REPUBLIC OF KENYA

THE NATIONAL TREASURY

2026 BUDGET REVIEW AND OUTLOOK PAPER

AUGUST 2026

To obtain copies of the document, please contact:

Public Relations Office
The National Treasury
Treasury Building
P. O. Box 30007-00100
NAIROBI, KENYA

Tel: +254-20-2252-299
Fax: +254-20-341-082

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

Foreword

The 2026 Budget Review and Outlook Paper (BROP) has been prepared against a backdrop of heightened global uncertainty, marked by the ongoing conflict in the Middle East, which has disrupted energy markets and international shipping routes and contributed to volatility in energy and commodity prices. These developments have increased risks to global growth, which is projected to moderate from 3.5 percent in 2025 to 3.0 percent in 2026, before recovering to 3.4 percent in 2027. Against this challenging environment, Kenya’s economy has remained resilient, with real GDP growth accelerating to 5.3 percent in the first quarter of 2026, from 4.9 percent in the corresponding quarter of 2025. This performance reflects sound macroeconomic management, sustained structural reforms and increasing economic diversification, all of which have strengthened the economy’s capacity to withstand adverse shocks. Growth is projected at 5.0 percent in 2026 and 5.1 percent in 2027, supported by resilient domestic demand, improving credit conditions, strong services activity and continued investment. Going forward, the Government will remain focused on maintaining macroeconomic stability, advancing fiscal consolidation and deepening structural reforms to sustain economic resilience and productive capacity. Continued implementation of the Bottom-Up Economic Transformation Agenda (BETA) will support investment, job creation and improved livelihoods, while Public-Private Partnerships, reforms to State-Owned Enterprises and other measures to mobilize private capital will complement public resources and enhance economic productivity.

The fiscal performance for FY 2025/26 demonstrates the Government's resolve to safeguard macroeconomic stability despite operating within a constrained fiscal environment. Total revenue, including Appropriations-in-Aid, amounted to KSh 3,198.8 billion against a target of KSh 3,259.0 billion, while total expenditure and net lending amounted to KSh 4,484.2 billion compared to a target of KSh 4,656.5 billion. Consequently, the fiscal deficit, including grants, stood at KSh 1,264.7 billion, equivalent to 6.8 percent of GDP. These fiscal pressures notwithstanding, the Government continued to meet its key obligations, including debt servicing, financing priority public services and transfers to County Governments, while remaining firmly committed to the fiscal consolidation pathway.

The fiscal outcome in FY 2025/26 underscores the need to sustain the Government's fiscal consolidation agenda while safeguarding economic recovery and service delivery. Accordingly, the FY 2027/28 and medium-term fiscal framework will continue to focus on enhancing domestic revenue mobilisation, prudent expenditure management, mobilization of private capital for infrastructure development and continued public financial management reforms, and ensuring that limited public resources are directed towards the highest national priorities. These efforts will support fiscal sustainability, safeguard debt sustainability and create room for greater investment in priority programmes that promote economic growth and improve the welfare of Kenyans.

The FY 2027/28 and Medium-Term Budget is therefore prepared within a constrained resource envelope that calls for greater expenditure discipline and strategic prioritisation. To maximise the impact of every shilling spent, the Government will entrench the Zero-Based Budgeting Approach, requiring Ministries, Departments and Agencies to rigorously justify all expenditure proposals and align them with the Government's development priorities. Sector Working Groups are expected to carefully scrutinise all programmes and projects to ensure that available resources are directed towards high-impact interventions that accelerate implementation of the Bottom-Up Economic Transformation Agenda, create jobs, support private sector growth and deliver better outcomes for citizens. The FY 2027/28 Budget is also being prepared under a revised budget calendar to facilitate completion of the budget process ahead of the 2027 General

Elections. I therefore urge all Ministries, Departments and Agencies, Sector Working Groups and other stakeholders to strictly adhere to the prescribed timelines and ensure the timely preparation, approval and implementation of the Budget.

I wish to express my sincere appreciation to Parliament, County Governments, Development Partners, the Private Sector, Civil Society and all Kenyans for their continued partnership in advancing our national development agenda. I also commend all Ministries, Departments and Agencies, together with other stakeholders, for their invaluable contribution to the preparation of this Budget Review and Outlook Paper. As we prepare the FY 2027/28 Budget and Medium-Term Expenditure Framework, I call upon all stakeholders to continue working together to strengthen fiscal sustainability, accelerate economic transformation and build a resilient, inclusive and prosperous Kenya for present and future generations.

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

Acknowledgement

The 2026 Budget Review and Outlook Paper (BROP) has been prepared in accordance with the Public Finance Management (PFM) Act, CAP. 412A, and the Public Finance Management (National Government) Regulations. The BROP reviews the implementation of the FY 2025/26 Budget, assesses the implications of the fiscal outturn for the Government's fiscal responsibility principles and medium-term fiscal objectives, and presents updated macroeconomic and fiscal projections together with indicative sector ceilings to guide the preparation of the FY 2027/28 Budget and the Medium-Term Expenditure Framework. The BROP also forms the basis for the preparation of the 2027 Budget Policy Statement, which will outline the Government's policy priorities and macro-fiscal framework for the medium term.

Budget implementation during FY 2025/26 was undertaken in a constrained fiscal environment characterised by revenue shortfalls and financing pressures. These developments have necessitated a review of the medium-term fiscal framework while reinforcing the need for prudent expenditure management, realistic revenue projections and rigorous prioritisation of public expenditure. As we prepare the FY 2027/28 Budget, it is imperative that Ministries, Departments and Agencies align their budget proposals with available resources and national priorities to ensure the efficient and effective use of public funds. I therefore urge all Ministries, Departments and Agencies, together with the Sector Working Groups, to adopt a results-oriented approach in preparing the FY 2027/28 and Medium-Term Budget by rigorously reviewing all programmes and projects and prioritising interventions that deliver the greatest socio-economic impact. Equally important is the continued promotion of transparency and accountability through meaningful public participation and stakeholder engagement to ensure that budget priorities reflect the aspirations and needs of the Kenyan people.

The preparation of this Budget Review and Outlook Paper has been a collaborative effort involving many institutions and stakeholders. I wish to sincerely thank all Ministries, Departments and Agencies, Sector Working Groups and other spending units for their timely submission of budget implementation reports and other information that informed this Paper. I also acknowledge the Macro Working Group for its valuable technical review of the document and its contribution in developing the macroeconomic and fiscal framework that underpins the indicative sector ceilings. I further appreciate the invaluable contributions made by the Directorates and Departments within The National Treasury during the preparation of this Paper. In particular, I commend the Macro and Fiscal Affairs Department for coordinating the preparation and finalisation of the 2026 Budget Review and Outlook Paper. Finally, I extend my gratitude to all institutions, stakeholders and members of the public whose constructive views and recommendations enriched this document and continue to strengthen Kenya's budget process.

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

Table of Contents

Abbreviations and Acronyms

AiA	Appropriations in Aid
BPS	Budget Policy Statement
BROP	Budget Review and Outlook Paper
CARB	County Allocation of Revenue Bill
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CF	Contingency Fund
CFS	Consolidated Fund Services
CG	County Government
CIT	Corporate Income Tax
DORB	Division of Revenue Bill
FISM	Financial Intermediation Services Indirectly Measured
FY	Financial Year
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GOK	Government of Kenya
ICT	Information, Communication and Technology
IMF	International Monetary Fund
KNBS	Kenya National Bureau of Statistics
MDAs	Ministries, Departments and Agencies
MTP	Medium Term Plan
NG	National Government
NSE	Nairobi Securities Exchange
MTEF	Medium Term Expenditure Framework
NCDF	National Constituency Development Fund
NDA	Net Domestic Assets
NFA	Net Foreign Assets
OSR	Own Source Revenue
PAYE	Pay As You Earn
PFM	Public Finance Management
PV	Present Value
SGR	Standard Gauge Railway
SWGs	Sector Working Groups
WEO	World Economic Outlook
VAT	Value Added Tax

Legal Basis for the Publication of the Budget Review and Outlook Paper

The Budget Review and Outlook Paper is prepared in accordance with Section 26 of the Public Finance Management Act, CAP 412A. The law states that:

1) The National Treasury shall prepare and submit to -Cabinet for approval, by the 30th September in each financial year, a Budget Review and Outlook Paper, which shall include:
    a. Actual fiscal performance in the previous financial year compared to the budget appropriation for that year;
    b. Updated macro-economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent Budget Policy Statement;
    c. Information on how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles or the financial objectives in the latest Budget Policy Statement; and
    d. The reasons for any deviation from the financial objectives together with proposals to address the deviation and the time estimated to do so.
2) Cabinet shall consider the Budget Review and Outlook Paper with a view to approving it, with or without amendments, not later than fourteen days after its submission.
3) Not later than seven days after the BROP has been approved by Cabinet, the National Treasury shall:
    a. Submit the paper to the Budget Committee of the National Assembly to be laid before each house of Parliament; and
    b. Publish and publicize the paper not later than fifteen days after laying the Paper before Parliament.

Fiscal Responsibility Principles in the Public Finance Management Act

In line with the Constitution, the Public Finance Management (PFM) Act, CAP 412A, sets out the fiscal responsibility principles to ensure prudent and transparent management of public resources. Section 15 of the Act states that:

1) Over the medium term, a minimum of thirty percent of the National and County Governments' budget shall be allocated to the development expenditure.
2) The National Government's expenditure on wages and benefits for public officers shall not exceed a percentage of the National Government revenue as prescribed by the regulations.
3) Over the medium term, the National Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.
4) Public debt and obligations shall be maintained at a sustainable level as approved by Parliament (NG) and County Assembly (CG).
5) Fiscal risks shall be managed prudently.
6) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

Executive Summary

The 2026 Budget Review and Outlook Paper (BROP) has been prepared pursuant to PFM Act, CAP 412A and its Regulations. It provides an overview of how the actual performance of the FY 2025/26 impacted on compliance with the fiscal responsibility principles outlined in the PFM Act CAP 412A, and the financial objectives set out in the 2026 Budget Policy Statement (BPS). It also presents the recent economic developments, macroeconomic and fiscal projections, and indicative sector ceilings for the FY 2027/28 and the medium-term budget. The 2026 BROP will form the basis for the development of the 2027 BPS that will detail the various programmes and initiatives that will be undertaken during the Fourth Medium Term Plan of the Kenya Vision 2030.

The 2026 BROP has been prepared against a backdrop of heightened global uncertainty, marked by the ongoing conflict in the Middle East, which has disrupted energy markets and international shipping routes and contributed to volatility in energy and commodity prices. These developments have increased risks to global growth, which is projected to moderate from 3.5 percent in 2025 to 3.0 percent in 2026, before recovering to 3.4 percent in 2027. Against this challenging economic environment, Kenya's economy has remained resilient, with real GDP growth accelerating to 5.3 percent in the first quarter of 2026, from 4.9 percent in the corresponding quarter of 2025. This performance reflects sound macroeconomic management, sustained structural reforms and increasing economic diversification, all of which have strengthened the economy's capacity to withstand adverse shocks. Growth is projected at 5.0 percent in 2026 and 5.1 percent in 2027, supported by resilient domestic demand, improving credit conditions, strong services activity and continued investment. Going forward, the Government will remain focused on maintaining macroeconomic stability, advancing fiscal consolidation and deepening structural reforms to strengthen economic resilience and productive capacity. Continued implementation of the Bottom-Up Economic Transformation Agenda (BETA) will support investment, job creation and improved livelihoods, while Public-Private Partnerships, reforms to State-Owned Enterprises and other measures to mobilize private capital will complement public resources and enhance economic productivity.

The fiscal performance for FY 2025/26 demonstrates the Government's resolve to safeguard macroeconomic stability despite operating within a constrained fiscal environment. Total revenue, including Appropriations-in-Aid, amounted to KSh 3,198.8 billion (17.2 percent of GDP) against a target of KSh 3,259.0 billion, while total expenditure and net lending amounted to KSh 4,484.2 billion (24.1 percent of GDP) compared to a target of KSh 4,656.5 billion. Consequently, the fiscal deficit, including grants, stood at KSh 1,264.7 billion, equivalent to 6.8 percent of GDP. These fiscal pressures notwithstanding, the Government continued to meet its key obligations, including debt servicing, financing priority public services and transfers to County Governments, while remaining firmly committed to the fiscal consolidation path. The fiscal outcome in FY 2025/26 underscores the need to sustain the Government's fiscal consolidation agenda while safeguarding economic recovery and service delivery. Accordingly, the FY 2027/28 and medium-term fiscal framework will continue to focus on enhancing domestic revenue mobilization, prudent expenditure management and continued public financial management reforms, and ensuring that limited public resources are directed towards the highest national priorities. These efforts will support the restoration of fiscal space, safeguard debt sustainability and create room for greater investment in priority programmes that promote economic growth and improve the welfare of Kenyans.

In the FY 2027/28, total revenue including Appropriation-in-Aid (AiA) is projected at KSh 4,003.7 billion (17.4 percent of GDP). Of this, ordinary revenue is projected at KSh 3,249.2 billion (14.2 percent of GDP). This revenue performance will be underpinned by the ongoing reforms in policy and revenue administration. The overall expenditure and net lending is projected at KSh 5,415.5 billion (23.6 percent of GDP) comprising: recurrent expenditure of KSh 4,021.1 billion (17.5 percent of GDP); development expenditure of KSh 915.8 billion (4.0 percent of GDP); transfers to Counties of KSh 473.5 billion and Contingency Fund of KSh 5.0 billion. The resulting fiscal deficit including grants of KSh 1,352.9 billion (5.9 percent of GDP) in FY 2027/28 will be financed by a net external financing of KSh 423.8 billion (1.8 percent of GDP) and a net domestic financing of KSh 929.1 billion (4.0 percent of GDP).

The FY 2027/28 and Medium-Term Budget is therefore prepared within a constrained resource envelope that calls for greater expenditure discipline and strategic prioritisation. Taking into account the constrained fiscal environment, the Government will entrench the Zero-Based Budgeting Approach Approach, requiring Ministries, Departments and Agencies to rigorously justify all expenditure proposals and align them with the Government's development priorities. Sector Working Groups are expected to carefully scrutinise all programmes and projects to ensure that available resources are directed towards high-impact interventions that accelerate implementation of the Bottom-Up Economic Transformation Agenda, create jobs, support private sector growth and deliver better outcomes for citizens. The FY 2027/28 Budget is also being prepared under a revised budget calendar to facilitate completion of the budget process ahead of the 2027 General Elections. Ministries, Departments and Agencies, Sector Working Groups and other stakeholders are required to adhere strictly to the prescribed timelines to ensure the timely preparation, approval and implementation of the Budget. The sector ceilings provided for the FY 2027/28 and the medium-term budget will form inputs into the 2027 Budget Policy Statement.

I. INTRODUCTION

Objective of the 2026 Budget Review and Outlook Paper

1. The 2026 Budget Review and Outlook Paper (BROP) provides a review of the fiscal performance for FY 2025/26, including adherence to the objectives and principles set out in the 2026 Budget Policy Statement (BPS) and the Public Finance Management (PFM) Act, CAP 412A. It also reviews recent economic and fiscal developments, assesses progress in the implementation of the FY 2026/27 Budget, and updates the macroeconomic and fiscal outlook, taking into account the outcomes of FY 2025/26. In this regard, the medium-term macroeconomic and fiscal projections have been revised from those presented in the 2026 BPS. The 2026 BROP further sets out the resource framework and indicative sector ceilings for FY 2027/28 and the medium term, and provides information on variations from the projections in the 2026 BPS.

2. The 2026 BROP therefore provides an important link between the performance of the current financial year and the preparation of the 2027 BPS and the FY 2027/28 and Medium-Term Budget, while reinforcing the Government's commitment to prudent public finance management, fiscal sustainability, efficient allocation of public resources, and inclusive and sustainable economic transformation, consistent with the priorities of the Bottom-Up Economic Transformation Agenda (BETA) as set out in the Fourth Medium Term Plan of Vision 2030.

3. Preparation of the FY 2027/28 and the medium-term budget will be guided by the Budget Calendar. The Budget Calendar for FY 2027/28 is guided by the timelines provided in the PFM Act, CAP 412A and has the following critical steps:

i) The Budget Circular for the preparation of the FY 2027/28 and Medium-Term Budget was issued on 10th July 2026;
ii) The Sector Working Groups were subsequently launched on 22nd July 2026. The Public Sector Hearings will be held from 12th to 14th October 2026;
iii) Preparation of the 2027 Budget Policy Statement will commence after approval of this 2026 Budget Review and Outlook Paper. Preparation of the 2027 Budget Policy Statement will be informed by the budget proposals from the Sector Working Groups and feedback from the public;
iv) The 2027 Budget Policy Statement will be submitted to Cabinet for approval by 13th November 2026 and to Parliament by 30th November 2026 together with the Medium-Term Debt Management Strategy, 2027; Division of Revenue Bill, 2027; County Allocation of Revenue Bill, 2027; and County Governments Additional Allocation Bill, 2027;
v) The detailed Budget Estimates, Appropriation Bill, 2027 and the Finance Bill, 2027 will be submitted to Cabinet for approval by 26th January 2027 and to Parliament by 30th January 2027; and
vi) Presentation of the Budget Statement to Parliament is scheduled for 18th March 2027 and approval and assent of both the Appropriation Bill, 2027 and Finance Bill, 2027 by 31st March 2027.

4. As required by the PFM Act, CAP 412A, the annual budget process aims to improve the efficiency and effectiveness of revenue mobilisation and Government spending to ensure debt sustainability and stimulate economic activity. In this regard, the 2026 BROP provides sector ceilings which will guide the budget preparation process for the FY 2027/28 and the medium term. The sector ceilings are based on the overall resource envelope that is informed by the medium-term macro-fiscal projections as presented in Sections III and IV of this document.

Sector ceilings in the 2026 BROP are aligned to the priorities of the Government that enhance value chain and linkage to BETA and other priority programmes outlined in MTP IV of the Vision 2030. It is also foreseen that risks may arise through the FY 2027/28 and medium-term budget process. Assessment of such risks will be undertaken once information is consolidated and responsive policy actions implemented.

5. The rest of the document is organized as follows: Section II provides a review of the fiscal performance for the FY 2025/26 and its implications on adherence to fiscal responsibility principles and the financial objectives as set out in the 2026 BPS; Section III highlights the macroeconomic developments and outlook; Section IV presents the resource allocation framework; and Section V presents conclusion and next steps.

II. REVIEW OF FISCAL PERFORMANCE FOR THE FY 2025/26

A. FY 2025/26 Fiscal Performance

Revenue Performance

6. In FY 2025/26, total revenue, including Appropriations-in-Aid (AiA), amounted to KSh 3,198.8 billion (17.2 percent of GDP). This fell short of the target of KSh 3,259.0 billion (17.5 percent of GDP) by KSh 60.2 billion, on account of shortfalls recorded in ordinary revenue and ministerial AiA **(Table 1).** Ordinary revenue collection amounted to KSh 2,588.4 billion against a target of KSh 2,640.6 billion, representing a shortfall of KSh 52.2 billion. Ministerial AiA was below target by KSh 7.9 billion during the period under review. Overall, total revenue inclusive of the Ministerial AiA grew by 9.4 percent compared to the same period in FY 2024/25.

Table 1: Government Revenue and External Grants for the FY 2025/26 (KSh Million)

	2024/2025 Actual	2025/2026		Deviation KSh.	Growth (%)
		Actual*	Target		
Total Revenue (a+b)	**2,923,551**	**3,198,801**	**3,258,959**	**(60,158)**	**9.4**
(a) Ordinary Revenue	**2,420,174**	**2,588,401**	**2,640,617**	**(52,216)**	**7.0**
Import Duty	157,107	180,006	176,539	3,467	14.6
Excise Duty	292,468	311,955	313,306	(1,351)	6.7
PAYE	560,501	599,797	592,075	7,722	7.0
Other Income Tax	532,530	575,762	577,278	(1,516)	8.1
VAT Local	327,662	356,882	359,578	(2,696)	8.9
VAT Imports	333,067	365,562	361,811	3,751	9.8
Investment Revenue	84,828	84,816	150,204	(65,388)	(0.0)
Traffic Revenue	3,523	3,863	3,867	(4)	9.7
Taxes on Intl. Trade & Trans.(IDF Fee)	47,073	49,340	49,268	72	4.8
Others [1]	81,414	60,419	56,691	3,728	(25.8)
(b) Appropriation In Aid [2]	**503,377**	**610,400**	**618,342**	**(7,942)**	**21.3**
o/w Railway Development Levy	36,820	48,496	47,125	1,371	31.7
(c) External Grants	**33,320**	**20,662**	**39,924**	**(19,262)**	**(38.0)**
Total Revenue and External Grants	**2,956,871**	**3,219,463**	**3,298,883**	**(79,420)**	**8.9**
Total Revenue and External Grants as a percentange of GDP	**17.2**	**17.3**	**17.7**		

1/ includes rent on land/buildings, fines and forfeitures, other taxes, loan interest receipts reimbursements and other fund contributions, fees, and miscellaneous revenue.
2/ includes receipts from Road Maintenance Levy Fund and AiA from Universities
*Provisional
Source of Data: The National Treasury

7. PAYE recorded an overperformance of KSh 7.7 billion while other income tax recorded a shortfall of KSh 1.5 billion. The underperformance of other income tax was mainly attributed to high operating costs.

8. Import duty collection was above target by KSh 3.5 billion. Investment revenue collection was KSh 84.8 billion against a target of KSh 150.2 billion resulting in shortfall of KSh 65.4 billion, mainly on account of reduced dividend receipts following the divestiture of the Government's share in Safaricom.

9. The Value Added Tax (VAT) registered a net surplus of KSh 1.1 billion for both local and import VAT, as the shortfall in VAT on domestic goods and services was offset by a surplus in VAT on imported goods and services.

10. Ordinary revenue grew by 7.0 percent in FY 2025/26, with all major tax heads recording growths **(Table 1).** Ministerial AiA grew by 21.3 percent during the period under review. The growth was attributed to the revision of fees and charges by MDAs. External grants amounted to KSh 20.7 billion against a target of KSh 39.9 billion, translating in a shortfall of KSh 19.3 billion.

11. Overall, total revenue and external grants grew by 8.9 percent in FY 2025/26, with the revenue-to-GDP ratio improving marginally from 17.2 percent in FY 2024/25 to 17.3 percent in FY 2025/26, albeit remaining below the target of 17.7 percent.

Expenditure Performance

12. Total expenditure and net lending for FY 2025/26 amounted to KSh 4,484.2 billion against a target of KSh 4,656.5 billion, resulting in an under-expenditure of KSh 172.4 billion **(Table 2).** This deviation was mainly attributed to below target absorption in both recurrent and development expenditures by the National Government.

