Industrial Parks (CAIPs) that will provide value addition centers and storage facilities for agricultural products. The project will initially be rolled out in 18 counties, and will expand to all 47 counties by FY 2025/26, reducing post-harvest losses and boosting farmers' incomes. CAIPs are a collaborative effort between the National and County Governments. By fostering collaboration among farmers, processors, exporters, and research institutions, CAIPs are expected to increase employment, exports, and farmers' incomes, while promoting economic growth and industrialization.

54. Building on the progress made, the Government will continue to increase production, value addition, marketing and attracting investments in value addition of products from agriculture, fisheries, and livestock farming. These will be achieved through: raising productivity of key value chains; revamping under-performing and collapsed exports crops; and promoting emerging ones. Targeted opportunities for agro-processing are: cash and food crops (tea, coffee, sugarcane, cashew nuts and macadamia, legumes, cereals, fruits, vegetables, oil crops, roots, and tubers); livestock (dairy, meat, honey); and fisheries (marine, fresh water and aquaculture). In addition, the project targets to: promote the manufacture of animal feeds and valorization of agricultural residue; establish aggregation centres, rural transformation centres and cold storages; establish and operationalize Integrated Agro-Industrial Park; and establish food processing hubs in Kisumu, Eldoret, Kilifi, Miritini, Nakuru and Taita Taveta to enhance value addition in agricultural, livestock and fisheries products.

1.3.2.2 Leather and Leather Products

55. To transform the leather and leather products value chain, the Government has invested resources towards the upgrade of the Ewaso Ng'iro South Development Authority's leather factory through: acquisition of modern equipment; building of a footwear factory; and mopping up hides and skins. Machinery for increasing processing capacity at the factory has already been

procured and installed. To supply quality hides and skins, 703 flayers have been trained and subsidised flaying equipment provided to 680 slaughter points. At the same time, the construction of the Kenya Leather Industrial Park at Kenanie, Machakos County, is 85 percent complete. This park will have a common effluent treatment plant, 2 tanneries, 2 leather manufacturing plants and 100 acres for investors to set up leather factories by the end of the year 2024.

56. To further support the growth of the leather industry in the country, the Government will build on the ongoing interventions geared towards boosting productivity along the leather and leather products value chain; increasing income from leather to Ksh 120 billion; increasing job opportunities from 17,000 to 100,000 jobs; availing three (3) million hides and 18 million skins to the tanneries; and increasing recovery of hides and skins from abattoirs, slaughterhouses and home slaughter and consequently increasing tannery utilization from 25 percent to 100 percent. Towards this end, the Government is developing local capacity to handle hides and skins to provide quality raw material, tanning as well as the local manufacturing of finished leather goods such as shoes, bags, and belts.

57. To enhance production and improvement of quality of raw materials for processing and value addition, the Government will: review Hides and Skin and Leather Trade Act (Cap 359) to reinstate licensing of the value chain actors and attract more MSMEs in the value chain; finalize Kenya Leather Value Chain Development Policy; finalize the Leather Development Authority (KLDA) Bill to improve the legal and policy framework underpinning the leather industry; map and sensitize MSMEs on leather value chains; develop and disseminate policies and strategies focused on MSMEs in the leather value chain; establish hides and skins collection centres; support collection, preservation and delivery of hides and skins to tanneries; mobilize livestock farmers into cooperatives; manufacture leather and leather products; and build capacity of the value chain actors including MSMEs to improve the quality of hides and skins, leather and leather products.

58. To enhance leather value addition, the Government will among other things complete: construction of Kenya Leather Industrial Park – Kenanie; establishment of Common Effluent Treatment Plants and tanneries in Eldoret, Isiolo and Mombasa; establishment of leather processing clusters in Isiolo, Uasin Gishu, Narok, Kisumu and Mombasa; construction of 10 common manufacturing facilities; optimization of Ewaso Ng'iro South Development Authority tannery to produce finished leather products; and establishment and operationalization of Kariakor manufacturing facility. The Government will also promote establishment of leather cottage industries through capacity building of leather operators on designing, finishing and fashion of leather and leather goods.

59. To boost market for leather and leather products, the Government will: complete development and operationalization of public Special Economic Zones (SEZs) in Naivasha, Kisumu, Lamu and Dongo Kundu; link MSMEs with large enterprises and Government institutions (uniformed forces and schools); continue enforcement of Access to Government Procurement Opportunities (AGPO) and 40 per cent Local Content preferential procurement to promote local demand; sensitize exporters on market requirements and opportunities; export market development and promotion, including market diversification; strengthening of commercial representation; identification of unfair import trade practices threatening leather industry; and sensitization of manufacturers on unfair import trade practices.

1.3.2.3 Building and Construction Materials

60. The Government has continued to support building and construction value chains to boost job creation and foreign exchange earnings. In part, the Government has continued to develop production capability of *jua kali* MSMEs and attract investments in provision of affordable

construction materials, especially green construction materials and products for local and international markets in the construction industry. To accelerate local manufacturing, the Government imposed levies on the importation of clinker, saving the country Ksh 20 billion in foreign exchange, as clinker imports dropped to zero. The Government also imposed levies on imported steel billets, enabling 11 steel factories that had closed in the past 6 years to come back into operation, now hired 16,000 workers and saved Ksh 110 billion in foreign exchange.

61. Over the medium term, the Government will consolidate the gains realized by continuing to: support establishment of industrial park for construction materials; enhance local manufacturing of construction materials (clinker, cement, cabros, prefabs) and electrical and electronics fittings, cables and products; and ring-fence certain components of the low cost housing project for MSMEs. Value addition will be enhanced through: stimulating domestic investment into housing and construction sectors; modernization of East Africa Portland Cement Company; promotion of use of alternative building technologies; establishment of heavy clay plant; promotion of cottage construction industries; establishment of waste recycling plants for power generation; establishment of MSMEs industrial parks and incubation centres in every TVET; establishment of MSMEs business development centres in every Ward; establishment of cooperative social housing schemes; development of standards for MSMEs products; accreditation of construction bodies; and modernization and linking of CIDs to TVET

1.3.2.4 Textiles and Apparel

62. Cotton is recognized as a strategic crop under MTP IV of Kenya's Vision 2030 and a priority value chain within the Bottom-Up Economic Transformation Agenda. To revitalize the textiles and apparel sub-sector, the Government has continued to implement measures geared towards enhancing local production of cotton. These measures include: mobilization of cotton growers into cooperatives; distribution of 70 metric tons of certified cotton seeds (Bio Technology cotton and hybrid) to farmers through existing and established cooperatives; availing 1,320 metric tons of seed cotton through Food Security and Crop Diversification Project; increasing acreage under cotton from 26,000 acres to 200,000 acres through distribution of Bio Technology cotton in the 24 cotton growing counties; promoting use of alternative fibre (natural and artificial); sensitization and mobilization of MSMEs within cotton catchment areas; supply of subsidized fertilizer to farmers; establishment of aggregation centres in CIDs within the catchment areas; and prioritization of financial inclusion funds for textile and apparels value chain.

63. In addition, the Government is on course to increase cotton production and modernise ginneries. The Government will distribute 15,700 kilograms of seeds to farmers in Busia and another 20,000 kilograms to farmers in Meru, Makeni, Kitui and Machakos. Subsidised fertiliser will be provided through the tried and tested e-voucher system. Additionally, 5,000 acres have been harvested in Lamu. The Government has also worked with stakeholders to negotiate a price increase for farmers from Ksh 54 a kilo to Ksh 72.

64. Over the medium term, the Government will build on the ongoing interventions in order to: establish textile value addition centres in Nyando and Kieni (aggregation cooperatives); establish seven (7) modern cooperative society ginneries in Homa Bay, Siaya, Meru, Lamu, Kwale, Kirinyaga and Bungoma counties; modernize existing ginneries; equip CIDs with common user tailoring facilities; construct industrial warehouses with associated basic infrastructure facilities to attract investors in apparel processing; conduct capacity building on fashion and design of clothing and textile products; construct eight (8) large industrial sheds; and develop railway sliding related infrastructure at Export Processing Zone (EPZ) in Athi River. In addition, the Government has developed draft National Cotton, Textile, and Apparel (CTA) Policy 2024 to guide the development of cotton value chain in Kenya. The policy seeks to revitalize and

enhance the competitiveness and sustainability of the Cotton, Textile and Apparel sector in Kenya and the within the region.

65. Efforts to enhance market access will involve: sensitization of exporters on market requirements and opportunities; export market diversification; capacity building of commercial attachées on textile and apparels sector development; “Made in Kenya” global campaigns; linkage of tailors with large entrepreneurs, schools, colleges and Government training institutions; identification and sensitization of manufacturing on unfair trade practices threatening textile industry; and attracting both local and foreign investments through packaging and promotion of bankable investment projects in the value chain to private sector for investments or co-investments.

1.3.2.5 Dairy Products

66. Dairy and livestock sub-sectors remain an integral part to the Government’s plan to improve food security, create jobs and boost exports. To support value chains under the dairy sub-sector, the Government targets to double dairy productivity through appropriate feeding, enhancement of export up to one (1) billion litres of milk, increase farm gate price to at least Ksh 40 per litre; create 500,000 jobs and increase farmers’ monthly income to an average of Ksh 6,000 per cow. Towards this end, the Government has supported value addition in the sub-sector through: modernizing New Kenya Cooperative Creameries; establishment of camel milk processing factory, collection, and cooling centres; provision of cooler plants to dairy cooperative societies; fabrication of dairy products machinery and equipment; promotion of investment in dairy cold chains and build capacity of enterprises.

67. Over the medium term, the Government will build on ongoing interventions including: establishment and equipping of a feed centre in every Ward; production of animal feeds at the Nasewa Industrial Park; distribution of subsidized fertilizers to sustain production of dairy products; capacity building and mobilization of dairy farmers into cooperatives; installation of dairy mechanization equipment (feeds equipment, lab equipment, silage wrapping machines, forage choppers, hay baling, tractors, milk parlours and bulk coolers); establishment of dairy cottage industries for animal feeds; sensitization of MSMEs on opportunities in animal feeds; and prioritization of financial inclusion for dairy value chain. Additionally, the Government will lead the distribution of bulk milk coolers to dairy farmers across various counties. A total of 230 coolers will be provided to dairy cooperative societies in 40 counties, supporting local milk producers. This initiative is designed to improve milk aggregation, value addition, and market access, thereby increasing the competitiveness of the dairy value chain. It will also significantly reduce post-harvest milk losses, and boost the volume of milk collected and processed.

68. In order to enhance market access, the Government will fast track implementation of the following interventions: completion and accreditation of national dairy laboratory; local and export markets promotion and diversification; sensitization of exporters on market requirements and opportunities; ‘Made in Kenya’ global campaigns; development of export markets and products; establishment of export warehouses; identification of unfair import trade practices affecting dairy value chain; and sensitization of manufacturers on unfair trade practices.

1.3.2.6 Edible and Crop Oils

69. Edible oils is the second import bill in Kenya after petroleum yet most edible oil crops are traditional food value chain. The population especially in western and the coastal Kenya have an existing practice and resilience on farming edible oil crops such as groundnuts, sunflower, soya beans, sesame, among others. For this reason, the Government has continued to implement measures targeted at enhancing local production and processing of edible oils including: supporting farmers to access certified oil crops seeds (canola, sunflower and soya bean) and

seedlings; supporting the production of oil palm seedlings; sensitizing farmers on opportunities available in the edible oil value chain; and prioritization of financial inclusion for edible value chains. The focus on edible oils value chain is expected to increase production of raw materials in Kenya, promote value addition, and significantly reduce the import bill. Groundnuts like other edible oils is a rich value chain offering smallholder farmers a commercial opportunity to transform subsistence farming and raise the household income levels.

70. Progress has been made in the delivery of these interventions. In 2023, 70 tonnes of sunflower seeds were purchased, with 40 tonnes distributed to farmers. Another 40 tonnes of seed have been allocated to the Agricultural Development Corporation for seed multiplication. Additionally, the Government, through the Agriculture and Food Authority, has procured and distributed 500 metric tonnes of seeds, worth Ksh 241 million, to farmers in 24 counties. In the FY 2024/25, Ksh 414 million has been budgeted for this programme under the National Edibles Oils Promotion Project.

71. Building on the progress made, the Government will continue to support value addition in the edible and crop oils value chain through: promotion of cottage industries; providing small industries with processing machineries at Kenya Industrial Estate (KIE), Constituency Industrial Development Centres CIDs, Rural Technology Development Centre; providing cooperatives with edible oil processing infrastructure; incubate, train, and facilitate oil crops SMEs with equipment for value addition at the Ward level; and fabricate 50 machinery and equipment for edible oils. Interventions to enhance market access entail: linking farmers with oil processors through contract farming; stabilization of edible oil prices; establishment of aggregation centres; sensitization of exporters on market requirements and opportunities; strengthening commercial representation; and attracting both local and foreign investments through packaging and promotion of bankable investment projects in the edible oils value chain to the private sector for investments or co-investments.

1.3.2.7 Tea and Coffee Sub-sectors

72. Tea and coffee sub-sectors account for 23 percent of the country's total exports and supports over five million livelihoods including 650,000 farmers. The sub-sectors are however vulnerable to climate change due to erratic weather patterns and price fluctuations, necessitating a shift to more sustainable and profitable practices. For this reason, the Government is implementing interventions to support value addition in the tea and coffee value chains, increase farmers' incomes, create jobs, and boost a climate resilient and environmentally sustainable trade system for Kenya's tea and coffee.

73. To revitalize tea and coffee the sub-sectors, the Government will build on the ongoing efforts including: reforming the legal and policy frameworks; promote value addition through provision of processing equipment; export market development and export promotion; and establishment of warehouse for value added tea and coffee in key development markets. The Government's reforms in the tea and coffee sub-sectors are bearing fruit. Notably, smallholder tea farmers exported KETEPA's value added teas to West Africa and China starting from December 2022. In addition, the average prices at the Nairobi Coffee Exchange have risen by 25 percent and in the FY 2023/24, the country produced and exported 48,000 metric tonnes, earning farmers Ksh 25 billion.

74. Over the medium term, the Government will continue to support value addition in the tea and coffee sub-sectors through: mobilization of tea and coffee farmers into cooperatives, provision of subsidized fertilizer to tea growers through tea and coffee factories and the provision of processing equipment to tea and coffee cooperatives; promotion of tea and coffee cottage industries; diversification to speciality teas and coffees; construction of tea and coffee research and development factory; establishment of tea and coffee value addition hubs and warehouses;

establishment of common user facility within Dongo Kundu SEZ; and the establishment of 10 orthodox tea manufacturing lines in smallholder tea factories.

75. To enhance market access, the project targets to: establish incubation centres for speciality tea and coffee diversification; develop export market and products including showcasing of tea products; implement a global marketing strategy for Kenya tea and coffee; engage in bilateral agreements to address both tariff and non-tariff barriers; facilitate access to selected regional markets such as negotiated concessionary airfreight cargo charges in West and Central Africa; sensitize exporters on market requirements and opportunities; establish tea packaging industries; strengthen commercial representation; and enhance 'Made in Kenya' global campaigns. It also targets to attract local and foreign investments through packaging and promotion of bankable investment projects in the tea value chain for private sector investments or co-investments and developing or reviewing industry regulations.

1.3.2.8 Sugar Sub-sector

76. The sugar industry is a strategic sub-sector, whose value chains have been the mainstay of the local economies of our sugar belt, and a generator of much-needed jobs. For this reason, the Government has implemented targeted measures over the last two years aimed at restructuring and restoring operations at public sugar mills to boost competitiveness of the sugar sub-sector, raise farmer incomes and enhance their productivity. Notably, the Government has restored operations in all the 17 sugar factories across the country, while four new sugar factories are under construction. This has boosted domestic sugar production in the country to 84,000 metric tonnes, meeting the local demand. The success is largely attributed to subsidised fertiliser for sugarcane farmers, an additional 500,000 acres of land brought under production, and improved management of the sugar sector, which have revitalised production. To further revitalize Kenya's sugar sub-sector, the Government enacted the Sugar Act 2024, to provide further policy guidance. The new law re-establishes the Kenya Sugar Board to regulate, develop, and promote the sugar industry; and the Kenya Sugar Research and Training Institute (KSRTI) to undertake sugar research function geared at improving sugarcane yields, enhancing pest control and providing training for farmers and millers.

1.3.3 Blue Economy

77. The blue economy presents an immense opportunity for Kenya to drive inclusive green growth and transformation as envisioned by the Bottom-Up Economic Transformation Agenda. By leveraging its rich marine and freshwater resources, Kenya can empower coastal communities, improve livelihoods, and contribute to national economic growth. It is currently estimated that the blue economy contributes Ksh 20 billion to the economy annually and is expected to increase to over Ksh 80 billion in 5 years. The transformation will create thousands of jobs and stimulate regional economy through increased investment in various industries, enhanced export manufacturing and expanded overall economic activity.

78. In order to harness the potential of the blue economy, the Government has invested resources that have: facilitated completion or rehabilitation of 8 fish landing sites and markets equipped with cold chain storage facilities across the country; supported 12,668 small scale farmers with aquaculture inputs; and issued grants to 618 common interest groups across the coastal region for alternative livelihoods. To further boost the fishing industry, the Government is fast-tracking the completion of the Phase One of Liwatoni Fish Processing Plant and Shimoni Fish Port, Kenya's first dedicated fish port, which is now 82 percent complete. Once complete, the Port will increase the handling capacity by 50,000 metric tons of fish annually, thereby promoting value addition for both domestic and export markets. The infrastructure development

will enhance fish value chain with the by-products from the fish being stored at the landing sites used to feed light and small industries to spur economic growth at the grassroots.

79. To promote and enhance aquaculture and mariculture in the country, the Government has invested resources towards the development of the National Mariculture Resource and Training Centre (NAMARET) in Shimoni, Kwale County. The centre will serve as a catalyst for the growth of productive and profitable mariculture. It will function as a marine fish seed breeding and multiplication centre, facilitate research and innovation in mariculture, and offer training for fish farmers and students. To increase fish production and facilitate the transition of fisherfolk to deep-water and Exclusive Economic Zone (EEZ) fishing, the Government has procured and distributed 123 fishing boats to local communities. Additionally, the Government plans to acquire deep-sea fishing vessels for offshore fishing, with a total budget of Ksh 600 million allocated for this purpose. To make the landing sites vibrant, the Government has embarked on forming cooperatives for Beach Management Units (BMUs) to ensure fishermen pool and sell their fish as one unit to fetch good price.

1.3.4 The Services Economy

1.3.4.1 Financial Services

80. Safeguarding financial stability and expanding access to affordable finance remain key priorities under the Government's Bottom - Up Economic Transformation Agenda (BETA). Towards this end, the Government continues to take steps to improve prudential regulation and supervision, with a view to addressing the increased sophistication of the financial sector. To expand access to affordable financing to individuals and Micro, Small and Medium Enterprises (MSMEs) excluded at the bottom of the pyramid, the Government will continue implementing the Financial Inclusion Fund, or the 'Hustlers' Fund. The Government will also convert the Credit Guarantee Scheme into the Kenya Credit Guarantee Scheme Company (KCGSC) to ensure sustainability and develop a Credit Guarantee Policy whose objective is to provide a clear framework for a sustainable model for credit guarantee scheme for MSMEs.

81. To promote agricultural productivity and transformation, the Government will continue to implement the Rural Kenya Financial Inclusion Facility (RK-FINFA). The project aims to contribute to income growth, climate change resilience and improved livelihoods in rural areas through: (i) strengthening the capacities of financial institutions for innovation, rural outreach and green finance services in Kenya; and building the capacities of MSMEs and smallholder farmers for sustainable investment and financial literacy skills particularly tailored to reach women, youth and marginalized groups; (ii) operating two rural investment instruments of Rural Credit Guarantee Scheme, and Green Financing Facility; and (iii) promoting policies and institutional arrangements that support the medium and longer-term development of a more conducive operational environment for the rural investment instruments.

82. The Kenya banking sector remains stable and resilient and continues to play its role of mobilizing funds and channelling them to the deserving productive economic activities. The banking sector remained profitable with a growth in assets of 0.3 percent from Ksh 7.72 trillion in February 2023 to Ksh 7.74 trillion in February 2024. Credit from commercial banks to the private sector stood at an annual growth rate of 6.9 percent in April 2024 and benefited key sectors of the economy.

83. In order to position the banking sector to effectively play its role in Kenya's socio-economic transformation, three recent key reforms have been implemented:

- i) Licensing and oversight of Digital Credit Providers to address inherent challenges including high cost of credit, unethical debt collection, inadequate disclosure and lack of transparency,

breach of data privacy, and abuse of personal information. As at the end of March 2024, 51 Digital Credit Providers had been licensed;

- ii) Issuance of the draft Kenya Green Finance Taxonomy for public participation by the CBK in April 2024, that will serve as a tool to classify whether particular economic activities are 'green' or environmentally sustainable and serve as a guide for banking sector and other market participants in making informed investment or financing decisions; and
- iii) Revision of the Anti-Money Laundering, and Combating the Financing of Terrorism and Proliferation Financing supervisory framework by the CBK to eliminate money laundering vulnerability in the banking sector through implementation of risk-based supervision, undertaking institutional and sectoral risk assessments, and enhancing staff complement and capacity for supervision.

84. The Kenyan financial services sector is exposed to dynamic global, regional, and local developments necessitating continuous reforms. To strengthen the resilience and safeguard the stability of the financial services sector, the Government will continue to stress preservation of capital and liquidity buffers; develop macro-prudential policy and crisis management framework; enhance surveillance while encouraging banks to strengthen their governance frameworks and business models; embark on mergers and acquisitions, and other capital strengthening efforts; and closely foreign exchange loans, deposits, and on-and off-balance sheet exposures in the banking system.

85. As part of the process, CBK intends to progressively increase the minimum core capital for banks from the current Ksh 1.0 billion to Ksh 10.0 billion. The CBK will engage the market for an appropriate time table to achieve this goal. This is intended to strengthen the resilience and increase the bank's capacity to finance large scale projects while creating sufficient capital buffer to absorb and withstand shocks posed by the continuous emerging risks associated with adoption of technology and innovations as institutions expand. Additionally, CBK plans to amend the Banking Act to provide for stiff dissuasive penalties that are proportionate to the violations committed, support a strong compliance culture in banks, and align to international best practices.

86. The Government is also keen to continue enhancing efficiency, stability and access of financial services to Kenyans. Towards this end, the Government will fast track the review and harmonization of all laws governing the retirement benefits sector through the National Retirement Benefits Policy that aims to among things, addresses some of the pertinent challenges that have slowed down the growth of the retirement benefits sector. The Government will also speed up the approval of the National Insurance Policy and its implementation in order to grow the insurance industry in Kenya. To deepen capital markets, the Government will continue to undertake a comprehensive review of the legal and regulatory framework to address emerging issues in the capital markets space. This includes, among others, aspects on collective investment schemes, public offers and listings, alternative investment mechanisms, and streamlining credit rating operations in Kenya.

87. To strengthen digital finance in Kenya's, the Government will continue to implement the National Payment Strategy (2022-2025) and fast-track finalization of a National Policy on Digital Finance. Notably, the National Payments System has undergone major changes and transformation, which include establishment of national payments infrastructure, automation and upgrades of various payment systems. Building on the progress made, the Central Bank of Kenya together with industry stakeholders, are working towards finalizing and launching a Fast-Payment System that will enable seamless interoperability for all retail payment services offered by bank and non-bank providers. To this end, the CBK is in the process of setting up the appropriate institutional governance framework for the Fast Payment System as well as assessing

the available technological infrastructure options suitable to implement a robust and efficient Fast Payment System for the financial services sector in Kenya.

88. The implementation of the Fast Payment System solution, which is in line with emerging global developments and international best practice will be implemented as a digital public infrastructure through a public-private partnership arrangement and will enable Kenya to leverage the benefits of technology such as increasing affordability of financial services, payments innovation, enhancing the quality of financial inclusion, and enhanced oversight and stability in the National Payments System.

1.3.4.2 Tourism Sector

89. Tourism sector remains a critical enabler for the realization of the Bottom-Up Economic Transformation Agenda's objective of socio-economic transformation through unlocking employment opportunities and generating foreign exchange. For this reason, the Government will continue to implement ongoing initiatives targeted at promoting tourism including: maintaining and repositioning the "Magical Kenya" brand to include all niche products and experiences as an upmarket destination with emphasis on elements of authenticity, diversity, sustainability, and safety while also marketing Kenya through brand ambassadors, social media influencers and digital media. The Government will also continue to engage Kenyans in diaspora to market the destination in 12 source and emerging markets; develop and translate marketing materials in 6 foreign languages; and hold 4 roundtable meetings annually with Kenyan Ambassadors and diaspora community.

90. The Government will also undertake the following interventions geared towards development of new and strengthening existing markets: development of marketing strategies for invest-source-markets (high returns) targeting African market, and new and existing markets; establishment of tourism desks in foreign missions; enhancement of the policy on a visa free regime, development of marketing and promotional media contents targeting growing middle class, employed youth population and retirees; and establishment and maintenance of partnerships with low-cost carriers and tour operators to connect tourism destinations and trade to incentivize travel. Further, the Government will promote sports tourism through the following international sporting events: World Rally Championship Safari Rally, Magical Kenya Open Golf, Magical Kenya Ladies Golf, Kipkeino Classic, Safari Sevens Rugby and Standard Chartered Nairobi Marathon.

1.3.4.3 Aviation Sector

91. The aviation sector is a major contributor to Kenya's economy as well as a key enabler of the Government's Bottom-Up Economic Transformation Agenda. As one of the most visited countries in Eastern Africa, aviation is essential for the tourism industry and to connect the country with the rest of the world, strengthening trading ties and generating new business opportunities. In order to entrench Kenya's position as a regional aviation hub, the Government has continued to expand and modernize airstrips to connect various parts of the country. As part of the process, the Government refurbished Terminals 1B and C at Jomo Kenyatta International Airport (JKIA), and rehabilitated 15 aerodromes.

92. Over the medium term, the Government will build on the progress made in order to facilitate expeditious and safe movement of aircraft in Kenya's airspace and improve passenger handling services through the expansion and modernization of aviation facilities and services. This will involve the construction of a control tower at Kisumu and Diani airports; construction of an additional terminal facility at JKIA with a capacity of handling 20 million passengers annually; upgrading of facilities in terminal 1E to permanent status; the installation of equipment and

systems for air navigation services; completion of construction of Kisumu Airport Control Tower; and completion of rehabilitation of terminal building and Apron at Ukunda Airport.

1.3.5 Environment and Climate Change

93. Provision of a clean, secure and sustainable environment as well as climate change mitigation and adaptation are central for the realization of the aspirations of the Bottom –Up Economic Transformation Agenda and the Kenya Vision 2030. For this reason, the Government has continued to mainstreaming issues of environment conservation, climate change mitigation and adaptation, halt and reversal of deforestation, biodiversity loss and land degradation, in all Government programmes and in both levels of Government.

94. As part of environmental conversation and management efforts, the Government continues to implement the National Tree Growing Programme. The Programme aims to grow 15 billion trees across the country by 2030 to promote and support more resilient livelihoods. The project adopts Whole-of-Government and Whole-of-Society approaches which involve: supporting production of 7.9 billion seedlings; the expansion of the existing 300 Kenya Forestry Service tree nurseries to produce 300 million seedlings annually; the refurbishing existing 300 and establishment of 50 new tree nurseries; drilling and equipping of 300 boreholes in all tree nurseries; equipping the 11 constructed seed centres; and constructing and equipping of seven (7) new seed centres. It also covers procurement and growing of 1.75 billion tree seedlings from private tree nurseries; and rehabilitation and restoration of 175,000 Ha of degraded public natural forest areas.

95. As part of climate change mitigation and adaptation efforts, the Government has strengthened actions to prevent deforestation, halt and reverse biodiversity loss, combat desertification and restore degraded landscapes as part of a broader programme to fulfil the commitments to reduce emissions by 32 percent by 2030 as contained in Kenya’s Nationally Determined Contribution (NDC). In addition, the Government has adopted a Bottom-Up 3P solutions with greater focus on the People, Planet and Profit through prioritizations of biomass energy (wood fuel), agro-forestry and solid waste management value chains. To facilitate attainment of these goals, the Government has developed and is implementing policies and strategies to tap into the global carbon market opportunities, green and climate financing mechanisms such as Green Climate Fund, promote green bonds and debt for climate swaps among others. In part, the Government in collaboration with County Governments and Development Partners will continue to commit funds towards the National Tree Growing Programme through the Financing Locally-led climate Action (FLLoCA) Program.

96. Over the medium term, the Government will prioritize modernization and commercialization of the charcoal value chain by adopting modern kilns, decriminalize the charcoal trade, supporting scaling up of clean cooking technologies and promoting youth-owned and operated briquette-making enterprises. To support the solid waste management value chain, the Government will focus on adopting the Extended Producer Responsibility (EPR) model based on household level separation, organize waste collectors into cooperatives and provide circular economy waste separation sites/infrastructure. Under the agroforestry value chain, the focus is on development of a policy and regulatory framework to attract climate finance funds to facilitate establishment of 5 million acres (20,000 square kilometres) agro-forestry woodlots in dry lands.

1.3.6 Education and Training

97. Education and training remain a key enabler of the Government’s Bottom-Up Economic Transformation Agenda for inclusive growth. To boost education and training outcomes in the country, the Government has invested significant resources and implemented radical changes in

the education sector, including: resolving uncertainty around the Competency Based Curriculum (CBC); roll-out of a new student-focused higher education funding model, with special emphasis for students from vulnerable families which has offered scholarships to 112,741 students and loans to 113,140 students; and launched the Open University of Kenya was also launched as a specialized university offering Seven undergraduate degree programmes and currently with an enrolment of 2,300 students. Additionally, the Government launched the National Education Management Information System. This online platform generates accurate and reliable data, allowing the Government to address efficiency, accountability and transparency issues in the Education sector.

98. The investment by Government has: improved the student enrolment in primary and secondary schools as well as tertiary institutions; significantly improved student-teacher ratio by employing 56,000 teachers for primary and secondary schools and 2,000 tutors for Technical and Vocational Education and Training (TVET) institutions; facilitated construction and operationalization of 614 secondary school classrooms and 392 laboratories, and 842 sanitation blocks, 3500 classrooms for grade 9; 143 TVET institutions; and supported procurement of training equipment for 97 TVETs institutions. In subsequent years, the Government is committed to recruit more to further bridge the teacher-student ratio gap. Government has also engaged 52,000 teacher interns to equip Kenyan youth with practical skills and competencies.

99. Over the medium term, the Government will continue to undertake education reforms; expand infrastructure in all learning institutions; and strengthen linkages between industry and training institutions in order to enhance access to education at all levels. Priority will be given to: recruitment and training of teachers; enrolment of school children of pre-primary age in schools; expanding school feeding programme and providing learners with day meals; provision of sanitary hygiene packs to school going girls at puberty stage; rehabilitation and equipment of schools; providing water, sanitation and hygiene facilities; expansion of Junior and Senior school education infrastructure, and awarding capitation grants including minimum essential package; and integrating Duksi and Madrassa into formal basic education. In addition, the Government will facilitate: construction and equipping of TVET institutions in 52 constituencies; equipping 72 existing TVET institutions; recruiting 2,000 technical trainers and instructors; establishing incubation centres in every TVET institution; and online learning in TVET institutions and universities. In order to enhance equity in provision of learning opportunities and resources for learners who may be excluded or marginalized, the Government will provide resources for infrastructural development for special needs education (SNE)/PWDs in schools and universities; and capacity building of teachers and trainers on SNE.

100. In order to enhance access to quality and relevant education, the Government will continue to review the curriculum for primary and secondary schools as well as tertiary institutions, will continuously be reviewed to make sure the students are in touch with global change. This will involve designing the curriculum and support materials; designing course content and outline; reviewing the Competency Based Assessment Framework from the exam-based system of academic progression to alternative progression criteria; capacity building of CBC implementers and stakeholders; and developing measures to ensure tertiary institutions and universities deliver on Competency Based Education. The Government will also prioritise the teaching and learning of digital skills, including coding, from the primary school to tertiary education, including TVET institutions; as well as developing and operationalizing the National Skills Management Information System; and Integrated Higher Education Information Management System.

1.3.7 Women Agenda

101. The Constitution of Kenya provides for equal treatment of both men and women, including the right to equal opportunities in political, economic, cultural and social spheres. In compliance with this provision, the Government through Bottom-Up Economic Transformation Agenda has

continued to promote greater inclusion of women in order to realise gender equality, especially representation in decision making and economic empowerment, and breaking the silence on Gender Based Violence (GBV) and Female Genital Mutilation (FGM).

102. Specifically, the Government has provided financial inclusion and capacity building for women through the Hustler Fund in women-led cooperative societies, chamas, merry-go-rounds and table banking initiatives, and to take measures to protect them from predatory lending. Notably, over the last two years, the Government has: lent a total of Ksh 23 billion to 8.8 million women have borrowed from the Hustler Fund, out of the Ksh 47 billion cumulatively disbursed by the Fund; disbursed Ksh 942 million to 1.4 million women who are members of 53,000 women groups that are already accessing affordable financial facilities through the Women Enterprise Fund; and developed and submitted a proposed legislative framework on two thirds gender principle to National Assembly for consideration. Additionally, over the last two years, the Government has disbursed a total of Ksh 3.3 billion to Affirmative Action Groups and provided 132,562 needy students with bursaries and scholarships through National Government Affirmative Action Fund (NGAAF); issued sanitary towels to 2.29 million girls in 23,492 public primary schools; and built capacity of 46,745 resource persons and duty bearers on Anti- Female Genital Mutilation.

103. To prevent and protect women against domestic violence, the Government launched Protection against Domestic Violence Rules (PADV). The protection Against Domestic Violence rules provides for individuals who suspect or fall victim to aggressive behaviour, a legal redress to report their circumstances to relevant authorities and receive justice. The Government has also deployed increased personnel at the gender desks in police stations, and enhanced funding for the Anti-female Genital Mutilation Campaign, as well as upholding the dignity of girls and women, especially in learning institutions by providing menstrual hygiene products free of charge.

104. Over the medium term, the Government will continue to empower women economically through capacity building and facilitating access to affordable credit and markets through the Hustler Fund, Women Enterprise Fund and other affirmative action funds. The Government will also prioritize implementation of measures to ensure zero tolerance to FGM and gender violence as well as femicide through awareness campaigns, providing GBV essential services to survivors, establishing rescue centres and safe houses, and establishing gender desks in all police stations; and capacity building of GBV duty bearers and police officers on GBV. The Government will further promote gender equality by integrating gender perspective in designing, implementing, monitoring and evaluation of all policies, programmes and projects. This will entail: training MDACs on gender-responsive budgeting; analysing levels of compliance of MDACs on gender mainstreaming policies; and development of a framework for the implementation of the two-thirds gender principle in elective positions and a legal framework to operationalize the two-third gender principle.

1.3.8 Social Protection

105. Social Safety Nets Programs remain a priority intervention of the Government's Bottom-Up Economic Transformation Agenda geared towards poverty reduction, jobs creation and provision of income opportunities for economically excluded segments of the population. For this reason, the Government has continued to develop and expand social safety nets, and provide financial resources to vulnerable groups. Over the last three years, the Government has: provided cash transfers to 1,251,721 older Persons; 44,954 households with Persons with Disabilities (PWDs); and 259,043 households with Orphans and Vulnerable Children (OVCs) under the Inua Jamii Programme; registered and issued disability cards to 152,403 PWDs, issued assistive devices to 10,969 PWDs; provided sunscreen lotions to 3,840 Persons with Albinism; Assisted 237,638 children through the child-helpline-116; Provided scholarships to 22,300 OVCs under

the Presidential Secondary School Education programme; and registered 175,467 Community Self-Help Groups and linked them to various Micro-finance Institutions.

106. Building on the progress made, the Government will streamline the cash transfer programme for elderly and vulnerable households in order to improve operational efficiency, prompt payment, accountability, and coverage. This will entail: i) enactment of the Social Assistance (Amendment) Bill and operationalization Social Assistance Fund; ii) linkage of social protection management information systems to relevant Government information systems; iii) upgrading of the single registry; enhancing of Consolidated Cash Transfer Programme - Management Information System (CCTP-MIS); and iv) graduation for the vulnerable groups through economic empowerment. The Government will also continue to empower affirmative action groups through access to financial facilities through the National Government Affirmative Action Fund. To cushion the most vulnerable from extreme hunger, the Government will scale up the Hunger Safety Net Programme for provision of cash transfers to households in ASALs.

107. Further, the Government will continue to promote and protect rights and welfare of PWDs. Specific interventions will include: i) merging of the National Fund for the Disabled of Kenya with National Council for Persons with Disabilities; registration of PWDs to access services; provision of market-oriented skills for self-reliance; ii) implementation of albinism and autism programmes; and iii) enrolment of learners with special needs and disabilities in public primary schools. To rescue, rehabilitate, re-socialize, and re-integrate street families into society, the Government will establish a model National Street Families Rehabilitation Centre, develop a Street Families' Rehabilitation Management Information System, and undertake national street families' census.

108. To ensure attainment of 100 percent in health insurance coverage for senior citizens, the Government will continue to implement the Social Health Insurance Act, 2023 that established the three funds: the Primary Healthcare Fund, the Social Health Insurance Fund (SHIF), and the Emergency, Chronic, and Critical Illness Fund. The Act extends health insurance to all Kenyans based on member contributions, with Government-subsidized coverage for the poor; and expanded cash transfer programmes for elderly and vulnerable households to improve operational efficiency. To enhance savings rate and reduce old age poverty, the Government will continue to prioritize retirement contributions to National Social Security Fund (NSSF) and strengthening of National Informal Sector Retirement Savings Scheme that is administered through the Kenya National Entrepreneurs Savings Trust.

1.3.9 Sports, Culture and Arts

1.3.9.1 Sports and Arts

109. The Government's Bottom-Up Economic Transformation Agenda recognises the central role of sports in talent development, community empowerment, healthcare improvement and economic transformation through employment creation, income generation throughout the sports economy value chain. To realize these benefits, the Government continues to facilitate: the development of legal framework, sports and arts infrastructure, development of creative and film industry; promote sports tourism; promote anti-doping campaigns; and organisational mechanisms to promote the effective and sustainable monetisation of all talent in sports and creative economies.

110. Significant progress has been realized following implementation of these measures. These include: i) Kenya successfully won the Pamoja bid for AFCON 2027 (Kenya, Tanzania and Uganda); ii) facilitation of 112 teams to represent Kenya in various competitions and won 138 medals (49 gold, 35 silver, 54 bronze); iii) Kenya hosted 34 international sports competitions in 2023 e.g. WRC Safari Rally, Kip keino Classic, Magical Kenya Open Golf, and Nairobi City Marathon; iv) registration of a total of 707 sports organizations, licensed 11 professional sports

bodies and 58 professional sportspersons; reaching out to 44,500 persons through anti-doping education and conducted 3,520 intelligence-based tests on athletes; and v) training 6,252 athletes as well as 2,610 coaches, referees and umpires in various sports disciplines, including football, chess, basketball, volleyball, hockey and Kabaddi.

111. Over the medium term, the Government will implement ongoing initiatives including the Talanta Hela to: i) promote talents among the youths and revitalize the creative economy through identifying, nurturing and monetization of youth talents in sports and creative, digital space (Ai) and Bottom-up Football Tournament; ii) train 8,900 athletes and 5,200 technical personnel; iii) facilitate participation of 43 national teams in international sports competitions; iv) conduct 4,500 tests and sensitize 57,000 persons on Anti-Doping; v) streamline the collection and distribution of royalties to artists (including skiza tunes); and vi) review the inter-county licensing regime; and host eight (8) international sports competitions (WRC-Safari Rally Championship, World U17 Chess Championship, Sirikwa World Cross Country Championship, Kaptagat Marathon, Nairobi City Marathon, World Athletics Continental Tour, African cycling Championship and Magical Kenya Golf Open).

112. To promote development of sports and arts infrastructure, the Government will: complete construction of Talanta Sports City and facilitate upgrade of three (3) Stadia (Moi International Sports Centre Kasarani; Nyayo; and Kipchoge Keino Eldoret) in readiness for hosting the CHAN 2025 and AFCON 2027 Pamoja Bid; upgrade the existing stadia into international standards, and complete stalled regional stadia; expedite completion of second phase of Kenya Academy of Sports Complex); construction of one international standard stadium; and support establishment of constituency community multipurpose sports and arts facilities including construction of 160 constituency sports academies.

113. To promote the development of creative and film industry, the Government will: i) establish a National Creative Economy Council to regulate the creative sector; ii) develop programmes to support protection from exploitation of IP and other rights host international art and creatives festival exhibitions; iii) develop Government-powered arts and crafts industry information portal; engage artists in mentorships and apprenticeships programmes; iv) strengthen existing institutions like the Kenya Academy of Sports, the new Kenya Rallying School, the Kenya Film Commission and the Kenya National Theatre; and v) issue licenses to exhibitors, distributors and new film makers. To effectively anchor these reforms, the Sports Act and Sports Policy are undergoing review, while enactment of the Creative Economy Policy, the Creative Economy Support Bill 2024 is being fast tracked. The Bill seeks to establish a supportive environment for creatives, enhance the industry's economic impact, and create a dedicated Creative Fund.

1.3.9.2 Culture and Heritage

114. The Government's Bottom-Up Economic Transformation Agenda aims to ensure that Kenya's diverse cultures and heritage are conserved, and indigenous knowledge is commercialized. To protect and promote all forms of national culture and the cultural heritage of communities, the Government has developed and will fast track enactment of the Culture Bill, National Kiswahili Council of Kenya Bill, and the National Heritage and Museums Bill. The Government has also: i) empowered 6,000 women in bead craft production on beadwork enterprise for women in pastoralist communities; ii) established a curio mall at Sekenani under *Ushanga* Kenya Initiative; iii) documented 16 traditional cuisines for preservation of cultural services; iv) rehabilitated 32 traditional homesteads at Bomas of Kenya to improve access to cultural tourism; v) digitized 180,000 heritage collections for heritage knowledge conservation; and vi) digitized 450,000 records for preservation and conservation of public archives and public records.

115. Over the medium term, the Government will prioritize empowerment of the cultural practitioners through: i) the establishment of a national arts gallery and promotion of the Kenya

National Music and Cultural Festival; ii) conducting cultural exchange projects (cultural festivals, inter-cultural exchange and dialogue); iii) mapping and documenting Kenya's indigenous languages; iv) establishing an integrated national cultural and creative industries information management system; and v) identification and honouring heroes and heroines during national holiday celebrations to commemorate their heroic deeds and providing support services to the heroes and heroines in need. The Government will also build capacity of 500 women and youths in modern designs and technologies; digitize and commercialize beaded products from target pastoralist communities; protection and preservation of Ushanga products and trade mark; promote development of Ushanga and Johari products for target markets and portfolio; and operationalize Ushanga State Agency; and construction of an Ushanga Mall at Sekanani Gate in Narok County.

1.3.10 Youth Empowerment and Development Agenda

116. Youth empowerment and development remains an integral part of the Government's Bottom-up Economic Transformation Agenda and essential to the entire plan. For this reason, the Government has implemented initiatives anchored on the Kenya Young People's Agenda with aim of developing entrepreneurial and life skills and enhancing employability of the youth, and unlocking the potential of Micro, Small and Medium Enterprises (MSMEs) owned by the youth. Notable progress has been made on this front over the last three years. In part, the Government has: trained 201,418 youth on life skills, core business skills, job-specific skills and entrepreneurship skills that led to creation of 187,451 employment opportunities; disbursed loans worth Ksh 1.24 billion to 95,664 youth entrepreneurs; operationalized 83 Youth Empowerment Centres (YECs), completed construction of YECS, and facilitated 1,059,480 youth to access services at the Centers; Identified and nurtured 5,200 youth talents and engaged 3,915 youth in green jobs.

117. Building on the progress made, the Government will over the medium term: disburse Ksh 1.35 billion to 47,361 youth entrepreneurs; continue to enhance skills development among the youth through training 80,000 youth on apprenticeship, life skills, and market specific technical skills for employment creation; engage 219,042 youth in intergenerational dialogue, and 215,702 youth in environmental conservation; equip 150 Youth Empowerment Centres (YECs) and facilitate 2,500,000 youth to access youth empowerment services at YECs; train 43,000 youth in leadership and governance, enrol 32,100 young people in the President's Award programme; and collaborate with the TVET ecosystem to bridge the gap between industry and training; and transforming the youth labour market through evidence and credible data.

1.3.11 Governance

118. Corruption including wastage of public resources remain serious threats to the realization of the aspirations of the Bottom-Up Economic Transformation Agenda. To strengthen the framework for governance and anti-corruption including improving accountability and transparency, the Government has implemented a number of reforms that include:

- i) Published the Kenya's Access to Information (General) Regulations in 2023 that guides on the procedure for proactive disclosure of information by public entities and private bodies; and the procedure for requesting access to information thereby improving access to information by the public;
- ii) Developed the Conflict-of-Interest Bill in line with best practices, to ensure responsible use of public funds would help elevate trust in government and public financial management. The Governance shall fast track enactment of the Bill that is currently is being reviewed by a meditation committee comprising of members of the National Assembly and the Senate.

Going forward, the Government committing to full automation and publication of asset declarations of high-level public officials; and

- iii) Strengthened the capacity of the Judiciary for efficient adjudication of corruption cases and improving access to justice through facilitating judicial appointments and provision of adequate infrastructure.

119. Consequently, the Government was able to: complete 377 investigation files on corruption cases; process 681 files on economic crimes; avert Ksh 10.9 billion in potential losses; recover Ksh 17.7 billion from corruptly acquired assets; and reach 37.77 million Kenyans through awareness and sensitization on ethics & anti-corruption over the last three years. Over the medium term, the Government will build on the progress made by: prioritizing implementation of key reforms to address deficiencies in governance, anti-corruption frameworks and AML/CFT, including leveraging on the requested governance diagnostic by International Monetary Fund; scaling up the implementation of the provision of the Constitution; strengthening the rule of law; increasing access to justice; and ensuring respect for Human rights, equality and inclusion. This will enhance the effective implementation of BETA priorities, enhance public policy credibility and garner public trust, and provide an enabling environment for private investment, including finance to build climate resilience.

120. As part of the process, the Government will champion broader engagement through timely and open communication and public participation throughout public policy making process including to enhance accountability and renew political and social support. Further, the Government will continue to strengthen various institutions that are mandated to fight corruption in the country, implement reforms on good governance and enhance the capacity to recover corruptly acquired assets. In part, the Government will prioritize judicial and legal services transformation through the expansion of infrastructure, automation of court processes, and recruitment of personnel. Specific interventions will include:

- i) To enhance accountability and promote responsibility for the use of public resources, the Government will introduce measures to levy a surcharge against any accounting officer or other public officer who has, by their actions or omissions, occasioned loss of public resources in accordance with Articles 226 (5), 201 (d); and 232 (b) of the Constitution;
- ii) To facilitate expeditious investigation and prosecution of all offences related to corruption and economic crimes, the Government will fast track amendments of the relevant statutes, including the Evidence Act and the Criminal Procedure Code, and provide for their determination within 6 months;
- iii) To make it easier and safer for citizens and whistle-blowers to come forward and report corruption and economic crimes, the Government shall consider relevant amendments to the Witness Protection Act to enhance appropriate incentives; and
- iv) To manage conflicts arising in the discharge of official duties, the Government will fast track enactment of the Conflict of Interests Bill. The Bill prohibits public officers from engaging in activities that conflict with public interest, imposes obligations to declare potential conflicts, and creates penalties for violations.

1.3.11.1 Public Service Transformation

121. The Government continues to implement Public Service Transformation Strategy aimed at creating an efficient and effective public service, and a highly motivated human resource capacity for efficient public service delivery as envisaged under Bottom-Up Economic Transformation Agenda and the Kenya Vision 2030. The Strategy seeks to enhance responsible and accountable public service in the wake of globalisation, digital governance, and online enterprise. Progress has been made in the implementation of the Strategy. In particular, the

Government has: upgraded the Government Human Resource Information System (GHRIS); and sensitized 9,616 officers on the Public Service Guidance and Counselling Policy.

122. Over the medium term, the Government will strengthen implementation of ongoing reforms to transform the Public Service that is centred on performance management and productivity. Accordingly, the Government will introduce a robust and integrated performance management architecture that provide for standardised tools for measuring service delivery across the Public Service, including State corporations and public universities, and across both levels of Government. To realize this, the Government will employ the Whole-of-Government Approach to revamp, re-institutionalise and drive a citizen-centric performance management system. Further, the Government will implement a Unified Personal Identification system for all personnel working across all the arms of Government, including constitutional commissions. The System seeks to improve human resource management and eliminate the ‘ghost worker’ payroll fraud at all levels of Government. The Government will also introduce a legal and institutional framework for mandatory and continuous vetting of all public officers. The same framework will provide the repository of wealth declarations across the entirety of Government under one office.

123. To strengthen and nurture strong leadership within the Public Service, the Government will continue to implement the Public Service Emerging Leaders Fellowship (PSELF) and Public Service Internship Programme (PSIP). To improve the sustainability and institutionalisation of the Public Service Internship Programme, the Government will develop a framework to partner with private sector organisations; and anchor the programme in law by amending the Public Service Commission Act.

1.3.11.2 Strengthening Leadership Accountability and De-Personalising Politics

124. The Government continues to implement various initiatives and strategies geared towards enhancing transparency, accountability and leadership effectiveness. Specifically, the Government has: been conducting public participation and consultations throughout policy making processes through town hall meetings and other forums for citizens to engage and hold the Government accountable in compliance with the Constitution; made efforts to improve the efficiency and professionalism of the civil service through hiring, training, and performance evaluation of civil servants; developed Public Policy Handbook and Guidelines for the development of Government Policy and Legislation; and developed the Government Legislative Agenda schedule (repository).

125. The Government will build on the progress made to strengthen overall leadership and accountability by developing a framework to promote open governance; promoting a culture of adherence to the rule of law; strengthening electoral and political processes, democracy and public participation; and reviving and roll-out an integrated public complaints referral mechanism system. The Government will also promote coordination of Government Legislative Agenda (GLA) and Parliamentary liaison across all Ministries and State Departments; and promote inter-agency coordination and synergy in the development of legislation and policy, and strengthen the relationship between Parliament and the Executive for the efficient dispatch of Government business.

1.3.11.3 Strengthening Devolution

126. The implementation of the devolved system of governance has recorded significant progress, including the transfer of functions and resources to County Governments, development of policies, laws and legislations to support devolution, and alignment of sectoral laws to the Constitution. The total equitable share allocation to the counties amounted to Ksh 3.3 trillion since inception of devolution in 2013. The county equitable share of national revenue increased from Ksh 190 billion in 2013/2014 to Ksh 385 billion in FY 2023/24.

127. Over the medium term, the National Government will continue disbursing funds to counties in a more efficient and timely way; and supporting counties to improve their capacity to generate their own source revenue reduce over-reliance on transfers from the National Government. Government will also complete transfer of all functions constitutionally earmarked to counties and develop a framework for ensuring that state-owned firms carrying out devolved or shared functions adhere to the principles of governance and ensure that the principle of funding-follows-functions is adhered to with respect to all devolved functions. Further, the Government will enhance intergovernmental cooperation and consultations through the intergovernmental sector forums, convening Intergovernmental Budget and Economic Council and Summit meetings that facilitate coordination of both levels of Government, and internally within counties and National Government institutions.

1.3.11.4 Security

128. The security and safety of all citizens remains a critical enabler for sustaining socio-economic transformation, attaining the Bottom-Up Economic Transformation Agenda and other priority programmes as outlined in the Fourth Medium Term Plan of Vision 2030. For this reason, the Government has continued to invest significant resources and implement a wide range of reforms to improve the capacity of the security forces to protect Kenyans and their property against internal and external threats.

129. Progress has been made in the implementation of these reforms over the last three years including: reduced crime rate per population of 100,000 from 148 to 142; equipment of forensic laboratory with up to 51.8 percent level of equipping to aid investigations; completion of 7 previously stalled construction projects; operationalization of 18 Administration Police Sub-County Headquarters for better delivery of policing services; completion of investigation of 102,275 out of 110,080 reported traffic cases; and completion of the construction of the National Police Service Referral Hospital –Mbagathi.

130. Building on the progress made, the Government will continue to strengthen the security capabilities through the recruitment of additional police, prison and military officers and expansion of prison, police and military infrastructure and equipment. To improve the welfare of security personnel, priority will be accorded to development of infrastructure in support of their operations, training, healthcare and housing requirements. The Government will also prioritize: digitization of police stations and services; modernization of security products and services including national ID, unique personal identifier and passports to enhance access to services.

