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The Budget Watch is a Parliamentary Budget Office (PBO) report series produced annually that disseminates the assessment of key issues on the implementation of the approved budget in a particular financial year. By examining the government's priority programmes and projects, the Budget Watch is instrumental in holding the government accountable for its promises and enhancing efficiency, effectiveness, equity, and accountability in collecting and utilizing public finances. It is intended to enrich the oversight role of the Legislature and other stakeholders in the management of public resources. This 18th edition of the Budget Watch has been prepared to facilitate monitoring the implementation of the budget for the Financial Year 2025/2026.

The report was prepared by a team under the overall guidance of FA. Dr. Martin Masinde (Director, PBO), Robert Nyaga (Senior Deputy Director and Head of the Budget Analysis & Expenditure Review Department), and Lucy Makara (Senior Deputy Director and Head of Senate Affairs & Inter-Fiscal Relations Department). The report was compiled by an editorial team led by Dr. Benjamin Ng'imor. The report also benefited from valuable regular review discussions with other staff of the Parliamentary Budget Office.

The document can be downloaded from www.parliament.go.ke.

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ACRONYMS AND ABBREVIATIONS

AfCFTA	African Continental Free Trade Area
AiA	Appropriation in Aid
BETA	Bottom-up Economic Transformation Agenda
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CCIS	County Climate Institutional Support
CCRI	County Climate Resilience Investment
CFS	Consolidated Fund Services
CGAAA	County Governments Additional Allocations Act
CHP	Community Health Promoters
DANIDA	Danish International Development Agency
DoRA	Division of Revenue Act
DoRB	Division of Revenue Bill
EAC	East African Community
EMDEs	Emerging Markets and Developing Economies
EPA	Economic Partnership Agreement
eTIMS	Electronic Tax Invoice Management System
EU	European Union
FDI	Foreign Direct Investment
FLOCCA	Financing Locally-Led Climate Action
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GoK	Government of Kenya
ICT	Information and Communication Technology
IFMIS	Integrated Financial Management Information System
IPPD	Integrated Payroll and Personnel Database
KDSP	Kenya Devolution Support Program
KMD	Kenya Meteorological Department
KRA	Kenya Revenue Authority
KSHS	Kenya Shillings
MDAs	Ministries, Departments, and Agencies
MDTS	Medium-Term Debt Strategy
MSMEs	Micro, Small, And Medium Enterprises
NHIF	National Health Insurance Fund
ODA	Official Development Assistance
OPEC+	Organization of the Petroleum Exporting Countries
PAYE	Pay As You Earn
PHC	Primary Health Care
PPPs	Public-Private Partnerships
SSA	Sub-Saharan Africa
UK	United Kingdom
US/USA	United States of America
USD	United States Dollars
VAT	Value Added Tax
WTO GATT	World Trade Organization General Agreement on Tariffs & Trade



- 1. The Budget Watch for FY 2025/26 provides an independent review of Kenya’s fiscal outlook, resource mobilization efforts, and expenditure priorities against the backdrop of prevailing economic conditions.** It is intended to inform Members of Parliament, policymakers, and the public on the credibility of the budget, the alignment of resource allocation with national development priorities, and the emerging risks to fiscal sustainability. The FY 2025/26 budget is being implemented amid volatility in the global economy, persistent revenue shortfalls, rising public debt service obligations, and competing demands for expenditure across sectors, underscoring the need for prudent fiscal management and enhanced accountability in the use of public resources.
- 2. The global economy is projected to slow from 3.3 percent in 2024 to 2.8 percent in 2025, before a modest recovery to 3.0 percent in 2026.** Growth remains constrained by fiscal and monetary policy shifts in advanced economies, rising U.S. trade tariffs, weaker consumption and investment, and persistent geopolitical tensions disrupting supply chains. Advanced economies are expected to decelerate from 1.8 percent in 2024 to 1.4 percent in 2025, while growth in emerging markets and developing economies will ease from 4.3 percent to 3.7 percent. Sub-Saharan Africa is projected to grow at 4.0 percent, weighed down by lower commodity prices, weak global demand, and tight financing conditions.
- 3. Despite the global slowdown, the National Treasury projects that the Kenyan economy will grow by 5.3 percent in 2025, up from 4.7 percent in 2024.** Growth will be driven by a rebound in agriculture, supported by favourable weather and interventions such as the fertilizer subsidy programme. The services sector will remain a key anchor through digitization reforms, a revitalized tourism industry, and international events, while manufacturing is expected to benefit from value addition, lower production costs, and increased construction activity under the affordable housing program and road projects financed through the securitization of the Road Maintenance Levy Fund.

4. **Inflation, Interest Rates, and the current account balance are expected to remain stable.** Headline inflation eased to 4.1 percent in July 2025 from 4.6 percent in June 2024, remaining within target as lower global oil prices reduced domestic fuel costs, though food prices stayed elevated due to weather disruptions. The Central Bank responded with monetary easing, cutting the policy rate from 13 percent to 9.75 percent, which lowered lending rates to 15.3 percent, but private sector credit growth stagnated at 0.2 percent. Externally, the current account deficit narrowed to -1.5 percent of GDP in Q1 2025, supported by higher reserves that boosted import cover to 4.7 months.
5. **The government intends to sustain fiscal consolidation in FY 2025/26, targeting a reduction of the budget deficit to 4.8 percent of GDP.** This is in line with its objective of restoring fiscal sustainability while supporting development priorities under the Bottom-Up Economic Transformation Agenda (BETA). Planned reforms include the adoption of accrual-based accounting, zero-based budgeting, the rollout of a Treasury Single Account (TSA), and E-procurement to enhance expenditure control and transparency, and diversification of borrowing instruments to reduce reliance on the costly domestic market.
6. **Total revenue and grants for FY 2025/26 are projected at KSh. 3.4 trillion (17.5 percent of GDP).** This includes ordinary revenue of KSh. 2.8 trillion, AiA of KSh. 566.9 billion, and grants of KSh. 46.9 billion. Ordinary revenue will primarily come from income tax (KSh. 1.3 trillion), VAT (KSh. 771.7 billion), excise duty (KSh. 335.5 billion), and import duty (KSh. 162.9 billion). Despite gradual improvement, revenue performance continues to lag behind the nominal GDP growth, underscoring challenges in broadening tax base and integrating informal sector.
7. **Total expenditure and net lending are projected at Kshs. 4.3 trillion (22.3 percent of GDP).** This comprises recurrent expenditure of KSh. 3.1 trillion, development expenditure and net lending of KSh. 668.4 billion, and transfers to counties of KSh. 484.9 billion. While recurrent expenditure is expected to decline as a share of GDP, non-discretionary spending, particularly interest payments (5.7 percent of GDP) and pensions, continues to rise, limiting fiscal space.
8. **Development expenditure is projected to increase to 3.5 percent of GDP, though much of this is expected to come from foreign-financed projects.** This raises risks around absorption, delays, and pending bills. Transfers to counties remain steady at 2.5 percent of GDP, reinforcing support for devolution despite fiscal tightening. Overall, the fiscal deficit is projected at KSh. 931.1 billion (4.8 percent of GDP), down from 5.8 percent in FY 2024/25, reflecting the government's efforts on fiscal consolidation while maintaining priority development and service delivery commitments.

9. **The government is shifting from aggressive changes in tax rates to a citizen-sensitive approach that prioritizes simplicity, efficiency, and compliance.** This transition was underscored by the withdrawal of the Finance Bill 2024, which initially sought to raise an additional KSh. 344 billion and its replacement with the more modest Tax Laws (Amendment) Act 2024, which aimed for KSh. 79 billion. The Finance Act 2025 reinforced this trajectory, projecting KSh. 30 billion in additional revenue through simplified laws, stronger enforcement, and administrative reforms rather than new taxes. This evolution reflects a growing recognition that sustainable revenue mobilization thrives as much from public trust and policy credibility as from tax measures themselves.
10. **Achieving the FY 2025/26 revenue target hinges on effective fiscal reforms, particularly the digital transformation of revenue administration.** Key measures include modernizing ICT infrastructure, simplifying tax procedures, strengthening data governance, and improving service delivery to build a transparent and efficient tax ecosystem. Equally vital is combating tax evasion through stronger audit capacity, enhanced inter-agency collaboration, and wider adoption of digital tools such as the Electronic Tax Invoice Management System (eTIMS) to ensure real-time compliance and reliable revenue flows.
11. **To enhance efficiency in public expenditure, the government intends to undertake state corporation reforms.** Despite consuming over 17 percent of government revenues, state corporations contribute only 3.5 percent to GDP against 14 percent in Sub-Saharan Africa, reflecting inefficiencies, overlapping mandates, and reliance on the Exchequer, with pending bills reaching KSh. 121 billion by the end of June 2025. To address these challenges, the 2021 Reform Strategy seeks to streamline operations, enhance efficiency, and reduce fiscal dependence through mergers, dissolutions, restructuring, and declassification.
12. **Leveraging Development Partner–Funded (DPF) programs remains critical at both national and county levels.** Given the constrained fiscal space, rising expenditure pressures, and cautious domestic revenue mobilization. In FY 2025/26, DPF allocations amount to KSh. 258.4 billion, down from KSh. 278 billion in FY 2024/25, representing about 35 percent of the development budget and supporting priority areas such as healthcare, food security, and infrastructure development. However, low absorption, weak coordination, and contractual challenges continue to limit effectiveness, causing delays, reduced drawdowns, and diluted impact, while increasing the risk of partners shifting resources to off-budget mechanisms.



Chapter One: Economic Growth Prospects

Ms. Julie Mwithiga and Ms. Loice Olesia

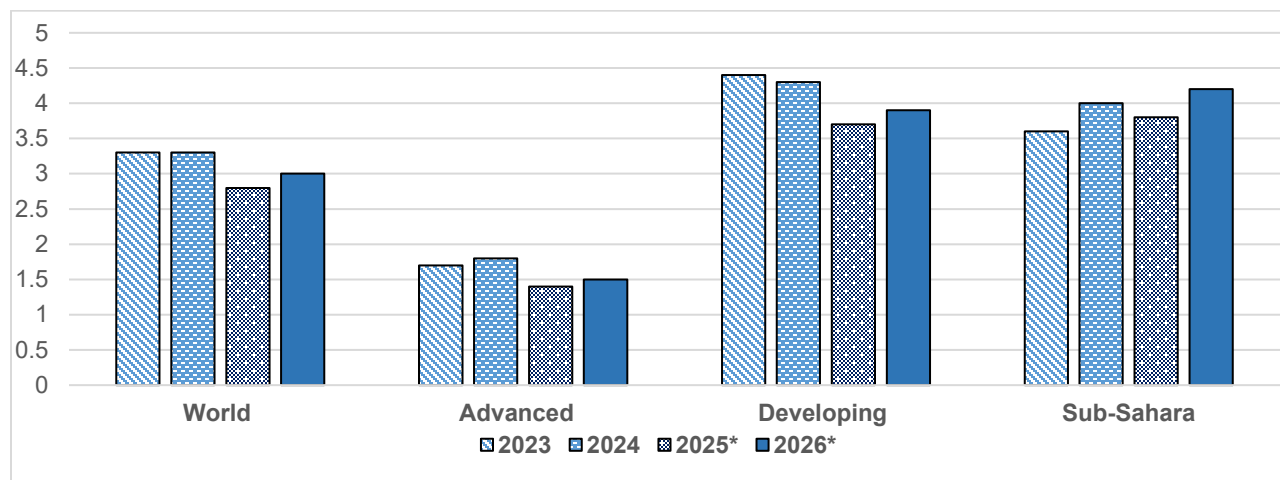


1.1 Global Economic Outlook

13. **Global economic growth is projected to slow-down at 2.8 percent in 2025 and at 3.0 percent in 2026 compared to 3.3 percent in 2024¹.** Growth projections remain closely tied to fiscal and monetary policy decisions across major economies which continue to shape global economic dynamics. Additionally, consumer prices are projected to decline from 5.7 percent in 2024 to 4.3 percent in 2025. Global fuel prices are projected to continue declining with oil prices projected to decline from -1.8 percent in 2024 to -15.5 percent in 2025. Prices of non-fuel commodities are however projected to go up from 3.7 percent to 4.4 percent in the same period attributable to the anticipated increase in food and beverage prices.
14. **In advanced economies is projected to decline from 1.8 percent in 2024 to 1.4 percent in 2025 as shown in figure 1.** This expectation is largely pegged on trade policy uncertainty following the imposition of tariffs by USA on its trade partners, contributing to rising trade tensions across economies. This is expected to moderate growth in the US, largely due to slower than expected growth in consumption. Additionally, ongoing geopolitical tensions, coupled with associated supply chain disruptions, are likely to affect economic activity in the euro area. The resulting uncertainty may dampen demand and erode investor confidence in the euro area.
15. **Growth in emerging markets and developing economies is expected to slow down from 4.3 percent in 2024 to 3.7 percent in 2025.** In Asia, China's growth outlook remains subdued due to ongoing trade policy uncertainty while India's economy is expected to remain resilient, supported by private consumption. In the Middle East, a gradual recovery in oil production is anticipated as geopolitical tensions are expected to ease. Growth prospects in Sub-Saharan Africa are projected to weaken, weighed down by persistent supply chain disruptions, protectionist trade policies in advanced economies, and the spillover effects of tightening global financial conditions affecting borrowing costs and capital flows.

¹ <https://www.imf.org/en/Publications/WEO/Issues/2025/04/22/world-economic-outlook-april-2025>

Figure 1: Growth Projections for 2025



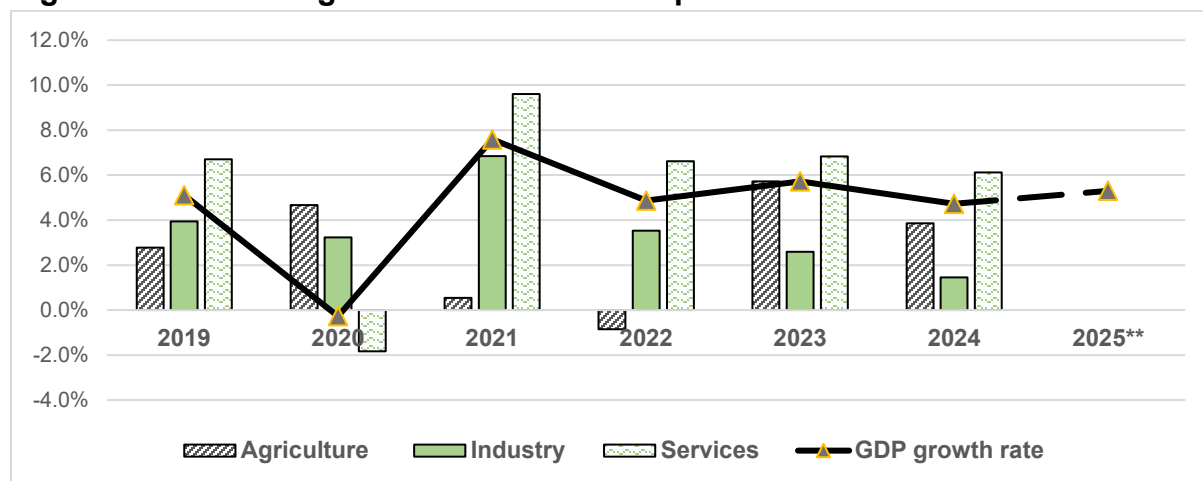
Source: International Monetary Fund, National Treasury

1.2 Domestic Economic Outlook

1.2.1 Economic Growth

16. **Kenya's economy is projected to grow by 5.3 percent in 2025 compared to 4.7 percent in 2024.** The projected economic growth is largely premised on expected advancements in the agriculture sector, supported by favourable weather patterns and targeted government measures such as the fertilizer subsidy initiative aimed at boosting productivity. The services sector is also anticipated to strongly support overall economic growth, driven by efforts to rejuvenate tourism, reforms within the ICT space, and the hosting of international conferences. Additionally, the industry sector is expected to spur growth through lower production costs, government backed policies focusing on value addition, and increased activity in construction, particularly under the affordable housing initiative. Notably, the realization of the growth projections will rely on the efficient and on schedule implementation of government policies.
17. **In 2024, the economy decelerated to 4.7 percent, the lowest it has been since 2021 post the COVID-19 pandemic; this is a decline from 5.7 percent in 2023.** Growth in the agriculture sector decelerated from 5.7 percent in 2023 to 3.9 percent in 2024. This was majorly occasioned by a decline in the performance of mining and quarrying, growing of crops and animal production. The unanticipated decline in the performance of activities in agriculture was majorly brought about by variations in weather patterns, a likely indication of the effects of climate change. In mining and quarrying there was a decline in the production of key minerals such as those used in the construction industry.

Figure 2: Economic growth forecast for the period 2019 to 2025



Source: Kenya National Bureau of Statistics

18. **Performance in the industry sector also declined from 2.6 percent in 2023 to 1.5 percent in 2024 and this is the lowest it has been post COVID-19 pandemic.** The decline in the performance was because of a notable decline in the performance of activities in the construction industry. The decline in the construction sector was driven primarily by reduced production of key inputs, especially cement, alongside a drop in the importation of iron and steel used in construction. Additionally, the decrease in cement production and consumption, combined with limited access to credit for firms due to rising interest rates, likely contributed to the overall contraction of the industry. Notably, manufacturing improved support by agro-processing however, non-food manufacturing declined in the same period.
19. **The services sector also declined from 6.8 percent in 2023 to 6.1 percent in 2024.** The performance in this sector was majorly affected by a decline in services in accommodation and food service, transport and storage, finance and insurance and real estate. Generally, the performance of the economy was largely affected by fiscal consolidation measures which subdued government consumption and investments, unanticipated underperformance in the agriculture sector, low demand in construction which affected performance in the industry sector, decline in credit to the private sector and disruptions of business activities on account of civil unrest.
20. **In the first quarter of 2025, the economy grew by 4.9 percent compared to 4.6 percent in the first quarter of 2024.** Growth in the period was supported by the agriculture sector which improved from 5 percent to 5.7 percent on account of significant improvements in activities in mining and quarrying. The industry sector also rebounded growing by 2.8 percent compared to 0.9 percent owing to growth in manufacturing and improvements in the construction subsector. The services sector however recorded an underperformance from 6.1 percent to 5.5 percent. the decline

in performance is attributable to the accommodation and food services and real estate sectors which underperformed in the first quarter of 2025.

Table 1: Quarterly GDP growth rates for the period 2023 to 2025

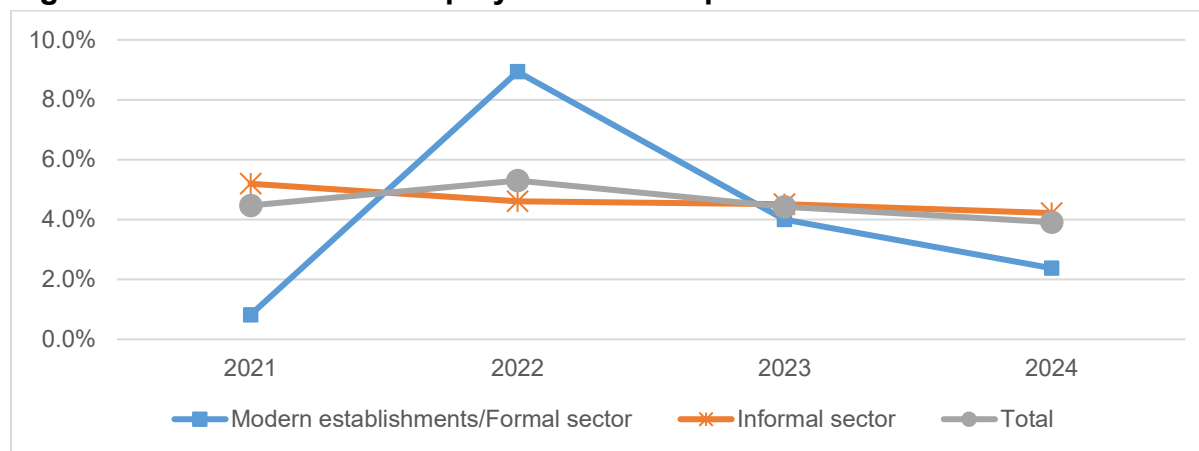
Details	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1
1. Agriculture	5.8%	7.6%	6.4%	3.7%	5.0%	3.9%	3.2%	4.0%	5.7%
2. Industry	2.4%	1.8%	3.4%	2.0%	0.9%	1.2%	0.6%	4.4%	2.8%
3. Services	6.0%	10.9%	11.2%	10.8%	6.1%	5.6%	5.3%	6.5%	5.5%
GDP at market prices	12.1%	10.9%	10.9%	9.4%	4.6%	4.5%	4.0%	6.1%	4.9%

Source: Kenya National Bureau of Statistics

21. **The Parliamentary Budget Office projects Kenya’s economy to grow by 5.1 percent in 2025/26. However, there are notable downside risks to the economic outlook.** On the external front, the potential spillover effects of protectionist trade policies in the global economy are likely to weigh on domestic economic performance through trade and financial channels. Domestically, growth prospects remain largely dependent on the efficient and timely implementation of government policies across the agriculture, industry, and services sectors. In particular, the agriculture sector remains vulnerable to variations in weather patterns, which could affect productivity. On a positive note, improvements in credit uptake, supported by ongoing monetary policy easing, are expected to stimulate economic activity and support private sector investment.