13. Recurrent expenditure by the National Government amounted to KSh 3,285.3 billion, falling short of the KSh 3,400.7 billion target by KSh 115.4 billion. The shortfall in recurrent spending was mainly attributed to below-target expenditure in domestic interest and pensions payments.

14. Development expenditure amounted to KSh 731.5 billion against a target of KSh 771.0 billion, translating to an under-spending of KSh 39.5 billion. This variance was largely driven by lower-than-projected absorption in development projects, which underperformed by KSh 41.5 billion. Transfers to County Governments were below target by KSh 17.5 billion mainly due to a shortfall in additional allocations.

Table 2: Expenditure and Net Lending for the FY 2025/26 (KSh Million)

	2024/2025 Actual	2025/2026		Deviation	Growth (%)
		Actual*	Targets		
1. RECURRENT	**2,948,431**	**3,285,343**	**3,400,731**	**(115,388)**	**11.4**
Domestic Interest	784,117	862,652	911,946	(49,294)	10.0
Foreign Interest	211,002	211,760	214,808	(3,048)	0.4
Pensions & Other CFS	176,753	166,222	201,620	(35,398)	(6.0)
Contribution to Civil Servants' Pension	34,335	43,646	38,415	5,232	27.1
Wages and Salaries	624,689	684,351	689,334	(4,983)	9.6
Operation and Maintenance	1,117,534	1,316,711	1,344,608	(27,897)	17.8
O/W: Appropriation-in-Aid	300,755	344,646	357,561	(12,915)	14.6
2. DEVELOPMENT	**582,937**	**731,542**	**771,004**	**(39,462)**	**25.5**
Development Projects (Net)	392,864	500,739	542,223	(41,484)	27.5
Payment of Guaranteed Loans	19,685	-	-	-	(100.0)
Appropriation-in-Aid	170,387	230,803	228,781	2,022	35.5
3. County Governments	444,570	467,272	484,803	(17,531)	5.1
4. Parliamentary Service	41,552	45,311	47,102	(1,791)	9.0
5. Judicial Service	771	916	931	(15)	18.8
6. Equalization Fund	-	7,301	7,602	(301)	-
TOTAL EXPENDITURE	**3,975,938**	**4,484,157**	**4,656,537**	**(172,380)**	**12.8**

Wages and salaries; includes wages for teachers, civil servants and police
Source of Data: The National Treasury

Ministries, Departments and Agencies Expenditure

15. The total ministerial and other public agencies expenditure including AiA was KSh 2,732.6 billion against a target of KSh 2,805.0 billion (97.4 percent of total expenditure). Recurrent expenditure was KSh 2,001.1 billion against a target of KSh 2,033.9 billion (98.4 percent), while development expenditure amounted to KSh 731.5 billion against a target of KSh 771.0 billion (94.9 percent), as at the end of the period under review.

16. As at the period ending 30th June, 2026, recurrent expenditures by the State Department for Basic Education, Higher Education and Research; Teachers Service Commission; Vocational and Technical Training; Public Health and Professional Standards; labour and Skills Development; correctional service; Youth Affairs and Arts; Culture and Heritage; Sports; Social Protection and Senior Citizens; Children Services; Immigration and Citizen Services and Medical Services (Social Sector) accounted for 39.0 percent of total recurrent expenditure. In addition, the security sector accounted for 17.5 percent of total recurrent expenditure.

17. Analysis of development outlay indicates that the State Department for Roads accounted for the largest share of the total development expenditure (19.4 percent) followed by the State Department for Housing and Urban Development (15.8 percent) and the State Department for Economic Planning (9.3 percent). **Table 3** shows the recurrent and development expenditures by Ministries, State Departments and other government entities for the period under review.

Table 3: Ministerial Expenditures for the Period Ending 30th June 2026 (KSh Million)

MINISTRY/DEPARTMENT/COMMISSION	Jun-26									Total (%) Exp. To Target
	Recurrent			Development			Total			
	Actual*	Target	Variance	Actual*	Target	Variance	Actual*	Target	Variance	
1011 Executive Office of the President	6,742	6,828	(86)	1,460	1,495	(35)	8,202	8,323	(121)	98.5
1012 Office of the Deputy President	5,144	5,243	(99)	110	111	(1)	5,254	5,354	(100)	98.1
1013 Office of the Prime Cabinet Secretary	605	626	(21)	-	-	-	605	626	(21)	96.7
1014 State Department for Parliamentary Affairs	436	437	(2)	-	-	-	436	437	(2)	99.6
1015 State Department for Performance and Delivery Management			-	-	-	-	-	-	-	-
1016 State Department for Cabinet Affairs	227	234	(7)	-	-	-	227	234	(7)	97.1
1017 State House	17,228	17,173	55	1,420	1,440	(20)	18,648	18,613	35	100.2
1018 State Department for National Government Coordination	973	1,030	(56)	23	24	(1)	996	1,054	(58)	94.5
1023 State Department for Correctional Services	38,818	38,554	264	293	366	(72)	39,112	38,920	191	100.5
1024 State Department for Immigration and Citizen Services	18,001	14,914	3,087	11,568	9,420	2,148	29,569	24,334	5,235	121.5
1025 National Police Service	134,837	133,859	978	1,724	1,633	91	136,562	135,493	1,069	100.8
1026 State Department for Internal Security & National Administration	48,208	49,643	(1,435)	8,825	8,940	(115)	57,033	58,583	(1,550)	97.4
1032 State Department for Devolution	1,378	1,367	11	10,622	15,769	(5,147)	12,000	17,136	(5,136)	70.0
1033 State Department for Special Programmes	13,413	13,744	(330)	182	184	(2)	13,595	13,928	(332)	97.6
1036 State Department for the ASALs and Regional Development	9,066	9,580	(514)	5,122	5,387	(265)	14,188	14,967	(779)	94.8
1041 Ministry of Defence	215,185	220,811	(5,626)	1,099	3,178	(2,080)	216,284	223,989	(7,705)	96.6
1053 State Department for Foreign Affairs	17,508	23,635	(6,127)	859	2,610	(1,751)	18,368	26,245	(7,877)	70.0
1054 State Department for Diaspora Affairs	755	755	0	-	1	(1)	755	756	(1)	99.9
1064 State Department for Vocational and Technical Training	51,210	43,663	7,547	5,548	5,475	73	56,758	49,138	7,620	115.5
1065 State Department for Higher Education and Research	139,776	155,948	(16,172)	5,333	5,531	(198)	145,110	161,479	(16,369)	89.9
1066 State Department for Basic Education	109,137	114,065	(4,928)	17,071	19,537	(2,466)	126,208	133,602	(7,395)	94.5
1067 State Department for Science, Innovation and Research	865	1,065	(201)	-	1	(1)	865	1,066	(202)	81.1
1071 The National Treasury	87,011	89,526	(2,515)	33,127	37,711	(4,584)	120,139	127,237	(7,099)	94.4
1072 State Department for Economic Planning	4,636	4,413	222	68,178	69,195	(1,017)	72,813	73,608	(795)	98.9
1073 State Department for Public Investments and Assets Management	3,517	3,856	(339)	797	819	(21)	4,315	4,675	(360)	92.3
1082 State Department for Medical Services	118,036	93,179	24,857	30,428	30,261	168	148,465	123,440	25,025	120.3
1083 State Department for Public Health and Professional Standards	35,498	33,408	2,089	4,053	4,647	(594)	39,551	38,055	1,495	103.9
1091 State Department for Roads	108,741	71,622	37,120	142,080	154,383	(12,303)	250,821	226,005	24,817	111.0
1092 State Department for Transport	2,330	6,823	(4,493)	13,496	37,708	(24,212)	15,826	44,531	(28,705)	35.5
1093 State Department for Shipping and Maritime Affairs	629	3,626	(2,997)	621	1,800	(1,179)	1,250	5,426	(4,176)	23.0
1094 State Department for Housing & Urban Development	3,532	6,918	(3,386)	115,567	90,024	25,544	119,099	96,942	22,157	122.9
1095 State Department for Public Works	4,292	4,033	258	837	877	(40)	5,129	4,911	218	104.4
1097 State Department for Aviation and Aerospace Development	683	14,358	(13,675)	717	726	(9)	1,400	15,084	(13,684)	9.3
1104 State Department for Irrigation	818	1,127	(309)	9,864	11,522	(1,658)	10,682	12,649	(1,967)	84.5
1109 State Department for Water & Sanitation	3,399	8,480	(5,081)	50,088	49,764	325	53,487	58,243	(4,756)	91.8
1112 State Department for Lands and Physical Planning	6,515	5,591	924	8,082	7,916	166	14,597	13,507	1,090	108.1
1122 State Department for Information Communication Technology & Digital Economy	3,260	3,613	(354)	8,025	7,729	296	11,285	11,342	(57)	99.5
1123 State Department for Broadcasting & Telecommunications	4,657	6,222	(1,565)	303	362	(59)	4,960	6,584	(1,624)	75.3
1132 State Department for Sports	5,900	5,631	269	18,690	13,478	5,212	24,589	19,109	5,481	128.7
1134 State Department for Culture and Heritage	2,246	2,988	(743)	137	236	(98)	2,383	3,224	(841)	73.9
1135 State Department for Youth Affairs and the Arts	2,955	2,879	76	2,626	3,480	(854)	5,581	6,359	(778)	87.8
1152 State Department for Energy	1,177	12,135	(10,958)	35,467	42,235	(6,768)	36,644	54,370	(17,726)	67.4
1162 State Department for Livestock Development	3,258	6,278	(3,021)	7,436	7,583	(147)	10,693	13,862	(3,168)	77.1
1166 State Department for the Blue Economy and Fisheries	3,124	3,570	(446)	7,007	7,780	(773)	10,131	11,350	(1,218)	89.3
1169 State Department for Crop Development	24,168	24,324	(156)	50,504	52,742	(2,238)	74,672	77,066	(2,394)	96.9
1173 State Department for Cooperatives	4,741	5,922	(1,180)	3,680	3,750	(70)	8,421	9,672	(1,250)	87.1
1174 State Department for Trade	3,016	5,067	(2,051)	329	334	(4)	3,345	5,400	(2,055)	61.9
1175 State Department for Industry	3,750	4,720	(969)	6,184	6,329	(145)	9,934	11,049	(1,115)	89.9
1176 State Department for Micro, Small and Medium Enterprises Development	1,492	2,250	(758)	10,235	10,947	(713)	11,726	13,197	(1,471)	88.9
1177 State Department for Investment Promotion	871	1,608	(737)	2,963	3,437	(474)	3,834	5,045	(1,211)	76.0
1184 State Department for Labour and Skills Development	2,108	4,975	(2,867)	590	948	(358)	2,699	5,924	(3,225)	45.6
1185 State Department for Social Protection and Senior Citizens Affairs	33,496	33,129	367	161	231	(70)	33,657	33,359	297	100.9
1186 State Department for Children Services	11,671	11,885	(214)	201	204	(3)	11,872	12,089	(217)	98.2
1192 State Department for Mining	2,715	2,190	525	68	247	(179)	2,783	2,437	346	114.2
1193 State Department for Petroleum	36,982	25,029	11,953	4,395	3,062	1,332	41,377	28,091	13,286	147.3
1202 State Department for Tourism	13,322	11,755	1,568	1,768	2,962	(1,194)	15,091	14,717	374	102.5
1203 State Department for Wildlife	3,783	13,547	(9,764)	2,281	3,225	(944)	6,064	16,772	(10,708)	36.2
1212 State Department for Gender and Affirmative Action	1,524	1,659	(135)	5,007	5,143	(136)	6,531	6,802	(271)	96.0
1213 State Department for Public Service	19,375	22,163	(2,788)	1,957	2,118	(161)	21,332	24,281	(2,949)	87.9
1221 State Department for East African Community	1,266	1,275	(9)	-	1	(1)	1,266	1,276	(10)	99.2
1252 State Law Office	4,409	5,095	(686)	330	334	(4)	4,739	5,428	(690)	87.3
1253 State Department for Justice Human Rights and Constitutional Affairs	1,042	1,059	(17)	-	1	(1)	1,042	1,060	(18)	98.3
1261 The Judiciary	25,429	25,518	(89)	1,078	1,386	(307)	26,507	26,904	(397)	98.5
1271 Ethics and Anti-Corruption Commission	4,361	4,338	22	178	200	(22)	4,538	4,538	0	100.0
1281 National Intelligence Service	65,352	64,641	711	-	1	(1)	65,352	64,642	710	101.1
1291 Office of the Director of Public Prosecutions	5,391	5,534	(143)	299	318	(19)	5,690	5,852	(162)	97.2
1311 Office of the Registrar of Political Parties	3,046	3,043	4	-	-	-	3,046	3,043	4	100.1
1321 Witness Protection Agency	596	787	(192)	-	-	-	596	787	(192)	75.6
1331 State Department for Environment & Climate Change	2,678	4,129	(1,451)	1,510	1,884	(374)	4,189	6,013	(1,825)	69.7
1332 State Department for Forestry	6,150	11,059	(4,909)	5,712	6,358	(647)	11,862	17,417	(5,555)	68.1
2011 Kenya National Commission on Human Rights	504	519	(15)	-	1	(1)	504	520	(16)	97.0
2021 National Land Commission	5,589	5,527	61	611	619	(8)	6,199	6,146	54	100.9
2031 Independent Electoral and Boundaries Commission	11,047	12,919	(1,872)	33	33	(0)	11,080	12,952	(1,872)	85.5
2041 Parliamentary Service Commission	2,749	2,856	(107)	-	-	-	2,749	2,856	(107)	96.3
2042 National Assembly	27,643	28,792	(1,149)	-	-	-	27,643	28,792	(1,149)	96.0
2043 Parliamentary Joint Services	6,857	6,915	(59)	1,718	1,741	(22)	8,575	8,656	(81)	99.1
2044 Senate	8,358	8,340	18	-	-	-	8,358	8,340	18	100.2
2051 Judicial Service Commission	921	936	(15)	-	-	-	921	936	(15)	98.4
2061 Commission on Revenue Allocation	426	486	(60)	-	-	-	426	486	(60)	87.7
2071 Public Service Commission	3,543	3,610	(67)	-	-	-	3,543	3,610	(67)	98.1
2081 Salaries and Remuneration Commission	808	865	(57)	-	-	-	808	865	(57)	93.4
2091 Teachers Service Commission	400,486	408,691	(8,206)	512	746	(235)	400,997	409,438	(8,440)	97.9
2101 National Police Service Commission	1,404	1,449	(45)	-	1	(1)	1,404	1,450	(46)	96.8
2111 Auditor General	8,702	8,322	380	351	367	(16)	9,053	8,689	364	104.2
2121 Controller of Budget	939	944	(5)	-	-	-	939	944	(5)	99.5
2131 Commission on Administrative Justice	646	663	(17)	-	-	-	646	663	(17)	97.5
2141 National Gender and Equality Commission	564	558	6	-	-	-	564	558	6	101.1
2151 Independent Policing Oversight Authority	1,414	1,399	15	-	-	-	1,414	1,399	15	101.0
Total	**2,001,062**	**2,033,942**	**(32,880)**	**731,542**	**771,011**	**(39,469)**	**2,732,604**	**2,804,952**	**(72,349)**	**97.4**

**Provisional*

Source of Data: The National Treasury

Overall Balance and Financing

18. The fiscal deficit (including grants, on a cash basis) amounted to KSh 1,264.7 billion (6.8 percent of GDP) in FY 2025/26 against a target of KSh 1,357.7 billion (7.3 percent of GDP) **(Table 4).**

Table 4: Budget Outturn for the FY 2025/26 (KSh Million)

	2024/2025	2025/2026			Growth (%)	2025/2026 as a % of GDP		2024/2025 Actual as a % of GDP
	Actual	Actual*	Targets	Deviation		Actual	Targets	
A. TOTAL REVENUE AND GRANTS	**2,956,871**	**3,219,463**	**3,298,883**	**(79,420)**	**8.9**	**17.3**	**17.7**	**17.2**
1. Revenue	**2,923,551**	**3,198,801**	**3,258,959**	**(60,158)**	9.4	17.2	17.5	17.0
Ordinary Revenue	**2,420,174**	**2,588,401**	**2,640,617**	**(52,216)**	7.0	13.9	14.2	14.1
Import Duty	157,107	180,006	176,539	3,467	14.6	1.0	0.9	0.9
Excise Duty	292,468	311,955	313,306	(1,351)	6.7	1.7	1.7	1.7
Income tax	1,093,032	1,175,559	1,169,353	6,206	7.6	6.3	6.3	6.4
VAT	660,729	722,444	721,389	1,055	9.3	3.9	3.9	3.9
Investment Revenue	84,828	84,816	150,204	(65,388)	(0.0)	0.5	0.8	0.5
Others	132,010	113,622	109,826	3,796	(13.9)	0.6	0.6	0.8
Appropriation-in-Aid	503,377	610,400	618,342	(7,942)	21.3	3.3	3.3	2.9
2. Grants	**33,320**	**20,662**	**39,924**	**(19,262)**	**(38.0)**	**0.1**	**0.2**	**0.2**
AMISOM Receipts	956	0	5,081	(5,081)	(100.0)	-	0.0	0.0
Revenue	18,922	13,880	20,676	(6,796)	(26.6)	0.1	0.1	0.1
Appropriation-in-Aid	13,442	6,782	14,168	(7,386)	(49.5)	0.0	0.1	0.1
B.EXPENDITURE AND NET LENDING	**3,975,938**	**4,484,157**	**4,656,537**	**(172,380)**	**12.8**	**24.1**	**25.0**	**23.2**
1. Recurrent	**2,948,431**	**3,285,343**	**3,400,731**	**(115,388)**	**11.4**	**17.6**	**18.2**	**17.2**
Domestic Interest	784,117	862,652	911,946	(49,294)	10.0	4.6	4.9	4.6
Foreign Interest	211,002	211,760	214,808	(3,048)	0.4	1.1	1.2	1.2
Pension & Other CFS	176,753	166,222	201,620	(35,398)	(6.0)	0.9	1.1	1.0
Contribution to Civil Servants' Pension	34,335	43,646	38,415	5,232	27.1	0.2	0.2	0.2
Wages and Salaries	624,689	684,351	689,334	(4,983)	9.6	3.7	3.7	3.6
O & M/Others	1,117,534	1,316,711	1,344,608	(27,897)	17.8	7.1	7.2	6.5
2. Development and Net Lending	**582,937**	**731,542**	**771,004**	**(39,462)**	**25.5**	**3.9**	**4.1**	**3.4**
O/W Domestically financed	397,657	548,361	552,760	(4,399)	37.9	2.9	3.0	2.3
Foreign financed	165,595	175,879	210,641	(34,762)	6.2	0.9	1.1	1.0
3.Net Lending	19,685	0	0	-	(100.0)	0.0	-	0.1
4. Equalization Fund	-	7,301.0	7,602.2	(301)	-	0.0	0.0	0.0
5. County Governments	444,570	467,272	484,803	(17,531)	5.1	2.5	2.6	2.6
6. Contigencies Fund	-	-	-	-	-	**0.0**	-	**0.0**
C. DEFICIT EXCL.GRANT (Commitment basis)	**(1,052,387)**	**(1,285,356)**	**(1,397,578)**	**112,223**	**22.1**	**(6.9)**	**(7.3)**	**(6.1)**
D. DEFICIT INCL.GRANTS (Commitment basis)	**(1,019,067)**	**(1,264,694)**	**(1,357,654)**	**92,960**	**24.1**	**(6.8)**	**(7.3)**	**(5.9)**
E. ADJUSTMENT TO CASH BASIS								
F. DEFICIT INCL.GRANTS (Cash basis)	**(1,019,067)**	**(1,264,694)**	**(1,357,654)**	**92,960**	**24.1**	**(6.8)**	**(7.3)**	**(5.9)**
Discrepancy	*15,146*	*(13,647)*	*0*	*(13,647)*	-	*-0.1*	*0.0*	*0.1*
G. FINANCING	**1,034,213**	**1,251,047**	**1,357,655**	**(106,608)**	**21.0**	**6.7**	**7.3**	**6.0**
1. Net Foreign financing	**179,738**	**267,347**	**384,037**	**(116,690)**	**48.7**	**1.4**	**2.1**	**1.0**
Disbursements	**527,042**	**771,691**	**907,677**	**(135,986)**	**46.4**	**4.1**	**4.9**	**3.1**
Programme Loans	113,683	99,860	130,900	(31,040)	(12.2)	0.5	0.7	0.7
Project Cash Loans	85,810	110,650	130,245	(19,595)	28.9	0.6	0.7	0.5
Project Loans AIA	65,633	86,110	102,461	(16,351)	31.2	0.5	0.5	0.4
OPEC Funds	8,847	-	4,000	(4,000)	(100.0)	-	0.0	0.1
Commercial Financing	253,070	475,071	540,071	(65,000)	88	3	2.9	1.5
Debt repayment - Principal	(347,304)	(504,344)	(523,640)	19,297	**45.2**	**(2.7)**	**(2.8)**	**(2.0)**
2. Net Domestic Financing **	**854,474**	**983,701**	**973,618**	**10,082**	**15.1**	**5.3**	**5.2**	**5.0**
Government Securities	853,121	993,652	961,666	31,987	16.5	5.3	5.2	5.0
Government Overdraft & Others	1,862	21,793	-	21,793	1,070.4	0.1	-	0.0
Movement in Government Deposits	24,789	(9,408)	33,157	(42,565)	(138.0)	-0.1	0.2	0.1
Domestic Loan Repayments (Net Receipts)	8,048	13,725	11,905	1,819	70.5	0.1	0.1	0.0
Domestic Loan Repayment	(1,110)	(1,110)	(1,110)	-	-	0.0	(0.0)	(0.0)
Other Accounts Payable	(32,235)	(34,951)	(32,000)	(2,951)	8.4	(0.2)	(0.2)	(0.2)
MEMO ITEM								
GDP ESTIMATE	**17,157,322**	**18,627,481**	**18,642,472**	**(14,991)**	**8.6**	**100.0**	**100.0**	**100.0**

**Provisional*

Source of Data: National Treasury

19. The fiscal deficit in FY 2025/26 was financed through net domestic financing of KSh 983.7 billion (5.3 percent of GDP). The net external financing amounted to KSh 267.3 billion (1.4 percent of GDP), representing a shortfall of KSh 116.7 billion from target. Total disbursements (inflows) including Appropriations-in-Aid amounted to KSh 771.7 billion for the period ending 30th June 2026 against a target of KSh 907.7 billion. The total disbursement included KSh 86.1 billion Project Loans AiA; KSh 99.9 billion program loans; KSh 110.7

billion Project Loans-Cash; and KSh 475.1 billion Commercial Financing. The external repayments (outflows) of principal debt amounted to KSh 504.3 billion. The amount comprised of principal repayments due to commercial institutions; bilateral sources; and multilateral sources amounting to, KSh 278.1 billion, KSh 132.8 billion and KSh 93.4 billion respectively.