1.3.12 Foreign Policy and Regional Integration

131. The Kenya's Foreign Policy is anchored on five interlinked pillars of diplomacy that guides the country's relations and diplomatic engagements with the rest of the world. These include: i) Economic and Commercial Diplomacy Pillar; ii) Peace Diplomacy Pillar; iii) Environmental Diplomacy Pillar; iv) Cultural Diplomacy Pillar; and v) Diaspora Diplomacy Pillar. The Government has continued to enhance Kenya's role in the international arena by focusing on the following key result areas: i) project, promote and protect Kenya's interests and image globally; ii) promote global and regional peace, security and stability; iii) safeguard Kenya's sovereignty and territorial integrity; iv) promote economic cooperation, and commercial diplomacy; v) strengthen public diplomacy and stakeholders engagement; vi) enhance provision of consular services; and strengthen policy, legal and institutional capacity.

132. Notable achievements have been realized for the past two years. The Government has: facilitated high-level visits (outbound 84 and 80 inbound); operationalized five (5) fully-fledged diplomatic Missions in Abidjan, Rabat, Bern, Jakarta and Maputo; three (3) Consulates in Goma, Jeddah & Arusha and a Liaison Office in Hargeisa; successfully lobbied for the election of 23

Country and 21 individual candidatures into international policy-making organs; facilitated Evacuation of 1,329 Kenyans in distress as well as the repatriation of 74 mortal remains of deceased Kenyans abroad; Offered mobile consular services (I.Ds, Passports, Birth certificates) to 13,500 Kenyans in 46 countries around the world; coordinated 57 Joint Commissions for Cooperation (JCC)/Joint Permanent Commissions for Cooperation (JPCC); and coordinated processing to conclusion of 168 international agreements and MOUs.

133. Over the medium term, to entrench Kenya's significance in world affairs, the Government will finalize the review of the Kenya Foreign Policy 2024 to make it relevant, effective, and inclusive in advancing the country's national interests and the common good through diplomatic means. The Policy provides a comprehensive framework for guiding the nation's foreign relations and diplomatic efforts as Kenya prepares to transition from the 2014 Foreign Policy framework. The Foreign Policy objectives are structured around seven interlinked focus areas, including peace and security diplomacy, economic and commercial diplomacy, socio-cultural, diaspora, digital, environmental and climate diplomacy.

1.3.12.1 Economic and Commercial Diplomacy

134. Economic and commercial diplomacy is one of the pillars of Kenya's Foreign Policy. The goal of Economic and Commercial Diplomacy in Kenya is to create a strong and sustainable economic transformation to achieve social and economic development in line with the goals of the Bottom-Up Economic Transformation Agenda and the Kenya Vision 2030. Towards this end, the Government will prioritize implementation of reforms aimed at: i) increasing capital flows to Kenya and the East African region; supporting export promotion and investment by Kenyan enterprises within the region and beyond; ii) promoting the country as a favourite destination for foreign direct investment, tourism, and conferencing; iii) expanding access to traditional markets and explore new destinations for Kenya's exports; iv) enhancing technological advancement by exploring new sources of affordable and appropriate technology; v) supporting the exploration of alternative sources of traditional and renewable energy; vi) strengthening regional economic communities and organizations to serve as competitive spring boards to emerging and global markets; and vii) promoting fair trade and equitable bilateral, regional and multilateral trade agreements.

135. Kenya is a member of the multilateral trading system such as the World Trade Organization (WTO) and the United National Conference on Trade and Development (UNCTAD). At the continental level, Kenya is an active member of the Africa Continental Free Trade Area (AfCFTA), and an African Caribbean and Pacific (ACP) country signatory to the Cotonou Agreement, The East Africa Community (EAC), the Common Market for Eastern and Southern Africa (COMESA) and the Tripartite arrangements i.e. COMESA-EAC-SADC. To unlock the potential of Kenya's commercial and trade relations, the Government will continue to promote bilateral cooperation in trade and investment, increase the uptake of Kenya's trade and investment opportunities in the EAC region; enhance the regional integration by providing a better business environment through liberalization of regional trade, investment facilitation, and facilitation of the movement of goods, services, capital and people across regional borders.

1.3.12.2 Anchor State

136. The Government will continue to strengthen Kenya's profile as regional role as an anchor state in regional, continental, and global affairs. Underlying Kenya's Peace and Security Diplomacy is the recognition of peace and stability as necessary pre-conditions for development and prosperity. Linked to this, is Kenya's conviction that its own stability and economic wellbeing are dependent on the stability of the sub-region, Africa and the rest of the world.

137. Kenya's importance as security actor and anchor state has grown overtime. The country, which served on the UN Security Council in 2021-2022, is one of the only African members of

the Ukraine Defence Contact Group. Kenya participates in Operation Prosperity Guardian, a maritime taskforce launched by the United States in response to Houthi attacks against vessels in the Red Sea. With the support of the United States, the country is leading a new Multinational Security Support mission in Haiti, where gangs have taken over much of the capital.

138. Over the medium term, the Government will continue to strengthen Kenya's profile as regional role as an anchor state by: i) promoting the resolution of conflicts by peaceful means; ii) collaborating with other African countries to strengthen the conflict prevention, management and resolution capacity of regional institutions, including the East African Community (EAC), Inter Governmental Authority on Development (IGAD), Common Market for Eastern and Southern Africa (COMESA) and the African Union (AU) with the aim of promoting sustainable peace and development; iii) supporting peace efforts by the African Union and the United Nations through contributing troops and providing leadership in peacekeeping missions within the continent and globally; and iv) creating conflict analysis and prevention capacity nationally and in the region through the Foreign Service Academy. In pursuing these objectives, Kenya's foreign peace diplomacy continues to draw on Kenya's experiences in mediation, conflict resolution and peacekeeping. Further, Kenya will continue to support institutions that are involved in peace keeping in the Continent which include International Peace Support Training Centre and East African Standby Force Command, among others.

1.3.12.3 Global Citizenship

139. The Government continues to deepen bonds with long-standing international and bilateral partners including the African Union, the East African Community and the United Nations and its affiliates to address various issues such as peace and security, trade, human rights and environmental protection shaped by its foreign policy objectives, economic interests, and regional dynamics. The Government's involvement with global debate on Sustainable Development has given the country leverage in building blocks for an enhanced role and contributions particularly emerging issues such as Climate Change, Oceans and Blue Economy and the quest for the reformation of international organizations to ensure equity and fair representation of all member states. In undertaking this renewed role at the global level, Kenya has established its credentials as a global champion for multilateralism and a proponent of a rule-based multilateral system. Furthermore, Kenya has assumed a lead role in the African Union's efforts to strengthen relations with the People of African Descent, the 6th Regional Constituency; under the framework of the Organization of African, Caribbean and Pacific States.

1.3.12.4 Diaspora

140. Kenyans living abroad have huge potential to contribute to development through increased remittances to a tune of Ksh 1 trillion by 2027. To realize this, the Government will prioritize programmes on facilitating increase in diaspora savings, investments, and remittances; promoting continuous dialogue and engagement with Kenyans abroad, protecting Diaspora rights and championing their welfare; and enhancing diaspora labour mobility, placements and enabling technology transfers. As part of the process, the Government will prioritize implementation of the Diaspora Policy 2024 that seeks to protect, empower and prosper, promote continuous dialogue and engagement with Kenyan diaspora and integration them into the national development agenda. The Government will also facilitate implementation of the Diaspora Integrated Information Management System (DIIMS) and operate a 24-hour response centre for both evacuation and repatriation of diaspora during distress period.

II. RECENT ECONOMIC DEVELOPMENTS AND MEDIUM-TERM OUTLOOK

2.1 Global Economic Outlook

141. Global economy has stabilized with global growth projected at 3.2 percent in 2024 and 2025 from 3.3 percent in 2023 supported by easing of global inflation and supply chain constraints (Table 2.1). The outlook reflects stronger-than-expected growth in the USA, some large emerging market economies such as India, and improved growth prospects in the UK. The main risks to the global growth outlook relate to disruptions to the disinflation process, potentially triggered by new spikes in commodity prices amid persistent geopolitical tensions, a possible resurgence of financial market volatility with adverse effects on sovereign debt markets, a deeper growth slowdown in China and an intensification of protectionist policies which would exacerbate trade tensions, reduce market efficiency, and further disrupt supply chains.

Table 2.1: Global Economic Performance

Economy	Growth (%)			
	Actual	Estimate	Projections	
	2022	2023	2024	2025
World	3.5	3.3	3.2	3.2
Advanced Economies	2.6	1.7	1.8	1.8
<i>Of which: USA</i>	1.9	2.9	2.8	2.2
<i>Euro Area</i>	3.4	0.4	0.8	1.2
<i>Japan</i>	1.0	1.7	0.3	1.1
Emerging and Developing Economies	4.1	4.4	4.2	4.2
<i>Of which: China</i>	3.0	5.2	4.8	4.5
<i>India</i>	7.0	8.2	7.0	6.5
Sub-Saharan Africa	4.0	3.6	3.6	4.2
<i>Of which: South Africa</i>	1.9	0.7	1.1	1.5
Nigeria	3.3	2.9	2.9	3.2
Kenya*	4.9	5.6	5.2	5.4

Source: IMF World Economic Outlook, October 2024. *National Treasury Projection

142. Growth in the advanced economies is projected to remain stable at 1.8 percent in 2024 and 2025 from 1.7 percent in 2023. In the United States, growth is projected at 2.8 percent in 2024 on account of stronger outturns in consumption and non-residential investment and demand factors in the labour market. Growth is anticipated to slow to 2.2 percent in 2025 as fiscal policy is gradually tightened and a cooling labor market slows consumption. Growth in the euro area is expected to recover as a result of better export performance, in particular of goods, stronger domestic demand, rising real wages which are expected to boost consumption, and a gradual loosening of monetary policy which is expected to support investment. However, growth in Japan is expected to slowdown reflecting temporary supply disruptions and fading of one-off factors that boosted activity in 2023, such as the surge in tourism.

143. Growth in emerging markets and developing economies is projected to remain stable at 4.2 percent in 2024 and 2025, with divergence across major economies. At the regional level, growth in Sub-Saharan Africa is expected to rebound to 4.2 percent in 2025 from 3.6 percent in 2024 and 2023. This growth is driven by improved economic activities as the adverse impacts of prior weather shocks subside and supply constraints gradually ease.

2.2 Domestic Economic Performance

144. The Kenyan economy remained strong and resilient in the first three quarters of 2024 despite its growth being relatively slower than the corresponding period in 2023. In the first three quarters of 2024, the economic growth averaged 4.5 percent (5.0 percent Q1, 4.6 percent Q2 and 4.0 percent in Q3) compared to an average growth of 5.6 percent (5.5 percent Q1, 5.6 percent Q2 and 6.0 percent in Q3) in 2023. The growth in the first three quarters of 2024 was primarily underpinned by strong performance in the agriculture sector, a slight recovery of the manufacturing sector, and the resilience of services sector. All the economic sub-sectors except mining and construction recorded positive growth rates in the first the quarters of 2024, though the magnitudes varied across the economic activities (**Table 2.2**). The diversified structure of the Kenyan economy remains a key source of resilience to domestic and external shocks.

Table 2.2: Sectoral GDP Performance

Sectors	Annual Growth Rates		Quarterly Growth Rates					
	2022	2023	2023 Q1	2023 Q2	2023 Q4	2024 Q1	2024 Q2	2024 Q3
1. Primary Industry	(0.8)	5.6	5.3	6.9	5.3	5.0	4.4	3.2
1.1. Agriculture, Forestry and Fishing	(1.5)	6.5	6.4	7.8	6.2	6.1	4.8	4.2
1.2. Mining and Quarrying	9.3	(6.5)	(11.0)	(8.3)	(6.9)	(14.8)	(2.7)	(11.1)
2. Secondary Sector (Industry)	3.5	2.5	2.5	2.1	2.0	1.0	0.8	0.6
2.1. Manufacturing	2.6	2.0	1.7	1.5	2.0	1.2	3.3	2.3
2.2. Electricity and Water supply	5.5	2.8	3.7	2.8	1.3	2.4	1.0	0.9
2.3. Construction	4.1	3.0	3.0	2.7	2.2	0.1	(2.9)	(2.0)
3. Tertiary sector (Services)	6.6	6.8	6.5	6.7	6.3	6.2	5.3	5.3
3.1. Wholesale and Retail trade	3.5	2.7	2.9	2.1	2.8	4.9	4.4	4.8
3.2. Accommodation and Restaurant	26.8	33.6	47.1	42.7	18.1	28.0	26.6	13.7
3.3. Transport and Storage	5.8	6.2	6.6	4.6	8.5	3.9	3.6	5.2
3.4. Information and Communication	9.0	9.3	9.5	7.6	11.0	7.8	7.2	6.1
3.5. Financial and Insurance	12.0	10.1	5.9	13.2	6.3	7.0	5.1	4.7
3.6. Public Administration	5.1	4.6	7.6	3.2	3.4	5.8	5.1	5.4
3.7. Others	5.3	6.1	5.7	5.9	6.1	5.9	5.1	5.1
of which: Professional, Admin & Support Services	9.4	9.4	8.6	6.6	12.8	9.9	6.8	7.8
Real Estate	4.5	7.3	7.3	8.1	6.2	6.6	6.0	5.5
Education	5.2	3.1	2.0	3.1	3.9	4.0	3.1	3.8
Health	3.4	4.9	5.1	4.7	4.8	5.5	5.5	4.4
Taxes less subsidies	6.7	2.2	3.0	1.8	2.0	4.5	5.8	3.4
Real GDP	4.9	5.6	5.5	5.6	5.1	5.0	4.6	4.0

Source of Data: Kenya National Bureau of Statistics

145. **The primary sector** grew by an average of 4.2 percent in the first three quarters of 2024 (5.0 percent in the first quarter, 4.4 percent in the second quarter and 3.2 percent in the third quarter) mainly supported by strong agricultural activities despite a contraction in mining and quarrying. In the first three quarters of 2024, the agriculture sector remained robust growing by 6.1 percent in the first quarter, 4.8 percent in the second quarter and 4.2 percent in the third quarter. This growth was supported by favorable weather conditions and the impact of Government interventions to lower the cost of production. However, the sectors' performance

was somewhat curtailed by heavy rains and floods, between March and June 2024, that led to loss of livestock and damage to croplands.

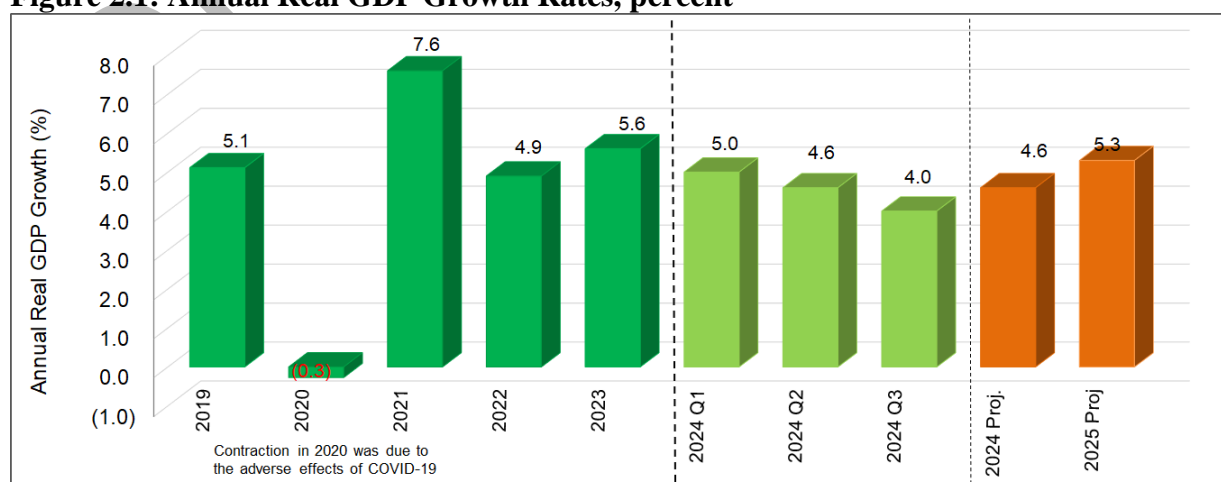
146. Activities in Mining and Quarrying contracted in the first three quarters of 2024 mainly due to a decline in production of most minerals such as titanium, soda ash and gemstone. This was as a result of the closure of Kwale miner Base Titanium which formally shut down its mining activity in Kenya in December 2024 due to depletion of commercially viable ore.

147. **Industrial sector performance** remained subdued, with growth of the sector slowing down to an average of 0.8 percent in the first three quarters of 2024 (1.0 percent Q1, 0.8 percent Q2 and 0.6 percent Q3). This was mainly on account of a slowdown in activities from electricity & water supply and contraction of the construction sub-sectors. The slowed growth in electricity & water supply was due to a decline in generation of electricity from geothermal, wind and solar while the contraction in construction sector is due to a slowdown in public sector infrastructure projects. Activities in the manufacturing sector, which accounts for nearly half of the industrial sector output, was supported by significant growths in the manufacture of food while the non-food manufacturing activities recorded varied performance.

148. The activities in the **services sector** continued to sustain strong growth momentum in the first three quarters of 2024 averaging 5.6 percent (6.2 percent Q1, 5.3 percent Q2 and 5.3 percent Q3). The performance was largely characterized by significant growths in accommodation and food service, financial and insurance, information and communication, real estate, and wholesale and retail trade sub-sectors. Accommodation and restaurant service sub-sector benefited from several high-profile international conferences held in Nairobi between April and June 2024 that attracted significant international participation. Growth in the information and communication sub-sector was supported by increased voice traffic, internet use and mobile money despite a decline in the use of domestic Short Messaging Services (SMSs).

149. Taking into account the performance of the economy in the first three quarters of 2024 and the slowdown in private sector credit growth to key sectors of the economy growth is estimated to expand overall by 4.6 percent in 2024 and 5.3 percent in 2025. These projections are mainly supported by: a robust services sector and recovery of manufacturing sector; robust agricultural productivity and improvement in exports. The outlook will be reinforced by implementation of policies and reforms under the priority sectors of the Bottom-Up Economic Transformation Agenda (BETA) and improvement in aggregate demand. Additionally, implementation of prudent fiscal and monetary policies will continue to support economic activity (**Figure 2.1**).

Figure 2.1: Annual Real GDP Growth Rates, percent

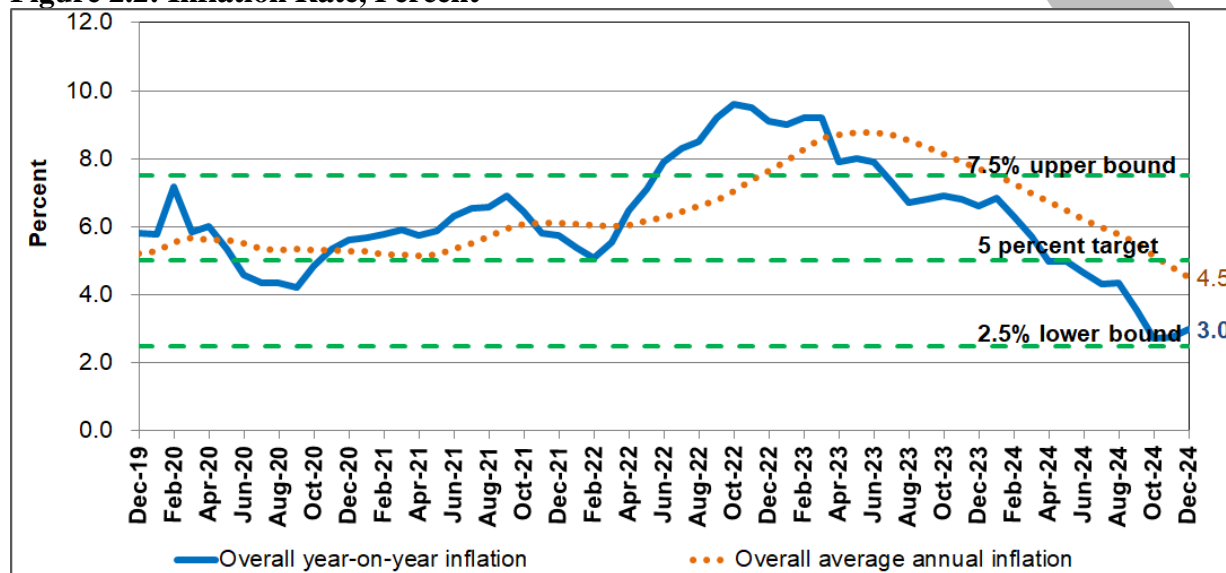


Source of Data: Kenya National Bureau of Statistics

Inflation Developments

150. Overall inflation declined and has remained below the mid-point of the target band of 5.0 percent since June 2024, mainly reflecting significant declines in energy prices and continued easing of food prices. Inflation declined to 3.0 percent in December 2024 from 6.6 percent in December 2024 and a peak of 9.6 percent in October 2022 (Figure 2.2). Easing inflation has been supported by abundant supply of food arising from favorable weather conditions, lower fuel inflation attributed to appreciation of the exchange rate and lower international oil prices, and the decline in non-food non-fuel (NFNF) inflation reflecting impact of previous monetary policy tightening.

Figure 2.2: Inflation Rate, Percent



Source of Data: Kenya National Bureau of Statistics

151. Food inflation remained a key driver of overall year-on-year inflation though it declined to 4.8 percent in December 2024 from 7.7 percent in December 2023. The easing of food prices was supported by increased food supply arising from favorable weather conditions, continued Government interventions particularly through subsidized fertilizer, and the general easing of international food prices. Prices of most vegetable food items increased in the month of December 2024 compared to the same period in 2023 while those of non-vegetable food items declined significantly during the same period.

152. Fuel inflation declined to -1.0 percent in December 2024 from 13.7 percent in December 2023. The decline largely reflected the easing global oil prices and appreciation of the Kenya Shilling's which resulted in a downward adjustment of pump prices; and lower electricity prices. Core (non-food non-fuel) inflation has remained low and stable reflecting the impact of tight monetary policy and muted demand pressures.

153. Given that inflation is below the mid-point of the target range and the exchange rate has stabilized, the Central Bank of Kenya through the Monetary Policy Committee (MPC) has gradually eased monetary policy by lowering the Central Bank Rate (CBR), initially to 12.75 percent from 13 percent in August 2024 to 12.0 percent in October 2024 and further to 11.25 percent in December 2024. The easing of the monetary policy stance is aimed at improving credit to the private sector thereby supporting economic activities.

Monetary and Credit Developments

154. Broad money supply, M3, grew by 1.6 percent in the year to November 2024 compared to a growth of 21.1 percent in the year to November 2023 (**Table 2.3**). The slowdown in growth of M3 was due to a decline in the growth of Net Domestic Assets (NDA) particularly the domestic credit. The primary source of the growth in M3 was the resilience in the Net Foreign Assets (NFA) of the banking system, mainly reflected in the stability of commercial banks' Foreign Assets.

155. Net Domestic Assets (NDA) contracted by 2.2 percent in the year to September 2024, compared to a growth of 10.9 percent over a similar period in 2023. The slowdown in growth of the NDA was due to a decline in growth of the domestic credit to the private sector. The domestic credit extended by the banking system to the Government increased to grow by 16.6 percent in the year to November 2024 compared to a growth of 14.4 percent in the year to November 2023.

Table 2.3: Money and Credit Developments (12 Months to November 2024, Ksh billion)

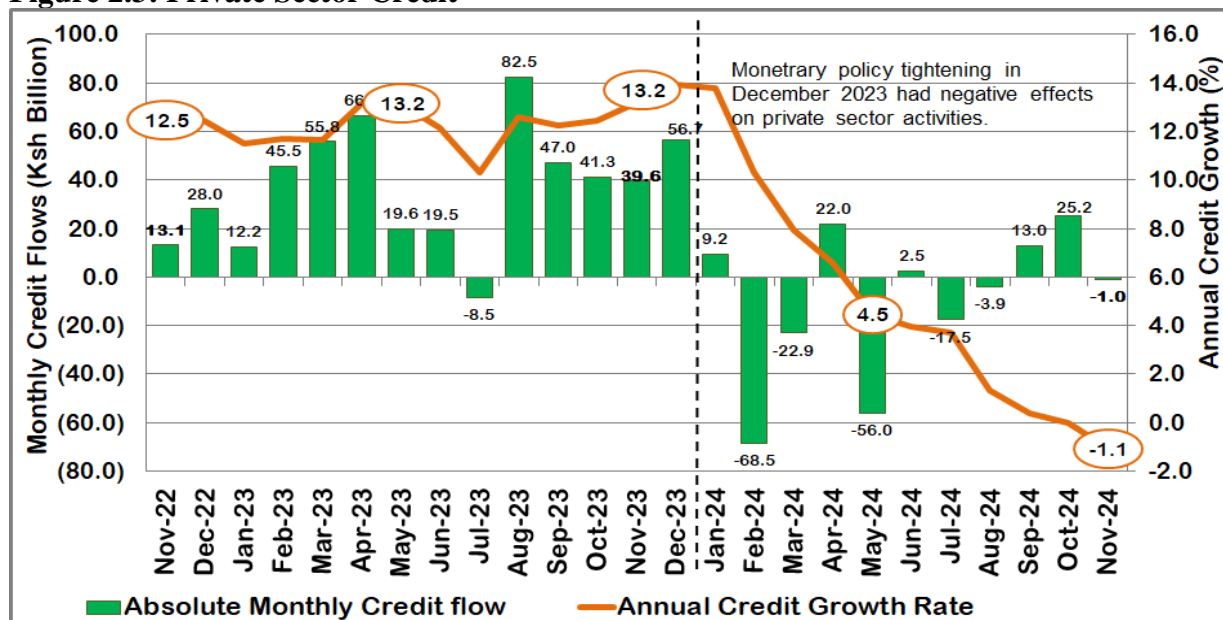
				Change		Percent Change	
	2022 November	2023 November	2024 November	2022-2023 November	2023-2024 November	2022-2023 November	2023-2024 November
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	1,902.0	2,012.5	2,057.9	110.5	45.4	5.8	2.3
1.1 currency outside banks (M0)	252.2	272.7	291.1	20.5	18.4	8.1	6.7
1.2 Demand deposits	1,560.6	1,656.0	1,608.8	95.4	(47.2)	6.1	(2.9)
1.3 Other deposits at CBK	89.2	83.8	158.0	(5.4)	74.2	(6.0)	88.6
2. Money supply, M2 (1+2.1)	3,537.3	3,906.3	4,179.9	369.0	273.6	10.4	7.0
2.1 Time and savings deposits	1,635.3	1,893.8	2,121.9	258.5	228.2	15.8	12.0
Money supply, M3 (2+3.1)	4,460.2	5,402.6	5,490.3	942.4	87.7	21.1	1.6
3.1 Foreign currency deposits	922.9	1,496.3	1,310.5	573.4	(185.9)	62.1	(12.4)
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	276.0	771.8	854.1	495.8	82.4	179.6	10.7
1.1 Central Bank	531.7	497.1	557.9	(34.5)	60.8	(6.5)	12.2
1.2 Banking Institutions	(255.7)	274.6	296.2	530.3	21.6	207.4	7.9
2. Net domestic assets (2.1+2.2)	4,184.2	4,630.8	4,636.2	446.6	5.4	10.7	0.1
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	5,425.2	6,186.8	6,472.1	761.6	285.3	14.0	4.6
2.1.1 Government (net)	1,940.4	2,220.7	2,589.7	280.4	369.0	14.4	16.6
2.1.2 Other public sector	79.3	111.6	69.1	32.3	(42.6)	40.7	(38.1)
2.1.3 Private sector	3,405.5	3,854.5	3,813.3	448.9	(41.1)	13.2	(1.1)
2.2 Other assets net	(1,241.1)	(1,556.0)	(1,836.0)	(315.0)	(279.9)	(25.4)	(18.0)

Source of Data: Central Bank of Kenya

156. Growth in private sector credit from the banking system declined by 1.1 percent in the year to November 2024 compared to a growth of 13.2 percent in the year to November 2023, due to the impact of exchange rate appreciation on foreign currency denominated loans and the lagged effects of monetary policy tightening. Reduced credit growth was observed in manufacturing, finance and insurance, trade (exports) and building and construction sub-sector. These are some of the sub-sectors with significant foreign currency denominated loans.

157. The Monthly (month on month) credit flows to the private sector have slowed down since December 2023 following the monetary policy action of increasing the central bank rate to manage inflation expectation which resulted in the increased cost of credit (**Figure 2.3**). With the strong easing of monetary policy stance, credit to the private sector is expected to recover as lending rates decline. Sustained demand particularly for working capital due to resilient economic activity and the implementation of the Credit Guarantee Scheme for the vulnerable MSMEs will continue to support private sector credit uptake.

Figure 2.3: Private Sector Credit

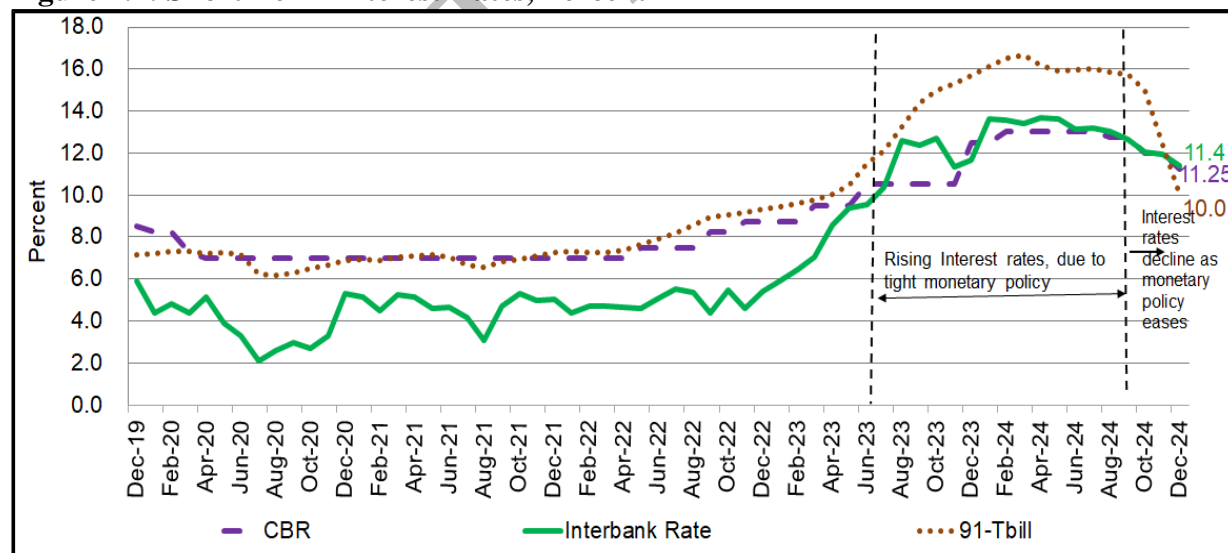


Source of Data: Central Bank of Kenya

Interest Rates Developments

158. Interest rates have declined in line with the easing of the monetary policy. The interbank rate declined to 11.4 percent in December 2024 compared to 11.7 percent in December 2023 and has remained within the prescribed corridor around the CBR (set at CBR± 150 basis points). The 91-day Treasury Bills rate also declined to 10.0 percent in December 2024 from 15.7 percent in December 2023 (Figure 2.4).

Figure 2.4: Short Term Interest Rates, Percent



Source of Data: Central Bank of Kenya

159. Commercial banks average lending and deposit rates increased in the year to November 2024 in tandem with prevailing tight monetary policy stance thereby reflecting high cost of investable funds. The average lending rate increased to 17.2 percent in November 2024 from 14.6 percent in November 2023 while the average deposit rate increased to 10.4 percent from 10.1 percent over the same period. Consequently, the average interest rate spread increased to 6.8 percent in November 2024 from 4.5 percent in November 2023.

External Sector Developments

160. The current account deficit was at US\$. 4,537.9 million (3.6 percent of GDP) in November 2024 compared to US\$ 4,354.5 million (4.4 percent of GDP) in November 2023, reflecting strong performance of export of goods as well as increased remittances (**Table 2.4**). Goods imports increased by 7.5 percent in the 12 months to November 2024, reflecting increases in intermediate and capital goods. On the other hand, in the year to November 2024, goods exports increased by 12.9 percent in the 12 months to November 2024, reflecting increased exports of agricultural commodities and re-exports. The balance in the merchandise account deteriorated by US\$. 372.3 million to a deficit of US\$. 10,539.7 million in November 2024 mainly because the increase in import bill more than offset the increase in exports.

Table 2.4: Balance of Payments (USD Million)

				Year to November 2024		Actuals as a Percent of GDP	
	Nov-22	Nov-23	Nov-24	Change	Percent Change	Nov-23	Nov-24
Overall Balance	2,149.9	979.9	(1,500.7)	(2,480.6)	(253.2)	1.0	(1.2)
A) Current Account	(6,134.4)	(4,354.5)	(4,537.9)	(183.4)	(4.2)	(4.4)	(3.6)
<i>Merchandise Account (a-b)</i>	(12,231.8)	(10,167.5)	(10,539.7)	(372.3)	(3.7)	(10.3)	(8.3)
a) Goods: exports	7,472.9	7,234.9	8,171.6	936.7	12.9	7.3	6.4
b) Goods: imports	19,704.7	17,402.4	18,711.4	1,309.0	7.5	17.6	14.7
<i>Net Services (c-d)</i>	1,381.9	688.9	675.7	(13.1)	(1.9)	0.7	0.5
c) Services: credit	6,539.7	5,685.8	5,513.7	(172.1)	(3.0)	5.8	4.3
d) Services: debit	5,157.9	4,996.9	4,838.0	(159.0)	(3.2)	5.1	3.8
<i>Net Primary Income (e-f)</i>	(1,741.5)	(1,923.3)	(2,190.2)	(266.9)	(13.9)	(1.9)	(1.7)
e) Primary income: credit	143.3	196.9	292.4	95.5	48.5	0.2	0.2
f) Primary income: debit	1,884.8	2,120.1	2,482.6	362.4	17.1	2.1	1.9
<i>Net Secondary Income</i>	6,457.0	7,047.4	7,516.3	469.0	6.7	7.1	5.9
g) Secondary income: credit	6,519.5	7,135.4	7,623.8	488.3	6.8	7.2	6.0
h) Secondary income: debit	62.5	88.1	107.4	19.3	22.0	0.1	0.1
B) Capital Account	165.0	131.1	152.5	21.4	16.3	0.1	0.1
C) Financial Account	(4,089.0)	(2,539.6)	(5,420.6)	(2,881.0)	(113.4)	(2.6)	(4.2)

Source of Data: Central Bank of Kenya

161. Net receipts on the services account declined by US\$. 13.1 million to US\$. 675.7 million in November 2024 compared to similar period in 2023. This was mainly on account of a decline in receipts due to transport in spite of an increase in receipts from tourism as international travel continued to improve. Remittances increased by 15.3 percent to USD 4,804 million in the 12 months to October 2024 compared to USD 4,165 million in a similar period in 2023.

162. The capital account balance increased by US\$. 21.4 million to register a surplus of US\$ 152.5 million in November 2024 compared to a surplus of US\$. 131.1 million in the same period in 2023. Net financial inflows improved to US\$. 5,420.6 million in November 2024 compared to US\$. 2,539.6 million in November 2023 reflecting a slowdown in inflows to the government and other sectors. The net financial inflows were mainly in the form of other investments and direct investments. However, portfolio investments and financial derivatives registered a net outflow during the period partly due to Kenya's limited access to international financial markets owing to elevated borrowing costs.

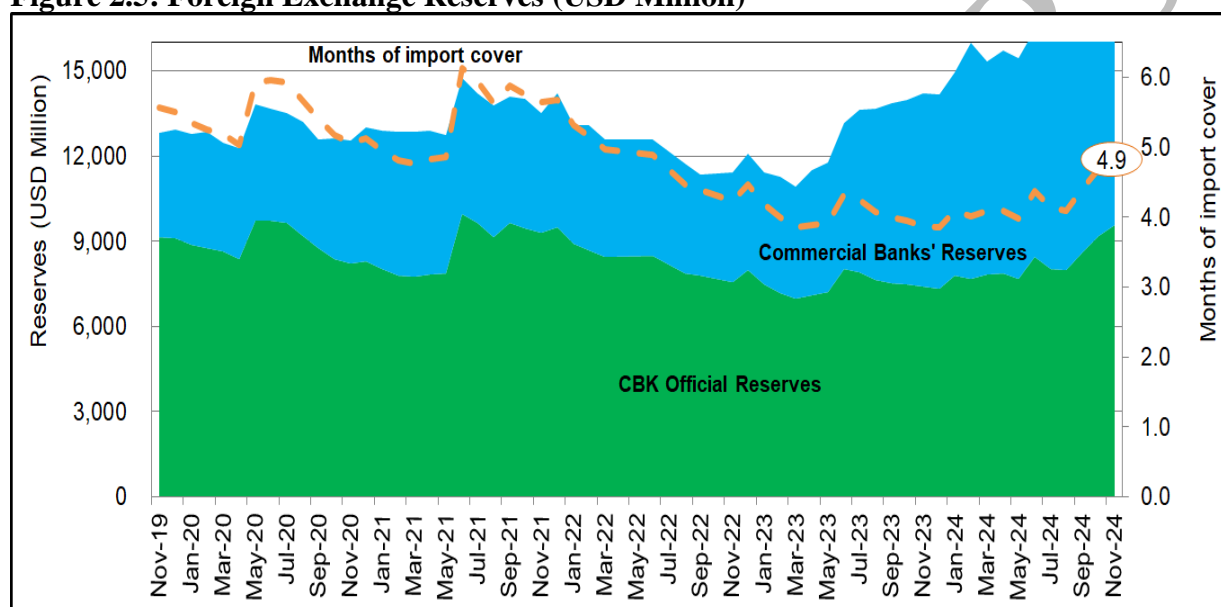
163. The overall balance of payments position slowed down to a deficit of US\$. 1,500.7 million (1.2 percent of GDP) in November 2024 from a surplus of US\$. 979.9 million (1.0 percent of GDP) in November 2023.

Foreign Exchange Reserves

164. The banking system’s foreign exchange holdings remained strong at US\$. 16,312.1 million in November 2024, an improvement from US\$. 14,211.1 million in November 2023. The official foreign exchange reserves held by the Central Bank stood at US\$. 9,578.0 million compared to US\$ 7,397.6 million over the same period in 2023 (**Figure 2.5**). Commercial banks foreign exchange holdings decreased to US\$. 6,734.1 million in November 2024 from US\$. 6,813.5 million in November 2023.

165. The official reserves held by the Central Bank in November 2024 represented 4.9 months of import cover as compared to the 3.9 months of import cover in November 2023. These reserves continue to provide adequate cover and buffer against any short-term shocks in the foreign exchange market.

Figure 2.5: Foreign Exchange Reserves (USD Million)



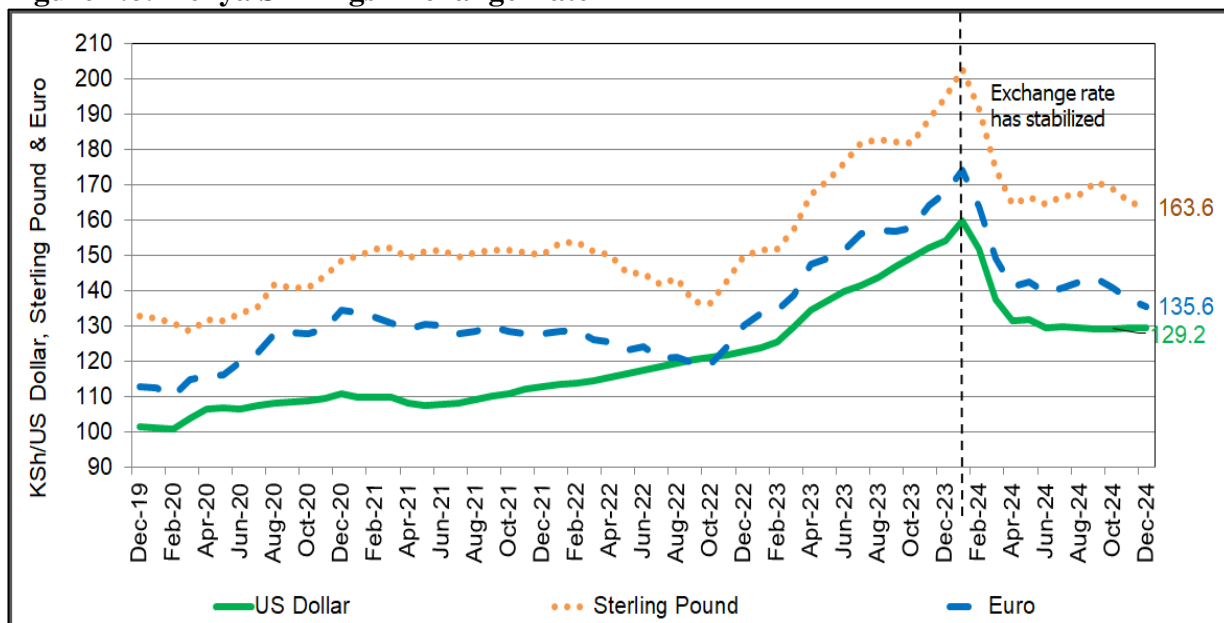
Source of Data: Central Bank of Kenya

Exchange Rate Developments

166. The foreign exchange market remained stable in 2024 despite increased global uncertainties, effects of a stronger U.S. Dollar and geopolitical tensions in the Middle East. The Kenya Shilling exchange rate was weaker at the turn of the year but strengthened against the U.S. Dollar from mid-February 2024 and has now stabilized against major international currencies. In December 2024, the exchange rate against the US dollar averaged at Ksh 129.4 compared to an average of Ksh 159.7 in January 2024, an appreciation of 19.0 percent. Against the Euro, the Kenya shilling strengthened by 22.2 percent to exchange at an average of Ksh 135.6 in December 2024 compared to an average of Ksh 174.3 in January 2024 while against the Sterling Pound the Kenyan Shilling strengthened by 19.3 percent to exchange at an average of Ksh 163.6 compared to an average Ksh 202.9, over the same period (**Figure 2.6**).

167. The foreign exchange market was mainly supported by inflows from agricultural exports, remittances and portfolio investors while demand was driven by pickup in economic activities specifically in the manufacturing, wholesale, and retail sub-sectors. The appreciation and stability of the exchange rate has created confidence and triggered inflows of foreign direct investment and attracted investors to the Nairobi Securities Exchange. This appreciation has helped to reduce debt service costs, improve performance of domestic borrowing and stabilize interest rates.

Figure 2.6: Kenya Shillings Exchange Rate

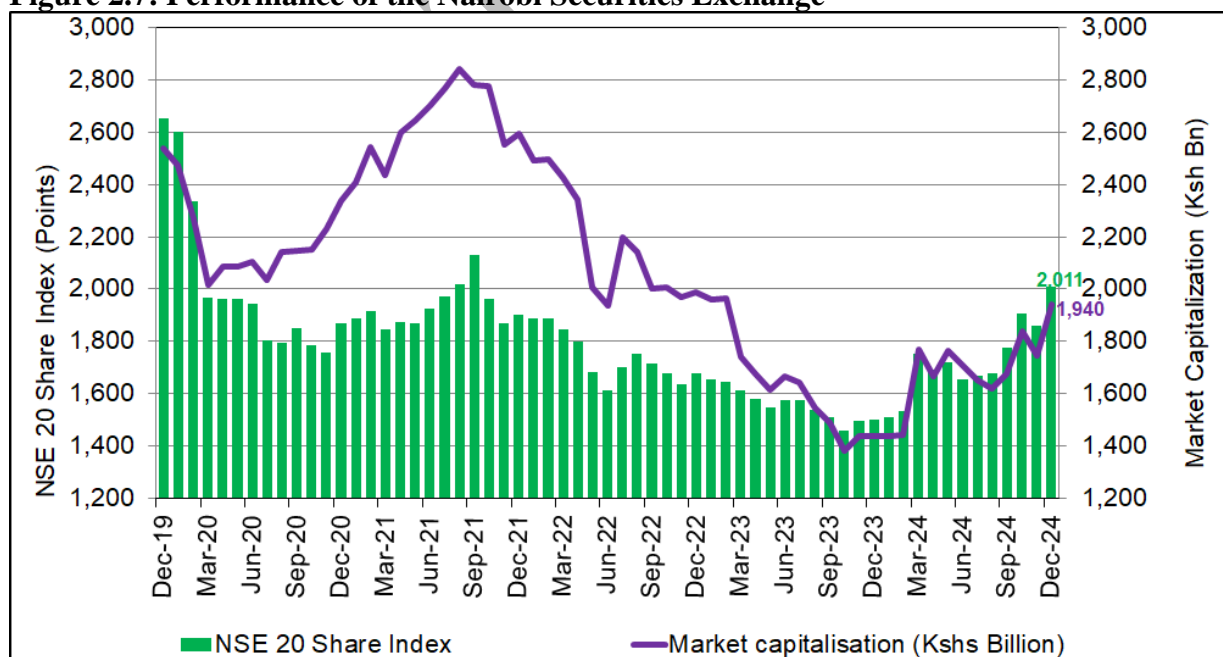


Source of Data: Central Bank of Kenya

Capital Markets Developments

168. Economic recovery, appreciation of the Kenya Shilling against major international currencies and macroeconomic stability have created confidence and triggered inflows of foreign direct investment and attracted investors to the Nairobi Securities Exchange. The NSE 20 Share Index improved to 2,011 points in December 2024 compared to 1,501 points in December 2023 while market capitalization also improved to Ksh 1,940 billion from Ksh 1,439 billion over the same period (Figure 2.7).

Figure 2.7: Performance of the Nairobi Securities Exchange



Source of Data: Nairobi Securities Exchange

2.3 Fiscal Performance

169. Budget implementation for the FY 2024/25 was initially impeded by the withdrawal of the Finance Bill, 2024 and protests that led to a slowdown of economic activities. Additionally, the FY2023/24 closed with unpaid exchequer requests (carryovers) of Ksh 218.5 billion and the implementation of the Collective Bargaining Agreements has continued to put pressure on the expenditures. To ensure seamless implementation of the FY 2024/25 budget and safeguard the fiscal consolidation plan, the National Treasury rationalized expenditures through the Supplementary Estimates I.

Revenue Performance

170. By end November 2024, revenue collection amounted to Ksh 1,088.1 billion against a target of Ksh 1,169.8 billion resulting to an underperformance of Ksh 77.3 billion. The underperformance was mainly on account of shortfall registered in ordinary revenue. Total revenues grew by 7.6 percent by end November 2024 compared with a growth of 13.2 percent by end November 2023 (**Table 2.5a**).

171. Ordinary revenue for the period to November 2024 was Ksh 937.4 billion against a target of Ksh 1,009.0 billion translating into a shortfall of Ksh 71.6 billion despite recording a growth of 6.7 percent. All broad tax categories of ordinary revenue fell short of the respective targets during the review period. Value Added Tax (VAT) recorded the highest shortfall of Ksh 36.6 billion, Income tax recorded a shortfall of Ksh 15.2 billion, Excise duty of Ksh 11.7 billion and Import duty of Ksh 6.9 billion. This revenue trend is expected to reverse as economic activities pick up. Ministerial A-i-A amounted to Ksh 150.8 billion in November 2024 against a target of Ksh 156.4 billion recording a shortfall of 5.7 billion.

Table 2.5a: Fiscal Performance as at 30th November, 2024

	Nov-23			Nov-24					
	Prel. Act. (Ksh Billion)	% of GDP	% Growth	Ksh Billion			% of GDP		
				Target	Prl. Act.	Deviation	Target	Prl. Act.	% Growth
A. Total Revenue including External Grants	1,016.4	6.3	13.3	1,169.8	1,092.0	(77.8)	6.5	6.0	7.4
Total Revenues (1+2)	1,011.5	6.3	13.2	1,165.4	1,088.1	(77.3)	6.5	6.0	7.6
1. Ordinary Revenue	878.9	5.4	11.7	1,009.0	937.4	(71.6)	5.6	5.2	6.7
Import duty	56.2	0.3	2.2	64.4	57.5	(6.9)	0.4	0.3	2.4
Excise duty	116.1	0.7	6.6	127.6	115.9	(11.7)	0.7	0.6	(0.2)
Income tax	380.4	2.4	11.1	429.0	413.8	(15.2)	2.4	2.3	8.8
VAT	266.1	1.6	19.8	284.8	248.2	(36.6)	1.6	1.4	(6.7)
Other Revenue	60.1	0.4	3.4	103.3	102.0	(1.3)	0.6	0.6	69.7
2. Ministerial Appropriation in Aid	132.7	0.8	23.6	156.4	150.8	(5.7)	0.9	0.8	13.6
3. External Grants	4.9	0.0	47.0	4.4	3.8	(0.5)	0.0	0.0	(21.4)
B. Total Expenditure and Net Lending	1,160.6	7.2	6.1	1,509.5	1,442.9	(66.6)	8.4	8.0	24.3
1. Recurrent Expenditure	920.7	5.7	11.9	1,149.4	1,091.8	(57.6)	6.4	6.0	18.6
2. Development	132.4	0.8	(11.1)	175.0	193.1	18.1	1.0	1.1	45.9
3. County Allocation	107.5	0.7	(11.9)	184.0	158.0	(26.0)	1.0	0.9	46.9
4. Contingency Fund	-	-	-	1.0	-	(1.0)	0.0	-	-
C. Balance Exclusive of Grants	(149.1)	(0.9)	(25.5)	(344.0)	(354.8)	(10.8)	(1.9)	(2.0)	137.9
D. Balance inclusive of Grants (Cash basis)	(144.2)	(0.9)	(26.7)	(339.7)	(350.9)	(11.3)	(1.9)	(1.9)	143.3
Discrepancy	(10.1)	(0.1)	(143.7)	-	49.1	49.1	-	0.3	(587.4)
E. Total Financing	134.2	0.8	(39.0)	339.7	400.0	60.4	1.9	2.2	198.2
1. Net Foreign Financing	(22.0)	(0.1)	(156.4)	217.5	(1.7)	(219.2)	1.2	(0.0)	(92.4)
2. Net Domestic Financing	156.2	1.0	(13.6)	122.1	401.7	279.6	0.7	2.2	157.2
Nominal GDP (Fiscal Year)	16,131.5	100.0	15.2	18,054.3	18,054.3	-	100.0	100.0	11.9

Source of Data: National Treasury

Expenditure Performance

172. Total expenditure and net lending in the period to November 2024 amounted to Ksh 1,442.9 billion against a target of Ksh 1,509.5 billion, translating to a shortfall in expenditure of Ksh 66.6 billion. This was largely on account of below target disbursement towards recurrent expenditure by Ksh 57.6 billion and County Governments by Ksh 26.0 billion (Table 2.5a). Development expenditures surpassed target by Kshs 18.1 billion mainly due to over absorption of foreign financed development projects by Ksh 14.8 billion and domestically financed projects by Ksh 5.2 billion. Revenue mobilization and financing challenges affected our ability to execute the FY2024/25 budget in a timely manner leading to cash flow challenges.

173. Fiscal operations by end of November 2024 resulted in an overall deficit including grants of Kshs 350.9 billion (1.9 percent of GDP) against a target of Kshs 339.7 billion (1.9 percent of GDP). The deficit was largely financed through net domestic financing of Ksh 401.7 billion (2.2 percent of GDP) as net foreign financing was a repayment of Ksh 1.7 billion (0.01 percent of GDP).

2.4 Fiscal Policy

174. The fiscal policy stance in the FY 2025/26 and over the medium term aims at supporting the priority programmes of the Government under the Bottom - Up Economic Transformation Agenda (BETA) and the MTP IV through a growth friendly fiscal consolidation plan. The plan targets to slow down the annual growth in public debt and implement an effective liability management strategy, without compromising service delivery to citizens. This is expected to boost the country's debt sustainability position. Fiscal consolidation will be supported by continued efforts to enhance domestic revenue mobilization, reprioritize and rationalize expenditure while safeguarding priority Government programmes and social spending.

175. Consequently, the Government's total revenue including A-i-A is projected to rise from 16.9 percent of GDP in FY 2024/25 to 18.2 percent of GDP in FY 2025/26 and further to 18.6 percent of GDP in FY 2026/27. Of the total revenue, ordinary revenue is projected to rise from 14.6 percent of GDP in the FY 2024/25 to 15.7 percent of GDP in FY 2025/26 and further to 16.1 percent of GDP in FY 2026/27. Total expenditure is projected at 22.5 percent of GDP in FY 2025/26 and FY 2026/27 from 21.5 percent of GDP in the FY 2024/25. Of the total expenditures, recurrent expenditure is projected at 16.0 percent of GDP in FY 2025/26 and 15.9 percent of GDP in FY 2026/27 from 15.7 percent of GDP in FY 2024/25. The development spending in the budget will increase progressively over the medium term so as not to impact on growth momentum.