22. **Employment growth in the informal sector remained consistent, while employment growth in the formal sector decreased.** Formal sector employment growth fell from 4.0 percent in 2023 to 2.4 percent in 2024. In absolute numbers, the informal sector generated 782,300 new jobs in 2024, while the formal sector added 78,600 jobs. The government aims to create 1.2 million jobs annually through the Bottom-Up Economic Transformation Agenda (BETA) and the Fourth Medium Term Plan (MTP IV), with an emphasis on promoting labour-intensive sectors and expanding opportunities within the informal economy.

Figure 3: Growth rates in employment for the period 2021 to 2024

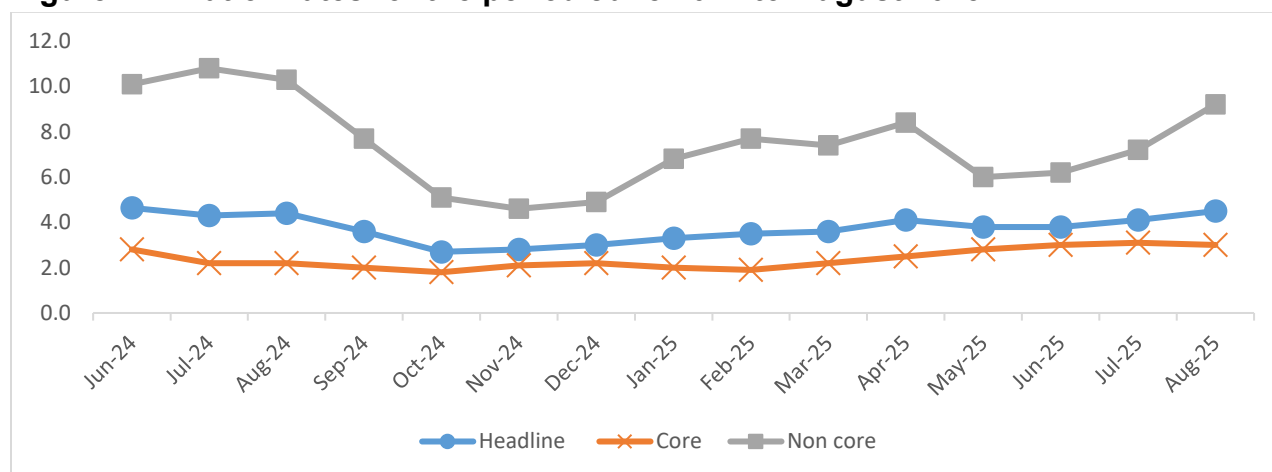


Source: Kenya National Bureau of Statistics

1.1.1 Inflation

23. **Headline inflation remained within the target range of 5 ± 2.5 percent, increasing slightly from 4.4 percent in August 2024 to 4.5 percent in August 2025 as shown in figure 4.** Non-core inflation comprising of volatile prices recorded a notable decline, falling from 10.3 percent in August 2024 to 9.2 percent in August 2025. Food prices remained elevated, with increases observed in vegetables, grains, and wheat flour during the period. These food price increases were partly attributable to fluctuations in weather patterns impacting vegetable and crop production. Conversely, fuel prices declined, with kerosene decreasing by 3.5 percent, petrol by 1.6 percent, while diesel prices remained relatively stable growing by 0.2 percent over the same period. The relatively lower growth in fuel prices was partly attributable to declining global prices.

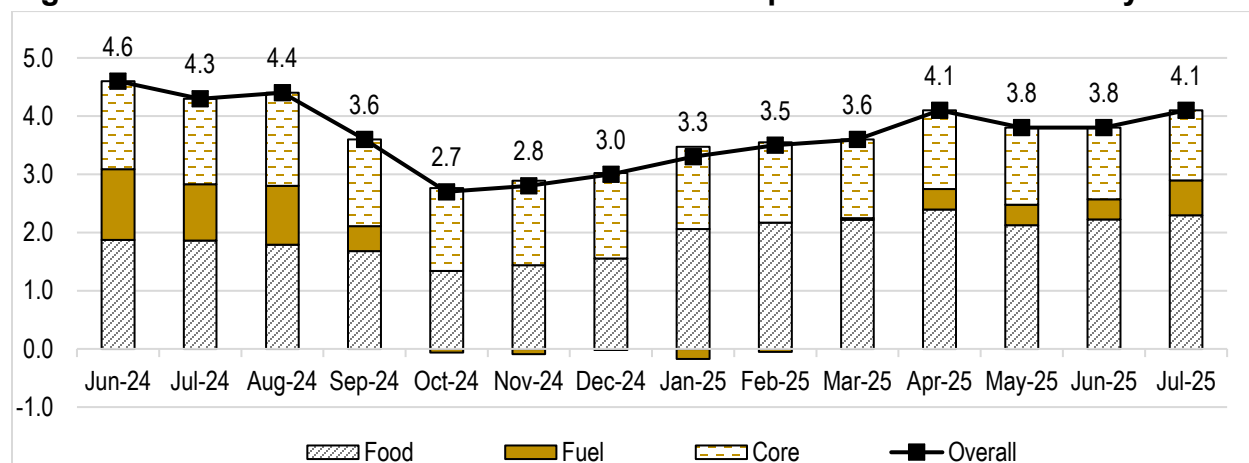
Figure 4: Inflation rates for the period June 2024 to August 2025



Source: Kenya National Bureau of Statistics

24. **Core inflation, which excludes volatile price categories, rose from 2.2 percent in August 2024 to 3 percent in August 2025.** Prices of clothing and footwear, alcoholic beverages, tobacco and narcotics, health and personal care items recorded significant increases.

Figure 5: Trend in contribution to Inflation for the period June 2024 to July 2025



Source: Kenya National Bureau of Statistics

25. **Looking ahead, inflation is projected to remain within the target range, although it may experience volatility due to sustained upward pressure on food prices.** Food inflation is expected to persist, in part because of below-average short rains anticipated between October and December². In contrast, fuel prices are likely to moderate, reflecting downward trends in global markets driven by an expected increase in oil supply, notwithstanding ongoing risks from geopolitical tensions in the Middle East. Core inflation is likely to remain relatively steady, supported by a stable exchange rate and provisions in the Finance Act 2025, which focused on strengthening tax administration without introducing new taxes.

1.1.2 Interest Rates and Credit

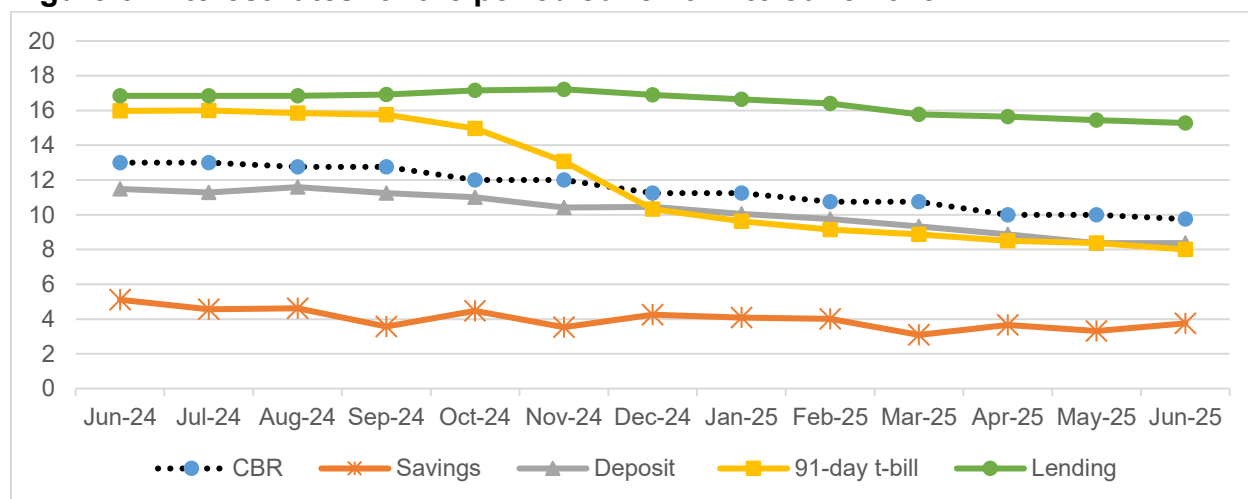
26. **The Central Bank Rate declined from 13 percent in June 2024 to 9.75 percent by August 2025.** The Central Bank has been pursuing monetary policy easing since inflation stabilized, consequently, interest rates have gradually declined. The 91-day T-bill and the 182-day T-bill rates declined nearly converging as shown in figure 4. This is an indication of lower borrowing costs for the government in the domestic market. This also signifies lower returns for investors in government securities.
27. **Previously, the rising interest rates resulted to tightening liquidity conditions and lower access to credit however lending rates began declining gradually.** Lending rates by commercial banks declined from 16.9 percent in June 2024 to 15.3

² Famine Early Warning Systems Network (FEWS NET) July 2025 Update

percent in June 2025 indicating lower cost of credit. The deposit rate also declined from 10.8 percent to 8.4 percent in the same period. The interest rate spread between the two rates has been slowly increasing implying perceived credit risk in the market. Notably, banks have been gradually lowering lending rates, which nonetheless reflects higher credit risk pricing as well as their need to maintain profitability. The decline in the lending rate is however crucial to stimulate borrowing by the private sector.

- 28. **The savings rate declined from 5.1 percent in June 2024 to 3.8 percent in June 2025 indicating lower returns for depositors on their savings.** This shows lower incentive for households to hold savings in formal financial systems. Notably, the rate mirrors the accommodative policy stance targeting to stimulate borrowing and investments.

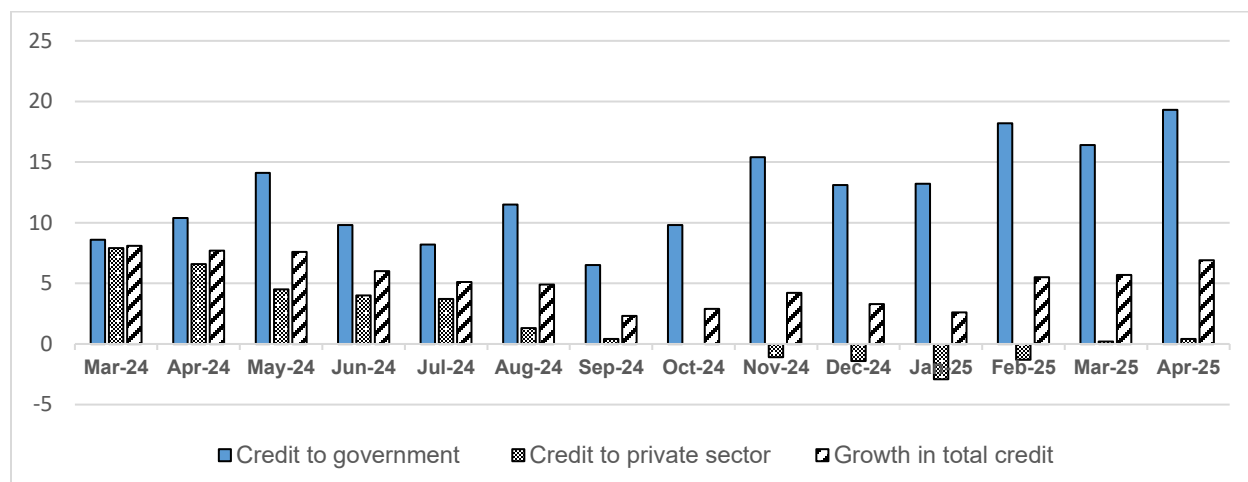
Figure 6: Interest rates for the period June 2024 to June 2025



Source: Central Bank of Kenya

- 29. **Growth in total credit to the economy declined from 8.1 percent in March 2024 to 5.7 percent in March 2025 largely attributable to declining credit to the private sector.** Credit to the government increased from a growth rate of 8.6 percent to 16.4 percent in the period. On the other hand, credit to the private sector declined from a growth of 7.9 percent to 0.2 percent. This is however an improvement from an average negative growth of -1.7 percent in the period between November 2024 to February 2025. The decline in credit to the private sector can be attributed to the transmission mechanism of recent monetary policy tightening. As the central bank raised policy rates to curb inflation, commercial banks responded by increasing their lending rates. This, in turn, reduced the demand for credit from businesses and households, thereby weakening the flow of credit through the financial system. The tightening cycle is likely to have transmitted into the real economy by dampening borrowing and investment activity.

Figure 7: Credit for the period March 2024 to April 2025



Source: Central Bank of Kenya

30. **Despite a slight improvement in overall private sector credit growth in March 2025 as shown in Table 7, most sectors recorded a notable decline compared to March 2024.** Significant reductions in credit were observed in the mining and quarrying, manufacturing, and finance and insurance sectors. However, credit to the building and construction sector rebounded during the same period as shown in table 2. Notably, these sectors are key contributors to economic output, and sustained credit constraints could weigh on overall economic performance.

Table 2: Growth rates in credit to the private sector March 2024 to March 2025

Details	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
Credit to private sector	7.9	6.6	4.5	4	3.7	1.3	0.4	0	-1.1	-1.4	-2.9	-1.3	0.2
o/w Agriculture	17.5	15.7	9.9	10.1	11.3	7.1	7.2	8.9	4.2	5.1	-1.1	2.6	8.4
Manufacturing	9.4	4.3	1.6	-0.6	0.4	-6.7	-14.3	-11.6	-10.5	-9.4	-10.7	-5.1	-6.3
Trade	6.2	5.1	2.7	3.1	0.6	0.8	6.5	4.7	2.2	2.3	1	2.4	5.8
Building and construction	0.1	5	-4	-8.3	-7.9	-13	-13.4	-16.7	-2.2	-6.1	-0.2	-3.4	12
Transport & communications	6.9	9.6	4.4	4.4	7.3	-1.1	1.4	8	1.2	1.6	3.2	6.5	4.8
Finance & insurance	13	6.2	-0.1	3.2	0.9	4.4	0.3	-5.2	-9.1	-21.2	-9.4	-14.9	-18.8
Real estate	5.2	5.4	7.3	3.6	3.6	3.8	2.3	2.8	2.2	1.3	-0.1	1.4	2.4
Mining and quarrying	34.4	26.9	47.2	111.7	106.7	102.3	96.7	26.3	6.4	-22.9	-25.1	-26.5	-44.3
Private households	8.6	10.4	7.6	7.5	7.6	5.9	7	5.9	4.7	9.2	0.2	-2.1	-0.9
Consumer durables	6.4	5.2	5.7	3.9	2.7	3.8	2.7	3.3	2.2	3.3	3.8	5.2	8.1
Business services	6.8	-0.4	0.9	1.9	2.1	1.4	-2.8	-3.8	-1.6	-4.5	-5.8	-1.8	-13.1
Other activities	15.2	10.4	7.3	8.8	5.6	-2.8	-7.4	-16.1	-18.6	-18.2	-30	-26.5	-0.8

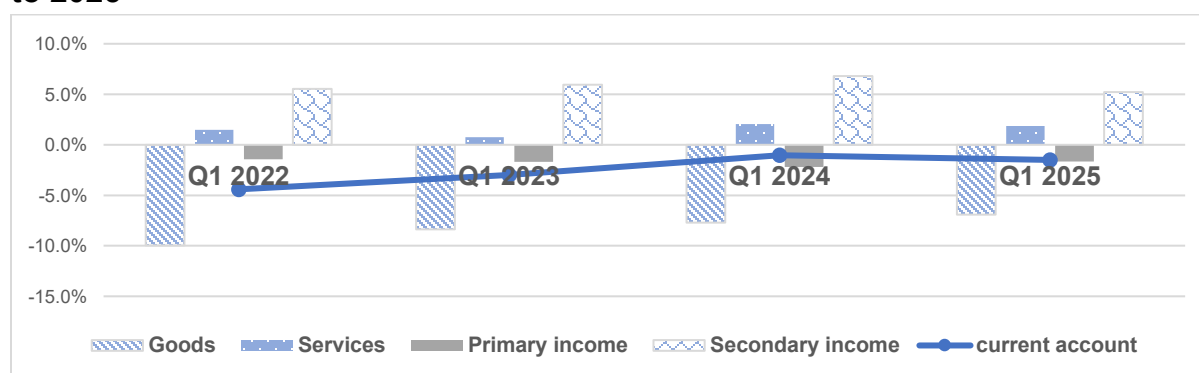
Source: Central Bank of Kenya

31. **Recent reductions in the CBR are beginning to ease credit conditions, with early signs of recovery in private sector lending.** Through the monetary policy transmission mechanism, lower benchmark rates are gradually translating into reduced lending rates by commercial banks. This is expected to stimulate borrowing, particularly among businesses and consumers who had previously been priced out of the credit market, thereby supporting economic activity.
32. **Additionally, trends in credit growth over the twelve months to March 2025 indicate a potential crowding out of the private sector by increased government borrowing as shown in figure 6.** While the recent decline in interest rates is likely to stimulate borrowing, the subdued performance of business activities and early signs of operational downsizing within some sectors pose a risk to the recovery in private sector credit uptake. This dynamic if sustained, may constrain investment and job creation.

1.1.3 External Sector

33. **The current account deficit as a share of GDP narrowed from -4.4 percent in the first quarter of 2022 to -1.5 percent in the first quarter of 2025.** However, this represents a slight deterioration compared to a deficit of -1.0 percent in the first quarter of 2024. During this period, the growth in exports declined in the first quarter of 2025 relative to the same period in 2024. Imports also recorded a decline, but imports declined more than exports, hence containing the current account deficit. The services account recorded a modest decline, though it has sustained a surplus balance. This sustained surplus in the services account highlights an opportunity for Kenya to further strengthen its earnings from services, particularly in sectors such as tourism, ICT, and transport.

Figure 8: Components of the current account as a share of GDP for the period 2022 to 2025



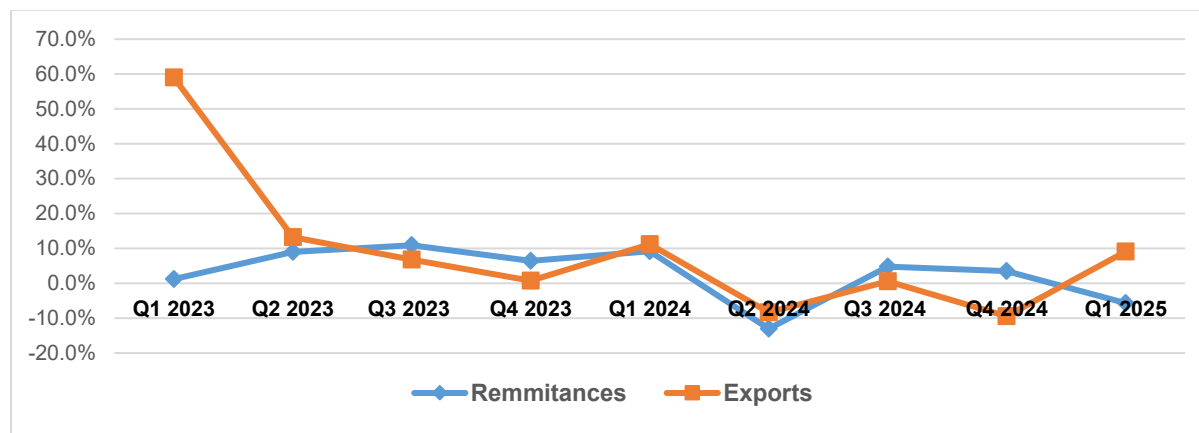
Source: Kenya National Bureau of Statistics

34. **The secondary income surplus also narrowed as a share of GDP from 6.8 percent in the first quarter of 2024 to 5.2 percent in the first quarter of 2025.** The

performance of the secondary income account is largely attributable to the decline in the growth of diaspora remittances which sustain the performance of the secondary income. Diaspora remittances have been a major foreign exchange earner for Kenya. Growth rates in earnings from exports have not been outpacing remittances which are sent by Kenyans living abroad as indicated in figure 8. This is an indication that there is potential for policy focus on growing exports earnings which are directly affected by local production. Value addition policies targeted by the government are more likely to grow exports earnings, if locally produced goods are sold in the global market. Additionally, the primary income deficit as a share of GDP narrowed from -2.2 percent as a share of GDP in the first quarter of 2024 compared to -1.7 percent in the first quarter of 2025 indicating an improvement in earnings from investment income and wages.