Pending Bills

20. The total outstanding National Government pending bills as of 30th June 2026 amounted to KSh 475.5 billion comprising of KSh 365.6 billion (76.9 percent) and KSh. 109.9 billion (23.1 percent) for the State Corporations (SCs) and Ministries/State Departments/other government entities respectively. The State Corporations pending bills include payment to contractors/projects, suppliers, unremitted statutory and other deductions, pension arrears for Local Authorities Pension Trust, and others. The highest percentage of the SCs pending bills are related to Development expenditure (53.3 percent) with recurrent expenditure pending bills accounting for 46.7 percent of the total State Corporations pending bills. Ministries/State Departments and other government entities pending bills constitutes mainly of the historical ones.

21. The National Government policy on clearance of pending bills continues to be in force. All MDAs are therefore expected to continue prioritizing the payment of the pending bills by settling them as a first charge in the current financial year budget, in line with the Treasury guidelines for implementation of the financial year 2025/26 and the medium-term budget and Treasury Circular No. 7/2023. In addition, the National Treasury has developed a comprehensive strategy to clear outstanding stock of verified pending bills of the National Government over the medium term. The strategy will address deficiencies and lapses that have led to accumulation of pending bills.

Tax Expenditures

22. The Government continued to make progress in rationalizing tax expenditures as part of efforts to strengthen domestic revenue mobilization and create fiscal space. The 2025 Tax Expenditure Report estimates total revenue forgone through tax expenditures at KSh 286.5 billion in 2024, equivalent to 1.77 percent of GDP, compared to KSh 368.4 billion, or 2.45 percent of GDP, in 2023 **(Table 5)**. The decrease reflects adjustments introduced under the Medium-Term Revenue Strategy and recent legislative changes affecting exemptions, preferential rates, and zero rating.

Table 5: Tax Expenditures by Categories

	2022+	**2023+**	**2024**	**2022+**	**2023+**	**2024**
	Amount (Ksh Million)			*Share of Total Tax Expenditures*		
Personal income tax	7,163	7,830	7,654	2.4	2.1	2.7
Corporate Income Tax	47,560	35,565	21,391	15.7	9.7	7.5
VAT domestic	157,772	215,834	188,498	51.9	58.6	65.8
VAT Import	53,167	26,733	15,960	17.5	7.3	5.6
Domestic Excise Duty	8,036	10,180	10,701	2.6	2.8	3.7
Import Excise Duty	1,838	2,105	6,227	0.6	0.6	2.2
Import Duty	13,589	63,049	33,423	4.5	17.1	11.7
IDF	11,832	5,545	1,671	3.9	1.5	0.6
RDL	2,901	1,587	1,003	1.0	0.4	0.3
Total Tax Expenditure	**303,857**	**368,428**	**286,527**	**100**	**100**	**100**
Total Tax Expenditure as % of GDP	**2.25**	**2.45**	**1.77**			

+Revised
Source of Data: Kenya Revenue Authority

23. The decline in tax expenditure was largely driven by lower revenue forgone from Corporate Income Tax, domestic VAT, import VAT, import duty and the Import Declaration Fee. Value Added Tax (VAT) remains the largest contributor to tax expenditure, accounting for over 70 percent of the total tax expenditure in 2024. Total VAT tax expenditure declined from KSh 242.6 billion (1.50 percent of GDP) in 2023 to KSh 204.5 billion (1.26 percent of GDP) in 2024, reflecting a reduction in revenue forgone from both domestic and import VAT. The decline was mainly attributed to reduced tax expenditure on zero-rated and exempt supplies, as well as policy changes implemented under the Finance Act, 2023, including the removal of the reduced 8.0 percent VAT rate on petroleum products, which resulted in their exclusion from the tax expenditure category.

24. Income Tax expenditure declined to KSh 29.0 billion, equivalent to 0.18 percent of GDP, in 2024 from KSh 43.4 billion, or 0.29 percent of GDP, in 2023. The decline was largely driven by a reduction in Corporate Income Tax expenditure, reflecting lower new investments and reduced capital formation. Personal Income Tax expenditure remained relatively stable, supported mainly by reliefs related to insurance, mortgage interest, and disability exemptions.

25. Import Duty, including the Import Declaration Fee (IDF) and Railway Development Levy (RDL), recorded a significant decline in tax expenditure from KSh 70.2 billion (0.47 percent of GDP) in 2023 to KSh 36.1 billion (0.22 percent of GDP) in 2024. The decline was largely attributed to reduced duty-free import volumes, particularly of sugar, milled rice and raw materials for the manufacture of animal feeds, as well as the harmonization of IDF and RDL rates under the Finance Act, 2023.

26. In contrast, total Excise Duty expenditure increased from KSh 12.3 billion (0.08 percent of GDP) in 2023 to KSh 16.9 billion (0.10 percent of GDP) in 2024. The increase was mainly associated with exemptions for locally assembled motor vehicles and continued remission schemes for keg beer manufactured from specified locally sourced cereals. These incentives reflect deliberate policy interventions to promote local manufacturing and support agricultural value chains.

Fiscal Performance for the FY 2025/26 in relation to Financial Objectives

27. To enhance financial management in FY 2025/26, the following financial objectives were adopted:

i) To enhance revenue collection to 17.5 percent

28. In FY 2025/26, total revenue was at 17.2 percent of GDP against a target of 17.5 percent of GDP. This was an improvement from 17.0 percent in FY 2024/25. This outturn underscores the need to continuously strengthen policy, legislative, technological and administrative measures to enhance revenue mobilization.

ii) To reduce the fiscal deficit to 5.3 percent of GDP

29. The fiscal deficit including grants for FY 2025/26 was 6.8 percent of GDP against the target of 5.3 percent of GDP. The higher fiscal deficit is largely explained by increased expenditure pressures especially interest payments and statutory obligations.

iii) To ensure effective, efficient and economic use of public resources allocated

30. The Government implemented several targeted measures to control public expenditure and enhance fiscal discipline. Key measures included: reduction of non-essential expenditure, migration from cash basis to accrual, implementation of e-Government procurement system, operationalization of Treasury Single Account, digitalization of public services, continued use of Public-Private Partnerships financing strategy and State-Owned Enterprises reforms.

iv) To reduce the cost of borrowing

31. In order to reduce the cost of borrowing, the Government employed the following strategies: lengthening debt maturity, deepening domestic debt markets, and balancing concessional and commercial borrowing. The Government also diversified the funding sources, engaged in debt buy-backs, and refinanced to manage liabilities and lower interest expenses.

B. Adherence to Fiscal Responsibility Principles

32. In accordance with the Constitution, the PFM Act, CAP 412A, and the PFM Regulations, and consistent with the principles of prudent and transparent management of public resources, the Government has largely complied with the fiscal responsibility principles established in law:

a. **Over the medium term a minimum of thirty percent of the National and County Governments budget shall be allocated to the development expenditure.**

   The allocation for National Government development expenditure in FY 2025/26 was 28.9 percent (**Table 6**), while that for County Governments was 37.0 percent of their total budget (**Table 10**).

   The National Government projects development expenditure allocations of 30.7 percent in FY 2026/27, 31.0 percent in FY 2027/28, 31.8 percent in FY 2028/29, 31.2 percent in FY 2029/30, and 31.1 percent in FY 2030/31. Going forward, the Government will strengthen absorption of development resources by MDAs and enhance AiA mobilization towards attainment of the 30 percent threshold over the medium term.

b. **The National Government's expenditure on wages and benefits for its public officers shall not exceed 35 percent of the National Government revenue as prescribed by the PFM Act Regulations**, **2015**:

   In FY 2025/26, the wage-to-revenue ratio was 24.6 percent[1], well within the prescribed limit. Medium-term forecasts maintain this trajectory, indicating continued fiscal discipline in personnel spending **(Table 6)**.

Table 6: Adherence to Fiscal Responsibility Principles

	FY 2023/24	FY 2024/25	FY 2025/26		FY 2026/27	FY 2027/28		FY 2028/29		FY 2029/30		FY 2030/31
	Actual	Prel. Actual	Supp. II	Prel. Actual	Budget	BPS'26	BROP'26	BPS'26	BROP'26	BPS'26	BROP'26	BROP'26
	KSh Billion											
1.0 Total Expenditure & Net Lending	3,622.8	3,975.9	4,656.5	4,484.2	4,819.4	4,931.4	5,415.5	5,241.6	5,929.3	5,662.3	6,533.7	7,213.2
1.1 Total Ministerial National Govt Expenses	**2,231.8**	**2,378.6**	**2,898.8**	**2,813.6**	**2,976.7**	**3,027.7**	**3,340.4**	**3,293.5**	**3,669.2**	**3,640.0**	**3,990.4**	**4,401.7**
Total Recurrent	2,678.4	2,948.4	3,400.7	3,285.3	3,565.6	3,569.0	4,021.1	3,712.3	4,400.8	4,018.3	4,836.7	5,347.7
CFS (Interest & Pensions)	1,018.8	1,206.2	1,366.8	1,284.3	1,501.3	1,462.9	1,716.9	1,497.7	1,898.7	1,545.6	2,092.9	2,315.3
Ministerial Recurrent	1,659.6	1,742.2	2,033.9	2,001.1	2,064.3	2,106.2	2,304.3	2,214.6	2,502.0	2,472.7	2,743.9	3,032.4
o/w Wages & Salaries	575.3	624.7	689.3	684.4	702.0	752.4	777.9	790.0	857.6	829.5	955.2	1,055.5
Wages as % National Government Revenues	**24.5%**	**24.9%**	**24.2%**	**24.6%**	**21.9%**	**22.1%**	**21.8%**	**21.2%**	**21.3%**	**20.2%**	**21.1%**	**20.9%**
Development	572.2	636.4	864.9	812.6	912.4	921.5	1,036.2	1,078.9	1,167.1	1,167.3	1,246.5	1,369.3
Development as % Ministerial National Government expenditures	**25.6%**	**26.8%**	**29.8%**	**28.9%**	**30.7%**	**30.4%**	**31.0%**	**32.8%**	**31.8%**	**32.1%**	**31.2%**	**31.1%**
1.2 County Allocation	380.4	444.6	484.8	467.3	502.0	473.5	473.5	483.0	490.0	509.4	536.3	587.5
Equitable share	354.6	418.3	415.0	415.0	428.0	440.9	440.9	450.4	457.3	476.7	503.6	554.8
Conditional Grants	25.8	26.3	69.8	52.3	74.0	32.7	32.7	32.7	32.7	32.7	32.7	32.7
Contigency Fund	-	-	-	-	1.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
2.0 Total Revenues	2,702.7	2,923.6	3,259.0	3,198.8	3,630.6	3,844.1	4,003.7	4,173.7	4,477.6	4,590.3	5,041.3	5,615.3
3.0 Total National Government Revenues (Incl. A-I-A)	**2,348.1**	**2,505.3**	**2,844.0**	**2,783.8**	**3,202.6**	**3,403.2**	**3,562.8**	**3,723.4**	**4,020.3**	**4,113.6**	**4,537.7**	**5,060.4**
4.0 National Government Domestic Borrowing (net)	595.6	854.5	973.6	983.7	898.0	740.7	929.1	847.5	908.8	846.6	914.4	895.4

/1Wages: For teachers and civil servants including the police. The figure includes the funds allocated for the pension contributory scheme
Source of Data: National Treasury

c. **Over the medium term, the National Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;**

In FY 2025/26, the National Government borrowing amounted to KSh 1,251.1 billion. Out of this, KSh 999.8 billion, equivalent to 79.9 percent, was utilized for development expenditure. Over the medium term, the Government will ensure adherence to the fiscal responsibility.

d. **Public debt and obligations shall be maintained at a sustainable level as approved by Parliament for the National Government and the County Assembly for County Government**.

The Debt Sustainability Analysis (DSA) conducted jointly between the National Treasury and the Central Bank of Kenya in September 2025 indicates that Kenya's public debt remains at sustainable levels but with high risk of debt distress (**Table 7**). Below is a summary of the DSA results:

i) In June 2026, the Present Value (PV) of total debt-to-GDP ratio is 65.6 percent and is projected to remain above the 55 ± 5 percent ceiling over the medium term **(Table 7).** The Government will continue to implement policies intended to maintain public debt within sustainable levels.

Table 7: Kenya's Public Debt Sustainability Analysis

Indicators	Benchmark	2024	2025	2026	2027	2028	2029	2030
PV of debt-to-GDP ratio	55	65.7	65.3	65.6	65.0	64.2	63.1	62.1
PV of public debt-to-revenue and grant ratio		391.5	379.8	379.0	369.5	365.0	367.1	365.1

Source: The National Treasury

ii) The External Debt Sustainability Analysis (DSA) indicates that while the present value (PV) of external debt to GDP remains below the 40 percent threshold throughout the projection period, the PV of public and publicly guaranteed (PPG) external debt relative to exports is expected to be below the 180 percent limit through 2030 from 2026. In addition, debt service pressures remain significant, as the debt service-to-revenue ratio breached the 18 percent threshold between 2024 and 2025 due to heavy maturities and thereafter is projected to be below the threshold while the debt service-to-exports ratio is anticipated to remain above the 15 percent sustainability benchmark through 2030 **(Table 8).**

Table 8: Kenya's External Debt Sustainability

Indicators	Thresholds	2024	2025	2026	2027	2028	2029	2030
PV of external debt–to-GDP ratio	40	30.8	28.3	27.5	26.8	25.5	24.4	24.6
PV of PPG external debt-to-exports ratio	180	180.3	182.2	167.5	158.7	147.9	141.6	145.1
PPG Debt service-to-exports ratio	15	26.3	22.5	18.3	15.9	18.3	15.9	15.9
PPG Debt service-to-revenue ratio	18	27.0	20.6	17.6	15.5	18.3	16.1	16.2

Source: The National Treasury

To safeguard debt sustainability and reduce elevated risk of debt distress, the Government will adopt targeted policy measures aimed at strengthening external debt indicators. These measures include broadening and diversifying the export base to enhance foreign exchange earnings, while simultaneously building and maintaining robust gross international reserves to provide a stronger buffer against external shocks. These measures will improve the debt service-to-exports ratio, ease pressure on external debt sustainability thresholds, and reinforce Kenya's overall resilience in managing public debt obligations.

To strengthen debt sustainability and mitigate risks, the Government will continue to pursue fiscal consolidation measures over the medium term, thereby creating fiscal space and reducing vulnerabilities associated with public debt. Further, the Government will maximize the use of concessional external financing to lower borrowing costs. The National Treasury will continue to actively pursue Liability Management Operations (LMOs) aimed at lengthening the maturity profile of both domestic and external debt, thereby alleviating short-term repayment pressures and reducing rollover risks. Together, these measures will enhance Kenya's debt management strategy and support long-term fiscal and external stability.

e. **Fiscal risks shall be managed prudently**

The Government endeavours to prudently manage fiscal risks across key areas to ensure macroeconomic stability. First, the Government continues to address fiscal risks associated with public debt, maintaining sustainable levels to avoid undue pressure on public finances. Second, the Government has taken steps to mitigate the crystallization of contingent liabilities by ensuring that unforeseen obligations do not derail its fiscal objectives. Third, the Government is managing fiscal risks related to devolution, including those arising from county-level financial activities.

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

The National Treasury continues to implement measures outlined in the National Tax Policy and the Medium-Term Revenue Strategy (MTRS). These documents seek to enhance predictability in tax policies giving businesses and investors confidence in planning for the future.

C. County Governments’ Fiscal Performance.

33. Article 190 of the Constitution of Kenya provides that Parliament shall, through legislation, ensure County Governments receive adequate support to enable them to effectively perform their functions and operate financial management systems that meet the standards prescribed by national legislation.

34. In line with this provision, Section 12(1)(i) of the PFM Act, CAP 412A mandates the National Treasury to strengthen financial and fiscal relations between the National and County Governments. It also encourages the provision of support to County Governments, in accordance with Article 190(1) of the Constitution. Further, Section 12(1)(j) of the PFM Act CAP 412A requires the National Treasury to assist County Governments in building capacity for efficient, effective, and transparent financial management.

35. Pursuant to these constitutional and statutory provisions, the National Treasury continues to implement initiatives aimed at strengthening intergovernmental fiscal relations. These initiatives include development of policies and legislative frameworks, providing technical support and advisory services, and undertaking capacity-building programmes to enhance public financial management across County Governments.

a) Sources of County Governments’ Revenue

i) Transfers to County Governments in FY 2025/26

Total Transfers

36. During FY 2025/26, a total of KSh 464.4 billion was transferred to County Governments in the form of equitable share of revenue and additional allocations financed from the National Government and proceeds of loans and grants from development partners. This was against a target of KSh 485.7 billion which represents a 95.6 percent achievement. The transfers included full disbursement of equitable share of KSh 415 billion as contained in the Division of Revenue Act, 2025 and additional allocations amounting to KSh 49.4 billion.

Equitable share

37. As of 30th June, 2026, County Governments received a total of KSh 415 billion, representing 100 percent of the total equitable share allocations for FY 2025/26, as provided in the Division of Revenue Act, 2025(No. 10 of 2025) and County Allocation of Revenue Act, 2025(No. 15 of 2025). This transfer is a significant milestone in fulfilling the provisions of Article 219 of the Constitution. It also demonstrates the National Government’s continued commitment to fulfilling the requirements of the law, with 100 percent of the equitable share allocation similarly disbursed to County Governments in FY 2024/25.

Additional Allocations

38. The County Government Additional Allocations Act (CGAAA) 2025 (No. 8 of 2026) for FY 2025/26 was assented to on 21st November 2025. The Act contained a total allocation of KSh 70.7 billion. This allocation comprised of KSh 12.9 billion financed from the National Governments’ share of revenue and KSh 57.7 billion financed from proceeds of loans and grants from Development Partners. In total, County Governments received KSh 49.4 billion against an allocation of KSh 70.7 billion translating to 70 percent performance. These transfers include conditional allocations totaling KSh 7.8 billion from the National Government’s share of revenue against the allocation of KSh 12.9 billion as well as KSh 41.5 billion from proceeds of loans and grants by Development Partners against the allocation of KSh 57.7 billion. This was

a marked improvement compared to KSh 18.23 billion disbursement against a target of KSh 50.5 billion which translated to a 36 percent performance in the previous FY 2024/25. This improvement was attributed to timely enactment of the CGAAA 2025 for financial year 2025/26.

ii) County Governments Own Source Revenue

39. County Governments play a critical role in the delivery of devolved services and the promotion of socio-economic development at the local level. Their ability to effectively discharge these functions depends, in part, on their capacity to mobilize adequate Own Source Revenue (OSR). Own Source Revenue comprises revenue generated from county taxes, fees, charges and licenses independent of equitable share allocations and other transfers from the National Government or Development Partners.

40. The Office of the Controller of Budget (OCOB), in the *County Governments Budget Implementation Review Report* for the first nine months of FY 2025/26, provides data on county Own Source Revenue (OSR) collections and Appropriations-in-Aid (AiA). A summary of this performance is presented in **Table 9 and Annex Table 7**.

Table 9: Total OSR for the First Nine Months of FY 2025/26, (Including AiA)

County	Target Revenue (Ksh. Millions)			Actual Released (Ksh.Millions)			Perfomance (%)
	Ordinary OSR	FIF/AIA	Total OSR	Ordinary OSR	FIF/AIA	Total OSR	Performance of Actual revenue against Target Revenue(%)
Baringo	331.94	320.00	651.94	131.27	195.25	326.51	50.1
Bomet	607.50	290.00	897.50	88.05	340.65	428.69	47.8
Bungoma	683.89	1,393.56	2,077.45	390.62	831.13	1,221.76	58.8
Busia	554.70	445.06	999.76	153.13	355.31	508.44	50.9
Elgeyo - Marakwet	107.43	350.00	457.43	55.78	230.11	285.89	62.5
Enbu	712.49	600.00	1,312.49	263.40	591.77	855.17	65.2
Garissa	101.00	349.00	450.00	44.27	444.86	489.13	108.7
Homa Bay	566.18	1,104.91	1,671.09	304.04	714.57	1,018.62	61.0
Isiolo	271.21	104.00	375.21	122.54	44.29	166.83	44.5
Kajiado	1,200.00	440.00	1,640.00	514.24	214.17	728.41	44.4
Kakanega	957.37	1,242.63	2,200.00	431.57	806.13	1,237.70	56.3
Kericho	870.13	724.25	1,594.38	245.56	392.32	637.88	40.0
Kiambu	7,322.37	2,611.85	9,934.22	2,486.44	1,411.62	3,898.06	39.2
Kilifi	1,875.71	500.00	2,375.71	524.62	691.78	1,216.40	51.2
Kirinyaga	459.00	305.00	764.00	324.74	454.80	779.54	102.0
Kisii	1,467.00	1,700.00	3,167.00	352.49	809.14	1,161.62	36.7
Kisumu	2,741.31	800.00	3,541.31	581.66	505.57	1,087.23	30.7
Kitui	312.35	806.90	1,119.25	196.24	452.22	648.47	57.9
Kwale	486.04	400.00	886.04	259.91	292.38	552.30	62.3
Laikipia	725.00	626.00	1,351.00	374.65	508.38	883.02	65.4
Lamu	150.00	130.00	280.00	71.17	129.63	200.80	71.7
Machakos	3,020.88	1,069.90	4,090.78	1,378.81	1,242.11	2,620.93	64.1
Makueni	1,067.56	600.00	1,667.56	317.66	806.80	1,124.46	67.4
Mandera	360.00	322.53	682.53	128.13	146.98	275.11	40.3
Marsabit	150.00	173.50	323.50	67.92	73.81	141.73	43.8
Meru	796.00	1,025.50	1,821.50	324.70	848.19	1,172.89	64.4
Migori	525.00	350.00	875.00	204.15	388.11	592.26	67.7
Mombasa	3,877.93	1,200.00	5,077.93	2,192.10	1,718.19	3,910.29	77.0
Murang'a	1,018.57	588.10	1,606.67	503.65	656.86	1,160.51	72.2
Nairobi	19,942.05	1,236.00	21,178.05	9,440.57	1,348.85	10,789.42	50.9
Nakuru	2,400.00	2,175.90	4,575.90	1,313.32	1,502.58	2,815.90	61.5
Nandi	669.21	453.61	1,122.82	217.34	456.76	674.10	60.0
Narok	5,909.59	120.95	6,030.54	3,301.73	142.08	3,443.81	57.1
Nyamira	675.00	300.00	975.00	166.66	386.47	553.13	56.7
Nyandarua	218.71	650.00	868.71	101.58	309.70	411.28	47.3
Nyeri	800.00	850.00	1,650.00	530.03	764.29	1,294.32	78.4
Samburu	282.37	-	282.37	277.72	112.10	389.82	138.1
Siaya	2,036.24	1,078.69	3,114.92	184.20	423.24	607.45	19.5
Taita-Taveta	669.60	280.00	949.60	234.55	202.53	437.09	46.0
Tana River	196.07	4.35	200.42	85.62	2.24	87.86	43.8
Tharaka-Nithi	293.08	305.40	598.48	189.65	270.12	459.76	76.8
Trans Nzoia	324.97	275.03	600.00	243.14	245.43	488.57	81.4
Turkana	600.00	600.00	1,200.00	143.04	19.88	162.92	13.6
Uasin Gishu	1,300.00	450.00	1,750.00	666.55	391.54	1,058.09	60.5
Vihiga	170.00	274.13	444.13	148.45	194.75	343.20	77.3
Wajir	110.00	240.00	350.00	75.79	166.73	242.51	69.3
West Pokot	98.15	253.51	351.66	77.34	216.31	293.65	83.5
Total	**70,013.60**	**30,120.26**	**100,133.85**	**30,430.79**	**23,452.73**	**53,883.53**	**53.8**