Table 2.5 b: Fiscal Framework

	FY 2022/23	FY 2023/24	FY 2024/25			FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29
	<i>Actual</i>	<i>Actual</i>	<i>Budget Estimates</i>	<i>Suppl. 1 Budget</i>	<i>Suppl. 2 Budget</i>	<i>2025 BPS Projections</i>			
<i>Amount in Ksh Billion</i>									
TOTAL REVENUE	2,355.1	2,702.7	3,343.2	3,060.0	3,060.0	3,516.6	3,968.1	4,470.4	5,090.9
Ordinary revenue	2,041.1	2,288.9	2,917.2	2,631.4	2,631.4	3,018.8	3,424.7	3,876.4	4,441.7
Ministerial Appropriation in Aid	313.9	413.7	426.0	428.6	428.6	497.8	543.4	594.0	649.2
TOTAL EXPENDITURE AND NET LENDING	3,221.0	3,605.2	3,992.0	3,880.8	3,880.8	4,329.3	4,782.0	5,309.1	5,911.3
Recurrent	2,311.6	2,678.4	2,841.9	2,826.2	2,826.2	3,076.9	3,382.9	3,761.3	4,084.1
Development	493.7	546.4	701.5	599.5	599.5	804.7	944.4	1,080.8	1,346.2
County Transfer	415.8	380.4	444.5	451.1	451.1	442.7	449.7	462.0	476.0
Contingency Fund	-	-	4.0	4.0	4.0	5.0	5.0	5.0	5.0
BALANCE EXCLUDING GRANTS	(865.9)	(902.5)	(648.8)	(820.9)	(820.9)	(812.7)	(813.9)	(838.8)	(820.4)
Grants	23.1	22.0	51.8	52.3	52.3	53.2	63.6	66.8	67.1
BALANCE INCLUSIVE OF GRANTS	(842.9)	(880.5)	(597.0)	(768.6)	(768.6)	(759.4)	(750.3)	(771.9)	(753.3)
Adjustment to cash basis	37.0	45.4	-	-	-	-	-	-	-
BALANCE INCLUSIVE OF GRANTS(cash basis)	(805.8)	(835.1)	(597.0)	(768.6)	(768.6)	(759.4)	(750.3)	(771.9)	(753.3)
<i>Discrepancy</i>	(35.5)	(16.8)	-	-	-	-	0.0	0.0	0.0
TOTAL FINANCING	770.3	818.3	597.0	768.6	768.6	759.4	750.3	771.9	753.3
Net Foreign Financing	310.8	222.7	333.8	355.5	355.5	213.7	174.9	152.0	202.4
Net Domestic Financing	459.5	595.6	263.2	413.1	413.1	545.8	575.4	619.9	550.9
Nominal GDP (Fiscal year)	14,299.2	15,826.4	18,054.3	18,053.7	17,434.5	19,272.8	21,285.6	23,529.5	26,018.8
<i>As a share of GDP</i>									
TOTAL REVENUE	16.5	17.1	18.5	16.9	17.6	18.2	18.6	19.0	19.6
Ordinary revenue	14.3	14.5	16.2	14.6	15.1	15.7	16.1	16.5	17.1
Ministerial Appropriation in Aid	2.2	2.6	2.4	2.4	2.5	2.6	2.6	2.5	2.5
TOTAL EXPENDITURE AND NET LENDING	22.5	22.8	22.1	21.5	22.3	22.5	22.5	22.6	22.7
Recurrent	16.2	16.9	15.7	15.7	16.2	16.0	15.9	16.0	15.7
Development	3.5	3.5	3.9	3.3	3.4	4.2	4.4	4.6	5.2
County Transfer	2.9	2.4	2.5	2.5	2.6	2.3	2.1	2.0	1.8
Contingency Fund	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE EXCLUDING GRANTS	(6.1)	(5.7)	(3.6)	(4.5)	(4.7)	(4.2)	(3.8)	(3.6)	(3.2)
Grants	0.2	0.1	0.3	0.3	0.3	0.3	0.3	0.3	0.3
BALANCE INCLUSIVE OF GRANTS	(5.9)	(5.6)	(3.3)	(4.3)	(4.4)	(3.9)	(3.5)	(3.3)	(2.9)
Adjustment to cash basis	0.3	0.3	-	-	-	-	-	-	-
BALANCE INCLUSIVE OF GRANTS(cash basis)	(5.6)	(5.3)	(3.3)	(4.3)	(4.4)	(3.9)	(3.5)	(3.3)	(2.9)
<i>Discrepancy</i>	(0.2)	(0.1)	-	-	-	-	0.0	0.0	0.0
TOTAL FINANCING	5.4	5.2	3.3	4.3	4.4	3.9	3.5	3.3	2.9
Net Foreign Financing	2.2	1.4	1.8	2.0	2.0	1.1	0.8	0.6	0.8
Net Domestic Financing	3.2	3.8	1.5	2.3	2.4	2.8	2.7	2.6	2.1
Nominal GDP (Fiscal year)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source of Data: National Treasury

2.4.1 Domestic Revenue Mobilization

176. Government will implement a mix of tax administrative and tax policy measures in order to boost revenue collection efforts by the Kenya Revenue Authority (KRA) to over Ksh 4.0 trillion in the medium term thereby supporting economic activity. In particular, the Government will focus on domestic resource mobilization efforts that include:

- i) Implementation of the National Tax Policy and Medium-Term Revenue Strategy 2024/25-2026/27;
- ii) Strengthening tax administration for enhanced compliance through expansion of the tax base, minimizing tax expenditures, leveraging on technology to revolutionize tax processes, sealing revenue loopholes and enhancing the efficiency of tax system; and,
- iii) Focus on non-tax revenues that Ministries, Departments and Agencies can raise through the services they offer to the public.

177. Implementation of the tax administrative reforms will target to:

- i) Reduce tax expenditures that now stands at 2.94% of GDP thereby adding revenues;
- ii) Expand the tax base and strengthen tax compliance as envisaged under the MTRS;

iii) Rationalize tax structure to promote domestic production and encourage investments.

2.4.2 Expenditure Reforms

178. Government will sustain measures to strengthen expenditure control and improve efficiency and effectiveness in public spending. These measures will include: implementation of austerity measures aimed at reducing Government recurrent expenditure; roll out an end-to-end e-procurement system to maximise value for money and increase transparency in procurement; scale up use of Public Private Partnerships (PPPs) framework for commercially viable projects to crowd-in the private in the provision of public services; and expediting governance reforms targeting state corporations. Other expenditure measures will include:

Implementation of Treasury Single Account

179. To improve public cash management, the Cabinet approved implementation of Treasury Single Account (TSA) over a three-year period. Treasury Single Account (TSA) is a unified structure of Government bank accounts that enables the consolidation and optimum utilization of government cash resources. The implementation is in line with Section 17(2) and Section 9(1) of the Public Finance Management Act, 2012. The implementation of TSA will be rolled-out in phases as follows: -

- i) Phase 1: Comprises the migration to the TSA environment in the first year (FY 2024/25) of all state organs including constitutional institutions and independent offices categorized as Schedule I National Government entities as per Regulations 211(2) of the PFM (National Government) Regulations, 2015.
- ii) Phase 2: Comprises the migration of County Governments to the TSA in the second year (FY 2025/26) in close consultation with Intergovernmental Budget and Economic Council.
- iii) Phase 3: Comprises the migration in the third year (FY 2026/27), of all other national government entities categorized as Schedule 3, Schedule 4 and Schedule 5 as per Regulations 211 of the PFM (National Government) Regulations, 2015.

Accrual Accounting

180. To strengthen management of public resources, the Government is in the process of transitioning from cash basis to accrual basis of accounting to improve cash management and enhance financial and fiscal reporting. The accrual accounting will enable the Government to account for all assets and liabilities including all Government assets. The transition to accrual accounting process is guided by accounting standards (IPSAS 33) together with a Road Map to be approved by the Implementation Steering Committee. The maximum transition period allowed by the standard is three years and involves recognition of all assets and liabilities of government in the balance sheet. All financial assets including bank accounts will be recognized in the first year of transition. All other assets including natural resources will be recognized in the second and third year of transition.

Zero-based Budgeting Approach

181. The Government will entrench the adopted Zero-Based Budgeting approach in preparing the FY 2025/26 and future budgets. To implement Zero Based Budgeting, the National Treasury has developed the Budget Costing Tool in the IFMIS Budget Module for the National Government which has incorporated standardized costing methodologies to streamline

calculation of budget baselines and prioritization to give credible base for preparation of budget estimates.

Public Investment Management Reforms

182. To deliver value for money in public capital expenditure, the Government will continue to implement the Public Investment Management (PIM) Regulations. These regulations are designed to streamline the initiation, implementation, execution, and delivery of public investment projects. Government Ministries, Departments and Agencies (MDAs) will be required to complete ongoing projects before starting new ones, thereby minimizing the Government's exposure to stalled initiatives and reducing fiscal risks. Furthermore, all ongoing and new projects approved under the PIM framework must assess environmental and climate-related risks. This includes evaluating carbon emissions and disaster risk management as part of the project assessments.

183. Over the medium term, the National Government will begin to roll out the PIM Regulations to County Governments and enhance the capacity of the Public Investment Management Information System (PIMIS) across all Ministries, Counties, Departments, and Agencies (MCDAs) to improve the management of development projects in all sectors. All State Departments, Semi-Autonomous Government Agencies (SAGAs), and State-Owned Enterprises (SOEs) will be required to provide a comprehensive list of all their projects. To promote transparency, accountability and digitization, the PIMIS system will be rolled out to all Ministries, Departments, and Agencies (MDAs) and Parastatals. They will be required to submit all project proposals through the PIMIS system. In addition, the Government will update the PIM-PPP framework to enable capturing the PPP projects in PIMIS system.

National Assets and Liabilities Management Reforms

184. To enhance the management of assets and liabilities in the public sector, the Government has initiated fiscal reforms geared towards automating and standardizing assets and inventory management in MDAs as well as County Governments. In this regard, the National Treasury has operationalized the Assets and Inventory Management Modules in the IFMIS. 52 State Departments have already gone live on the IFMIS Asset module and are at various stages of uploading their registers for six asset categories. Going forward, the modules will be rollout to County Governments. This reform will enable Accounting Officers have visibility of all assets and inventory under their control and facilitate optimal assets utilization. To enhance the management and utilization of public assets, the Government initiated the development of Assets Valuation Policy Framework for the public sector which will ensure completeness of the asset registers and facilitate transition to accrual accounting. Further, the Government has been undertaking physical verification to ascertain existence of assets reported by the MDAs registers. Going forward, the Government plans to develop an asset tagging framework to facilitate identification of public sector assets.

185. To effectively and efficiently discharge its mandate, the Government has adopted leasing as an alternative to asset acquisition in order to bridge the prevailing resource gaps and avail key resources, including land, to investors for capital investments. However, the absence of a standardized leasing framework has resulted in inconsistencies in leasing practices across ministries, departments, agencies (MDAs), and county governments. The National Treasury therefore is in the process of developing a comprehensive leasing framework that will provide clear, standardized guidelines and processes for the leasing of government assets across all public sector entities.

Pension Reforms

186. To sustain and strengthen the pension reforms, the Government will monitor and completely separate and delink the governance of the Public Service Superannuation Scheme, (PSSS) from that of the non-contributory scheme. Furthermore, the Government will revamp the public service pension administration through digitization and re-engineering of the pension management system. Digitization will streamline processes, improve accuracy, and facilitate timely pensions payments. This also enable better monitoring and management of pension-related matters while re-engineering will complement the digitization by availing an end to-end Enterprise Resource Planning (ERP) solution that takes advantage of the modern IT technologies. To ensure that the pension scheme remains sustainable and that beneficiaries receive their entitled benefits, the Government will conduct an actuarial valuation of the future obligations of the non-contributory defined benefits pension scheme.

2.4.3 Deficit Financing Policy

187. The Government will continue to mobilize resources from both domestic and external sources to meet its borrowing requirements. The external sources will be from multilateral, bilateral and commercial lenders while from domestic sources, resources will be from issuances of Treasury bonds and Treasury bills. While focus will be to maximize loans on concessional terms, non-concessional and commercial external borrowing will be limited to projects that cannot secure concessional financing and are in line with the Government development agenda.

188. Despite the disruptions to global supply chains and finance that has led to tightening and increased cost of external commercial financing, the Government will continue monitoring the macro environment conditions before accessing the international capital market through issuance of sovereign bonds and liability management operations. The Government will also explore other sources of financing including green and climate change financing options, if the macro-economic conditions improve. In addition, the Government may explore new markets through issuing Panda and Samurai Bonds as part of instruments diversification and deficit financing options.

189. The domestic debt market remains one of fundamental funding sources as it has contributed to more than half of the total funding requirements over the years and mitigates against shocks in the external debt markets. The Government is committed to continuous implementation of reforms aimed at improving efficiency in the domestic market and diversify the investor base. Further, the Government will continue to explore new financing options aimed at safeguarding the stability of the domestic debt market. In promoting financial inclusion and a saving culture, the Government has prioritized re-engineering the issuance of the M-Akiba bond process. The Government will revamp the mobile-phone retail product platform to ensure more retail investors are able to access government securities. The platform will be integrated into the new Central Bank's Central Securities Depository System thus providing an alternative investment opportunity for the informal sector.

190. To moderate debt accumulation and reduce debt service over the medium-term, the Government will sustain fiscal consolidation efforts over the medium term to restore fiscal space.

2.5 Fiscal Responsibility Principles

191. In line with the Constitution, the Public Finance Management (PFM) Act, 2012, the PFM (National Government) Regulations, 2015 and in keeping with prudent and transparent management of public resources, the Government has adhered to the fiscal responsibility principles as set out in the statute as follows (**Table 2.6**).

- a. Over the medium term a minimum of thirty percent of the national and county governments budget shall be allocated to the development expenditure;
- b. National government's expenditure on the compensation of employees (including benefits and allowances) shall not exceed 35 percent of the national government's equitable share of the revenue raised nationally plus other revenues generated by the national government;
- c. Over the medium term, the national government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
- d. Public debt and obligations shall be maintained at a sustainable level as approved by Parliament for the national government and the county assembly for county government;
- e. Fiscal risks shall be managed prudently; and
- f. A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

Table 2.6: Performance of Fiscal Responsibility Indicators

	FY 2022/23	FY 2023/24	FY 2024/25		FY 2025/26		FY 2026/27		FY 2027/28		FY 2028/29	
	Actual	Prel. Actual	Budget	Supp I Est.	BROP 2024	BPS 2025	BROP 2024	BPS 2025	BROP 2024	BPS 2025	BROP 2024	BPS 2025
	<i>Ksh Billion</i>											
1.0 Total Expenditure & Net Lending	3,221.0	3,605.2	3,992.0	3,880.8	4,329.3	4,329.3	4,782.0	4,782.0	5,309.1	5,309.1	5,911.3	5,911.3
1.1 Total Ministerial National Govt Expenses	1,970.3	2,214.3	2,374.8	2,230.2	2,590.1	2,590.1	2,899.0	2,899.0	3,263.1	3,263.1	3,748.3	3,748.3
Total Recurrent	2,311.6	2,678.4	2,841.9	2,826.2	3,076.9	3,076.9	3,382.9	3,382.9	3,761.3	3,761.3	4,084.1	4,084.1
CFS (Interest & Pensions)	837.3	1,018.8	1,213.5	1,237.2	1,331.1	1,331.1	1,465.9	1,465.9	1,616.7	1,616.7	1,719.7	1,719.7
Ministerial Recurrent	1,474.2	1,659.6	1,628.5	1,589.0	1,745.8	1,745.8	1,917.0	1,917.0	2,144.7	2,144.7	2,364.4	2,364.4
o/w Wages & Salaries	539.6	575.3	613.6	602.7	650.9	650.9	683.5	683.5	717.6	717.6	742.8	742.8
<i>Wages as % National Government Revenues/1</i>	27.6%	24.5%	20.9%	22.8%	20.9%	20.9%	19.2%	19.2%	17.8%	17.8%	16.0%	16.0%
Development	496.1	554.7	746.3	641.2	844.3	844.3	982.0	982.0	1,118.4	1,118.4	1,383.8	1,383.8
<i>Development as % Ministerial National Government expenditures</i>	25.2%	25.1%	31.4%	28.7%	32.6%	32.6%	33.9%	33.9%	34.3%	34.3%	36.9%	36.9%
1.2 County Allocation	415.8	380.4	444.5	451.1	442.7	442.7	449.7	449.7	462.0	462.0	476.0	476.0
Equitable share	399.6	354.6	400.1	410.8	405.1	405.1	417.0	417.0	429.4	429.4	443.4	443.4
Conditional Grants	16.2	25.8	44.4	40.2	37.7	37.7	32.7	32.7	32.7	32.7	32.7	32.7
2.0 Total Revenues	2,355.1	2,702.7	3,343.2	3,060.0	3,516.6	3,516.6	3,968.1	3,968.1	4,470.4	4,470.4	5,090.9	5,090.9
3.0 Total National Government Revenues (Incl. A-I-A)	1,955.5	2,348.1	2,943.1	2,649.1	3,111.6	3,111.6	3,551.1	3,551.1	4,041.0	4,041.0	4,647.5	4,647.5
4.0 National Government Domestic Borrowing (net)	459.5	595.6	263.2	413.1	545.8	545.8	575.4	575.4	619.9	619.9	550.9	550.9

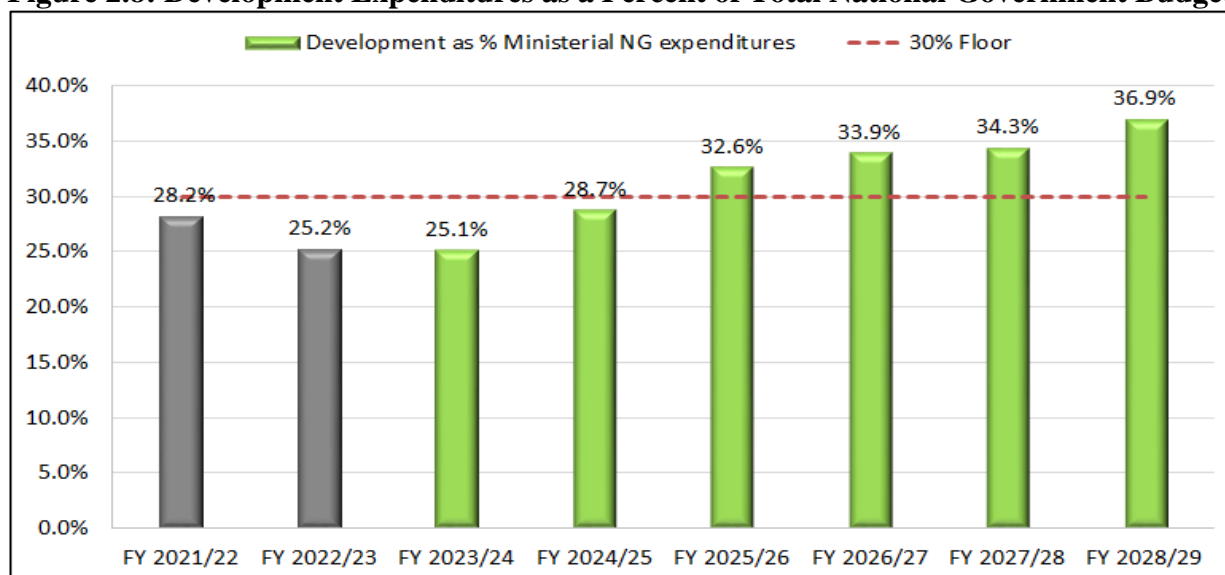
Source: The National Treasury

2.5.1 Allocation to Development Expenditure over the Medium Term

192. Consistent with the requirements of the law, the National Government's allocation to development expenditures has been set above the 30 percent of its Ministerial expenditures. In FY 2023/24, the actual development spending for the National Government was 25.1 percent, falling short of the principles outlined in the PFM Act Cap. 412. However, the forecast had initially projected it to exceed 30 percent. This discrepancy was a result of spending rationalization in the course of budget implementation.

193. The allocation to development expenditures is projected to increase to 32.6 percent in the FY 2025/26 and remain above the recommended threshold over the medium term as shown in **Table 2.6 and Figure 2.8.**

Figure 2.8: Development Expenditures as a Percent of Total National Government Budget

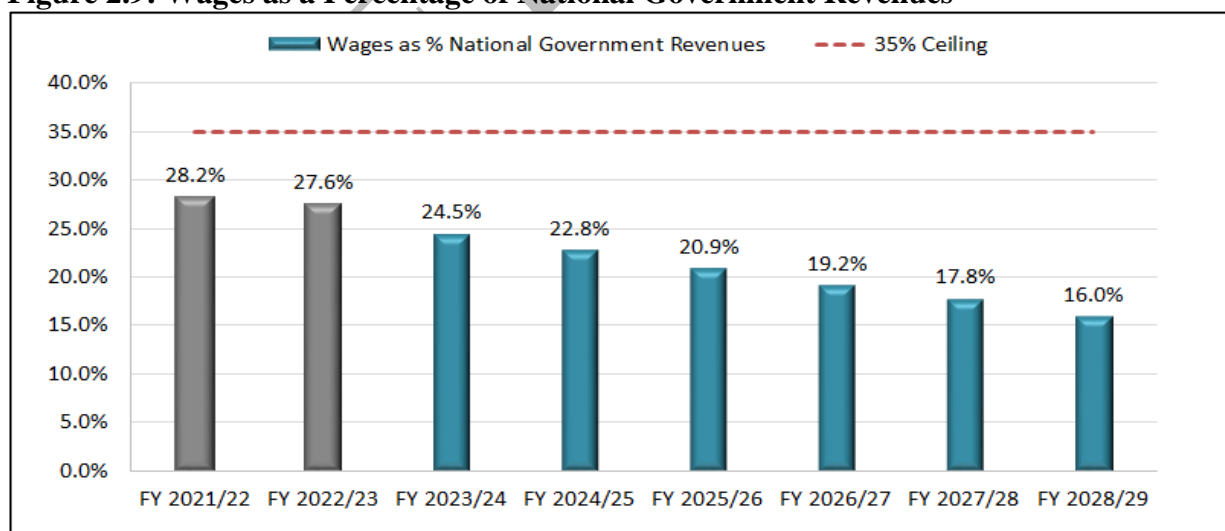


Source: National Treasury

2.5.2 Compliance with the Requirement on Expenditure on Wages and Benefits

194. The law requires that the National Government’s expenditure on the compensation of employees (including benefits and allowances) shall not exceed 35 percent of the National Government’s equitable share of the revenue raised nationally plus other revenues generated by the National Government pursuant to Article 209 (4) of the Constitution. In conformity to this regulation, the National Government’s share of wages and employees benefits to revenues was 24.5 percent¹ in the FY 2023/24 which is within the statutory requirement of 35.0 percent of the National Government revenues, and is projected to decline to 22.8 percent in the FY 2024/25, and to further decline to 20.9 percent by FY 2025/26 (Figure 2.9).

Figure 2.9: Wages as a Percentage of National Government Revenues



¹Wages: For teachers and civil servants including the police. The figure includes the funds allocated for the pension contributory scheme

Source: National Treasury

¹ The 24.5 percent is exclusive of Ministry of Defense and NIS

2.5.3 Compliance with the Requirement to use National Government’s Borrowings only for Financing Development Expenditure

195. The National Treasury raises resources through borrowing to finance development projects as approved by Parliament in the National budget as per the PFM Act, 2012 Section 15(2) (c) principle of ensuring that the National Government’s borrowing is used only for purposes of financing development expenditure and not for recurrent expenditure. The Government is committed and continues to adhere to this principle by ensuring that Government borrowing is used to finance development expenditure. In the FY 2023/24, Ksh 350.7 billion (46.0 percent) out of total borrowing (Ksh 768.6 billion) were used for development expenditure purposes. The amount is projected to increase to Ksh 641.2 billion in FY 2024/25, Ksh 844.3 billion in FY 2025/26, and Ksh 1,383.3 billion over the medium term.

2.5.4 Maintenance of Public debt and Obligations at a Sustainable Level

196. The PFM Act, 2012 requires that the National Treasury maintains public debt and obligations at sustainable levels. The debt sustainability analysis by International Monetary Fund (IMF) indicates that Kenya’s public debt remains sustainable as a medium performer in terms of Debt Carrying Capacity (DCC). However, there is an elevated risk of debt distress as a result of global shocks leading to a slowdown of economic growth. The analysis of debt sustainability is as follows:

197. Public debt rose in 2023 amid currency depreciation and higher borrowing costs but had eased by end-June 2024 on exchange rate appreciation. The Present Value (PV) of overall public and publicly guaranteed debt rose to about 68.7 percent of GDP in 2023 (**Table 2.7**). Public debt/GDP ratio is projected to decline to the debt anchor of 55±5 percent of GDP in PV terms by 2028, supported by the Government’s fiscal consolidation efforts. The decline in debt levels post 2028 will be reinforced by the Government’s commitment to pursue the use of concessional funding, lengthen the maturity profile of public debt through issuance of medium to long dated bonds, and deepening of the domestic debt market to reduce cost of public debt and borrowing.

Table 2.7: Kenya’s Public Debt Sustainability Analysis

Indicators	Benchmark	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28	Dec 29	Dec-34	Dec-44
PV of debt-to-GDP ratio	55	68.7	63.0	64.0	63.7	61.2	58.6	56.2	49.7	34.0
PV of public debt-to-revenue and grant ratio		406.2	356.2	348.4	334.3	313.8	296.0	282.9	249.9	179.4
Debt service -to-revenue and grant ratio		60.6	63.7	62.5	61.4	58.1	55.7	49.0	47.1	29.4

Source: IMF Country Report No. 24/316 - November 2024

198. The external Debt Sustainability Analysis (DSA) demonstrates that the PV of the external debt to GDP ratio is below the 40 percent sustainability threshold throughout the projection period. External debt burden indicators in terms of exports and revenues breach respective thresholds but the ratios are expected to improve with the recovery of exports and economy recovery. The debt service to revenue ratio breaches the threshold of 18 percent in 2024 through to 2028. The high debt service to revenue ratio in 2024 was due to the international sovereign bond that matured in June 2024 (**Table 2.8**).

Table 2.8: Kenya’s External Debt Sustainability

Indicators	Thresholds	2023	2024	2025	2026	2027	2028	2029	2034	2044
PV of debt-to-GDP ratio	40	32.1	29.8	30.4	31.0	29.5	28.1	26.8	22.5	16.2
PV of debt-to-exports ratio	180	274.8	274.2	260.2	241.9	222.3	208.1	195.0	152.5	98.1
PPG Debt service-to-exports ratio	15	26.9	40.5	31.9	29.8	27.3	27.0	22.0	16.7	11.6
PPG Debt service-to-revenue ratio	18	18.8	25.2	20.6	20.4	18.9	18.6	15.5	12.6	9.8

Source: IMF Country Report No. 24/316 - November 2024

199. The solvency indicator of PV of Public and Publicly Guaranteed (PPG) external debt-to-exports and the liquidity indicator of debt service-to-exports remains above the thresholds of 180 percent and 15 percent through to 2029 due to anticipated maturities for commercial debt during the period. **(Table 2.8).**

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

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

2.5.5 Prudent Management of Fiscal Risks

202. The Government has prudently managed its fiscal risks across several key areas to ensure financial stability. To achieve this, the Government established a Fiscal Risk Committee which will continue playing a key role in identification, quantification and management of fiscal risks going forward. First, the Government continues to address fiscal risks associated with public debt, maintaining sustainable levels to avoid undue pressure on public finances. Second, the Government has taken steps to mitigate the crystallization of contingent liabilities by ensuring that unforeseen obligations do not derail its fiscal objectives. Third, the Government is managing fiscal risks related to devolution, including those arising from county-level financial activities.

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

203. On the principle of maintaining a reasonable degree of predictability with respect to the level of tax rates and the tax base, the National Treasury has developed and started implementation of the National Tax Policy whose objectives is to provide guidelines on taxation policy that support economic development and promote economic diversification, enhance the country’s competitive edge, and establish tax incentive schemes that are aligned to the Government’s development agenda, promote investment and foster a flexible fiscal space that contains revenue-raising tax policy and administrative reforms to be undertaken over the

medium-term. Further, the Government continues to carry out tax reforms through modernization and simplification of tax laws in order to lock in predictability and enhance compliance within the tax system. The main objective is to raise adequate tax revenues, predictable tax environment and minimize tax expenditures.

2.6 Kenya's Macroeconomic Outlook

204. Kenya's economic performance is projected to remain stable over the medium term (**Table 2.9 in calendar years and Annex Table 1 in fiscal years**). Economic growth is expected to slow down to 4.6 percent in 2024 from a growth of 5.6 percent in 2023 reflecting deceleration of economic activities in the first three quarters of 2024 and the slowdown in private sector credit growth to key sectors of the economy. Growth is expected to pick up to 5.3 percent in 2025 and retain the same momentum over the medium term.

205. The projected growth in 2025 and over the medium term will benefit from the enhanced agricultural productivity and a resilient services sector. Agriculture productivity is expected to be largely driven by favourable weather conditions and productivity-enhancing government interventions. However, the growth in the sector is expected to average around 3.0 percent in line with trend. The services sector is projected to remain resilient growing at an average of 6.6 percent over the medium term. Reforms in ICT sector is expected to boost growth in financial services, health, and public administration while Accommodation and restaurant subsectors will be boosted by Government's effort to revamp the sector, through promotion of high-profile international conference, cultural festivals and promoting wildlife safaris. The industrial sector is projected to grow from 0.9 percent in 2024 to 2.2 percent in 2025 and above 3.0 percent over the medium term. Growth in industry will be supported by reduction in costs of production and easing of exchange rate pressures. Additionally, the ongoing initiatives by the Government to support value addition is expected to boost growth in industry.

206. On the demand side, aggregate domestic demand is expected to remain resilient even as public sector consolidates with the private sector playing a stronger role in the medium-term recovery. This growth will be supported by improvement in the external account supported by strong export growth and resilient remittances.

207. Consumption is projected to average around 87.4 percent of GDP in 2025 and over the medium term driven by lower recurrent spending by the Government and relatively lower household disposable income as credit to the private sector gradually recovers. The easing of inflationary pressures will result in strong household disposable income, which will in turn support household consumption. Moreover, remittance inflows to Kenya are projected to remain resilient, providing further support to household incomes.

208. Aggregate investment is projected to rise from 16.2 percent of GDP in 2025 to 16.8 percent of GDP over the medium term driven by increased investments by both the Government and the private sector. Private investments will be boosted by stable macroeconomic conditions coupled with measures aimed at improving competitiveness, inclusivity, market efficiency, positive business sentiment, and access to the international market. Interventions by the Government to avail credit to the private sector will strengthen MSMEs thereby strengthen the private sector led growth opportunities. Investment will also benefit from an increased focus on Public Private Partnerships (PPPs) that are expected to partly fill the investment financing gap in the wake of ongoing fiscal consolidation efforts which would reduce government domestic borrowing and lower yields on government securities.

209. Development spending in the budget will increase progressively over the medium term so as not to impact on growth momentum. This spending will support sustained Government investments in the Bottom-Up Economic Transformation Agenda. Particularly, investments in

the nine priority value chains (Leather, Cotton, Dairy, Edible Oils, Tea, Rice, Blue economy, Natural Resources (including Minerals and Forestry), and Building Materials). Government interventions towards climate change adaptation and mitigation measures that include rehabilitation of wetlands and reforestation are expected to support growth over the medium term.

210. Kenya's external position is expected to remain supportive of macroeconomic stability. Overall, the current account deficit is expected to be stable in the medium term. Exports are expected to recover, both from improvements in the global and regional trade outlook, and domestic conditions. Growth will also be supported by implementation of trade initiatives including the Kenya–EU Economic Partnership Agreement, and export promotion measures. Increased remittance inflows and tourism receipts are expected to further provide foreign exchange buffer. Imports are expected to grow as domestic demand recovers, particularly of raw materials, fuels, and intermediate goods, consistent with investment growth and the stability in the foreign exchange market.

Monetary Policy Management

211. The monetary policy stance over the medium term will aim at achieving and maintaining overall inflation within the target range of 5 ± 2.5 percent while maintaining a competitive exchange rate and stable interest rates. Inflation is expected to remain within the target range supported by low and stable food prices on account of improved supply attributed to favorable weather conditions while fuel inflation is expected to remain low due to base effects, stable exchange rate and easing international oil prices. The main risks to inflation relate to uncertainty on the evolution of international oil prices due to the escalation of geopolitical conflicts (Middle East and Russia-Ukraine).

212. The ongoing implementation of reforms to modernize Monetary Policy Framework and Operations continues to enhance monetary policy transmission, support anchoring of inflation expectation and improve distribution of liquidity in the interbank market. In particular, the interest rate corridor, initially set at $\text{CBR} \pm 250$ basis points was narrowed to ± 150 basis points in June 2024 to ensure that the interbank rate (operating target) closely tracks the CBR. Additionally, the reduction of the applicable interest rate to the Discount Window from the initial 600 basis points above CBR to 400 basis points above CBR and further to 300 basis points above the CBR has improved access to the Window. To further enhance efficiency in the interbank market and strengthen alignment of the policy rate with the interbank rate. The Central Bank of Kenya has recently undertaken the following major reforms in the operation of the interbank foreign exchange market:

- i) Introduction of electronic matching systems (EMS) in the interbank market;
- ii) Requirement of maximum spread of 20 cents on indicative quotes in the interbank market removed; and
- iii) The CBK published exchange rate is now a weighted average rate of all interbank transactions executed the previous day. Previously, the published rate was based on the indicative rate provided by selected major players in the interbank market.

213. Additionally, the implementation of the DhowCSD, an upgraded Central Securities Depository infrastructure, has greatly enhanced efficiency in investment in Government Securities. The DhowCSD also continues to improve the functioning of the interbank market by facilitating collateralized lending amongst commercial banks and further reducing segmentation in the interbank market.

Table 2.9: Kenya's Macroeconomic Indicators and Projections

	2022	2023	2024	2025	2026	2027	2028	2029
	Act	Act.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.
<i>annual percentage change, unless otherwise indicated</i>								
National Account and Prices								
Real GDP	4.9	5.6	4.6	5.3	5.3	5.4	5.4	5.4
Primary Sector	-0.8	5.6	4.3	2.6	2.8	3.1	2.9	3.0
- of which: Agriculture	-1.5	6.5	5.0	3.0	3.0	3.2	2.9	3.0
Secondary Sector	3.5	2.5	0.9	2.2	2.7	3.1	3.5	3.7
Services Sector	6.6	6.8	5.7	6.3	6.7	6.6	6.6	6.6
GDP deflator	7.0	6.1	4.7	5.0	4.8	4.6	4.9	4.9
CPI Index (eop)	9.1	6.6	4.8	5.0	5.0	5.0	5.0	5.0
CPI Index (avg)	7.6	7.7	4.5	5.0	5.0	5.0	5.0	5.0
Terms of trade (-deterioration)	0.7	-3.3	1.7	2.4	2.0	3.0	3.4	3.9
Money and Credit (end of period)								
Net domestic assets	7.5	4.6	9.4	9.3	9.1	9.5	9.0	9.7
Net domestic credit to the Government	10.3	6.3	5.5	6.1	6.1	5.6	4.4	5.9
Credit to the rest of the economy	7.8	4.4	8.8	12.1	11.6	11.0	10.0	13.4
Broad Money, M3 (percent change)	9.5	8.2	10.4	10.5	10.5	10.6	10.6	10.7
Reserve money (percent change)	6.0	7.6	4.3	10.4	10.4	10.5	10.5	10.6
<i>in percentage of GDP, unless otherwise indicated</i>								
Investment and Saving								
Consumption	87.9	88.9	88.3	87.7	87.4	87.4	87.3	87.1
Central Government	12.2	11.9	11.4	10.9	10.8	10.8	10.8	10.6
Private	74.9	76.2	76.2	76.2	76.1	76.1	76.1	76.1
Gross Fixed Capital Investment	19.1	16.4	17.2	16.2	16.4	16.8	16.7	16.8
Central Government	4.6	4.2	4.2	4.6	5.0	5.1	5.5	5.1
Private	14.4	12.2	13.0	11.6	11.5	11.7	11.2	11.7
Gross National Saving	14.0	11.2	13.3	12.3	12.5	12.9	12.9	12.8
Central Government	-4.1	-3.0	-4.9	-3.7	-2.8	-2.3	-2.1	-1.2
Private	18.1	14.3	18.1	16.1	15.3	15.2	14.9	14.0
Exports value, goods and services	12.2	11.7	11.7	11.1	10.9	10.7	10.2	10.5
Imports value, goods and services	21.5	20.4	19.8	18.5	17.9	17.4	16.7	15.5
Current Account Balance	-5.0	-5.1	-4.0	-3.9	-3.9	-4.0	-3.8	-4.0
Gross reserves in months of next yr's imports	4.3	3.7	3.9	4.0	4.0	4.0	4.2	4.0
Gross reserves in months of this yr's imports	3.9	4.0	4.3	4.3	4.3	4.3	4.3	4.3
Central Government Budget in Fiscal Years								
Total revenue	17.2	16.5	16.9	17.6	18.2	18.6	19.0	19.6
Total Expenditure and Net Lending	23.7	22.5	21.5	22.3	22.5	22.5	22.6	22.7
Overall Fiscal Balance excl. Grants	-6.5	-6.1	-4.5	-4.7	-4.2	-3.8	-3.6	-3.2
Overall Fiscal Balance, incl. Grants	-6.2	-5.9	-4.3	-4.4	-3.9	-3.5	-3.3	-2.9
Overall Fiscal Balance, incl. Grants, Cash Basis	-6.2	-5.6	-4.3	-4.4	-3.9	-3.5	-3.3	-2.9
Primary Budget Balance	-1.6	-0.8	1.3	1.4	1.7	2.1	2.3	2.5
Public debt in Fiscal years								
Nominal Central Government Debt (eop), Gross	71.9	66.7	65.0	62.7	60.3	57.8	55.2	52.2
Nominal Debt (eop), Net of Deposits	68.5	63.4	62.0	60.0	57.8	55.6	53.2	50.4
Domestic (Gross)	33.8	34.2	33.4	33.0	32.6	32.1	31.2	29.6
Domestic (Net)	30.4	30.9	30.4	30.3	30.2	29.9	29.2	27.8
External	38.1	32.5	31.6	29.7	27.7	25.7	24.0	22.6
Memorandum Items:								
Nominal GDP (in Ksh Billion)	13,490	15,109	16,544	18,325	20,221	22,351	24,708	27,329
Nominal GDP (in US\$ Million)	114,450	108,037	121,737	141,429	156,086	172,321	190,214	209,922

Source: The National Treasury

2.6 Risks to the Economic Outlook

214. Kenya's growth outlook portrays a stable macroeconomic environment in the medium term. However, there are downside risks to this macroeconomic outlook emanating from domestic as well as external sources. External risks include further escalation of geopolitical tensions – particularly the wars in the Middle East and Ukraine; potential worsening of supply disruptions due to the shipping crisis in the Red Sea and Suez Canal, which could result in higher import and production costs; and uncertainty about the evolution of international oil prices. Internally, extreme weather (drought or floods) could weaken agricultural output, lead to destruction of capital, increase food insecurity and lead to a surge in cases of water-borne diseases.

215. Lower than anticipated global economic growth and particularly in major exports destination could reduce Kenya's exports, tourism receipts, and remittances growth, while increase in global fuel prices could increase Kenya's imports bill. Tight global financial conditions arising from lower-than-expected return of global inflation to target levels could aggravate Kenya's vulnerabilities towards meeting external financing requirements. However, the government's commitment to fiscal consolidation and prioritizing concessional borrowing is expected to mitigate this risk.

216. The upside risk to the domestic economy relate to fast-tracked implementation of structural reforms under BETA and the Fourth Medium-Term Plan (MTP) IV. Early normalization in global financing conditions and lower international fuel and food prices would strengthen Kenya's external balances. Faster than projected rebound in economic activities that would result in higher Government revenues providing fiscal space that would support fiscal consolidation. Continued coordination between monetary and fiscal policies are expected to result to a stable macroeconomic condition which is a necessary condition for investment and savings thereby promoting economic growth.

217. The Government continues to monitor the domestic and external environment and will take appropriate policy measures to safeguard the economy against the adverse effects of the risks if they were to materialize.

III. BUDGET FOR FY 2025/26 AND THE MEDIUM TERM

3.1 Fiscal Framework for FY 2025/26 and Medium-Term Budget

218. The FY 2025/26 and the medium-term budget is based on the Government's policy priorities and macroeconomic policy framework set out in Chapter I and Chapter II. To support the Bottom - Up Economic Transformation Agenda, the Government will continue with the growth friendly fiscal consolidation plan by containing expenditures and enhancing mobilization of revenues in order to slow down growth in public debt without compromising service delivery.

Revenue Projections

219. In the FY 2025/26 total revenue including Appropriation-in-Aid (A-i-A) is projected at Ksh 3,516.6 billion (18.2 percent of GDP) from the projected Ksh 3,060.0 billion (16.9 percent of GDP) in FY 2024/25. Of this, ordinary revenue is projected at Ksh 3,018.8 billion (15.7 percent of GDP) from the projected Ksh 2,631.4 billion (14.6 percent of GDP) in FY 2024/25 (**Annex Table 2 and 3**). Revenue performance will be underpinned by the on-going reforms in tax policy and revenue administration geared towards expanding the tax base and improving tax compliance.

Expenditure Projections

220. The overall expenditure and net lending is projected at Ksh 4,329.3 billion (22.5 percent of GDP) in FY 2025/26 from the projection of Ksh 3,880.8 billion (21.5 percent of GDP) in FY 2024/25. The FY 2025/26 comprise: recurrent expenditure of Ksh 3,076.9 billion (16.0 percent of GDP); development expenditure of Ksh 804.7 billion (4.2 percent of GDP); transfer to Counties of Ksh 442.7 billion and Contingency Fund of Ksh 5.0 billion, respectively.

Deficit Financing

221. Reflecting the projected expenditures and revenues, the fiscal deficit including grants is projected at Ksh 759.4 billion (3.9 percent of GDP) in FY 2025/26 compared to the projected fiscal deficit of Ksh 768.6 billion (4.3 percent of GDP) in FY 2024/25.

222. The fiscal deficit in FY 2025/26 will be financed by a net external financing of Ksh 213.7 billion (1.1 percent of GDP) and a net domestic financing of Ksh 545.8 billion (2.8 percent of GDP)

3.2 FY 2025/26 and Medium-Term Budget Priorities

223. The FY 2025/26 and the Medium-Term Framework will focus on the implementation of the Bottom-up Economic Transformation Agenda (BETA) as prioritized in the Medium-Term Plan (MTP) IV for Kenya Vision 2030. The Agenda is geared towards economic turnaround and inclusive growth, and aims to increase investments in the five core pillars envisaged to have the largest impact to the economy as well as on household welfare. These include: Agricultural Transformation and Inclusive Growth; Micro, Small and Medium Enterprise (MSME); Housing and Settlement; Healthcare; and Digital Superhighway and Creative Industry.

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

3.3 Budgetary Allocations for the FY 2025/26 and the Medium-Term

225. The total budget for FY 2025/26 is projected at **Ksh 4,485.7 billion**. The allocations to the three Arms of Government including sharable revenues to the County Governments is summarized in **Table 3.1**.

Table 3.1: Summary Budget Allocations for the FY2025/26 – 2027/28 (Ksh Million)

S/NO.	Details	Financial Years			
		Supplementary Estimates No.1	BPS Projections		
			FY 2024/25	FY 2025/26	FY 2026/27
1.0	National Government	2,300,525.7	2,749,514.0	2,886,887.2	3,194,632.9
	Executive	2,237,155.0	2,681,396.1	2,814,008.4	3,116,725.6
	Parliament	40,865.5	42,488.2	44,612.7	46,087.8
	Judiciary	22,505.1	25,629.8	28,266.0	31,819.5
2.0	Consolidated Fund Services	1,237,233.8	1,331,132.6	1,465,935.8	1,616,667.9
3.0	County Government- Sharable Revenue	410,834.0	405,069.4	416,992.2	429,377.2
	Sharable Revenue	380,000.0	405,069.4	416,992.2	429,377.2
	Arrears	30,834.0			
	Total	3,948,593.4	4,485,716.0	4,769,815.2	5,240,678.1
% Share in the Total Allocation					
1.0	National Government	58.3	61.3	60.5	61.0
	Executive	56.7	59.8	59.0	59.5
	Parliament	1.0	0.9	0.9	0.9
	Judiciary	0.6	0.6	0.6	0.6
		-	-	-	-
2.0	Consolidated Fund Services	31.3	29.7	30.7	30.8
3.0	County Government	10.4	9.0	8.7	8.2
Notes***					
* Consolidated Fund Services(CFS)is composed of domestic interest, foreign interest and pension& salaries for State Officers					
**County Government allocation is composed of sharable allocation					
*** FY 2024/25 Supplementary Estimates includes Ksh.67.8billion proposed under Supplementary Estimates No.2					

Source of Data: The National Treasury

Criteria for Resource Allocation

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

227. MDAs are expected to ensure efficiency in allocation of resources through zero based budgeting and reviewing the portfolio of externally funded projects. MDAs are also encouraged to restructure and re-align their spending plans with the Government priority programmes.

Realization of these objectives will be within the hard budgetary constraint and ceilings provided in this BPS. The following criteria will serve as a guide for allocating resources:

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

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

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

- a. *On-going projects*: emphasis was given to completion of on-going capital projects and in particular infrastructure projects with high impact on poverty reduction, equity and employment creation;
- b. *Counterpart funds*: priority was given to adequate allocations for donor counterpart funds which is the portion that the Government must finance in support of the projects financed by development partners; and
- c. *Strategic policy interventions*: further priority was given to policy interventions covering the entire nation, regional integration, social equity and environmental conservation.

3.4 Details of Sector Priorities

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

Table 3.2: Summary of Budget Allocations for the FY2025/26 – 2027/28 (Ksh Million)

Code	Sector		Supplementary Estimates No.1	2025 BPS				Suppleme ntary Estimates No.1	% Share in Total Ministerial Expenditure		
				2024/25	2025/26	2026/27	2027/28		2024/25	2025/26	2026/27
010	AGRICULTURE, RURAL & URBAN DEVELOPMENT (ARUD)	Subtotal	73,933.0	86,120.0	99,974.3	105,678.4	3.2	3.1	3.5	3.3	
		Rec_Gross	29,362.1	31,870.2	34,157.9	36,585.8	1.8	1.7	1.7	1.6	
		Dev_Gross	44,571.0	54,249.8	65,816.4	69,092.6	7.0	6.3	7.6	7.2	
020	ENERGY, INFRASTRUCTURE AND ICT	Sub_Total	444,289.6	554,783.0	554,147.0	597,288.0	19.3	20.2	19.2	18.7	
		Rec_Gross	142,034.0	181,617.0	187,754.0	195,338.0	8.6	9.6	9.3	8.7	
		Dev_Gross	302,255.6	373,166.0	366,393.0	401,950.0	47.1	43.1	42.4	42.1	
030	GENERAL ECONOMIC AND COMMERCIAL AFFAIRS (GECA)	Sub_Total	45,625.5	64,378.3	80,251.6	85,067.7	2.0	2.3	2.8	2.7	
		Rec_Gross	29,865.6	37,105.6	38,575.7	40,584.5	1.8	2.0	1.9	1.8	
		Dev_Gross	15,759.9	27,272.7	41,675.9	44,483.2	2.5	3.2	4.8	4.7	
040	HEALTH	Sub_Total	118,856.3	204,994.8	214,783.7	231,034.0	5.2	7.5	7.4	7.2	
		Rec_Gross	86,828.3	170,448.0	176,241.7	184,864.0	5.2	9.0	8.7	8.2	
		Dev_Gross	32,028.0	34,546.8	38,542.0	46,170.0	5.0	4.0	4.5	4.8	
050	EDUCATION	Sub_Total	681,722.8	718,760.0	759,614.3	847,091.8	29.6	26.1	26.3	26.5	
		Rec_Gross	660,634.9	691,332.0	717,255.3	801,302.8	39.8	36.7	35.5	35.8	
		Dev_Gross	21,087.9	27,428.0	42,359.0	45,789.0	3.3	3.2	4.9	4.8	
060	GOVERNANCE, JUSTICE, LAW AND ORDER (GJLO)	Sub_Total	234,860.7	267,682.7	310,103.6	334,261.6	10.2	9.7	10.7	10.5	
		Rec_Gross	228,979.7	245,014.7	281,053.7	296,938.1	13.8	13.0	13.9	13.3	
		Dev_Gross	5,881.0	22,668.0	29,049.9	37,323.6	0.9	2.6	3.4	3.9	
070	PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS (PAIR)	Sub_Total	311,795.4	360,941.2	306,494.2	316,483.5	13.6	13.1	10.6	9.9	
		Rec_Gross	186,453.4	197,376.0	229,522.9	238,562.3	11.2	10.5	11.3	10.6	
		Dev_Gross	125,342.0	163,565.2	76,971.3	77,921.2	19.5	18.9	8.9	8.2	
080	NATIONAL SECURITY	Sub_Total	219,303.1	279,023.1	300,684.5	391,057.5	9.5	10.1	10.4	12.2	
		Rec_Gross	217,769.1	244,507.1	261,429.5	346,038.5	13.1	13.0	12.9	15.4	
		Dev_Gross	1,534.0	34,516.0	39,255.0	45,019.0	0.2	4.0	4.5	4.7	
090	SOCIAL PROTECTION, CULTURE AND RECREATION	Sub_Total	68,942.5	78,663.8	91,236.3	94,875.5	3.0	2.9	3.2	3.0	
		Rec_Gross	45,281.0	51,820.8	62,450.9	65,106.1	2.7	2.8	3.1	2.9	
		Dev_Gross	23,661.5	26,843.0	28,785.4	29,769.4	3.7	3.1	3.3	3.1	
0100	ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES	Sub_Total	101,196.9	134,167.0	169,598.0	191,795.0	4.4	4.9	5.9	6.0	
		Rec_Gross	32,151.7	32,680.0	34,119.0	35,627.0	1.9	1.7	1.7	1.6	
		Dev_Gross	69,045.2	101,487.0	135,479.0	156,168.0	10.8	11.7	15.7	16.4	
GRAND TOTAL		Sub_Total	2,300,525.7	2,749,513.9	2,886,887.6	3,194,632.9	100.0	100.0	100.0	100.0	
		Rec_Gross	1,659,359.5	1,883,771.4	2,022,560.7	2,240,946.9	72.1	68.5	70.1	70.1	
		Dev_Gross	641,166.2	865,742.5	864,326.9	953,686.0	27.9	31.5	29.9	29.9	

Memo Note: FY 2024/25 Supplementary Estimates includes Ksh.67.8billion proposed under Supplementary Estimates No.2

Source of Data: National Treasury

Agriculture Rural and Urban Development Sector

231. The Agriculture Rural and Urban Development Sector is a major player in the delivery of national development agenda as envisaged in Kenya Vision 2030, the Kenya Kwanza Plan - Bottom-Up Economic Transformation Agenda (2022-2027), Agricultural Sector Transformation and Growth Strategy (ASTGS) and the Sustainable Development Goals (SDGs) and among other national and international policies and obligations.

232. During the 2021/22 - 2023/24 Medium-Term Expenditure Framework (MTEF) period, the Sector issued 1,246,019 land title deeds and geo referenced 139,415 land parcels; settled 29,986 landless households; produced 2.3 Million straws of cattle and goat semen; availed 3980 improved breeds to farmers; produced 79.4 Million doses of assorted livestock vaccines and analyzed 177,300 animal samples for antimicrobial resistance; completed development/rehabilitation of 8 fish landing sites; supported 12,668 small scale fish farmers with aquaculture inputs and issued grants amounting to KSh.1.6 billion to 618 common interest groups to the coastal counties for alternative livelihoods; provided 1,060,285.65 MT of assorted subsidized fertilizers to 1,436,715 farmers; supported technology transfer and crop diversification through provision of 965,317 assorted seedlings, 172 MT of drought tolerant seeds and 5800 MT of Irish potato seed; facilitated compulsory land acquisition for 63 infrastructural development projects for the National and County Governments; and issued 7,124 letters of allotments in urban areas

233. During the FY 2025/26 and the Medium Term, the sector plans to: Register and issue 1,310,000 title deeds countrywide; Digitalize land records in 15 land offices; Settle 47,000 landless households; Issue 22,800 allotment letters for public land; Facilitate compulsory land acquisition for 80 infrastructural development projects; Address 6,193 land disputes through Historical Land Injustice (HLI) and Alternative Dispute Resolution (ADR); and make 2,980 recommendations of appropriate redress for land cases; Train 1,000 fishing crew annually to create adequate technical capacity for exploitation of Kenya's Exclusive Economic Zone; Construct 52 Fish Landing sites along the Indian Ocean and in inland lakes and dams; Support 22,668 fish farmers with technical extension services; Support 1,525,658 farmers with 570,138 MT of subsidized assorted fertilizers; Provide 265 MT of assorted oil crop seeds; 300 MT of Cotton and canola seeds to farmers; 300 MT of Rice seeds and 800,000 assorted fruit seedlings to farmers; Provide Agri-credit facilities to 5,070 MSMEs; Produce and distribute 10.5 million doses of semen and 45,000 improved breed embryos; Distribute 640 milk coolers in all the counties; and Complete Kenya Leather Industrial Park at Kenanie.