- 35. **The decline in exports in the first quarter of 2025 was primarily driven by decline in exports of tea, horticulture, and titanium ores; however, coffee exports grew in the period.** primary agricultural commodities take up the largest share of Kenya’s exports, and their underperformance largely affects the overall performance of exports. This indicates the need for diversification and value addition for enhanced export growth.

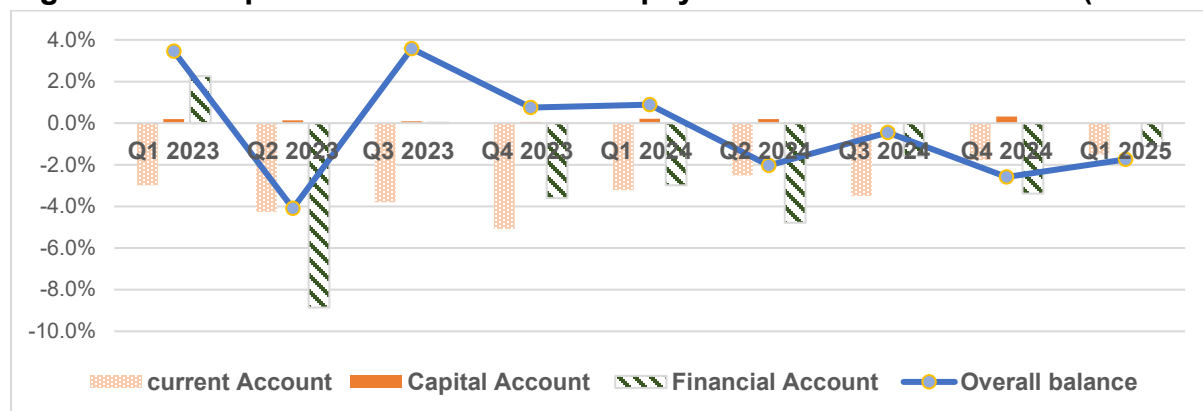
Figure 9: Growth in diaspora remittances and in exports for the period 2023 to 2025



Source: Kenya National Bureau of Statistics

- 36. **The capital account as a share of GDP remained at less than 1 percent in the first quarter of 2025 compared to the first quarter of 2024 while the financial account surplus as a share of GDP widened.** The overall balance recorded a deficit at -1.7 percent as a share of GDP compared to 0.9 percent in the period, financed by reserves. Notably, reserves grew by 33.9 percent in the period. Steady reserves are more likely to support foreign debt repayment and stabilize the exchange rate.

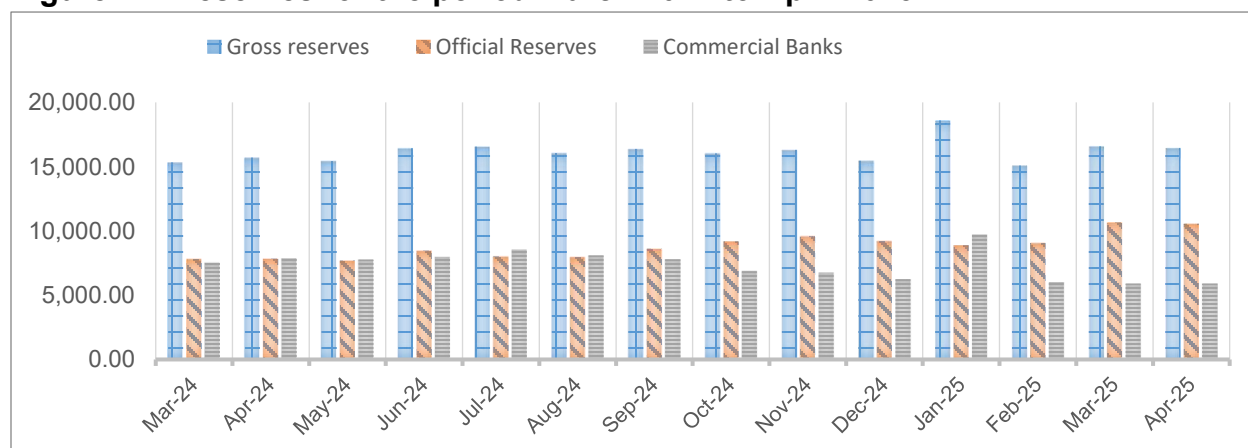
Figure 10: Components of the balance of payments as a share of GDP (2023 to 2025)



Source: Kenya National Bureau of Statistics

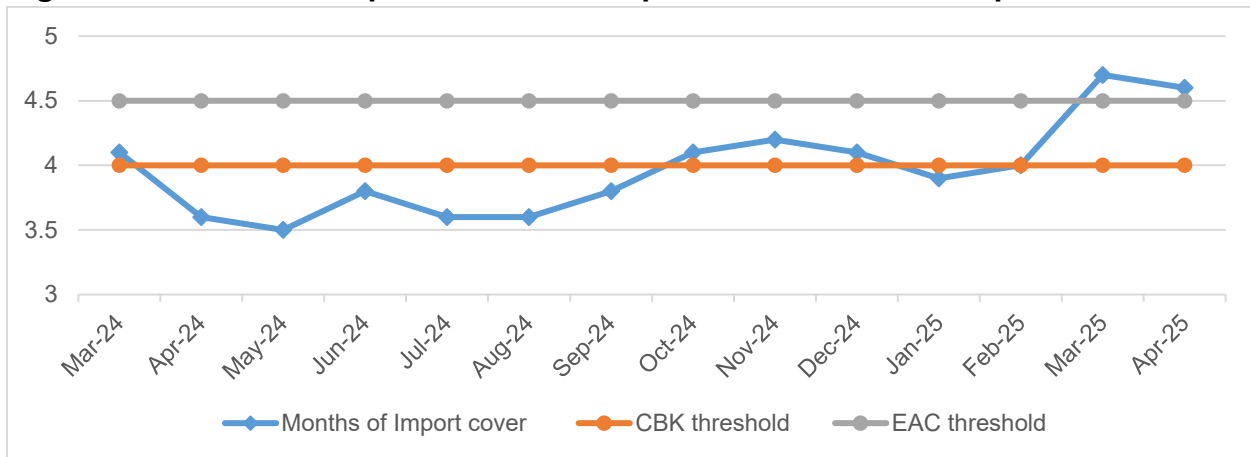
37. **Gross reserves improved in March 2025 compared to March 2024, largely supported by a build-up in official reserves held by the Central Bank.** Growth in reserves is partly supported by earnings from exports. In contrast, foreign reserves held by commercial banks declined during the same period and this is likely due to increased demand for foreign exchange from the private sector to finance imports and to meet cross border payment needs. The decline is also partly attributable to commercial banks’ participation in the Central Bank’s foreign exchange open market interventions as well as reduced foreign currency inflows from remittances. Additionally, months of import cover improved from 4.1 months to 4.7 months, supported by the buildup in reserves. Higher import cover enhances the capacity of the country to meet its short-term external obligations and to cushion against shorter term external shocks.

Figure 11: Reserves for the period March 2024 to April 2025



Source: Central Bank of Kenya

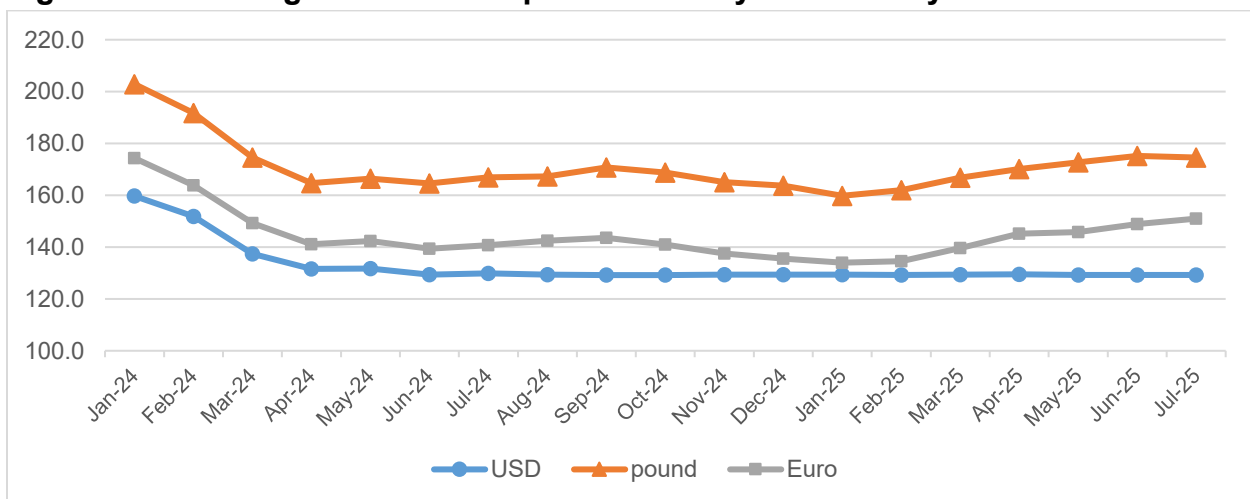
Figure 12: Months of import cover for the period March 2024 to April 2025



Source: Central Bank of Kenya

38. **The Kenyan shilling slightly appreciated against the US dollar, reaching 129.2 in June 2025, compared to 129.4 in May 2024.** The shilling has maintained levels around 129 since June 2024, reflecting a period of relative stability, which can be partially attributed to robust remittance inflows and export revenues. Conversely, the Pound Sterling strengthened against the shilling, rising from 164.5 in June 2024 to 174.6 in July 2025. Kenya’s economic partnership agreement with the European Union may enhance export earnings from Europe, potentially supporting the shilling’s position against the pound. Additionally, the Euro advanced against the Kenyan shilling, increasing from 139.4 in June 2024 to 151.0 in July 2025.

Figure 13: Exchange rates for the period January 2024 to July 2025



Source: Central Bank of Kenya

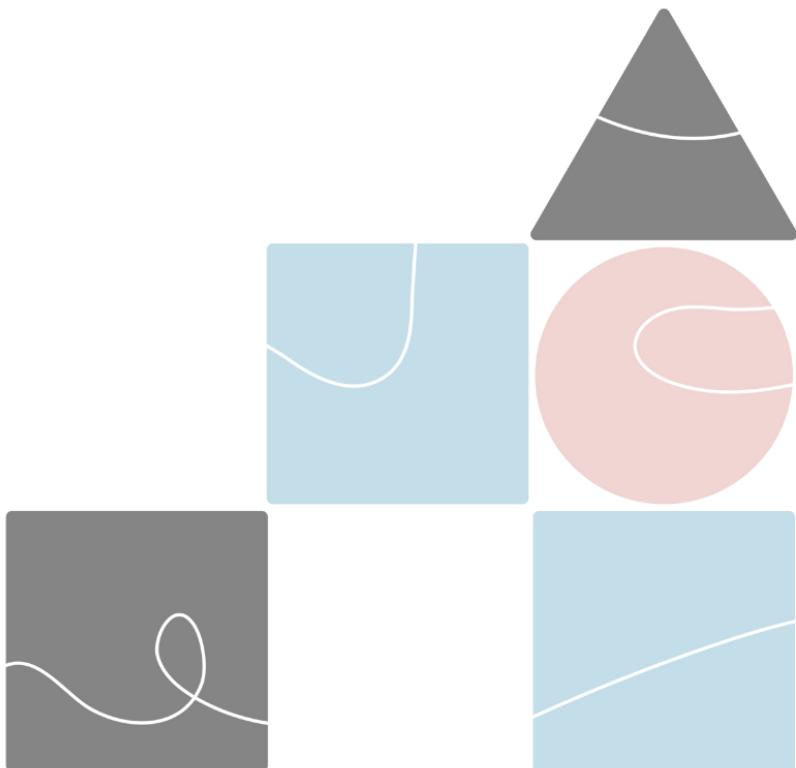
39. **Keep an eye on...**

- i) **Dependence on key sectors:** The economic trajectory for FY 2025/26 is highly dependent on the resilience of the agricultural and services sectors. While projections are positive, agricultural output remains vulnerable to climate volatility and logistical inefficiencies. MPs should look at budget allocations for agricultural subsidies, irrigation projects, or support for smallholder farmers, to enhance food security.
- ii) **Monitoring Inflation and Cost of Living:** While inflation has generally been under control and within the target range, there are renewed risks of price pressures. These could be driven by a rebound in consumer demand, climate related uncertainties affecting food supply and potential increases in global crude oil prices due to geopolitical tensions.
- iii) **Monetary Policy Challenges:** When the Central Bank reduces the Central Bank Rate (CBR) to promote lending and stimulate economic growth, lower interest rates present certain risks, particularly amid supply chain disruptions and escalating global commodity prices that may increase inflationary pressures. Addressing these challenges will necessitate measures to improve supply chain efficiency and bolster domestic production. Furthermore, advancing financial inclusion is essential to ensure that monetary policy reaches all sectors of the economy. MPs should monitor initiatives focused on broadening access to banking services, supporting digital finance innovations, and fostering financial literacy. Expanding financial inclusion enables greater participation in the economy, allowing more individuals and enterprises to benefit from accommodative monetary policies.
- iv) **Infrastructure Investments:** Releasing funds from the exchequer on time for development projects, maintaining ongoing monitoring, and complying with preconditions for donor financing will facilitate project implementation. In addition, leveraging on public-private partnerships (PPPs) may help address funding gaps and advance the completion of stalled but feasible projects.



Chapter Two: Fiscal Policy Outlook

**Dr. Abel Nyagwachi, Mr. Ringine Mutwiri and
Mr. Onyango Adera**



2.1 Overview of Fiscal Policy

40. **The Government intends to sustain the implementation of fiscal consolidation measures aimed at reducing the budget deficit to 4.8 percent of GDP over the medium term.** This will be pursued through a combination of enhanced revenue mobilization, expenditure rationalization, and a raft of PFM reforms. The strategy is anchored on the overarching objective of restoring fiscal sustainability, while safeguarding fiscal space to finance key development priorities under the Bottom-Up Economic Transformation Agenda (BETA).
41. **To strengthen expenditure management, the Government will leverage ongoing reforms and the digitization of key public financial management processes.** These include the adoption of Zero-Based Budgeting to ensure accurate costing of government programmes; the rollout of an end-to-end e-Government Procurement System to enhance transparency and efficiency in procurement; the operationalization of the Treasury Single Account to improve cash flow planning and management; and the transition to IPSAS accrual accounting standards to enhance the accuracy and comprehensiveness of government financial reporting.
42. **The Government will strengthen tax administration and broaden the tax base to enhance domestic revenue mobilization.** Key measures include strengthening tax administration through simplified procedures and modernized compliance frameworks, expanding digitization and data integration to reduce leakages and enable real-time monitoring, and broadening the tax base by rationalizing exemptions. In addition, stronger audit capacity, enhanced inter-agency collaboration, and data-driven compliance will be employed to combat tax evasion, while tighter controls will be instituted to seal revenue leakages. These reforms are expected to boost revenue performance and underpin the achievement of FY 2025/26 fiscal consolidation targets.
43. **To finance the fiscal deficit, the Government will diversify financing instruments to reduce reliance on costly domestic borrowing.** This strategy entails exploring innovative financing options, including non-debt-creating instruments such as securitization and divestiture, the issuance of diaspora bonds to leverage remittances from Kenyans abroad, and Environmental, Social and Governance (ESG)-linked bonds to attract investors seeking sustainable and responsible investment opportunities. In addition, the Government will scale up Public-Private Partnership (PPP) arrangements to mobilize private sector resources for infrastructure development, thereby easing the fiscal burden on the exchequer and supporting long-term debt sustainability.
44. **These reforms are expected to anchor fiscal sustainability and strengthen macroeconomic stability.** This will be attained by enhancing revenue performance, improving expenditure efficiency, and promoting prudent debt management. At the

same time, they will foster inclusive and equitable growth by creating fiscal space for targeted social transfers, expanding access to essential public services, and supporting investments that drive job creation and poverty reduction.

Table 3: Key Risks related to the policies

Fiscal Dimension	Status & Policy Approach	Key Risks
Fiscal Deficit	<ul style="list-style-type: none"> Targeting 4.8 of GDP, down from >5.8% 	<ul style="list-style-type: none"> Revenue underperformance. Rigid recurrent costs Historical KRA shortfalls threaten budget credibility.
Revenue Mobilization	<ul style="list-style-type: none"> Tax base reforms, digital enhancements 	<ul style="list-style-type: none"> Credibility of projections, political backlash.
Debt	<ul style="list-style-type: none"> External + domestic mix; Debt rate between 63–65% GDP 	<ul style="list-style-type: none"> High debt service ratio 60-70% of revenues). Exchange-rate exposure.
Borrowing Strategy	<ul style="list-style-type: none"> Domestic-heavy; Exploring diaspora/ ESG/ PPP sources 	<ul style="list-style-type: none"> Crowding out private credit. Refinancing risk.
Public Financial Reforms	<ul style="list-style-type: none"> E-GP TSA rollout Accrual accounts Zero-based budgeting 	<ul style="list-style-type: none"> Stakeholder buy-in Implementation capacity lagged outcomes

Source: PBO

2.2 Fiscal Framework for FY 2025/26 Budget

45. **The total revenue and grants for the FY 2025/26 are projected at Kshs. 3.4 trillion (17.5 percent of GDP).** This comprises ordinary revenue of Kshs. 2.8 trillion (14.3 percent of GDP), Appropriations-in-Aid (AiA) of Kshs. 566.9 billion (2.9 percent of GDP) and Grants of Kshs. 46.9 billion (0.2 percent of GDP). Ordinary revenue includes Income Tax of Kshs. 1.3 trillion, Value Added Tax (VAT) of Kshs. 771.7 billion, Excise Duty of Kshs. 335.5 billion, Import Duty of Kshs. 162.9 billion and other tax revenues amounting to Kshs. 202.1 billion.
46. **There has been a gradual increase in ordinary revenue over the past few years from 16.9 percent in FY 2023/24 to 17.5 percent in FY 2025/26.** However, there is a continued mismatch in the nominal growth of revenues and GDP, with the revenues growing at an average of 10 percent while nominal GDP has grown at an average of 12 percent over the last decade. This mismatch underscores the persistent challenge of bringing the informal sector into the tax net. Consequently, the achievement of the revenue target for FY 2025/26 will require intensified efforts in tax policy and administration, including expanding the tax base, sealing leakages in the collection process, enhancing compliance, and adopting advanced technology and data systems to improve revenue efficiency.