Source of Data: Controller of Budget

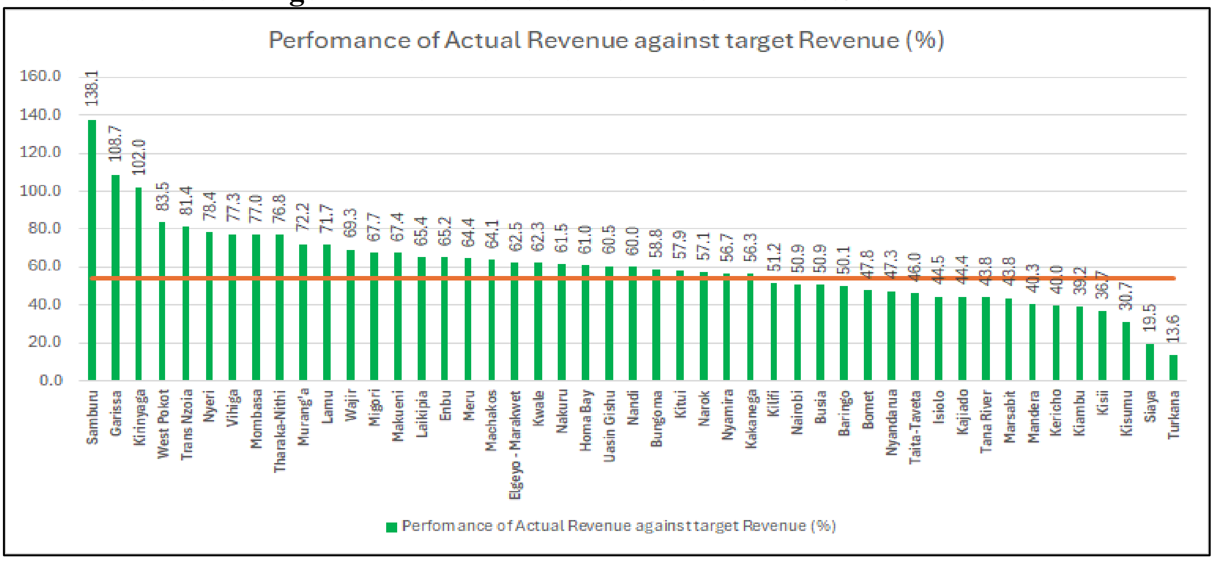
41. During the first nine months of FY 2025/26, County Governments collectively generated KSh 53.9 billion in Own Source Revenue (OSR), representing an increase from KSh 45.9 billion recorded over the corresponding period in FY 2024/25. This translates to an overall

performance rate of 53.8 percent against an annual target of KSh 100.13 billion. Of the total collections, Appropriations-in-Aid (AiA), including the Facility Improvement Fund (FIF) and other AiA sources, amounted to KSh 23.45 billion against a target of KSh 30.12 billion, representing a performance rate of 77.9 percent. Excluding AiA, counties generated ordinary OSR amounting to KSh 30.43 billion against a target of KSh 70.01 billion, translating to a performance rate of 43.5 percent.

42. Overall, County Governments recorded moderate progress in mobilizing own source revenue during the review period, although performance remained below the annual target. The aggregate OSR performance highlights a substantial deviation from the set targets, reflecting underlying challenges in local revenue mobilization and possible external constraints affecting collection efforts. The average OSR performance for counties stood at 53.8 percent. Only 29 counties recorded OSR collections above the average performance rate. The top-performing counties were: Samburu at 138.1 percent, Garissa at 108.7 percent Kirinyaga at 102 percent and West Pokot at 83.5 percent. Conversely, the counties with the lowest OSR performance included Kisumu at 30.7 percent, Siaya at 19.5 percent, and Turkana at 13.6 percent.

43. The relatively strong performance recorded by counties such as Garissa, Kirinyaga, and Samburu may be attributed to sustained efforts to strengthen local revenue administration, including enhanced enforcement, expanded automation of revenue collection systems, and improved compliance by taxpayers. Counties, which exceeded their annual targets, may indicate that their revenue targets were conservative relative to their actual revenue potential. Conversely, the weaker performance recorded by counties such as Machakos, Bungoma, and Kisumu may reflect challenges including inefficiencies in revenue administration, weak enforcement of county revenue laws, limited automation of revenue collection systems, and optimistic revenue projections. These variations underscore the need for continued reforms aimed at strengthening county revenue administration, enhancing automation, broadening the local revenue base, and improving the realism of county revenue forecasts. These performance levels are illustrated in **Figure 1.**

Figure 1: Actual Revenue Collected by the County Governments as a percentage of Annual Revenue Target for the First Nine Months of FY 2025/26



Source of Data: Controller of Budget

iii) Other Revenue Raising Measures Implemented in FY 2025/26

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

b) County Governments Expenditure for FY 2025/26

45. **Table 10** provides a summary of total expenditures, total revenues and absorption rates for the FY 2025/26.

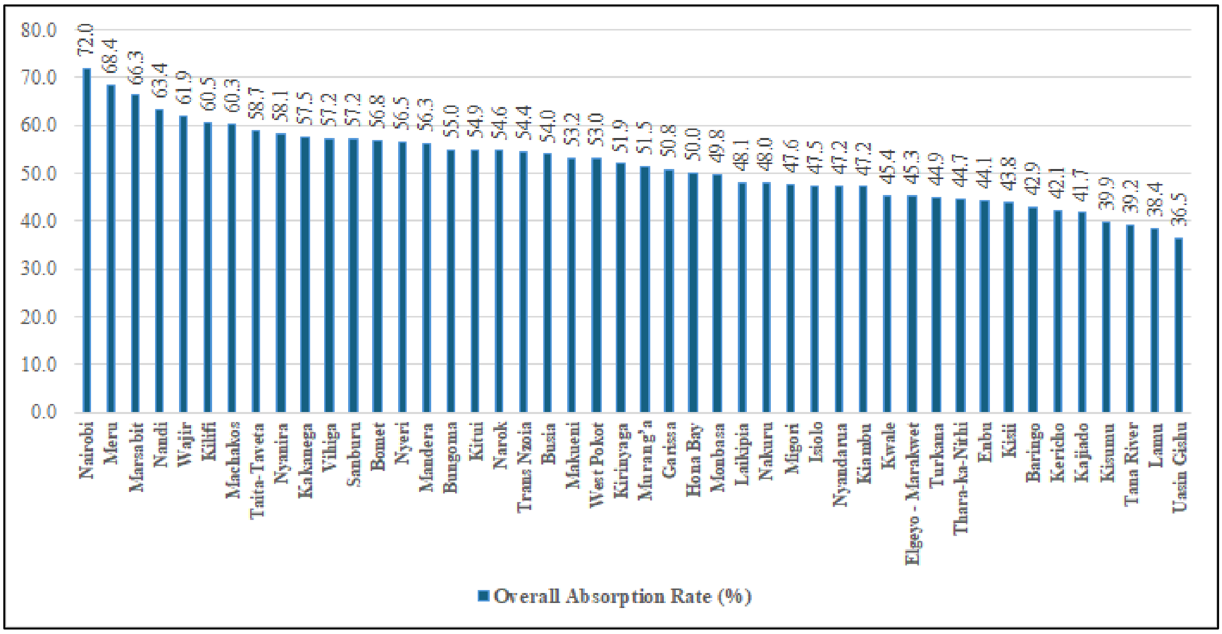
Table 10: County Revenue, Expenditures and Overall Absorption Rates for First Nine Months of the FY 2025/26

Item	Approved Budget Estimates (KSh Million)	Actual (KSh Million)	Overall Absorption (%)
Total Revenue	415,000.00	387,346.42	
Total Expenditure	633,303.87	331,647.72	52
Development Expenditure	234,329.28	72,073.40	31
Recurrent Expenditure	398,974.59	259,574.32	65
Wages and Salaries		171,356.97	
Other Recurrent		88,217.35	
% of Development Exp. in Total Expenditure	37.0		
% of Recurrent Exp. in Total Expenditure	63.0		
% of Wages in Total Revenue		44.0	

Source of Data: Controller of Budget

46. During the first nine months of FY 2025/26, County Governments recorded total actual expenditure of KSh 331.65 billion, comprising both recurrent and development expenditure. Over the same period, total actual revenue amounted to KSh 387.35 billion. The aggregate budget absorption rate stood at 52.0 percent, an improvement from 47.7 percent recorded during the corresponding period of FY 2024/25. The higher absorption rate indicates improved budget execution by County Governments, although expenditure performance remained below the expected level for the review period. County-specific budget absorption rates are presented in **Figure 2**.

Figure 2: Overall Absorption rate by County Governments for the First Nine Months of FY 2025/26



Source of Data: Controller of Budget

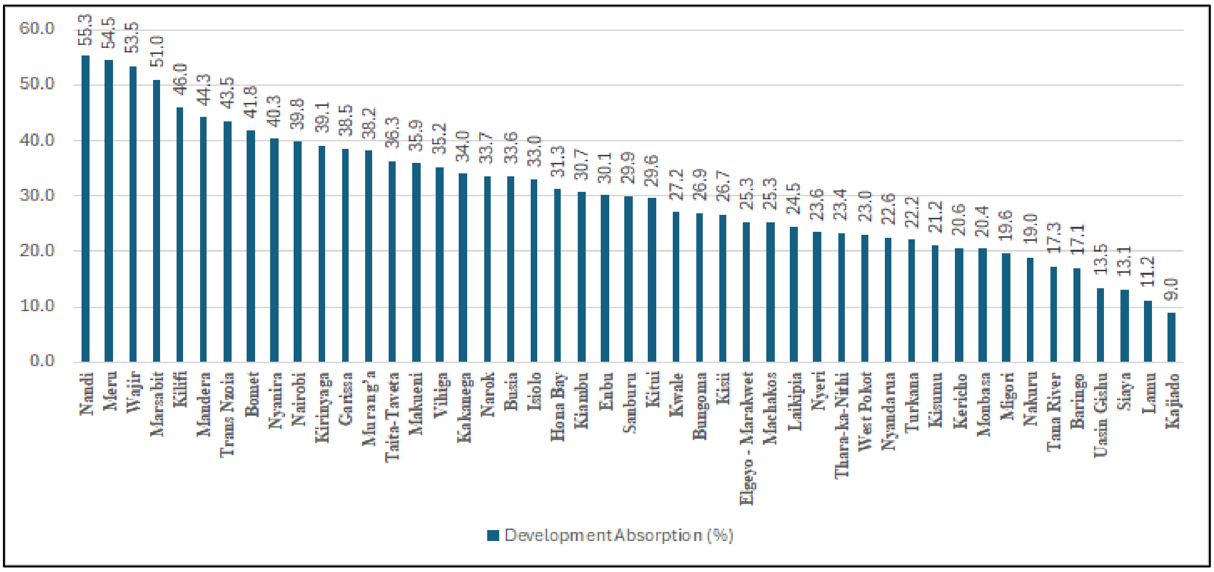
47. Counties that recorded relatively high-budget absorption rates including Nairobi, Meru, and Marsabit, reflect stronger budget execution and a greater capacity to utilize available resources within the review period. Effective budget absorption is generally associated with timely implementation of planned programmes and projects, which supports improved service delivery and achievement of development objectives.

48. Conversely, counties with relatively low-budget absorption rates, including Uasin Gishu, Lamu, and Tana River, experienced challenges in implementing their approved budgets. This is largely attributed to delays in procurement and project implementation, late disbursement of funds, administrative inefficiencies, or institutional capacity constraints. Addressing these challenges will be critical to improving budget execution, enhancing service delivery, and ensuring the timely implementation of county development programmes.

i) Absorption Rate for Development Expenditure

49. For the first nine months of FY 2025/26, the aggregate development expenditure absorption rate across County Governments stood at 30.8 percent, representing an improvement from 25.6 percent recorded during the corresponding period of FY 2024/25. This indicates that nearly one-third of the budgeted development expenditure had been utilized by the end of the review period **(Figure 3)**. While the improvement reflects enhanced implementation of development programmes and projects, the overall absorption rate remains relatively low, suggesting the need to accelerate project execution during the remaining quarter of the financial year.

Figure 3: Absorption Rates for Development Expenditure for the First Nine Months of 2025/26



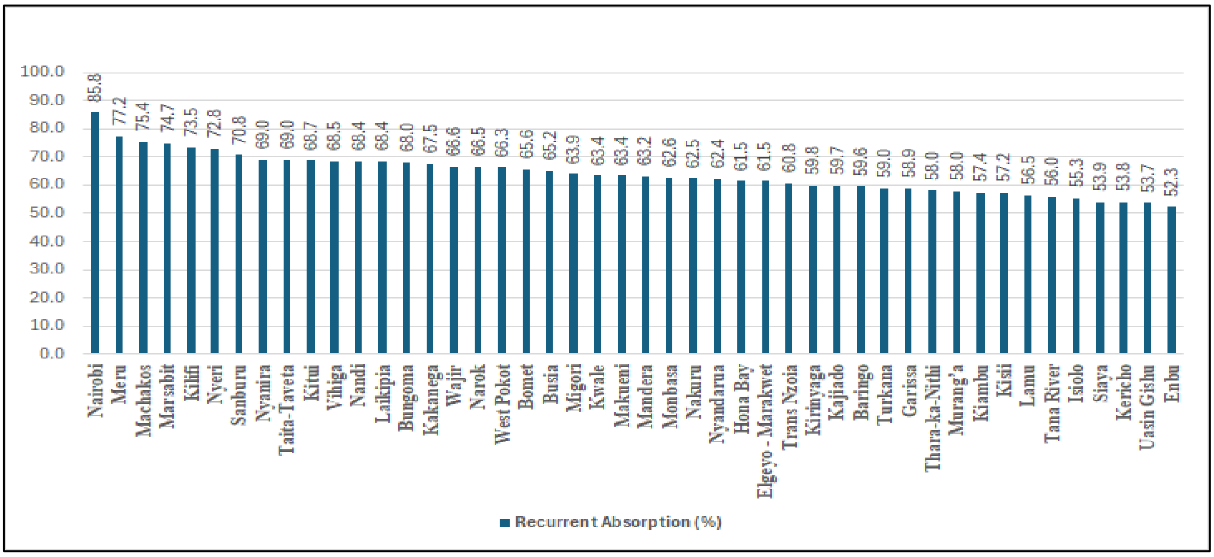
Source of Data: Controller of Budget

50. The counties with the highest absorption rate for development expenditure were Nandi, Meru and Wajir while the counties with the lowest absorption rate were Siaya, Lamu and Kajiado.

ii) Absorption Rates of the Recurrent Expenditure

51. During the first nine months of FY 2025/26, the aggregate recurrent expenditure absorption rate across County Governments stood at 65.1 percent **(Figure 4)**. The relatively high absorption rate reflects the priority accorded to financing recurrent obligations, including personnel emoluments and other operational expenditures necessary for the continued delivery of county services. While sustained funding of recurrent expenditure is essential for maintaining government operations, counties should continue to balance recurrent spending with adequate investment in development programmes to support long-term socio-economic growth.

Figure 4: Absorption Rates for Recurrent Expenditure for the First Nine Months of 2025/26



Source of Data: Controller of Budget

D. County Governments' Compliance with Fiscal Responsibility Principles

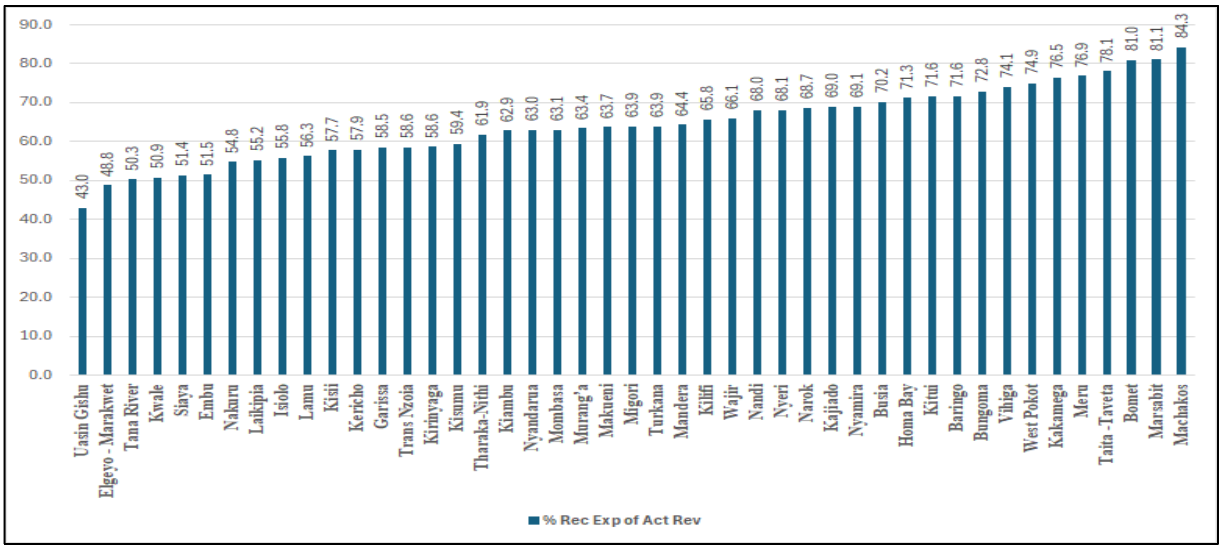
52. Section 107(2) of the PFM Act, CAP 412A, sets out the fiscal responsibility principles that guide County Governments in the management of public finances with the objective of promoting fiscal discipline, fiscal sustainability, accountability and the efficient use of public resources.

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

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

55. However, as illustrated in **Figure 5**, some counties spent over 80 percent of their total revenue on recurrent expenditure such as Bomet (81.0 percent), Marsabit (81.1 percent) and Machakos (84.3 percent). While these counties remained compliant with the statutory requirement, the high share of recurrent expenditure reflects elevated personnel and operational costs, limited fiscal space for development spending, delays in the implementation of development projects, or lower-than-expected revenue performance. Sustained high recurrent expenditure may constrain the resources available for development programmes and compromise the counties' ability to expand infrastructure and improve service delivery over the medium term.

Figure 5: Recurrent Expenditure as a Percentage of Total Revenue for the First Nine Months of the FY 2025/26

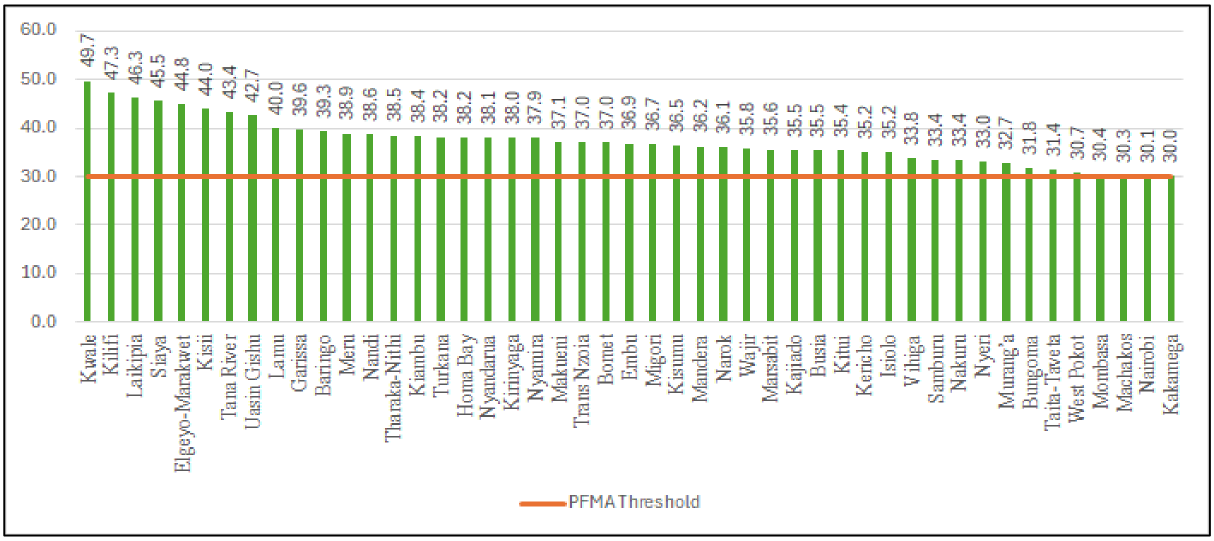


Source: Controller of Budget

56. County Governments shall allocate a minimum of 30 percent of their budgets to development expenditure over the medium-term A review of FY 2025/26 budget estimates **(Figure 6)** indicates that all counties complied with this requirement at the budgeting stage.

Overall, counties allocated on average 37 percent of their expenditure to development thereby meeting the required PFM threshold.