234. To implement the above interventions, the sector has a resource allocation of Ksh 86.1 billion, Ksh 99.9billion, and Ksh 105.7 billion for the FY 2025/26, FY 2026/27 and FY 2027/28 respectively.

The Energy, Infrastructure, and ICT (EII) Sector

235. The Energy, Infrastructure, and ICT (EII) Sector emerges as a pivotal force, strategically propelling and expediting socio-economic progress within the country. Functioning both as a driver and an enabler to the other Sectors of the economy, EII steadfastly advances sustainable, efficient, and effective infrastructure aligned to the Bottom-Up Economic Transformation Agenda (BETA), the Fourth Medium-Term Plan (MTP IV) 2023-2027 of Kenya Vision 2030, regional infrastructure commitments, Africa Agenda 2063 and Sustainable Development Goals (SDGs).

236. During the FY 2021/22 - 2023/24, the Sector realized the following achievements: Constructed 2,766Km and rehabilitated 280Km of road; Constructed 77 bridges; undertook Periodic maintenance of 117,294Km and Routine maintenance of 2,389Km of roads; Constructed 23.5Km and rehabilitated 793.74Km of railway lines; Acquired Standard Gauge Rail (SGR) and Meter Gauge Rail (MGR) rolling stock and wagon ferry (MV Uhuru II); Completed Kipevu Oil Terminal; Refurbished Terminals 1B and C, at Jomo Kenyatta International Airport (JKIA); Rehabilitated 15 airstrips; Enhanced Aviation Security Oversight; Developed National Road Safety Action Plan and Road Safety Regulations; and acquired 249Km of land along the LAPSET corridor. In addition, the Sector inspected all the eligible ships that docked the Port of Mombasa and 1,700 small boats and vessels to enhance maritime Safety and

Security; Trained 10,549 youths in various maritime courses; Recruited 3,872 Seafarers in international vessels; Developed the National Maritime Transport, and Maritime Education and Training Policies; Completed construction of 1,067 housing units in various locations, while construction of 33,081 housing units is ongoing and is at average of 25.7%; Facilitated 692 Civil Servants with mortgage facility to own houses; Completed construction 17 Markets while 6 markets are ongoing on an average of 82% completion level; and Issued 1,020 title deeds in selected informal settlements of Nakuru and Kilifi to regularize land tenure.

237. The Sector Completed construction of Mtangawanda and New Mokowe Jetties; Developed 28 footbridges to enhance pedestrian mobility; Inspected and audited 5,040 buildings to ensure safety; Trained 156,506 Contractors, Skilled construction workers and site supervisors; Registered 32,336 Contractors; and accredited 69,207 skilled construction workers and site supervisors; Deployed 3,141 Km new build Fibre Network; Provided internet connectivity to 7,009 public institutions; Installed 1,537 Public WIFIs across Counties; Connected 39 hospitals to internet; operationalized the Office of the Data Protection Commissioner and established 7 Regional Offices; on-boarded 5,084 Government services to e-citizen portal; and Trained and linked 2,079,658 youths to online jobs under Ajira Digital Programme; Produced printed and disseminated the Kenya Yearbook publications, Agenda Kenya publications, Cabinet Series publications, Big Four Agenda publications; Standardized and published public sector advertisements in the weekly MyGov publications; established two additional Studio Mashinani to create employment opportunities for the youth; Accredited 27,552 journalists and media practitioners; trained 2,385 Media Practitioners in information and cinematic arts at Kenya Institute of Mass Communication; and increased the National Digital TV coverage from 86% to 98%.

238. The Sector increased electricity installed capacity by 193MW thus raising the total installed capacity from 3,051MW in June 2022 to 3,244MW in June 2024; constructed 675 Km of transmission line, 4 new high voltage substations, 1,266.7 Km of medium voltage distribution lines and 30 distribution substations; Connected 1,681,404 customers to electricity, including 1,702 public facilities thus increasing total number of customers to 9.2 million; installed 54,577 street lighting points across the country to promote 24-hour economy and enhance security; Reviewed the South-Lokichar draft Field Development Plan (FDP) and demarcated the required land for development of the South-Lokichar Oil Fields; Acquired geoscientific data in Petroleum Blocks L16, L17, and L18 in Kilifi, Mombasa, and Kwale Counties, covering 3,465 km²; Developed and gazetted the Petroleum (Importation) Regulations, 2023, and the Petroleum (Pricing) Regulations, 2022; Imported and distributed 20.072 million Metric Tonnes (MT) of petroleum fuels; and Tested 68,619 samples of petroleum products at dispensing stations across the country to mitigate against adulteration and diversion of petroleum products meant for export. Further, the Sector implemented 811 Capital Projects during the period under review, where 164 projects were completed; 64 projects were between 90-99% completion level by the end of June 2024; 45 were between 75-89% completion level; 85 projects were between 50-74% completion level; and 294 projects were below 50% completion level. Out of the 772 projects, 122 were completed prior to the FY 2023/24 but payments were yet to be cleared by 30th June, 2024.

239. During the FY 2025/26 and the Medium Term, the Sector will implement 25 Programmes with the following targets: Under Roads Construct 1,098.06Km and rehabilitate 675Km of roads; Construct 62 bridges; Undertake Routine Maintenance of 84,988Km and Periodic Maintenance of 1,633Km of roads; and Train 16,230 Plant Operators, Contractors and Technicians. Under Transport the sector will Complete construction of the Riruta-Lenana-Ngong Railway Line and fast-track construction Phase I of the Nairobi Railway City (NRC) Project; Complete the new MGR link connecting Mombasa SGR Terminus to Mombasa MGR station, along with

construction of a railway bridge across the Makupa Causeway; Acquire a new ferry for Lake Victoria; Complete construction of the control tower at Kisumu Airport; Complete rehabilitation of the terminal building and apron at Ukunda Airport; and Automate and upgrade nine motor vehicle inspection centres, and establish five new motor vehicle inspection centres. Under the Shipping and Maritime the sector will develop the maritime spatial plan; Construct a survival training and certification centre; Inspect all eligible Ships that dock at Mombasa Port; train 20,000 and recruit 15,500 Seafarers; Develop a centralized maritime databank; and Develop 5 Maritime Regulations. Under the Housing and Urban Development, the sector will construct 217,654 affordable housing units and 80,909 social housing units; and 65,297 institutional housing units; Implement the Second Kenya Informal Settlement Improvement Project (KISIP II) in 33 counties; implement the Second Kenya Urban Support Programme (KUSP II) in 79 municipalities across 45 counties; and construct 505 markets.

240. Further under Public Works, the sector will design, document and supervise 855 public buildings for various MDCA; Construct 44 footbridges across the country to enable safe river-crossings and access to social amenities; Build 5 jetties and 5,800 meters of seawall; Inspect and audit 5,000 buildings and structures for safety, and test 220 buildings for structural integrity; Register 29,500 contractors and accredit 156,000 skilled construction workers and site supervisors; and Build capacity in the construction industry through training programs for contractors, skilled construction workers, and site supervisors. Under the ICT and Digital Economy, the sector will instal 38,871Km of backbone fibre network; Provide internet connectivity to 44,575 public institutions and install 18,510 public Wi-Fi hotspots; Onboard 13,800 government services on the e-Citizen platform; Complete construction of the Horizontal Infrastructure Phase 1 project at Konza Technopolis; and Complete construction and operationalization of the Kenya Advanced Institute of Science and Technology. In addition, under Broadcasting and Telecommunication Complete the rollout of National Digital Signal Coverage; Install 42 KBC stations with solar power; Accredit 27,000 journalists; Train 9,800 on-the-job journalists and 2,998 mass media practitioners; and Publish three Kenya Yearbook editions and 15 editions covering the BETA pillars.

241. The sector will also drill 34 geothermal wells; Construct 1,742Km of transmission lines and 21 transmission substations; Construct 1,050 Km of distribution lines and 33 distribution substations; Connect 1,440,000 new customers and 1,080 public facilities to electricity; Install 19,500 street lighting points; and Construct 55 institutional and 1,800 household biogas plants. The sector will also acquire geo-scientific data over 3,600 Km² area to evaluate oil and gas potential in Petroleum Blocks; Evaluate gas potential in Petroleum Blocks 9, L4, and L8 in Marsabit, Garissa, Lamu and Kilifi Counties; Acquire land for development of South Lokichar Oil Fields; Provide Clean Cooking Gas to 600 public learning institutions and distribute 6Kg Liquefied Petroleum Gas (LPG) cylinders to 210,000 low-income households; Import and distribute 22.6 million Metric Tonnes Petroleum Fuels; and Develop a National Petroleum Master Plan

242. To implement these programmes, the Sector has been allocated Ksh 554.8 billion, Ksh 554.1 billion and Ksh 597.3 billion in FY 2025/26, FY 2026/27 and FY 2027/28 respectively.

General Economic and Commercial Affairs Sector

243. The General Economic and Commercial Affairs (GECA) Sector plays a crucial role in promoting the economic growth and development of the country through developing and implementing policies, programmes and projects that stimulate trade, industrialization, investment, enterprise development, market access, private sector development, job and wealth creation and overall economic competitiveness locally, regionally and internationally.

Additionally, the sector ensures that programme and project development and implementation take cognizant of environmental conservation and climate change mitigation.

244. During the Fiscal Years 2021/22-2023/24, the sector implemented sixteen (16) programmes and achieved a wide range of outputs key among them: Increased the value of wholesale and retail trade by 2.74% from Kshs.814 billion in 2022 to Ksh 836.7 billion in 2023; Disbursed Ksh 5.4 billion to farmers across 26 coffee growing counties in Kenya and facilitated recovery of outstanding remittances to SACCOS totalling Ksh 1.428 billion; Refurbished and operationalized 21 Constituency Industrial Development Centres (CIDCs) across the country creating 3927 jobs directly and indirectly; Mapped out and equipped CIDCs in the leather, textile, diary, construction and building and edible oils priority value chains; On-boarded 22 million Kenyans within the Financial Inclusion Fund (Hustler Fund) platform with a repeat customer base of 7.5million; Attracted investments worth Ksh 480 billion in Domestic Direct Investment (DDI), and USD 1.504B in Foreign Direct Investment (FDI) for the FY 2023/2024; Cumulatively eliminated 273 Non-Tariff Barriers (NTBs) which resulted to an increase in Kenya's exports to the EAC market from Ksh 226 billion to Ksh 305 Billion; Capacity built a total of 1,888 cross boarder Women, Youth and PWDs on EAC trade rules, regulations and procedures; Established County Aggregation and Industrial Parks (CAIPs) in eighteen (18) counties to support agro-processing and value addition; International arrivals increased from 1.65 Million in FY 2022/23 to 2.18 million in the FY 2023/24 while total tourism earnings increasing from 297.3 billion to Ksh.352.54 billion in the same period; and Distributed food and non-food items to 818,370 people affected by El-nino and floods during October November December short rains in 2023 and March April May long rains in 2024 respectively.

245. During the FY 2025/26 and the Medium Term, the sector has prioritized to implement sixteen (16) programmes in line with the Fourth Medium Term Plan (MTP IV) for Kenya Vision 2030 and BETA priorities. The programmes prioritized for the period are: Accelerated ASALs Development; Integrated Regional Development Co-operative Development and Management; Domestic Trade Promotion and Regulation; Fair Trade Practices and Compliance with Standards; International Trade Development and Promotion; Industrial Promotion and Development, Standards and Quality Infrastructure and Research, Promotion and Development of MSMEs; Product and Market Development for MSMEs; Digitization and Financial Inclusion for MSMEs; Investments Development and Promotion; Tourism Promotion and Marketing; Tourism Product Development and Diversification; East African Affairs and Regional Integration; and General Administration, Support Services and Planning.

246. To implement the above interventions, the sector has a resource allocation of Ksh 64.4 billion, Ksh 80.3 billion and Ksh 85.1 billion in the FY 2025/26, FY 2026/27 and FY 2027/28 respectively.

Health Sector

247. The Health Sector is an important contributor to the national economic growth through ensuring that all Kenyans are productive and live a healthy life. The Constitution underscores the "right to health" while the Kenya Vision 2030, the MTP IV as well as the Bottom-Up Economic Transformation Agenda recognize provision of equitable, accessible and affordable health care of the highest attainable standards to all Kenyans. Through the Bottom-Up Economic Transformation Agenda (BETA) and in an effort to deliver Universal Health Coverage the Ministry of Health in collaboration with County Governments and key stakeholders in the spirit of Afya bora Mashinani will continue to prioritize Kenya Vision 2030 Flagship Projects for the Health Sector as outlined in MTP-IV including Social Health Protection, Community Health High Impact Interventions, Family Health & Strategic Public Health Programme, National

Health Institutions, Local Manufacture of Life-Saving Essential Health Products and Diagnostics, Human Resources for Health, Health Infrastructure and Medical Tourism.

248. Significant achievements over the past three fiscal years include expanded access to advanced healthcare services, enhanced maternal and child health outcomes, and substantial gains in communicable disease prevention. Availability of specialized equipment and skills enabled an increase of locally available services for heart surgeries, cancer screening and treatment and other specialized services through the referral health facilities.

249. Programs addressing HIV/AIDS, malaria, and tuberculosis (TB) made considerable strides, with treatment success rates improving markedly with TB treatment success rate of 89%. Immunization services (Penta 3) have flat-lined at 84% and there is a need to address gaps for higher performance. The fill and finish facility under the Kenya BioVax is 90% complete and will contribute towards the self-sustenance of vaccine availability. The country has attained the 80% global threshold in terms of effective treatment for malnourished children under 5 years of age, pregnant and lactating women.

250. On training, the tertiary institutions have continued to provide high-quality workforce for the sector with regulatory bodies undertaking their registration, accreditation and oversight functions. There is a need to address the unregulated cadres within the sector to ensure operational consistency with guidelines. A total of 93,390 Community health promoters were engaged and kitted by the end of the FY 2023/2024. The performance demonstrates increasing coverage with quality health services across the various entities and delivery approaches.

251. In the FY 2025/26 and Medium Term, the sector aims at expanding UHC and strengthen the health system's resilience. UHC priorities over this period include expanding primary healthcare infrastructure, focusing on maternal and child health, and improving supply chains for essential health products. This includes digital health investments in infrastructure to connect healthcare facilities with the National Optic Fibre Backbone Infrastructure (NOFBI), targeting expanded coverage to over 6000 health facilities by 2028. Emphasis on evidence-based and data-driven decision-making the digital health superhighways will include the full implementation of the Electronic Community Health Information System (eCHIS) and integration of UHC tracking in real-time through the Kenya Health Situation Room.

252. To implement these programmes, the Sector has been allocated Ksh 204.9 billion, Ksh 214.8 billion and Ksh 231.0 billion in the FY 2025/26, 2026/27 and 2027/28 respectively.

Education Sector

253. Education Sector is a critical player in promoting political, social, and economic development through education and training to create a knowledge-based economy.

254. The achievements for the previous Fiscal Years 2021/22 -2023/24 are: increased enrolment in tertiary and universities, funding of 242 research projects, expansion of infrastructure in learning institutions as well as rollout and implementation of the Competency-Based Curriculum and Assessment of Pre-primary 1 to Grade 7. Other achievements are on teacher education; recruitment, promotion and training of teachers & trainers; enhanced ICT integration; improved pupil-book ratio, Curriculum design for lower and middle school developed; and Increased disbursement of scholarship and loans to university students and TVET trainees; and Roll out of Recognition of Prior Learning

255. In the FY 2025/26 and the Medium Term the sector focuses on reaching important benchmarks in education's relevance, quality, equity, and accessibility. Basic education is currently implementing the Competency-Based Curriculum (CBC), which will necessitate increased funding for instructional materials, teacher preparation, and infrastructure. In support

of Kenya's industrialization goal, the sector will prioritize funding for Tertiary and Higher Education to make sure that Kenyans receive the knowledge, skills and attitudes they need to satisfy labor market demands and encourage entrepreneurship. Furthermore, the sector underscores the need to expand digital learning programs and the provision of ICT infrastructure. This is to empower learners with the knowledge and digital skills required to thrive in a fast-evolving global marketplace. The sector will also focus on investing in teacher welfare and capacity development. Teachers are central to the successful delivery of education reforms, and as such, this budget prioritizes professional development, recruitment, and enhanced teacher support, particularly in underserved regions.

256. The sector will also continue to undertake major reforms in line with the Presidential Working Party on Education Reform Report. These reforms aim to promote quality and inclusive education, training and research for sustainable development and ensure socio-economic development.

257. To implement these programmes, the Sector has been allocated Ksh 718.8 billion, Ksh 759.6 billion, and Ksh 847.1 billion in FY 2025/26, FY 2026/27 and FY 2027/28 respectively.

Governance, Justice, Law and Order Sector

258. Governance, Justice, Law and Order (GJLO) Sector consists of sixteen sub-sectors with the primary role of enhancing governance, justice, law, and order, a key pillar in the socio-economic, and political development of the Country. During the Fiscal Years 2021/22 – 23/24, the Sector achieved notable results across sub-sectors. The Prison Services contained 63,178 inmates in safe custody, rehabilitated 124,246 offenders, supported 3,480 probationers with educational opportunities, supervised 125,117 on probation and 128,353 on Community Service Orders. Migration services issued 539,810 passports, 666,475 Electronic Travel Authorizations, 824,364 second-generation ID cards, and 972,630 Maisha cards. A total of 1,168,151 births and 204,498 deaths were registered. The e-Citizen platform integrated 17,692 government services, connecting 19 agencies to the Maisha database, and expanded operational civil and immigration offices. Policing achievements included constructing the NPS Referral Hospital, equipping a forensic lab to 51.88%, operationalized 18 Administration Police Sub-County Headquarters. Field administration trained 1,441 officers, sensitized 892,757 Kenyans on climate-related conflicts, registered 1,500 Public Benefits Organizations, and reached over 10 million parents and caregivers through awareness campaigns on positive parenting. Legal services concluded 5,214 cases against the government, processed 681 international cooperation requests, issued 2,940 international law advisories, and registered Ksh 1.01 billion in assets and cash forfeitures.

259. Additionally, they finalized 13,197 estates, registered 110,023 marriages, and generated Ksh 3.31 billion in revenue through 414,474 business entity registrations. Anti-corruption efforts completed 377 investigation files, processed 681 economic crime cases, and recovered Ksh 17.68 billion in assets while reaching 37.77 million Kenyans through awareness. Public prosecution services maintained a conviction rate of 93.12%, enhanced alternatives to trials, and improved case management through the Judiciary's E-filing system. The Prosecution Training Institute was operationalized, adding new facilities and diploma programs. Political party regulation saw the registration of 15 parties and the establishment of five new county offices, while witness protection services reduced relocation and resettlement times, increasing the number of protected witnesses to 167. Human rights efforts resolved 8,614 complaints, filed 34 PIL cases, trained 3,860 organizations, sensitized 10 million people, reviewed 79 laws, and conducted 73 compliance audits. Electoral processes were strengthened by defending 14 election petitions and initiating reforms. The Police Service Commission recruited 5,900 officers and 1,121 civilian staff, resolved 548 disciplinary cases, provided psychosocial support to 64,880 officers, and digitized 1.5 million documents. Efforts to promote gender equality included auditing 77

institutions and processing 78% of gender discrimination complaints. Police oversight processed 11,003 misconduct complaints, investigated 2,633 cases, submitted 463 files for prosecution, and inspected 2,285 police facilities

260. In the FY 2025/26 and the Medium Term , the Sector will ensure safe containment of inmates; treatment of youthful offenders in boys and girls in Borstal institutions and Youth Corrective Training Centre (YCTC); Operationalize of Magereza Level IV Hospital; modernize prison infrastructure; supervise offenders serving community services and probation orders; rehabilitate and reintegrate non-custodial offenders; upscale police modernization; inspect police premises and facilities across the country and make appropriate recommendations; monitor police operations; recruit and train constables and serving officers; acquire and distribute assorted security equipment; equip the National Forensic Laboratory; provide security coverage across the country; implement Maisha ecosystem, offer immigration services and e-citizen services; delinking, decentralization and automation of State Law Office(SLO) & Department of Justice (DOJ) services; coordinate security operations, Government programmes, projects, directives and initiatives, train National Government Administrative Officers(NGAO); establish ports of entry and exits; provide training on peace building and conflict management and carryout sensitization on Alcohol and Drug Abuse Preventive and Management Guidelines.

261. The sector will also implement National Ethics and Corruption Policy; implement alternatives to prosecutions; digitization of ODPP Processes; integrate and implement the Uadilifu Case Management system; conduct capacity building of the Prosecutors; register voters, conduct electoral operations and education; upgrade, support and maintain electoral technology; implement electoral legal reforms; admit, maintain threatened and intimidated witnesses; enhance redress, accountability and access to Justice through human rights complaints resolution; registration and regulation of political parties; funding of Political Parties Fund (PPF); provide counselling and psychosocial support to police officers; implement Maraga Taskforce police reforms and investigate cases of police misconduct and recommended for prosecution within **2 months**.

262. The sector has been allocated Ksh 267.7 billion, Ksh 310.1 billion and Ksh 334.3 billion in FY 2025/26, FY 2026/27 and FY 2027/28 respectively to implement the planned programmes and projects.

Public Administration and International Relations Sector

263. Public Administration and International Relations Sector is key in coordinating, management, and over-sighting of the planning, administrative, public Finance, and Legislative functions of the Government, and promoting Kenya's International Relations.

264. During the implementation of the FY 2021/22 – 2023/24 budgets, the Sector realized various achievements of the targeted outputs and outcomes including coordination of national and sectoral development planning; promotion of prudent public finance management and accountability in the public sector; enhanced oversight role in the public sector, development of the Government Legislative Agenda Schedule and Public Policy Handbook; management of Kenya's Foreign Policy as well as support for devolution and coordination of government activities. Additionally, the Sector ensured an effective and efficient public service, youth empowerment, employment creation, and the enforcement of administrative justice and access to information.

265. In the FY 2025/26 and the Medium-Term Budget, the Sector has prioritized programmes and projects aligned with the Bottom-Up Economic Transformation Agenda and the Fourth Medium Term Plan of Kenya Vision 2030. The Sector will implement 44 programmes and 120 sub-programmes designed to address citizen's needs thereby enhancing service delivery. In

addition, the Sector will continue to enhance efficiency and effectiveness in service delivery and promote comprehensive public financial management, intensify resource mobilization and strengthen monitoring and evaluation.

266. To implement these programmes, the Sector has been allocated Ksh 360.9 billion, Ksh 306.5 billion and Ksh 316.5 billion in the FY2025/26, FY2026/27 and FY2027/28 respectively.

National Security Sector

267. The Sector plays a key role in creating a conducive environment for socio-economic and political development. It is therefore a critical actor and enabler in the realization of Kenya Vision 2030, and the Bottom-up Economic Transformation Agenda (BETA).

268. The Sector will continue to address contemporary and emerging threats to national security that undermine peace and development. These include terrorism, radicalization, human and drug trafficking, money laundering, cyber-crime and other socio-economic and political challenges.

269. In order to implement the prioritized programmes and minimize the above-mentioned threats, the Sector has been allocated Ksh 279.0 billion, Ksh 300.7 billion and Ksh 391.1 billion in FY 2025/26, FY 2026/27 and FY 2027/28, respectively.

Social Protection, Culture and Recreation Sector

270. The Social Protection Sector plays a crucial role in the country's socio-economic transformation in line with the aspirations of the Fourth Medium Term Plan (MTP IV) 2023-2027 of the Kenya Vision 2030 and the Bottom-Up Economic Transformation Agenda (BETA). Specifically, the Sector promotes sustainable employment, maintains best labour practices, develops and nurtures talents including sports, promotes gender equality and equity, empowers communities and vulnerable groups, as well as promotes and preserve diverse cultures and heritage.

271. During the review period, FY 2021/22 to FY 2023/24 the Sector implemented 22 Programmes with corresponding 43 sub-programmes. Specifically the Sector: won the Pamoja bid for AFCON 2027; facilitated 112 national teams in international competitions and won 138 medals; facilitated inscription of Historic Town and Archaeological Site of Gedi on the UNESCO World Heritage list; repatriated migrated archives from United Kingdom; identified and honoured 681 heroes and heroines; trained 201,418 youth on life skills, core business skills, job-specific skills and entrepreneurship skills that led to creation of 187,451 employment opportunities; and operationalized 83 Youth Empowerment Centres (YECs) and constructed 29 YECS. The Sector further disbursed loans worth Ksh 1.24 billion to 95,664 youth entrepreneurs; placed 306,963 youths on employment both locally and abroad; provided cash transfers to 1,251,721 Older Persons, 44,954 households with PWDs, and 259,043 households with Orphans and Vulnerable Children; disbursed Ksh 3.3 billion to Affirmative Action Groups, provided 132,562 needy students with bursaries and scholarships; and disbursed Ksh 5.7 billion to 365,737 women entrepreneurs.

272. In the 2025/26-2027/28 MTEF period, the Sector will implement 19 Programmes and with corresponding 39 sub-programmes. The Sector has prioritized programmes and projects that are aligned to the Bottom-Up Economic Transformation Agenda and Fourth Medium Term Plan of Kenya Vision 2030. Priority has been accorded to vulnerable groups programmes while also taking into consideration programmes that will regulate the labour sector, promote employment, promote Kenya's diverse culture and heritage, and develop creative arts and sports talent

273. To implement these programmes, the Sector has been allocated Ksh 78.7 billion, Ksh 91.2 billion and Ksh 94.9 billion for FY 2025/26, FY 2026/27 and FY 2027/28, respectively

Environment Protection, Water and Natural Resources Sector

274. The Environment Protection, Water, and Natural Resources (EPWNR) Sector is essential to the country's sustainable development, playing a vital role in conserving natural resources, enhancing economic growth, and addressing climate change.

275. In the period the Fiscal Years 2021/22 – 2023/24, the Environment Protection, Water, and Natural Resources Sector made significant strides. This sector developed an additional 91,499 acres for irrigation which targeted the cultivation of rice, maize, and horticulture thus enhancing agricultural productivity. The expansion of the Mwea Irrigation Scheme to 30,600 acres, coupled with the construction of the Thiba Dam—capable of holding 15.6 million cubic meters, resulting to a remarkable increase of 346,175 tons in paddy rice production, enabling consistent double cropping. Further, the sector experienced improved access to water services increasing from 70% in FY 2021/22 to 73% in FY 2023/24, while safely managed sanitation rose from 27.7% to 33%, benefiting an additional 200,000 people through the completion of nineteen (19) new projects and twenty-four (24) projects in low-income urban and rural areas. The EPWNR sector also experienced a positive growth in mineral revenue collection, rising from Ksh 2,833 million to Ksh 3,286.24 million. Mineral export and import permits doubled from 2,000 to 4,108, demonstrating enhanced regulatory capacity and support for mineral trade. At the same time five regions were mapped to support artisanal mining efforts of the low-level citizens.

276. To address Human-Wildlife Conflict (HWC), Ksh 2,045.3 million was disbursed for compensation which was piloted in six hotspot counties of Meru, Baringo, Laikipia, Narok, Kajiado, and Taita Taveta. Additionally, the Wildlife Conservation Trust Fund was established under new Public Finance Management (Wildlife Conservation Trust Fund) Regulations 2023, to support conservation funding and ensure sustainable financing for wildlife initiatives.

277. The sector further developed the Meteorology Policy 2023, six mining regulations, and amended the Climate Change Act, 2016 to incorporate Carbon Markets. Moreover, NEMA was designated as the national authority for Article 6 mechanisms under the Paris Agreement, emphasizing Kenya's commitment to carbon markets. The sector ratified four Multilateral Environmental Agreements (MEAs): Minamata convention on Mercury; Kigali amendment to the Montreal protocol; Bamako Convention; and Nairobi Convention to reduce mercury emissions in environment, reduce production and consumptions of substances that deplete ozone layer, minimize and control transboundary movements of hazardous wastes within the African continent and to protect, manage and develop the Western Indian Ocean respectively. Besides, the sub-sector launched the National Climate Change Action Plan III (2023-2027), updated the National MRV registry, and advanced meteorological services to 84% modernization, including issuing 984 weather forecasts and initiating a 21% weather modification capacity.

278. The sector also made progress towards Kenya's Goal of 15 billion trees by 2032, by producing 70,000 kg of tree seeds and 126.47 million tree seedlings. Through collaboration with state and non-state actors, 0.356 billion trees were planted across the country. The sector developed the National Landscape and Restoration Strategy (2023-2032) and finalizing the National Forest Policy, 2023.

279. During the FY 2025/26 and the Medium Term, the sector plans to increase the area under irrigation by 500,000 acres through development of irrigation infrastructure in Bura, Mwea, Turkana, Lower Nzoia, Galana Kulalu project & National Expanded Irrigation Programme. Further, water storage capacity will be increased by 441 million cubic metres through construction of Mwache dam, Umaa dam, Siyoi-Muruny dam, and community & household water pans. Increase paddy rice and maize production by 250,000 tons and 10,000 tons through rice production expansion programme in Mwea, Bura, Hola and Ahero irrigation development projects. Seventy (70) public schools will be equipped with boreholes and greenhouses under

micro-irrigation for schools' programme. Five hundred thousand fruit trees will be grown through the National Expanded Irrigation Programme, Community Based Irrigation Programme, Small Holder Irrigation project, Household Irrigation Water Harvesting Project, Micro Irrigation Programme for Schools and Dams Irrigated area (Siyoi -Murruny, Umaa, Mwache). The National Land Reclamation Bill will be finalized.

280. The sector plans to raise the population's access to improved water services from 73% to 80% and sanitation services from 33% to 40% by expanding infrastructure and fast-tracking ongoing projects. The share of non-revenue water will be reduced from 43% to 25%. The per capita freshwater endowment will be increased from 620 m³ to 700 m³ by 2027 through Sub-Catchment Management Plans (SCMPs), water quality monitoring, pollution control, groundwater assessments and mapping for effective management, protection, and conservation of water resources. Raise per capita water storage from 107 m³ to 234 m³ by 2027 through constructing large and small dams and water pans such Thwake dam and Maragwa IV dam.

281. The sector will also conduct geological mapping of 6 topo sheets, explore 12 and 8 Counties for industrial minerals and Agro-Minerals respectively. It will ensure compliance by inspecting 1,190 mining operations and 580 mineral dealership operations. A total of Ksh 16.8 billion will be collected as mining royalties while 13,500 mineral import and export permits, and 7,830 Commercial explosives licenses and permits will be issued. The sector will establish Artisanal Mining Committees in all the 47 Counties, facilitate formation of 85 marketing co-operatives for artisanal miners, and train 7,500 Artisanal and Small-Scale Miners on Mine Safety, Health and Environment. In the extractive sector, there will be review Mining Act Cap 306, Geologists Registration Act of 1993, and Commercial Explosive Act Cap 115. Through planting program, a total of 1.7 million trees will be planted.

282. The sector will grow revenue generation to Ksh 23,776 million through an increase of park visitors to approximately 4 million. Six categories of specialized equipment for modernization of anti-poaching technology will be acquired and construct 210km, rehabilitate 215 km & maintain 6,250 km of fence. 166 houses will be constructed and 666 houses will be rehabilitated for forest rangers. Additionally, 7,050km of park roads and 908km of roads in conservancies will be maintained. 6000 hectare of degraded habitat land will be land restored. Undertake 30 wildlife population count, construct 40 water pans and drill 38 boreholes to communities. Approximately 1000 hectares of wildlife and dispersal areas will be mapped. 100% of all verified and approved human wildlife conflict claims will be settled, conduct 6 climate studies, adopt 6 wildlife technologies, Map 6 invasive species areas and conduct 300 zoonotic forensic DNA analysis. Research and training facilities at Naivasha will also be rehabilitated.

283. The sector will domesticate 4 ratified MEAs on the Minamata convention on Mercury, Kigali amendment to the Montreal protocol, Bamako Convention and Nairobi Convention. Restore 1,570 hectares of degraded land & rehabilitate 400 hectares of water towers and also raise 175,000 bamboo seedlings. A total of 12,000 Environmental Impact Assessment (EIA) licenses will be issued, undertake 3,000 inspections on EIA and 1000 enforcement actions on the ban of single use plastics carrier bags. Identify and stop 400 effluent discharge points along the Athi-Galana-Sabaki River System. It will also establish 4 waste demonstration centres in Nairobi, Mombasa, Kiambu and Kwale Counties and generate Ksh 5 billion on carbon markets. Issue 984 weather forecasts & 6 sector specific early warning system and modernization of meteorological services,

284. The sector will further produce and distribute 100,000 Kgs of tree seeds, produce 405.5 million tree seedlings and establish and maintain 10,700 Ha of forest plantations. The sector intends to protect 2.6 million Hectares of closed canopy forest and establish 4,500 Ha of commercial farm forests. Rehabilitate 63,586 Ha of degraded natural forests, 253 Ha of bamboo forests in communal lands and 782 Ha of degraded dryland areas. A total of 41 Forest research

technologies will be developed and 11 newly constructed seed centers will be equipped. 140 Ha and 6 Ha of seed sources will be maintained and established. Develop 200 nature-based enterprises, refurbish tree nurseries & establish 5 seed processing units.

285. To achieve these outputs, the Sector's total allocation is Ksh 134.2 billion, Ksh 169.6 billion and Ksh 191.8 billion for the FY 2025/26, FY 2026/27 and 2027/28 respectively.

3.5 Public Participation/ Sector Hearings and Involvement of Stakeholders

286. Public participation and involvement of stakeholders in the medium-term budget process is a Constitutional requirement. In fulfilment of this requirement, while preparing the 2025 Budget Policy Statement (BPS), the resolutions adopted by Parliament on the previous Budget Policy Statements were taken into account.

287. The PFM Act, 2012 (CAP 412A) requires that the input of the public be taken into account before the budget proposals are firmed up. In this regard, the Sectors Public Hearings were conducted from 20th to 22nd November, 2024 at the Kenyatta International Convention Centre. Virtual platforms were made available on WebEx as well as live streaming on Face Book to ensure that stakeholders who could not attend the Public Hearings physically had access to the Hearings. **Annex Table 5** explains how the resolutions by Parliament on the 2023 BPS and 2024 BPS have been taken into account in the 2025 BPS and the reasons thereof. **Annex Table 6** provides a summary of the comments received and the actions taken and or response given during the Public Hearings.

IV. COUNTY FINANCIAL MANAGEMENT AND DIVISION OF REVENUE

4.1 County Governments' Compliance with Fiscal Responsibility Principles

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

- i) **Development budget:** In accordance with the PFM Act 2012, a minimum of thirty percent of the County Governments' budgets shall be allocated to development expenditure over the medium term. Therefore, it is essential to ensure adherence to this fiscal responsibility principle both at the budget approval stage and during the actual implementation of the budget.
- ii) **Wages:** Regulation 25(1)(a) and (b) of the PFM (County Governments) Regulations 2015 provides that County Governments' expenditure on wages and benefits for public officers shall not exceed thirty-five percent (35%) of the County Government's total revenue. Compliance with this fiscal rule has been insufficient, highlighting the necessity for a concerted effort to ensure that the wage bill remains within the legally established threshold.
- iii) **Borrowing:** Regulation 25(1)(d) of the PFM (County Governments) Regulations 2015 provides that the county public debt shall not exceed twenty percent (20%) of the total revenue of the County Government at any given time. Any County Government seeking to borrow must comply with this legal requirement.
- iv) **Taxes:** In accordance with provisions of Section 15(2)(e) of the PFM Act 2012, County Governments should uphold a reasonable degree of predictability regarding tax rates and tax bases, considering any potential future tax reforms while implementing legislation for the collection of own-source revenue. It is advisable for County Governments to consider the principles of public finance management and taxation when levying taxes and fees. Prioritizing the establishment of adequate legal frameworks regarding the principal legislation governing the imposition of taxes and fees is essential to ensure that these actions are conducted in accordance with the law.
- v) **Fiscal risk:** County Governments are required to manage fiscal risks prudently in accordance with Section 15(2)(e) of the Public Finance Management (PFM) Act.

289. **Table 4.1** provides a summary of total expenditures, total recurrent expenditures, total development expenditures and total revenues for medium term from FY 2021/22 to 2023/24. Total wages as a percentage of total revenue is also captioned in the table.

Table 4.1: Summary of County Revenues and Expenditures from FY 2021/22 to 2023/24

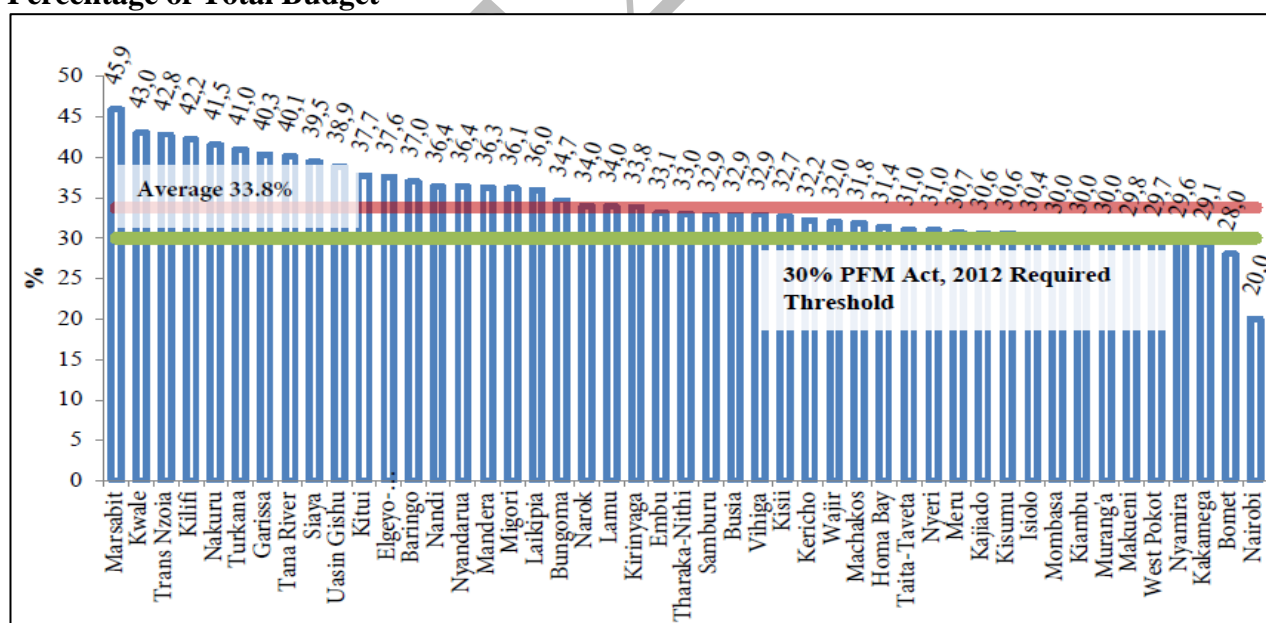
Item	FY 2021/22		FY 2022/23		FY 2023/24	
	Approved Budget	Actual Budget	Approved Budget	Actual Budget	Approved Budget	Actual Budget
Total Revenue	529.2	436.5	491.9	466.0	562.75	492.47
Total Expenditures	535.7	401.0	515.2	428.9		446.76
Total Development	193.5	98.5	160.5	98.0	189.93	109.23
Total Recurrent	342.2	302.5	354.6	330.9	372.82	337.53
Wages		190.1		195.1		209.84
Other recurrent		112.4		135.8		127.69
% of Development in Total Budget	36%	25%	31%	23%	33.8	24.4
% of Recurrent in Total Budget	64%	75%	69%	77%	66.2	75.6
% of wages in Total Revenue		44%		42%		42.6%

Source: National Treasury

4.1.1 Allocation to Development Expenditure over the Medium-Term

290. **Table 4.1** indicates that the total approved development expenditures for County Governments over the medium term (FY 2021/22, 2022/23 and 2023/24) account for 36 percent, 31 percent, and 33.8 percent of the total budget respectively. This translates to an average of 33.6 percent of the total budget. Section 107 (2) (b) of the Public Finance Management Act (PFMA) 2012 provides that County Governments should allocate a minimum of 30 percent of their budget for development expenditures over the medium term. **Figure 4.1** presents the development budget allocations of County Governments as a percentage of the total approved budget for FY 2023/24.

Figure 4.1: FY 2023/24 County Governments' Development Budget Allocation as a Percentage of Total Budget



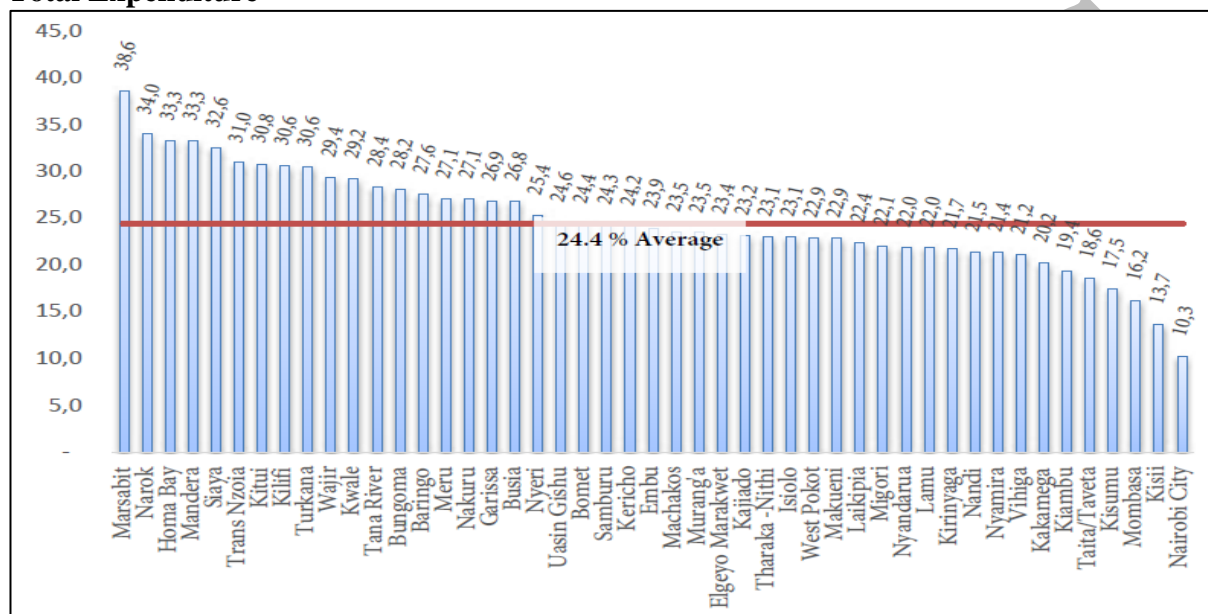
Source of Data: Controller of Budget

4.1.2 Actual Development Expenditure over the Medium Term

291. The total actual development expenditure for the FY 2021/22, FY 2022/23, FY 2023/24 accounted for 25%, 23% and 24% of the total actual expenditure for the same period respectively. This translates to an average development expenditure of 24% of actual total expenditures (Table

1). In FY 2023/24, only Mander County met the requirement on at least 30% development expenditure as a percentage of total budget over the medium term. In FY 2023/24, nine counties spent at least 30% of their total expenditure towards development. These counties are; Marsabit (38.6%), Narok (34%), Homa Bay (33.3%), Mander (33.3%), Siaya (32.6%), Trans Nzoia (31%), Kitui (30.8%), Kilifi (30.6%) and Turkana (30.6%). The counties with the lowest development expenditures as a percentage of their total expenditures in the period under review include; Kiambu (19.2%), Taita Taveta (18.6%), Kisumu (17.5%), Mombasa (16.2%), Kisii (13.7%) and Nairobi City (10.3%) (**Figure 4.2**).

Figure 4.2: FY 2023/24 County Governments Development Expenditure as a Percentage of Total Expenditure



Source of Data: Controller of Budget

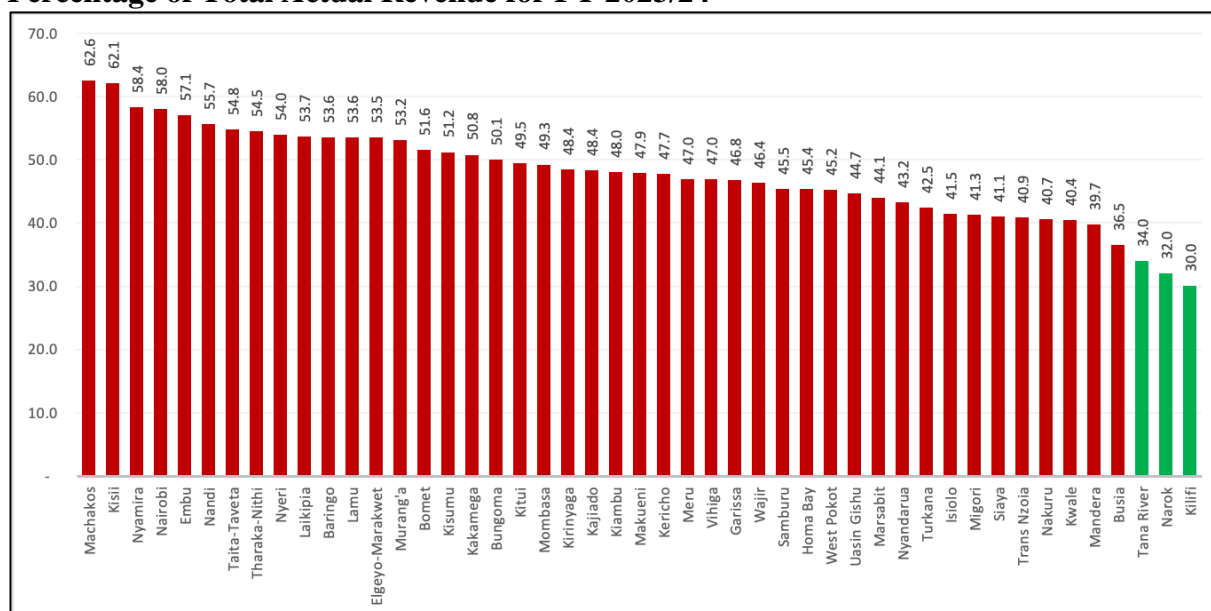
292. From this analysis, it is evident that most counties allocate expenditures just for approval by the respective county assemblies in line with the legal requirement. However, most counties do not adhere to this provision during budget execution. Over the medium term, there are notable fluctuations in consistently meeting the 30% minimum expenditures on development. This therefore implies that county development and service delivery may be negatively hampered as counties spend more on recurrent expenditures as opposed to development expenditures.

293. The relevant institutions, including the Controller of Budget, need to enhance compliance to this legal provision. Counties have not reported any borrowing to finance their development expenditure.

4.1.3 Compliance with the Requirement on Expenditure on Wages and Benefits

294. Regulation 25 (1) (a) and (b) of the PFM (County Governments) Regulations 2015 provides that the County Governments' expenditure on wages and benefits for its public officers shall not exceed thirty-five (35) percent of the County Government's total revenue. During the FY 2023/24, County Governments' expenditure on wages amounted to Ksh 209.8 billion, accounting for 47.6% of the total revenue of Ksh 440.7 billion,.. As revealed in **Figure 4.3**, most County Governments are spending a larger portion of their revenue on wages than the recommended threshold. Three Counties namely: Tana River, Narok, and Kilifi were able to maintain their allocation to wages and salaries below the threshold.

Figure 4.3: County Governments’ Actual Expenditures on Wages and Benefits as a Percentage of Total Actual Revenue for FY 2023/24



Source of Data: National Treasury and Controller of Budget

4.1.4 Prudent Management of Fiscal Risks

295. Section 107(2)(f) of the Public Finance Management (PFM) Act, 2012, mandates County Treasuries to prudently manage their fiscal risks. During the review period, several fiscal risks were identified in revenue and expenditure performance, including:

- i) High levels of pending bills, which impede efficient delivery of public services and hinder the growth of local businesses;
- ii) Non-remittance of statutory deductions by certain county governments, particularly pension contributions, which jeopardizes the social security of retirees;
- iii) Excessive expenditure on wages, reducing county governments' capacity to fund essential operations, maintenance, and development activities; and
- iv) Underperformance in Own-Source Revenue (OSR), leading to unfunded budgets and an accumulation of pending bills.

4.1.4.1 Pending Bills

296. According to Section 94 (1) (a) of the PFM Act, 2012, failure to make any payments as and when due by a State Organ or a Public Entity may be an indicator of a serious material breach or a persistent material breach of measures established under the Act. In this context, 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. As at 30th June, 2024, counties reported accumulated pending bills amounting to Ksh. 181.98 billion. This was an increase of Kshs 17.22 billion from Kshs 164.76 billion reported in the previous period. This amount is as reported by County Governments to the Office of the Controller of Budget and therefore not audited (Table 4.2).

297. The increasing stock of pending bills in the County Governments is a threat to fiscal discipline and sustainability. The National Treasury has initiated transition from cash to accrual basis of accounting which is expected to gradually reduce the stock of pending bills. Through Kenya Devolution Support Programme II (KDSP II), County Governments have been supported

to develop and implement repayment plans and ensure adherence to Regulation 55 (2) b of the Public Finance Management (County Governments) Regulations, 2015. **Table 4.2**, presents County Governments' pending bills as at 30th June 2024

Table 4.2: County Governments Pending Bills as of 30th June 2024 (In Ksh)

County	County Executive			County Assembly			Grand Total
	Recurrent	Development	Sub Total	Recurrent	Development	Sub Total	
Baringo	243,387,349	125,863,182	369,250,531	-	-	-	369,250,531
Bomet	88,008,922	360,758,925	448,767,847	-	-	-	448,767,847
Bungoma	1,978,302,057	1,528,214,428	3,506,516,486	14,700,000	-	14,700,000	3,521,216,486
Busia	1,310,232,841	110,359,586	1,420,592,427	-	-	-	1,420,592,427
Elgeyo-Marakwet	1,492,200	-	1,492,200	-	-	-	1,492,200
Embu	923,910,054	888,655,736	1,812,565,790	3,725,140	-	3,725,140	1,816,290,930
Garissa	17,031,929	360,167,253	377,199,182	741,066	-	741,066	377,940,248
Homa Bay	93,107,438	600,604,237	693,711,674	37,182,349	8,226,489	45,408,838	739,120,512
Isiolo	671,996,503	437,765,312	1,109,761,816	5,812,806	8,094,676	13,907,481	1,123,669,297
Kajiado	890,814,132	1,455,782,205	2,346,596,337	61,824,457	34,552,896	96,377,352	2,442,973,689
Kakamega	543,846,663	1,109,793,717	1,653,640,381	104,315,256	61,710,217	166,025,472	1,819,665,853
Kericho	181,301,858	953,411,837	1,134,713,695	-	-	-	1,134,713,695
Kiambu	4,069,015,330	2,318,872,476	6,387,887,806	77,228,246	23,153,446	100,381,692	6,488,269,498
Kilifi	620,073,974	586,137,042	1,206,211,016	12,346,776	-	12,346,776	1,218,557,792
Kirinyaga	415,041,433	166,204,622	581,246,055	-	-	-	581,246,055
Kisii	485,084,888	1,828,433,549	2,313,518,437	1,555,210	55,431,914	56,987,124	2,370,505,561
Kisumu	1,661,420,756	1,340,669,158	3,002,089,914	143,210,851	2,099,049	145,309,900	3,147,399,814
Kitui	100,133,497	293,843,290	393,976,787	-	-	-	393,976,787
Kwale	1,117,867,909	1,015,720,218	2,133,588,127	-	-	-	2,133,588,127
Laikipia	883,462,160	760,607,838	1,644,069,998	3,979,393	-	3,979,393	1,648,049,391
Lamu	21,198,181	18,336,383	39,534,564	-	-	-	39,534,564
Machakos	1,730,056,963	2,388,349,707	4,118,406,670	81,073,515	-	81,073,515	4,199,480,185
Makueni	364,448,192	170,410,250	534,858,442	135,155,753	2,030,000	137,185,753	672,044,195
Mandera	-	2,226,355,164	2,226,355,164	-	-	-	2,226,355,164
Marsabit	-	700,000,000	700,000,000	910,432	425,135,347	426,045,779	1,126,045,779
Meru	133,999,742	452,824,205	586,823,947	-	-	-	586,823,947
Migori	360,712,911	379,244,575	739,957,485	84,427,109	40,005,433	124,432,542	864,390,028
Mombasa	2,738,362,340	1,702,209,902	4,440,572,242	-	-	-	4,440,572,242
Murang'a	1,183,396,100	205,092,392	1,388,488,492	72,106,370	-	72,106,370	1,460,594,862
Nairobi	112,563,910,799	5,751,842,791	118,315,753,590	124,529,058	-	124,529,058	118,440,282,648
Nakuru	966,040,527	55,227,446	1,021,267,973	81,210,672	-	81,210,672	1,102,478,645
Nandi*	96,463,404	81,506,757	177,970,161	-	-	-	177,970,161
Narok	-	764,639,834	764,639,834	-	-	-	764,639,834
Nyamira	43,333,294	62,718,867	106,052,161	-	36,179,261	36,179,261	142,231,422
Nyandarua	79,081,025	158,447,942	237,528,967	57,634,740	-	57,634,740	295,163,707
Nyeri	1,986,059	5,406,954	7,393,013	-	-	-	7,393,013
Samburu	84,901,048	126,077,450	210,978,498	-	-	-	210,978,498
Siaya	202,659,007	101,250,773	303,909,780	-	-	-	303,909,780
Taita-Taveta	921,955,832	708,347,293	1,630,303,125	126,221,996	-	126,221,996	1,756,525,121
Tana River	1,170,296,619	951,046,432	2,121,343,051	-	3,774,893	3,774,893	2,125,117,944
Tharaka-Nithi	408,829,599	218,502,579	627,332,178	113,631,682	-	113,631,682	740,963,860
Trans Nzoia	483,133,403	799,226,738	1,282,360,141	-	-	-	1,282,360,141
Turkana	7,555,965	742,302,496	749,858,462	-	-	-	749,858,462
Uasin Gishu	250,098,396	449,140,094	699,238,490	52,583,699	-	52,583,699	751,822,188
Vihiga	577,909,066	888,370,981	1,466,280,047	-	-	-	1,466,280,047
Wajir	1,322,376,590	1,007,941,081	2,330,317,671	-	-	-	2,330,317,671
West Pokot	335,407,919	168,037,969	503,445,888	261,592	14,373,500	14,635,092	518,080,980
Total	142,343,644,876	37,524,721,665	179,868,366,542	1,396,368,166	714,767,119	2,111,135,285	181,979,501,827

Source: Controller of Budget

*Nandi County data provided is as of 31st March 2024.