47. **Total approved expenditure and net lending for FY 2025/26 are projected at Kshs. 4.3 trillion (22.3 percent of GDP).** This includes recurrent expenditure of Kshs. 3.1 trillion (16.3 percent of GDP), development expenditure and net lending of Kshs. 668.4 billion (3.5 percent of GDP), Transfers to County Governments of Kshs. 484.9 billion (2.5 percent of GDP), Equalization Fund of Kshs. 10.6 billion (0.1 percent of GDP) and Contingency Fund of Kshs. 2 billion. Within the recurrent expenditure, key allocations include Kshs. 1.2 trillion for ministerial operations and maintenance, Kshs. 1.1 trillion for interest payments, Kshs. 635.7 billion for wages and salaries, Kshs. 205.2 billion for pensions and other Consolidated Fund Services (CFS), and Kshs. 34.4 million for contributions to the Civil Service Pension Fund.
48. **In line with the government's fiscal consolidation objectives, total expenditure and net lending as a share of GDP is projected to decline from 22.8 percent in FY 2024/25 to 22.3 percent in FY 2025/26.** Recurrent expenditure is expected to fall from 16.9 percent in FY 2024/25 to 16.3 percent in FY 2025/26, Development Expenditure is expected to increase over the same period from 3.3 percent to 3.5 percent indicating governments commitment to preserve and support development projects across the country. Transfers to counties is projected to remain constant at 2.5 percent of GDP reinforcing the government's support for devolution and county-level service delivery even as it undertakes fiscal consolidation.
49. **Despite the overall reduction in recurrent expenditure as a percentage of GDP, there is a sustained increase in non-discretionary expenditure.** The reduction is predominantly on discretionary expenditure including the decrease in wages and salaries from 3.6 percent in FY 2024/25 to 3.3 percent in FY 2025/26 and reduction in ministerial operations and maintenance from 6.4 percent to 6.0 percent over the same period. However, interest payments and contributions to the Civil Service Pension Fund have remained constant over the period at 5.7 percent and 0.2 percent respectively, while pensions and other CFS expenditures has increased slightly from 1.0 percent to 1.1 percent. This indicates that while expenditure reforms are effectively reducing discretionary expenditures, there is a sustained rise in non-discretionary expenditure, and this is likely to negate the expected gains from the reforms.

Table 4: Fiscal Framework FY 2025/26

Details	2023/24 Actual	2024/25 Prel. Actual	2025/26 Budget Est.	2023/24 Actual	2024/25 Prel. Actual	2025/26 Budget Est.
	Kshs. Billions			% of GDP		
Revenue and grants	2,724.7	2,956.9	3,370.8	16.9	17.0	17.5
Total Revenue	2,702.7	2,923.6	3,323.9	16.8	16.8	17.2
Ordinary Revenue	2,288.9	2,420.2	2,757.0	14.2	13.9	14.3
Income tax	1,042.8	1,093.0	1,284.8	6.5	6.3	6.7
VAT	645.5	660.7	771.7	4.0	3.8	4.0
Import duty	133.9	157.1	162.9	0.8	0.9	0.8
Excise duty	276.7	292.5	335.5	1.7	1.7	1.7
Other tax revenue	190.0	216.8	202.1	1.2	1.2	1.0
Appropriation-in-Aid	413.7	503.4	566.9	2.6	2.9	2.9
Grants	22.0	33.3	46.9	0.1	0.2	0.2
Total expenditures & net lending	3,655.6	3,975.9	4,301.9	22.7	22.8	22.3
Recurrent expenditure	2,702.1	2,948.4	3,136.0	16.8	16.9	16.3
Wages & salaries	575.3	624.7	635.7	3.6	3.6	3.3
Interest	840.7	995.1	1,097.7	5.2	5.7	5.7
On domestic debt	622.5	784.1	851.4	3.9	4.5	4.4
On foreign debt	218.2	211.0	246.3	1.4	1.2	1.3
Pensions & Other CFS	143.9	176.8	205.2	0.9	1.0	1.1
O&M and other recurrent	1,108.0	1,117.5	1,163.0	6.9	6.4	6.0
Contribution to CSPF	34.2	34.3	34.4	0.2	0.2	0.2
Development & net lending	571.9	582.9	668.4	3.5	3.3	3.5
Development expenditure	554.4	563.3	668.4	3.4	3.2	3.5
Net lending	17.4	19.7	-	0.1	0.1	-
Transfer to Counties	380.4	444.6	484.9	2.4	2.5	2.5
Equitable Share	354.6	400.0	415.0	2.2	2.3	2.2
Conditional Allocation	25.8	44.6	69.9	0.2	0.3	0.4
Equalization Fund	-	-	10.6	-	-	0.1
Contingency Fund	1.2	-	2.0	0.0	-	0.0
Deficit incl. Grants (Commit. Basis)	(930.9)	(1,019.1)	(931.1)	(5.8)	(5.8)	(4.8)
Adjustment to cash basis	121.5	-	-	0.8	-	-
Deficit Incl. Grants (Cash Basis)	(809.3)	(1,019.1)	(931.1)	(5.0)	(5.8)	(4.8)
Nominal GDP	16,131.5	17,434.5	19,272.8			

Source: National Treasury

50. **On the other hand, the increase in development expenditure as a percentage of GDP, the composition of the increase raises pertinent concerns.** Domestically financed development spending is expected to remain subdued while foreign-financed development expenditure is projected to rise signalling increased reliance on donor funding. This shift in development financing may present implementation risks. Kenya has previously experienced low absorption of donor funds due to bureaucratic hurdles, capacity constraints, and delays in counterpart funding. The risk of stalled or incomplete projects, especially those with significant public investment value and locally financed components, remains high. Moreover, unresolved pending bills linked to domestically funded projects could further compromise the effectiveness of development expenditure.

51. **The overall fiscal deficit for FY 2025/26 is projected at Kshs. 931.1 billion (4.8 percent of GDP).** This marks an improvement from Kshs. 1.0 trillion, or 5.8 percent of GDP, recorded in FY 2024/25. The deficit will be financed through net domestic borrowing of KSh. 643.3 billion and net external borrowing of KSh. 287.7 billion. However, the heavy reliance on domestic borrowing presents a key risk to budget implementation in FY 2025/26, as it may exert upward pressure on interest rates, crowd out private sector credit, and heighten refinancing risks.
52. **Keep an eye on...**
- i) Progress towards the attainment of the projected fiscal deficit of 4.8 percent of GDP by periodically monitoring actual revenue performance against targets and tracking expenditure execution.
 - ii) Implementation of key public financial management reforms, including E-Government Procurement, Zero-Based Budgeting, the Treasury Single Account (TSA), and accrual accounting to assess their effectiveness in generating savings and strengthening accountability.
 - iii) The absorption rate of development expenditures financed through both domestic and external sources, with particular focus on addressing persistent challenges such as the accumulation of pending bills and delays in disbursements.
 - iv) The utilization of increased county allocations, which have risen from Kshs. 445.6 billion to Kshs. 484.8 billion, with particular focus on conditional grants, while working with the Senate to enhance fiscal responsibility and strengthen service delivery at the county level.
 - v) The implementation of Public-Private Partnership (PPP) projects to ensure alignment with national development priorities and value-for-money in infrastructure delivery.

Chapter Three: Reimagining Tax Policy Landscape, Balancing Revenue, Investment, And Public Trust



Mr. Josephat Motonu and Mr. George Ndenjeshe

3.1 Introduction

53. **To enhance domestic revenue mobilization, the government has in the recent years embarked on an ambitious strategy to expand the tax base and strengthen revenue collection through the annual tax amendment laws.** However, the country has witnessed poor revenue collection and widespread public dissatisfaction of the introduction of new tax proposals especially in FY 2023/24 and FY 2024/25. In FY 2023/24, the Finance Act, 2023 aimed at collecting Kshs. 211 billion from amendments to various tax measures but this did not yield the desired results since the annual revenue target for that year was missed by Kshs. 205 billion. Similarly, in FY 2024/25, the Tax Laws (Amendment) Act, 2024 targeted a collection of Kshs. 79 billion but the annual revenue target for the year was missed by Kshs. 137 billion. The lower revenue performance in the two financial years was caused by inefficiencies in tax administration, poor implementation of new policies, weak enforcement, and widespread compliance issues. Therefore, in FY 2025/26, the government saw the need to reconsider its taxation strategy so as to balance revenue generation with investment incentives and, most importantly, public trust.
54. **In the FY 2025/26, the government has proposed a less ambitious target of collecting Kshs. 30 billion through amendment of various tax measures through the Finance Act, 2025.** The Act marked a strategic shift from previous tax amendment laws since, instead of imposing new tax burdens, it focuses on strengthening revenue collection through administrative reforms and improved taxpayer compliance. Key measures include simplifying tax laws to make them clearer and more accessible, as well as eliminating redundant provisions to create a more efficient and transparent tax system. This shift offers the government a pivotal opportunity to realize its revenue target of Kshs. 3.3 trillion for FY 2025/26, enhancing tax administration through more robust enforcement of existing laws, the integration of advanced data analytics, and the broader adoption of technology will greatly improve compliance and operational efficiency. In addition, these priorities are at the core of the Kenya Revenue Authority's (KRA) 9th Corporate Plan. Therefore, the Finance Act, 2025 points out to the government's focus on creating a fairer, more efficient, and more transparent system that can power sustainable growth and build economic resilience for the future.
55. **Achieving the FY 2025/26 revenue target will ultimately depend on how effectively these reforms are executed.** A cornerstone of the strategy is the full digital transformation of revenue administration, encompassing upgrades to ICT infrastructure, streamlined tax procedures, improved data governance, and the elevation of service delivery standards. These measures will create a more transparent, responsive, and efficient tax ecosystem that aligns with the evolving needs of Kenya's economy. Furthermore, curbing tax evasion remains a top priority. This will require enhanced audit capabilities, deeper collaboration with other

government entities to ensure accurate taxpayer profiling, and widespread deployment of digital tools like the Electronic Tax Invoice Management System (eTIMS) to foster real-time compliance and secure consistent revenue flows.

3.2 Kenya's Betting Tax Shake-Up

56. **One of the key taxation measures introduced in the Finance Act, 2025 is introduction of 5 percent withholding tax on “withdrawals” under betting and gaming.** Previously, the Income Tax Act imposed a 20 percent withholding tax on “winnings” earned from betting, gaming, lotteries, prize competitions, and similar activities. Importantly, the definition of “winnings” excluded the original amount staked by the player, ensuring that only actual gains were taxed. However, the Finance Act 2025, has fundamentally changed this approach by introducing a 5% withholding tax on “withdrawals.” Under the new tax measures, a “withdrawal” refers to any amount of money a customer takes out of their betting or gaming wallet, regardless of whether it represents a profit or a return of their original stake. This tax applies to both residents and non-residents and is charged on the total withdrawn amount rather than just net winnings. This new change is expected to increase revenue collection from Kshs. 5.4 billion to Kshs. 11.4 billion.
57. **However, the new tax proposal has the risk of driving players away from formal betting platforms, as many casual and small-scale bettors might be discouraged by the prospect of losing part of their initial deposits even without making a profit.** For example, if a player has deposited funds but decides to withdraw them without placing any bets, they could still face a 5 percent tax on that withdrawal, despite not earning any income. This lack of clarity and perceived unfairness could not only push players away from regulated platforms but also hurt industry growth and undermine the very revenue goals the government hopes to achieve.

3.3 Kenya's Certificate of Origin Requirement for Imports

58. **Another key tax measure introduced is the redefinition of the term “certificate of origin” to mean an official document issued by a competent authority in the exporting country.** Over the years, the government has made concerted efforts to improve revenue collection from imports by deploying advanced scanning technologies at key entry points. These innovations aim to enhance the efficiency and accuracy of customs procedures. However, the accurate valuation of import cargo continues to face major challenges, primarily due to widespread undervaluation of goods. A key barrier to addressing this problem has been resistance from stakeholders to policy changes and the adoption of new technologies, which undermines the effectiveness of these initiatives. In addition, high-value commercial and excisable goods are often declared at artificially low values, making accurate valuation difficult

and leading to substantial revenue losses. To tackle these concerns, the Finance Act 2025 introduced a significant amendment to the Tax Procedures Act by redefining the term "certificate of origin". The certificate is now clearly defined as an official document issued by a competent authority in the exporting country, confirming that the goods being imported into Kenya were genuinely manufactured there.

59. **This amendment makes it a legal requirement for all importers to present a valid certificate of origin before their goods can be processed or cleared by customs.** The Kenya Revenue Authority (KRA) is explicitly prohibited from processing any import documentation without this certificate and is required to verify both the certificate and all supporting documentation thoroughly before clearance. Failure to comply constitutes an offence and may result in seizure or forfeiture of goods. In practice, Kenyan importers and exporters have long been required to provide certificates of origin, particularly when seeking preferential tariff treatment under various trade agreements. Thus, the amendment introduced by the Finance Act 2025 does not create an entirely new requirement but rather formalizes and standardizes what has been operational best practice.
60. **However, while this formalization is a step in the right direction, it remains to be seen whether it will effectively address the persistent issue of undervaluation.** The mere presence of a certificate of origin does not necessarily guarantee accurate cargo valuation, as importers may still declare lower values despite presenting the correct origin documentation. The deeper challenge lies in enforcing strict verification and ensuring that declared values truly reflect market realities. Furthermore, stakeholders' resistance to policy changes and technological adoption continues to pose a significant obstacle. If these underlying issues are not addressed, such as gaps in enforcement capacity, potential corruption, or lack of proper compliance incentives, the new requirement may only add another layer of bureaucracy without meaningfully improving revenue collection.
61. **Therefore, while the requirement that all consignments must be accompanied by a certificate of origin issued by a competent authority is now formalized in law, its true impact will depend on robust implementation and consistent enforcement.** It will be critical to observe whether this measure leads to an increase in revenue collection and effectively curbs revenue losses arising from undervaluation. Only time will tell if this legislative change solves the long-standing problems or simply reinforces existing challenges under a new legal framework.

3.4 Nairobi International Financial Centre Tax Incentives

62. **The Act has also introduced new tax incentives aimed at transforming Nairobi into a leading regional financial hub.** Under these provisions, dividends paid by companies certified under the Nairobi International Financial Centre (NIFC) will now be exempt from tax, provided the company reinvests at least Kshs. 250 million in that year of income. Additionally, NIFC-certified companies will benefit from a reduced corporate income tax rate of 15 percent for the first 10 years and 20 percent for the following 10 years, provided they meet strict criteria. These include investing at least Kshs. 3 billion within their first three years of operation, ensuring that at least 70 percent of senior management roles are held by Kenyans, and establishing regional headquarters in Kenya where at least 60 percent of senior managers are Kenyan citizens. Start-ups certified by the NIFC will also enjoy reduced tax rates of 15 percent for the first three years and 20 percent for the next 4 years, a move designed to stimulate innovation and attract fresh investment.
63. **However, these measures raise significant practical challenges that could limit their effectiveness.** A major concern is the ambiguity surrounding the definition of “reinvestment.” It remains unclear whether simply retaining profits in the business would qualify, or whether companies must demonstrate tangible capital expenditures such as investments in new projects, equipment, or local infrastructure. Similarly, the requirements for meeting the substantial Kshs. 3 billion investment threshold within three years lack clear guidelines. Investors may struggle to understand what types of expenditures are acceptable, how these will be evaluated, and what documentation will be necessary to prove compliance. This uncertainty risks discouraging both local and international investors from fully taking advantage of these incentives, undermining the policy’s intended impact.
64. **Given that the NIFC model is still relatively new, the success of these incentives will depend heavily on the government’s ability to provide clear, practical, and detailed guidance.** Without transparent definitions and robust implementation frameworks, the goals of attracting multinational headquarters, boosting large-scale investment, and creating high-value employment for Kenyan citizens may not be fully realized. For Nairobi to truly establish itself as a dynamic financial hub and for these incentives to deliver meaningful economic growth, it will be essential to build investor confidence through clear legislation, predictable processes, and strong enforcement.

65. **Keep an eye on...**

- i) **Betting Tax Shake-Up (5% Withholding on Withdrawals):** The new tax on withdrawals has the potential to significantly raise government revenue, but it also risks discouraging participation by taxing both winnings and the original stake. This could push many players to unregulated platforms, reducing the effectiveness of the measure. It will be important to keep an eye on revenue collection trends to see if the projected increase from Kshs. 5.4 billion to Kshs. 11.4 billion is achieved. The number of active betting accounts will also serve as an indicator of whether players are abandoning formal platforms. In addition, any legal challenges filed in court against taxing withdrawals will be critical in determining the sustainability of this approach.
- ii) **Certificate of Origin Requirement for Imports:** The mandatory certificate of origin requirement is designed to curb undervaluation and improve customs compliance, but its success will depend heavily on enforcement. If poorly managed, it could create delays at ports and increase bureaucracy without solving the problem. To measure its impact, it will be necessary to keep an eye on customs clearance times, which reflect efficiency. The share of consignments flagged for undervaluation will show if enforcement is improving. Monitoring import duty collections will help determine whether compliance has increased. At the same time, cases of fraudulent certificates must be tracked to test the integrity of the system.
- iii) **Nairobi International Financial Centre (NIFC) Incentives:** The NIFC tax incentives could attract significant investment and position Nairobi as a regional financial hub. However, the lack of clarity on “reinvestment” and the high investment thresholds may discourage some firms. To assess progress, it will be essential to keep an eye on the number of certified companies joining the NIFC, as this reflects investor uptake. In addition, job creation figures linked to NIFC operations will show whether the incentives are delivering on their promise of local benefits. Finally, a close watch should be kept on the balance between tax revenue forgone and revenue generated, which will determine whether the incentives are fiscally sustainable.

Chapter Four: Sustainability of Expenditure Policy Reforms



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4.1 Sustainability of State Corporation Mergers Introduction

4.1.1 Introduction

66. **Kenya operates an extensive network of commercial and non-commercial state corporations, spanning a wide range of sectors, including infrastructure, energy, and agriculture to education, health, finance, and tourism.** They play a pivotal role in providing regulatory oversight, provision of critical service delivery and implementation of development projects for the government³.
67. **Despite the government spending over 17 percent of its revenues on state corporations, they only contribute 3.5 percent of GDP compared to 14 percent of GDP for Sub-Saharan Africa (SSA)**⁴. This lower performance may be attributed to the multiple challenges facing the state corporations in Kenya including overlapping mandates, operational inefficiencies, and heavy reliance on the national exchequer. Likewise, most are also struggling to meet their contractual and statutory obligations, leading to an accumulation of KSh. 121 billion pending bills on June 31, 2025.
68. **Due to the challenges facing State Corporations, the government developed a State Corporations Reform Strategy in 2021 with the aim of** streamlining government operations, reducing wastage, and curbing excesses. The strategy seeks to address operational and financial inefficiencies in state corporations, enhance their service delivery, improve fiscal sustainability, and reduce their reliance on the Exchequer⁵. The reforms targeted merging 42 State Corporations into 20 entities, dissolving 9 SCs, restructure 6, divest or dissolve 16 corporations with outdated functions, declassify 4 public funds, and declassifying all 13 professional organizations categorized as SCs.

4.1.2 State Corporations Proposed for Merger

69. **The proposed mergers of state corporations are expected to yield significant fiscal benefits, primarily through the reduction of recurrent expenditure.** In the FY 2025/26, the targeted state corporations have a proposed recurrent expenditure of about Kshs. 118 billion as shown in table 4. The affected entities span key sectors such as education, tourism, agriculture, infrastructure, water, and trade. The recurrent allocations are primarily directed toward salaries and operational costs. However, the

³ Republic of Kenya. (2024). *Guidelines on management and terms and conditions of service for board members and staff of state corporations*. Nairobi: The Government Printer.

⁴ Fiebelkorn, A., Owuor, C., & Nzioki, D. (2021). *Kenya state corporations review: Corporate governance and fiscal risks of state corporations*. , Washington DC: The World Bank.

⁵ Republic of Kenya. (2025). *Cabinet news*. Kakamega.

economic benefits from the state corporations have predominantly been lower compared to the expenditures mainly due to overlapping mandates, duplicate staffing structures, and fragmented service delivery.