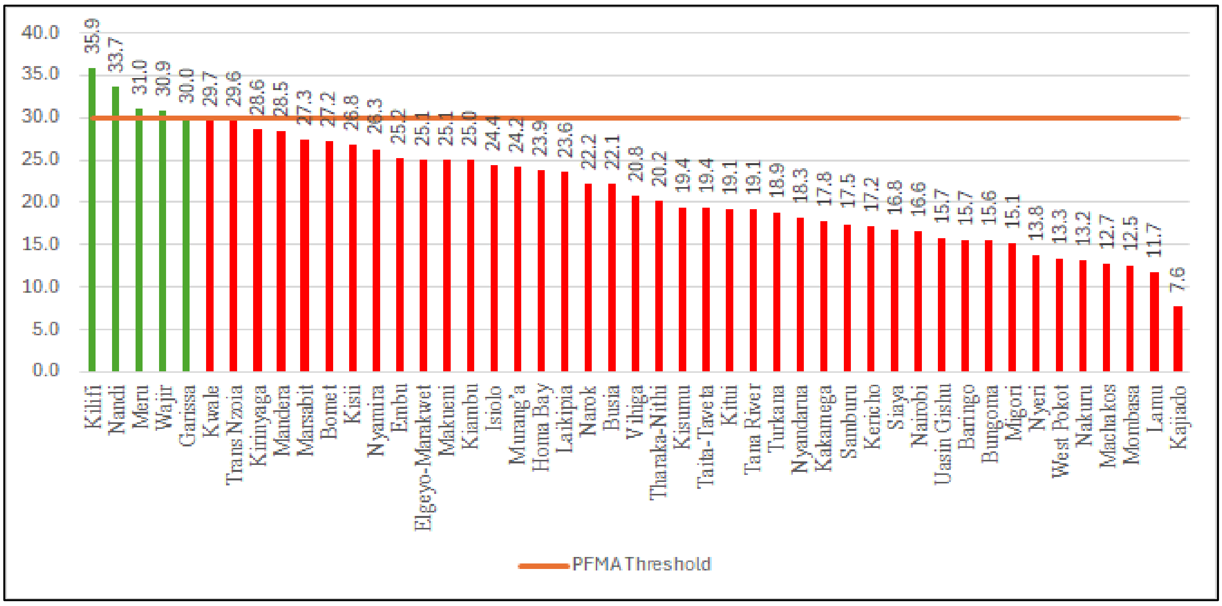
Figure 6: Budgeted Development Expenditure as a Percentage of Total County Budget for the first nine months of FY 2025/26



Source: Controller of Budget

57. Actual expenditure for the first nine months of FY 2025/26 varied across counties, as seen in **Figure 7** with most counties falling below the statutory threshold due to low absorption of development expenditure, reflecting delays in project implementation and procurement. Only five counties namely; Kilifi, Nandi, Meru, Wajir and Garissa, met the statutory threshold for actual development expenditure. In contrast, Kajiado, Lamu and Mombasa recorded the lowest performance in terms of the ratio of actual development expenditure to total expenditure.

Figure 7: Actual Development Expenditures as a Percentage of Actual Total Expenditure for the First Nine Months of the FY 2025/26



Source of Data: Controller of Budget

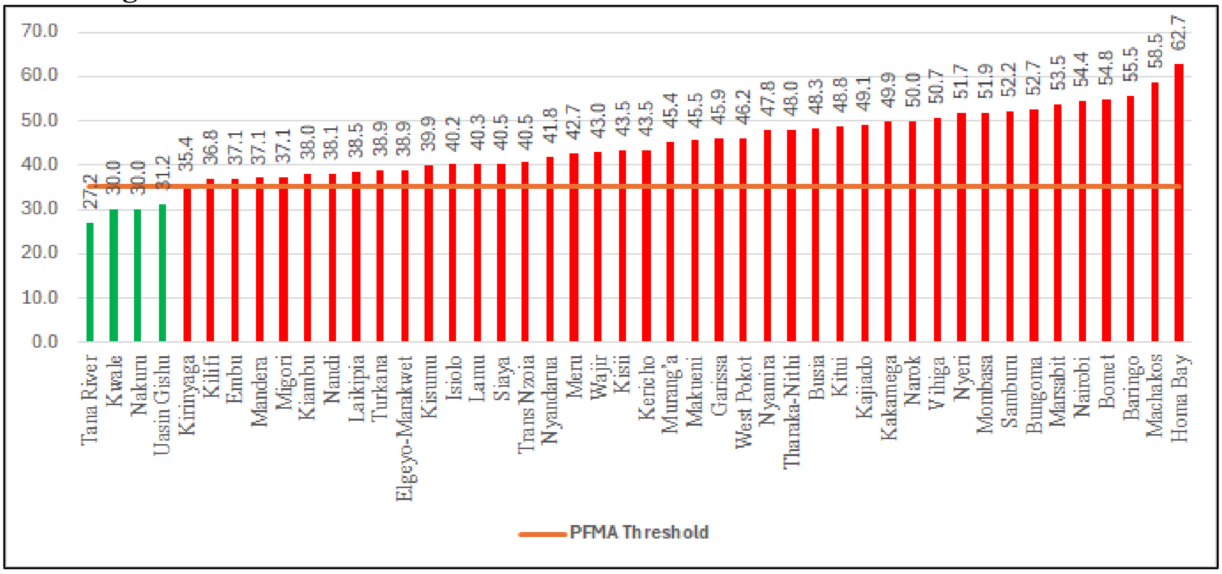
58. Development expenditure as a share of total actual expenditure improved slightly from 19.9 percent in FY 2024/25 to 21.7 percent in FY 2025/26, indicating modest gains in counties' actual spending on development projects. However, the number of counties adhering to the

PFM Act threshold is significantly low. County development may be compromised if higher allocations are going to recurrent expenditures.

59. County governments' expenditure on compensation of employees shall not exceed 35 percent of their total revenue The analysis of the first nine months shows that the majority of County Governments did not comply with the prescribed ceiling. Overall, County Governments spent 44.2 percent of their total revenue on compensation of employees, exceeding the prescribed threshold of 35 percent.

60. As illustrated in **Figure 8**, only four counties namely, Tana River (27.2 percent), Kwale (30.0 percent), Nakuru (30.0 percent) and Uasin Gishu (31.2 percent), complied with the prescribed threshold, while the remaining forty-three counties exceeded the statutory limit. Homa Bay recorded the highest wage bill at 62.7 percent of total revenue, followed by Machakos (58.5 percent) and Baringo (55.8 percent). The high expenditure of wages and benefits observed in most counties constrains fiscal space for operations and development expenditure, thereby limiting resources available for service delivery and long-term development priorities.

Figure 8: County Governments' Actual Expenditures on Wages and Benefits as a Percentage of Total Actual Revenue for the First Nine Months of FY 2025/26



Source of Data: Controller of Budget

Prudent Management of Fiscal Risks

61. Section 107 (2) (f) of the PFM Act, CAP 412A requires County Treasuries to manage their fiscal risks prudently. During the review period, a number of fiscal risks were identified in revenue and expenditure performance. These are:

i) High expenditure on wage bill that lowers the ability of County Governments to meet financial obligations on operations and maintenance and development requirements;

ii) Underperformance in OSR, which results in unfunded budgets resulting in accumulation of pending bills, and

iii) High levels of pending bills that negatively affect effective delivery of public services as well as local business development.

62. As of 31st March, 2026, County Governments reported outstanding pending bills totalling KSh 156.84 billion. This amount includes KSh 116.50 billion for recurrent activities and KSh 40.34 billion for development activities. The pending bills for the County Executive as of this date were KSh 151.49 billion, while the amount for the County Assemblies was KSh 5.35 billion. **Table 11** below provides a breakdown of the County Governments' pending bills as of 31st March 2026. Nairobi City County accounts for 52.1 percent of the total stock of County Governments' pending bills. This is approximately 183 percent of its approved budget in the year under review holding the highest pending bills to budget ratio. Other counties with high pending bills as a percentage of their approved budget include; Machakos (36 percent), Kilifi (32 percent), Narok (26 percent), Turkana (24 percent) and Elgeyo-Marakwet (24 percent). This is largely attributed to non-adherence to the counties' scheduled payment plans for outstanding pending bills, contrary to Regulation 55(2)(b) of the Public Finance Management (County Governments) Regulations, 2015 which requires County Governments to prioritise the settlement of all eligible pending bills as a first charge.

Table 11: Pending Bills for the Counties as of 31st March 2026

County	County Executive (KSh Million)			County Assembly (KSh Million)			Grand Total (KSh Million)	FY 2025/26 Budget (KSh Million)	% of Pending Bill to Budget
	Rec	Dev	Sub-Total	Rec	Dev	Sub-Total			
Baringo	151.87	95.61	**247.48**	23.89	0.00	**23.89**	**271.37**	9,542.03	3
Bomet	229.87	352.85	**582.71**	7.21	10.85	**18.06**	**600.78**	10,815.78	6
Bungoma	1,576.69	1,801.31	**3,378.00**	0.01	-	**0.01**	**3,378.01**	17,433.19	19
Busia	1,174.30	937.57	**2,111.86**	548.34	0.00	**548.34**	**2,660.20**	11,248.15	24
Elgeyo- Marakwet	6.31	2.41	**8.72**	0.00	0.00	**0.00**	**8.72**	8,849.61	0
Embu	662.82	611.83	**1,274.64**	0.00	0.00	**0.00**	**1,274.64**	8,990.25	14
Garissa	731.47	814.44	**1,545.91**	57.89	26.74	**84.63**	**1,630.54**	12,694.63	13
Homa Bay	182.63	520.43	**703.06**	83.87	157.17	**241.04**	**944.10**	13,601.45	7
Isiolo	645.12	180.35	**825.46**	121.21	106.36	**227.57**	**1,053.03**	7,555.84	14
Kajiado	1,101.62	1,246.53	**2,348.16**	33.65	8.69	**42.34**	**2,390.49**	13,775.47	17
Kakamega	1,739.09	826.94	**2,566.03**	503.78	163.84	**667.62**	**3,233.65**	17,047.86	19
Kericho	247.83	776.14	**1,023.97**	0.00	13.21	**13.21**	**1,037.18**	10,034.96	10
Kiambu	3,059.85	2,283.83	**5,343.67**	175.30	31.21	**206.51**	**5,550.18**	26,831.32	21
Kilifi	2,786.36	3,317.43	**6,103.79**	287.24	4.29	**291.53**	**6,395.32**	19,876.51	32
Kirinyaga	363.85	373.98	**737.83**	0.00	0.00	**0.00**	**737.83**	8,541.37	9
Kisii	444.33	116.44	**560.77**	1.85	28.43	**30.28**	**591.05**	20,047.93	3
Kisumu	1,499.06	1,120.08	**2,619.14**	12.08	0.00	**12.08**	**2,631.22**	16,331.52	16
Kitui	11.73	103.33	**115.06**	9.22	0.00	**9.22**	**124.29**	14,745.36	1
Kwale	179.38	161.86	**341.24**	0.00	207.95	**207.95**	**549.19**	15,827.56	3
Laikipia	384.16	922.98	**1,307.14**	20.77	3.99	**24.76**	**1,331.90**	9,217.14	14
Lamu	17.92	0.00	**17.92**	0.00	0.00	**0.00**	**17.92**	5,592.56	0
Machakos	2,932.85	2,307.37	**5,240.23**	221.99	1.94	**223.93**	**5,464.16**	15,193.59	36
Makueni	93.10	17.09	**110.20**	113.52	0.00	**113.52**	**223.72**	13,106.07	2
Mandera	722.16	958.98	**1,681.14**	0.00	0.00	**0.00**	**1,681.14**	15,011.67	11
Marsabit	0.00	143.08	**143.08**	3.43	72.33	**75.76**	**218.84**	10,329.94	2
Meru	315.42	311.92	**627.34**	0.00	0.00	**0.00**	**627.34**	16,018.83	4
Migori	336.64	280.01	**616.65**	629.57	0.30	**629.87**	**1,246.51**	11,777.35	11
Mombasa	700.02	1,270.60	**1,970.62**	14.38	0.00	**14.38**	**1,985.00**	14,630.00	14
Murang'a	1,002.81	143.45	**1,146.26**	36.12	0.00	**36.12**	**1,182.39**	11,716.75	10
Nairobi	74,517.63	6,619.17	**81,136.80**	650.60	0.00	**650.60**	**81,787.40**	44,620.89	18 3
Nakuru	1,473.17	438.23	**1,911.40**	63.43	0.00	**63.43**	**1,974.83**	22,397.40	9
Nandi	222.46	216.09	**438.54**	0.00	0.00	**0.00**	**438.54**	10,641.18	4
Narok	2,786.50	1,592.52	**4,379.02**	21.80	0.00	**21.80**	**4,400.82**	17,231.06	26
Nyamira	386.19	322.92	**709.11**	3.70	10.07	**13.77**	**722.88**	8,646.30	8
Nyandarua	297.53	630.62	**928.15**	50.97	0.05	**51.02**	**979.17**	9,426.48	10
Nyeri	218.52	12.45	**230.97**	0.00	0.00	**0.00**	**230.97**	9,441.73	2
Samburu	6.27	53.74	**60.01**	24.11	0.00	**24.11**	**84.12**	8,109.38	1
Siaya	759.30	601.47	**1,360.77**	72.58	0.00	**72.58**	**1,433.35**	12,793.34	11
Taita-Taveta	1,331.45	480.54	**1,811.99**	84.95	0.00	**84.95**	**1,896.94**	8,335.02	23

County	County Executive (KSh Million)			County Assembly (KSh Million)			Grand Total (KSh Million)	FY 2025/26 Budget (KSh Million)	% of Pending Bill to Budget
	Rec	Dev	Sub-Total	Rec	Dev	Sub-Total			
Tana River	1,167.19	905.38	**2,072.56**	0.00	0.00	**0.00**	**2,072.56**	9,964.87	21
Tharaka-Nithi	244.74	109.80	**354.54**	101.12	3.92	**105.04**	**459.58**	7,510.56	6
Trans Nzoia	806.33	947.06	**1,753.39**	0.00	0.00	**0.00**	**1,753.39**	9,917.66	18
Turkana	2,520.86	2,034.42	**4,555.28**	39.67	213.20	**252.87**	**4,808.15**	19,906.29	24
Uasin Gishu	818.14	109.95	**928.09**	134.23	0.00	**134.23**	**1,062.32**	17,427.22	6
Vihiga	319.25	552.26	**871.51**	0.00	0.00	**0.00**	**871.51**	7,926.22	11
Wajir	861.99	1,569.28	**2,431.27**	129.81	0.00	**129.81**	**2,561.08**	13,638.52	19
West Pokot	183.25	77.49	**260.74**	0.00	0.00	**0.00**	**260.74**	8,985.06	3
Total	**112,220.01**	**39,272.20**	**151,492.21**	**4,282.31**	**1,064.54**	**5,346.85**	**156,839.06**	**633,303.84**	**25**

63. In efforts to address the threat of the ballooning pending bills owed by National and County Governments, the Government is in the process of strictly enforcing automated Integrated Financial Management Information System (IFMIS) Invoice Twinning, fully integrated with an end-to-end Electronic Government Procurement (e-GP) platform. Invoice Twinning ensures that every supplier invoice is electronically matched to an approved procurement plan, a valid purchase order, evidence of goods or services received, and a corresponding budget allocation before payment processing can commence. This eliminates duplicate, fraudulent, or unsupported payment claims while strengthening expenditure controls.

64. When integrated with an end-to-end e-GP platform, the system creates a seamless digital procurement and payment lifecycle, from procurement planning and budget approval to tendering, contract award, contract execution, invoicing, and final payment. Such integration prevents MDAs from initiating procurement activities that are not supported by approved budgets or available cash, effectively blocking unbudgeted commitments at the source rather than addressing them after liabilities have already accumulated.

E. Status of Equalisation Fund Disbursements and Project Implementation

65. The Equalisation Fund's cumulative constitutional entitlement, equivalent to one-half percent (0.5 percent) of the most recent audited National Government revenue as approved by the National Assembly under Article 204(1) of the Constitution stood at KSh 80.09 billion. To date, a cumulative KSh 39.5 billion has been appropriated through three Appropriation Acts, namely Equalisation Fund Appropriation Act, 2018 (KSh 12.4 billion), Equalisation Fund Appropriation Act, 2023 (KSh 10.3 billion) and Equalisation Fund Appropriation Act, 2026 (KSh 16.8 billion). The Equalisation Fund Appropriation Act, 2026 was, however, enacted towards the close of FY 2025/26 (assented to by the President on 29th May 2026) and falls for implementation in the current FY 2026/27; the operative appropriation for the period under review was therefore KSh 22.7 billion under the 2018 and 2023 Acts.

66. Against this operative appropriation, the Fund has received KSh 22.42 billion for financing basic services; water, roads, health facilities and electricity in the marginalised areas, reflecting near-full funding of the appropriations then due. Of the amount received, the Fund disbursed KSh 10.98 billion to Ministries, Departments and Agencies under the First Marginalisation Policy, an absorption rate of about 93 percent of the 2018 appropriation and KSh 6.92 billion to beneficiary County Governments under the Second Marginalisation Policy representing about 69 percent of the 2023 appropriation for the implementation of 1,984 projects (360 under the First Policy and 1,624 under the Second).

F. Emerging Issues

i) Proposed National Policy for Management of Intergovernmental Fiscal Transfers

67. The National government in FY 2025/26 developed the draft National Policy on Management of Intergovernmental Fiscal Transfers in Kenya. The policy has been subjected to targeted stakeholder consultations. The main objective of the policy is to establish a unified, transparent, and coherent framework for the management of intergovernmental fiscal transfers in Kenya, thereby enhancing predictability, equity, accountability, efficiency and alignment with constitutional functions, national development priorities and strengthening the effectiveness of fiscal decentralization.

ii) Public Finance (Amendment) Bill, 2025 National Assembly Bill No.17 of 2025

68. The National Treasury has developed the draft Public Finance Management (Amendment) Bill, 2025 (National Assembly Bill No. 17 of 2025) that proposes to introduce two bills to govern additional allocations in a bid to separate additional allocations financed by the National Government's share of revenue and those by Development Partners as contained in the CGAAA 2025 by amending Section 42 and Section 191 of the PFM Act, CAP 412A. This will ensure timely disbursement for additional allocations to County Governments.

iii) Revenue Forecasting Tool for County Governments

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

iv) Capacity Building of County Governments

70. Despite significant progress in the implementation of devolution, County Governments continue to face persistent public finance management challenges. Findings from reports by the Office of the Auditor-General (OAG), the Controller of Budget (CoB), and reviews of county fiscal documents have highlighted recurring weaknesses in budget formulation, execution, reporting, and accountability. These challenges include poor budget credibility arising from unrealistic revenue projections, low absorption of development funds, weak own-source revenue mobilisation, procurement inefficiencies, inadequate internal controls, and weak management of pending bills.

71. While recognizing these challenges and the need to strengthen county capacity in the management of additional allocations, the National Treasury, in collaboration with other relevant institutions, conducted capacity-building training on public finance management on additional allocations for Chief Officers responsible for Finance from all Forty-Seven (47) County Governments and Chairpersons of the County Assemblies' Committees on Budget and Appropriations.

III. MACROECONOMIC DEVELOPMENTS AND OUTLOOK

A. World Economic Outlook

72. Global economic growth is projected to slow to 3.0 percent in 2026 from 3.5 percent in 2025, before recovering to 3.4 percent in 2027 **(Table 12).** The slowdown in 2026 reflects the adverse effects of the Middle East conflict, including higher energy prices, elevated inflationary pressures, supply chain disruptions, and increased geopolitical uncertainty. Growth is expected to recover in 2027 as energy market conditions gradually normalize, geopolitical tensions ease, and continued investment and productivity gains from AI-driven technological advancements provide stronger support to global economic activity. However, the recovery is expected to remain uneven, with energy exporters and technology-linked economies generally performing better than energy-importing countries with limited participation in the technology-driven expansion.

Table 12: Global Economic Performance and Outlook

	Growth (%)			
	Actual		Projection	
Economy	2024	2025	2026	2027
World	3.5	3.5	3.0	3.4
Advanced Economies	1.9	1.9	1.7	1.8
Of which: *USA*	2.8	2.1	2.3	2.2
Euro Area	1.0	1.4	0.9	1.2
Emerging Market and Developing Economies	4.5	4.5	3.8	4.5
Of which: *China*	5.0	5.0	4.6	4.1
India	7.1	7.7	6.4	6.7
Middle East and Central Asia	3.1	3.7	0.7	6.5
Of which: Saudia Arabia	2.6	4.6	1.7	5.5
Sub-Saharan Africa	4.2	4.5	4.3	4.5
Of which: South Africa	0.5	1.1	1.1	1.3
Nigeria	4.1	4.0	4.1	4.3

Source; IMF World Economic Outlook, July 2026

73. Growth in advanced economies is projected to remain subdued, with growth rising slightly from 1.7 percent in 2026 to 1.8 percent in 2027. The outlook reflects divergent effects of the Middle East conflict and the technology-driven investment cycle. Net energy exporters are partly cushioned by favourable terms-of-trade effects, while net energy importers face greater pressure from higher energy prices, although economies benefiting from technology-related activity are expected to perform better. Within the group, growth in the United States is projected at 2.3 percent in 2026 and 2.2 percent in 2027, supported by fiscal policy, accommodative financial conditions, and continued technology-related investment, while growth in the Euro Area and United Kingdom remains weaker before recovering in 2027 as the energy shock fades.

74. Growth in Emerging Market and Developing Economies is projected to slow to 3.8 percent in 2026 from 4.5 percent in 2025, before recovering to 4.5 percent in 2027, reflecting significant variation in risk and exposure across regions. The sharpest slowdown is expected in the Middle East and Central Asia, where growth is projected to fall to 0.7 percent in 2026 from 3.7 percent in 2025 before rebounding strongly to 6.5 percent in 2027, as disruptions to energy production and transport ease. Growth in Emerging and Developing Asia is expected to remain relatively resilient, supported by strong technology-related investment and external demand.

75. Growth in Sub-Saharan Africa is projected to moderate to 4.3 percent in 2026 from 4.5 percent in 2025, before recovering to 4.5 percent in 2027. The slowdown in 2026 reflects higher energy and food prices arising from the Middle East conflict and reduced official development assistance, with the impact varying across economies. Growth is expected to strengthen in 2027 as external conditions improve, although structural and financing constraints and limited participation in the AI-driven technology expansion will continue to weigh on the region's outlook.

B. Kenya's Economic Performance

76. The Kenyan economy has remained resilient despite the challenging global environment, growing at an average rate of 5.0 percent over the period 2022 to 2025, compared with average global growth of 3.4 percent and 4.1 percent in Sub-Saharan Africa. This resilience reflects sound macroeconomic management, including prudent monetary and fiscal policies, sustained structural reforms, and increasing economic diversification, which have strengthened the economy's capacity to withstand adverse shocks. The economy's resilience continued in the first quarter of 2026, with real GDP growth accelerating to 5.3 percent compared to 4.9 percent in the corresponding quarter of 2025 **(Table 13**). The growth was broad-based, with all sectors recording positive performance, and was supported largely by stronger activity in manufacturing; agriculture, forestry and fishing; accommodation and food services; financial and insurance services; and real estate.