298. To further mitigate fiscal indiscipline in counties, the Senate recommended that all County Governments settle all verified pending bills totaling approximately Ksh 1 billion by the end of the fiscal year 2024/25. Additionally, the Senate resolved that:

- i) County Governments prepare and submit to the Controller of Budget a payment plan prioritizing payment of pending bills as a first charge on the County Revenue Fund;
- ii) The Controller of Budget takes into consideration the efforts made by a County Government to clear inherited pending bills when approving exchequer releases;

- iii) County Governments shall only pay pending bills contained in their respective procurement plans; and
- iv) Supplementary budgets for County Governments are prepared in the third quarter to curb instances of arbitrary re-allocations out of the approved budget estimates.

299. The Controller of Budget will continue to provide regular updates on the progress made in the settlement of eligible pending bills. Additionally, County Governments are required to submit monthly payment plans for outstanding pending bills, with the aim of settling these bills as a first charge while making payments and prioritized for budgeting in the subsequent budget.

4.1.4.2 Status of Outstanding County Pension Deductions Pending Bills

300. County Governments have been accumulating pension bills due to among other reasons non-remittance of deductions from staff salaries. Over the years, these pension bills, including related penalties, have escalated to levels that pose financial risks to County Governments in meeting their financial obligations. As at 31st October, 2024, the total outstanding pension pending bills owed to three pension schemes reported by the Retirement Benefits Authority amounts to Ksh 91,173,871,756 reflecting an increase from Ksh 73,402,969,260.73 recorded as at 31st August, 2023. **Table 4.3** presents a breakdown of the outstanding pension deductions pending bills.

Table 4.3: Outstanding Pension pending bills owed by County Governments as at 31st October 2024

No.	Name of the Scheme	Principal Debt (Ksh)	Accrued Interest (Ksh)	Actuarial Deficit (Ksh)	Total Debt Accrued + Interest (Ksh)
1.	Local Authorities Provident Fund (LAPFUND) -DC	2,934,303,917	42,740,330,909	-	45,674,634,826
2.	Local Authorities Pension Trust (LAPTRUST) -DB	8,011,997,968	29,505,938,940	2,006,688,841	39,524,625,748
3.	County Pension Fund (CPF) -DC	3,207,927,995	2,766,683,183	-	5,974,611,183
Total		14,154,229,880	75,012,953,032	2,006,688,841	91,173,871,757

Source: Retirement Benefits Authority

301. Some County Governments have not included these pension liabilities in their inventory of pending bills. Therefore, County Governments should assess these pension liabilities and ensure accurate recording in their inventory of pending bills for prioritization of payment. A Multi-Agency Taskforce has been created to; establish the actual county pension liabilities, develop strategies for implementation of the recommendations of the Senate Select Committee on County Public Investments and Special Funds on Non-Remittance of Pension Deductions; and develop appropriate formula and framework for payment of pension liabilities that will enable the clearance of the outstanding pension liabilities by County Governments.

4.2 Performance of County Governments Own Source Revenue

4.2.1 Performance of Own Source Revenue against Target

302. For the FY 2023/24, the County Governments collected a total of Ksh 58.9 billion of Own Source Revenue (OSR) against a target of Ksh 80.9 billion. This translates to 72.8 percent of the annual target. The details of the individual County Governments OSR performance is summarized in **Table 4.4**.

Table 4.4: Total County Government OSR Collection for FY 2023/24 (Including A-i-A)

County	Ordinary OSR Target (Ksh)	FIF/AIA Target (Ksh)	Total Revenue Target (Ksh)	OSR Actual realized (Ksh)	FIF/AIA Actual (Ksh)	Actual Revenue (Ksh)	Performance (%)
	A	B	C=A+B	D	E	F=D+E	G=F/C*100
Turkana	220,000,000	-	220,000,000	435,271,212	95,373,844	530,645,056	241.2
Vihiga	248,083,481	-	248,083,481	166,311,404	171,745,774	338,057,178	136.3
Kirinyaga	349,000,000	201,000,000	550,000,000	417,543,467	233,562,098	651,105,565	118.4
Lamu	120,000,000	60,000,000	180,000,000	123,262,548	85,840,210	209,102,758	116.2
Nandi	360,098,158	198,231,711	558,329,869	392,103,573	238,623,583	630,727,156	113
Wajir	150,000,000	-	150,000,000	164,953,671	-	164,953,671	110
Garissa	139,000,000	91,000,000	230,000,000	97,056,232	151,912,817	248,969,049	108.2
Nyeri	800,000,000	526,000,000	1,326,000,000	667,120,607	740,425,500	1,407,546,107	106.1
Samburu	239,027,400	17,000,000	256,027,400	255,453,581	11,130,343	266,583,924	104.1
Murang'a	876,181,883	238,818,117	1,115,000,000	734,257,887	382,537,843	1,116,795,730	100.2
Embu	382,801,875	367,198,125	750,000,000	416,744,407	329,749,667	746,494,074	99.5
Tana River	92,673,773	3,956,827	96,630,600	88,783,403	3,785,117	92,568,520	95.8
Narok	4,858,121,756	120,951,908	4,979,073,664	4,694,190,690	59,479,796	4,753,670,486	95.5
Elgeyo-Marakwet	73,806,633	197,500,000	271,306,633	80,841,506	177,663,632	258,505,138	95.3
Tharaka-Nithi	300,870,000	149,800,000	450,670,000	256,362,512	160,983,523	417,346,035	92.6
Meru	550,000,000	500,000,000	1,050,000,000	381,805,168	580,129,111	961,934,279	91.6
Uasin Gishu	1,578,147,614	-	1,578,147,614	1,361,941,353	59,386,598	1,421,327,951	90.1
Kitui	585,000,000	-	585,000,000	517,049,816	-	517,049,816	88.4
Homa Bay	341,139,710	1,051,066,642	1,392,206,352	359,263,180	841,232,651	1,200,495,831	86.2
Makueni	870,000,000	370,000,000	1,240,000,000	490,586,795	554,088,153	1,044,674,948	84.2
Baringo	300,719,215	149,378,181	450,097,396	196,579,016	181,622,619	378,201,635	84
Migori	480,000,000	145,474,299	625,474,299	337,154,048	175,412,262	512,566,310	81.9
Nakuru	2,400,000,000	1,700,000,000	4,100,000,000	1,852,802,262	1,468,498,216	3,321,300,479	81
West Pokot	97,200,000	132,800,000	230,000,000	65,447,701	119,847,000	185,294,701	80.6
Siaya	434,494,994	325,505,006	760,000,000	222,110,969	388,626,776	610,737,745	80.4
Isiolo	267,634,395	88,573,785	356,208,180	190,715,416	94,481,928	285,197,344	80.1
Kericho	530,071,600	536,355,000	1,066,426,600	359,664,618	482,263,360	841,927,978	78.9
Marsabit	120,000,000	70,000,000	190,000,000	54,869,460	90,223,090	145,092,550	76.4
Mombasa	5,856,356,997	1,521,576,230	7,377,933,227	4,457,758,296	1,127,265,714	5,585,024,010	75.7
Trans Nzoia	342,000,000	301,700,000	643,700,000	266,785,779	209,852,393	476,638,172	74
Laikipia	842,500,000	602,500,000	1,445,000,000	499,999,607	561,020,491	1,061,020,098	73.4
Taita-Taveta	426,985,000	201,682,445	628,667,445	251,061,302	210,125,350	461,186,652	73.4

Bomet	187,592,587	144,449,243	332,041,830	158,317,549	80,612,871	238,930,420	72
Kwale	334,245,200	265,754,800	600,000,000	257,844,508	169,533,420	427,377,928	71.2
Kilifi	1,588,634,222	200,000,000	1,788,634,222	736,398,329	472,221,668	1,208,619,997	67.6
Kiambu	5,459,066,235	1,536,300,000	6,995,366,235	3,378,069,561	1,197,762,046	4,575,831,607	65.4
Kisii	650,000,000	1,193,892,198	1,843,892,198	496,943,902	683,218,135	1,180,162,037	64
Nairobi	19,419,630,278	270,000,000	19,689,630,278	11,469,860,349	1,072,234,069	12,542,094,418	63.7
Kisumu	1,682,844,694	600,000,000	2,282,844,694	840,231,049	603,376,939	1,443,607,988	63.2
Kakamega	1,359,000,000	841,000,000	2,200,000,000	801,322,586	546,510,693	1,347,833,279	61.3
Busia	396,793,350	252,222,283	649,015,633	233,065,731	136,138,244	369,203,975	56.9
Kajiado	1,621,247,688	247,219,297	1,868,466,985	678,403,673	369,952,762	1,048,356,435	56.1
Bungoma	868,201,470	1,142,218,266	2,010,419,736	439,484,834	681,424,515	1,120,909,349	55.8
Nyamira	457,000,000	230,000,000	687,000,000	148,981,607	220,814,736	369,796,343	53.8
Mandera	278,748,838	51,785,008	330,533,846	142,498,606	25,548,681	168,047,287	50.8
Machakos	2,324,286,060	1,008,000,000	3,332,286,060	1,344,939,101	204,409,376	1,549,348,477	46.5
Nyandarua	793,435,975	431,564,025	1,225,000,000	309,994,465	205,746,307	515,740,772	42.1
Total	62,652,641,082	18,282,473,396	80,935,114,477	42,292,207,336	16,656,393,920	58,948,601,257	72.8

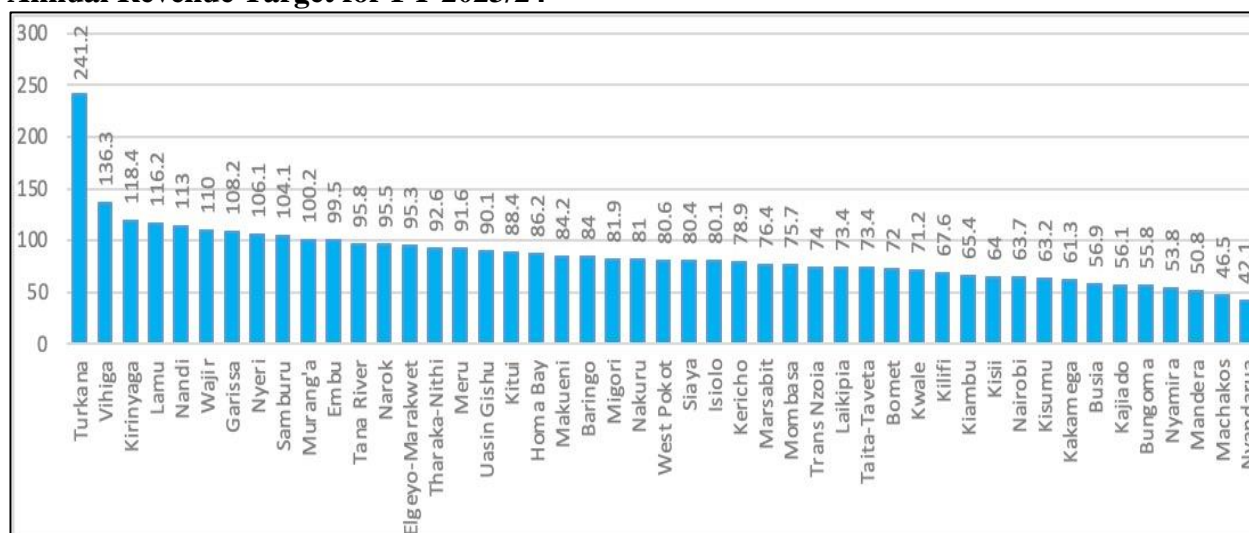
Source of Data: Controller of Budget

303. Total Own-Source Revenue (OSR) included the Facility Improvement Fund, which consists of funds collected and retained by health facilities under the Facilities Improvement Financing Act of 2023. As at 30th June, 2024, public health facilities had collected and retained a total of Ksh 16.7 billion, meeting 91.3% of the target amount of Ksh 18.3 billion. Excluding the AIA (FIF), counties generated a total of Ksh 42.3 billion, achieving 67.5% of the targeted Ksh 62.7 billion. A total of ten counties surpassed their annual OSR targets, collecting over 100% of the goal. These counties are Turkana, Vihiga, Kirinyaga, Lamu, Nandi, Wajir, Garissa, Nyeri, Samburu, and Murang'a. Conversely, seven counties collected less than 60% of their OSR targets, including Busia, Kajiado, Bungoma, Nyamira, Mandera, Machakos, and Nyandarua.

304. A comparison of the actual OSR against the target depicts a random trend implying that OSR target setting is not scientific and the growth in the OSR projection may not be hinged to the fiscal efforts applied by the county governments. Therefore, there is a need to develop and enhance County Governments' capacity for revenue forecasting so as to improve the accuracy of OSR projections. In this regard, the National Treasury in collaboration with the other institutions namely; State Department for Devolution; Commission on Revenue Allocation (CRA), Kenya National Bureau of Statistics (KNBS), Council of Governors (COG), Kenya Revenue Authority (KRA), Kenya Institute of Public Policy Research and Analysis (KIPPRA) and representatives from County Governments are in the process of developing a revenue forecasting tool that uses a more scientific approach to assist counties in making more accurate revenue projections..

305. The summary of individual county performance in terms of revenue collection is presented in **Figure 4.4**.

Figure 4.4: Actual Revenue Collected by the County Governments as a percentage of Annual Revenue Target for FY 2023/24



Source of Data: Controller of Budget

4.2.2 OSR Growth in FY 2023/24

306. A review of the OSR performance for FY 2022/23 -2023/2024 shows that 17 Counties recorded more than 50 percent growth in revenue collection. This could be attributed to implementation of the National Policy to Support Enhancement of County Governments OSR policy 2018, continuous capacity building on public finance management, revenue automation and revenue administration reforms such as implementation of the FIF. However, it is essential to investigate the causes of negative OSR growth in certain county governments, specifically Bomet, Bungoma, Trans-Nzoia, and Samburu, which reported declines in OSR collection in the 2023/24 fiscal year. Table 10 summarizes the details of performance for the 47 County Governments.

307. A review of the OSR performance for FY 2022/23 -2023/2024 shows that 17 Counties recorded more than 50 percent growth in revenue collection. This could be attributed to implementation of the National Policy to Support Enhancement of County Governments OSR 2018, continuous capacity building on public finance management, revenue automation and revenue administration reforms such as implementation of the FIF. However, it is essential to investigate the causes of negative OSR growth in certain County Governments, specifically Bomet, Bungoma, Trans-Nzoia, and Samburu, which reported declines in OSR collection in the 2023/24 fiscal year. **Table 4.5** summarizes the details of performance for the 47 County Governments.

Table 4.4: County Governments OSR Growth between FY 2022/23 and FY 2023/24

S.No.	County	FY 2022/23 Actual OSR Collection (Kshs)	FY 2023/24 Actual OSR Collection (Kshs)	FY 2023/24 OSR Growth Rate
1	Wajir	46,746,101	164,953,671	252.9%
2	Nandi	200,737,628	630,727,156	214.2%
3	Turkana	177,717,811	530,645,056	198.6%
4	Homa Bay	491,496,550	1,200,495,831	144.3%
5	Isiolo	152,700,178	285,197,344	86.8%
6	Kilifi	661,686,660	1,208,619,997	82.7%
7	Garissa	142,491,298	248,969,049	74.7%
8	Murang'a	658,166,964	1,116,795,730	69.7%
9	Kericho	501,354,545	841,927,978	67.9%
10	Tana River	59,173,171	92,568,520	56.4%
11	Narok	3,061,007,640	4,753,670,486	55.3%
12	Tharaka Nithi	286,737,650	417,346,035	45.5%
13	Uasin Gishu	982,046,563	1,421,327,951	44.7%
14	West Pokot	128,195,210	185,294,701	44.5%
15	Vihiga	241,350,189	338,057,178	40.1%
16	Mombasa	3,998,628,848	5,585,024,010	39.7%
17	Mandera	122,528,934	168,047,287	37.1%
18	Lamu	156,907,612	209,102,758	33.3%
19	Nyeri	1,080,186,883	1,407,546,107	30.3%
20	Nyamira	284,598,621	369,796,343	29.9%
21	Meru	750,986,590	961,934,279	28.1%
22	Kiambu	3,587,282,110	4,575,831,607	27.6%
23	Migori	406,364,909	512,566,310	26.1%
24	Kisumu	1,153,464,305	1,443,607,988	25.2%
25	Kisii	977,218,129	1,180,162,037	20.8%
26	Baringo	313,351,637	378,201,635	20.7%
27	Siaya	508,041,662	610,737,745	20.2%
28	Kajiado	875,281,130	1,048,356,435	19.8%
29	Nairobi City	10,478,816,326	12,542,094,418	19.7%
30	Elgeyo Marakwet	217,350,490	258,505,138	18.9%
31	Makueni	891,595,986	1,044,674,948	17.2%
32	Kitui	464,354,467	517,049,816	11.3%
33	Kirinyaga	586,660,639	651,105,565	11.0%
34	Embu	678,638,337	746,494,074	10.0%
35	Kwale	392,952,872	427,377,928	8.8%
36	Marsabit	133,545,723	145,092,550	8.6%
37	Machakos	1,429,791,260	1,549,348,477	8.4%
38	Laikipia	980,163,461	1,061,020,098	8.2%
39	Taita Taveta	426,372,490	461,186,652	8.2%
40	Busia	343,922,975	369,203,975	7.4%
41	Nakuru	3,130,423,723	3,321,300,479	6.1%
42	Kakamega	1,309,679,900	1,347,833,279	2.9%
43	Nyandarua	505,913,306	515,740,772	1.9%
44	Bomet	242,395,023	238,930,420	-1.4%
45	Bungoma	1,177,322,906	1,120,909,349	-4.8%
46	Trans Nzoia	1,052,173,181	476,638,172	-54.7%
47	Samburu	656,224,645	266,583,924	-59.4%

Source of Data: Controller of Budget

4.2.3 National Government Support on enhancement of County Government OSR

308. The National Treasury is in the process of implementing the National Policy to Support Enhancement of County Governments Own Source Revenue. The Policy identifies a number of challenges facing collection of Own-Source Revenue (OSR) by County Governments which include; inadequate revenue policies and legislation; multiplicity of fees and charges; human resource capacity deficits; weaknesses in enforcing compliance by tax payers; low automation and integration of revenue administration; and, ineffective internal controls and audit mechanisms, which has resulted in under performance in revenue collection.

309. One of the key recommendations in the policy is the development a national legislation on property taxation to replace the outdated Rating Act and Valuation for Rating Act. To this end,

the National Treasury in collaboration of Ministry of Lands and Physical planning and other stakeholders developed the National Rating Bill, 2022. This Bill was enacted into law on 4th December, 2024. Arrangements are underway to develop the implementing Regulations and a model rating bill for adoption by the county governments. It is expected that this will unlock the potential in property rates for the county governments once it is rolled out and implemented. Additionally, the OSR policy also recommended development of a National Framework Legislation to regulate the introduction of taxes, fees and charges by the county governments. Consequently, the National Treasury and other stakeholders developed the County Governments Revenue Raising Process Bill 2022, which is awaiting consideration by the Senate. This Bill is aimed at ensuring compliance with Article 209 (5) of the Constitution as well as ensuring consistency and predictability in county revenue practices.

310. The National Treasury is mandated to coordinate the implementation of the OSR policy and prepare quarterly monitoring and evaluation reports on implementation. The Policy had an implementation period of 10 years, with a midterm review scheduled for 2023. It is for this reason that the National Treasury in collaboration with other stakeholders is currently spearheading a midterm evaluation to measure outcomes and impacts of the Policy. The outcome of this review will inform the implementation of the Policy in the second half of the 10 years implementation period starting FY 2024/25.

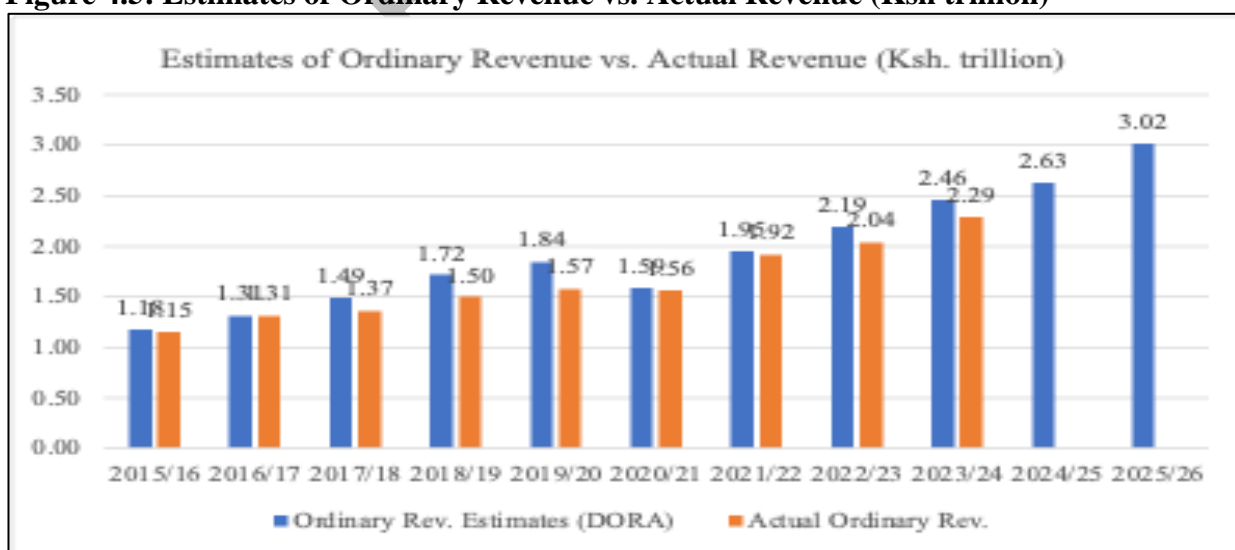
311. The National Treasury continues to lead the development of the Integrated County Revenue Management System (ICRMS) in line with Section 12 (1, e) of the PFMA 2012 in partnership with relevant stakeholders. This system will ensure financial transparency and standardization of financial reporting in Government.

4.3 Division of Revenue for FY 2025/26

4.3.1 Performance of Shareable Revenue

312. Ordinary revenue collected over the years has been below target except for FY 2019/20 when the target was surpassed as indicated in **Figure 4.5**.

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



Source of Data: National Treasury

4.3.2 Division of Revenue for FY 2025/26

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

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

314. As indicated in **Table 4.5**, it should be noted that after taking into account all the mandatory expenditures under Article 203(1) of the Constitution, the balance left for sharing between the two levels of Government is Ksh 561.7 billion. After allocating Ksh 417.96 billion to County Governments for FY 2025/26, of which Ksh 405.07 billion is the proposed equitable share, Ksh 2.9 billion and Ksh 9.9 billion as unconditional and conditional allocation from National Government share of revenue, respectively; the National Government is left with only Ksh 143.7 billion to finance functions such as education, health, defence, roads and energy, among others. This may occasion additional borrowing which may distort the fiscal framework already set out in the 2025 Budget Policy Statement. **Table 4.5** provides an assessment of the extent to which the requirements of Article 203 (1) of the Constitution have been incorporated in estimating the division of revenue between the National and County levels of Government in the FY 2025/26.

Table 4.5: Summary of considerations under Article 203 (1) of the Constitution

ITEM DESCRIPTION	FY 2025/26 (Ksh Millions)
Ordinary Revenue (Excluding AIA)	3,018,796
National Interest [Article 203 (1)(a)] (<i>FY 2024/25 Supp 1 Estimates</i>)	103,867
Public debt (Art. 203 [1][b])	1,581,428
Pensions, Constitutional Services and Other	249,908
Other National obligations (Article. 203 [1][b])	506,296
Emergencies [Art. 203 (1)(k)]	5,000
Equalization Fund [Art. 203 (1) (g) and (h)]	10,590
<i>Of which: a) Allocation in FY 2024/25</i>	<i>7,853</i>
<i>b) Arrears</i>	<i>2,737</i>
Balance to be Shared by the 2 Levels of Government	561,707
County Government allocation from revenue raised nationally-	417,964
<i>Of which: a) Equitable Share of Revenue</i>	<i>405,069</i>
<i>b) Unconditional Allocations from National Government's Share</i>	<i>2,946</i>
<i>c) Conditional Allocations from National Government's Share</i>	<i>9,948</i>
Balance left for the National Government	143,744

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

315. Based on ordinary revenue projection of Ksh 3,018.80 billion in FY 2025/26, it is proposed that Ksh 2,603.14 billion be allocated to National Government, Ksh 405.07 billion to County Governments as equitable revenue share and Ksh 7.87 billion to the Equalization Fund. The National Treasury proposes to further allocate Ksh 2.74 billion to the Equalization Fund in FY 2025/26 as partial payment to arrears for Equalization Fund. **Table 4.6** shows the computation of the equitable share to County Governments for the FY 2019/20 to FY 2024/25.

316. The Division of Revenue Bill, 2025 also proposes to allocate County Governments Ksh 405.07 billion for the financial year 2025/26 as equitable share of revenue raised nationally - which is an increase from a base of Ksh 387.4 billion allocated in the financial year 2024/25.

Table 4.6: County Governments' Equitable Revenue Share (Ksh Million)

Budget Item	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
1. Baseline (i.e. allocation in the previous FY)	314,000	316,500	316,500	370,000	370,000	385,425	387,425
Add:-							
a. Revenue Share (RMLF, Level-5 Hospital Grant, Compensation for foregone user fees and Rehabilitation of Village Polytechnics)	-	-	17,400	-	-	-	-
b. Adjustments for revenue growth	2,500	-	36,100	-	15,000	2,000	17,644
c. Transfer of Library Services	-	-	-	-	425	-	-
Computed Equitable Revenue Share Allocation	316,500	316,500	370,000	370,000	385,425	387,425	405,069

Source of Data: National Treasury, Medium Term Fiscal Framework

317. The allocation to County Governments' equitable revenue share of Ksh 405.07 billion in FY 2025/26 is informed by the following prevailing circumstances:

- i) Trends in the performance of revenue (this was taken into consideration in determining the Ksh 17.64 billion increases in equitable share of revenue in FY2025/26);
- ii) Increased expenditures for National Government for purposes of debt servicing coupled with a weakened shilling against the dollar;
- iii) The Government commitment to implement a fiscal consolidation plan targeting to reduce the fiscal deficit to 3.9 percent of GDP in FY 2025/26. This is designed to slow down accumulation of public debt, improve primary surplus thereby achieve fiscal sustainability;
- iv) Financing constraints due to limited access to finance in the domestic and international financial markets; and
- v) The National Government continues to solely bear shortfalls in revenue in any given financial year whereas the County Governments continue to receive their full allocation despite the budget cuts affecting the national government. The above proposed equitable share for FY 2025/26 of Ksh 405.07 billion is equivalent to 25.79 percent of the last audited and approved actual revenues raised nationally of Ksh 1,570,563 million for FY 2020/21 pursuant to Article 203(3) of the Constitution.

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

318. Article 203 (2) the Constitution requires that the equitable share allocation to counties should not be less than fifteen (15) per cent of the last audited revenue raised nationally, as approved by the National Assembly. The above proposed equitable share for FY 2025/26 of Ksh 405.07 billion is equivalent to 25.79% percent of the audited and approved actual revenues raised nationally of Ksh 1,570.56 billion for FY 2020/21.

4.3.2.3 Other Policy Considerations in Division of Revenue for FY 2025/26

319. The Government under the Extended Fund Facility (EFF)/Extended Credit Facility (ECF) program supported by the development partners' targets is implementing fiscal consolidation targeting to reduce the fiscal deficit to 3.9 percent of GDP in FY 2025/26. This is designed to slow down public debt accumulation.

320. To achieve this aggressive fiscal consolidation, amid increase in debt servicing costs as a result of exchange rate fluctuations and increased interest rates, the National Treasury has

proposed huge expenditure rationalization in the FY 2025/26 and over the medium term. In order to be within this commitment, the National Treasury, has so far managed to reduce the fiscal deficit to 5.6 percent of GDP in FY 2023/24 and targets to reduce it further to 4.3 percent of GDP in FY 2024/25 through expenditure rationalization and mobilization of additional non-tax revenues from Ministries, Departments and Agencies.

4.3.2.4 Additional Allocations to County Governments in FY 2025/26

321. Article 202 (2) of the Constitution provides that County Governments may be given additional allocations from the National Governments Share of revenue either conditionally or unconditionally; while Article 190 of the Constitution also provides that Parliament shall by legislation ensure that County Governments have adequate support to enable them to perform their functions.

322. Further, Section 4 of the County Governments Additional Allocations Act (CGAAA), 2024 requires that additional allocations shall be funds agreed upon by the National Assembly and the Senate during the consideration of the Budget Policy Statement and shall comprise of County Governments' additional allocations financed from either the National Government's Share of Revenue or proceeds of loans or grants from Development Partners. Pursuant to Section 5 of the CGAAA 2024, funds for additional allocations to County Governments shall be included in the budget estimates of the National Government and shall be submitted to Parliament for approval.

323. In the 2025 Budget Policy Statement, the National Treasury proposes to allocate Ksh 67.97 billion as additional allocations (conditional and unconditional) to County Governments. Out of this, Ksh 12.89 billion will be financed from the National Government's share of revenue, and Ksh 55.07 billion from proceeds of loans and grants from Development Partners as indicated in **Table 4.7**.

Table 4.7: Additional Allocations to County Governments in FY 2025/26

S/NO	Project Description	Amount in Ksh
I. Additional Allocations Financed from National Governemnts Share of Revenue		
1	Unconditional Additional Allocations from Court fines	11,519,280
2	Unconditional Additional Allocations from 20% Share of Mineral Roalties to County	2,934,923,148
	TOTAL	2,946,442,428
II. Additional Allocations Financed from National Governemnts Share of Revenue		
1	Conditional Grant for Payment of Outstanding Basic Salary Arrears for County Government Health Workers	1,759,101,729
2	Conditional Grant for Community Health Promoters	3,234,930,000
3	Conditional Grant to Supplement Construction of County Headquarters	454,000,000
4	Conditional Grant for County Aggregation and Industrial Parks (CAIPs) Programme	4,500,000,000
	TOTAL	9,948,031,729
III. Additional Conditional Allocations Financed from proceeds of loans and grants from Development Partners		
1	IFAD - Aquaculture Business Development Programme (ABDP)	200,000,000
2	IDA (World Bank) - Financing Locally- Led Climate Action Program-County Climate Institutional Support (FLLOCA-CCIS)	121,000,000
3	IDA (World Bank) - Financing Locally- Led Climate Action Program-County Climate Resilience Investment (FLLOCA-CCRI)	6,187,500,000
4	IDA (World Bank) - Financing Locally- Led Climate Action Program-County Climate Resilience Investment (FLLOCA- CCRI)	1,200,000,000
5	IDA (World Bank) - Food Systems Resilience Project (FSRP)	3,200,000,000
6	KfW - Drought Resilience Programme in Northern Kenya (DRPNK)	1,276,654,208
7	IDA (World Bank) - Second Kenya Devolution Support Program - Institutional Grant (Level 1 Grant) (KDSP)	1,762,500,000
8	IDA (World Bank) - Second Kenya Devolution Support Program - Service Delivery and Investment Grant (Level 2 Grant) (KDSP)	13,042,500,000
9	IFAD - Kenya Livestock Commercialization Project (KeLCoP)	634,500,000
10	IDA (World Bank) - Second Kenya Urban Support Project (KUSP) - Urban Development Grant (UDG)	10,325,754,660
11	IDA (World Bank) - Kenya Urban Support Project (KUSP) - Urban Institutional Grant (UIG)	1,300,000,000
12	Kenya Water, Sanitation and Hygiene (K-WASH) Programme	4,607,526,599
13	IDA (World Bank) - National Agricultural Value Chain Development Project (NAVCDP)	7,700,000,000
14	DANIDA - Primary Health Care in Devolved Context (PHDC)	510,000,000
15	IDA (World Bank) - Water and Sanitation Development Project (WSDP)	3,000,000,000
	TOTAL	55,067,935,467
	GRAND TOTAL	67,962,409,623

Source of Data: The National Treasury

4.3.2.6 Disaggregation of Total Proposed Transfers to the Counties

324. Taking in to consideration the above proposed additional allocations to County Governments in FY 2025/26, the expected total transfers to County Governments is Ksh 473.03 billion. **Table 4.8** shows disaggregation of total proposed transfers to the Counties in FY 2025/26 and allocations in previous financial year. From the table, there is clear demonstration that there has been consistent growth of total transfers to County Governments over the financial years.

Table 4.8 Disaggregation of County Governments' Allocation (Ksh Million)

Type/Level of Allocation	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
A County Equitable Share	316,500	316,500	370,000	370,000	385,425	387,425	405,069
B Additional Allocations to County Governments	45,595	30,204	39,880	22,359	46,362	42,002	67,962
<i>Of which a) Gok-funded unconditional allocations</i>	-	-	-	-	10,117	-	2,946
<i>b) Gok-funded conditional allocations</i>	6,505		7,537	5,200	3,044	4,584	9,948
<i>c) Allocations from proceeds of loans and grants</i>	39,090	30,204	32,343	17,159	33,202	35,659	55,068
C Total County Allocations (A+B)	362,095	346,704	409,880	392,359	431,787	429,427	473,031

Source of Data: National Treasury

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

325. It should be noted that, and pursuant to Article 202 (2) of the Constitution, the National Government has over the years out of its own share of revenue provided for additional allocations to County Governments. These allocations, which have been mostly conditional are meant to accelerate achievement of policy priorities of both levels of Government, some of which have international obligations. In so doing, this tends to reduce the National Governments entitled share of revenue from revenues raised nationally. **Table 4.9** shows additional allocations to County Governments from the National Governments share of revenue raised nationally.

Table 4.9: Division of Revenue Raised Nationally FY 2020/21 – FY 2025/26 (Ksh Million)

Type/Level of allocation	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
a) National Government Share	1,533,700.0	1,398,799.0	1,764,516.0	2,177,867.0	2,235,993.0	2,603,137.0
<i>Out of which</i>	-	-	-	-	-	-
i) Additional Allocations to County Governments	6,505.0	7,537.0	5,363.0	13,160.4	17,041.4	12,894.5
<i>i) Leasing of Medical Equipment</i>	6,205.0	7,205.0	5,200.0	-	-	-
<i>ii) County Aggregated Industrial Park (CAIPs)</i>	-	-	-	4,500.0	2,000.0	4,500.0
<i>iii) Road Maintenance Levy Fund</i>	-	-	-	-	10,552.1	-
<i>iv) Supplement for construction of County Headquarters</i>	300.0	332.0	163.0	454.0	-	454.0
<i>v) Community Health Promoters (CHPs)</i>	-	-	-	-	2,584.0	3,234.9
<i>vi) Transferred Museums Function</i>	-	-	-	-	30.2	-
<i>vii) Outstanding Basic Salary Arrears for Health Workers</i>	-	-	-	-	1,759.1	1,759.1
<i>ix) Fertilizer Subsidy Program</i>	-	-	-	5,000.0	-	-
<i>x) Transfer of Library Services Function</i>	-	-	-	162.8	-	-
<i>xi) Court fines</i>	-	-	-	108.7	116.1	11.5
<i>xii) 20% Share of Mineral Royalties</i>	-	-	-	2,934.9	-	2,934.9
b) Equalization Fund	6,500.0	6,825.0	7,068.0	8,369.0	8,000.0	10,589.6
<i>Of which: i) 0.5% Equalization Fund</i>	6,500.0	6,825.0	7,068.0	8,369.0	7,853.0	7,852.8
<i>ii) Equalization Fund Arrears</i>					147.0	2,736.7
c) County Equitable Share	316,500.0	370,000.0	370,000.0	385,425.0	387,425.0	405,069.4
Total Shareable Revenue	1,856,700.0	1,775,624.0	2,141,584.0	2,571,661.0	2,631,418.0	3,018,796.0

Source of Data: The National Treasury

4.4 Intergovernmental Fiscal Transfers

326. National Government Ministries Departments and Agencies (MDAs) are responsible for development of frameworks for the management of conditional additional allocations made to beneficiary County Governments. These frameworks outline the total allocation to each

conditional additional allocation and the specific amount apportioned to each participating County Government; the conditions to be met by participating County Government; and the responsibilities of both MDAs, and beneficiary County Governments. The Accounting Officers in the respective MDAs are responsible for submission of these frameworks to the National Treasury for inclusion in the County Governments Additional Allocations Bill (CGAAB), 2025.

4.4.1 Intergovernmental Agreements in respect of the Additional Conditional Allocations

327. Section 9(b) of the County Governments Additional Allocations Act, 2022 (No. 17 of 2022) introduced amendments to the Public Finance Management Act (PFMA), 2012 by inserting a new Section 191A-191E. The Section requires the National Treasury to enter into intergovernmental agreements with County Governments for the transfer of conditional allocations.

328. However, during the 21st Ordinary Session of IBEC on 6th October, 2023, the Council directed that the National Treasury, Council of Governors, and the Attorney General engage the Senate and National Assembly to consider suspending the implementation of Sections 191A-191E of the PFMA for FY 2023/24. Following this resolution and pursuant to Article 116 of the Constitution, Parliament granted a suspension of the law's effective date for two financial years, FY 2023/24 and FY 2024/25, and requested IBEC to propose amendments via a draft Bill for introduction to the National Assembly.

329. A Multi-Agency Taskforce reviewed the challenges of implementing the amendments, and on 6th August 2024, the Budget and Finance Committee of IBEC recommended a repeal of the Sections. This recommendation was presented and adopted by IBEC in its 24th Ordinary Session. Consequently, and informed by recommendations of a Multi-Agency Taskforce constituted to review and identify challenges in the implementation of the PFMA, 2012 the Budget and Finance Committee of IBEC in its sitting on Tuesday 6th August, 2024 recommended repeal of Section 191 A-E of PFMA.

330. The recommendations to repeal of Section 191 A-E of PFMA were presented by the National Treasury in the 24th Ordinary Session of the IBEC on 26th August, 2024 and adopted for further action.

331. Subsequently, the National Treasury prepared a draft Public Finance Management (Amendment) Bill which has been forwarded to Cabinet for approval, after it was cleared by the Hon. Attorney General. Once approved by Cabinet, the Bill will be submitted to Parliament for enactment into law.

4.5 Equalization Fund

332. The Equalization Fund (EF), under Article 204(1) of the Constitution of Kenya 2010, receives an annual allocation of 0.5% of the National Government's revenue based on the most recent audited accounts approved by the National Assembly. According to Article 204 (2) of the Constitution, the National Government must use this Fund to improve basic services including water, roads, health facilities, and electricity, in marginalized areas, to bring these services up to the level generally enjoyed by the rest of the nation, so far as possible.

333. For FY 2025/26, the National Treasury has recommended allocating Ksh 7.8 billion to the Equalization Fund, representing 0.5% of national revenue from FY 2020/21, as well as an extra Ksh 2.7 billion to settle outstanding arrears owed to the Fund.

334. In fiscal year 2023/24, a total of Ksh 1 billion was paid into the Equalization Fund for disbursement to the beneficiary counties as conditional grants to commence implementation of

1,277 projects spread in 1,424 marginalized areas, 366 wards, 111 constituencies and 34 counties. These projects span five sectors of Water, Roads, Health, Education and Energy. In the same period, 2023/24, the Equalization Fund disbursed Ksh 156,137,031.70 to Ministries, Departments and Agencies (MDAs) for completion of projects funded under the Equalization Fund Appropriation Act 2018. Of the projects funded by the EF Appropriation Act 2018, 60 percent are complete and in use by marginalized communities while a further 22 percent are nearing completion.

4.6 Emerging Issues and Policy Interventions

4.6.1 County Revenue Forecasting Model

335. In a bid to enhance revenue forecasting by County Governments, the National Treasury is leading a multi-agency technical team in development of forecasting models to be utilized in estimation of Own Source Revenue targets. The development of the forecasting tool is supported through KDSP II in realization of Key Result Area (KRA) 1 on Sustainable Financing and Expenditure Management. Once finalized the models will enhance target setting and accuracy of fiscal forecasting as well as reduce piling up of pending bills occasioned by overcasting.

4.6.2 County Governments Capacity building on Public Finance Management

336. The Public Finance Management Act (PFMA), 2012 mandates the National Treasury to develop and oversee the implementation of a comprehensive county financing system that ensures financial controls for the efficient and effective utilization of public resources. Additionally, the National Treasury is required to strengthen the institutional capacities of county public finance management to implement, manage, and support governance, development, and service delivery.

337. The National Treasury conducted capacity building workshops on Public Finance Management Act, 2012 targeting all the 47 County Governments on 10th May 2024. A total of 400 County Government officials drawn from all County Governments were trained in the capacity building workshop. Due to budget constraints, capacity building of County Assemblies on PFMA, 2012 has not been conducted. The National Treasury is initiating reforms geared towards centralising PFMA capacity building coordination to ensure effectiveness and minimal disruption of County Government service delivery.

4.6.3 Integrated County Revenue Management Systems

338. In line with various IBEC resolutions in regard to the Integrated County Revenue Management System (ICRMS), the National Treasury, in line with Section 12 (1) (e) of the Public Finance Management Act, 2012, is developing an Integrated County Revenue Management System (ICRMS) to replace the fragmented County revenue management systems currently being operated by counties. The ICRMS is a unified, centralized management system aimed at enhancing effectiveness in the collection and administration of County Government Own Source Revenue (OSR). So far, a Multi-Agency Technical Team drawn from across Government Departments in charge of devolution and representatives from County Executives have accomplished the following:

- i) Conceptualization and Planning- Developed a comprehensive Concept paper, project Work Plan, and required Budget.
- ii) Revenue Stream Identification and Classification- Identified, classified, and mapped revenue streams in alignment with the Standard Chart of Accounts (SCOA).

- iii) Business Process and Requirements Definition- Defined detailed business processes and requirements for the ICRMS.
- iv) System Architecture and Design- Developed the foundational architecture and design of the ICRMS.
- v) Technical Specifications- Documented the technical specifications for the ICRMS.
- vi) Legal Framework- Developed Draft ICRMS regulations for its operationalization.

339. Currently, the draft regulations are awaiting approval by the Steering Committee before being subjected to wider stakeholder engagement and public participation.

DRAFT 2025 BPS

V. STATEMENT OF SPECIFIC FISCAL RISKS

5.1 Introduction

340. The economy is expected to slow down to a growth 4.6 percent in 2024 from a growth of 5.6 percent in 2023 mainly due to a general deceleration of economic activities coupled by a decline in credit to the private sector. Economic activities are expected to pick up in 2025 with a projected growth of 5.3 percent. This outlook will be supported by a robust services sector and recovery of manufacturing sector; robust agricultural productivity and improvement in exports. The outlook will be reinforced by implementation of policies and reforms under the priority sectors of the Bottom-Up Economic Transformation Agenda (BETA) and improvement in aggregate demand. There are, however, downside risks to the macroeconomic outlook envisaged in this 2025 BPS emanating from domestic as well as external shocks.

341. For prudent management of risks, the PFM Act, 2012 requires the preparation of a “Statement of Fiscal Risks. Thus, this section provides an assessment of fiscal risks that the Kenyan economy is exposed to that may affect the achievement of the macroeconomic targets and objectives detailed in this BPS. The fiscal risks arise from assumptions that underline fiscal projections, the dynamics of public debt, and operations of state corporations, contingent liabilities, financial sector vulnerabilities and natural risks. Emergence of these risks could make it difficult for the Government to actualize and sustain macroeconomic policies detailed in this BPS. Thus, this section also details the measures that the Government is implementing to mitigate such risks.

5.2 Risk in Changes in Macroeconomic Assumptions

342. Macroeconomic variables play a key role in the formulation of the budget as they form a baseline in revenue projections and determine the Government’s spending priorities. The macroeconomic assumptions underlying the FY 2025/26 budget entail an estimated growth of 4.6 percent in 2024 and 5.3 percent in 2025. Inflation is projected at 4.8 percent in FY 2024/25 to remain within the midpoint target of 5.0 percent over the medium term. The External sector is expected to remain relatively stable despite geopolitical fragmentation and uncertainties and tight global financial conditions. The unexpected changes in the macroeconomic projections in this BPS may pose risks to the projected revenue and expenditure.

343. **Table 5.1** summarizes the likely impact of changes in the 2025 BPS outcomes on the fiscal projections.

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

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

Source of Data: National Treasury

344. The reduction of the projected real GDP in 2025 by one percent (from 5.3 percent to 4.3 percent) has the adverse impact of reducing revenue collection by Ksh 12.5 billion in FY 2025/26. Due to the reduced revenues, expenditures would decline by Ksh 6.5 billion resulting to an increase in fiscal deficit by Ksh 6.0 billion in the same period. This shock would persist over the medium term with the decline in revenues more than the decline in expenditures leading to a higher than projected fiscal deficit.

345. A shock of a one percent increase in the projected inflation rate for FY 2025/26, from 5.0 percent to 6.0 percent, would result in an increase in revenues and expenditures by Ksh 13.0 billion and Ksh 7.0 billion, respectively in FY 2025/26. The higher revenues compared to expenditures would result to an improvement of the fiscal deficit by Ksh 6.0 billion in FY 2025/26. The impact of the shock would persist over the medium term thereby improving the fiscal deficit by Ksh 8.2 billion by FY 2028/29. However, this projection does not take into account the changes in consumer behaviour as a result on increase in prices.

346. A 10 percent depreciation of the Kenya shilling to the dollar would have a higher impact on the revenues as compared to the expenditures. The revenues and expenditures would increase by Ksh 19.9 billion and Ksh 4.1 billion respectively in FY 2025/26 thereby reducing the projected fiscal deficit by Ksh 15.8 billion. The effect of this shock would persist over the medium term with the increase in revenues offsetting the increase in expenditures leading to a lower than projected fiscal deficit. Fiscal deficit would reduce by an estimated Ksh 22.1 billion by FY 2028/29. The projection does not take into account that the depreciated exchange rate might lead to lower volumes of imports thereby having an adverse effect on the revenues.

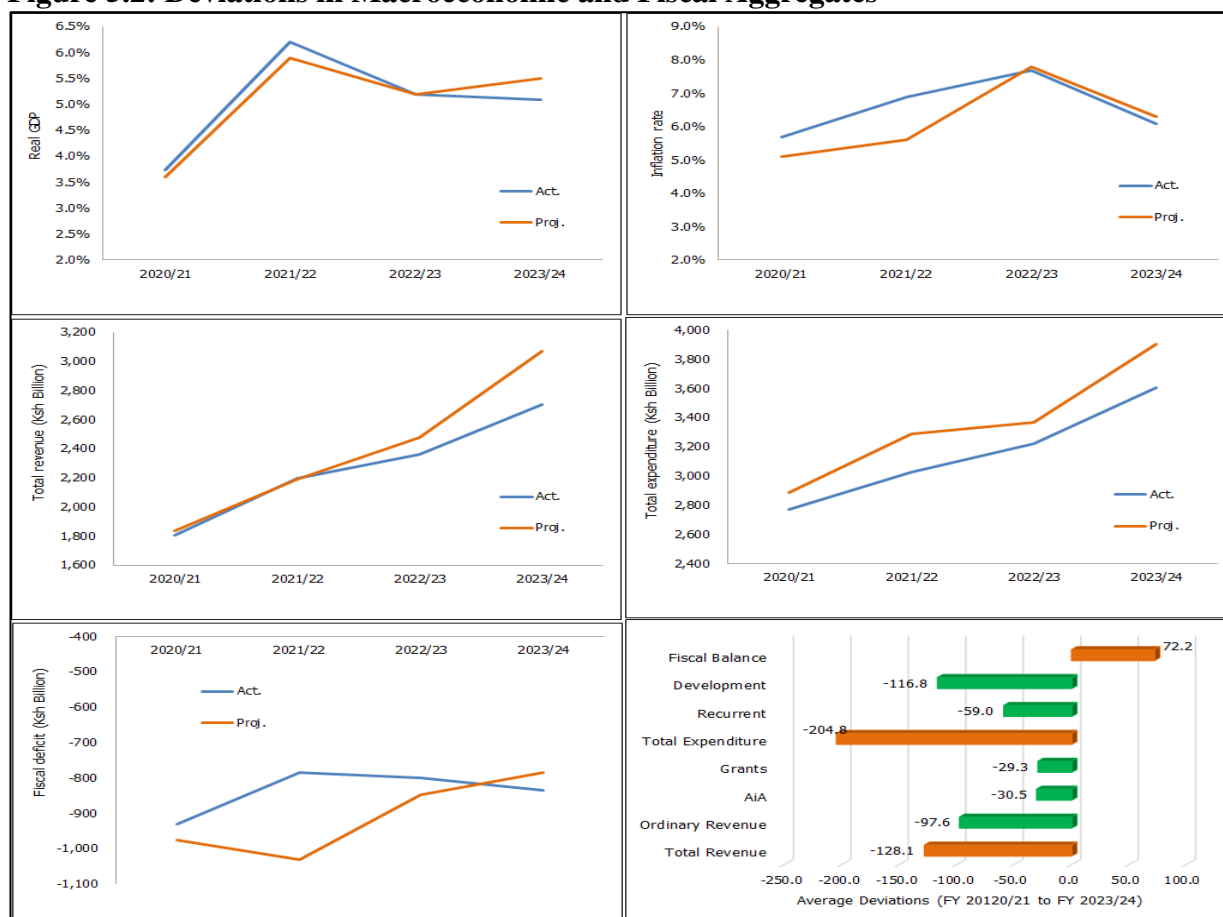
347. A shock of 10 percent increase in the value of imported goods in the FY 2025/26 would increase revenue collection by Ksh 11.6 billion in the same period. However, the shock would have a negative effect on revenue collection over the medium term due to change in consumer behaviour. The shock would not significantly affect expenditures.

348. Overall, if all the four shocks were to hit the economy concurrently in the FY 2025/26, revenues would increase by Ksh 33.0 billion as the movements in inflation and exchange rate would offset the risk posed by a slowdown in real GDP growth. The adverse impact of the shocks to expenditures would be significantly lower compared to the increase in revenues thereby eliminating the fiscal risk on the budget from macroeconomic shocks.

Assessment of Past Forecast Accuracy of Underlying Assumptions and Budgetary Aggregates

349. Overall, the actual real GDP growth and inflation projections have been within their respective set targets with minimal deviations as shown in **Figure 5.2**. However, for the past two years, revenues and expenditures have been performing below their respective targets. The fiscal deficit has been consolidation gradually over the past three years.

Figure 5.2: Deviations in Macroeconomic and Fiscal Aggregates



Source: National Treasury

350. Over the period 2020/21-2023/24, there was minimum deviation between the assumed and provisional actual real GDP growth rates with a standard deviation of 0.3 percentage point. With respect to inflation assumptions, the standard deviation was at 0.7 percentage point over the four years, with the largest deviation being recorded in FY 2021/22 at 1.3 percent mainly due to the unanticipated inflationary pressures resulting from prolonged drought and external pressures (**Table 5.2**).