70. **Potential annual savings are likely to be attributed to reduced personnel costs, unified ICT systems, and consolidated procurement functions.** Beyond direct cost savings, the mergers will likely result in more efficient service delivery, improved regulatory oversight, and better use of public resources, contributing to long-term fiscal sustainability and stronger institutional performance. By consolidating the operations of these state corporations, the government can streamline governance, eliminate redundancies, and enhance coordination.
69. Although the proposed mergers promise significant fiscal and operational benefits, they carry a number of potential risks that must be carefully managed.
- i) **Institutional resistance:** Affected agencies may fear loss of autonomy, relevance, or jobs, which could result in internal pushback, slowed implementation, or low staff morale.
 - ii) **Redundancy of personnel:** Particularly, in top management and support services, may lead to legal and political challenges if not handled transparently and fairly.
 - iii) **Disruption of ongoing services:** Sectors like education financing, agriculture, and research, are likely to be affected where continuous delivery is critical.
 - iv) **Legal and regulatory complexities:** Amending enabling Acts and aligning mandates could delay or derail consolidation efforts if not adequately planned.
 - v) **Loss of specialized expertise:** If mergers dilute technical focus or force premature exits of skilled staff

Table 5: State Corporations Proposed for Merger

S/No.	State Corporation	FY 2025/26 Recurrent Allocation	Proposal
1.	Universities Fund (UF)	17,263,578,880	Merger
2.	Higher Education Loans Board (HELB)	41,546,039,825	
3.	Commission for University Education (CUE)	444,438,964	Merger
4.	Technical and Vocational Education and Training Authority (TVETA)	433,063,251	
5.	Kenya National Qualification Authority (KNQA)	215,693,865	Merger
6.	Kenya Tourism Board (KTB)	402,888,000	
7.	Tourism Research Institute (TRI)	16,848,000	Merger
8.	Export Processing Zones Authority (EPZA)	802,000,000	
9.	Special Economic Zones Authority (SEZA)	181,000,000	Merger
10.	Anti-Counterfeit Authority (ACA)	477,410,000	
11.	Kenya Industrial Property Institute (KIPI)	-	Merger
12.	Kenya Copyright Board (KECOBO)	-	
13.	Kenya Industrial Research Development Institute (KIRDI)	642,657,000	Merger

S/No.	State Corporation	FY 2025/26 Recurrent Allocation	Proposal
14.	Kenya Industrial Estates (KIE)	492,987,000	
15.	Tourism Promotion Fund (TPF)	-	Merger
16.	Tourism Fund (TF)	8,193,000,000	
17.	Kenya Investment Authority (KenInvest)	242,292,000	Merger
18.	Kenya Export Promotion & Branding Agency (KEPROBA)	720,817,000	
19.	Kenya National Trading Corporation (KNTC)	1,776,590,000	Merger
20.	National Cereals & Produce Board (NCPB)	-	
21.	Uwezo Fund	126,630,000	Merger
22.	Women Enterprise Fund (WEF)	352,770,000	
23.	Youth Enterprise Development Fund (YEDF)	307,656,623	
24.	Agricultural Finance Corporation (AFC)	-	Merger
25.	Commodities Fund (ComFund)	300,000,000	
26.	Agricultural Development Corporation (ADC)	2,835,000,000	Merger
27.	Kenya Animal Genetic Resource Centre (KAGRC)	324,500,000	
28.	Kenya Forest Service (KFS)	7,253,600,000	Merger
29.	Kenya Water Towers Agency (KWTA)	-	
30.	Kenya Law Reform Commission (KLRC)	326,665,000	Merger
31.	National Council for Law Reporting (Kenya Law)	340,177,000	
32.	Kenya Rural Roads Authority (KeRRA)	22,144,086,144	Merger
33.	Kenya Urban Roads Authority (KURA)	10,380,040,380	
	TOTAL	118,542,428,932	

Source: PBO Computations

4.1.3 State Corporations Proposed for Dissolution and their Functions Transferred to Parent Ministries

71. **To streamline oversight and reduce bureaucratic layers, the government plans to dissolve some State Corporations whose mandates can be carried out by the parent ministries or other bodies.** In the FY 2025/26, the targeted state corporations have a proposed recurrent expenditure of about Kshs. 1.6 billion as shown in table 5. The affected entities span key sectors such as education, agriculture, infrastructure, ICT, energy, blue economy, and youth affairs. The recurrent allocations are primarily directed toward salaries and operational costs. The transfer of their functions to the parent ministry will ensure continuity in the provision of service delivery but at lower costs since it will address overlapping mandates and duplicate staffing structures.

Table 6: State Corporations Proposed for Dissolution and their Functions Transferred to Parent Ministries

S/No.	State Corporation	FY 2025/26 Recurrent Allocation	Proposal
1.	Center for Mathematics, Science and Technology in Africa (CEMASTEA)	90,000,000	Dissolution and Transfer to State Department for Basic Education
2.	Kenya Tsetse fly and Trypanosomiasis Eradication Council (KENTTEC)	75,417,660	Dissolution and Transfer to State Department for Livestock Development
3.	Kenya Fish Marketing Authority (KFMA)	34,288,000	Dissolution and Transfer to State Department for Blue Economy and Fisheries
4.	Kenya Yearbook Editorial Board (KYEB)	170,000,000	Dissolution and Transfer to State Department for Broadcasting and Telecommunication
5.	Nuclear Power and Energy Agency (NuPEA)	199,176,025	Dissolution and Transfer to State Department for Energy
6.	LAPSSET Corridor Development Authority (LCDA)	686,230,000	Dissolution and Transfer to State Department for Transport
7.	President's Award - Kenya (PA-K)	50,018,536	Dissolution and Transfer to State Department for Youth Affairs and Creative Economy
8.	Kenya Film Classification Board (KFCB)	317,441,835	
	TOTAL	1,622,572,056	

Source: PBO

4.1.4 Proposed Divestiture

72. **The government intends to divest from some State Corporations identified to either have outdated mandates or whose mandates can be better handled by the private sector.** In the FY 2025/26, the targeted state corporations have a proposed recurrent expenditure of about Kshs. 3.1 billion as shown in table 6. The affected entities span key sectors such as agriculture, blue economy, education, finance industry, regional development and transport. The recurrent allocations are primarily directed toward salaries and operational costs. The state corporations whose mandate can be better handled by the private sector will be targets for privatization while those with outdated mandates will be wound up.
73. The state corporations targeted for privatization include Jomo Kenyatta Foundation (JFK), School Equipment Production Unit (SEPU), Pyrethrum Processing Company of Kenya (PPCK), Kenya Fishing Industries Corporation (KFIC), Kenya National Shipping Line (KNSL), Numerical Machining Complex (NMC) and Kenya Post Office Savings Bank (PostBank). These divestitures aim to increased efficiency through better management and cost reduction, generation of government revenue from sale of state corporations and a reduction in government spending. However, it is worth noting that

staff redeployment, pensions, or severance may prove to be a significant hurdle in the implementation of the privatization program.

74. The State Corporations targeted for winding up include the 6 Regional Development Authorities (RDAs) and the Scrap Metal Council (SMC). The functions of RDAs overlap with those of county government thus necessitating a review of their relevance and structure while the scrap metal industry has effective structures for self-regulation thus there is no need to have the SMC. However, the winding up of the RDAs is likely to face challenges since they are managing a total of 423 projects with a number of them cross-cutting county borders. The RDAs also have fixed and movable assets valued at an estimated Kshs. 4.92 billion and bear long-term and contingent liabilities totalling Kshs. 6.37 billion, comprising outstanding debts, project-related obligations, and potential legal claims. The winding up of these RDAs provides financial and administrative implications in the projects, assets and liabilities currently held by these institutions. Beyond physical assets and liabilities, the RDAs collectively employ 1,529 with salaries and benefits valued at approximately Kshs. 1.53 billion. These personnel include technical experts, administrative staff, and field officers who play a critical role in executing development programs. A decision regarding the future of RDAs must, therefore, carefully consider the status of employees, options for redeployment or absorption, and the financial costs associated with such transitions.

Table 7: State Corporations Proposed for Divesture

S/No.	State Corporation	FY 2025/26 Recurrent Allocation	Proposal
1.	Jomo Kenyatta Foundation (JKF)	78,300,000	Privatize
2.	Science Equipment Production Unit (SEPU)	123,000,000	Privatize
3.	Numerical Machining Complex (NMC)	226,000,000	Privatize
4.	Scrap Metal Council (SMC)	75,000,000	Wind Up
5.	Coast Development Authority (CDA)	140,275,199	Wind Up
6.	Ewaso Ng'iro South Development Authority (ENSDA)	309,411,460	Wind Up
7.	Ewaso Ng'iro North Development Authority (ENNDA)	210,889,060	Wind Up
8.	Kerio Valley Development Authority (KVDA)	333,924,409	Wind Up
9.	Lake Basin Development Authority (LBDA)	536,560,106	Wind Up
10.	Tana and Athi River Development Authority (TARDA)	429,975,422	Wind Up
11.	Kenya Fishing Industries Corporation (KFIC)	100,500,000	Privatize
12.	Pyrethrum Processing Company of Kenya (PPCK)	410,000,000	Privatize
13.	Kenya National Shipping Line (KNSL)	150,000,000	Privatize
14.	Kenya Post Office Savings Bank (Postbank)	-	Privatize
	TOTAL	3,123,835,656	

Source: PBO

4.1.5 Sustainability outlook

75. The proposed mergers mark a strategic shift in how Kenya’s state corporations are expected to operate moving from dependence on government financing toward more, sustainable, self-reliant models. With the government gradually reducing its financial support to public institutions, restructured entities will need to adopt innovative approaches to funding and service delivery. This includes leveraging Public Private Partnerships (PPPs), optimizing internal revenue streams, and embracing efficiency-driven operations. Some of the key sustainability indicators and the strategic actions needed to realize the transformation are outlined in Table 8.

Table 8: Key Sustainability Indicators and Strategic Focus

Indicator	What it Implies	What needs to be done
Declining government allocations	State corporations must reduce reliance on exchequer funding and operate independently	Develop PPPs, diversify revenue, and strengthen internal cost controls.
Successful IPOs/divestitures	State enterprises can raise private capital and enhance governance through market entry.	Identify viable state-owned enterprises, improve financial transparency, and prepare for partial listing
Financial self-reliance	Long-term sustainability depends on internal revenue generation and operational efficiency.	Implement cost-recovery models, digitize services, and enforce performance-based budgets.
Declining AIA	Mergers may disrupt revenue-generation operations, leading to reduced AIA and operational instability	Ensure business continuity planning, align merged services quickly, and invest in communication and service efficiency.

Source: PBO

76. Keep an eye on...

- i) **Fiscal Impact** - Budget execution, realized savings, pending bills clearance
- ii) **Mergers implementation** - Legal amendments (State Corporations Act amendments, repealing the Acts that formed the corporations, Parliamentary action on The Government Owned Enterprises Bill), staff rationalization, service continuity.
- iii) **Governance** - Board formation, mandate clarity, accountability
- iv) **Financial sustainability** - PPPs, IPOs, internal revenue performance
- v) **Service delivery** - Access, quality, efficiency of services, and capacity readiness
- vi) **Transparency** - Reform updates, public engagement, reporting
- vii) **Legal Reform** - Rationalization of current legal framework to ensure the laws reflect the devolved system of governance.
- viii) **Timelines** - Detailed timeline to ensure milestones are met

- ix) **Internally generated revenue stability**- Monitor trends in Appropriations-In-Aid (AIA) collection post-merger to ensure state corporations maintain financial autonomy and operational stability.

4.2 Efficiency in Budget Implementation: Analysis of the External Funded Projects in the Development Budget

4.2.1 Introduction

77. **Kenya continues to rely on Official Development Assistance (ODA) resources - being external financing in the form of loans and grants from bilateral and multilateral sources - to finance its key programmes to meet its developmental goals.** Some components of Kenya's ODA resources are regularly channelled through the annual budget and consequently approved by Parliament. Other ODA resources are deployed through an off-budget mechanisms and implemented by funder/provider entities (or other contracted parties) although at the national level these resources are fraught with visibility challenges in-terms of both the quantum amount and utilization trends. Whereas these resources significantly support critical service delivery to the citizens in the priority areas of governance such as health, education and food security, among others, tracking off-budget resources remains a major weakness for National Government in mapping the extent of resource deployment and assessing impact in the context of national development agenda and evaluation of the various programmes. These weaknesses also affect mitigation measures against potential risks on the flow or sustainability of external resources given their broader role and impact on fiscal governance and macroeconomic management.
78. With regards to ODA resources channelled and managed through the annual budgeting process, recent estimates put Kenya's overall ODA portfolio at Kshs. 2.2 trillion, comprising of Kshs. 1.9 trillion as loans and Kshs. 251 billion as grants, if shortfalls in counterpart funding (GOK share) are fully provided⁶.

Table 9: Summary of External Funding for FY 2025/26

Description/Details	Amounts (Kshs. Trillion)	Remarks
Total Loans & Grants	2.171	<ul style="list-style-type: none"> Covering over 234 projects, both ongoing and new Counterpart shortfall estimated at KSh. 130 billion
<i>Loans</i>	1.920	
<i>Grants</i>	0.251	

Source: National Treasury

⁶ GoK, Ministerial submission: 13th Development Partners Forum, August 2025

79. Procedurally, these resources are annually scheduled or committed in the national budgeting, where comparatively a total of KSh. 259 billion were approved for the current FY 2025/26 vis-a-vis KSh. 278 billion for the last FY 2024/25 across the respective sectors and MDA budgets as shown in table 9. Total approved Development Budget Estimates for the FY 2025/2026 is KSh. 744.8 billion, of which total bilateral and multilateral loans and grants amount to KSh. 258.4 billion, accounting for 35% of total development budget. Other sources of funds towards the development budget are mainly Exchequer Sources and user fees and levies as well as proceeds from deficit financing.

Table 10: Summary of External Funding for FY 2024/25 & 2025/26

Details	FY 2024/25	FY 2024/25	FY 2025/26	Variance (C-A)	% share of Total (A)	% share of Total (C)
	Original Approved Budget (A)	Last Approved Budget Suppl III (B)	Original Approved Budget (C)			
Development Allocation	746,337	612,919	744,838	-1,499	100%	100%
Of which						
Externally funded (loans and grants)	277,824	212,288	258,383	-19,441	37.2%	34.7%
Local AiA	142,328		229,458	87,130	19.1%	30.8%
Exchequer including deficit financing	326,194		256,997	-69,197	43.7%	34.5%

Source: National Treasury

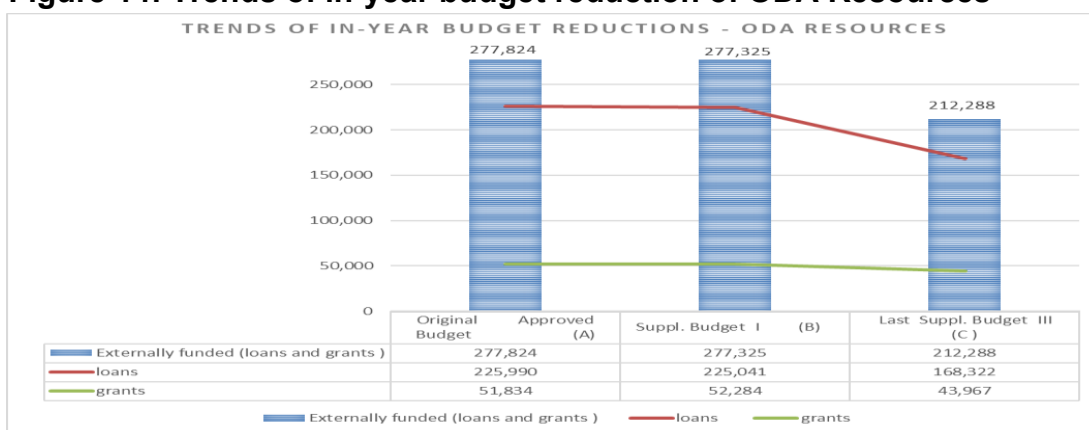
80. **However, the annual allocation pace points to capacity challenges in utilizing these resources if obtaining trends as shown in figure 14 are taken into account, meaning delayed utilization and extended project duration unless government drastically improves management and uptake of ODA resources.** Additionally, absorption of these funds during budget implementation remains low, pointing to systemic challenges affecting Kenya’s external resource utilization landscape. Some of the inhibiting challenges, that persistently remain largely unaddressed or unmitigated, include:

- i) Systemic low and undesirable implementation pace contributing to low uptake of earmarked allocation
- ii) Poor contractual management including non-compliance to counterpart funding.
- iii) Poor coordination between implementation agencies and development partners.

81. **Moreover, the reduction in external funded projects is further compounded by perennial lower absorption of approved allocations coupled with other implementation challenges that continue to affect proper uptake of these already-available funds.** As result of lower-than-expected absorption during budget implementation, in year budget revisions target external ODA allocations in form of

loans and grant and substantially reduce draw down opportunities of committed funds. Figure 14 highlights reduction of approved allocations during supplementary budgeting, bringing into focus sub-optimal approaches in utilizing ODA resources by MDAs often subjected to unexplained rationalization in the broader context of in-year fiscal consolidation without comprehensive case by case justification. As a result, these poor outcomes have led to delayed developmental impact coupled with opportunity cost of servicing accrued public debt, thus requiring focused legislative intervention and urgent shift in traditional oversight strategies to overcome budget implementation impediments and sub-optimal practices in external resource deployment and utilization.

Figure 14: Trends of in-year budget reduction of ODA Resources



Source: National Treasury

4.2.2 Bilateral and multilateral share of funding

82. Various bilateral and multilateral partners continue to fund various programmes and projects across various sectors. Bilateral partners account for 25.64% of the total external funding, with Government of France and Government of Germany being the highest at 6.43% and 5.56%, respectively.

Table 11: Bilateral funding in comparison with previous financial funding

No.	Details	2024/25		Total	% of Total	2025/26		Total	% of Total	
		Loans	Grants			Loans	Grants			
A	Total External funding	225,989.84	51,834.48	277,824.33	100.00%	210,252.25	48,130.71	258,382.96	100.00%	
B	Total Bilateral (Various countries)	78,718.73	8,270.38	86,989.11	31.31%	56,435.19	9,807.31	66,242.49	25.64%	
Of which Bilateral countries include:										
B1	Government of Denmark	-	1,211.00	1,211.00	0.44%	-	1,212.00	1,212.00	0.47%	
B2	Government of Netherlands	-	-	-	0.00%	-	-	-	0.00%	

No.	Details	2024/25				% of Total	2025/26			
		Loans	Grants	Total	Loans		Grants	Total	% of Total	
B3	Government of Sweden	-	943.00	943.00	0.34%	-	340.00	340.00	0.13%	
B4	Government of Finland	970.00	500.00	1,470.00	0.53%	900.00	500.00	1,400.00	0.54%	
B5	Government of Belgium	2,900.00	-	2,900.00	1.04%	200.00	10.00	210.00	0.08%	
B6	Government of Italy	2,142.00	280.00	2,422.00	0.87%	1,009.40	281.00	1,290.40	0.50%	
B7	Government of Spain	2,969.00	-	2,969.00	1.07%	3,157.00	-	3,157.00	1.22%	
B8	Government of Germany - KFW	13,475.25	3,233.00	16,708.25	6.01%	10,658.50	3,716.63	14,375.13	5.56%	
B9	Government of Germany - GIZ	-	323.00	323.00	0.12%	-	270.00	270.00	0.10%	
B10	Government of France	25,459.64	1,027.87	26,487.51	9.53%	15,249.62	1,356.22	16,605.84	6.43%	
B11	Kuwait Fund for Arab Development	919.00	-	919.00	0.33%	550.00	-	550.00	0.21%	
B12	Saudi Fund for Development	1,244.95	100.00	1,344.95	0.48%	1,322.00	-	1,322.00	0.51%	
B13	Government of Japan	14,035.89	353.95	14,389.84	5.18%	6,555.37	907.00	7,462.37	2.89%	
B14	Government of South Korea	4,800.00	-	4,800.00	1.73%	4,045.00	-	4,045.00	1.57%	
B15	Government of China	7,253.00	-	7,253.00	2.61%	9,388.30	-	9,388.30	3.63%	
B16	Government of United States of America/ USAID	-	298.56	298.56	0.11%	-	281.56	281.56	0.11%	
B17	Ford Foundation	-	-	-	0.00%	-	32.89	32.89	0.01%	
B18	Government of Israel	1,000.00	-	1,000.00	0.36%	3,400.00	-	3,400.00	1.32%	
B19	Government of Poland	1,000.00	-	1,000.00	0.36%	-	-	-	0.00%	
B20	Government of Hungary	550.00	-	550.00	0.20%	-	900.00	900.00	0.35%	

Source: National Treasury

83. Multilateral support accounts for the largest amounts in the external funding arrangement at 74.4% with International Development Association (World Bank) accounting for more than half of external sources at 51.3% compared to its funding level of 38.7% in the previous financial year, reflecting continuous support by the Bank across various sectors. However, there are concerns relating to full uptake of the Bank's resources which the current approved budget puts at Kshs. 132.5 billion, up from 107.6 billion in the previous allocation.
84. Second highest funding share in the current budget is from the African Development Fund (ADB/ADF) at 10.1% (Kshs. 26.1 billion) for various programmes and projects and the Global Fund at 5.3% (Kshs. 13.6 billion) towards critical health programmes like malaria and TB as well as HIV and AIDS treatment although the budget resources

from the Global Fund interventions has substantially reduced by nearly half compared to the previous year allocation (Kshs. 25.2 billion).