Table 13: Sectoral GDP Performance

Sectors/Sub-sectors	Annual Growth Rates		Quarterly Growth Rates	
	2024	2025	2025 Q1	2026 Q1
1. Primary Sector	**3.7**	**3.7**	**5.7**	**5.1**
1.1. Agriculture, Forestry and Fishing	4.4	3.1	5.3	4.9
1.2 Mining and Quarrying	(7.8)	14.9	12.7	9.1
2. Secondary Sector (Industry)	**1.6**	**4.1**	**3.6**	**5.1**
2.1. Manufacturing	3.0	2.0	2.8	4.4
2.2. Electricity and Water Supply	2.7	5.2	4.1	4.3
2.3. Construction	(0.7)	6.8	4.5	6.6
3. Tertiary Sector (Services)	**6.2**	**5.0**	**4.8**	**5.0**
3.1. Wholesale and Retail Trade	4.0	3.6	4.3	4.0
3.2. Accomodation and Food Service	25.9	15.6	8.0	14.7
3.3. Transport and Storage	4.3	3.7	3.6	3.6
3.4. Information and Communication	7.1	4.8	5.5	5.0
3.5. Financial and Insurance	7.5	6.5	5.3	6.3
3.6. Public Administration	8.7	8.3	9.5	5.7
3.7. Others	5.3	3.8	3.7	4.6
of which: Professional, Admin & Support Services	6.4	5.0	4.1	2.4
Real Estate	5.3	3.9	4.6	5.0
Education	4.8	2.8	1.8	6.2
Health	6.0	5.5	4.7	4.3
Taxes less subsidies	3.3	3.1	4.1	4.3
Real GDP	**4.7**	**4.6**	**4.9**	**5.3**

Source of Data: Kenya National Bureau of Statistics

77. The **Primary Sector** grew by 5.1 percent in the first quarter of 2026, compared to a growth of 5.7 percent in the corresponding quarter of 2025 **(Table 13).** Growth in the sector was supported by positive performance in both the agriculture, forestry and fishing and mining and

quarrying sub-sectors. However, the overall growth of the primary sector moderated compared to the corresponding quarter of 2025, reflecting slower expansion in these key sub-sectors.

78. The Agriculture, Forestry and Fishing sub-sector expanded by 4.9 percent in the first quarter of 2026, compared to 5.3 percent in the corresponding quarter of 2025. Growth was supported by improved output in tea, sugarcane and dairy, as well as stronger horticultural exports, reflecting favourable weather conditions, improved productivity and sustained export demand. However, overall growth moderated due to lower coffee production associated with the biennial production cycle and reduced fruit exports resulting from lower production and weaker demand in key export markets.

79. The Mining and Quarrying sub-sector grew by 9.1 percent in the first quarter of 2026, compared to 12.7 percent in the corresponding quarter of 2025. The sub-sector's performance was supported by increased production of key minerals, particularly soda ash, construction materials, and other quarry products, reflecting sustained demand from the construction and manufacturing sectors. However, growth moderated compared to the corresponding quarter of 2025, partly reflecting a higher base effect and slower expansion in mineral production.

80. **The Industry Sector** grew by 5.1 percent in the first quarter of 2026 compared to a growth of 3.6 percent in the first quarter of 2025, supported by improved growth in Manufacturing, construction, and electricity and water supply sub- sectors.

81. The Manufacturing sub-sector grew by 4.4 percent in the first quarter of 2026, compared to 2.8 percent in the corresponding quarter of 2025. The improved performance was driven by increased production in both the food and non-food manufacturing. Growth in food manufacturing was supported by higher production of sugar, soft drinks and dairy products, while non-food manufacturing benefited from increased production of assembled vehicles, galvanized sheets and cement. The sub-sector's performance was further supported by increased credit to manufacturing enterprises.

82. The Construction sub-sector grew by 6.6 percent in the first quarter of 2026, compared to 4.5 percent in the corresponding quarter of 2025. The improved performance reflected increased demand for key construction materials, including cement, bitumen, iron and steel, indicating sustained activity in infrastructure development and private sector construction. Additionally, clearance of verified pending bills helped to restart stalled projects and improved liquidity of contractors further increasing demand for construction materials. Continued implementation of public infrastructure projects and resilient private sector investment also supported the sub-sector's growth.

83. The Electricity and Water Supply sub-sector grew by 4.3 percent in the first quarter of 2026, compared to 4.1 percent in the corresponding quarter of 2025. The improved performance was supported by increased electricity generation, driven mainly by higher output from geothermal and hydro sources following improved water availability and continued investment in renewable energy. However, the growth in the sub-sector was partly moderated by lower generation from thermal, wind and solar sources.

84. The **Services Sector** recorded a growth of 5.0 percent in the first quarter of 2026 compared to a growth of 4.8 percent in the same period in 2025. The Transportation and Storage sub-sector grew by 3.6 percent in the first quarter of 2026, the same rate as in the corresponding quarter of 2025. The sub-sector's performance was supported by increased road transport activity, higher cargo throughput at the Port of Mombasa, and continued growth in freight and passenger traffic on the Standard Gauge Railway (SGR), reflecting sustained trade and logistics activity.

85. The Accommodation and Food Service sub-sector grew by 14.7 percent in the first quarter of 2026, compared to 8.0 percent in the corresponding quarter of 2025. The strong performance was supported by increased international visitor arrivals through the country's major airports, reflecting sustained recovery in tourism, improved air connectivity, and stronger demand for hospitality services.

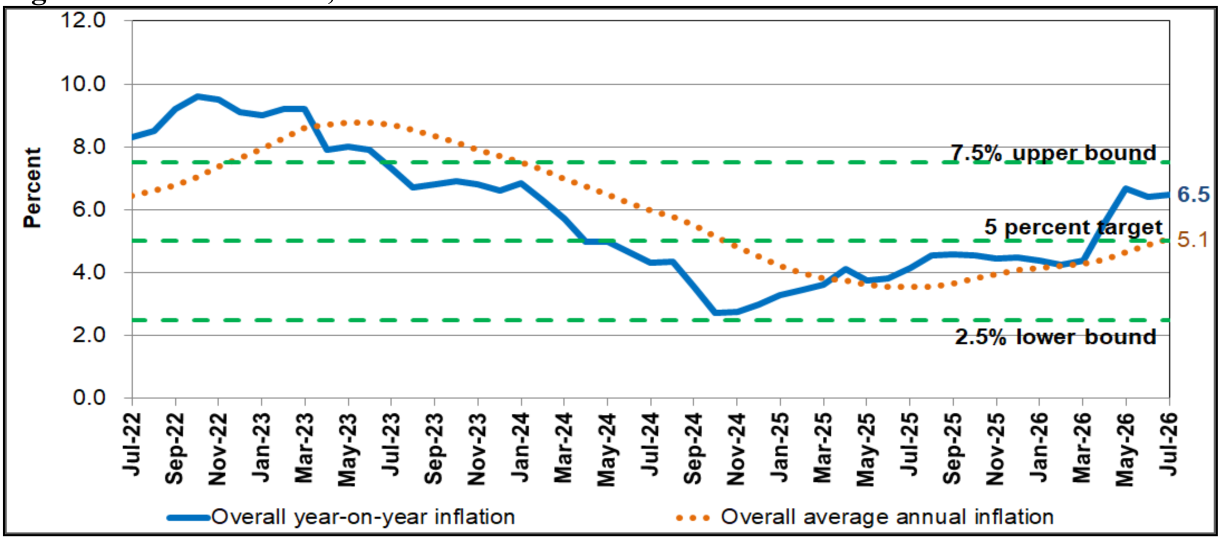
86. The Information and Communication sub-sector grew by 5.0 percent in the first quarter of 2026, compared to 5.5 percent in the corresponding quarter of 2025. The sub-sector's performance was supported by increased mobile voice traffic and higher international bandwidth utilization, reflecting continued growth in digital connectivity and communication services. However, overall growth moderated due to a decline in the use of SMS services and mobile money transactions, indicating evolving consumer preferences and payment patterns.

87. The Financial and Insurance sub-sector grew by 6.3 percent in the first quarter of 2026, compared to 5.3 percent in the corresponding quarter of 2025. The improved performance was supported by an accommodative monetary policy stance, reflected in lower policy and market interest rates, which reduced the cost of credit, improved liquidity conditions, and supported increased lending to the private sector.

Inflation Developments

88. Overall inflation increased to 6.5 percent in July 2026 from 4.1 percent in July 2025 due to higher energy prices arising from the elevated global oil prices but remained within the target range of 5±2.5 percent **(Figure 9).** Core inflation remained stable at 3.2 percent in July 2026, compared to 3.1 percent in July 2025, supported by lower prices of selected manufactured food items, alongside stable prices in other non-volatile components. In contrast, non-core inflation rose to 15.0 percent from 7.2 percent over the same period, largely driven by relatively higher energy prices, transport costs and food prices.

Figure 9: Inflation Rate, Percent



Source of Data: Kenya National Bureau of Statistics

89. In April 2026, the Government implemented targeted stabilization measures to cushion consumers from the full impact of rising global fuel prices. These interventions included the use of resources from the Petroleum Development Levy Fund to subsidize fuel pump prices. In addition, through Legal Notice No. 70 of 2026, the Government reduced the VAT rate on specific petroleum products from 16 percent to 8 percent for an initial period of three months.

In July 2026, the Cabinet Secretary extended the application of the reduced 8 percent VAT rate for a further three months through a Legal Notice No. 128 of 2026.

90. Subsequently, global oil prices eased following the 18th June 2026 interim ceasefire agreement between the United States and Iran, which reduced geopolitical tensions and improved confidence in global energy markets. The agreement supported the phased reopening of commercial shipping through the Strait of Hormuz, easing concerns over oil supply disruptions despite continued operational uncertainties. Consequently, Murban crude oil prices declined by approximately 31.1 percent, from US$ 100.2 per barrel at the height of the conflict in April 2026 to US$ 69.0 per barrel by June 2026, reflecting improved supply expectations and lower geopolitical risk premiums. The decline in global oil prices, together with the Government's fuel stabilization measures, partly moderated domestic fuel prices and contributed to the easing of overall inflation from 6.7 percent in May to 6.4 percent in June 2026.

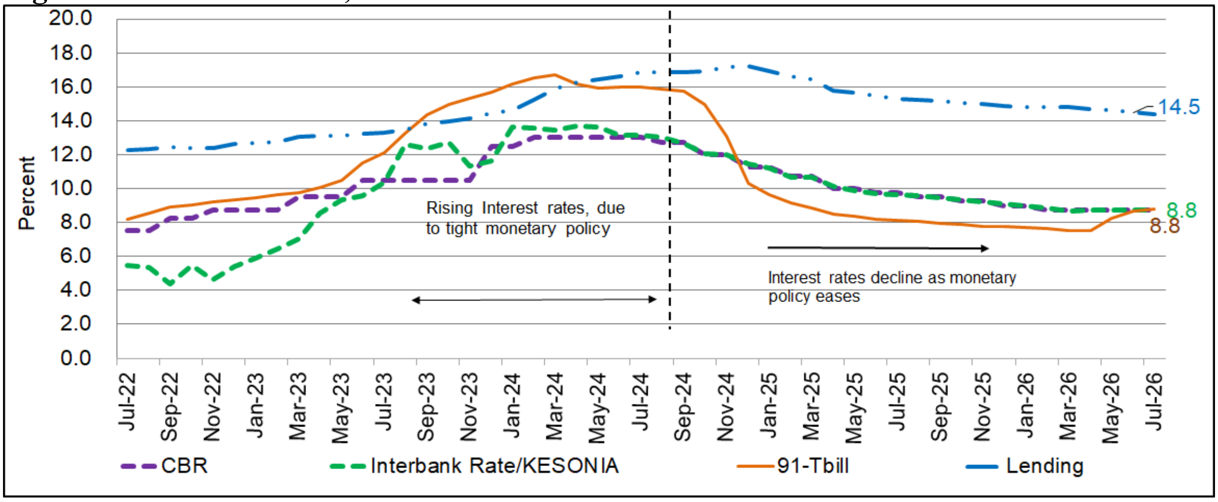
Interest Rates Developments

91. The Central Bank of Kenya, through the Monetary Policy Committee (MPC), has progressively eased monetary policy, lowering the Central Bank Rate (CBR) from 12.75 percent in August 2024 to 8.75 percent by July 2026 **(Figure 10)**. This stance is intended to reinforce measures aimed at stimulating bank lending to the private sector and supporting economic activities, while ensuring inflation expectations remain well anchored and the exchange rate stable.

92. Short-term interest rates have declined. KESONIA (the Overnight Interbank Rate) declined to 8.8 percent in July 2026 from 9.6 percent in July 2025. The decline signalled improved liquidity conditions in the interbank money market and lowering of banks' short-term funding costs, which supports credit expansion. Treasury bill rates remained relatively stable across maturities in the year to July 2026, although movements varied by tenor. The 91-day Treasury bill rate increased to 8.8 percent in July 2026 from 8.1 percent in July 2025, while the 182-day Treasury bill rate rose to 9.0 percent from 8.4 percent over the same period. In contrast, the 364-day Treasury bill rate declined to 9.0 percent from 9.7 percent over the same period. The mixed movement across maturities reflects prevailing market liquidity conditions and investor demand across the different maturities.

93. In line with the easing in monetary conditions, average commercial bank lending rates declined to 14.4 percent in June 2026 from 15.3 percent in June 2025, while average deposit rates also declined to 6.8 percent from 8.4 percent over the same period. As a result, the interest rate spread widened to 7.5 percent from 6.9 percent, reflecting the faster adjustment in deposit rates relative to lending rates.

Figure 10: Interest Rates, Percent



Source of Data: Central Bank of Kenya

Monetary and Credit Developments

94. Broad money supply, M3, grew by 11.3 percent in the year to June 2026, compared to a growth of 7.5 percent in the year to June 2025 **(Table 14).** The improved growth of M3 was driven by higher growth in both Net Foreign Assets (NFA) and Net Domestic Assets (NDA). The NFA of the banking system grew by 32.9 percent in the year to June 2026, compared to a growth of 17.7 percent in the year to June 2025. The increase in NFA was mainly attributable to a rise in the Central Bank's foreign assets reflecting increased foreign reserves by the Central Bank. The net foreign assets of commercial banks also increased, reflecting increased deposits abroad.

Table 14: Money and Credit Developments (12 Months to June 2026, KSh billion)

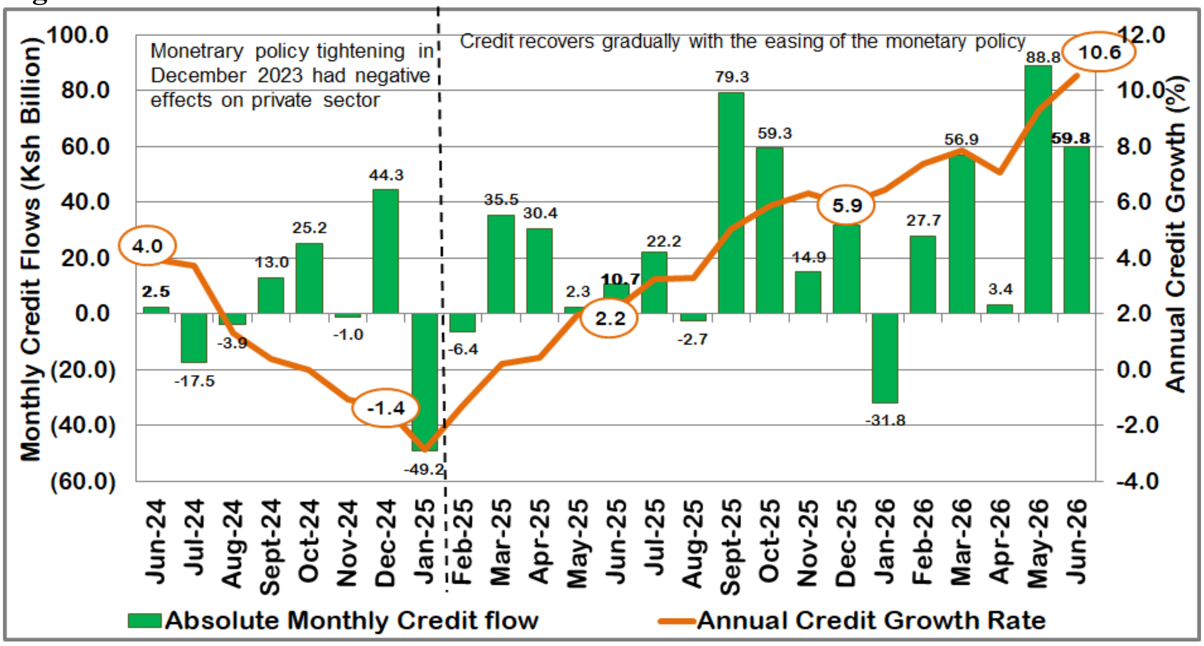
				Absolute Change		Percent Change	
	2024 June	2025 June	2026 June	2024-2025 June	2025-2026 June	2024-2025 June	2025-2026 June
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	2,063.6	2,342.3	2,670.0	278.7	327.7	13.5	14.0
1.1 currency outside banks (M0)	274.2	286.0	331.0	11.8	45.0	4.3	15.7
1.2 Demand deposits	1,630.6	1,880.4	2,216.6	249.8	336.2	15.3	17.9
1.3 Other deposits at CBK	158.9	175.9	122.4	17.0	(53.5)	10.7	(30.4)
2. Money supply, M2 (1+2.1)	4,041.6	4,519.6	5,015.1	478.0	495.5	11.8	11.0
2.1 Time and savings deposits	1,978.0	2,177.3	2,345.2	199.3	167.9	10.1	7.7
Money supply, M3 (2+3.1)	**5,381.3**	**5,786.5**	**6,437.6**	**405.2**	**651.2**	**7.5**	**11.3**
3.1 Foreign currency deposits	1,339.7	1,266.9	1,422.5	(72.8)	155.6	(5.4)	12.3
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	**905.9**	**1,066.3**	**1,417.5**	**160.4**	**351.2**	**17.7**	**32.9**
1.1 Central Bank	479.2	810.8	1,144.1	331.6	333.3	69.2	41.1
1.2 Banking Institutions	426.7	255.5	273.5	(171.2)	17.9	(40.1)	7.0
2. Net domestic assets (2.1+2.2)	**4,475.4**	**4,720.2**	**5,020.1**	**244.7**	**300.0**	**5.5**	**6.4**
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	5,502.0	6,172.4	6,696.0	670.4	523.6	12.2	8.5
2.1.1 Government (net)	1,619.5	2,230.1	2,351.8	610.6	121.7	37.7	5.5
2.1.2 Other public sector	84.9	61.4	53.6	(23.5)	(7.8)	(27.7)	(12.6)
2.1.3 Private sector	**3,797.5**	**3,880.9**	**4,290.6**	**83.4**	**409.7**	**2.2**	**10.6**
2.2 Other assets net	(1,026.6)	(1,452.2)	(1,675.9)	(425.7)	(223.6)	(41.5)	(15.4)

Source of Data: Central Bank of Kenya

95. Net Domestic Assets (NDA) improved to a growth of 6.4 percent in the year to June 2026, compared to a growth of 5.5 percent in the year to June 2025. Domestic credit extended by the banking system to the Government grew by 5.5 percent in the year to June 2026 compared to a growth of 37.7 percent over a similar period in 2025. The decreased net lending to government mainly reflected decreased uptake of government securities by commercial banks. Lending to other public sector also declined, mainly reflecting net repayments by parastatals.

96. Growth in private sector credit from the banking system recorded a growth of 10.6 percent in the year to June 2026 compared to a growth of 2.2 percent in June 2025 **(Figure 11).** Growth in credit to key sectors of the economy, particularly manufacturing, building and construction, transport and communication, real estate and agriculture remained strong, reflecting improved demand for credit in line with the declining lending interest rates. The Monthly (month on month) credit flows to the private sector improved to KSh 59.8 billion in June 2026 from KSh 10.7 billion in June 2025 due to the easing of the monetary policy stance to lower the cost of funds for banks and sustained demand particularly for working capital due to resilient economic activities.

Figure 11: Private Sector Credit



Source of Data: Central Bank of Kenya

External Sector Developments

97. The current account deficit widened to US$ 4,366.3 million (2.8 percent of GDP) in the year to June 2026, compared to US$ 2,585.3 million (1.9 percent of GDP) in the year to June 2025 mainly due to a higher trade deficit **(Table 15)**. The current account balance was supported by resilient goods exports, increased service receipts and an improvement in net primary income. The current account deficit in the 12 months to June 2026 was more than fully financed by financial account inflows.

98. The balance in the merchandise account deteriorated by US$ 1,888.3 million to a deficit of US$. 12,389.3 million in June 2026 mainly due to an increase in import bill that more than offset the increase in exports. Goods exports increased by 8.9 percent, driven by horticulture, tea, coffee, food, and machinery and transport equipment. Goods imports rose by 13.1 percent, reflecting higher imports of food, intermediate and capital goods and mineral fuels.

99. Services receipts increased by 8.3 percent, driven by transport and travel services receipts. The deficit on the primary account narrowed by US$ 226.3 million to a deficit of US$. 1,884.7 million in the year to June 2026, compared to the deficit of US$ 2,110.9 million in same period the previous year. Diaspora remittances decreased by 2.4 percent to US$ 4,960.4 million in the 12 months to June 2026 compared to US$ 5,084.1 million in a similar period in 2025.

100. The capital account balance decreased by US$. 90.4 million to register a surplus of US$ 159.9 million in the year to June 2026 compared to a surplus of US$ 250.3 million in the same period in 2025. Net financial inflows improved to US$ 6,092.1 million in the year to June 2026, compared to US$ 4,576.5 million in the year to June 2025. This reflected an increase in net financial liabilities, which more than offset the decline in net acquisition of financial assets. The net financial inflows were mainly in the form of Portfolio investments, direct investments, financial derivatives and other investments.