351. The actual performance of fiscal aggregates against their targets was mainly below target. Total revenue between FY 2020/21 and FY 2023/24 fell short of its target by an average of Ksh 128 billion. This shortfall was from both ordinary revenues by Ksh 98 billion and Ministerial A-I-A of Ksh 31 billion. The average deviation of total expenditure and net lending between FY 2020/21 and FY 2023/24 was an underspending of Ksh 205 billion. This shortfall was mainly due to lower absorption in development expenditures by Ksh 114 billion and recurrent

expenditures by Ksh 65 billion. The lower recurrent spending is in line with the fiscal consolidation programme by the Government that targets to curtail unproductive expenditures.

352. The lower-than-projected spending on development expenditure poses a risk to the projected economic growth and fiscal program. In order to prevent this risk from materializing and improve efficiency of public investments, the National Treasury froze initiation of new capital projects until the completion of the ongoing ones. The Public Investment Management Unit will ensure that all capital projects are planned, appraised, and evaluated before funds are finally committed in the budget.

Table 5.2: Deviations in Macroeconomic and Fiscal Aggregates

	2021/22			2022/23			2023/24*			2024/25 Proj.	Average Deviations	Standard Deviations
	Proj.	Actual	Dev.	Proj.	Prel Actual	Dev.	Proj.	Prel Actual	Dev.			
I. Key Macroeconomic Assumptions												
Real GDP	5.9%	6.2%	0.3%	5.2%	5.2%	0.0%	5.5%	5.1%	-0.4%	5.0%	0.0%	0.3%
Inflation Rate (avg)	5.6%	6.9%	1.3%	7.8%	7.7%	-0.1%	6.3%	6.1%	-0.2%	4.8%	0.4%	0.7%
Exchange rate (Ksh/US\$), avg		113.8			133.4			135.3				
Export growth		10.6%			8.0%			5.0%				
Import growth		16.4%			3.9%			-3.5%				
II. Fiscal Aggregates (in Ksh billion)												
Total Revenue	2,192	2,200	8	2,479	2,361	- 118	3,071	2,703	- 368	3,060	- 128	25
Ordinary Revenue	1,852	1,918	66	2,145	2,041	- 104	2,625	2,289	- 336	2,631	- 98	48
AiA	340	282	- 59	333	319	- 14	446	414	- 32	429	- 31	43
Grants	63	31	- 32	42	23	- 19	47	22	- 25	52	- 29	37
Total Expenditure	3,286	3,028	- 258	3,367	3,221	- 146	3,903	3,605	- 298	3,881	- 205	201
Recurrent	2,227	2,135	- 92	2,368	2,312	- 56	2,760	2,678	- 82	2,826	- 59	65
Development	658	540	- 117	561	494	- 67	718	546	- 171	600	- 117	114
Domestic	411	378	- 33	337	344	7	438	377	- 61	350	- 29	31
External	239	162	- 78	194	138	- 56	250	152	- 98	242	- 79	81
Net Lending	-	-	-	16	12	- 4	19	17	- 1	-	- 1	-
Equalization Fund	7	-	- 7	14	-	- 14	11	-	- 11	8	- 8	5
County Allocation	401	352	- 49	436	416	- 21	424	380	- 43	451	- 28	35
Balance	- 1,031	- 785	246	- 846	- 800	46	- 785	- 835	- 50	- 769	72	177
Financing	1,031	748	- 283	846	770	- 76	785	818	33	769	- 88	201
Net Foreign Financing	343	143	- 201	363	311	- 52	362	223	- 139	355	- 122	157
Net Domestic Financing	688	605	- 83	484	460	- 24	423	596	173	413	34	76
Memo Items:												
Nominal GDP (Ksh billion)	12,844	12,698	- 146	14,336	14,274	- 61	16,132	15,826	- 305	17,435	- 106	121

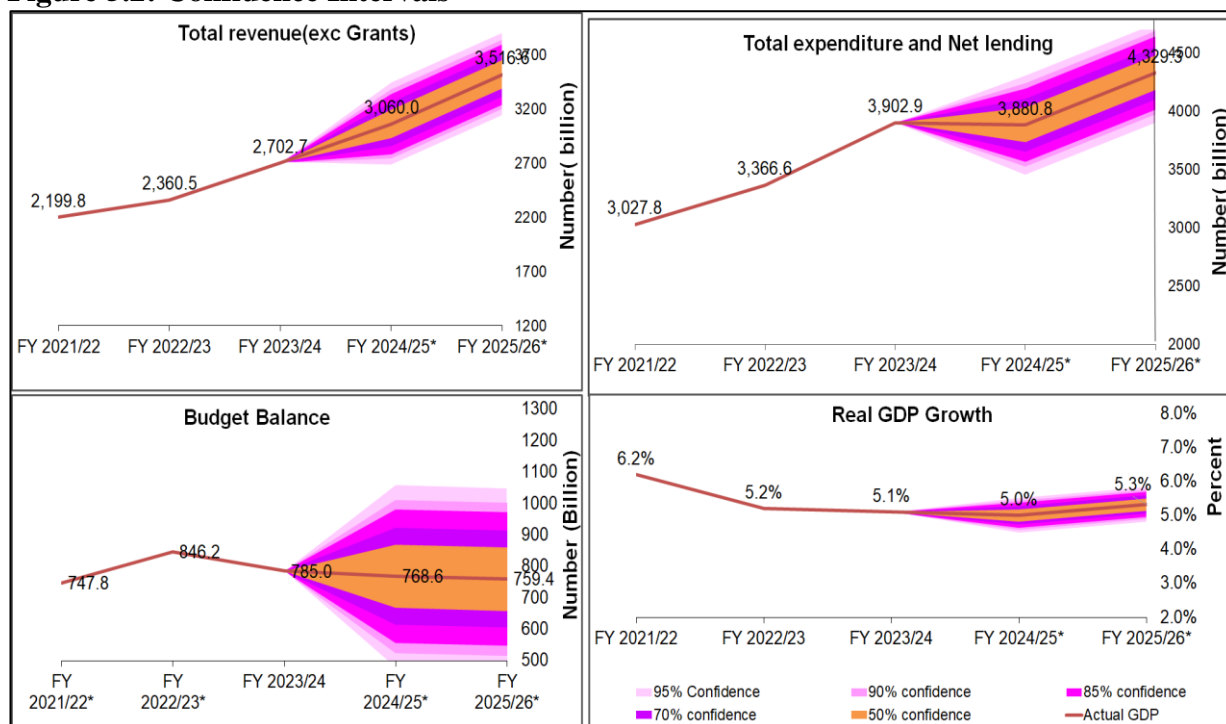
Source: National Treasury

353. The economy is projected to remain strong in the FY 2025/26, growing by 5.3 percent with a 95 percent confidence level ranging between 5.8 percent and 4.8 percent at 0.3 percent standard deviation. This is an improvement from a growth of 5.0 percent in FY 2024/25 at a growth range of around 5.5 percent and 4.5 percent using the same standard deviation at 95 percent confidence interval (**Figure 5.2**).

354. There is a 95 percent chance that the forecasted total revenue of Ksh 3,516.6 billion in FY 2025/26 will be within the actual revenue range of Ksh 3,136.4 billion and Ksh 3,896.9 billion and a 50 percent possibility between Ksh 3,648.6 billion and Ksh 3,384.7 billion with a standard deviation of Ksh 25 billion. The Projected revenue of 3,060.0 billion for FY 2024/25 will fall at an actual range of Ksh 3,440.2 billion and Ksh 2,679.7 billion at 95 percent confidence interval.

355. The forecasted expenditure of Ksh 3,880.8 billion in FY 2024/25 has a 95 percent chance to range between Ksh 4,308.4 billion and Ksh 3,453.3 billion with a 201.0 billion standard deviations. The expenditure is projected to increase further in FY 2025/26 to Ksh 4,329.3 billion and to range between Ksh 4,756.8 billion and Ksh 3,901.8 billion at 95 percent confidence interval. The fiscal deficit will therefore fall between Ksh 1,059.0 billion and Ksh 478.1 billion in FY 2024/25 and between Ksh 1,049.9 billion and Ksh 468.9 billion in FY 2025/26 at a 95 percent confidence interval.

Figure 5.2: Confidence Intervals



Source of Data: National Treasury

5.3 Specific Fiscal Risks

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

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

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

5.3.1 Fiscal Risk Associated with Public Debt

358. Performance of the economy has a direct correlation with the debt sustainability. Poor performance of the economy deteriorates the debt indicators thus unsustainability. However, the Government strategy to revive the economy and its commitment to fiscal consolidation will lead to improvement of the debt ratios.

359. Market pressures due to war in Ukraine and the monetary tightening in the USA and Europe have limited access to the international capital market. The inflation rates have led to high interest rates and this has hindered the Government in performing liability management operation on its debt portfolio. However, the Government will continue to monitor the financial conditions before performing any liability management operations whose aim is to lengthen the maturity structure and reduce the refinancing risks in the debt portfolio.

360. The ongoing implementation of reforms in the domestic debt market are aimed at improving efficiency and deepening the market to cushion the Government against the downsides of the risks stemming from external factors. The risk of continuous increase in the cost of debt service as a result of Kenya shilling depreciating against major currencies as 50 per cent of the debt portfolio is from external sources.

361. The rising interest rates both in the domestic and external market has an implication on the Governments` overall debt service. A large proportion of revenue will be used to service debt. Uncertainty in the movement of interest rates have led to increase of new debt on short-term maturities thus increasing the refinancing risk. Increasing cost of borrowing due to credit rating downgrade which impacts investor confidence and financial terms of various credit especially the commercial loans.

362. Government`s exposure to fiscal risks and contingent liabilities arising from state- owned enterprises and recorded off balance sheet. Materialization of these liabilities may pose fiscal difficulties in the budget year. The government will continue monitoring the liabilities and will be able to mitigate the risk before they materialize.

5.3.2 Crystallization of Contingent Liabilities

363. Contingent liabilities are potential liabilities that may occur depending on the outcome of uncertain future event. A contingent liability is only recorded in the financial statements if the contingency is probable and the amount of the liability can reasonably be estimated. However, they must be given adequate disclosure if otherwise. Explicit contingent liabilities are specific Government obligations established by law or a contract authorized by law which Government must settle when it becomes due. On the other hand, implicit liabilities represent moral obligations or burdens that, although not legally binding, are likely to be borne by the Government because of public expectations or political pressures.

364. Contingent liabilities are frequently not recorded directly in the budget and thus not subjected to budgetary oversight. Because their fiscal cost is invisible until they come due, they represent a hidden subsidy and a drain on future government finances. These could lead to poor quantification of Contingent Liabilities and the possibility of unplanned budgetary requirements if the guarantee crystallizes. There is need therefore, to monitor these contingent liabilities to avoid fiscal risks in the budget year in the event they happen.

5.3.2.1 State Corporations / Government Owned Enterprises (GOEs)

365. State corporations have legal capacity to contract debts and other liabilities to finance their requirements with approval of the Parent/line Ministry and concurrence from the National Treasury as per the requirement of the State Corporations Act. Government loans to GOEs are either direct or on-lent. Direct Loans is where Government has granted a loan to a Corporation from the National Exchequer resources while On-Lent Loans is where Government procures credit facilities from development partners on concessional terms. The proceeds are thereafter extended to Corporations as loans.

366. State Corporations are major sources of contingent liabilities to the Government. These mainly stem from inability of the Corporations to pay for contracted obligations such as Government loans, guarantees, pending bills, commercial debts and legal claims.

367. State Corporations face a number of challenges including: i) Inadequate capital for investments and working capital due to dwindling Government Resources to invest in those

entities; and ii) Government crowding out the private sector in production of good and services hence lack of competitiveness leading to inefficiencies; among others.

368. Debt stricken State Corporations, constitute a potential source of fiscal Risk. The Government is cautious in issuance of guarantees and other support measures to state corporations upon such requests. However, as the principal owner of all the GOEs, the Government is naturally the underwriter of the risks that they face.

369. State Corporations can be a major source of fiscal risk to public finances if they underperformed financially. In FY 2023/2024, fiscal risk analysis was done on a sample of fifty State Corporations in addition to eighteen initially done in FY 2021/2022 whose report identified and disclosed the fiscal risk exposure to the Government.

370. In the sixty-eight (68) Corporations, preliminary financial evaluations and risk assessment highlighted a number of fiscal risks that could materialize. These stem primarily from liquidity challenges resulting from unfavourable revenue and economic performance. They also reflected a high liquidity risk demonstrated by their quick ratios which are below the set standards. Current ratios being less than one, implying their inability to service short term obligations as and when they fall due. Subsequently, some were found to have accumulated sizeable arrears/pending bills.

371. Government Linked Corporations (GLCs) also pose a fiscal risk to the Exchequer. These are entities where the Government has less than 50% stake. Government oversight in GLCs is limited. However, it may be called upon to meet some contractual obligations in case of default. Due to strategic nature of some of the entities and in view of the national interest & the overall impact of their failure to the economy, the Government may be morally obliged to bail out these entities in case they are in financial distress. This may pose serious fiscal risk and challenge to budget implementation.

372. The National Treasury has guaranteed a number of State Corporations and GLCs. As at 30th June, 2024, the Government of Kenya had guaranteed the following State-owned Enterprises (SOEs): Kenya Electricity Generating Company PLC (Kengen), Kenya Ports Authority (KPA) and Kenya Airways (KQ). In addition, 21 SOEs had non-guaranteed debt. Non-guaranteed loans are funds borrowed by Corporations based on the strength of their balance sheets.

373. The stock of Government guaranteed debt as at end June 2024 was at Ksh 94,218 million, which was a decrease from Ksh 170,229 million as at end June 2023 due to novation of Kenya Airways debt and repayment of other guaranteed debt.

374. Twenty-one (21) Corporations reported non-guaranteed debt amounting to Ksh 78,207 million (0.5 percent of GDP). The cumulative stock of on-lent loans amounted to Ksh 1,040,023 million. This included loans to Kenya Railways Corporation amounting to Ksh 569,329 million which accounted for 55 percent of the total on-lent loans.

375. Pending Bills among the state corporations remain high, with records showing Ksh 379.816 billion as at 30th June, 2024. The major pending bills include; Unpaid contractors' fees for capital projects, undischarged tax obligations and unremitted employer pension.

376. In order to mitigate the fiscal risks among the State Corporations, the Government:

- i) Has initiated the process of reform and restructure of Institutions. The National Treasury has conducted a preliminary financial evaluation and viability assessment of State Corporations to identify those to be merged and those that need restructuring. This is aimed at increasing the Country's fiscal space by reducing Corporations' overreliance on

the National Exchequer therefore, creating room for the Government to undertake priority projects and programmes;

- ii) Has committed to State Corporations reforms that includes governance reforms and restructuring, separation of roles and responsibilities among Government institutions providing oversight on State Corporations;
- iii) Will continue to utilize the Government Information Management Information System (GIMIS) to oversight State Corporations. This will ensure availability of comprehensive and consolidated data on State Corporations to ensure timely identification, monitoring, mitigation, and reporting of fiscal risks from SOEs. More modules are being inbuilt to have a better chance of arresting fiscal risks in the Corporations before they materialize;
- iv) Has initiated a Government Ownership Bill aimed at addressing governance issues and gaps in law thereof in relation to Government Owned Enterprises. This will ensure transparency and accountability in their operations. Public participation on the bill has been conducted and the other processes towards enactment of the bill as an act are on course;
- v) Is in the process of developing Government Investments regulations which will govern public resource flows to corporate bodies in terms of justification, oversight & governance arrangements and reporting; and
- vi) Is in the process of developing key performance indicators for commercial State Corporations to help in assessing their strategic, financial, and operational achievements in relation to Government's expectations. This will ensure proper monitoring and timely identification of problems which could result to materialization of contingent liabilities.

5.3.2.2 Public Private Partnerships (PPP) Projects

377. Public Private Partnerships (PPPs) are meant to address the major infrastructure development funding gap in a time of constrained fiscal space, competing development pressures, particularly in the social sectors, and rising public expenditure demand under both national and devolved structures. Currently, it is estimated that the country requires approximately USD 2 billion per year to bridge the infrastructure funding deficit.

378. The Government identified PPPs as one of the key avenues to partly fill the investment financing gap occasioned by the ongoing fiscal consolidation efforts, reducing government borrowing and lowering yields on government securities. PPP Projects also build local financial service sector deepening through mobilized private sector capital, getting innovative ideas, risk transfers, non-debt fiscal sustainability and addressing climate related exposures.

379. Over Ksh 140.7 billion in private capital has so far been mobilized through PPPs over the years up to 30th June 2024. During Financial Year 2024/2025, the National Treasury projects to mobilise a total of Ksh 50 billion from the following projects: 35MW Orpower Geothermal Project (Ksh 11 billion); Galana Kulalu Food Security Project Project (Ksh 12.5 billion) and Africa 50 transmission lines (Ksh 41 billion).

380. Currently, there is a PPP projects portfolio pipeline of 37 at various stages. During the last financial year, the PPP program achieved financial close of two main projects namely, Kenya Defence Forces housing Project and 35MW Quantum Geothermal Project. The National

Treasury has a number of key policy milestones which include; development of PPP Regulations under the PPP Act 2021, and development of a climate resilience framework for PPPs.

381. Government envisages mobilizing Ksh 70 billion within the next FY 2025/26 through Private investments in PPPs by working with the private sector to develop projects in priority areas. The summary of the targeted sector projects is here below:

- i) The Water Sector -Sabaki Water Carrier Project (Ksh 28 billion) among others
- ii) Energy Sector - Generation and Transmission projects (Nairobi Street lighting Project – Ksh 10 billion among others);
- iii) Housing Sector – e.g. Stony Athi Affordable Housing Project – Ksh 9.2 billion among others;
- iv) Roads and Transport sector - the Mombasa - Nairobi Express way currently project development phase among others.

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

383. As part of de-risking public investments in respect to capital mobilization for infrastructure development, the Government will continue to provide Government Support Measures (GSMs) to private investors in PPP projects in the form of Letters of Support (LOSs), Partial Risk Guarantees and Indemnity Agreements. Accordingly, the FCCL framework shall be reviewed to ensure an appropriate balance between project benefits and the risks to be assumed by Government. This will encourage and unlock the private sector capital on projects which require de- risking. To date, a total of fifteen projects have been issued with GSMs which are at Feasibility Study phase, with the project implementation targeted to commence in FY 2024/25. The contingent liabilities are going to be closely monitored and shall be disclosed accordingly depending on the implementation progress of various project agreements.

384. The Government will also put in place a framework that will enable private investment in national programs through balancing risks and rewards between the public and private sector and free the fiscal space. In this regard, the Government will institutionalize a joint PIM-PPP planning framework to ensure that only projects with the highest social - economic returns are undertaken. To achieve this, all projects will be screened for commercial viability as PPPs, before being considered for implementation within the National Budget.

385. To ensure a structured approach to infrastructure development, the National Treasury in conjunction with the State Department of Economic Planning and other Government agencies is working to develop a 10-year National Infrastructure Plan (NIP). The Plan will document strategic infrastructure investments across various sectors and provide a basis for planning, prioritization, resource mobilization, and delivery of infrastructure projects. The National Infrastructure Plan will inform the implementation of both PPP and public investment projects under the Public Investment Management framework.

386. Additionally, during the FY 2025/26, the National Treasury will develop procurement tools to standardize the procurement process in the following sectors - health, water, and road sectors.

To improve disclosure and transparency framework, thorough public engagements will be undertaken during all critical stages of the PPP project implementation processes. Contracting Authorities shall also be required to publish all intended and ongoing projects in line with Section 43 and 69 of the PPP Act of 2021.

5.3.3 Fiscal Risks Related to Devolution

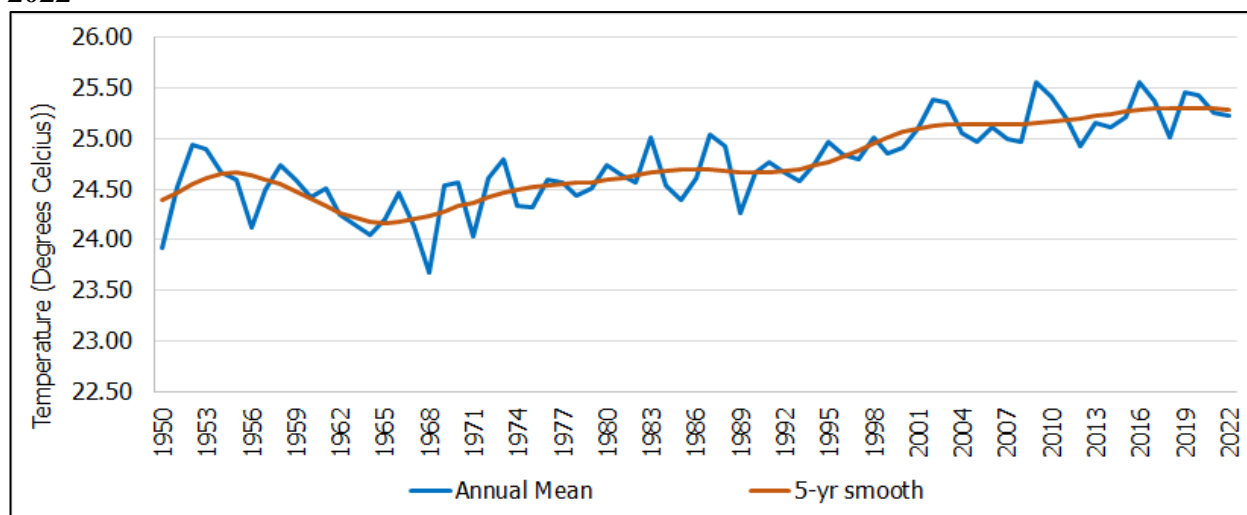
387. County Treasuries are required under Section 107 of the PFM, Act 2012 to manage their public finances in accordance with the principles of fiscal responsibility. Among the fiscal responsibility principles set out in Section 107 (2) is the requirement for the County Treasury to manage its fiscal risks prudently. A number of fiscal risks that require prudence in its management by the County Governments are as follows:

- i) County Governments borrowing through overdrafts from commercial banks and other loan facilities (using different names for the financial securities) without guarantee from the National Treasury;
- ii) Pending Bills for Statutory deductions more especially pensions posing a huge challenge to the social security of the pensioners who may retire without a pension;
- iii) Delays in enactment of crucial laws for the County Governments (both at the county level and the National Government level);
- iv) Overreliance of the County Governments in equitable share which exposes the counties to fiscal shocks occasioned by delays or failure by the National Treasury to raise the projected revenues;
- v) Below potential OSR which results to unfunded budgets resulting to accumulation of pending bills; and
- vi) Accumulation of pending bills over time.

5.3.4 Climate Change Related Fiscal Risks to the Economy

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

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



Source: World Bank Climate Change Knowledge Portal

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

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

Table 5.3: Natural Disasters in Kenya, 1964-2022

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

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

391. According to the *State of the Climate Kenya (2023)*, the 2023 floods affected 38 counties across Kenya, resulting in loss of lives, injuries, displacements, and destruction of key infrastructure. An increase in contaminated water also led to secondary effects, including vector and waterborne disease outbreaks. 757,173 people (138,560 households) were affected since the onset of the short rains season between October and December 2023. Some of the hardest hit areas were the semi-arid lands where pastoralism is the economic driver for livelihoods. These areas were still recovering from the worst drought in 40 years, which led to high rates of malnutrition.

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

5.3.4.1 Specific Fiscal Risks related to Climate Change

Nature of Specific Fiscal Risks

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

Key Types of Fiscal Risks

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

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

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

- i) **Agriculture:** As the backbone of the economy, agriculture is heavily reliant on consistent weather patterns. Climate change, with its unpredictable rainfall and extreme weather events, threatens crop yields, food security, and rural livelihoods.
- ii) **Energy:** Kenya's energy sector, especially hydroelectric power, is vulnerable to changing rainfall patterns, which can lead to power shortages and increased use of expensive fossil fuels. Rising temperatures also reduce the efficiency of geothermal plants and transmission systems.
- iii) **Labour Productivity:** Increased heat from climate change can reduce labour productivity, particularly for outdoor workers in sectors like agriculture, forestry, and fisheries, especially in arid regions.
- iv) **Road Transport:** With 93% of freight and passenger traffic depending on roads, climate-induced disruptions like flooding and road degradation during extreme weather events can isolate regions and hinder trade and mobility.

- v) **Tourism and Wildlife:** Tourism, closely linked to wildlife and natural landscapes, is affected by climate shifts that alter wildlife habitats and migration patterns, potentially reducing tourism appeal.
- vi) **Water Resources:** Climate change contributes to water scarcity and the degradation of water quality, impacting both human consumption and agricultural use, with wide-ranging effects on health, food production, and energy generation.
- vii) **Health & Education:** The average number of hot days and nights per year have increased remarkably with associated effects on health reported across various hospitals (KMD, 2022). Extreme weather events, such as floods and higher temperatures, can damage infrastructure, disrupt access to health and education services, and increase the spread of diseases like cholera and typhoid. Droughts can reduce food availability and student attendance.

5.3.4.2 Long Term Climate Change Fiscal Risks

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

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

Table 5.4: Climate Change Scenarios in Kenya

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

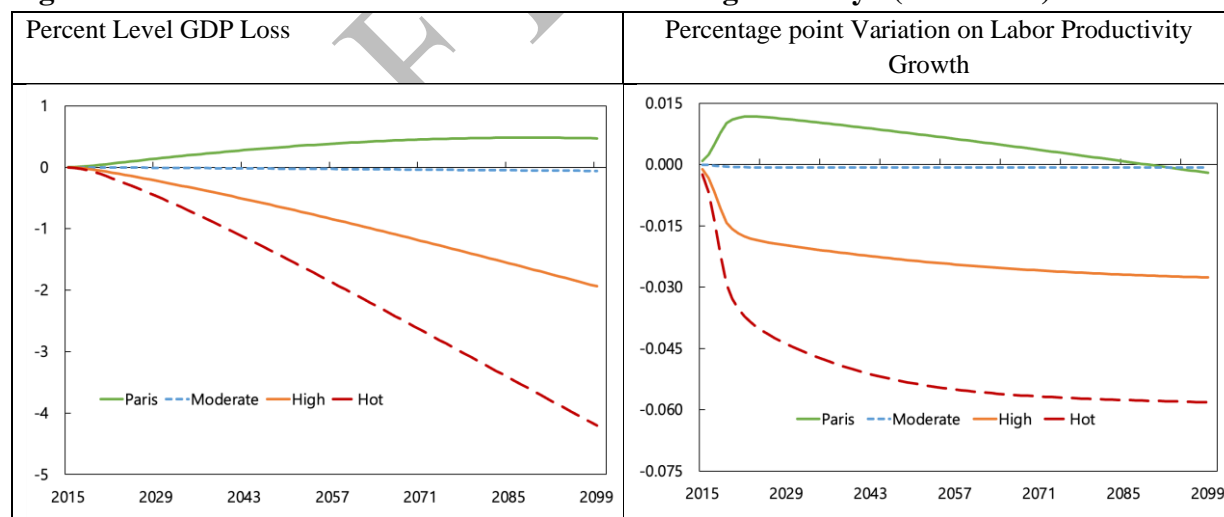
399. Climate change is expected to reduce GDP growth, primarily through lower productivity. The severity of the impact depends on the intensity of climate effects. Key transmission channels include:

- i) Higher depreciation of public and private capital: Increased temperatures and changing precipitation patterns will damage infrastructure such as roads, power lines, machinery, and equipment. Natural disasters like floods and landslides will further degrade assets.
- ii) More frequent and severe natural disasters: Climate-induced events such as floods, droughts, and landslides are expected to increase in frequency and severity, leading to more negative economic outcomes.
- iii) Reduced working hours and productivity: Hotter days can reduce the number of hours employees can work effectively. There could also be negative health impacts, such as the spread of diseases like malaria, cholera, and typhoid, which further reduce productivity.
- iv) Longer-term effects on economic structure: Certain sectors, such as agriculture (especially high-value crops) and tourism, may suffer due to climate-related changes, such as reduced crop yields or unfavourable conditions for tourism.

5.3.4.3 Macroeconomic Impacts of Climate Change

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

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



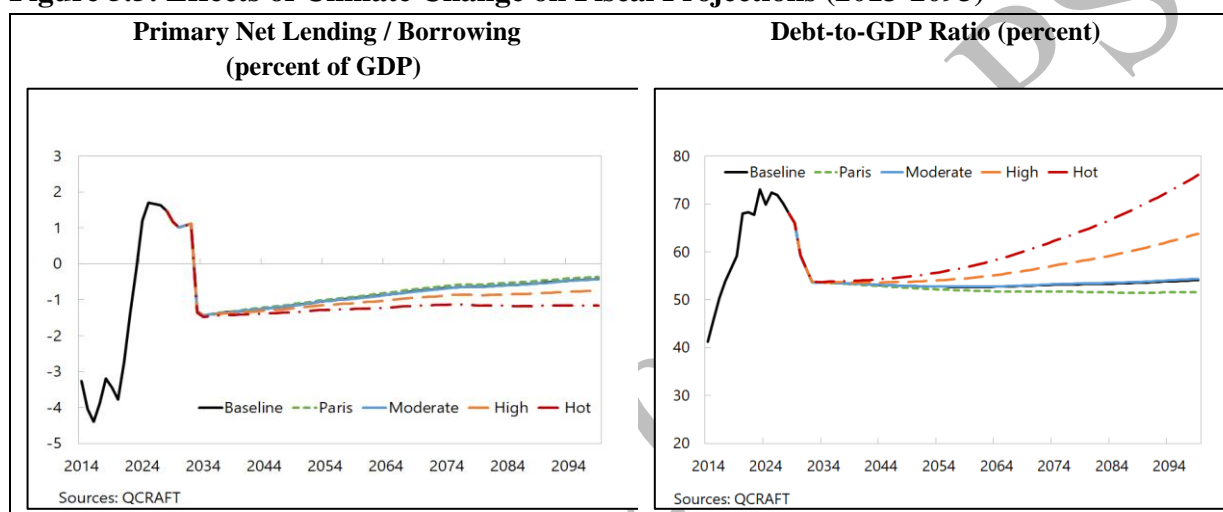
Source: Q-CRAFT (2024)

5.3.4.4 Effects of Climate Change on Fiscal Projections

401. Taking the assumption that Government expenditure remains unchanged and revenue declines due to lower GDP growth, Kenya's primary deficit is projected to increase in all

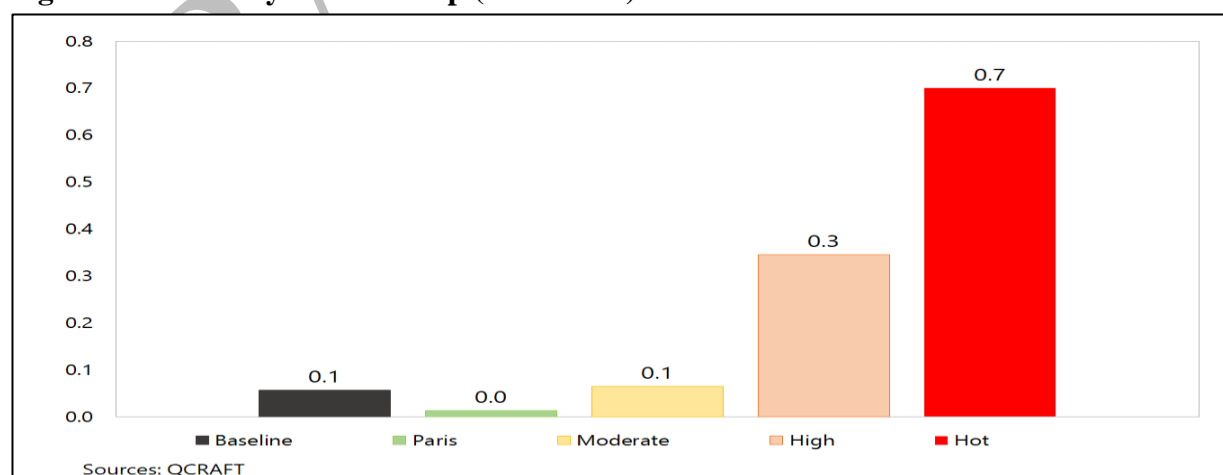
scenarios except the Paris scenario (aligned with climate-related goals). This would result in higher net borrowing and an increased debt-to-GDP ratio (**Figure 5.5**). The resulting fiscal deterioration would necessitate fiscal consolidation either through expenditure cuts or revenue increases to maintain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

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



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

Figure 5.6: Primary Balance Gap (% of GDP)



5.3.4.5 Climate Change Mitigation and Adaptation Measures

403. Kenya is highly vulnerable to climate change and natural hazards, with events like droughts, floods, landslides, and storms causing significant loss of life and undermining development efforts. Around 70 percent of these disasters are linked to climate events. The increasing frequency and intensity of these events highlight the urgent need for strong climate adaptation strategies to mitigate their negative economic and fiscal impacts. Recognizing this vulnerability, Kenya is focused on creating a climate change policy framework that aims to improve fiscal sustainability and strengthen climate resilience. Addressing climate risks is seen as essential for reducing fiscal pressures and ensuring long-term development.

404. The Government is actively working to reduce emissions, build resilience to climate change, and meet its Nationally Determined Contributions (NDCs) under the Paris Agreement. To achieve this, it has developed a 5-year National Climate Change Action Plan (NCCAP), which is aligned with the Medium-Term Plan (MTP) cycle. Additionally, the government is implementing a Financing Locally Led Climate Action (FLLoCA) Program to build local resilience to climate change and other natural hazards. The development objective of the Program is to strengthen the capacity of National and County Governments to manage climate risk.

405. Other examples of measures being undertaken by the Government include:

- i) **Low-emission Power Generation:** Prioritizing the development of renewable energy sources, especially geothermal and hydroelectric power, to reduce emissions and dependence on fossil fuels;
- ii) **Tree Planting Initiative:** Committing to plant 15 billion trees by 2032, which will help reduce net emissions, enhance carbon sequestration, and protect infrastructure from climate-related disasters;
- iii) **Climate-Related Budgeting:** Ongoing efforts to tag climate-related expenditure in the national budget to ensure that financial resources are allocated to climate mitigation and adaptation projects;
- iv) **Green Government Buildings:** Setting a target for 25% of new government buildings to be environmentally sustainable (green), helping to reduce energy consumption and emissions; and
- v) **Improved Road Drainage:** Enhancing road infrastructure by improving drainage design to reduce vulnerability to flooding, ensuring better resilience to extreme weather events.

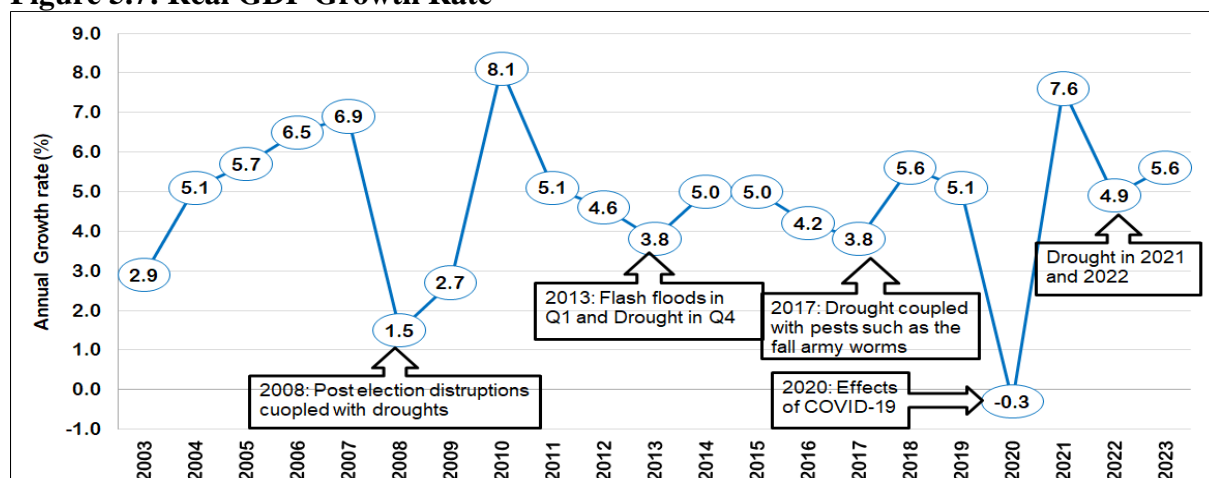
5.3.4.6 Enhancing Analysis of the Climate Change Impact to the Economy: Greening the Macroeconomic Model

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

407. Notably, major droughts have become more frequent, now occurring approximately every 3 to 5 years, compared to the 7-year cycle that was observed in the past. This increasing

frequency of extreme weather events underscores the urgent need for comprehensive policy adjustments that address the escalating risks posed by climate change (Figure 5.7). As a result, it has become increasingly necessary to reassess traditional macroeconomic models to better incorporate the impacts of climate and environmental change and ensure sustainable economic planning moving forward.

Figure 5.7: Real GDP Growth Rate



Source: National Treasury

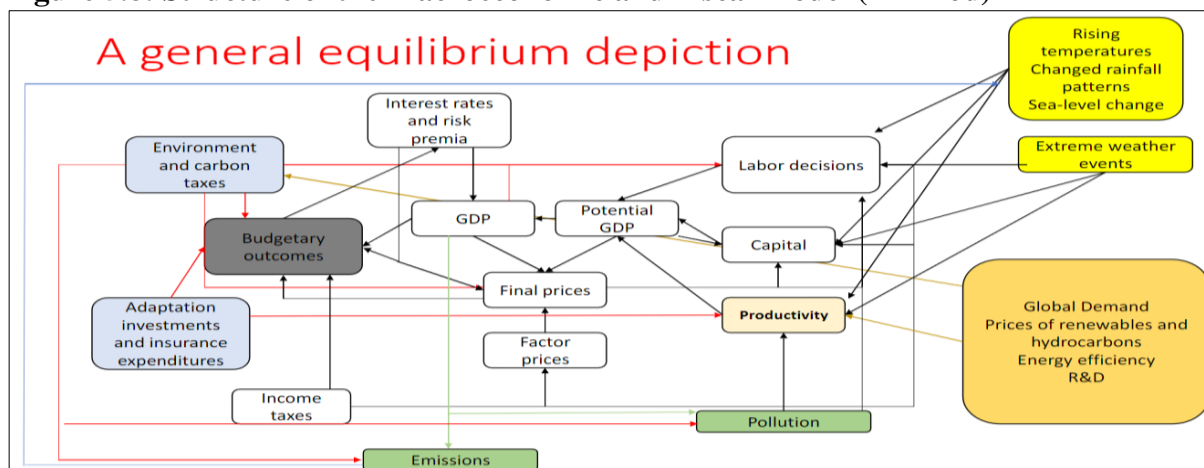
408. The Kenya Country Climate and Development Report (CCDR), released by the World Bank in November 2023, represents a significant milestone in understanding the intersection of climate change, development, and economic growth in Kenya. The report was developed with essential support from the National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

409. In response to these evolving concerns and in recognition of ongoing climate trends, the KNBS under the National Plan for Advancing Environmental-Economic Accounting (NP-AEEA) and supported by the World Bank, has prioritized compilation of Natural Accounts data under the following sub accounts: water, land, forest, ecosystem, energy, and mineral. KNBS is working with among others the following stakeholders in support of the Natural Accounts data: Kenya Water Research Authority (WRA), Kenya Water Towers Agency (KWTA), National Lands Commission (NLC), Kenya Forestry Research Institute (KEFRI), Kenya Forestry Services (KFS), State Department of Forestry (SDF), Directorate of Resource Surveys and Remote Sensing (DRSRS), Ministry of Water, Sanitation and Irrigation (MoWSI), Kenya Institute for Public Policy Research and Analysis (KIPPRA), National Environmental Management Authority (NEMA), National Water Harvesting and Storage Authority (NWHSA), State Department of Water (SDW), National Irrigation Authority (NIA), and Kenya Wildlife Services (KWS).

410. At the same time, to strengthen Economic policy formulation, the National Treasury in collaboration with the World Bank has initiated efforts of Greening the macroeconomic model

that integrates considerations of climate change using data from the Natural accounts. This Macroeconomic and Fiscal Model (MFMod) is a flexible and comprehensive analytical tool designed to assess the interactions between fiscal policies and macroeconomic outcomes (**Figure 5.8**). MFMod under the World Bank has been widely applied across various countries to analyze the effects of different policies on key variables such as economic growth, inflation, public debt and government budgets.

Figure 5.8: Structure of the Macroeconomic and Fiscal Model (MFMod)



Source: World Bank

411. The National Treasury in collaboration with the World Bank, under the Technical Assistance (P177097), financed by the Global Program on Sustainability (GPS), is Greening a tailored version of the MFMod, for Kenya named KENMod. Building upon the MFMOD framework, KENMod is customized to address the unique characteristics of the Kenyan economy. The KENMod will generate a more accurate evaluation of the macroeconomic dynamics, taking into account climate considerations. This framework will support economic planning and decision-making that reflect the true value of our natural resources and ecosystems, which are vital for sustaining long-term economic stability and prosperity. This forward-looking model will enable more effective integration of environmental considerations into the core of economic decision-making, ensuring that future generations benefit from a prosperous and sustainable economy.

412. In the initial simulation using KENMod, the model demonstrated that climate change could lead to significant economic losses in Kenya, primarily due to the country's heavy reliance on agriculture, a sector highly sensitive to climate variability. Agriculture, being a major contributor to GDP, is at risk from changing precipitation patterns and temperature variations. Extreme weather events, such as droughts and floods, could severely reduce agricultural output, thereby negatively impacting GDP growth. The vulnerability of the agricultural sector to climate impacts was identified as a key driver of the GDP reductions. A decline in crop yields, reduced livestock productivity, and lower fisheries output would significantly lower the overall GDP, especially in agriculture-dependent regions where these sectors are a main source of livelihood.

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

5.3.5 Other Fiscal Risks

5.3.5.1 Natural Disasters and Man-made Hazards

414. Disasters, both natural and man-made continue to pose a great challenge to the Government. In a bid to reduce the negative impacts of disasters, the Government will continue to implement the National Disaster Risk Management Policy. The Government will also review and update the Disaster Risk Financing Strategy (DRFS, 2023-2027). The Strategy will be key in strengthening the ability of the National and County Governments to respond effectively to disasters, thereby protecting development goals, fiscal stability, and wellbeing of Kenyan citizens.

415. In order to ensure efficient and effective means of financing disasters, if and when they occur, the Government will prioritize the establishment of the Public Finance Management (Disaster Risk Management Fund) Regulations, 2025. The objective of the Fund is to ensure effective and efficient resource mobilization for disasters at both National and County levels. The process of establishing a dedicated Fund for Disasters is currently at an advanced stage of stakeholder engagements.

416. In order to ensure fiscal transparency and accountability in Disaster related expenditures, the Government will strengthen Disaster risk reduction and Climate change adaptation into national planning and budgeting. Kenya does not have a Legal Framework for Disaster Risk Management. In order to put this in place, the Government will fast-track the enactment of the Disaster Risk Management Bill (No. 24 of 2023). This will provide an over-arching legal framework guiding disaster risk management in the country.

5.3.5.2 Money Laundering, Terrorist Financing & Proliferation Financing

417. Kenya underwent its second round of Mutual Evaluation by the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) in 2021. The Mutual Evaluation Report was adopted by ESAAMLG in September 2022. At that time Kenya was Compliant with two recommendations; Largely Compliant with one recommendation; Partially Compliant with 26 recommendations; and Non-Compliant with 11 recommendations of the 40 FATF recommendations. Kenya was thereafter given a one-year observation period as per the procedures. At the expiry of the observation period, Kenya prepared a Post Observation Period Report (POPR) that was submitted to FATF in November 2023. Having not been satisfied by the measures Kenya had so far put in place to address the strategic deficiencies, FATF placed Kenya on the Grey List.

418. Following the February “grey-listing”, the Government agreed with FATF to an action plan to address key shortcomings identified and strengthen the effectiveness of Kenya’s AML/CFT framework. Priority actions include the completion of a terrorism financing risk assessment and related updating of the national AML/CFT strategies, adopting a supervisory framework for Virtual Asset Service Providers, and strengthening AML/CFT risk-based supervision of financial institutions and designated nonfinancial businesses and professions (DNFBPs). To strengthen effectiveness of supervision, the CBK is conducting stand-alone AML/CFT inspections and has begun to apply enforcement measures alongside provision of sectoral guidance on compliance obligations. The Financial Reporting Center is working jointly with sectoral supervisors to build capacities for supervision of high-risk DNFBPs, including real estate, lawyers, and trust and company service providers, supported by customized supervision

tools under development. The authorities are also focusing on outreach and training to supervised entities to strengthen their understanding of AML/CFT preventive measures and obligations.

DRAFT 2025 BPS

Annex Table 1: Macroeconomic Indicators

	2022/23	2023/24	2024/25		2026/27		2027/28		2028/29	
	Act.	Act.	Budget Estimates	Suppl. 1 Budget	BROP 2024	BPS 2025	BPS 2024	BPS 2025	BROP 2024	BPS 2025
<i>annual percentage change, unless otherwise indicated</i>										
National Account and Prices										
Real GDP	5.2	5.1	5.5	5.3	5.4	5.4	5.4	5.4	5.4	5.4
GDP Deflator	6.5	5.4	6.0	5.7	5.3	5.4	5.4	5.4	6.2	6.3
CPI Index (eop)	6.9	5.4	5.3	5.0	5.0	5.0	5.0	5.0	5.0	5.0
CPI Index (avg)	7.7	6.1	5.3	5.1	5.0	5.0	5.0	5.0	5.0	5.0
Terms of Trade (-deterioration)	-1.3	-0.9	2.0	2.0	2.5	2.5	3.2	3.2	3.6	3.6
Money and Credit (end of period)										
Net domestic assets	11.5	-0.2	10.6	11.5	9.2	9.2	9.3	9.1	10.3	9.9
Net domestic credit to the Government	13.0	7.9	4.8	4.8	6.1	6.1	6.2	6.2	5.2	5.2
Credit to the rest of the economy	12.2	4.0	15.9	7.4	11.9	11.8	11.6	11.3	11.1	10.7
Broad Money, M3 (percent change)	13.4	6.0	12.2	12.1	10.4	10.4	10.6	10.5	10.7	10.6
Reserve money (percent change)	-5.9	18.7	12.1	-0.1	10.3	10.3	10.5	10.4	10.6	10.5
<i>in percentage of GDP, unless otherwise indicated</i>										
Investment and Saving										
Investment	17.6	16.8	16.3	16.4	16.4	16.6	16.3	16.8	16.3	16.8
Central Government	4.2	4.2	3.4	4.2	5.0	5.1	5.1	5.2	5.6	5.7
Private	13.4	12.7	13.0	12.2	11.4	11.6	11.3	11.6	10.7	11.0
Gross National Savings	13.1	13.0	12.2	12.5	12.1	12.3	11.9	12.3	12.4	12.8
Central Government	-1.8	-1.6	1.4	-0.5	1.1	1.2	1.5	1.6	2.4	2.5
Private	14.9	14.6	10.7	13.0	10.9	11.1	10.4	10.7	10.0	10.3
Central Government Budget										
Total revenue	16.5	17.1	18.5	16.9	18.0	18.6	18.3	19.0	18.8	19.6
Total expenditure and net lending	22.5	22.8	22.1	21.5	21.7	22.5	21.8	22.6	21.9	22.7
Overall Fiscal balance excl. grants	-6.1	-5.7	-3.6	-4.5	-3.7	-3.8	-3.4	-3.6	-3.0	-3.2
Overall Fiscal balance, incl. grants, cash basis	-5.6	-5.3	-3.3	-4.3	-3.4	-3.5	-3.2	-3.3	-2.8	-2.9
Statistical discrepancy	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Fiscal balance, incl. grants, cash basis- adj. discrepancy	-5.6	-5.3	-3.3	-4.3	-3.4	-3.5	-3.2	-3.3	-2.8	-2.9
Primary budget balance	-0.8	0.0	2.3	1.3	2.0	2.1	2.3	2.3	2.4	2.5
Net domestic borrowing	3.2	3.8	1.5	2.3	2.6	2.7	2.5	2.6	2.0	2.1
External Sector										
Exports value, goods and services	12.0	11.7	11.0	10.9	10.4	10.8	10.0	10.4	9.9	10.3
Imports value, goods and services	21.0	20.1	18.6	18.3	17.1	17.6	16.4	17.0	15.5	16.1
Current external balance, including official transfers	-4.5	-3.9	-4.2	-3.9	-4.3	-4.4	-4.4	-4.5	-3.9	-4.0
Gross reserves in months of next yr's imports	5.9	5.4	5.4	5.4	5.6	5.6	5.8	5.8	5.9	5.9
Gross reserves in months of this yr's imports	5.8	5.8	5.9	5.9	6.0	6.0	6.1	6.1	6.2	6.2
Public debt										
Nominal central government debt (eop), gross	71.9	66.7	64.3	62.8	58.2	60.3	55.8	57.8	53.2	55.2
Nominal debt (eop), net of deposits	68.5	63.4	61.6	59.8	55.8	57.8	53.6	55.6	51.2	53.2
Domestic (gross)	33.8	34.2	30.4	32.3	31.5	32.6	31.0	32.1	30.0	31.2
Domestic (net)	30.4	30.9	27.8	29.3	29.1	30.2	28.8	29.9	28.1	29.2
External	38.1	32.5	33.9	30.5	26.7	27.7	24.8	25.7	23.1	24.0
Memorandum Items:										
Nominal GDP (in Ksh Billion)	14,299	15,826	18,054	18,054	22,052	21,286	24,400	23,529	27,022	26,019
Nominal GDP (in US\$ Million)	110,970	114,789	136,337	137,752	170,426	164,208	189,060	181,274	209,114	200,079