85. Additionally, the Global Alliance Vaccine Initiative (GAVI) maintains its support towards health programmes at 1.0% (Kshs. 2.6 billion) marginal increase, while International Fund for Agricultural Development (IFAD) reflects 1.8% (Kshs. 4.7 billion), albeit notable reduction compared to previous year's allocation.

Table 12: Indicates the various multilateral partners

No.	Details	2024/25		Total	% of Total	2025/26		Total	% of Total
		Loans	Grants			Loans	Grants		
A	Total External funding	225,989.84	51,834.48	277,824.33	100.00%	210,252.25	48,130.71	258,382.96	100.00%
B	Total multi-lateral	147,271	43,564	190,835	68.69%	153,817	38,323	192,140	74.36%
Of which:									
B1	International Development Association (World Bank)	98,558.43	9,076.00	107,634	38.74%	120,200.63	12,373.00	132,574	51.31%
B2	Global Fund	-	25,194.08	25,194	9.07%	-	13,562.59	13,563	5.25%
B3	African Union (AU)	-	638.00	638	0.23%	-	461.00	461	0.18%
B4	European Development Fund	-	2,058.57	2,059	0.74%	-	870.00	870	0.34%
B5	European Investment Bank	3,827.50	-	3,828	1.38%	2,505.50	-	2,506	0.97%
B6	InterGovernmental Authority on Development (IGAD)	-	132.00	132	0.05%	-	132.00	132	0.05%
B7	African Development Fund (ADB/ADF)	36,467.21	1,313.40	37,781	13.60%	25,259.93	879.00	26,139	10.12%
B8	Arab Bank for Economic Development in Africa	1,023.11	20.00	1,043	0.38%	1,104.00	-	1,104	0.43%
B9	Organization of Petroleum Exporting Countries (OPEC)	784.67	-	785	0.28%	546.00	-	546	0.21%
B10	United National Development Programme (UNDP)	-	350.00	350	0.13%	-	185.09	185	0.07%
B11	United Nations Fund for Population Activities (UNFPA)	-	919.98	920	0.33%	-	1,021.70	1,022	0.40%

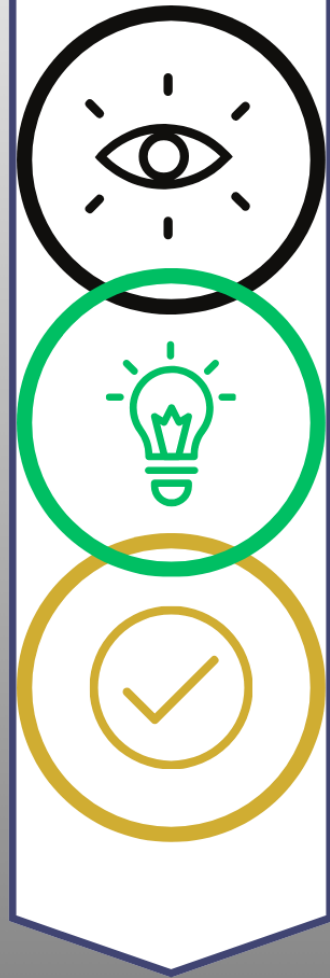
No.	Details	2024/25		Total	% of Total	2025/26		Total	% of Total
		Loans	Grants			Loans	Grants		
B12	United Nations Environment Programme (UNEP)	-	88.00	88	0.03%	-	178.00	178	0.07%
B13	United Nations International Children Education Fund (UNICEF)	-	-	-	0.00%	-	18.00	18	0.01%
B14	World Food Programme (WFP)	-	210.15	210	0.08%	-	-	-	0.00%
B15	Global Alliance Vaccine Initiative (GAVI)	-	2,600.00	2,600	0.94%	-	2,627.00	2,627	1.02%
B16	International Fund for Agricultural Development (IFAD)	6,610.20	135.00	6,745	2.43%	4,201.00	540.00	4,741	1.83%
B17	United Nations Women (UN Women)	-	56.00	56	0.02%	-	22.70	23	0.01%
B18	Green Climate Fund	-	643.13	643	0.23%	-	953.53	954	0.37%
B19	World Wildlife Fund (WWF)	-	-	-	0.00%	-	70.00	70	0.03%
B20	Susan Thompson Buffet Foundation	-	-	-	0.00%	-	3,800.00	3,800	1.47%
B21	Millennium Challenge Corporation (MCC)	-	-	-	0.00%	-	500.00	500	0.19%
B22	International Union for Conservation of Nature & Natural Resources (IUCN)	-	129.80	130	0.05%	-	129.80	130	0.05%

Source: National Treasury

86. Keep an eye on...

- i) The quarterly performance of externally funded projects so as to fast-track implementation in-line with set targets.
- ii) Absorption status of project resources by mandated MDAs as disbursed by The National Treasury. Additionally, Committees may prioritize regular oversight engagement including evaluating actual status and performance of respective projects aimed at curtailing against slow or ineffective implementation of project milestones.
- iii) The capacity and readiness of ministries, Department and Agencies (MDAs) tasked with undertaking assigned projects by evaluating project specific workplans and procurement plans so as to ensure compliance to project timelines and fast track completion of delayed projects. This may be the case for MDAs with significant delayed portfolios (beyond stipulated project timelines) despite yearly approved allocations.
- iv) On unwarranted reallocation or reduction of approved funds involving externally funded projects and compel National Treasury and concerned Department to safeguard against in-year re-allocations and provide case by case justification for affected allocations. Specifically, the National Treasury should provide a comprehensive case-by-case justification on proposed reductions or re-allocations including impact on counterpart funding complementing externally funded projects.
- v) Absorption of project resources disbursed by National Treasury to MDAs and by prioritizing regular oversight to evaluate corresponding status on the performance of respective projects.

Chapter Five: Oversight of Development Partner- Supported County Projects



5.1 Introduction

87. **Development partner projects in the counties are often financed by bilateral and multilateral development partners and these are captured in the annual County Government Additional Allocation Act.** They are, however, managed through the National Treasury and reflected in county budgets in the form of additional conditional grants. These funds are first captured in the annual **County Government Additional Allocation Act**, which provides for the transfer of additional allocations from both the National Government's share of revenue and loans and grants from development partners to county governments.
88. The Act aligns with Article 190 of the Constitution, which provides that Parliament may legislate for additional support to county governments—support that may be financial and take the form of conditional or unconditional allocations. Equally, the Bill is consistent with Article 202(2) of the Constitution, which provides for the transfer of additional allocations from the National Government's share of revenue.
89. Development partner funding supplements the limited county resources and supports critical sectors such as health and agriculture. However, concerns have emerged regarding the implementation of these projects, which has long-term implications for their sustainability.
90. This chapter evaluates county donor-funded projects, highlights implementation challenges, and outlines what the Senate, as the key institution overseeing county governments, should prioritize when exercising oversight to ensure sustainability.

5.2 Implementation Framework for Development Partner–Supported Projects

91. Development partner support to counties typically comes in the form of loans or grants, disbursed as conditional allocations based on specific criteria outlined in financing agreements. Counties are required to sign participatory agreements and annual performance contracts, provide counterpart funding, and comply with Disbursement-Linked Indicators (DLIs). These indicators are central to the financing framework and typically cover areas such as timely preparation and auditing of financial statements, implementation of audit recommendations, growth in own-source revenue, adherence to procurement regulations, and effective public participation. In addition, counties must manage funds through ring-fenced special purpose accounts, follow approved work plans, and submit standardized quarterly

financial and non-financial performance reports. These reports are certified by designated oversight units or steering committees to ensure accountability and alignment with program objectives.

92. Development partner support to county projects has increased progressively over the years, from Kshs. 23.7 billion in FY 2022/23, to Kshs. 29.1 billion in FY 2023/24, Kshs. 42.0 billion in FY 2024/25, and Kshs. 56.9 billion in FY 2025/26. The key development partners include the International Fund for Agriculture Development (IFAD), World Bank's International Development Association (IDA), German Development Bank (KfW), Danish International Development Agency (DANIDA) and the Swedish Government as detailed in Table 13.

Table 13: Conditional Allocations to County Governments from Development Partners

Project	2022/23	2023/24	2024/25	2025/26
IFAD - Aquaculture Business Development Project (ABDP)	-	246	246	200
IDA - FLLoCA - County Climate Institutional Support (CCIS) Grant	517	-	-	121
IDA - FLLoCA - County Climate Resilience Investment (CCRI) Grant	5,433	517	3,712	6,188
KfW - FLLoCA - County Climate Resilience Investment (CCRI) Grant	-	1,200	1,200	1,200
IDA - Food Systems Resilience Project (FSRP)	-	-	2,250	3,200
KfW - Drought Resilience Programme in Northern Kenya (DRPNK)	825	765	782	1,277
Kenya Devolution Support Program II (KDSP II) Level 1 Grant	-	-	1,763	1,763
IDA - Kenya Devolution Support Program II (KDSP II) Level 2 Grant	-	-	-	13,043
IFAD - Kenya Livestock Commercialization Project (KeLCoP)	-	344	379	635
IDA - Kenya Urban Support Project (KUSP) - Urban Institutional Grant (UIG)	-	-	1,715	1,300
IDA - Kenya Urban Support Project (KUSP) - Urban Development Grant (UDG)	-	-	5,890	10,326
Kenya Water, Sanitation and Hygiene (K-WASH) Programme	-	-	-	4,608
IDA - National Agricultural Value Chain Development Project (NAVCDP)	-	6,600	5,000	7,700
DANIDA - Primary Health Care in Devolved Context (PHDC) Programme	667	578	488	510
IDA - Water & Sanitation Development Project (WSDP)	5,900	5,350	5,700	3,000
AFD - Kenya Informal Settlement Improvement Project (KISIP II)	-	-	5,243	1,000
IDA - Kenya Informal Settlement Improvement Project (KISIP II)	2,700	4,500	5,157	840
IDA - Emergency Locust Response Project (ELRP)	1,200	2,303	1,900	-
UNFPA Grant -10th Country Grant	-	-	65	-
SWEDEN - Kenya Agricultural Business Development Project (KABDP)	-	-	513	-
IDA - National Agricultural and Rural Inclusive Growth Project (NARIGP)	3,563	410	-	-
Sweden - Agricultural Sector Development Support Programme (ASDSP)II	775	73	-	-
IDA - Kenya Climate Smart Agriculture project (KCSAP)	2,000	6,188	-	-

Project	2022/23	2023/24	2024/25	2025/26
EU Grant (Instruments for Devolution Advice and Support (IDEAS))	120	-	-	-
Total	23,700	29,073	42,002	56,908

Source: Various County Government Additional Allocation Acts

93. Despite the funds being available for expenditure, there has been challenges in the absorption. In FY 2023/24 only Kshs. 15.5 billion was received by county government against an approved budget of Kshs. 29.1 billion, indicating 53 percent performance. However, the performance decreased in FY 2024/25 to 43 percent with only Kshs. 18 billion received by counties out of the Kshs. 42 billion approved in the budget. Table 14 details the performance of various Loans and Grants for FY 2023/24 and FY 2024/25.

Table 14: Performance of Conditional Allocations to County Governments from Development Partners

Details	2023/24			2024/25		
	Approved Budget (Kshs. millions)	Actual Receipts	Performance %	Approved Budget (Kshs. millions)	Actual Receipts	Performance %
IDA NARIGP	410	401	98	-	-	-
DANIDA	578	459	79	488	437	90
KISIP II	4,500	4,331	96	10,400	7,451	72
IDA – ELRP	2,303	2,276	99	1,900	7	0
FLLoCCA	1,717	1,379	80	4,912	694	14
IDA FSRP	-	-	-	2,250	898	40
IDA NAVCDP	6,600	6,377	97	5,000	2,080	42
IDA WSDP	5,350	-	-	5,700	4,279	75
IDA KDSP II	-	-	-	1,763	66	4
KUSP	-	-	-	7,605	1,454	19
IFAD – KELCoP	344	168	49	379	344	91
KfW – DRPNK	765	-	-	782	249	32
IFAD - ABDP	246	-	-	246	10	4
UNFPA	-	-	-	65	13	19
IDA – KCSAP	6,188	-	-	-	-	-
SWEDEN - ASDSP	73	65	89	-	-	-
SWEDEN- KABDP	-	-	-	513	-	-
Total	29,073	15,456	53	42,002	17,982	43

Source: Various CoB County Budget Implementation Reports

5.3 Sustainability and Oversight Imperatives

94. Addressing the structural and operational challenges affecting the implementation of donor-funded projects in counties is critical to enhancing their long-term sustainability, credibility, and developmental impact. Strengthening implementation frameworks—including timely disbursement, rigorous audit follow-up, and

adherence to performance-based financing conditions—will not only improve accountability but also build trust with development partners. Inclusive public participation and stronger alignment of donor initiatives with County Integrated Development Plans (CIDPs) are essential to ensuring these projects are locally owned, politically supported, and embedded in long-term county priorities.

95. Given that a significant portion of donor financing comes in the form of concessional loans, which must ultimately be repaid, the Senate has a responsibility to ensure that counties utilize these resources efficiently and deliver measurable outcomes. The principle of value for money must guide both the design and execution of donor-supported programs to avoid wastage, duplication, or underperformance that could burden future budgets without delivering corresponding development gains.
96. Moreover, the Senate must take a proactive role in enforcing the implementation of audit recommendations, monitoring compliance with Disbursement-Linked Indicators (DLIs), and ensuring the traceability of results particularly in sectors like agriculture and health where outcome visibility remains limited. This includes promoting the development of digital farmer registries, performance dashboards, and output-based reporting mechanisms at the facility level. Ultimately, enhancing ownership, transparency, and responsiveness across all phases of the project cycle will be fundamental to ensuring that externally funded programs deliver tangible, equitable, and transformative results for communities across Kenya.
97. **Keep an eye on...**
 - i) The Senate should prioritize ensuring that County Governments implement audit recommendations issued by the Office of the Auditor-General (OAG).
 - ii) In monitoring disbursements, the Senate should closely track reports from the Controller of Budget (CoB) to ensure that donor funds are released in a timely and accurate manner, consistent with budgeted allocations and project timelines. Delays in disbursement, whether due to the late passage of the County Governments Additional Allocations (CGAA) Act or administrative bottlenecks, can stall implementation and erode trust with development partners.
 - iii) Senate oversight should also focus on whether counties are meeting Disbursement-Linked Indicators (DLIs), which are performance-based conditions for accessing donor funds.
 - iv) Counties receiving donor support are required to submit standardized quarterly financial and non-financial performance reports, which must be certified by oversight units or program steering committees. The Senate should ensure

that these reports are submitted on time, independently verified, and publicly accessible, and that underperforming counties are identified for follow-up.

- v) The Senate should also monitor whether counties are complying with counterpart funding obligations stipulated in donor financing agreements. Senate committees should regularly review counterpart funding performance and recommend incentives or sanctions where appropriate.
- vi) Donor funds are typically channelled through ring-fenced special purpose accounts at the county level to enhance traceability and prevent misuse. Senate should verify the existence, proper use, and audit status of these accounts. Ensuring that these accounts are protected from diversion and operate within the framework of the County Treasury and the Integrated Financial Management Information System (IFMIS) is vital for sustaining donor confidence and compliance with financial covenants.
- vii) Public participation is both a constitutional obligation and a common condition in donor agreements. Senate should assess whether counties are facilitating inclusive engagement in the planning, budgeting, and implementation of donor-funded projects.
- viii) Senate oversight should examine the alignment of donor-funded projects with County Integrated Development Plans (CIDPs) and Annual Development Plans (ADPs).
- ix) Senate should pay closer attention to the traceability of donor-funded results based on clearly defined metrics, particularly where funds are tied to service delivery outcomes.

ANNEXURES

Annex I: State Corporations Proposed for Restructuring

Sector	State Corporation proposed for merger	FY 2025/26 Recurrent Allocation (Kshs)	Proposal	Expected Benefits	Requirements
Education	Universities Fund (UF)	17,263,578,880	Merger	<ul style="list-style-type: none"> UF provides grants and scholarships while HELB provides loans to students in higher education institutions. Merging the two institutions will streamline funding to students in higher education institutions and reduce recurrent expenditures from consolidation of administrative functions and dissolution of board of directors for one institution 	UF is established by Universities Act, 2012 and HELB is established by HELB Act, 1995. The merger of the 2 institutions will require amendments of the 2 Acts.
	Higher Education Loans Board (HELB)	41,546,039,825			
	Commission for University Education (CUE)	444,438,964	Merger	<ul style="list-style-type: none"> CUE regulated university education, TVETA regulates TVET institutions and KNQA sets standards for all qualifications obtained in education and training institutions. Merging the 3 institutions will streamline regulation and quality assurance in education and training, and reduce recurrent expenditures from consolidation of administrative functions and dissolution of board of directors for 2 institutions 	CUE is established by Universities Act, 2012; TVETA is established by TVET Act, 2013 and KNQA is established by KNQA Act, 2014. The merger of the 3 institutions will require amendment of the 3 Acts.
	Technical and Vocational Education and Training Authority (TVETA)	433,063,251			
	Kenya National Qualification Authority (KNQA)	215,693,865			
	Center for Mathematics, Science and Technology in Africa (CEMASTEA) - Institute for Capacity Development of Teachers in Africa	90,000,000	Dissolution and Transfer to Ministry	<ul style="list-style-type: none"> CEMASTEA provides and coordinates in-service education and training for teachers of Mathematics, Science and Technology. Transferring of functions to the State Department for Basic Education will reduce recurrent expenditure from consolidation of administrative functions and dissolution of CEMASTEAs board of directors 	CEMASTEA is established by Legal Notice No. 96 Of 2006. The dissolution of the institution will require repeal of this Legal Notice.
	Jomo Kenyatta Foundation (JKF)	78,300,000	Divesture	<ul style="list-style-type: none"> JKF advances education and relieves poverty by publishing educational materials and awarding scholarships to bright but needy students. Divesture will reduce the recurrent expenditure for the State Department for Basic Education. 	JKF is a fully government owned company incorporated under the Companies Act, 2015. Divesture from JFK will require full privatization of the company.
Science Equipment Production Unit (SEPU)	123,000,000	Divesture	<ul style="list-style-type: none"> SEPU designing, manufacturing, supplying, and distributing science materials and apparatus to educational institutions. 	SEPU is a fully government owned company incorporated under the Companies Act,	

Sector	State Corporation proposed for merger	FY 2025/26 Recurrent Allocation (Kshs)	Proposal	Expected Benefits	Requirements
				<ul style="list-style-type: none"> Divesture will reduce the recurrent expenditure for the State Department for Basic Education. 	2015. Divesture from SEPU will require full privatization or closure of the company.
General Economic and Commercial Affairs	Kenya Tourism Board (KTB)	402,888,000	Merger	<ul style="list-style-type: none"> KTB develops, implements and coordinates the national tourism marketing strategy while the TRI undertakes and coordinates tourism research and analysis. Merger of the two institutions will streamline tourism promotion and research; and reduce recurrent expenditures from consolidation of administrative functions and dissolution of board of directors for one institution 	Both the KTB and TRI are established by the Tourism Act, 2011. The merger of the 2 institutions will require amendment of the Act.
	Tourism Research Institute (TRI)	16,848,000			
	Export Processing Zones Authority (EPZA)	802,000,000	Merger	<ul style="list-style-type: none"> EPZA promotes and facilitates export-oriented investments in EPZs while SEZA attracts, facilitates and retains domestic and foreign investments in public and private SEZs. Merger of the two institutions will streamline promotion and regulation of domestic and foreign investments, and reduce recurrent expenditures from consolidation of administrative functions and dissolution of board of directors for one institution 	EPZA is established by EPZ Act, 1990 and SEZA is established by SEZ Act, 2015. The merger of the 2 institutions will require amendment of both Acts.
	Special Economic Zones Authority (SEZA)	181,000,000			
	Anti-Counterfeit Authority (ACA)	477,410,000	Merger	<ul style="list-style-type: none"> ACA is responsible for combating counterfeit goods, KIPi is responsible for handling the registration of patents, industrial designs, and trademarks; and KECOBO is responsible for protecting copyright and related rights. Merging the 3 institutions will bring anti-counterfeit, Industrial Property Protection and management of copyrights under one institution, and reduce recurrent expenditures from consolidation of administrative functions and dissolution of board of directors for 2 institutions. However, the impact on government expenditure will not be significant since KIPi and KECOBO are not supported through the annual budget. 	ACA is established by Anti-Counterfeit Act, 2009, KIPi is established by Industrial Property Act, 2001 and KECOBO is established by Copyright Act, 2001. The merger of the 3 institutions will require amendment of the 3 Acts.
	Kenya Industrial Property Institute (KIPi)	-			
	Kenya Copyright Board (KECOBO)	-			
Kenya Industrial Research Development Institute (KIRDI)	642,657,000	Merger	<ul style="list-style-type: none"> KIRDI conducts research, development, and innovation in industrial technologies while KIE 	KIRDI is established by KIRDI Act, 2022 while KIE is a fully government owned company	