Table 15: Balance of Payments (US$ Million)

			Year to June 2026		Actuals as a Percent of GDP	
	Jun-25	**Jun-26**	**Absolute Change**	**Percent Change**	**Jun-25**	**Jun-26**
Overall Balance	**(2,830.8)**	**(1,509.4)**	**1,321.4**	**46.7**	**(2.1)**	**(1.0)**
A) Current Account	**(2,585.3)**	**(4,366.3)**	**(1,781.0)**	**(68.9)**	**(1.9)**	**(2.8)**
Merchandise Account (a-b)	(10,501.0)	(12,389.3)	(1,888.3)	(18.0)	(7.7)	(7.9)
a) Goods: exports	12,546.1	13,666.4	1,120.3	8.9	9.2	8.8
b) Goods: imports	23,047.0	26,055.6	3,008.6	13.1	16.9	16.7
Net Services (c-d)	2,417.2	2,558.1	141.0	5.8	1.8	1.6
c) Services: credit	8,190.5	8,873.3	682.8	8.3	6.0	5.8
d) Services: debit	5,773.3	6,315.1	541.8	9.4	4.2	4.2
Net Primary Income (e-f)	(2,110.9)	(1,884.7)	226.3	10.7	(1.6)	(1.3)
e) Primary income: credit	381.8	399.3	17.5	4.6	0.3	0.3
f) Primary income: debit	2,492.8	2,284.0	(208.8)	(8.4)	1.8	1.6
Net Secondary Income	7,609.4	7,349.5	(259.9)	(3.4)	5.6	4.9
g) Secondary income: credit	7,663.0	7,454.5	(208.5)	(2.7)	5.6	4.9
of which Remittances	5,084.1	4,960.4	(123.7)	(2.4)	3.7	3.3
h) Secondary income: debit	53.6	105.0	51.5	96.0	0.0	0.1
B) Capital Account	**250.3**	**159.9**	**(90.4)**	**(36.1)**	**0.2**	**0.1**
C) Financial Account	**(4,576.5)**	**(6,092.1)**	**(1,515.6)**	**(33.1)**	**(3.4)**	**(3.3)**

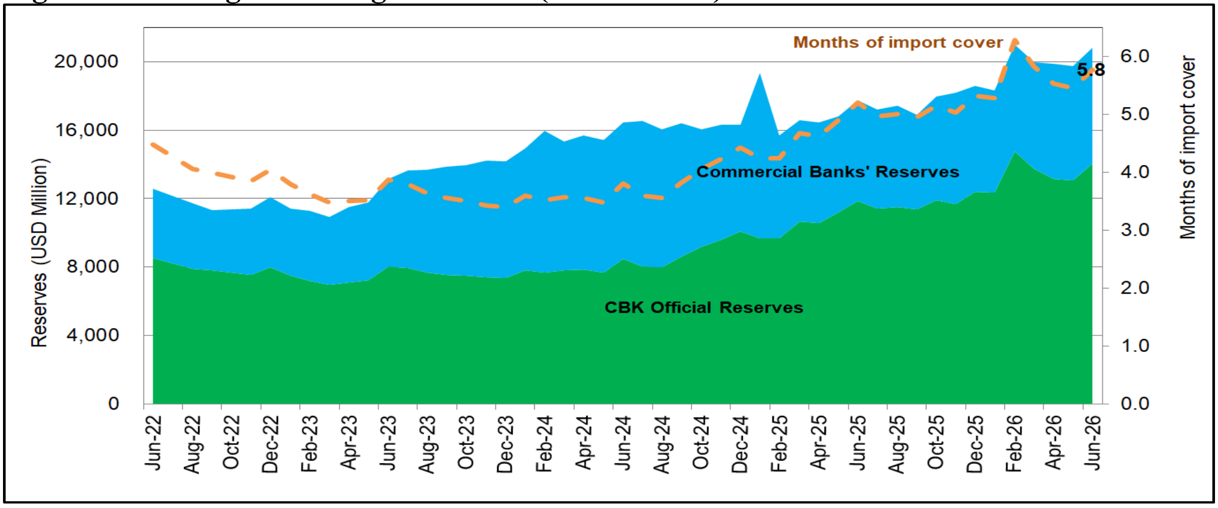
Source of Data: Central Bank of Kenya

Foreign Exchange Reserves

101. The banking system's foreign exchange holdings remained strong at US$. 20,795.4 million in June 2026 from US$. 17,199.4 million in June 2025. The official foreign exchange reserves held by the Central Bank stood at US$. 14,023.5 million compared to US$ 11,407.7 million over the same period in 2025 **(Figure 12).** Commercial banks foreign exchange holdings increased to US$. 6,772.0 million in June 2026 from US$. 5,791.8 million in June 2025.

102. The official reserves held by the Central Bank in June 2026 represented 5.8 months of import cover, compared to 5.0 months of import cover in June 2025. These reserves continue to provide adequate cover and a buffer against short-term shocks in the foreign exchange market.

Figure 12: Foreign Exchange Reserves (US$ Million)

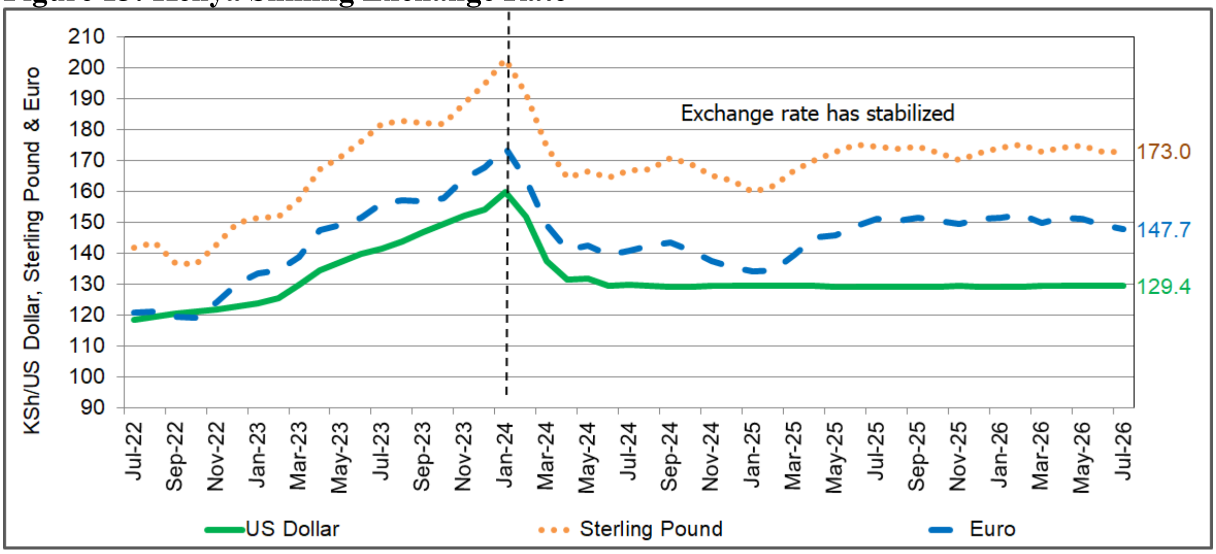


Source of Data: Central Bank of Kenya

Exchange Rate Developments

103. The Kenya Shilling remained relatively stable against the US Dollar, averaging KSh 129.4 per US dollar in July 2026 compared to KSh 129.2 per US dollar in July 2025 and showing a marked appreciation from a peak of KSh 160.8 in January 2024. The Shilling strengthened against the Sterling Pound, averaging KSh 173.0 per Pound in July 2026, down from KSh 174.6 per Pound in July 2025. Against the Euro, the Shilling also strengthened and averaged KSh 147.7 per Euro in July 2026 compared to KSh 151.0 per Euro in July 2025. The stability was supported by strong foreign exchange reserves, steady remittance and export inflows, and improved market confidence, which helped cushion the Shilling against excessive volatility **(Figure 13).**

Figure 13: Kenya Shilling Exchange Rate



Source of Data: Central Bank of Kenya

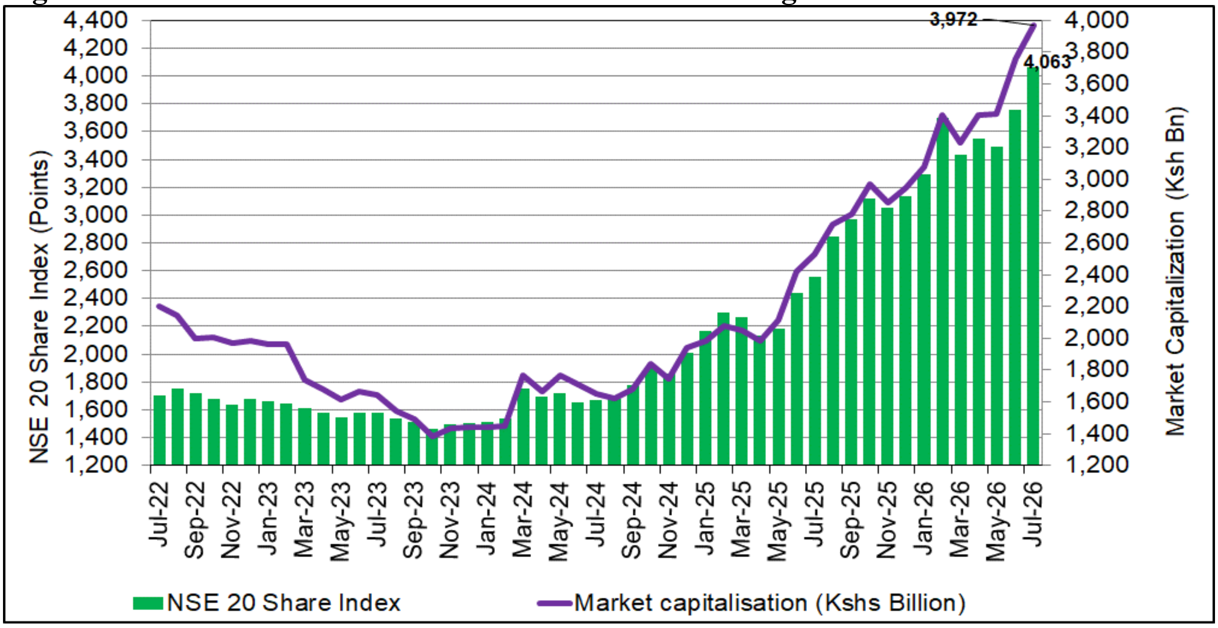
Capital Markets Developments

104. Activities at the Nairobi Securities Exchange (NSE) improved significantly over the past year, reflecting strengthened investor confidence and improved macroeconomic conditions. The

NSE 20 Share Index rose by 58.8 percent to 4,063 points in July 2026 from 2,559 points in July 2025, crossing the 4,000-point mark for the first time in nearly a decade. Market capitalization increased by 57.4 percent to KSh 3,972 billion from KSh 2,524 billion over the same period **(Figure 14).** The strong performance was supported by lower domestic interest rates, a relatively stable exchange rate, improved corporate earnings, and increased participation by domestic and foreign investors. The positive momentum continued into August 2026, with market capitalization surpassing the KSh 4 trillion mark for the first time.

105. Market activity was further supported by major capital market transactions, including the successful Kenya Pipeline Company (KPC) Initial Public Offering (IPO) and the Government's partial divestiture of a 15 percent stake in Safaricom PLC to Vodacom, one of the largest capital market transactions in Kenya's history. Equity turnover increased by 242.6 percent to KSh 381.9 billion in the first seven months of 2026 compared to the corresponding period in 2025, while the volume of shares traded rose by 127.4 percent from 5.21 billion to 11.84 billion. These developments, together with increased market liquidity and investor participation, contributed to the strong performance of the equity market.

Figure 14: Performance of the Nairobi Securities Exchange



Source of Data: Nairobi Securities Exchange

C. Kenya's Macroeconomic Outlook

106. Kenya's economic growth outlook for 2026 has been revised downward to 5.0 percent from the earlier projection of 5.3 percent, reflecting the adverse effects of the ongoing Middle East conflict on domestic economic activity. The economy is, however, projected to maintain momentum in 2027, with growth expected at 5.1 percent as external pressures ease and global supply chains normalize **(Table 16).**

107. In 2026, agricultural activity is expected to moderate in the second and third quarters due to mixed weather conditions, but is expected to strengthen in the fourth quarter and beyond on account of the expected *El Niño* induced above average rainfall. Industrial sector is expected to remain robust, supported by the Affordable Housing Programme, ongoing infrastructure projects, increased investment through Public-Private Partnerships (PPPs) such as the expansion of Nairobi-Nakuru-Mau Summit Highway and continued settlement of pending bills.

The Services sector is also expected to remain resilient, supported by continued digitization, sustained activity in key sub-sectors, and the lagged effects of monetary policy easing.

108. Despite the external shock, domestic demand is expected to remain resilient, supported by moderating inflation, monetary easing, strong remittance inflows and a relatively stable exchange rate. Lower borrowing costs are expected to support private sector credit, household consumption and investment, while easing production costs and improving investor confidence. However, higher fuel prices associated with the Middle East conflict are expected to exert upward pressure on inflation, although it is projected to remain within the 5±2.5 percent target range.

109. Private investment is expected to be further supported by reforms aimed at improving the business environment, reducing regulatory bottlenecks and enhancing market efficiency. Improved investor confidence and greater access to international markets, together with the strong performance of the Nairobi Securities Exchange (NSE), are expected to support capital mobilization and private sector investment. Public-Private Partnerships (PPPs) will continue to support infrastructure development and mobilize private capital. Additionally, ongoing reforms in State-Owned Enterprises, including strategic privatization and divestiture, are also expected to improve efficiency, attract private capital and create fiscal space for priority development programmes.

110. Growth in public consumption is projected to moderate over the medium term, in line with the Government's fiscal consolidation efforts and measures to contain recurrent expenditure. In contrast, public investment is projected to increase, with resources increasingly directed towards high-impact development projects and priority Government programmes. Continued settlement of verified pending bills will further improve liquidity in the private sector, particularly in the roads sector, supporting business activity and investment.

111. The current account deficit is projected to widen from 2.1 percent of GDP in 2025 to 3.0 percent in 2026 before improving to 2.8 percent in 2027 amid heightened geopolitical tensions and higher energy-related import costs. Stronger import demand, associated with recovering investment activity and rising fuel costs, is expected to continue exerting pressure on external balances. Nevertheless, export performance is expected to remain supported by agriculture, tourism, and manufactured goods exports, while remittance inflows remain an important source of foreign exchange. External financing conditions and reserves are expected to remain adequate, supported by a combination of official financing, portfolio inflows, and foreign direct investment, including inflows linked to ongoing privatization initiatives.

Risks to the Macroeconomic Outlook

112. The economic outlook remains subject to a range of downside risks, both domestic and external. Domestically, adverse weather conditions, including droughts, floods and erratic rainfall, could weaken agricultural production, disrupt food supply and increase inflationary pressures, with implications for household purchasing power and economic activity. Climate-related damage to infrastructure could also increase public expenditure requirements and constrain resources available for development.

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

conditions could raise external financing costs, weaken capital inflows and increase exchange rate pressures.

114. A sharper-than-expected slowdown in global economic activity could also reduce demand for Kenya's exports, tourism receipts and remittances, while weaker commodity prices could affect export earnings from key agricultural products. Financial market volatility and changes in global investor sentiment could further affect portfolio flows and domestic financial conditions. Domestically, weaker private investment, slower credit growth or delays in the implementation of key infrastructure and structural reform programmes could moderate the pace of economic expansion.

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

Table 16: Kenya's Macroeconomic Indicators and Projections

	2023 Act.	2024 Act.	2025 Act.	2026 Est.	2027 Proj.	2028 Proj.	2029 Proj.	2030 Proj.
annual percentage change, unless otherwise indicated								
National Account and Prices								
Real GDP	5.7	4.7	4.6	5.0	5.1	5.2	5.3	5.3
Primary Sector	5.7	3.8	3.7	3.4	3.7	3.7	3.8	3.9
- of which: Agricuture	6.6	4.6	3.1	3.0	3.2	3.2	3.2	3.2
Secondary Sector	2.6	1.5	4.1	4.5	4.6	4.9	5.3	5.4
Tertiary Sector	6.8	6.1	5.0	5.5	5.9	5.9	6.1	6.1
GDP deflator	5.4	3.2	3.5	6.6	5.3	5.2	5.2	4.0
CPI Index (eop)	6.6	4.5	4.4	5.6	5.1	5.0	4.5	4.5
CPI Index (avg)	7.7	4.5	4.1	5.9	5.2	5.0	5.0	4.0
Terms of trade (-deterioration)	-1.7	-0.6	-0.2	4.3	4.0	3.7	3.8	3.8
Exchange Rate (Ksh/US$, average)								
Money and Credit (end of period)								
Net domestic assets	3.1	8.5	10.6	9.5	9.0	8.8	8.9	7.9
Net domestic credit to the Government	14.2	14.3	8.8	7.8	7.3	6.8	6.3	2.9
Credit to the rest of the economy	3.1	2.9	6.5	9.0	8.9	9.1	9.8	1.5
Broad Money, M3 (percent change)	7.2	8.9	10.8	11.0	10.7	10.4	10.2	7.5
Reserve money (percent change)	7.9	3.2	9.5	10.9	10.6	10.3	10.0	7.4
in percentage of GDP, unless otherwise indicated								
Investment and Saving								
Consumption	**88.7**	**88.5**	**88.2**	**88.2**	**87.9**	**87.4**	**87.0**	**86.7**
Central Government	11.8	11.2	11.2	11.4	11.1	10.6	10.3	10.0
Private	76.2	76.6	76.3	76.3	76.3	76.3	76.3	76.3
Final consumption expenditure by NPISH	0.7	0.7	0.6	0.6	0.5	0.5	0.4	0.4
Gross Fixed Capital Investment	**16.6**	**16.5**	**17.0**	**17.7**	**17.7**	**17.9**	**18.4**	**18.3**
Central Government	4.2	4.2	4.3	4.3	4.4	4.6	4.6	4.7
Private	12.4	12.3	12.7	13.3	13.3	13.3	13.8	13.6
Gross National Saving	**12.4**	**13.6**	**15.5**	**15.5**	**14.6**	**14.9**	**15.4**	**15.2**
Central Government	0.4	0.1	-0.1	-0.4	-0.1	-0.1	0.3	0.7
Private	12.0	13.4	15.6	16.0	14.7	15.0	15.1	14.5
Exports value, goods and services	16.7	16.9	15.6	14.9	14.5	14.2	14.0	13.7
Imports value, goods and services	24.4	23.1	22.0	21.6	20.7	20.2	19.5	19.0
Current Account Balance	-4.2	-2.9	-1.5	-2.1	-3.1	-3.0	-3.0	-3.1
Gross reserves in months of next yr's imports	3.2	4.0	4.2	4.5	4.5	4.6	4.7	4.9
Gross reserves in months of this yr's imports	3.4	4.3	4.6	4.7	4.8	4.9	5.0	5.1
Central Government Budget in Fiscal Years								
Total revenue	16.6	17.3	17.3	17.2	17.4	17.4	17.6	18.0
Total Expenditure and Net Lending	22.6	23.1	23.5	24.1	23.2	23.6	23.3	23.4
Overall Fiscal Balance excl. Grants	-6.0	-5.8	-6.2	-6.9	-5.7	-6.2	-5.7	-5.3
Overall Fiscal Balance, incl. Grants	-5.9	-5.6	-6.0	-6.8	-5.5	-5.9	-5.4	-5.1
Statistical discrepancy	-0.2	-0.1	0.1	-0.1	0.0	0.0	0.0	0.0
Overall Fiscal Balance, incl. Grants, Cash Basis	-5.6	-5.3	-6.0	-6.8	-5.5	-5.9	-5.4	-5.1
Primary Budget Balance	-0.8	0.1	-0.2	-1.0	0.5	0.5	1.0	1.4
Net domestic borrowing	3.2	3.8	5.1	5.3	4.3	4.0	3.6	3.3
Public debt in Fiscal years								
Nominal Government Public Debt (eop), Gross	72.1	67.7	69.9	69.9	68.8	68.0	66.8	65.7
Nominal Public Debt (eop), Net of Deposits	68.7	64.3	67.9	67.9	65.9	66.4	65.4	64.4
Domestic (Gross) Debt	33.9	34.6	37.4	39.3	39.4	39.9	39.6	39.2
Domestic (Net) Debt	30.5	31.2	35.4	37.4	36.5	38.3	38.2	37.9
External Debt	38.2	33.1	32.5	30.5	29.4	28.1	27.2	26.5
Memorandum Items:								
Nominal GDP (in Ksh Billion) in calender years*	15,034	16,232	17,578	19,677	21,780	24,108	26,703	29,251
Per capita income (Ksh) in calendar years	291,770	309,609	329,594	361,775	392,484	425,930	462,642	497,096
Nominal GDP (in US$ Million) in calendar years	107,499	120,400	135,944	151,320	167,039	183,847	203,054	224,494
* Nominal GDP in Fiscal Years in Annex Table 2								

Source: The National Treasury

IV. RESOURCE ALLOCATION FRAMEWORK

A. Implementation of the FY 2026/27 Budget

116. The implementation of the FY 2026/27 budget remains on track. As at July 2026, total revenue amounted to KSh 254.1 billion (1.2 percent of GDP), against a target of KSh 267.8 billion (1.3 percent of GDP), resulting in a shortfall of KSh 13.7 billion. In order to maintain the fiscal balance consistent with the fiscal consolidation plan, revenue and expenditure projections for FY 2026/27 remain as approved by Parliament in the Budget Estimates for FY 2026/27. Total revenue, including Appropriation-in-Aid (AiA), is projected at KSh 3,630.6 billion (17.4 percent of GDP) in FY 2026/27, while total expenditure and net lending is projected at KSh 4,819.4 billion (23.2 percent of GDP). The overall fiscal deficit, including grants, is projected at KSh 1,145.2 billion (5.5 percent of GDP) **(Annex Tables 2 and 3)**. The deficit will be financed through net foreign financing of KSh 247.2 billion (1.2 percent of GDP) and net domestic financing of KSh 898.0 billion (4.3 percent of GDP).

B. Fiscal Policy for FY 2027/28 and Medium-Term Budget

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

Revenue Reforms

118. In order to boost revenue, the Government has continued to implement a blend of tax administration improvements and tax policy reforms, which include:

i) Implementation of the National Tax Policy and the Medium-Term Revenue Strategy to progressively strengthen tax revenue mobilization;

ii) Enhancing tax administration to improve efficiency, compliance, broaden the tax base, rationalize tax expenditures, ensure continuous investment in technology to achieve seamless tax administration, and enhance customs valuation; and

iii) Scaling up non-tax revenues that MDAs raise through the services they offer to the public.

Rationalisation of Tax Expenditures

119. The Government has continued to rationalize tax expenditures through measures contained in the Finance Acts, 2025 and 2026, consistent with the objectives of the National Tax Policy and the Medium-Term Revenue Strategy (MTRS). The Finance Bill, 2025 proposed measures to rationalize selected exemptions, zero-rated supplies and preferential tax treatments, estimated to generate KSh 20.3 billion in additional revenue. Following public participation and consideration of the Bill, however, the principal quantified rationalization measures were not retained, while targeted concessions were introduced, resulting in an estimated KSh 1.1 billion increase in tax expenditures.

120. The Finance Bill, 2026 proposed more comprehensive measures to rationalize tax expenditures, with enacted measures estimated to reduce tax expenditures by KSh 20.2 billion.

These included the removal or restriction of selected VAT exemptions and preferential treatments, rationalization of income tax incentives, and removal of selected exemptions under Excise Duty and the Miscellaneous Fees and Levies framework. Additional targeted concessions amounting to KSh 8.5 billion were introduced to support investment, infrastructure development, financial intermediation, security services and selected productive sectors. Overall, the enacted measures are estimated to result in a net reduction of KSh 11.8 billion in tax expenditures.

121. The rationalization measures under the Finance Acts were complemented by targeted tax expenditures aimed at addressing specific economic and social priorities. In particular, food-related interventions were introduced to address supply constraints and moderate price pressures. The Government authorized the duty-free importation of Grade 1 milled white rice in 2025, through Gazette Notice No. 10061 dated 30th July 2025, in response to a significant domestic supply deficit, rising global and regional prices, and anticipated weather-related production risks. A further duty-free import quota was authorized in 2026 as supply risks were expected to persist. These measures were intended to supplement domestic supply, moderate food prices and support food and nutrition security.

122. Consequently, while tax expenditure had declined from 2.45 percent of GDP in 2023 to 1.77 percent of GDP in 2024, the 2026 Tax Expenditure Report, which covers tax expenditures incurred up to the end of 2025, is expected to record an increase due in part to the new and temporary policy interventions introduced during the period. Such an increase would reflect targeted measures introduced to respond to prevailing food-security and supply challenges rather than a reversal of the Government's broader tax-expenditure rationalization agenda.