Source: National Treasury

Annex Table 2: Government Fiscal Operations, Ksh Billion

	2022/23	2023/24	2024/25		2025/26		2026/27		2027/28		2028/29	
	Act.	Act.	Budget Estimates	Suppl. 1 Budget	BROP 2024	BPS 2025	BROP 2024	BPS 2025	BROP 2024	BPS 2025	BROP 2024	BPS 2025
TOTAL REVENUE	2,355.1	2,702.7	3,343.2	3,060.0	3,516.6	3,516.6	3,968.1	3,968.1	4,470.4	4,470.4	5,090.9	5,090.9
Ordinary Revenue	2,041.1	2,288.9	2,917.2	2,631.4	3,018.8	3,018.8	3,424.7	3,424.7	3,876.4	3,876.4	4,441.7	4,441.7
Income Tax	941.6	1,042.8	1,230.2	1,180.3	1,320.7	1,320.7	1,473.3	1,473.3	1,643.4	1,643.4	1,845.2	1,845.2
Import duty (net)	130.1	133.9	187.4	160.0	201.3	201.3	222.5	222.5	253.3	253.3	279.9	279.9
Excise duty	264.5	276.7	429.6	324.8	389.6	389.6	454.4	454.4	516.5	516.5	564.7	564.7
Value Added Tax	550.4	645.5	812.2	723.8	820.3	820.3	941.2	941.2	1,049.0	1,049.0	1,182.6	1,182.6
Investment income	41.3	47.8	65.0	72.3	81.2	81.2	88.1	88.1	101.0	101.0	114.0	114.0
Other	113.2	142.2	192.8	170.2	205.7	205.7	245.3	245.3	313.2	313.2	455.3	455.3
Ministerial Appropriation in Aid	313.9	413.7	426.0	428.6	497.8	497.8	543.4	543.4	594.0	594.0	649.2	649.2
EXPENDITURE AND NET LENDING	3,221.0	3,605.2	3,992.0	3,880.8	4,329.3	4,329.3	4,782.0	4,782.0	5,309.1	5,309.1	5,911.3	5,911.3
Recurrent expenditure	2,311.6	2,678.4	2,841.9	2,826.2	3,076.9	3,076.9	3,382.9	3,382.9	3,761.3	3,761.3	4,084.1	4,084.1
Interest payments	687.3	840.7	1,009.9	1,009.9	1,081.2	1,081.2	1,195.7	1,195.7	1,324.2	1,324.2	1,402.9	1,402.9
Domestic interest	533.1	622.5	750.0	750.0	817.5	817.5	899.1	899.1	1,004.4	1,004.4	1,068.7	1,068.7
Foreign Interest	154.2	218.2	259.9	259.9	263.8	263.8	296.6	296.6	319.8	319.8	334.2	334.2
Pensions & Other CFS	120.4	143.9	169.2	190.4	214.8	214.8	234.4	234.4	255.9	255.9	278.3	278.3
Pensions	117.1	140.6	165.0	186.2	209.7	209.7	228.6	228.6	249.1	249.1	271.6	271.6
Other CFS	3.3	3.3	4.2	4.2	5.1	5.1	5.9	5.9	6.8	6.8	6.8	6.8
Contribution to Civil Service Pension Fund	29.6	34.2	34.4	37.0	35.1	35.1	35.8	35.8	36.6	36.6	38.4	38.4
Net Issues/Net Expenditure	1,234.1	1,372.7	1,344.8	1,305.4	1,434.4	1,434.4	1,578.2	1,578.2	1,776.0	1,776.0	1,963.2	1,963.2
O/W: Wages & Salaries	539.6	575.3	613.6	602.7	650.9	650.9	683.5	683.5	717.6	717.6	742.8	742.8
Free Secondary education	67.6	70.2	67.1	67.1	73.1	73.1	76.0	76.0	79.1	79.1	82.3	82.3
Free Primary Education	14.5	11.3	11.1	11.1	12.4	12.4	14.0	14.0	14.7	14.7	15.3	15.3
Junior Secondary School - Capitation					34.2	34.2						
IEBC	19.9	4.6	1.1	1.2	1.3	1.3	1.3	1.3	16.4	16.4	29.2	29.2
Defense and NIS	172.2	205.4	212.5	212.3	212.3	212.3	220.8	220.8	229.7	229.7	238.8	238.8
Others	388.6	475.9	417.1	388.6	415.5	415.5	547.6	547.6	680.9	680.9	817.3	817.3
Ministerial Recurrent AIA	240.2	286.9	283.6	283.6	311.4	311.4	338.8	338.8	368.7	368.7	401.2	401.2
Development and Net lending	493.7	546.4	701.5	599.5	804.7	804.7	944.4	944.4	1,080.8	1,080.8	1,346.2	1,346.2
Domestically financed (Gross)	343.8	377.0	451.4	349.8	472.6	472.6	578.0	578.0	672.1	672.1	893.7	893.7
O/W Domestically Financed (Net)/NMS	264.5	250.2	309.0	204.9	286.1	286.1	373.4	373.4	446.9	446.9	645.7	645.7
Ministerial Development AIA	20.5	70.3	77.5	79.1	134.2	134.2	120.9	120.9	131.8	131.8	147.0	147.0
Foreign financed	137.6	151.9	242.2	241.7	321.5	321.5	355.8	355.8	398.0	398.0	441.9	441.9
Net lending	12.3	17.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equalization Fund	0.0	0.0	8.0	8.0	10.6	10.6	10.6	10.6	10.6	10.6	10.6	10.6
County Transfers	415.8	380.4	444.5	451.1	442.7	442.7	449.7	449.7	462.0	462.0	476.0	476.0
Equitable Share	399.6	354.6	400.1	410.8	405.1	405.1	417.0	417.0	429.4	429.4	443.4	443.4
Conditional Allocation	16.2	25.8	44.4	40.2	37.7	37.7	32.7	32.7	32.7	32.7	32.7	32.7
Contingency Fund	0.0	0.0	4.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Fiscal Balance (commitment basis excl. grants)	-865.9	-902.5	-648.8	-820.9	-812.7	-812.7	-813.9	-813.9	-838.8	-838.8	-820.4	-820.4
Grants	23.1	22.0	51.8	52.3	53.2	53.2	63.6	63.6	66.8	66.8	67.1	67.1
Fiscal Balance (incl. grants)	-842.9	-880.5	-597.0	-768.6	-759.4	-759.4	-750.3	-750.3	-771.9	-771.9	-753.3	-753.3
Adjustment to Cash Basis	37.0	45.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance (incl. grants) Cash Basis	-805.8	-835.1	-597.0	-768.6	-759.4	-759.4	-750.3	-750.3	-771.9	-771.9	-753.3	-753.3
Statistical discrepancy	-35.5	-16.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FINANCING	770.3	818.3	597.0	768.6	759.4	759.4	750.3	750.3	771.9	771.9	753.3	753.3
Net Foreign Financing	310.8	222.7	333.8	355.5	213.7	213.7	174.9	174.9	152.0	152.0	202.4	202.4
Disbursements	548.2	760.5	664.5	686.2	713.9	713.9	662.3	662.3	779.7	779.7	739.3	739.3
Commercial Financing	102.2	286.9	168.8	168.8	221.2	221.2	145.6	145.6	224.1	224.1	140.0	140.0
Sovereign Bond & Other Commercial Financing	102.2	286.9	168.75	168.75	221.2	221.2	145.6	145.6	224.1	224.1	140.0	140.0
Total Project loans (AIA + Revenue)	136.2	155.8	226.0	225.0	300.9	300.9	324.9	324.9	363.8	363.8	407.5	407.5
o/w: Project loans (AIA)	74.2	68.3	113.8	113.8	157.9	157.9	163.6	163.6	183.3	183.3	205.3	205.3
Project Loans Revenue	62.0	87.4	112.1	111.2	143.0	143.0	161.2	161.2	180.6	180.6	202.2	202.2
Programme Loans	266.9	317.8	269.8	292.4	191.8	191.8	191.8	191.8	191.8	191.8	191.8	191.8
Debt repayment - Principal	-237.4	-537.8	-330.7	-330.7	-500.2	-500.2	-487.4	-487.4	-627.8	-627.8	-536.9	-536.9
Net Domestic Financing	459.5	595.6	263.2	413.1	545.8	545.8	575.4	575.4	619.9	619.9	550.9	550.9
Memo items												
Gross Debt (Stock)	10,278.9	10,561.1	11,158.1	11,329.7	12,089.1	12,089.1	12,839.4	12,839.4	13,611.3	13,611.3	14,364.6	14,364.6
External Debt	5,446.6	5,150.8	5,484.7	5,506.3	5,720.0	5,720.0	5,894.9	5,894.9	6,046.9	6,046.9	6,249.3	6,249.3
Domestic Debt (gross)	4,832.3	5,410.3	5,673.5	5,823.4	6,369.1	6,369.1	6,944.5	6,944.5	7,564.4	7,564.4	8,115.4	8,115.4
Domestic Debt (net)	4,347.7	4,884.1	5,147.2	5,297.2	5,842.9	5,842.9	6,418.3	6,418.3	7,038.2	7,038.2	7,589.1	7,589.1
Financing gap	-72.6	-62.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP	14,299.2	15,826.4	18,054.3	18,053.7	19,971.6	19,272.8	22,051.5	21,285.6	24,399.5	23,529.5	27,021.5	26,018.8

Source: The National Treasury

Annex Table 3: Government Fiscal Operations, Percent of GDP

	2022/23	2023/24	2024/25		2025/26		2026/27		2027/28			2028/29
	Act.	Act.	Budget Estimates	Suppl. 1 Budget	BROP 2024	BPS 2025	BROP 2024	BPS 2025	BROP 2024	BPS 2025	BROP 2024	BPS 2025
TOTAL REVENUE	16.5	17.1	18.5	16.9	17.6	18.2	18.0	18.6	18.3	19.0	18.8	19.6
Ordinary Revenue	14.3	14.5	16.2	14.6	15.1	15.7	15.5	16.1	15.9	16.5	16.4	17.1
Income Tax	6.6	6.6	6.8	6.5	6.6	6.9	6.7	6.9	6.7	7.0	6.8	7.1
Import duty (net)	0.9	0.8	1.0	0.9	1.0	1.0	1.0	1.0	1.0	1.1	1.0	1.1
Excise duty	1.8	1.7	2.4	1.8	2.0	2.0	2.1	2.1	2.1	2.2	2.1	2.2
Value Added Tax	3.8	4.1	4.5	4.0	4.1	4.3	4.3	4.4	4.3	4.5	4.4	4.5
Investment income	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Other	0.8	0.9	1.1	0.9	1.0	1.1	1.1	1.2	1.3	1.3	1.7	1.7
Ministerial Appropriation in Aid	2.2	2.6	2.4	2.4	2.5	2.6	2.5	2.6	2.4	2.5	2.4	2.5
EXPENDITURE AND NET LENDING	22.5	22.8	22.1	21.5	21.7	22.5	21.7	22.5	21.8	22.6	21.9	22.7
Recurrent expenditure	16.2	16.9	15.7	15.7	15.4	16.0	15.3	15.9	15.4	16.0	15.1	15.7
Interest payments	4.8	5.3	5.6	5.6	5.4	5.6	5.4	5.6	5.4	5.6	5.2	5.4
Domestic interest	3.7	3.9	4.2	4.2	4.1	4.2	4.1	4.2	4.1	4.3	4.0	4.1
Foreign Interest	1.1	1.4	1.4	1.4	1.3	1.4	1.3	1.4	1.3	1.4	1.2	1.3
Pensions & Other CFS	0.8	0.9	0.9	1.1	1.1	1.1	1.1	1.1	1.0	1.1	1.0	1.1
Pensions	0.8	0.9	0.9	1.0	1.0	1.1	1.0	1.1	1.0	1.1	1.0	1.0
Contribution to Civil Service Pension Fund	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.1	0.1
Net Issues/Net Expenditure	8.6	8.7	7.4	7.2	7.2	7.4	7.2	7.4	7.3	7.5	7.3	7.5
O/W: Wages & Salaries	3.8	3.6	3.4	3.3	3.3	3.4	3.1	3.2	2.9	3.0	2.7	2.9
Free Secondary education	0.5	0.4	0.4	0.4	0.4	0.4	0.3	0.4	0.3	0.3	0.3	0.3
Free Primary Education	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Junior Secondary School - Capitation		0.0	0.0	0.0	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0
IEBC	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1
KRA	0.2	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1
Defense and NIS	1.2	1.3	1.2	1.2	1.1	1.1	1.0	1.0	0.9	1.0	0.9	0.9
Others	2.7	3.0	2.3	2.2	2.1	2.2	2.5	2.6	2.8	2.9	3.0	3.1
Ministerial Recurrent AIA	1.7	1.8	1.6	1.6	1.6	1.6	1.5	1.6	1.5	1.6	1.5	1.5
Development and Net lending	3.5	3.5	3.9	3.3	4.0	4.2	4.3	4.4	4.4	4.6	5.0	5.2
Domestically financed (Gross)	2.4	2.4	2.5	1.9	2.4	2.5	2.6	2.7	2.8	2.9	3.3	3.4
O/W Domestically Financed (Net)/NMS	1.9	1.6	1.7	1.1	1.4	1.5	1.7	1.8	1.8	1.9	2.4	2.5
Ministerial Development AIA	0.1	0.4	0.4	0.4	0.7	0.7	0.5	0.6	0.5	0.6	0.5	0.6
Foreign financed	1.0	1.0	1.3	1.3	1.6	1.7	1.6	1.7	1.6	1.7	1.6	1.7
Net lending	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equalization Fund	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
County Transfers	2.9	2.4	2.5	2.5	2.2	2.3	2.0	2.1	1.9	2.0	1.8	1.8
Equitable Share	2.8	2.2	2.2	2.3	2.0	2.1	1.9	2.0	1.8	1.8	1.6	1.7
Conditional Allocation	0.1	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.1	0.1	0.1	0.1
Contingency Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance (commitment basis excl. grants)	-6.1	-5.7	-3.6	-4.5	-4.1	-4.2	-3.7	-3.8	-3.4	-3.6	-3.0	-3.2
Grants	0.2	0.1	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.3
Fiscal Balance (incl. grants)	-5.9	-5.6	-3.3	-4.3	-3.8	-3.9	-3.4	-3.5	-3.2	-3.3	-2.8	-2.9
Adjustment to Cash Basis	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance (incl. grants) Cash Basis	-5.6	-5.3	-3.3	-4.3	-3.8	-3.9	-3.4	-3.5	-3.2	-3.3	-2.8	-2.9
Statistical discrepancy	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FINANCING	5.4	5.2	3.3	4.3	3.8	3.9	3.4	3.5	3.2	3.3	2.8	2.9
Net Foreign Financing	2.2	1.4	1.8	2.0	1.1	1.1	0.8	0.8	0.6	0.6	0.7	0.8
Disbursements	3.8	4.8	3.7	3.8	3.6	3.7	3.0	3.1	3.2	3.3	2.7	2.8
Commercial Financing	0.7	1.8	0.9	0.9	1.1	1.1	0.7	0.7	0.9	1.0	0.5	0.5
Sovereign Bond & Other Commercial Financing	0.7	1.8	0.9	0.9	1.1	1.1	0.7	0.7	0.9	1.0	0.5	0.5
Total Project loans (AIA + Revenue)	1.0	1.0	1.3	1.2	1.5	1.6	1.5	1.5	1.5	1.5	1.5	1.6
o/w: Project loans (AIA)	0.5	0.4	0.6	0.6	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.8
Project Loans Revenue	0.4	0.6	0.6	0.6	0.7	0.7	0.7	0.8	0.7	0.8	0.7	0.8
Programme Loans	1.9	2.0	1.5	1.6	1.0	1.0	0.9	0.9	0.8	0.8	0.7	0.7
Debt repayment - Principal	-1.7	-3.4	-1.8	-1.8	-2.5	-2.6	-2.2	-2.3	-2.6	-2.7	-2.0	-2.1
Net Domestic Financing	3.2	3.8	1.5	2.3	2.7	2.8	2.6	2.7	2.5	2.6	2.0	2.1
Memo items												
Gross Debt (Stock)	71.9	66.7	61.8	62.8	60.5	62.7	58.2	60.3	55.8	57.8	53.2	55.2
External Debt	38.1	32.5	30.4	30.5	28.6	29.7	26.7	27.7	24.8	25.7	23.1	24.0
Domestic Debt (gross)	33.8	34.2	31.4	32.3	31.9	33.0	31.5	32.6	31.0	32.1	30.0	31.2
Domestic Debt (net)	30.4	30.9	28.5	29.3	29.3	30.3	29.1	30.2	28.8	29.9	28.1	29.2
Financing gap	-0.5	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: The National Treasury

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

Sector Code	Sector/Vote/Programme	Supplementary Estimates No. I			BPS Projection								
		2024/25			2025/26			2026/27			2027/28		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
010	AGRICULTURE, RURAL & URBAN DEVELOPMENT	29,362.1	44,571.0	73,933.0	31,870.2	54,248.8	86,119.0	34,157.7	65,816.4	99,974.1	36,585.5	69,092.6	105,678.1
	1112 State Department for Lands and Physical Planning	4,135.7	2,379.0	6,514.7	5,870.9	3,258.4	9,129.3	6,007.9	3,882.3	9,890.2	6,138.8	4,007.5	10,146.3
	0101000 Land Policy and Planning	2,929.3	2,214.0	5,143.3	4,633.7	2,081.4	6,715.1	4,731.9	2,705.3	7,437.2	4,839.8	2,830.5	7,670.3
	0121000 Land Information Management	-	165.0	165.0	-	1,177.0	1,177.0	-	1,177.0	1,177.0	-	1,177.0	1,177.0
	0122000 General Administration, Planning and Support Services	1,206.4	-	1,206.4	1,237.2	-	1,237.2	1,276.0	-	1,276.0	1,299.0	-	1,299.0
	1162 State Department for Livestock Development	5,293.2	7,966.0	13,259.2	4,623.0	10,994.0	15,617.0	5,276.8	11,575.3	16,852.1	6,009.8	9,471.4	15,481.2
	0112000 Livestock Resources Management and Development	5,293.2	7,966.0	13,259.2	4,623.0	10,994.0	15,617.0	5,276.8	11,575.3	16,852.1	6,009.8	9,471.4	15,481.2
	1166 State Department for the Blue Economy and Fisheries	2,448.2	7,892.9	10,341.1	2,613.9	7,299.0	9,912.9	2,886.8	8,652.0	11,538.8	3,173.2	10,446.0	13,619.2
	0111000 Fisheries Development and Management	2,191.0	6,892.9	9,083.9	2,353.6	6,616.0	8,969.6	2,614.5	2,937.0	5,551.5	2,887.3	550.0	3,437.3
	0117000 General Administration, Planning and Support Services	199.9	-	199.9	200.7	-	200.7	207.9	-	207.9	219.5	-	219.5
	0118000 Development and Coordination of the Blue Economy	57.3	1,000.0	1,057.3	59.6	683.0	742.6	64.5	5,715.0	5,779.5	66.5	9,896.0	9,962.5
	1169 State Department for Agriculture	15,702.8	26,333.1	42,035.9	16,756.3	31,690.4	48,446.8	17,890.0	40,489.8	58,379.8	19,073.6	44,877.8	63,951.3
	0107000 General Administration Planning and Support Services	6,202.1	3,223.3	9,425.4	8,325.9	11,461.0	19,786.9	9,005.0	6,005.0	15,010.0	9,731.8	5,074.9	14,806.7
	0108000 Crop Development and Management	4,132.0	22,362.8	26,494.8	3,058.7	20,202.1	23,260.7	3,333.5	34,232.8	37,566.2	3,570.7	39,548.8	43,119.6
	0109000 Agribusiness and Information Management	134.5	747.0	881.5	132.5	-	132.5	141.6	-	141.6	150.3	-	150.3
	0120000 Agricultural Research & Development	5,234.3	-	5,234.3	5,239.3	27.4	5,266.7	5,409.9	252.0	5,661.9	5,620.7	254.0	5,874.7
	2021 National Land Commission	1,782.2	-	1,782.2	2,006.0	1,007.0	3,013.0	2,096.2	1,217.0	3,313.2	2,190.1	290.0	2,480.1
	0116000 Land Administration and Management	1,782.2	-	1,782.2	2,006.0	1,007.0	3,013.0	2,096.2	1,217.0	3,313.2	2,190.1	290.0	2,480.1
020	ENERGY, INFRASTRUCTURE AND ICT	142,033.9	302,255.8	444,289.7	181,617.0	373,166.0	554,783.0	187,754.0	366,393.0	554,147.0	195,337.0	401,950.0	597,287.0
	1091 State Department for Roads	72,072.2	119,911.8	191,984.0	103,911.0	125,028.0	228,939.0	106,080.0	131,536.0	237,616.0	108,558.0	169,234.0	277,792.0
	0202000 Road Transport	72,072.2	119,911.8	191,984.0	103,911.0	125,028.0	228,939.0	106,080.0	131,536.0	237,616.0	108,558.0	169,234.0	277,792.0
	1092 State Department for Transport	16,337.3	32,007.0	48,344.3	21,009.0	47,440.0	68,449.0	22,299.0	57,167.0	79,466.0	23,828.0	56,958.0	80,786.0
	0201000 General Administration, Planning and Support Services	1,254.1	694.0	1,948.1	1,420.0	2,799.0	4,219.0	2,532.0	3,382.0	5,914.0	2,802.0	3,478.0	6,280.0
	0203000 Rail Transport	676.8	27,417.0	28,093.8	677.0	37,840.0	38,517.0	177.0	42,843.0	43,020.0	177.0	43,486.0	43,663.0
	0204000 Marine Transport	520.5	2,365.0	2,885.5	18.0	4,165.0	4,183.0	19.0	8,187.0	8,206.0	19.0	7,180.0	7,199.0
	0205000 Air Transport	11,367.6	-	11,367.6	14,021.0	750.0	14,771.0	14,788.0	1,423.0	16,211.0	15,869.0	1,792.0	17,661.0
	0216000 Road Safety	2,518.3	1,531.0	4,049.3	4,873.0	1,886.0	6,759.0	4,783.0	1,332.0	6,115.0	4,961.0	1,022.0	5,983.0

Annex Table 4: Summary of Expenditure by Programmes (Ksh Million) ... Cont'd

Sector Code	Sector/Vote/Programme	Supplementary Estimates No.1			BPS Projection								
		2024/25			2025/26			2026/27			2027/28		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
020	ENERGY, INFRASTRUCTURE AND ICT	142,033.9	302,255.8	444,289.7	181,617.0	373,166.0	554,783.0	187,754.0	366,393.0	554,147.0	195,337.0	401,950.0	597,287.0
	1093 State Department for Shipping and Maritime Affairs	2,223.0	750.0	2,973.0	3,691.0	2,859.0	6,550.0	3,915.0	1,685.0	5,600.0	4,015.0	1,651.0	5,666.0
	0220000 Shipping and Maritime Affairs	2,223.0	750.0	2,973.0	3,691.0	2,859.0	6,550.0	3,915.0	1,685.0	5,600.0	4,015.0	1,651.0	5,666.0
	1094 State Department for Housing & Urban Development	1,303.0	85,195.8	86,498.8	1,440.0	115,561.0	117,001.0	1,530.0	86,311.0	87,841.0	1,566.0	73,894.0	75,460.0
	0102000 Housing Development and Human Settlement	812.7	76,734.8	77,547.5	933.0	101,710.0	102,643.0	1,001.0	70,946.0	71,947.0	1,021.0	67,905.0	68,926.0
	0105000 Urban and Metropolitan Development	144.9	8,461.0	8,605.9	155.0	13,851.0	14,006.0	161.0	15,365.0	15,526.0	167.0	5,989.0	6,156.0
	0106000 General Administration Planning and Support Services	345.3	-	345.3	352.0	-	352.0	368.0	-	368.0	378.0	-	378.0
	1095 State Department for Public Works	3,681.1	224.0	3,905.1	3,832.0	1,171.0	5,003.0	4,214.0	878.0	5,092.0	4,485.0	885.0	5,370.0
	0103000 Government Buildings	578.1	-	578.1	674.0	478.0	1,152.0	693.0	547.0	1,240.0	714.0	88.0	802.0
	0104000 Coastline Infrastructure and Pedestrian Access	90.2	124.0	214.2	104.0	634.0	738.0	101.0	281.0	382.0	105.0	747.0	852.0
	0106000 General Administration Planning and Support Services	354.2	-	354.2	363.0	-	363.0	373.0	-	373.0	398.0	-	398.0
	0218000 Regulation and Development of the Construction Industry	2,658.7	100.0	2,758.7	2,691.0	59.0	2,750.0	3,047.0	50.0	3,097.0	3,268.0	50.0	3,318.0
	1122 State Department for Information Communication Technology & Digital Economy	3,508.3	16,489.7	19,998.0	3,489.0	20,184.0	23,673.0	4,577.0	26,030.0	30,607.0	7,066.0	40,092.0	47,158.0
	0207000 General Administration Planning and Support Services	269.6	-	269.6	376.0	-	376.0	386.0	-	386.0	407.0	-	407.0
	0210000 ICT Infrastructure Development	701.6	15,431.9	16,133.5	1,271.0	16,439.0	17,710.0	1,542.0	22,356.0	23,898.0	2,811.0	36,584.0	39,395.0
	0217000 E-Government Services	2,537.1	1,057.8	3,594.9	1,842.0	3,745.0	5,587.0	2,649.0	3,674.0	6,323.0	3,848.0	3,508.0	7,356.0
	1123 State Department for Broadcasting & Telecommunications	5,707.8	-	5,707.8	6,094.0	645.0	6,739.0	5,909.0	551.0	6,460.0	6,116.0	557.0	6,673.0
	0207000 General Administration Planning and Support Services	210.0	-	210.0	242.0	-	242.0	242.0	-	242.0	353.0	-	353.0
	0208000 Information And Communication Services	5,281.6	-	5,281.6	5,604.0	645.0	6,249.0	5,357.0	551.0	5,908.0	5,439.0	557.0	5,996.0
	0209000 Mass Media Skills Development	216.2	-	216.2	248.0	-	248.0	310.0	-	310.0	324.0	-	324.0
	1152 State Department for Energy	9,882.1	44,177.5	54,059.6	12,153.0	55,217.0	67,370.0	12,990.0	57,262.0	70,252.0	13,442.0	53,695.0	67,137.0
	0211000 General Administration Planning and Support Services	373.8	180.0	553.8	361.0	320.0	681.0	370.0	282.0	652.0	366.0	200.0	566.0
	0212000 Power Generation	2,028.8	12,972.8	15,001.5	2,495.0	11,489.0	13,984.0	3,176.0	13,405.0	16,581.0	3,468.0	12,949.0	16,417.0
	0213000 Power Transmission and Distribution	7,413.7	29,063.7	36,477.4	9,228.0	41,404.0	50,632.0	9,372.0	42,240.0	51,612.0	9,523.0	39,081.0	48,604.0
	0214000 Alternative Energy Technologies	65.8	1,961.0	2,026.8	69.0	2,004.0	2,073.0	72.0	1,335.0	1,407.0	85.0	1,465.0	1,550.0
	1193 State Department for Petroleum	27,319.2	3,500.0	30,819.2	25,998.0	5,061.0	31,059.0	26,240.0	4,973.0	31,213.0	26,261.0	4,984.0	31,245.0
	0215000 Exploration and Distribution of Oil and Gas	27,319.2	3,500.0	30,819.2	25,998.0	5,061.0	31,059.0	26,240.0	4,973.0	31,213.0	26,261.0	4,984.0	31,245.0

Annex Table 4: Summary of Expenditure by Programmes (Ksh Million) ... Cont'd

Sector Code	Sector/Vote/Programme	Supplementary Estimates No. I			BPS Projection								
		2024/25			2025/26			2026/27			2027/28		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
030	GENERAL ECONOMIC AND COMMERCIAL AFFAIRS	29,865.6	15,759.9	45,625.5	37,105.6	27,272.7	64,378.3	38,675.9	41,675.9	80,351.8	40,684.5	44,483.2	85,167.7
	1036 State Department for the ASALs and Regional Development	4,805.7	3,927.5	8,733.2	4,499.2	2,732.3	7,231.5	4,610.3	6,344.9	10,955.2	5,053.2	7,058.7	12,111.9
	0733000 Accelerated ASAL Development	2,809.3	1,814.3	4,623.7	2,774.8	2,007.7	4,782.5	2,833.0	4,237.8	7,070.8	2,944.1	4,647.8	7,591.9
	0743000 General Administration, Planning and Support Services	414.1	-	414.1	291.0	-	291.0	318.3	-	318.3	316.3	-	316.3
	1013000 Integrated Regional Development	1,582.3	2,113.2	3,695.5	1,433.4	724.6	2,158.0	1,459.1	2,107.1	3,566.2	1,792.8	2,410.9	4,203.7
	1173 State Department for Cooperatives	6,709.7	2,000.0	8,709.7	6,871.3	1,765.5	8,636.8	6,947.1	3,028.5	9,975.6	7,009.5	3,486.1	10,495.7
	0304000 Cooperative Development and Management	6,709.7	2,000.0	8,709.7	6,871.3	1,765.5	8,636.8	6,947.1	3,028.5	9,975.6	7,009.5	3,486.1	10,495.7
	1174 State Department for Trade	3,071.7	290.0	3,361.7	3,299.9	170.0	3,469.9	3,375.7	1,509.5	4,885.2	3,449.8	1,782.8	5,232.5
	0309000 Domestic Trade and Enterprise Development	1,770.0	-	1,770.0	1,807.1	100.0	1,907.1	1,840.6	535.0	2,375.6	1,881.8	535.0	2,416.8
	0310000 Fair Trade Practices And Compliance of Standards	116.0	-	116.0	135.7	70.0	205.7	148.6	500.0	648.6	173.6	330.0	503.6
	0311000 International Trade Development and Promotion	822.5	290.0	1,112.5	1,021.0	-	1,021.0	1,039.3	474.5	1,513.9	1,058.3	917.8	1,976.0
	0312000 General Administration, Planning and Support Services	363.2	-	363.2	336.1	-	336.1	347.1	-	347.1	336.2	-	336.2
	1175 State Department for Industry	2,207.4	3,343.9	5,551.3	2,899.4	6,132.5	9,031.9	3,127.4	9,039.9	12,167.4	3,472.9	9,825.5	13,298.4
	0301000 General Administration Planning and Support Services	364.4	-	364.4	373.3	-	373.3	378.9	-	378.9	386.2	-	386.2
	0320000 Industrial Promotion and Development	940.9	2,000.0	2,940.9	1,048.6	4,806.4	5,855.0	1,153.0	7,739.9	8,893.0	1,375.6	8,011.5	9,387.0
	0321000 Standards and Quality Infrastructure & Research	902.1	1,343.9	2,246.0	1,477.4	1,326.2	2,803.6	1,595.5	1,300.0	2,895.5	1,711.2	1,814.0	3,525.2
	1176 State Department for Micro Small and Medium Enterprises Development	1,487.0	4,528.5	6,015.5	1,724.3	10,111.0	11,835.3	1,799.7	12,293.5	14,093.2	1,885.3	13,044.9	14,930.1
	0316000 Promotion and Development of MSMEs	484.8	2,528.5	3,013.3	716.4	3,511.0	4,227.4	753.0	3,560.0	4,313.0	806.1	3,660.0	4,466.1
	0317000 Product and Market Development for MSMEs	380.7	-	380.7	380.7	1,550.0	1,930.7	419.7	642.3	1,062.0	437.0	642.3	1,079.2
	0318000 Digitization and Financial Inclusion for MSMEs	350.7	2,000.0	2,350.7	350.7	5,050.0	5,400.7	341.7	8,091.3	8,433.0	350.7	8,742.6	9,093.3
	0319000 General Administration, Planning and Support Services	270.8	-	270.8	276.5	-	276.5	285.2	-	285.2	291.5	-	291.5
	1177 State Department for Investments Promotion	1,165.7	1,200.0	2,365.7	1,291.4	4,313.4	5,604.8	1,430.2	7,487.7	8,917.9	1,589.7	7,863.4	9,453.1
	0322000 Investment Development and Promotion	1,165.7	1,200.0	2,365.7	1,291.4	4,313.4	5,604.8	1,430.2	7,487.7	8,917.9	1,589.7	7,863.4	9,453.1
	1202 State Department for Tourism	9,845.6	470.0	10,315.6	15,932.7	2,048.0	17,980.7	16,776.8	1,971.8	18,748.6	17,592.7	1,421.8	19,014.5
	0313000 Tourism Promotion and Marketing	536.3	30.0	566.3	703.0	669.0	1,372.0	826.1	616.0	1,442.1	886.7	533.5	1,420.2
	0314000 Tourism Product Development and Diversification	9,051.1	440.0	9,491.1	14,910.9	1,279.0	16,189.9	15,627.4	1,155.0	16,782.4	16,378.1	704.7	17,082.8
	0315000 General Administration, Planning and Support Services	258.2	-	258.2	318.7	100.0	418.7	323.3	200.8	524.1	328.0	183.6	511.6
	1221 State Department for East African Community	572.7	-	572.7	587.4	-	587.4	608.7	-	608.7	631.4	-	631.4
	0305000 East African Affairs and Regional Integration	572.7	-	572.7	587.4	-	587.4	608.7	-	608.7	631.4	-	631.4

Annex Table 4: Summary of Expenditure by Programmes (Ksh Million) ... Cont'd

Sector Code	Sector/Vote/Programme	Supplementary Estimates No. I			BPS Projection								
		2024/25			2025/26			2026/27			2027/28		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
040	HEALTH	86,828.3	32,028.0	118,856.3	170,448.1	34,546.8	204,994.9	176,241.3	38,542.0	214,783.3	184,864.0	46,170.0	231,034.0
	1082 State Department for Medical Services	64,242.4	27,739.0	91,981.4	144,127.4	29,495.0	173,622.4	148,716.8	30,655.7	179,372.5	155,420.0	40,837.5	196,257.5
	0402000 National Referral & Specialized Services	44,994.6	10,505.2	55,499.8	45,793.0	9,216.0	55,009.0	49,186.9	11,406.7	60,593.6	51,003.2	14,638.5	65,641.7
	0410000 Curative & Reproductive Maternal New Born Child Adolescent Health RMNCAH	1,573.0	14,904.9	16,477.8	1,630.0	15,800.0	17,430.0	1,689.3	14,200.0	15,889.3	1,789.1	17,200.0	18,989.1
	0411000 Health Research and Innovations	3,125.5	280.0	3,405.5	3,224.5	430.0	3,654.5	3,134.5	1,000.0	4,134.5	3,732.0	2,050.0	5,782.0
	0412000 General Administration	14,549.3	2,049.0	16,598.3	93,479.9	4,049.0	97,528.9	94,706.1	4,049.0	98,755.1	98,895.7	6,949.0	105,844.7
	1083 State Department for Public Health and Professional Standard*	22,585.9	4,289.0	26,874.9	26,320.7	5,051.8	31,372.5	27,524.5	7,886.3	35,410.8	29,444.0	5,332.5	34,776.5
	0406000 Preventive and Promotive Health Services	4,844.2	3,838.0	8,682.2	7,835.8	4,339.8	12,175.6	7,020.4	6,928.0	13,948.4	6,919.8	3,444.0	10,363.8
	0407000 Health Resources Development and Innovation*	13,164.7	451.0	13,615.7	9,545.0	672.0	10,217.0	10,524.9	776.0	11,300.9	11,729.1	1,308.0	13,037.1
	0408000 Health Policy, Standards and Regulations	3,980.8	-	3,980.8	8,598.6	40.0	8,638.6	9,657.0	182.3	9,839.3	10,417.3	580.5	10,997.8
	0412000 General Administration	596.2	-	596.2	341.3	-	341.3	322.2	-	322.2	377.8	-	377.8
050	EDUCATION	660,634.8	21,087.9	681,722.7	691,332.0	27,428.0	718,760.0	717,254.0	42,362.0	759,616.0	801,304.0	45,789.0	847,093.0
	1064 State Department for Technical, Vocational Education and Training*	37,729.3	5,111.6	42,840.9	36,869.0	5,764.0	42,633.0	42,874.0	12,655.0	55,529.0	44,163.0	13,402.0	57,565.0
	0505000 Technical Vocational Education and Training*	37,258.2	5,111.6	42,369.8	36,364.0	5,764.0	42,128.0	42,350.0	12,655.0	55,005.0	43,612.0	13,402.0	57,014.0
	0507000 Youth Training and Development	57.6	-	57.6	67.0	-	67.0	72.0	-	72.0	75.0	-	75.0
	0508000 General Administration, Planning and Support Services	413.5	-	413.5	438.0	-	438.0	452.0	-	452.0	476.0	-	476.0
	1065 State Department for Higher Education & Research*	145,542.9	1,220.0	146,762.9	142,311.0	3,668.0	145,979.0	153,329.0	3,389.0	156,718.0	186,606.0	3,861.0	190,467.0
	0504000 University Education*	144,676.0	1,220.0	145,896.0	141,419.0	3,668.0	145,087.0	152,277.0	3,389.0	155,666.0	185,473.0	3,861.0	189,334.0
	0506000 Research, Science, Technology and Innovation	635.0	-	635.0	644.0	-	644.0	651.0	-	651.0	675.0	-	675.0
	0508000 General Administration, Planning and Support Services	231.9	-	231.9	248.0	-	248.0	401.0	-	401.0	458.0	-	458.0
	1066 State Department for Basic Education*	119,870.0	14,361.0	134,231.0	130,329.0	17,541.0	147,870.0	130,798.0	25,660.0	156,458.0	149,035.0	27,827.0	176,862.0
	0501000 Primary Education	14,449.2	11,986.0	26,435.2	14,629.0	13,759.0	28,388.0	14,546.0	15,518.0	30,064.0	14,557.0	15,409.0	29,966.0
	0502000 Secondary Education*	94,557.2	2,375.0	96,932.2	101,573.0	3,757.0	105,330.0	101,539.0	8,842.0	110,381.0	111,540.0	10,968.0	122,508.0
	0503000 Quality Assurance and Standards	6,254.7	-	6,254.7	9,377.0	25.0	9,402.0	9,839.0	1,100.0	10,939.0	17,955.0	1,200.0	19,155.0
	0508000 General Administration, Planning and Support Services	4,608.9	-	4,608.9	4,750.0	-	4,750.0	4,874.0	200.0	5,074.0	4,983.0	250.0	5,233.0
	2091 Teachers Service Commission*	357,492.6	395.3	357,887.9	381,823.0	455.0	382,278.0	390,253.0	658.0	390,911.0	421,500.0	699.0	422,199.0
	0509000 Teacher Resource Management*	347,280.9	395.3	347,676.3	371,223.0	413.0	371,636.0	379,077.0	413.0	379,490.0	410,007.0	-	410,007.0
	0510000 Governance and Standards	1,104.4	-	1,104.4	1,350.0	-	1,350.0	1,554.0	-	1,554.0	1,554.0	-	1,554.0
	0511000 General Administration, Planning and Support Services	9,107.2	-	9,107.2	9,250.0	42.0	9,292.0	9,622.0	245.0	9,867.0	9,939.0	699.0	10,638.0

Annex Table 4: Summary of Expenditure by Programmes (Ksh Million) ... Cont'd

Sector Code	Sector/Vote/Programme	Supplementary Estimates No. 1			BPS Projection								
		2024/25			2025/26			2026/27			2027/28		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
060	GOVERNANCE, JUSTICE, LAW AND ORDER	228,979.8	5,881.0	234,860.8	245,014.7	22,668.0	267,682.7	281,053.7	29,049.9	310,103.6	296,938.1	37,323.6	334,261.6
	1023 State Department for Correctional Services*	35,989.7	40.0	36,029.7	37,246.3	1,050.0	38,296.3	38,265.1	2,444.8	40,709.9	39,317.1	4,526.0	43,843.1
	0623000 General Administration, Planning and Support Services	508.6	-	508.6	476.0	62.0	538.0	481.0	45.0	526.0	486.2	66.0	552.1
	0627000 Prison Services*	33,366.1	-	33,366.1	34,780.1	815.0	35,595.1	35,743.0	2,207.2	37,950.2	36,737.4	4,266.9	41,004.4
	0628000 Probation & After Care Services	2,114.9	40.0	2,154.9	1,990.2	173.0	2,163.2	2,041.1	192.5	2,233.6	2,093.5	193.1	2,286.6
	1024 State Department for Immigration and Citizen Services	9,874.3	4,396.2	14,270.5	10,485.1	10,038.8	20,523.8	11,002.7	11,238.7	22,241.4	11,379.7	12,427.8	23,807.5
	0605000 Migration & Citizen Services	4,247.3	2,505.0	6,752.3	4,479.3	6,849.6	11,328.9	4,606.4	6,871.9	11,478.3	4,740.0	7,786.5	12,526.5
	0626000 Population Management Services	4,620.2	1,821.2	6,441.4	4,865.5	2,839.2	7,704.7	5,222.0	3,273.6	8,495.6	5,430.8	3,524.2	8,955.0
	0631000 General Administration and Planning	1,006.7	70.0	1,076.7	1,140.2	350.0	1,490.2	1,174.3	1,093.2	2,267.5	1,208.9	1,117.1	2,326.0
	1025 National Police Service*	110,842.4	35.0	110,877.4	118,042.9	2,378.3	120,421.2	123,738.1	2,976.5	126,714.6	130,152.9	3,954.8	134,107.7
	0601000 Policing Services*	110,842.4	35.0	110,877.4	118,042.9	2,378.3	120,421.2	123,738.1	2,976.5	126,714.6	130,152.9	3,954.8	134,107.7
	1026 State Department for Internal Security and National Administration	27,825.1	360.2	28,185.3	30,295.8	6,985.0	37,280.8	31,153.5	8,294.7	39,448.2	31,834.0	9,253.0	41,086.9
	0629000 General Administration and Support Services	8,329.8	-	8,329.8	9,781.0	6,683.0	16,464.0	10,074.8	7,130.0	17,204.8	10,214.1	7,050.0	17,264.1
	0630000 Policy Coordination Services	1,343.4	-	1,343.4	1,488.2	65.0	1,553.2	1,598.3	200.0	1,798.3	1,672.0	300.0	1,972.0
	0632000 National Government Field Administration Services	18,152.0	360.2	18,512.2	19,026.6	237.0	19,263.6	19,480.5	964.7	20,445.1	19,947.9	1,903.0	21,850.9
	1252 State Law Office	5,272.0	157.0	5,429.0	5,890.2	500.0	6,390.2	6,207.9	503.2	6,711.1	6,395.4	787.7	7,183.1
	0606000 Legal Services	2,970.9	-	2,970.9	3,379.8	-	3,379.8	3,624.0	-	3,624.0	3,690.5	-	3,690.5
	0607000 Governance, Legal Training and Constitutional Affairs	1,458.1	35.0	1,493.1	1,626.1	50.0	1,676.1	1,693.4	130.0	1,823.4	1,774.4	110.0	1,884.4
	0609000 General Administration, Planning and Support Services	843.0	122.0	965.0	884.3	450.0	1,334.3	890.5	373.2	1,263.7	930.5	677.7	1,608.2
	1261 The Judiciary	21,018.4	826.6	21,845.0	23,437.4	1,500.0	24,937.4	24,843.6	2,700.0	27,543.6	26,085.8	4,980.0	31,065.8
	0610000 Dispensation of Justice	21,018.4	826.6	21,845.0	23,437.4	1,500.0	24,937.4	24,843.6	2,700.0	27,543.6	26,085.8	4,980.0	31,065.8
	1271 Ethics and Anti-Corruption Commission	4,113.6	30.0	4,143.6	4,313.8	100.0	4,413.8	4,616.6	232.6	4,849.2	4,829.5	364.1	5,193.6
	0611000 Ethics and Anti-Corruption	4,113.6	30.0	4,143.6	4,313.8	100.0	4,413.8	4,616.6	232.6	4,849.2	4,829.5	364.1	5,193.6
	1291 Office of the Director of Public Prosecutions	3,959.0	26.0	3,985.0	4,159.4	86.0	4,245.4	4,454.6	275.0	4,729.6	4,659.5	428.0	5,087.5
	0612000 Public Prosecution Services	3,959.0	26.0	3,985.0	4,159.4	86.0	4,245.4	4,454.6	275.0	4,729.6	4,659.5	428.0	5,087.5
	1311 Office of the Registrar of Political Parties	1,927.8	-	1,927.8	1,985.5	-	1,985.5	2,088.3	-	2,088.3	2,150.3	-	2,150.3
	0614000 Registration, Regulation and Funding of Political Parties	1,927.8	-	1,927.8	1,985.5	-	1,985.5	2,088.3	-	2,088.3	2,150.3	-	2,150.3
	1321 Witness Protection Agency	697.1	-	697.1	847.9	-	847.9	894.5	-	894.5	943.1	-	943.1
	0615000 Witness Protection	697.1	-	697.1	847.9	-	847.9	894.5	-	894.5	943.1	-	943.1
	2011 Kenya National Commission on Human Rights	478.0	-	478.0	528.6	-	528.6	581.0	-	581.0	635.5	-	635.5
	0616000 Protection and Promotion of Human Rights	478.0	-	478.0	528.6	-	528.6	581.0	-	581.0	635.5	-	635.5

Annex Table 4: Summary of Expenditure by Programmes (Ksh Million) ... Cont'd

Sector Code	Sector/Vote/Programme	Supplementary Estimates No. I			BPS Projection								
		2024/25			2025/26			2026/27			2027/28		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
060	GOVERNANCE, JUSTICE, LAW AND ORDER	228,979.8	5,881.0	234,860.8	245,014.7	22,668.0	267,682.7	281,053.7	29,049.9	310,103.6	296,938.1	37,323.6	334,261.6
	2031 Independent Electoral and Boundaries Commission	3,817.7	-	3,817.7	3,965.6	30.0	3,995.6	29,122.6	384.5	29,507.1	34,294.4	602.1	34,896.5
	0617000 Management of Electoral Processes	3,781.7	-	3,781.7	3,923.7	30.0	3,953.7	29,025.8	384.5	29,410.3	34,238.7	602.1	34,840.8
	0618000 Delimitation of Electoral Boundaries	36.0	-	36.0	41.9	-	41.9	96.8	-	96.8	55.7	-	55.7
	2051 Judicial Service Commission	660.1	-	660.1	692.4	-	692.4	722.4	-	722.4	753.7	-	753.7
	0619000 General Administration, Planning and Support Services	660.1	-	660.1	692.4	-	692.4	722.4	-	722.4	753.7	-	753.7
	2101 National Police Service Commission	1,008.0	-	1,008.0	1,333.0	-	1,333.0	1,525.0	-	1,525.0	1,620.8	-	1,620.8
	0620000 National Police Service Human Resource Management	1,008.0	-	1,008.0	1,333.0	-	1,333.0	1,525.0	-	1,525.0	1,620.8	-	1,620.8
	2141 National Gender and Equality Commission	407.7	10.0	417.7	476.7	-	476.7	497.7	-	497.7	519.6	-	519.6
	0621000 Promotion of Gender Equality and Freedom from Discrimination	407.7	10.0	417.7	476.7	-	476.7	497.7	-	497.7	519.6	-	519.6
	2151 Independent Policing Oversight Authority	1,088.6	-	1,088.6	1,314.1	-	1,314.1	1,340.1	-	1,340.1	1,367.0	-	1,367.0
	0622000 Policing Oversight Services	1,088.6	-	1,088.6	1,314.1	-	1,314.1	1,340.1	-	1,340.1	1,367.0	-	1,367.0
070	PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS	186,453.0	125,342.1	311,795.1	197,376.0	163,565.2	360,941.2	229,425.5	76,979.3	306,404.8	238,462.2	77,920.5	316,382.7
	1011 Executive Office of the President	3,584.5	-	3,584.5	3,898.7	800.0	4,698.7	4,043.2	3,752.8	7,796.0	4,195.2	4,010.3	8,205.5
	0603000 Government Printing Services	711.9	-	711.9	765.7	500.0	1,265.7	798.5	3,164.4	3,962.9	823.1	3,430.3	4,253.4
	0701000 General Administration Planning and Support	1,232.1	-	1,232.1	1,555.5	150.0	1,705.5	1,540.4	418.4	1,958.8	1,585.4	400.0	1,985.4
	0703000 Government Advisory Services	1,129.9	-	1,129.9	1,096.7	-	1,096.7	1,174.7	-	1,174.7	1,226.5	-	1,226.5
	0770000 Leadership and Coordination of Government Services	510.7	-	510.7	480.8	150.0	630.8	529.6	170.0	699.6	560.2	180.0	740.2
	1012 Office of the Deputy President	2,598.2	-	2,598.2	3,347.5	100.0	3,447.5	3,618.1	320.0	3,938.1	3,739.8	380.0	4,119.8
	0734000 Deputy President Services	2,598.2	-	2,598.2	3,347.5	100.0	3,447.5	3,618.1	320.0	3,938.1	3,739.8	380.0	4,119.8
	1013 Office of the Prime Cabinet Secretary	721.7	-	721.7	930.9	-	930.9	963.0	-	963.0	995.4	-	995.4
	0755000 Government Coordination and Supervision	721.7	-	721.7	930.9	-	930.9	963.0	-	963.0	995.4	-	995.4
	1014 State Department for Parliamentary Affairs	363.9	-	363.9	391.0	-	391.0	405.1	-	405.1	419.4	-	419.4
	0759000 Parliamentary Liaison and Legislative Affairs	86.0	-	86.0	93.2	-	93.2	97.6	-	97.6	101.4	-	101.4
	0760000 Policy Coordination and Strategy	86.3	-	86.3	90.2	-	90.2	95.6	-	95.6	98.2	-	98.2
	0761000 General Administration, Planning and Support Services	191.6	-	191.6	207.6	-	207.6	211.9	-	211.9	219.8	-	219.8
	1015 State Department for Performance and Delivery Management	507.9	-	507.9	599.2	10.0	609.2	621.6	78.0	699.6	644.3	138.7	783.0
	0762000 Public Service Performance Management	84.7	-	84.7	85.9	5.0	90.9	89.2	39.0	128.2	92.7	88.7	181.4
	0764000 General Administration, Planning and Support Services	176.8	-	176.8	261.0	-	261.0	271.7	-	271.7	282.4	-	282.4
	0772000 Service Delivery Management	206.1	-	206.1	206.1	-	206.1	212.7	-	212.7	219.4	-	219.4
	0773000 Coordination and Supervision of Government	40.3	-	40.3	46.2	5.0	51.2	48.0	39.0	87.0	49.8	50.0	99.8

Annex Table 4: Summary of Expenditure by Programmes (Ksh Million) ... Cont'd

Sector Code	Sector/Vote/Programme	Supplementary Estimates No. I			BPS Projection								
		2024/25			2025/26			2026/27			2027/28		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
070	PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS	186,453.0	125,342.1	311,795.1	197,376.0	163,565.2	360,941.2	229,425.5	76,979.3	306,404.8	238,462.2	77,920.5	316,382.7
	1016 State Department for Cabinet Affairs	228.7	-	228.7	274.2	-	274.2	291.5	-	291.5	301.3	-	301.3
	0758000 Cabinet Affairs Services	228.7	-	228.7	274.2	-	274.2	291.5	-	291.5	301.3	-	301.3
	1017 State House	4,307.5	-	4,307.5	6,802.8	715.4	7,518.2	6,864.0	2,181.1	9,045.1	6,987.7	1,921.0	8,908.7
	0704000 State House Affairs	4,307.5	-	4,307.5	6,802.8	715.4	7,518.2	6,864.0	2,181.1	9,045.1	6,987.7	1,921.0	8,908.7
	1032 State Department for Devolution	1,442.9	2,653.0	4,095.9	1,518.9	16,084.0	17,602.9	1,593.0	6,545.3	8,138.3	1,676.7	4,335.2	6,011.9
	0712000 Devolution Services	1,442.9	2,653.0	4,095.9	1,518.9	16,084.0	17,602.9	1,593.0	6,545.3	8,138.3	1,676.7	4,335.2	6,011.9
	1053 State Department for Foreign Affairs	20,013.2	-	20,013.2	20,811.6	2,346.4	23,158.0	23,164.2	8,311.6	31,475.8	26,945.2	8,232.0	35,177.2
	0714000 General Administration Planning and Support Services	2,557.3	-	2,557.3	2,814.1	238.1	3,052.2	2,949.8	2,660.5	5,610.3	3,045.9	2,398.4	5,444.3
	0715000 Foreign Relation and Diplomacy	17,264.0	-	17,264.0	17,798.0	1,948.3	19,746.3	20,011.9	5,201.1	25,213.0	23,690.9	5,383.6	29,074.5
	0741000 Economic and Commercial Diplomacy	47.9	-	47.9	49.5	-	49.5	50.2	-	50.2	52.0	-	52.0
	0742000 Foreign Policy Research, Capacity Dev and Technical Cooperation	143.9	-	143.9	150.0	160.0	310.0	152.3	450.0	602.3	156.4	450.0	606.4
	1054 State Department for Diaspora Affairs	637.8	-	637.8	675.9	-	675.9	701.8	-	701.8	728.2	-	728.2
	0752000 Management of Diaspora Affairs	637.8	-	637.8	675.9	-	675.9	701.8	-	701.8	728.2	-	728.2
	1071 The National Treasury*	76,735.1	52,504.4	129,239.5	79,332.1	82,301.3	161,633.4	106,533.6	48,289.7	154,823.3	108,332.7	47,182.1	155,514.8
	0717000 General Administration Planning and Support Services*	62,201.3	6,552.5	68,753.8	67,561.7	4,727.3	72,289.0	91,593.4	5,541.4	97,134.8	92,995.1	9,762.7	102,757.8
	0718000 Public Financial Management	12,537.5	36,964.7	49,502.2	9,738.3	62,073.0	71,811.3	13,105.5	31,880.0	44,985.5	13,405.1	32,073.6	45,478.7
	0719000 Economic and Financial Policy Formulation and Management	1,487.8	8,987.2	10,475.0	1,524.1	15,501.0	17,025.1	1,307.1	10,828.3	12,135.4	1,374.9	5,298.8	6,673.7
	0720000 Market Competition	508.5	-	508.5	508.0	-	508.0	527.6	40.0	567.6	557.6	47.0	604.6
	1072 State Department for Economic Planning	3,246.5	68,623.7	71,870.2	3,286.9	58,257.8	61,544.7	3,474.5	1,979.8	5,454.3	3,669.2	3,321.3	6,990.5
	0710000 Public Service Transformation	2.0	-	2.0	-	-	-	-	-	-	-	-	-
	07710000 Monitoring and Evaluation Services	494.5	6.0	500.5	173.5	56.0	229.5	182.8	289.1	471.9	190.0	252.1	442.1
	0706000 Economic Policy and National Planning	1,673.3	68,328.2	70,001.4	-	-	-	-	-	-	-	-	-
	0707000 National Statistical Information Services	867.8	289.5	1,157.4	868.1	1,651.8	2,519.9	919.7	588.8	1,508.5	974.1	2,111.0	3,085.1
	0709000 General Administration Planning and Support Services	209.0	-	209.0	401.3	-	401.3	405.6	-	405.6	419.2	-	419.2
	Macro-economic Policy, National Planning and Research	-	-	-	1,187.4	66.0	1,253.4	1,271.6	504.3	1,775.9	1,351.1	430.0	1,781.1
	Sectoral and Intergovernmental Development Planning	-	-	-	656.6	56,484.0	57,140.6	694.8	597.6	1,292.4	734.8	528.2	1,263.0
	1213 State Department for Public Service	18,658.5	363.9	19,022.4	20,176.2	1,195.0	21,371.2	19,988.7	2,966.5	22,955.2	20,765.8	5,420.7	26,186.5
	0710000 Public Service Transformation	8,001.8	363.9	8,365.7	8,204.8	1,080.0	9,284.8	8,402.8	2,593.7	10,996.5	8,564.2	5,420.7	13,984.9
	0709000 General Administration Planning and Support Services	366.2	-	366.2	411.3	-	411.3	419.1	-	419.1	462.1	-	462.1
	0747000 National Youth Service	10,290.5	-	10,290.5	11,560.1	115.0	11,675.1	11,166.8	372.8	11,539.6	11,739.5	-	11,739.5
	Parliament	39,747.4	1,118.1	40,865.5	41,123.2	1,365.0	42,488.2	42,547.7	2,065.0	44,612.7	44,022.8	2,065.0	46,087.8