Sector	State Corporation proposed for merger	FY 2025/26 Recurrent Allocation (Kshs)	Proposal	Expected Benefits	Requirements
	Kenya Industrial Estates (KIE)	492,987,000		<p>provides financial, training, and business development services to SMEs.</p> <ul style="list-style-type: none"> Merging of the 2 institutions will streamline government support to industrial development, and reduce recurrent expenditures from consolidation of administrative functions and dissolution of board of directors for one institution 	incorporated under the Companies Act, 2015. The merger will require amendment of the KIRDI Act, 2022.
	Tourism Promotion Fund (TPF)	-	Merger	<ul style="list-style-type: none"> TPF provide funds to support development, promotion and branding of the tourism sector while TF supports the growth and development of the tourism sector. Merging the 2 institutions will streamline government funding for the tourism sector, and reduce recurrent expenditures from consolidation of administrative functions and dissolution of board of directors for one institution. In FY 2025/26, the process of the merger has already commenced with the TPF having not been allocated any funding. 	TF is established by Tourism Act, 2011 while TPF is established through legal notice No. 24 of 2019. The merger will require amendment of the Tourism Act, 2011 and repeal of legal notice no. 24 of 2019.
	Tourism Fund (TF)	8,193,000,000			
	Kenya Investment Authority (KenInvest)	242,292,000	Merger	<ul style="list-style-type: none"> KenInvest promotes and facilitates investment while KEPROBA promotes and brands exports. Merging the 2 institutions will streamline the promotion of Kenya as an investment and export destination, and reduce recurrent expenditures from consolidation of administrative functions and dissolution of board of directors for one institution. 	KenInvest is established by Investment Promotion Act, 2005 while KEPROBA is established through legal notice no. 110 of 2019. The merger will require amendment of the Investment Promotion Act, 2005 and repeal of the legal notice no. 110 of 2019.
	Kenya Export Promotion & Branding Agency (KEPROBA)	720,817,000			
	Kenya National Trading Corporation (KNTC)	1,776,590,000	Merger	<ul style="list-style-type: none"> KNTC is focused on trade, procurement and distribution of essential goods to ensure availability and price stability while NCPB support the cereals sector by providing post-harvest services, distribution of government agricultural inputs and managing government food reserves. Merger of the 2 institutions will streamline distribution of essential goods and government agricultural inputs and management of food reserves, and reduce 	NCPB is established under NCPB Act, 2012 while KNTC is a fully government owned company incorporated under the Companies Act, 2015. The merger will require amendment of the NCPB Act, 2012.
	National Cereals & Produce Board (NCPB)	-			

Sector	State Corporation proposed for merger	FY 2025/26 Recurrent Allocation (Kshs)	Proposal	Expected Benefits	Requirements
				<p>recurrent expenditures from consolidation of administrative functions and dissolution of board of directors for one institution.</p> <ul style="list-style-type: none"> • However, the impact on government expenditure will not be significant since NCPB is not supported through the annual budget. 	
	Uwezo Fund	126,630,000	Merger	<ul style="list-style-type: none"> • Uwezo fund provides financial support to youth, women and PWDs, WEF provides financial support to women and YEDF provides financial support to youth. • Merging of the 3 funds will streamline access to financing for small businesses, and reduce recurrent expenditures from consolidation of administrative functions and dissolution of board of directors for 2 institutions. 	<p>Uwezo Fund is established through Legal Notice No. 21 of 2014, WEF is established through Legal Notice No. 147 of 2007, and YEDF is established through Legal Notice No. 167 of 2006. The merger will require repeal of the 3 legal notices and creation of a new fund.</p>
	Women Enterprise Fund (WEF)	352,770,000			
	Youth Enterprise Development Fund (YEDF)	307,656,623			
	Numerical Machining Complex (NMC)	226,000,000	Divesture	<ul style="list-style-type: none"> • NMC is mandated to commercially production of steel, engineering designs and development of machinery and components. • Divesture will reduce the recurrent expenditure for the State Department for Industry 	<p>NMC is a fully government owned company incorporated under the Companies Act, 2015. Divesture from NMC will require privatization of the company.</p>
	Scrap Metal Council (SMC)	75,000,000	Divesture	<ul style="list-style-type: none"> • SMC develops appropriate measures and mechanisms for regulating the scrap metal industry. Divesture will reduce the recurrent expenditure for the State Department for Industry 	<p>SMC is established by the SMC Act, 2015. Divesture from SMC will require amendment of the Act.</p>
	Coast Development Authority (CDA)	140,275,199	Divesture	<ul style="list-style-type: none"> • CDA provides integrated development planning, coordination and implementation of projects and programmes in coast region. • Divesture will reduce the recurrent expenditure for the State Department for ASALs and Regional Development 	<p>CDA is established by CDA Act, Cap 449. Divesture from CDA will require amendment of the Act.</p>
	Ewaso Ng'iro South Development Authority (ENSDA)	309,411,460	Divesture	<ul style="list-style-type: none"> • ENSDA provides integrated development planning, coordination and implementation of projects and programmes in Ewaso Ng'iro South Basin. • Divesture will reduce the recurrent expenditure for the State Department for ASALs and Regional Development 	<p>ENSDA is established by ENSDA Act, Cap 447. Divesture from ENSDA will require amendment of the Act.</p>

Sector	State Corporation proposed for merger	FY 2025/26 Recurrent Allocation (Kshs)	Proposal	Expected Benefits	Requirements
	Ewaso Ng'iro North Development Authority (ENNDA)	210,889,060	Divesture	<ul style="list-style-type: none"> ENNDA provides integrated development planning, coordination and implementation of projects and programmes in Ewaso Ng'iro North Basin. Divesture will reduce the recurrent expenditure for the State Department for ASALs and Regional Development 	ENNDA is established by ENNDA Act, Cap 448. Divesture from ENNDA will require amendment of the Act.
	Kerio Valley Development Authority (KVDA)	333,924,409	Divesture	<ul style="list-style-type: none"> KVDA provides integrated development planning, coordination and implementation of projects and programmes in Kerio River Basin. Divesture will reduce the recurrent expenditure for the State Department for ASALs and Regional Development 	KVDA is established by KVDA Act, Cap 441. Divesture from KVDA will require amendment of the Act.
	Lake Basin Development Authority (LBDA)	536,560,106	Divesture	<ul style="list-style-type: none"> LBDA provides integrated development planning, coordination and implementation of projects and programmes in Lake Victoria basin. Divesture will reduce the recurrent expenditure for the State Department for ASALs and Regional Development 	LBDA is established by LBDA Act, Cap 442. Divesture from LBDA will require amendment of the Act.
	Tana and Athi River Development Authority (TARDA)	429,975,422	Divesture	<ul style="list-style-type: none"> TARDA provides integrated development planning, coordination and implementation of projects and programmes in tana and Athi river basin. Divesture will reduce the recurrent expenditure for the State Department for ASALs and Regional Development 	TARDA is established by TARDA Act, Cap 443. Divesture from TARDA will require amendment of the Act.
Agriculture, Rural and Urban Development	Agricultural Finance Corporation (AFC)	-	Merger	<ul style="list-style-type: none"> AFC provides credit facilities to support the development of the agriculture sector while ComFund provide sustainable and affordable credit and advances to farmers for scheduled agricultural commodities. Merger of the 2 institutions streamlines the financing and development of the agriculture sector, and reduce recurrent expenditures from consolidation of administrative functions and dissolution of board of directors for 1 institution. However, the impact on government expenditure will not be significant since AFC is not supported through the annual budget. 	AFC is established by the AFC Act, Cap 323 while ComFund is established by Crops Act, 2013. The merger of the 2 institutions will require amendment of both Acts.
	Commodities Fund (ComFund)	300,000,000			

Sector	State Corporation proposed for merger	FY 2025/26 Recurrent Allocation (Kshs)	Proposal	Expected Benefits	Requirements
	Agricultural Development Corporation (ADC)	2,835,000,000	Merger	<ul style="list-style-type: none"> ADC promotes agricultural production and infrastructure, including seeds and pedigree livestock while KAGRC produces, distributes, and conserves high-quality animal germplasm and provides related breeding services to improve livestock productivity. Merging the 2 institutions will streamline development of the livestock sector, and reduce recurrent expenditures from consolidation of administrative functions and dissolution of board of directors for 1 institution. 	ADC is established under the ADC Act, Cap 444 while KAGRC is established through Legal Notice No. 110 of 2011. The merger of the 2 institutions will require amendment of the Act and repeal of the Legal Notice.
	Kenya Animal Genetic Resource Centre (KAGRC)	324,500,000			
	Kenya Tsetse fly and Trypanosomiasis Eradication Council (KENTTEC)	75,417,660	Dissolution and Transfer to Ministry	<ul style="list-style-type: none"> KENTTEC is mandated to coordinate all Tsetse and Trypanosomiasis eradication activities in Kenya. Transferring the functions to the State Department for Livestock Development will reduce recurrent expenditure from consolidation of administrative functions and dissolution of the council 	KENTTEC is established under Legal Notice No. 77 of 2012. Dissolution of KENTTEC will require repeal of this Legal Notice.
	Kenya Fish Marketing Authority (KFMA)	34,288,000	Dissolution and Transfer to Ministry	<ul style="list-style-type: none"> KFMA is mandated to market fish and fishery products from Kenya. Transferring the functions to the State Department for Blue Economy and Fisheries will reduce recurrent expenditure from consolidation of administrative functions and dissolution of the board. 	KFMA is established by Fisheries Management and Development Act, 2016. Dissolution of KFMA will require amendment of the Act.
	Kenya Fishing Industries Corporation (KFIC)	100,500,000	Divesture	<ul style="list-style-type: none"> KFIC is mandated to conserve, manage and develop Kenya's fisheries and aquaculture resources. Divesture will reduce the recurrent expenditure for the State Department for Blue Economy and Fisheries. 	KFIC is established under Legal Notice No. 214 of 2018. Divesture of KFIC will require repeal of this Legal Notice.
	Pyrethrum Processing Company of Kenya (PPCK)	410,000,000	Divesture	<ul style="list-style-type: none"> PPCK is mandated to produce, process and market pyrethrum and pyrethrum products. Divesture will reduce the recurrent expenditure for the State Department for Agriculture 	PPCK is a fully government owned company incorporated under the Companies Act, 2015. Divesture from PPCK will require privatization of the company.
	Kenya National Shipping Line (KNSL)	150,000,000	Divesture	<ul style="list-style-type: none"> KNSL is a national carrier that offers shipping services, which encompasses deep sea, coastal shipping, transshipment and fendering. It 	KNSL is a joint venture between the government (53%) and the Mediterranean Shipping Company (47%), incorporated under the

Sector	State Corporation proposed for merger	FY 2025/26 Recurrent Allocation (Kshs)	Proposal	Expected Benefits	Requirements
				<ul style="list-style-type: none"> Divesture from KNSL will reduce the recurrent expenditure for the State Department for Shipping and Maritime Affairs 	Companies Act, 2015. Divesture from KNSL will require full privatization of the company.
Environment and Natural Resources	Kenya Forest Service (KFS)	7,253,600,000	Merger	<ul style="list-style-type: none"> KFS undertakes forest management, conservation, and sustainable development within Kenya while KWTA oversee the conservation, rehabilitation, and sustainable management of the country's vital water towers. Merging the 2 institutions will streamline government management of the forestry sub-sector, and reduce recurrent expenditures from consolidation of administrative functions and dissolution of board of directors for one institution. In FY 2025/26, the process of the merger has already commenced with the KWTA having not been allocated any funding. 	KFS is established by Forest Conservation and Management Act, 2016 while KWTA was established through legal notice No. 31 of 2012. The KWTA has already been dissolved and its staff redeployed to KFS.
	Kenya Water Towers Agency (KWTA)	-			
Governance, Justice, Law and Order	Kenya Law Reform Commission (KLRC)	326,665,000	Merger	<ul style="list-style-type: none"> KLRC is responsible for the continuous review and development of Kenyan law to ensure it is modern, relevant, and constitutionally aligned, while Kenya Law is responsible to monitor and report on the development of Kenyan jurisprudence and to revise, consolidate, and publish the Laws of Kenya. Merging the 2 institutions will streamline the reforms and reporting in the legal sector, and reduce recurrent expenditures from consolidation of administrative functions and dissolution of board of directors for one institution. 	KLRC is established by KLRC Act, 2013 while Kenya Law is established by National Council for Law Reporting Act, 1995. Merger of the 2 institutions will require amendment of the two Acts.
	National Council for Law Reporting (Kenya Law)	340,177,000			
Energy, Infrastructure and ICT	Kenya Rural Roads Authority (KeRRA)	22,144,086,144	Merger	<ul style="list-style-type: none"> KeRRA oversees and manages rural roads across Kenya while KURA oversees and maintains urban roads within cities and municipalities. Merging the 2 institutions will streamline the management of roads in the country since some of the functions of the two agencies overlap with those of county governments, and reduce recurrent expenditures from consolidation of administrative functions and dissolution of board of directors for one institution. 	Both institutions are established by the Kenya Roads Act, 2007. Merger of the 2 institutions will require amendment to the Act.
	Kenya Urban Roads Authority (KURA)	10,380,040,380			

Sector	State Corporation proposed for merger	FY 2025/26 Recurrent Allocation (Kshs)	Proposal	Expected Benefits	Requirements
	Kenya Yearbook Editorial Board (KYEB)	170,000,000	Dissolution and Transfer to Ministry	<ul style="list-style-type: none"> KYEB enhance Government communications and produces publications that highlight developments in all sectors. Transferring the functions to the State Department for Broadcasting and Telecommunication will reduce recurrent expenditure from consolidation of administrative functions and dissolution of the board of director 	KYEB is established through Legal Notice No. 187 of 2007. Dissolution from KYEB will require repeal of the Legal Notice.
	Nuclear Power and Energy Agency (NuPEA)	199,176,025	Dissolution and Transfer to Ministry	<ul style="list-style-type: none"> NuPEA is responsible for promoting and implementing Kenya's Nuclear Power Programme. Transferring the functions to the State Department for Energy will reduce recurrent expenditure from consolidation of administrative functions and dissolution of the board. 	NuPEA is established by Energy Act, 2019. Dissolution of NuPEA will require amendment of the Act.
	LAPSSET Corridor Development Authority (LCDA)	686,230,000	Dissolution and Transfer to Ministry	<ul style="list-style-type: none"> LCDA is mandated to plan, coordinate and manage the implementation of the Lamu Port-South Sudan-Ethiopia Transport Corridor. Transferring the functions to the State Department for Transport will reduce recurrent expenditure from consolidation of administrative functions and dissolution of the board. 	LCDA is established through Legal Notice No. 58 or 2013. Dissolution of LCDA will require repeal of the Legal Notice.
Social Protection, Culture and Recreation	President's Award - Kenya (PA-K)	50,018,536	Dissolution and Transfer to Ministry	<ul style="list-style-type: none"> PA-K provides a structured self-development program for young people to build positive life skills. Transferring the functions to the State Department for Youth Affairs and Creative Economy will reduce recurrent expenditure from consolidation of administrative functions and dissolution of the board of directors 	PA-K is established by President's Award Act, 2017. Dissolution of PA-K will require amendment of the act.
	Kenya Film Classification Board (KFCB)	317,441,835	Dissolution and Transfer to Ministry	<ul style="list-style-type: none"> KFCB is responsible to regulate the creation, broadcasting, possession, distribution and exhibition of film and broadcast content. Transferring the functions to the State Department for Youth Affairs and Creative Economy will reduce recurrent expenditure from consolidation of administrative functions and dissolution of the board. 	KFCB is established by Film and Stage Plays Act, Cap 222. Dissolution of KFCB will require amendment of the Act.
Public Administration	Kenya Post Office Savings Bank (Postbank)	-	Divesture	<ul style="list-style-type: none"> Postbank is wholly owned by the government of Kenya. 	Postbank is established by Kenya Post Office Savings

Sector	State Corporation proposed for merger	FY 2025/26 Recurrent Allocation (Kshs)	Proposal	Expected Benefits	Requirements
and International Relations				<ul style="list-style-type: none"> Divesture from the bank will not have an impact of government expenditure since the bank is not supported through the annual budget. 	Bank Act, 1977. Divesture from Postbank will require repeal of the Act and full privatization of the bank.
	TOTAL	123,288,836,644			

Annex II: MDAs Project List of Loans and Grants for FY 2025/26

STATE DEPARTMENT / HEAD/PROJECT	Approved Budget	Grant	Loan	Total Grant and Loan
	Kshs Millions			
1011 Executive Office of the President	185	185	0	185
1011101600 Kenya - EU Partnership on National Strategy to Counter Terrorism	185	185	0	185
1018 State Department for National Government Coordination	22	22	0	22
1018100100 Support to National Government Coordination Secretariat Project	22	22	0	22
1024 State Department for Immigration and Citizen Services	16	16	0	16
1024103600 Improvement of Civil Registration System-BETA	16	16	0	16
1032 State Department for Devolution	15,885	0	15,744	15,744
1032106300 Kenya Devolution Support Programme II (KDSP II)	15,885	0	15,744	15,744
1036 State Department for the ASALs and Regional Development	1,639	1,024	500	1,524
1036101600 Ending Drought Emergencies: Support to Resilient Livelihood II	45	30	0	30
1036102800 Ending Drought Emergencies, Ecosystem Based Adapt in ASAL -TWENDE	408	378	0	378
1036103200 Dry Land Climate Action for Community Drought Resilience	555	520	0	520
1036104100 Wei Wei Phase 3 Irrigation Project - BETA	220	0	200	200
1036108000 Malindi Integrated Social & Health Dev. Programme (MISHDP) -BETA	300	0	300	300
1036113500 Integrated Resilience for Sustainable Food Systems - BETA	111	97	0	97
1041 Ministry of Defence	4,734	0	3,400	3,400
1041100300 Modernization Programme-BETA	4,734	0	3,400	3,400
1064 State Department for Technical Vocational Education and Training	6,484	1,052	5,337	6,389
1064108800 East Africa Skills Transformation and Regional Integration	600	0	600	600
1064109500 Promotion of Youth Employment and Vocational Training in Kenya I	644	125	500	625
1064109600 GoK-AfDB Technical, Vocational Education Training & Entrepreneurship	4,003	0	3,937	3,937
1064109700 Promotion of Youth Employment and Vocational Training in Kenya II	300	0	300	300
1064110000 Promotion of Youth Employment thro' Scholarships Ph 2-Wings to Fly IV	462	462	0	462
1064110300 Youth Entrepreneurship & Innovation (YEI MDTF)	190	190	0	190
1064110400 Promotion of Young People Through Scholarships - Phase V	220	220	0	220
1064112400 AU Skills Initiative for Africa(SIFA)	65	55	0	55
1065 State Department for Higher Education	383	258	100	358
1065100400 University of Nairobi	313	213	100	313
1065103400 Co-operative University of Kenya	65	40	0	40
1065104700 GoK/ UNFPA 10th Country Programme - PSRI	5	5	0	5
1066 State Department for Basic Education	15,939	10,660	4,929	15,589
1066100100 School Infrastructure in North Nyamira/ Borabu	50	0	50	50
1066105100 Promotion of Youth Employment thro' Scholarships Ph 2-Wings to Fly IV	250	250	0	250
1066105200 Kenya Primary Education Equity in Learning Program	13,329	8,900	4,079	12,979

STATE DEPARTMENT / HEAD/PROJECT	Approved Budget	Grant	Loan	Total Grant and Loan
	Kshs Millions			
1066105400 VVOB Education for Development	10	10	0	10
1066106000 Kenya Secondary Education Equity Improvement Program	2,300	1,500	800	2,300
1071 The National Treasury	29,140	10,804	15,162	25,966
1071100100 Support to Public Financial Management (PFM-R)	368	268	0	268
1071100600 Fund for Economic Development - Aid Effectiveness for Development Res	50	50	0	50
1071108100 Kenya Affordable Housing Project - BETA	10	0	10	10
1071108200 Kenya Financing Locally Led Climate Action Programme (FLCoA) - BETA	11,500	500	11,000	11,500
1071108400 Public Debt Management Support Project	54	54	0	54
1071109000 Horn of Africa Gateway Development Project	730	0	420	420
1071110400 Green Climate Fund Readiness Project	36	36	0	36
1071110700 Kenya Co-operation and Partnership Facility	5	5	0	5
1071110800 National Treasury Capacity Strengthening Project	25	25	0	25
1071111700 Supporting Access to Finance & Enterprise Recovery (SAFER) - BETA	2,800	0	2,800	2,800
1071113300 Rural Kenya Financial Inclusion Facility (RK-FINFA) - BETA	1,272	40	932	972
1071113600 Special Global Fund - TB NFM 4	2,144	1,741	0	1,741
1071113700 Special Global Fund - HIV NFM 4	8,068	6,550	0	6,550
1071113800 Special Global Fund - Malaria NFM 4	2,078	1,535	0	1,535
1072 State Department for Economic Planning	296	276	0	276
1072100800 ICPD Programme of Action Support - BETA	140	120	0	120
1072100900 Data Collection and Data Base Development	67	67	0	67
1072101000 Strengthening Capacity for Monitoring and Evaluation	6	6	0	6
1072108700 Making Every Woman and Girl Count	23	23	0	23
1072109400 Institutional Support to KNBS	60	60	0	60
1082 State Department for Medical Services	19,146	9,440	5,601	15,041
1082100100 KNH Burns and Pediatrics Centre	1,263	0	963	963
1082100300 East Africa's Centre of Excellence for Skills & Tertiary Education	600	0	600	600
1082101700 Construction of a Cancer Centre at Kisii Level 5 Hospital	1,000	0	1,000	1,000
1082103600 Kenya COVID-19 Emergency Response Project	100	0	100	100
1082103800 Vaccines Programme	4,627	2,627	0	2,627
1082103900 Supply of Medical Equipmnt & Fight for Maternal & Infant Mortality	100	0	100	100
1082104300 Primary Health Care in the Devolved Context	578	578	0	578
1082104500 Upgrading of Maternal & New Born Units Project-VAMED-FINLAND	1,200	300	900	1,200
1082104700 EA's Centres of Excel. for Skills & Tertiary Edu. in Biosciences- II	838	0	838	838
1082104800 GoK/ UNFPA 10th Country Programme - MoH NSDCC HIV	10	10	0	10
1082104900 Integrated Reproductive Health Programme	750	750	0	750
1082106200 Health emergency Preparedness, Response & Resilience Program	1,100	0	1,100	1,100

STATE DEPARTMENT / HEAD/PROJECT	Approved Budget	Grant	Loan	Total Grant and Loan
	Kshs Millions			
1082107600 Reproductive, Maternal, Neonatal Child & Adolescent Health Project	3,800	3,800	0	3,800
1082107700 Special Global Fund HIV Grant-NFM4	3,180	1,375	0	1,375
1083 State Department for Public Health and Professional Standards	3,811	2,362	1,100	3,462
1083102900 Building Resilience and Responsive Health System Project	1,100	0	1,100	1,100
1083103000 Special Global Fund Malaria Grant-NFM4	1,215	866	0	866
1083103100 Special Global Fund TB Grant-NFM4	607	607	0	607
1083103200 Department of Health Systems Strengthening NFM4	889	889	0	889
1091 State Department for Roads	47,211	399	32,837	33,237
1091102000 Support to Road Sector: Capacity Building Component	70	30	0	30
1091102600 Mombasa Mariakani Highway Project	2,362	97	2,256	2,353
1091115400 Isebania - Mukuyu - Kisii - Ahero Road (A1) Lot 1 & 2	1,044	0	1,018	1,018
1091116000 Kitale -Endebes - Suam Road	100	0	100	100
1091116100 Eldoret Town Bypass Road	122	0	122	122
1091128100 Gilgil - Machinery	284	0	284	284
1091132000 Roads 2000	662	35	627	662
1091133700 Low Volume Sealed Roads (Lvsvr); Phase 1 - Batch 1A	1,762	0	464	464
1091133900 Low Volume Seals Phase 1 Batch 2	3,389	0	247	247
1091140100 MPARD Package 2 - Mwache – Tsunza – Mteza	117	0	100	100
1091140200 Mpard Package 3 - Mteza – Kibundani Section	385	0	369	369
1091141900 Kitale-Morpus (KFW)	1,485	0	1,480	1,480
1091146100 Rural Roads in Arid and Semi Arid Lands (AFD)	2,435	80	2,355	2,435
1091146200 Low Volume Seal Roads	3,354	68	1,231	1,299
1091148700 Development of Infra. for the Regional Centre of Excellence - KIHBT	330	0	320	320
1091149800 Mombasa - Mtwapa	1,164	90	1,060	1,150
1091150200 Barpello - Tot - Sigor - Marich Pass	1,074	0	500	500
1091152800 Low Volume Seals LVSR	2,646	0	254	254
1091156100 Spot Improvement XVI	259	0	259	259
1091156500 Dualling Thika - Kenol - Marua Lot 1 (Kenol- Sagana Section)	223	0	205	205
1091156600 Dualling Thika - Kenol - Marua Lot 2 (Sagana - Marua Section Section)	514	0	500	500
1091159600 Horn of Africa Gateway Development Project	7,918	0	7,802	7,802
1091161500 Nairobi ITS Establishment & Junctions Improvement Project II	443	0	300	300
1091161600 Establishment of Bus Rapid Transit Line 5 Project-Nairobi-BETA	490	0	365	365
1091162600 Nairobi ITS Establishment & Junctions Improvement Project 1	1,183	0	1,080	1,080
1091164500 Upgrade to Bitumen of Eronge-Kebuse-Borabu TCC-Makara-Prince Dan Sch	519	0	515	515
1091165000 Access Roads to Industrial Park Facilities	916	0	600	600
1091166200 Samatar - Wajir	501	0	500	500

STATE DEPARTMENT / HEAD/PROJECT	Approved Budget	Grant	Loan	Total Grant and Loan
	Kshs Millions			
1091167200 Upgrading of Elwak -Rhamu Project	505	0	500	500
1091169900 Low Volume Seals LVSR II	3,357	0	2,434	2,434
1091172600 Low Volume Seals LVSR III	3,353	0	784	784
1091172800 Construction of Ngong Road/ Naivasha Road Interchange	2,017	0	2,000	2,000
1091173000 Development of Urban Roads in Urban Five Urban Counties - Phase 1 (O	232	0	225	225
1091173700 Lesseru - Kitale	501	0	500	500
1091173800 Morpus - Kainuk	612	0	600	600
1091173900 Kainuk - Lokichar	502	0	500	500
1091174300 Consultancy Services for Roads Projects	382	0	382	382
1092 State Department for Transport	2,369	962	1,200	2,162
1092106000 Horn of Africa Gateway Development Project	160	0	132	132
1092107100 Horn of Africa Gateway Development Project	406	0	368	368
1092108500 Safe Roads/ Usalama Barabarani	106	100	0	100
1092109400 Transaction Advisory Services & Tech. Assistance - LAPSSSET Corridor	79	73	0	73
1092112400 Promotion of E-Mobility Project	299	270	0	270
1092112500 Supply & Commissioning of Kenya Railways Rolling Stock	530	0	500	500
1092112600 Modernization, Extension and Operation of Nairobi Commuter Line 4	121	0	100	100
1092112900 Kenya Millenium Development Fund (KMDF)	506	500	0	500
1092115000 Kenya Urban Mobility Improvement Project	133	0	100	100
1092115600 Public Transport Technical BRT Assistance Project- Phase 1	30	19	0	19
1094 State Department for Housing & Urban Development	20,665	900	19,731	20,631
1094105000 Kenya Urban Programme (KenUP)	13,367	700	12,641	13,341
1094109800 Kenya Informal Settlement Improvement Project - Phase II	7,198	100	7,090	7,190
1094113000 Kenya Informal Settlement Redevelopment Project (KISRIP)	100	100	0	100
1104 State Department for Irrigation	3,097	1,000	1,990	2,990
1104100200 Small Holder Irrigation Programme	257	0	250	250
1104100400 Bura Irrigation Scheme	789	0	689	689
1104101000 Rwabura Irrigation Development Project	100	0	100	100
1104102000 Drought Resilience Program in Northern Kenya	1,551	1,000	551	1,551
1104104200 Upgrading of Ahero Irrigation Development Project	400	0	400	400
1109 State Department for Water & Sanitation	36,163	1,386	33,327	34,714
1109100600 Rehabilitation of Water and Sanitation - Kirandich	339	0	334	334
1109100800 Water Sector Development (Lake Victoria South)	189	0	169	169
1109100900 Water Sector Development (Support WSTF)	276	0	256	256
1109101100 Nairobi Satellite Towns Water and Sanitation Program	215	0	200	200
1109101700 Water Security and Climate Resilience - Lower Nzoia	1,800	0	1,700	1,700

STATE DEPARTMENT / HEAD/PROJECT	Approved Budget	Grant	Loan	Total Grant and Loan
	Kshs Millions			
1109102100 Nairobi Rivers Basin Restoration Programme: Sewerage improvement pro	950	0	850	850
1109103300 Migori- Homa bay Wastewater (Trilateral Program)	215	0	200	200
1109103400 Kisumu water supply LVWATSAN	1,105	196	874	1,070
1109104400 Kiambere -Mwingi Water Supply and sanitation project	189	0	175	175
1109105000 Water Supply and Sanitation for the Urban Poor	147	0	119	119
1109107800 Kenya Towns Sustainable Water Supply and Sanitation Programme- Rift	2,180	80	1,900	1,980
1109107900 Kenya Towns Sustainable Water Supply and Sanitation Programme-Tana	795	50	595	645
1109108100 Thika & Githunguri Water and Sanitation Project	124	124	0	124
1109109900 Ithanga Water Supply	237	0	100	100
1109111400 Kenya Towns Sustainable Water Supply & Sanitation Program- Athi -BETA	730	50	505	555
1109111800 Lake Nakuru Biodiversity Conservation Project	1,500	300	1,200	1,500
1109112700 Water and Sanitation Development Project (WSDP)	3,700	0	3,700	3,700
1109115200 Thwake MultiPurpose Water Development Program Phase I - BETA	1,895	0	1,845	1,845
1109115600 Improvement of Drinking Water & Sanitation Systems in Mombasa	620	0	600	600
1109122000 Nairobi Water and Sanitation Project - Athi	915	0	900	900
1109122600 Sustainable Mgt. & Access to Water & Sanitation in the ASAL Project	530	500	0	500
1109122900 Improving Public Health & Tech. Skills of Youth Thru Sanitation Tech	86	86	0	86
1109126000 Horn of Africa Groundwater for Resilience Project	5,261	0	5,261	5,261
1109128500 Kenya Water Sanitation and Hygiene	6,040	0	6,000	6,000
1109130900 Water Security & Climate Resilience - Mwache Dam	6,124	0	5,844	5,844
1122 State Department for Information Communication Technology & Digital Economy	9,726	0	9,400	9,400
1122100100 Maintenance & Rehabilitation of Last Mile County Connectivity-BETA	128	0	100	100
1122101800 Konza data Center & Smart City Facilities-BETA	3,110	0	3,000	3,000
1122102000 Horn of Africa Gateway Development Project-BETA	473	0	450	450
1122102300 Construction of KAIST at Konza Technopolis-BETA	2,328	0	2,300	2,300
1122103000 Kenya Digital Economy Acceleration Project	3,688	0	3,550	3,550
1134 State Department for Culture, The Arts and Heritage	10	10	0	10
1134103300 Professional & Scientific Training for Devlpmnt of Culture Tourism	10	10	0	10
1135 State Department for Youth Affairs and Creative Economy	1,821	171	1,500	1,671
1135101100 VIVA Youth Programme-BETA	160	160	0	160
1135101400 GoK/ENFPA 10th Country Programme	11	11	0	11
1135101900 National Youth Opportunity Towards Advancement (NYOTA)	1,650	0	1,500	1,500
1152 State Department for Energy	32,315	2,756	26,785	29,541
1152100500 Bogoria Silali Geothermal Project	2,806	1,406	350	1,756
1152101800 Eastern Electricity Highway Project (Ethiopia- Kenya Interconnector)	1,685	0	1,478	1,478
1152102700 Last Mile Electricity Connectivity-BETA	4,091	750	2,400	3,150

STATE DEPARTMENT / HEAD/PROJECT	Approved Budget	Grant	Loan	Total Grant and Loan
	Kshs Millions			
1152107200 Retrofitting of Mini Grids	320	0	320	320
1152108000 Kenya Off-Grid Solar Access Project for Underserved Counties (KOSAP)	2,667	0	2,508	2,508
1152108700 Rabai - Kilifi Transmission Line-BETA	633	0	557	557
1152109000 Electrification of Economic Zones	955	0	782	782
1152109300 East Africa Skills for Transformation & Regional Integration Project	212	0	212	212
1152109600 Ol Karia I Units 1,2,3 Geothermal Power Plant Rehabilitation Project	4,505	0	4,505	4,505
1152109900 Olkaria 1AU & IV Turbine Uprating	20	0	20	20
1152110400 National System Control Centre & Makindu SS	3,037	0	3,031	3,031
1152111700 Sustain Energy Fund for Africa (SEFA) Devpt of Utility Run Super ESCO	100	100	0	100
1152112000 Reinforcement of Electricity Transmission Network (RETNET)	200	0	200	200
1152112300 Kenya Transmission Network Improvement Project	1,719	0	1,668	1,668
1152113500 Kenya Green Resilient Expansion of Energy	5,000	0	5,000	5,000
1152114400 Kenya Green & Resilient Expansion of Energy - Phase II	2,666	0	2,654	2,654
1152114800 Last Mile Electricity Connectivity III	1,200	0	1,100	1,100
1152114900 Improvement of Power Distribution System-Nakuru & Mombasa Last Mile	500	500	0	500
1162 State Department for Livestock Development	4,189	240	3,691	3,931
1162104700 Kenya Livestock Commercialization Programme (KeLCoP)-BETA	1,571	0	1,391	1,391
1162104800 Towards Ending Drought Emergencies in Kenya (TWEENDE)-BETA	318	240	0	240
1162105300 De-Risking, Inclusion & Value Enhancement of Pastoral Economies-BETA	2,300	0	2,300	2,300
1166 State Department for the Blue Economy and Fisheries	5,232	0	4,403	4,403
1166101300 Aquaculture Business Development Project (ABDP) - BETA	2,332	0	1,878	1,878
1166101400 Kenya Marine Fisheries & Socio-Economic Development Project - BETA	2,400	0	2,025	2,025
1166102700 Kabonyo Fisheries & Aquaculture Training Center	500	0	500	500
1169 State Department for Agriculture	19,709	592	18,930	19,522
1169102900 Kenya Cereal Enhancement Programme (KCEP)	556	500	0	500
1169104700 Capacity Building for Enhancement of Rice Production (CADREP)-BETA	55	45	0	45
1169105000 Smallholder Horticulture Empowerment Project (SHEP Biz)	27	17	0	17
1169105100 Small Scale Irrigation and Value Addition Project	800	0	800	800
1169106900 Enable Youth Kenya Programme	850	0	850	850
1169108700 Emergency Locust Response	120	0	120	120
1169109100 Resilience for Food & Nutrition Security Program in Horn of Africa	1,271	0	1,220	1,220
1169109400 National Agricultural Value Chain Development Project (NAVCDP)-BETA	10,241	0	10,206	10,206
1169110500 Kenya Agricultural Business Development Programme (KABDP)	30	30	0	30
1169110600 Food Systems Resilience Project	5,760	0	5,734	5,734
1175 State Department for Industry	330	0	250	250
1175102900 Kenya Industry and Entrepreneurship Project-BETA	330	0	250	250

STATE DEPARTMENT / HEAD/PROJECT	Approved Budget	Grant	Loan	Total Grant and Loan
	Kshs Millions			
1176 State Department for Micro, Small and Medium Enterprises Development	2,498	400	2,048	2,448
1176100700 Centre for Entrepreneurship Project-BETA	550	0	500	500
1176100900 National Youth Opportunities Towards Advancement (NYOTA)	1,400	400	1,000	1,400
1176101000 Kenya Jobs Economic Transformation (KJET)	548	0	548	548
1177 State Department for Investment Promotion	250	0	250	250
1177100700 Kenya Job and Economic Transformation (KJET) Project	250	0	250	250
1184 State Department for Labour and Skills Development	556	150	300	450
1184103000 National Youth Opportunities Towards Advancement (NYOTA) Project	556	150	300	450
1203 State Department for Wildlife	180	170	0	170
1203101200 Combating Wildlife Crime in Kenya Program (CWCKP) Project - USAID	135	135	0	135
1203101300 Combating Poaching & Illegal Wildlife Trafficking Int. Approach(IWT)	45	35	0	35
1212 State Department for Gender and Affirmative Action	284	218	0	218
1212100900 Strengthening Prevention & Response to GBV in Kenya - BETA	254	200	0	200
1212101100 GoK/ UNFPA 10th Country Programme	30	18	0	18
1213 State Department for Public Service	365	345	0	345
1213101100 JDS Human Resource Development Scholarship 1	365	345	0	345
1261 The Judiciary	33	33	0	33
1261104700 Ford Foundation Support to Judiciary	33	33	0	33
1291 Office of the Director of Public Prosecutions	6	6	0	6
1291101000 UNFPA 8th Country Programme on FGM	6	6	0	6
1331 State Department for Environment & Climate Change	1,314	1,314	0	1,314
1331100200 Phasing out Ozone Depleting Substances Project Operationalized	20	20	0	20
1331102000 Sound Chemicals and Waste Management Kenya	12	12	0	12
1331102600 Africa Environmental Health and Pollution Management Project	173	173	0	173
1331102700 Strengthening Drought Resilience for Farmers & Pastoralists In IGAD	132	132	0	132
1331102800 Strategic Sector Support Phase II	10	10	0	10
1331103300 Kenya Gold Mercury-Free ASGM Project	150	150	0	150
1331103500 Kenya ETF Reporting Programme to UNFCCC Project	100	100	0	100
1331103600 Global Development Review of NIPs	23	23	0	23
1331103700 Forest Management for Improved Biodiversity Conservation & Climate	130	130	0	130
1331104000 UNEP - Early action Support (EAS) Project	13	13	0	13
1331104100 Agroforestry and Commercial Forestry	171	171	0	171
1331104200 Increasing Global Implementation of GHS	10	10	0	10
1331104300 Lake Naivasha Basin Ecosystem Based Management	70	70	0	70
1331104400 Enhancing Community Resilience & Water Security	300	300	0	300
1332 State Department for Forestry	2,076	0	2,076	2,076

STATE DEPARTMENT / HEAD/PROJECT	Approved Budget	Grant	Loan	Total Grant and Loan
	Kshs Millions			
1332101800 Green Zones Development Support Project Phase II	1,276	0	1,276	1,276
1332102200 Capacity Devlpmt for Modern Technology in Forest Fire Management	800	0	800	800
2091 Teachers Service Commission	629	50	561	611
2091100300 Kenya Primary Education Equity in Learning Program	423	30	375	405
2091100500 Kenya Secondary Education Equity Improvement Program	206	20	186	206
2111 Auditor General	30	30	0	30
2111101500 Institutional Support to Office of the Auditor General	30	30	0	30
TOTAL	288,738	47,231	211,152	258,383