Annex Table 4: Summary of Expenditure by Programmes (Ksh Million) ... Cont'd

Sector Code	Sector/Vote/Programme	Supplementary Estimates No.I			BPS Projection								
		2024/25			2025/26			2026/27			2027/28		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
070	PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS	186,453.0	125,342.1	311,795.1	197,376.0	163,565.2	360,941.2	229,425.5	76,979.3	306,404.8	238,462.2	77,920.5	316,382.7
	2061 The Commission on Revenue Allocation	364.3	-	364.3	409.0	-	409.0	424.1	-	424.1	439.6	-	439.6
	0737000 Inter-Governmental Transfers and Financial Matters	364.3	-	364.3	409.0	-	409.0	424.1	-	424.1	439.6	-	439.6
	2071 Public Service Commission	3,476.5	-	3,476.5	3,565.2	35.3	3,600.5	3,613.8	64.4	3,678.2	3,671.8	71.2	3,743.0
	0725000 General Administration, Planning and Support Services	801.1	-	801.1	903.7	35.3	939.0	927.0	64.4	991.4	953.5	71.2	1,024.7
	0726000 Human Resource management and Development	2,443.0	-	2,443.0	2,451.6	-	2,451.6	2,469.2	-	2,469.2	2,489.9	-	2,489.9
	0727000 Governance and National Values	149.0	-	149.0	140.9	-	140.9	145.6	-	145.6	152.7	-	152.7
	0744000 Performance and Productivity Management	48.8	-	48.8	43.2	-	43.2	45.1	-	45.1	47.5	-	47.5
	075000 Administration of Quasi-Judicial Functions	34.7	-	34.7	25.8	-	25.8	26.9	-	26.9	28.2	-	28.2
	2081 Salaries and Remuneration Commission	452.7	-	452.7	481.8	-	481.8	498.7	-	498.7	516.0	-	516.0
	0728000 Salaries and Remuneration Management	452.7	-	452.7	481.8	-	481.8	498.7	-	498.7	516.0	-	516.0
	2111 Auditor General	8,024.9	79.0	8,103.9	8,297.2	355.0	8,652.2	8,573.4	425.1	8,998.5	8,854.6	843.0	9,697.6
	0729000 Audit Services	8,024.9	79.0	8,103.9	8,297.2	355.0	8,652.2	8,573.4	425.1	8,998.5	8,854.6	843.0	9,697.6
	2121 Office of the Controller of Budget	704.3	-	704.3	777.5	-	777.5	805.9	-	805.9	832.4	-	832.4
	0730000 Control and Management of Public finances	704.3	-	704.3	777.5	-	777.5	805.9	-	805.9	832.4	-	832.4
	2131 The Commission on Administrative Justice	636.5	-	636.5	676.2	-	676.2	699.6	-	699.6	724.1	-	724.1
	0731000 Promotion of Administrative Justice	636.5	-	636.5	676.2	-	676.2	699.6	-	699.6	724.1	-	724.1
080	NATIONAL SECURITY	217,769.1	1,534.0	219,303.1	244,507.1	34,516.0	279,023.1	261,429.4	39,255.0	300,684.4	346,038.5	45,019.0	391,057.5
	1041 Ministry of Defence	171,418.1	1,534.0	172,952.1	192,111.1	34,516.0	226,627.1	207,753.4	39,255.0	247,008.4	284,736.9	45,019.0	329,755.9
	0801000 Defence	168,281.8	1,534.0	169,815.8	180,231.9	34,316.0	214,547.9	194,368.1	37,449.4	231,817.5	270,781.7	40,235.5	311,017.2
	0802000 Civil Aid	350.0	-	350.0	335.0	-	335.0	1,000.0	-	1,000.0	1,200.0	-	1,200.0
	0803000 General Administration, Planning and Support Services	2,473.8	-	2,473.8	2,641.9	-	2,641.9	2,727.2	-	2,727.2	2,815.4	-	2,815.4
	0805000 National Space Management	312.5	-	312.5									
	Programme 4: Defence Industrialization				8,902.3	200.0	9,102.3	9,658.1	1,805.6	11,463.7	9,939.8	4,783.5	14,723.3
	1281 National Intelligence Service	46,351.0	-	46,351.0	52,396.0	-	52,396.0	53,676.0	-	53,676.0	61,301.6	-	61,301.6
	0804000 National Security Intelligence	46,351.0	-	46,351.0	52,396.0	-	52,396.0	53,676.0	-	53,676.0	61,301.6	-	61,301.6

Annex Table 4: Summary of Expenditure by Programmes (Ksh Million) ... Cont'd

Sector Code	Sector/Vote/Programme	Supplementary Estimates No. I			BPS Projection								
		2024/25			2025/26			2026/27			2027/28		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
090	SOCIAL PROTECTION, CULTURE AND RECREATION	45,280.7	23,661.5	68,942.2	51,820.8	26,843.0	78,663.8	62,450.9	28,785.4	91,236.3	65,106.1	29,769.4	94,875.5
	1132 State Department for Sports	1,091.5	16,464.0	17,555.5	1,459.4	17,100.0	18,559.4	1,467.9	18,216.0	19,683.9	1,525.7	19,152.0	20,677.7
	0901000 Sports	1,091.5	16,464.0	17,555.5	1,459.4	17,100.0	18,559.4	1,467.9	18,216.0	19,683.9	1,525.7	19,152.0	20,677.7
	1134 State Department for Culture and Heritage	2,757.3	70.0	2,827.3	3,451.5	90.0	3,541.5	3,559.9	350.0	3,909.9	3,697.7	410.0	4,107.7
	0902000 Culture/ Heritage	1,740.6	60.0	1,800.6	2,260.7	53.0	2,313.7	2,345.0	212.5	2,557.5	2,428.5	211.0	2,639.5
	0903000 The Arts	298.6	-	298.6	414.2	-	414.2	410.8	77.5	488.3	432.5	44.0	476.5
	0904000 Library Services	446.1	10.0	456.1	498.9	-	498.9	510.8	30.0	540.8	530.5	35.0	565.5
	0905000 General Administration, Planning and Support Services	146.3	-	146.3	149.3	-	149.3	160.6	-	160.6	169.7	-	169.7
	0916000 Public Records Mangement	125.7	-	125.7	128.5	37.0	165.5	132.6	30.0	162.6	136.5	120.0	256.5
	1135 State Department for Youth Affairs and Creative Economy	1,903.2	1,535.1	3,438.2	2,266.0	2,040.4	4,306.4	2,361.1	2,103.7	4,464.8	2,480.8	2,165.7	4,646.5
	0221000 Film Development Services	557.9	10.0	567.9	662.0	76.7	738.7	700.9	172.0	872.9	742.5	158.8	901.2
	0711000 Youth Empowerment Services	336.9	-	336.9	585.1	11.2	596.3	636.3	131.2	767.5	682.1	336.6	1,018.6
	0748000 Youth Development Services	750.8	1,525.1	2,275.9	757.6	1,952.5	2,710.1	758.8	1,800.5	2,559.3	776.2	1,670.4	2,446.6
	0749000 General Administration, Planning and Support Services	257.5	-	257.5	261.3	-	261.3	265.1	-	265.1	280.0	-	280.0
	1184 State Department for Labour and Skills Development	4,268.5	100.0	4,368.5	4,338.4	1,882.7	6,221.1	4,368.5	1,865.4	6,233.9	4,430.5	1,691.3	6,121.8
	0910000 General Administration Planning and Support Services	494.4	-	494.4	540.5	-	540.5	532.3	-	532.3	554.7	-	554.7
	0906000 Labour, Employment and Safety Services	1,144.5	-	1,144.5	1,165.1	506.4	1,671.5	1,201.9	489.1	1,691.0	1,236.7	215.0	1,451.7
	0907000 Manpower Development, Industrial Skills & Productivity Management	2,629.6	100.0	2,729.6	2,632.7	1,376.3	4,009.0	2,634.2	1,376.3	4,010.5	2,639.1	1,476.3	4,115.4
	1185 State Department for Social Protection and Senior Citizens Affairs	33,261.4	1,907.6	35,169.1	37,968.0	1,907.0	39,875.0	48,310.6	2,247.4	50,558.0	50,534.0	2,297.5	52,831.6
	0908000 Social Development and Children Services	4,665.2	-	4,665.2	3,490.2	183.0	3,673.2	3,635.9	350.4	3,986.3	3,816.0	350.5	4,166.5
	0909000 National Social Safety Net	28,370.6	1,907.6	30,278.2	34,209.6	1,724.0	35,933.6	44,399.2	1,897.0	46,296.3	46,434.2	1,947.0	48,381.3
	0914000 General Administration, Planning and Support Services	225.6	-	225.6	268.3	-	268.3	275.4	-	275.4	283.8	-	283.8
	1212 State Department for Gender and Affirmative Action	1,998.8	3,584.9	5,583.6	2,337.4	3,822.9	6,160.3	2,383.0	4,002.9	6,385.9	2,437.3	4,052.9	6,490.2
	0911000 Community Development	983.4	3,209.0	4,192.4	1,044.3	3,500.0	4,544.3	1,046.7	3,500.0	4,546.7	1,053.1	3,500.0	4,553.1
	0912000 Gender Empowerment	793.9	375.9	1,169.8	967.1	322.9	1,290.0	1,002.4	502.9	1,505.3	1,040.0	552.9	1,592.9
	0913000 General Administration, Planning and Support Services	221.5	-	221.5	326.0	-	326.0	333.9	-	333.9	344.1	-	344.1

Annex Table 4: Summary of Expenditure by Programmes (Ksh Million) ... Cont'd

Sector Code	Sector/Vote/Programme	Supplementary Estimates No. I			BPS Projection								
		2024/25			2025/26			2026/27			2027/28		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
0100	ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES	32,152.2	69,045.0	101,197.2	32,680.0	101,488.0	134,168.0	34,118.0	135,468.0	169,586.0	35,627.8	156,168.0	191,795.8
	1104 State Department for Irrigation	1,178.3	20,228.6	21,406.9	1,238.0	21,371.0	22,609.0	1,293.0	32,006.0	33,299.0	1,353.0	30,047.0	31,400.0
	1014000 Irrigation and Land Reclamation	610.9	16,364.6	16,975.5	641.0	17,997.0	18,638.0	670.0	16,285.0	16,955.0	701.0	13,610.0	14,311.0
	1015000 Water Storage and Flood Control	407.9	1,504.0	1,911.9	408.0	1,950.0	2,358.0	428.0	13,321.0	13,749.0	450.0	13,337.0	13,787.0
	1022000 Water Harvesting and Storage for Irrigation	17.2	2,360.0	2,377.2	28.0	1,424.0	1,452.0	29.0	2,400.0	2,429.0	30.0	3,100.0	3,130.0
	1023000 General Administration, Planning and Support Services	142.4	-	142.4	161.0	-	161.0	166.0	-	166.0	172.0	-	172.0
	1109 State Department for Water & Sanitation	5,739.7	44,100.6	49,840.3	5,789.0	59,583.0	65,372.0	6,063.0	76,942.0	83,005.0	6,355.0	99,188.0	105,543.0
	1001000 General Administration, Planning and Support Services	557.8	115.0	672.8	598.0	307.0	905.0	661.0	210.0	871.0	685.0	200.0	885.0
	1004000 Water Resources Management	1,927.0	10,187.0	12,114.0	1,930.0	16,851.0	18,781.0	2,033.0	14,898.0	16,931.0	2,139.0	20,112.0	22,251.0
	1017000 Water and Sewerage Infrastructure Development	3,254.8	33,798.6	37,053.4	3,261.0	42,425.0	45,686.0	3,369.0	61,834.0	65,203.0	3,531.0	78,876.0	82,407.0
	1192 State Department for Mining	994.9	-	994.9	1,034.6	632.0	1,666.6	1,065.5	971.0	2,036.5	1,097.7	1,221.0	2,318.7
	1007000 General Administration Planning and Support Services	396.3	-	396.3	405.6	-	405.6	418.5	64.0	482.5	432.7	85.0	517.7
	1009000 Mineral Resources Management	307.6	-	307.6	345.0	294.0	639.0	355.0	381.0	736.0	365.0	441.0	806.0
	1021000 Geological Survey and Geoinformation Management	290.9	-	290.9	284.0	338.0	622.0	292.0	526.0	818.0	300.0	695.0	995.0
	1203 State Department for Wildlife	12,054.1	360.0	12,414.1	12,083.0	2,298.0	14,381.0	12,585.0	3,394.0	15,979.0	13,108.0	4,073.0	17,181.0
	1019000 Wildlife Conservation and Management	12,054.1	360.0	12,414.1	12,083.0	2,298.0	14,381.0	12,585.0	3,394.0	15,979.0	13,108.0	4,073.0	17,181.0
	1331 State Department for Environment & Climate Change	3,153.5	1,307.8	4,461.3	3,413.0	2,712.0	6,125.0	3,537.0	2,609.0	6,146.0	3,667.0	2,758.0	6,425.0
	1002000 Environment Management and Protection	1,508.2	1,137.8	2,646.0	1,509.0	2,268.0	3,777.0	1,587.0	1,925.0	3,512.0	1,662.0	1,866.0	3,528.0
	1010000 General Administration, Planning and Support Services	553.1	-	553.1	596.0	-	596.0	612.0	-	612.0	639.0	-	639.0
	1012000 Meteorological Services	1,092.3	150.0	1,242.3	1,308.0	403.0	1,711.0	1,338.0	629.0	1,967.0	1,366.0	825.0	2,191.0
	1018000 Forests Development, Management and Conservation	-	20.0	20.0									
	Programme 4: Water Rehabilitation and Conservation				-	41.0	41.0	-	55.0	55.0	-	67.0	67.0
	1332 State Department for Forestry	9,031.7	3,048.0	12,079.7	9,122.4	14,892.0	24,014.4	9,574.5	19,546.0	29,120.5	10,047.1	18,881.0	28,928.1
	1018000 Forests Development, Management and Conservation	8,894.5	3,048.0	11,942.5	8,918.0	14,892.0	23,810.0	9,363.0	19,546.0	28,909.0	9,830.0	18,881.0	28,711.0
	1024000 Agroforestry and Commercial Forestry Development	8.5	-	8.5	21.4	-	21.4	22.8	-	22.8	22.7	-	22.7
	1025000 General Administration, Planning and Support Services	128.6	-	128.6	183.0	-	183.0	188.7	-	188.7	194.4	-	194.4
	TOTAL	1,659,359.4	641,166.2	2,300,525.7	1,883,771.5	865,742.5	2,749,514.0	2,022,560.4	864,326.9	2,886,887.2	2,240,947.6	953,685.3	3,194,632.9

Annex Table 4: Summary of Expenditure by Programmes (Ksh Million) ... Cont'd

Memo Note
*Vote with ** under the FY 2024/25 Supplementary Estimates, have been adjusted to take on account proposed additional funding in the FY 2024/25 Supplementary Estimates No.2*
NB: ** Adjustments to the Supplementary Estimates Column:

S/No	Vote & Items	KSh. Million
1	1023 State Department for Correctional Services	1,600.0
	Phase II of Salary Adjustment- National Police Officers	1,600.0
2	1025 National Police Service	2,200.0
	Phase II of Salary Adjustment- Prisons Officers	2,200.0
3	1064 State Department for Technical Vocational Education and Training	14,632.5
	Shortfall for the Tertiary Institutions New Funding Model	14,632.5
4	1065 State Department for Higher Education and Research	26,300.0
	2021-2024 CBA for Public Universities- Salary Adjustment	4,300.0
	Shortfall for Universities New Funding Model	22,000.0
5	1066 State Department for Basic Education	3,023.0
	Shortfall for School Examination	3,023.0
6	1071 The National Treasury	10,013.8
	Budgetary shortfall for KRA on account of salaries & Contractual Obligations	8,000.0
	Phase II of Salary Adjustment- Civil Servants	2,013.8
7	2091 Teachers Service Commission	10,000.0
	Phase II of Salary Adjustment- Teachers	10,000.0
	Total	67,769.3

Source: The National Treasury

Annex Table 5: Memorandum on how Resolutions by Parliament on Previous Budget Policy Statements Have Been Incorporated

1. **Section 25(8)** of the **Public Finance Management (PFM) Act, 2012** prescribes that the Cabinet Secretary for The National Treasury shall take into account resolutions passed by Parliament in finalizing the budget for a given financial year. The National Assembly approved the 2023 Budget Policy Statement and the 2024 Budget Policy Statement on 15th March, 2023 and 7th March 2024, respectively.

2. **Section 38(1) (iii)** of the **PFM Act, 2012** requires the Cabinet Secretary to prepare a memorandum explaining how the resolutions adopted on the BPS have been taken into account. In this regard, the following Section provides a brief to Parliament on the extent to which the resolutions of the House on the 2022 BPS and 2023 BPS have been taken into account and the reasons thereof.

No.	Resolution	Action taken
A. Policy Resolutions on the 2023 BPS		
1.	The National Assembly to amendment to the Public Finance Management Act, 2012 and attendant regulations to extend the timelines for consideration of the BPS by Parliament from 14 days to 28 days.	The National Treasury will comply with the effected amendments.
2.	The National Treasury should ensure that Ministries, Departments and Agencies (MDAs) have aligned their budgets, projects and key performance indicators to the proposed value chain approach under the Bottom-Up Economic Transformation Agenda (BETA) within the approved ceilings.	The budgets of MDAs have been prioritized and matched with the BETA Value Chain priorities. The FY 2023/24 Budget Estimates include specifics about the BETA priorities and performance indicators.
3.	The deficit financing strategy and public debt mix be undertaken in accordance with the resolutions of the National Assembly based on the Report of the Public Debt and Privatization Committee on the 2023 Medium Term Debt Management Strategy.	The National Treasury will continue monitoring implementation of MTDS, alternative borrowing strategies and the fiscal deficit approved by parliament.
4.	The National Treasury should provide a list of all projects to be completed in FY 2023/24 for all MDAs reconcilable with the development budget; with a view to consolidating thinly spread allocations to high impact priority projects to ensure completion.	The National Treasury has ensured that MDAs prioritized projects for completion by consolidating thinly spread allocations to high impact priority projects. The details of the projects to be completed in the FY 2023/24 and will be submitted alongside the FY 2023/24 Budget Estimates

No.	Resolution	Action taken
5.	Before submission of the 2023/24 annual estimates, the National Treasury reviews donor funded projects including the existing financing framework and develops a strategy to fast-track their implementation and review the terms of the facilities.	The National Treasury will assess donor-funded programs and projects, including existing financing frameworks, and create a portfolio review and assessment report to expedite externally funded project implementation.
6.	The National Treasury spearheads a review of the State Corporations and Semi-Autonomous Government Agencies (SAGAs) with a view of rationalization to remove overlaps, duplication and redundancies.	The National Treasury has formed a High-Level Fiscal Risk Committee to assess and report fiscal risks from State Corporations and SAGAs, with a year-long study planned.
7.	Prior to the submission of the 2023/24 Annual Estimates, the National Treasury in collaboration NG CDF should develop a framework for implementing National Government initiatives at the constituency level before the submission of the 2023/24 Annual Estimates.	The Government has allocated resources for infrastructure development for schools. In addition, the Ministry will be engaging NG-CDF to support some of the infrastructure needs.
8.	Prior to April 2023, the National Government reviews taxation levied in the aviation industry and addresses the heavy taxation on purchase of spare parts in the aviation sector. This should be submitted to the National Assembly during consideration of the Finance Bill, 2023.	The National Treasury received proposals from the aviation industry on taxation on purchase of spare parts were considered in the Finance Bill, 2023.
9.	From the onset of FY 2023/24, the National Treasury through the Public Sector Accounting Standards Board should start preparations for migration from the cash basis accounting system to an accrual system in line with Sections 81 and 164 of the Public Finance Management Act, 2012.	The National Treasury has done the following in readiness for accrual accounting: i) revised the Standard Chart of Accounts; ii) prepared and published policy guidelines on identification, measurement and presentation of assets and liabilities; iii) updated the register of bank accounts; and iv) prepared a Cabinet Memorandum on transition to accrual accounting for Cabinet approval.
10	The National Assembly proposes amendment to the Public-Private Partnership Act to require regular submission of project lists by the National Treasury which are under consideration for funding through the Public Private Partnership (PPP) framework before the end of the FY 2023/24.	Section 88 (3) of the PPP Act already provides for regular reporting to Parliament by the Cabinet Secretary, National Treasury and Economic Planning. The National Treasury will continue to adhere to the provisions of the Act.
11	The National Treasury, in collaboration with stakeholders, to establish a collaboration framework between the County and the	The National Treasury formed an Inter-Agency Taskforce in 2021 to operationalize Constitutional Articles 187 and 189, resulting in a draft

No.	Resolution	Action taken
	National Government for the implementation of shared policy proposals by September 30, 2023.	legislative proposal. Public participation took place between March 20 th and 23 rd , 2023.
12	The National Treasury and the State Department for ASALs and Regional Development undertakes review Regional Development Authorities' mandates, contribution to national development agenda, and revitalization options by 30 th December, 2023.	The National Treasury will collaborate with the State Department for ASALs and Regional Development to review the mandates, legal implications, and contributions of Regional Development Authorities. This will inform recommendations for the revitalization of the Regional Development Authorities.
13	By June 2023, the National Treasury develops a framework for governing conditional grants to the County Governments to ensure that they meet their intended objectives. This should include the role, criteria and counterpart contribution by the counties to ensure the initiatives take off.	In order to manage the distribution of conditional grants to County Governments, MDAs have presented frameworks to the National Treasury that specify terms, responsibilities, criteria for allocation, and requirements for counterpart contributions.
B. Policy Resolutions on the 2024 BPS		
14	Given the need to link the Bottom-up Economic Transformation Agenda to the Vision 2030, the Cabinet Secretary for National Treasury and Economic Planning to submit the Fourth Medium Term Plan of the Vision 2030 to the National Assembly before submission of the Budget Estimates for FY 2024/25.	The National Treasury and Economic Planning submitted the Fourth Medium Term Plan of Vision 2030 to the National Assembly and was officially launched by H.E. the President on 21st March 2024.
15	The National Treasury to prepare guidelines for proper costing of government policies, programmes and projects to minimize discrepancies between the planned and actual resource requirements before the preparation of the 2025 BPS.	The National Treasury prepared a Budget Manual that covers among others a chapter on budget costing. Further, a budget costing tool has been prepared in the IFMIS system and PFM officials have been trained on the same. The 2025 BPS will be prepared after budget costing is conducted within the budget costing tool.
16	In view of delayed compensation for land acquired from individuals by the Government for various projects, the National Treasury should prioritize payments for land compensation in the FY 2024/25 estimates, before they are submitted to the National Assembly. Going	The Government will continue prioritize payment of pending land compensation within the approved allocations in the FY 2024/25 Budget. To ensure compliance with this requirement, the Public Investment Management (PIM) Regulations, 2022 was enacted and requires Ministries,

No.	Resolution	Action taken
	forward, no Government project should commence before the owners of such land are compensated.	Departments and Agencies to avail land for any project as a prerequisite before such projects are approved and funded by the National Treasury.
17	Given the funding challenges facing the Department of Immigration and Citizen Services on issuance of documents such as Passports, Identity Cards, Birth and Death certificates, before finalization of the Annual Estimates for FY 2024/25, the Cabinet Secretary for National Treasury and Economic Planning enhances the Appropriation-in-Aid for the Department by increasing the current allocation to 20 percent of all the revenues it generates to the Exchequer through issuance of documents (an equivalent of Ksh 3.980 billion in the FY 2024/25 Revenue estimates).	In the FY 2023/24, the National Treasury provided Ksh 1.3 billion as Appropriation in Aid (A.i.A) to the State Department for Immigration and Citizen Services to help address cash flow challenges. In the FY2024/25 budget, the State Department has been allowed to utilize A.i.A amounting to Ksh 3.9 billion in compliance with the resolution of the National Assembly to address challenges on issuance of documents such as Passports, Identity Cards, and Birth and Death certificates. It is important to note that the A.i.A allocation to MDAs is not pegged on percentage collection but on assessed needs of the MDA.
18	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.
19	The East Africa Customs Management Act, 2004 allows the Council of Ministers to review the regional customs tariffs, and these changes have not been subjected to public participation. The National Treasury to ensure that any such reviews are subjected to public participation and submitted to the National Assembly before they are formally ratified.	<ul style="list-style-type: none"> ▪ The National Treasury remains committed to ensuring effective public and stakeholder engagement in all policy formulation and implementation process. The National Treasury wishes to underscore that the proposals to amend the East Africa Customs Management Act usually come from EAC Partner States. Thereafter, the East Africa Legislative Assembly conduct public participation on the consolidated proposals in all EAC Partner States. ▪ On the other hand, the proposals for review of regional customs tariffs normally come from the public and various stakeholders. The National Treasury together with the Kenya Revenue Authority and Ministry of Trade, Investments and Industry then engages the stakeholders who submitted the proposals for better understanding. The National

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

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

Annex Table 6: Highlights of the Issues Raised During Public Participation

Sector	Issues	Proposed Way Forward/Action Taken/Response
Agriculture, Rural and Urban Development (ARUD)	<p><u>Policy Issues</u></p> <ul style="list-style-type: none"> ▪ Misinformation on Genetically Modified Organism (GMO) ▪ Importation of wheat and rice and facilitation of wheat and rice farmers ▪ Shortage of Maize seeds affected distribution to farmers ▪ Extension services in Lamu ▪ Harnessing the traditional knowledge of the older generation to cultivate trees for medicinal benefits ▪ Livestock vaccination ▪ A Mexican tree species that livestock feed and can stay without water for 6 days in Baringo. 	<ul style="list-style-type: none"> ▪ The GMO Act is currently under litigation, and once the case is concluded, the sector will address all issues related to GMOs. ▪ Programmes are under way to increase local production of wheat and rice by providing certified seeds and irrigation water to increase area under production. ▪ This was due to a shortage of certified seeds, although seed companies are currently expanding production to increase supply. Additionally, a raid on the sale of fake seeds had seized a large consignment, further contributing to the market shortage. ▪ Extension services are a devolved function, and there is a nationwide youth volunteer program initiative that has already enrolled 300 youths to assist farmers and county governments with extension services. ▪ The sector acknowledges that the knowledge of herbal medicine should be harnessed from the older generation. ▪ The sector is working on a framework and schedule, developed by the National and County Governments, which is nearing completion, and vaccination programs will begin soon. ▪ The Government will initiate further research on these trees and issue its recommendations.
	<p><u>Project Implementation Issues</u></p> <ul style="list-style-type: none"> ▪ Sugar Companies producing raw materials for Kenya ▪ Progress of the Agriculture Sector Transformation and Growth Strategy 	<ul style="list-style-type: none"> ▪ Inadequate funding has left some resources in the companies idle; however, efforts are underway to secure increased funding. ▪ There have been successes as a result of the ongoing initiatives under the program, and the State Department of Agriculture will make efforts to ensure these are communicated effectively and in a timely manner.
	<p><u>Resource allocation Issues</u></p> <ul style="list-style-type: none"> ▪ Address the underutilization of KARLO ▪ Decline in resource allocation in the sector 	<ul style="list-style-type: none"> ▪ The insufficient funding has resulted in some resources remaining underutilized; however, efforts are currently underway to secure additional funding to address this. ▪ the sector is working with various stakeholders to ensure what cannot be provided for can be funded from other sectors including donors and the private sector

Sector	Issues	Proposed Way Forward/Action Taken/Response
	<p><u>Governance Issues</u></p> <ul style="list-style-type: none"> ▪ End land injustices in the coastal region ▪ Poaching of sugar in Busia ▪ Process of distributing subsidized fertilizer ▪ The issue of Ipomoea weed in Kajiado County ▪ Address the issue of denied access to irrigation water from the Mwatate Dam, Jibe, and Chala. ▪ Address the issue of food insecurity in Baringo and the underutilization of Baringo Lake for irrigation in the area. 	<ul style="list-style-type: none"> ▪ The Government received a total of 7,000 claims, with 3,600 currently under consideration. The evaluation process is expected to be completed by September 2025, and the window for submitting additional claims remains open. ▪ Security agencies are aware of the situation and have been collaborating closely with local administration officers, citizens, and border police to address and curtail this vice. ▪ The sector uses the e-voucher system to distribute subsidized fertilizer by using registered agro-dealers. However, some farmers were unable to utilize their e-vouchers due to literacy issues; however, this will be addressed by the volunteer extension officers being recruited to ensure 100 percent uptake. ▪ The Sector acknowledged the concern and assured that a multi-agency approach would be adopted to tackle the problem effectively. ▪ A fisheries management program is currently underway in the water bodies, and matters related to irrigation will be carefully considered as part of the initiative. ▪ Irrigation programs are currently underway to support crop development and fodder production along the banks of Lake Baringo and the rivers that feed into it.
Energy, Infrastructure, and ICT (EI&ICT)	<p><u>Governance Issues</u></p> <ul style="list-style-type: none"> ▪ Low uptake of renewable sources of energy ▪ Increase in Road carnage 	<ul style="list-style-type: none"> ▪ The Government is working on public awareness through the State Department for Energy ▪ The Government is coming up with the National Intelligent Traffic System and is expected to reduce accidents on the roads
	<p><u>Project</u></p> <ul style="list-style-type: none"> ▪ Poor budgetary allocation to Petroleum Industry 	<ul style="list-style-type: none"> ▪ Resources are scarce and the Government is facing many expenditure pressures. However, the issue would be considered once revenue performance improves.
	<p><u>Implementation Issues</u></p> <ul style="list-style-type: none"> ▪ Poor internet connectivity in rural areas ▪ 85 primary schools not connected to electricity in Lowiyata ▪ Poor access roads to Thwake Dam ▪ Frequent power outages 	<ul style="list-style-type: none"> ▪ The Government through the State Department for ICT is implementing Last Mile County Connectivity Network; therefore, all rural areas especially public institutions will be connected with internet. ▪ The State Department for Energy to ensure that the schools are connected to electricity through the Last Mile Connectivity ▪ Plans are underway for Kerra to work on the access roads as soon as possible ▪ The State Department for Energy is putting severally measures to reduce the power outages in Kenya., including reducing vandalism of transformers and other electricity infrastructure

Sector	Issues	Proposed Way Forward/Action Taken/Response
General Economic and Commercial Affairs (GECA)	<u>Policy issues</u> <ul style="list-style-type: none"> ▪ Achievement from last financial year ▪ Hustler fund it discriminates some religious community due to interest rate changes ▪ Proposed budget to support youth and women ▪ Plan to access affordable loans 	<ul style="list-style-type: none"> ▪ Growth of export products that is the growth rate is 16.3% reflect to growth of KSh.8.2billion from last financial year to 1trillion. ▪ The Government is in a process of reviewing its SMEs Act to come up with a sheria complaint products for Muslims. ▪ The Government through State Department of MSMEs, Investment promotion have programme that support youth in accessing training and loans to establish or enhance their small business i.e. Hustler fund KJET and NYOTA. ▪ Government through State Department of MSMEs, it providing loan with lower interest rate and the Government also is working with developing partners who are willing to help in growing MSMEs to fill the resource gap and come up with relevant policies which are conducive to business environment
	<u>Project Implementation</u> <ul style="list-style-type: none"> ▪ Drought resilience measure like bore holes Dams and tree planting 	<ul style="list-style-type: none"> ▪ The Government through State Department for ASAL is implementing a project on provide suitable seeds and trees planting programme which started on last Financial Year. ▪ By 2032 Government is planning to produce 5billion fruits trees for nutrition and a form of economic transformation across ASALs areas in the Country
	<u>Governance</u> <ul style="list-style-type: none"> ▪ Conflicts between farmers in Kitui and Pastoralist in the bordering Counties like Garissa and Tana River 	<ul style="list-style-type: none"> ▪ The Government through State Department for ASALs is working on implementing a programme on feed animals in semi-arid areas through grass feeding programme for animals.
Health	<u>Policy issues</u> <ul style="list-style-type: none"> ▪ Sustainability of HIV, TB and Malaria and other Strategic Programs in view of declining donor support ▪ Increased Mental Health Issues ▪ Scrapping of Linda Mama and Edu-Afya Programmes ▪ Poor remuneration and working conditions for HRH Interns ▪ Plans for the Government to rollout a Medical Fund for Public Officers while still covered by SHA ▪ Coverage of underage mothers under SHA ▪ Need to leverage on use of Tele-Medicine to enhance efficiency in delivery of healthcare services ▪ Lack of Service Charters in most of Health facilities 	<ul style="list-style-type: none"> ▪ The Ministry of Health has held meetings with donors and agreed on a transition master plan by 2030. The Ministry has requested all the citizen to register and contribute to the Social Health Insurance Fund (SHIF) to ensure access to healthcare services without challenges. ▪ The Ministry of Health is collaborating with the African Development Bank (AfDB) to support the construction of a modern Neuropsychiatric National Teaching and Referral Hospital in Ngong, Kajiado County. Additionally, the MoH is encouraging mental health practitioners to register with SHA to improve access to mental health services. The MoH has also operationalized the Mental Health Board, which is expected to lead efforts in raising awareness on mental health and well-being. ▪ The Linda Mama and Edu-Afya programs have been incorporated and enhanced within the Essential Health Benefit Package under Primary Health Care and

Sector	Issues	Proposed Way Forward/Action Taken/Response
		<p>SHIF. The SHA has requested all beneficiaries to register their dependents in the system.</p> <ul style="list-style-type: none"> ▪ The MoH is in the process of developing the Internship Policy. ▪ The Fund will be administered by SHA and is expected to complement the health care services offered by SHA. Any employer can give an additional cover to complement services provided by SHA ▪ The registration of the SHA to be improved to allow the underage mothers to register using the Birth Certificates rather than IDs ▪ The Roll-out of Comprehensive Integrated Health Information System will help to leverage on use of Tele-Medicine. The Ministry is working on regulations and will be subjected to Public Participation across the Country. ▪ The Ministry of Health acknowledges that many health facilities have no Service Charters, making it difficult for individuals to understand the services offered and their associated costs. To address this, the Ministry will issue guidelines to health facilities to develop Service Charters. Additionally, the rollout of the Comprehensive Integrated Health Information System will enable registered members to easily access information on the services available at different facilities.
	<p><u>Resource Allocation Issue</u></p> <ul style="list-style-type: none"> ▪ Stock-outs of essential drugs, supplies and commodities ▪ Inadequate Medical Equipment, Human Resources of Health, Drugs and other Essential Commodities in Rural Health Facilities (Primary Health Care Facilities) ▪ Lack of adequate health facilities including ambulances in Marsabit County ▪ Non-Payment of Community Health Promoters (CHP) Stipend by the County Governments ▪ Inadequate Health Facilities at the Border Points 	<ul style="list-style-type: none"> ▪ The Ministry of Health is engaging with counties to request payment of outstanding pending bills to KEMSA. This will enable KEMSA to restock and improve the order refill rate. The rollout of the Comprehensive Integrated Health Information System will provide real-time data on drug stock-outs at facilities. A request for support to KEMSA has also been made to the National Treasury. ▪ The Government has allocated KSh. 4.1 billion to the Primary Health Care Fund for the FY 2024/25, with a similar amount allocated for 2025/26. This funding will assist facilities in procuring modern equipment through PPP or other means. Additionally, the Ministry has established a Presidential Task Force on Human Resources for Health (HRH) to, among other tasks, recommend the legal, policy, administrative, institutional, and operational frameworks for the employment of 20,000 HRH personnel. ▪ The Ministry will engage the Marsabit County Government to prioritize on construction and equipping of adequate health facilities and provision of ambulances.

Sector	Issues	Proposed Way Forward/Action Taken/Response
	<p>Implementation Issue</p> <ul style="list-style-type: none"> ▪ Involvement of artists to promote and sensitize the Public on the need to register with the Social Health Authority ▪ Poor absorption of allocated funds during the review period ▪ Low Tariffs for Health Care Services under the SHA 	<ul style="list-style-type: none"> ▪ The Ministry will engage the Counties to pay the Stipends in line with the signed Intergovernmental Participation Agreements. ▪ The MoH in conjunction with the respective County Governments is in the process of establishing Health Facilities at the Border Points including isolation facilities ▪ The Ministry of Health has requested that artists come forward for an engagement to collaborate on how the sensitization efforts can be effectively carried out. ▪ The low absorption was due to lack or late release of funds and lengthy procurement process. ▪ The review of the tariffs will be conducted through public participation, where members of the public are encouraged to provide their inputs. ▪ The Ministry will engage with County Governments to prioritize primary health care services.
Education Sector	<p>Policy Issues</p> <ul style="list-style-type: none"> ▪ Special Needs in Education (SNE) ▪ School Feeding Programme coverage ▪ Insecurity in Schools ▪ Title Deeds for Schools ▪ Harmonization of Bursaries 	<ul style="list-style-type: none"> ▪ The Teachers Service Commission (TSC) has conducted a mapping of Special Needs Education (SNE) across integrated schools, units, and SNE schools, identifying the specific needs of each institution to ensure the appropriate number of teachers are deployed. An ongoing retooling program for SNE Curriculum Support Officers is in place, who then train and retool SNE teachers. Under the Competency-Based Curriculum (CBC), each of the 35 Teacher Training Colleges has a unit on inclusive education, ensuring that all trained teachers are equipped to work with learners with special needs. <p>The Ministry of Education (MOE) is strengthening the Kenya Institute of Special Education (KISE) to enhance its capacity to support learners with special needs. KISE is also setting up a production unit for assistive devices. Furthermore, the Ministry has established Education Assessment Resource Centres across the country to evaluate children before placing them in schools, either in special schools or integrated schools. These centres are linked to KISE. Additionally, the Ministry provides a top-up capitation for SNE learners at all levels, on top of the regular capitation. SNE standalone schools have also been included in the School Feeding Programme.</p>

Sector	Issues	Proposed Way Forward/Action Taken/Response
		<ul style="list-style-type: none"> ▪ The Ministry of Education has allocated KSh 3 billion for the School Feeding Programme in the FY 2024/25, with a similar allocation of KSh. 3 billion in the FY 2025/26 to support the retention of learners in schools. The programme primarily targets ASAL (Arid and Semi-Arid Lands) regions and areas experiencing high levels of poverty, with plans for gradual expansion. However, due to budgetary constraints, the Ministry faces challenges in funding the programme and will need to prioritize the areas covered. ▪ The security of students is a priority to the Ministry and is taking a multi-agency approach to ensure security for learners. ▪ The issue of title deed is a whole government approach and the Ministry has constituted a committee with all the relevant stakeholders to ensure school land is well protected even in terms of infrastructure and other resources. ▪ This is part of the recommendations by the Presidential Working Party on Education Reforms and hence it's an ongoing reform being carried out by the Ministry to have one institution managing the Public Bursaries.
	<p><u>Resource Allocation Issues</u></p> <ul style="list-style-type: none"> ▪ Allocation for University CBA and Car Loan Mortgage ▪ New Funding Model and student placement in the various bands 	<ul style="list-style-type: none"> ▪ In the FY 2025/26, there is an allocation of KSh.3.2 billion for the Collective Bargaining Agreement (CBA). It is noted that CBA negotiations are still ongoing and therefore the current allocation will be reviewed based on the outcome of the negotiations. ▪ In the FY 2025/26, some of the key funding priorities include: HELB loan for GoK students and Bursaries in Universities and TVET KSh.46.9 billion; Scholarship under Student Centred Funding Model at KSh. 16.6 billion; Continuing student at Differentiated Unit Cost at KSh. 23 billion. The students will be funded based on the specific bands that they have been placed
	<p><u>Governance Issues</u></p> <ul style="list-style-type: none"> ▪ Inclusion of Parents as major Stakeholders in the Ministry of Education ▪ Monitoring & Evaluation (M&E) of funds allocated to Junior Schools 	<ul style="list-style-type: none"> ▪ The Sector report has included all Stakeholders in the Education Sector including the Parents. The report has been posted in the National Treasury website for access by the Public and every stakeholder ▪ The Ministry of Education has been carrying out monitoring of its programmes though not to the expected levels due to resource constraints. The Ministry appreciates the need to strengthen monitoring. In the FY2025/26, The State Department for Basic Education has been allocated KSh.600 million under Quality Assurance and audit services at the County level to ensure follow up on utilization of funds and also ensure quality delivery of education

Sector	Issues	Proposed Way Forward/Action Taken/Response
Governance, Justice, Law and Order (GJLOS)	<u>Policy Issues</u> <ul style="list-style-type: none"> ▪ Child protection policies - Increased funding in Child friendly investigation techniques. Sheltering of all children services, under one roof. ▪ Training of more community service providers with an aim to reduce the number of cases and amount on money spent declassify and decriminalise the number of petty offences, thus reduce the burden on correctional services. 	<ul style="list-style-type: none"> ▪ This is an ongoing effort, with planned recruitment aimed at addressing the issue. With the support of the National Treasury and Parliament, the initiative will be pursued and followed through. ▪ All stakeholders in the Criminal Justice System are working towards addressing petty offences in a way that does not require incarceration. Instead, offenders may serve their sentences under non-custodial measures, allowing them to contribute to society. Additionally, outdated laws are being reviewed with the aim of aligning them with the Constitution of Kenya, 2010.
	<u>Governance Issues</u> <ul style="list-style-type: none"> ▪ Standard period for a police officer to request for transfer ▪ Illegal Mining in Moyale 	<ul style="list-style-type: none"> ▪ There is a lot of reorganization and reforms happening the security sector, with a recommendation that no officer will serve for more than 3 years in a given station. ▪ There is an active curfew in place in that area, the State Department for Mining is aware on the issue and are taking steps to address this issue.
Public Administration and International Relations (PAIR)	<u>Policy Issues</u> <ul style="list-style-type: none"> ▪ Unreliable/Inadequate data from Kenya Bureau of Statistics (KNBS) to inform decision making and allocation of resources amongst Government, Departments and Sectors ▪ Government's huge wage bill. ▪ High leasing costs; Government Agencies have hired offices in high end areas/buildings in Upper Hill etc 	<ul style="list-style-type: none"> ▪ Strengthen KNBS to ensure credible data for proper allocation of resources to address broader issues including for example children in rural areas are not delivered in hospitals or health facilities. Community Health Volunteers facilitated to register children and share the data with KNBS. ▪ Recently, the government made over 10 resolutions regarding the wage bill, with clear timelines for their implementation. A document detailing these resolutions is available. ▪ Consider one stop shop for all Govt agencies. The Public Relations and International Relations sector has prioritized construction of offices as opposed to hiring including foreign missions. This is indicated in the report presented to the public.
	<u>Project Implementation Issues</u> <ul style="list-style-type: none"> ▪ Poor monitoring and evaluation of projects. 	<ul style="list-style-type: none"> ▪ The Government is revamping the monitoring and evaluation (M&E) of projects to ensure proper budget allocation for M&E activities. This includes conducting audits and providing reports on the status of all government-funded projects.
	<u>Resource Allocation Issues</u> <ul style="list-style-type: none"> ▪ Prioritizing between allocation and requirements ▪ Sector strategies to address budget shortfall 	<ul style="list-style-type: none"> ▪ The criteria for prioritization include servicing debt, paying salaries and pensions, and transferring funds to counties, while also embracing Public-Private Partnerships (PPPs) to address priorities that cannot be met by the exchequer.

Sector	Issues	Proposed Way Forward/Action Taken/Response
	<p><u>Governance Issues</u></p> <ul style="list-style-type: none"> ▪ Address public participation at National and Grassroot level ▪ mechanisms to ensure transparency and accountability of public funds allocated to services and projects ▪ Relationship between Kenyans and Government ▪ Duplication of roles between County Government act and Provincial Administration 	<ul style="list-style-type: none"> ▪ Strategies to bridge the gap between resource requirements and allocations include borrowing from concessional sources, embracing Public-Private Partnerships (PPPs), and prioritizing projects. ▪ A public participation bill is currently in Parliament, which aims to address some of the gaps experienced. In 2023, a nationwide public participation was conducted across all 47 counties, excluding Mandera. The Government has made significant investments in ICT and is leveraging this through virtual attendance to enhance participation. ▪ Periodic audits are mandated by the Constitution, requiring the Auditor-General to audit and report on the usage of public funds to ensure they are used prudently. Budget reports are uploaded on the Treasury website. Additionally, the Controller of Budget issues quarterly reports on the usage of the budget by both the National and County Governments. ▪ The government to conduct civic education to help citizens understand that the Government operates similarly to a cooperative, where individuals receive benefits based on their contributions. ▪ The County Government Act should be reviewed in relation to the Provincial Administration to eliminate duplications in roles and responsibilities. Additionally, ICT should be leveraged to address and streamline these duplications.
<p>Social Protection, Culture and Recreation</p>	<p><u>Governance Issues</u></p> <ul style="list-style-type: none"> ▪ The issue of how to assist Kenyans in the diaspora who find themselves in difficult situations ▪ Talent Development in informal settlement <p><u>Project Implementation Issues</u></p> <ul style="list-style-type: none"> ▪ Emerging issues on child abuse and neglect ▪ Emerging issues on children with disabilities and vulnerable groups facing heightened risks of violence and exploitation with limited access to services ▪ Children from vulnerable backgrounds face challenges in accessing education, healthcare, and essential basic rights. ▪ National heroes' council under funded 	<ul style="list-style-type: none"> ▪ The Government provides assistance through the toll-free number 020-800-222223, which is managed by the National Employment Authority. ▪ The State Department is revising its policy on the Sports Fund to enhance its role in identifying and supporting emerging talent. ▪ Child protection one-stop shops are being established at the community level to provide abused children with access to essential services such as justice, healthcare, child protection, and counselling. ▪ Fund inclusive child protection programs for children with disabilities and marginalized groups, ensuring access to services such as sign language and Braille. Furthermore, increase funding to enhance infrastructure, facilities, and provide assistive devices for children with disabilities (CWDs). ▪ The Government will fund the creation and strengthening of child advisory councils and youth participation platforms. It will also support children-led

Sector	Issues	Proposed Way Forward/Action Taken/Response
		<p>initiatives and consultative forums focused on the prevention of violence against children (VAC) and policy development. Additionally, the Government will allocate resources for training and awareness campaigns on children’s rights for parents, teachers, religious leaders, and government officials.</p> <ul style="list-style-type: none"> ▪ The Government will allocate adequate resources to address child labor issues, including manpower for monitoring and intervention efforts. It will also fund the provision of medical care, including psychosocial services, for children affected by violence. Additionally, the Government will fund strategies to ensure transparency and fairness in the allocation of bursaries for children from disadvantaged backgrounds. ▪ The Government will provide resources for the National Heroes Council to support its activities and initiatives.
Environmental Protection, Water and Natural Resources Sector	<p><u>Policy Issues</u></p> <ul style="list-style-type: none"> ▪ Compensation of victims of snake bites in Kilifi County ▪ Address Why the Human Wildlife Committee hasn’t sat for over two years ▪ Delay in Compensation of Human Wildlife Conflict Victims ▪ Inaction on the rampant Pollution of Athi River leading to death of fish ▪ Lack of a policy to include public toilets in social halls/Markets ▪ Security Issues for Riparian Lands ▪ Overreliance on donor funding in the sector which may lead to projects stalling ▪ Compensation for Livestock and Human Lives lost through drought in Arid areas 	<ul style="list-style-type: none"> ▪ A policy review of the Wildlife Act removed victims of snake bites from the compensation list. In response to numerous public complaints, the State Department for Wildlife is in the process of conducting a comprehensive review of the Act to address this issue. ▪ The committee has been unable to meet for some time due to budgetary issues, which has slowed down the process. However, measures have now been put in place to clear the backlog using the FY 2025/26 budget and the Medium-Term Period. The Ministry has also deployed technology for lodging claims, with a pilot being conducted using a digital system for verification and payment of the claims. ▪ The verification process of the claims has taken considerable time, partly due to the inadequate allocation of resources since 2014. However, the State Department for Wildlife has compensated over Ksh 2.1 billion out of the Ksh 4.1 billion in verified claims to date. Additionally, seed money has been budgeted to operationalize the committees and enable them to effectively carry out their mandate. ▪ The Presidential directive on cleaning Nairobi River is already underway, with all the ministry tasked with coordinating the program. So far, over 20,000 youths have been engaged in cleaning the debris along the river corridor after the recent floods. The entire corridor, starting from Naivasha Road, is being concreted along Nairobi River to reduce water pollution.

Sector	Issues	Proposed Way Forward/Action Taken/Response
		<ul style="list-style-type: none"> ▪ The State Department for Water and Sanitation has launched pilot projects in urban centers, with the support of the African Development Bank (AfDB), to support the sanitation policy tied to various social public projects. ▪ A PPP for the seedling distribution program is already underway through KEFRI, aimed at producing and distributing quality seedlings to the public. This initiative supports tree planting in riparian lands, including slum areas. ▪ The own-source revenue generated by the National Government is insufficient to support all development projects, necessitating support from development partners. However, the Government is implementing strategies aimed at improving revenue collection in the long term. ▪ The Ministry of Environment, through NETFUND, is implementing a compensation program for losses, damages, and calamities caused by the effects of climate change. Farmers, particularly from pastoral communities, are being compensated to mitigate the adverse effects through resource mobilization and adaptation programs.
	<p><u>Implementation Issues</u></p> <ul style="list-style-type: none"> ▪ Poor Implementation of Thwake Dam Project-currently only benefitting one county (Makueni) ▪ Low absorption rates for development projects in the Sector especially Water projects ▪ The slow implementation of the Itare Dam project, currently at only 20 percent completion, and the near-completion of the Chemasusu Project, at 92 percent ▪ Lack of Capacity building to Counties after project handovers leading to distribution challenges ▪ Lack of accountability of funds issued by the World Bank to counties for Climate Action ▪ low absorption rates in funding of projects ▪ Despite being completed over two years ago, Siabai Dam has not yet been supplying water to the locals, raising concerns about the reasons behind the delay in its operation. 	<ul style="list-style-type: none"> ▪ The project, located on the border of Kitui and Makueni Counties, is designed to benefit both counties. However, an issue has been noted regarding the access road for Kitui County. The State Department for Water will collaborate with the Ministry of Roads to resolve this issue. ▪ Low absorption rates for development projects in the sector, particularly water projects, remain a challenge. Issues related to land acquisition and the resettlement of project-affected persons (PAPs) continue to hinder timely project implementation. ▪ Historical issues that had stalled the implementation of the Itare Dam have now been addressed. An out-of-court settlement between the contractor and the Government of Kenya (GoK) has enabled the contractor to return to the site and continue with the project. The focus is now on completing projects that are nearing completion over the Medium-Term period. ▪ The National Government has completed a significant number of projects. However, the failure of Last Mile distribution by counties is being addressed through the implementation of performance parameters issued to the counties. In cases of non-compliance, the National Government is taking over the projects to ensure water is connected to the citizens.

Sector	Issues	Proposed Way Forward/Action Taken/Response
		<ul style="list-style-type: none"> ▪ Forty-seven (47) Climate Change Units have been established in all counties to track the implementation of earmarked activities and monitor achievements. As this is a conditional grant, justification for the progress made must be satisfactory before the next disbursement is approved. ▪ Low absorption rates in funding remain a challenge. There is a need to review the procurement process to make it more efficient and improve the absorption rates for funds earmarked for development projects in the sector. ▪ The Siabai Dam, which was completed by the Ministry of ASALs, has not yet started supplying water to the local communities. To address this, the Ministry of Water will work together with the State Department for ASALs and the County Government of Migori to ensure the project is launched and delivers benefits to the public.
	<p><u>Governance Issues</u></p> <ul style="list-style-type: none"> ▪ Vandalism of water Infrastructure projects ▪ The restriction of local communities to access conservancies in Lamu County ▪ Conflicts between Kuria and Kipsigis causing deforestation with over 30 acres of trees destroyed ▪ Uncontrolled deforestation in Water catchment areas 	<ul style="list-style-type: none"> ▪ Dispute resolution measures have been put in place to address issues leading to the vandalism of water projects, which are intended to benefit the public. ▪ A robust framework will be developed to ensure that conservancies adhere to the Standard Operating Procedures set by the government. Further discussions are required to establish a legal framework that outlines the modalities for interaction between the community and conservancies, ensuring mutual benefits for both. ▪ The Ministry of Interior has deployed GSU officers to the affected area to mitigate the situation through a peace mediation process, aimed at promoting coexistence between communities and facilitating the implementation of development projects. ▪ The State Department for Forestry is conducting sensitization and tracking activities in coordination with NGAO officers, utilizing intensive monitoring techniques, to assess the progress of tree growing initiatives, with support from KEFRI.

DRAFT 2025 BPS

**THE NATIONAL TREASURY AND ECONOMIC PLANNING
JANUARY 2025**