123. Over the medium term, tax incentives will be subjected to greater scrutiny to ensure that their fiscal cost is commensurate with the intended economic, social, investment and environmental benefits. In line with the National Tax Policy, the Government will strengthen the governance framework for granting, reviewing and monitoring tax expenditures by establishing clear eligibility criteria and policy objectives, strengthening reporting requirements, and introducing defined durations, sunset clauses and measurable performance indicators. Existing exemptions and preferential treatments will be periodically assessed to determine whether they continue to serve their intended purposes and provide value relative to the revenue forgone. Particular attention will be given to rationalizing high-cost VAT exemptions and zero-rating provisions, while safeguarding essential goods and services and protecting vulnerable households.

Expenditure Reforms

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

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

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

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

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

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

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

vii) Entrenching the Zero-Based Budgeting Approach to re-orient the budgeting and expenditure framework of the Government.

Fiscal Projections

125. In the FY 2027/28, total revenue including Appropriation-in-Aid (AiA) is projected at KSh 4,003.7 billion (17.4 percent of GDP). Of this, ordinary revenue is projected at KSh 3,249.2 billion (14.2 percent of GDP). This revenue performance will be underpinned by the ongoing reforms in policy and revenue administration. The revenue projections for FY 2027/28 have factored in KSh 20 billion in additional revenue through adjustments to land transaction fees, registry charges, rates, and levies. For projection purposes, a conservative KSh 10 billion has been factored in, subject to parliamentary approval. If the amendments are not approved, the additional revenue will not materialize in the outer years, resulting in a corresponding downward revision to the revenue projections.

126. The overall expenditure and net lending is projected at KSh 5,415.5 billion (23.6 percent of GDP) comprising: recurrent expenditure of KSh 4,021.1 billion (17.5 percent of GDP); development expenditure of KSh 915.8 billion (4.0 percent of GDP); transfers to Counties of KSh 473.5 billion and Contingency Fund of KSh 5.0 billion. The resulting fiscal deficit including grants of KSh 1,352.9 billion (5.9 percent of GDP) in FY 2027/28 will be financed by a net external financing of KSh 423.8 billion (1.8 percent of GDP) and a net domestic financing of KSh 929.1 billion (4.0 percent of GDP).

Medium Term Fiscal Projections

127. The medium-term fiscal projections in the 2026 BROP have been revised from those of the 2026 Budget Policy Statement estimates taking into account the fiscal outcome of the FY 2025/26 and the available resource envelope. Over the medium term, as a percent of GDP, the Government's total revenue including AiA is projected at 17.6 percent in the FY 2028/29 and 18.0 percent of GDP in the FY 2029/30. Of the total revenue, ordinary revenue is projected at 14.4 percent in the FY 2028/29 and 14.8 percent of GDP in the FY 2029/30. Total expenditure and net lending is projected at 23.3 percent of GDP in the FY 2028/29 and 23.4 percent of GDP in the FY 2029/30. Of the total expenditure, recurrent expenditure is projected to remain unchanged at 17.3 percent of GDP in both FY 2028/29 and FY 2029/30, while development expenditure is projected at 4.1 percent of GDP in both FY 2028/29 and FY 2029/30.

128. In line with the fiscal consolidation plan, the overall fiscal deficit is projected to gradually decline from 5.9 percent of GDP in the FY 2027/28 to 5.4 percent of GDP in the FY 2028/29 to 5.1 percent of GDP in the FY 2029/30 and 4.9 percent of GDP in the FY 2030/31 **(Table 17, Annex Tables 2 and 3)**. This will improve the country's debt position and ensure the country's development agenda is sustainably funded.

Table 17: Government Fiscal Projections, KSh Billion

	FY 2024/25	FY 2025/26		FY 2026/27	FY 2027/28		FY 2028/29		FY 2029/30		FY 2030/31
	Prel.	Suppl II	Prel.	Budget	BPS'26	BROP'26	BPS'26	BROP'26	BPS'26	BROP'26	BROP'26
TOTAL REVENUE	**2,923.6**	**3,259.0**	**3,198.8**	**3,630.6**	**3,844.1**	**4,003.7**	**4,173.7**	**4,477.6**	**4,590.3**	**5,041.3**	**5,615.3**
% of GDP	*17.0*	*17.5*	*17.2*	*17.4*	*16.7*	*17.4*	*16.4*	*17.6*	*16.4*	*18.0*	*18.2*
Ordinary revenue	2,420.2	2,640.6	2,588.4	2,985.7	3,195.2	3,249.2	3,494.6	3,655.0	3,848.5	4,136.9	4,601.1
% of GDP	*14.1*	*14.2*	*13.9*	*14.3*	*13.8*	*14.2*	*13.7*	*14.4*	*13.7*	*14.8*	*14.9*
Ministerial Appropriation in Aid	503.4	618.3	610.4	644.8	648.9	754.5	679.2	822.6	741.8	904.4	1,014.1
Grants	33.3	39.9	20.7	43.6	58.8	58.8	67.1	67.1	77.1	77.1	77.1
TOTAL EXPENDITURE	**3,975.9**	**4,656.5**	**4,484.2**	**4,819.4**	**4,931.4**	**5,415.5**	**5,241.6**	**5,929.3**	**5,662.3**	**6,533.7**	**7,213.2**
% of GDP	***23.2***	***25.0***	***24.1***	***23.2***	***21.4***	***23.6***	***20.6***	***23.3***	***20.2***	***23.4***	***23.4***
Recurrent Expenditure	2,948.4	3,400.7	3,285.3	3,565.6	3,569.0	4,021.1	3,712.3	4,400.8	4,018.3	4,836.7	5,347.7
of which CFS	1,206.2	1,366.8	1,284.3	1,501.3	1,462.9	1,716.9	1,497.7	1,898.7	1,545.6	2,092.9	2,315.3
Ministerial Net	1,441.5	1,676.4	1,656.4	1,699.6	1,722.4	1,848.3	1,823.2	2,007.0	2,038.5	2,210.2	2,435.2
Development	582.9	771.0	731.5	751.8	888.8	920.8	1,046.2	1,038.6	1,134.7	1,160.8	1,278.0
County Transfer	444.6	484.8	467.3	502.0	473.5	473.5	483.0	490.0	509.4	536.3	587.5
BALANCE INCLUSIVE OF GRANTS	**(1,019.1)**	**(1,357.7)**	**(1,264.7)**	**(1,145.2)**	**(1,028.5)**	**(1,352.9)**	**(1,000.8)**	**(1,384.6)**	**(994.9)**	**(1,415.3)**	**(1,520.8)**
Adjustments to cash basis	-	-	-	-	-	-	-	-	-	-	-
Of which Equitable Share	**418.3**	**415.0**	**415.0**	**428.0**	**440.9**	**440.9**	**450.4**	**457.3**	**476.7**	**503.6**	**554.8**
% of GDP	***2.4***	***2.2***	***2.2***	***2.1***	***1.9***	***1.9***	***1.8***	***1.8***	***1.7***	***1.8***	***1.8***
BALANCE INCLUSIVE OF GRANTS	**(1,019.1)**	**(1,357.7)**	**(1,264.7)**	**(1,145.2)**	**(1,028.5)**	**(1,352.9)**	**(1,000.8)**	**(1,384.6)**	**(994.9)**	**(1,415.3)**	**(1,520.8)**
% of GDP	*(5.9)*	*(7.3)*	*(6.8)*	*(5.5)*	*(4.5)*	*(5.9)*	*(3.9)*	*(5.4)*	*(3.6)*	*(5.1)*	*(4.9)*
Discrepancy											
TOTAL FINANCING	**1,034.2**	**1,357.7**	**1,251.0**	**1,145.2**	**1,028.5**	**1,352.9**	**1,000.8**	**1,384.6**	**994.9**	**1,415.3**	**1,520.8**
NET FOREIGN FINANCING	179.7	384.0	267.3	247.2	287.8	423.8	153.3	475.8	148.3	500.9	625.4
NET DOMESTIC FINANCING	854.5	973.6	983.7	898.0	740.7	929.1	847.5	908.8	846.6	914.4	895.4
PRIMARY BALANCE	(39.1)	(230.9)	(190.3)	109.0	174.9	104.5	231.0	248.2	274.8	401.7	491.4
% of GDP	*(0.2)*	*(1.2)*	*(1.0)*	*0.5*	*0.8*	*0.5*	*0.9*	*1.0*	*1.0*	*1.4*	*1.6*
Nominal GDP	**17,157.3**	**18,642.5**	**18,627.5**	**20,816.8**	**23,081.7**	**22,943.9**	**25,446.8**	**25,405.6**	**28,024.3**	**27,977.3**	**30,824.7**

Source of Data: National Treasury

C. FY 2027/28 and Medium-Term Budget Framework

129. The FY 2027/28 Budget and the Medium-Term Framework will remain aligned with the priorities outlined in the MTP IV and the BETA. Resource allocation for the BETA priority programmes will be undertaken through a value chain approach under five sectors namely: Finance and Production; Infrastructure; Environment and Natural Resources; Social Sectors; and Governance and Public Administration. The nine (9) identified key value chain areas for implementation include: Leather; Cotton; Dairy; Edible Oils; Tea; Rice; Blue Economy; Natural Resources (including Minerals and Forestry); and Building Materials. This process ensures there is no break in the cycle in the resource allocations for a value chain. The process will ensure adequate resources are allocated to any entity along the value chain and elimination of duplication of roles and budgeting of resources. Spending in these essential interventions is aimed at achieving quality outputs and outcomes with optimum utilization of resources. The momentum and large impact they will create will raise economic vibrancy and tax revenues.

130. MDAs are expected to ensure efficiency in allocation of resources through Zero-Based Budgeting Approach and reviewing the portfolio of externally funded projects. MDAs are also encouraged to restructure and re-align their spending plans with the Government priority programmes. Realization of these objectives will be within the hard budgetary constraint and ceilings provided in the 2026 BROP.

Criteria for Resource Allocation

131. The FY 2027/28 and Medium-Term Budget is prepared within a constrained resource envelope that calls for greater expenditure discipline and strategic prioritisation. The Government will continue to implement the Zero-Based Budgeting Approach approach to guide the prioritization and allocation of limited resources to projects and programmes. MDAs will be required to reassess all planned and existing programmes, projects and activities to be funded in the FY 2027/28 and over the medium-term budget. In this context, the principles of

efficiency, effectiveness, and prudence in public spending will be strictly enforced, ensuring that low-priority expenditures are curtailed in favour of high-priority, service-delivery programmes. The following criteria will guide prioritization and final allocation of resources:

i. Programmes that enhance value chain and linkage to BETA priorities;
ii. Linkage of the programmes with the priorities of MTP IV of the Vision 2030;
iii. Presidential Directives and Cabinet Decisions;
iv. Completion of ongoing projects, stalled projects and payment of verified pending bills;
v. Degree to which a programme addresses job creation and poverty reduction;
vi. Degree to which a programme addresses the core mandate of the MDAs;
vii. Programmes aimed at climate change mitigation and adaptation;
viii. Programmes that promote gender equality and promote children's rights;
ix. Cost effectiveness, efficiency and sustainability of the programme; and
x. Requirements for furtherance and implementation of the Constitution.

132. Based on the above criteria, Sector Working Groups are expected to carefully scrutinise all programmes and projects to ensure that available resources are directed towards high-impact interventions that accelerate implementation of the Bottom-Up Economic Transformation Agenda, create jobs, support private sector growth and deliver better outcomes for citizens. Reflecting on the above, the Medium-Term Expenditure Framework provided will guide resource allocation into the medium term. The sector ceilings provided in **Table 18 and Annex Table 4 and 5** for the FY 2027/28 and the medium-term budget will form inputs into the 2027 Budget Policy Statement.

Table 18: Medium Term Sector Ceilings, FY 2027/28 – FY 2029/30 (KSh Million)

Code	Sector		Printed Estimates	2026 BROP Projections			% Share in Total Ministerial Expenditure			
			2026/27	2027/28	2028/29	2029/30	2026/27	2027/28	2028/29	2029/30
010	**Agriculture, Rural and Urban Development (ARUD)**	**Sub_Total**	**111,383.6**	**108,167.1**	**110,792.1**	**112,559.1**	**3.8**	**3.3**	**3.1**	**2.9**
		Rec_Gross	44,988.0	42,948.0	44,957.9	46,040.2	2.2	1.9	1.9	1.8
		Dev_Gross	66,395.6	65,219.1	65,834.2	66,518.9	7.9	6.2	5.6	5.4
020	**Energy, Infrastructure and ICT**	**Sub_Total**	**530,251.7**	**645,633.4**	**701,462.9**	**702,618.4**	**18.1**	**19.7**	**19.7**	**18.4**
		Rec_Gross	138,221.5	142,356.7	145,676.8	149,061.4	6.7	6.4	6.1	5.8
		Dev_Gross	392,030.2	503,276.7	555,786.2	553,556.9	46.4	47.8	47.0	44.6
030	**General Economic and Commercial Affairs**	**Sub_Total**	**61,220.2**	**61,826.2**	**67,812.1**	**67,244.9**	**2.1**	**1.9**	**1.9**	**1.8**
		Rec_Gross	39,908.7	37,591.7	41,512.8	42,491.2	1.9	1.7	1.7	1.6
		Dev_Gross	21,311.5	24,234.4	26,299.3	24,753.7	2.5	2.3	2.2	2.0
040	**Health**	**Sub_Total**	**176,252.9**	**195,208.5**	**209,898.1**	**212,889.5**	**6.0**	**6.0**	**5.9**	**5.6**
		Rec_Gross	141,021.6	145,306.9	161,355.1	168,361.6	6.8	6.5	6.8	6.5
		Dev_Gross	35,231.3	49,901.6	48,543.0	44,528.0	4.2	4.7	4.1	3.6
050	**Education**	**Sub_Total**	**784,482.1**	**848,704.8**	**931,664.6**	**1,003,828.4**	**26.8**	**25.9**	**26.2**	**26.2**
		Rec_Gross	748,164.2	809,110.2	885,731.3	957,668.3	36.0	36.5	37.2	37.1
		Dev_Gross	36,317.9	39,594.6	45,933.4	46,160.1	4.3	3.8	3.9	3.7
060	**Governance, Justice, Law and Order (GJLO)**	**Sub_Total**	**361,523.3**	**385,176.4**	**372,653.4**	**408,306.5**	**12.4**	**11.8**	**10.5**	**10.7**
		Rec_Gross	331,801.9	355,510.4	337,166.0	370,047.9	16.0	16.0	14.2	14.3
		Dev_Gross	29,721.4	29,666.0	35,487.4	38,258.6	3.5	2.8	3.0	3.1
070	**Public Administration and International Relations**	**Sub_Total**	**358,852.8**	**431,765.6**	**486,920.1**	**598,680.1**	**12.3**	**13.2**	**13.7**	**15.7**
		Rec_Gross	228,763.4	256,129.7	293,587.6	354,112.4	11.0	11.5	12.3	13.7
		Dev_Gross	130,089.3	175,635.9	193,332.6	244,567.7	15.4	16.7	16.3	19.7
080	**National Security**	**Sub_Total**	**316,232.6**	**361,020.5**	**396,731.1**	**429,172.6**	**10.8**	**11.0**	**11.1**	**11.2**
		Rec_Gross	305,598.2	325,386.1	358,096.7	385,538.2	14.7	14.7	15.1	14.9
		Dev_Gross	10,634.4	35,634.4	38,634.4	43,634.4	1.3	3.4	3.3	3.5
090	**Social Protection, Culture and Recreation**	**Sub_Total**	**101,270.3**	**101,358.2**	**106,949.3**	**107,256.7**	**3.5**	**3.1**	**3.0**	**2.8**
		Rec_Gross	59,337.9	62,441.8	67,715.2	67,834.9	2.9	2.8	2.8	2.6
		Dev_Gross	41,932.3	38,916.5	39,234.2	39,421.8	5.0	3.7	3.3	3.2
0100	**Environment Protection, Water and Natural Resources**	**Sub_Total**	**121,237.5**	**132,276.2**	**175,760.4**	**181,865.8**	**4.1**	**4.0**	**4.9**	**4.8**
		Rec_Gross	40,465.9	42,568.9	42,329.4	43,218.8	1.9	1.9	1.8	1.7
		Dev_Gross	80,771.5	89,707.4	133,431.0	138,647.0	9.6	8.5	11.3	11.2
	Grand Total	**Sub_Total**	**2,922,706.9**	**3,271,137.0**	**3,560,644.3**	**3,824,422.0**	**100.0**	**100.0**	**100.0**	**100.0**
		Rec_Gross	2,078,271.4	2,219,350.5	2,378,128.7	2,584,374.8	71.1	67.8	66.8	67.6
		Dev_Gross	844,435.4	1,051,786.5	1,182,515.6	1,240,047.2	28.9	32.2	33.2	32.4

Source: The National Treasury

133. The FY 2027/28 Budget is being prepared under a revised budget calendar to facilitate completion of the budget process ahead of the 2027 General Elections. The Budget Calendar provided in **Annex Table 6** outlines the timeframes for delivery of policy documents, reports and relevant Bills. Ministries, Departments and Agencies, Sector Working Groups and other stakeholders are required to strictly adhere to the prescribed timelines to ensure the timely preparation, approval and implementation of the Budget.

D. Public Participation and Involvement of Stakeholders

134. As required by the PFM Act, CAP 412A, the 2026 BROP was shared with various stakeholders and the public for comments before its finalization. Specifically, the document has been reviewed and finalized during a retreat of the Macro Working Group from 16th to 22nd August 2026 in Naivasha that brought together 31 officers of the Macro Working Group from the following institutions: various Departments of the National Treasury, the State Department for Economic Planning, the Central Bank of Kenya, the Kenya Revenue Authority, the Kenya Institute for Public Policy Research and Analysis, the Commission on Revenue Allocation, and the Kenya National Bureau of Statistics. **Annex Table 8** provides a list of officers from the Macro Working Group who attended the retreat. A summary of the comments received from the Macro Working Group, various stakeholders and the public as well as the responses or actions taken are summarized in **Annex Table 9**.

V. CONCLUSION AND NEXT STEPS

135. Kenya's economy has demonstrated resilience despite a challenging domestic and global environment. Real GDP growth strengthened to 5.3 percent in the first quarter of 2026 which is an improvement from 4.9 percent in the corresponding quarter of 2025. Overall growth in 2026 is projected at 5.0 percent, largely supported by recovery in industrial activity and sustained growth in services. However, significant downside risks remain, requiring continued prudent macroeconomic management and accelerated implementation of structural reforms under BETA and the Fourth Medium-Term Plan.

136. The FY 2025/26 fiscal outturn confirms that Kenya continues to operate within a constrained fiscal environment, with revenue falling below target and the fiscal deficit remaining elevated at 6.8 percent of GDP. The outcome reinforces the need to sustain fiscal consolidation while safeguarding economic recovery and essential public services. The Government will therefore continue to strengthen domestic revenue mobilization, enhance expenditure efficiency, mobilize private capital for infrastructure development, manage fiscal risks and advance public financial and debt management reforms to restore fiscal space and safeguard debt sustainability.

137. The FY 2026/27 fiscal framework remains anchored on the approved 2026 Budget Policy Statement. The FY 2027/28 and medium-term macroeconomic and fiscal projections have been updated to reflect the FY 2025/26 outturn and the available resource envelope. The fiscal framework provides for a gradual reduction in the fiscal deficit from 5.5 percent of GDP in FY 2026/27 to 4.9 percent by FY 2030/31, supported by stronger revenue mobilization and expenditure rationalization. Within the constrained resource envelope, the Government will strengthen expenditure prioritisation and efficiency to ensure that scarce public resources are directed towards high-impact programmes that support economic growth, employment, private sector development and improved livelihoods, while maintaining essential public services.

138. The 2026 BROP provides the basis for preparation of the 2027 Budget Policy Statement and the FY 2027/28 and Medium-Term Budget. The next steps will focus on translating the resource envelope and sector ceilings into a credible and prioritised budget, informed by Sector Working Group proposals and public participation, and aligned to BETA and MTP IV. The revised Budget Calendar will facilitate completion of the budget process ahead of the 2027 General Elections, and MDAs, Sector Working Groups and other stakeholders will be required to strictly adhere to the approved ceilings and timelines to ensure timely preparation, approval and implementation of the Budget.

Annex Table 1: Macroeconomic Indicators for the FY 2024/25 - 2030/31 Period

	2024/25	2025/26		2026/27	2027/28		2028/29		2029/30		2030/31
	Prel.	Suppl.II	Prel.	Budget	BPS 2026	BROP 2026	BPS 2026	BROP 2026	BPS 2026	BROP 2026	BROP 2026
	annual percentage change, unless otherwise indicated										
National Account and Prices											
Real GDP	4.6	4.8	4.8	5.0	5.1	5.1	5.2	5.2	5.3	5.3	5.3
GDP Deflator	3.3	4.9	5.1	6.1	5.8	5.8	5.4	5.7	5.4	5.2	5.2
CPI Index (eop)	4.6	5.1	5.3	5.3	5.0	5.1	4.8	4.8	4.8	4.5	4.8
CPI Index (avg)	4.3	4.7	5.0	5.5	5.2	5.1	4.8	5.0	4.7	4.5	4.5
Terms of Trade (-deterioration)	-0.4	3.1	2.0	2.8	3.2	3.8	3.5	3.8	3.8	3.8	3.8
Money and Credit (end of period)											
Net domestic assets	6.4	11.6	11.3	10.8	9.6	9.0	9.4	9.0	9.2	8.5	9.3
Net domestic credit to the Government	20.0	9.5	9.6	8.0	4.5	7.7	5.4	7.0	5.5	6.6	6.0
Credit to the rest of the economy	2.2	3.9	3.5	10.4	11.6	8.5	10.8	9.2	10.5	9.0	10.5
Broad Money, M3 (percent change)	7.5	10.3	10.2	11.7	11.1	10.7	10.9	10.7	10.5	10.1	10.2
Reserve money (percent change)	-1.3	7.8	7.7	11.6	11.0	10.6	10.8	10.6	10.4	10.0	10.1
	in percentage of GDP, unless otherwise indicated										
Investment and Saving											
Investment	16.7	17.2	17.3	17.5	17.5	17.8	17.8	18.1	18.9	19.3	9.6
Central Government	4.2	4.3	4.3	4.3	4.4	4.5	4.6	4.7	4.5	4.5	4.8
Private	12.6	12.9	13.0	13.2	13.0	13.3	13.1	13.5	14.4	14.8	4.8
Gross National Savings	14.9	14.7	14.8	14.8	14.9	14.7	15.2	15.0	16.4	16.1	6.2
Central Government	-2.1	-2.5	-2.3	-1.3	0.5	-1.6	1.0	-1.1	1.1	-0.7	-0.6
Private	17.0	17.3	17.0	16.1	14.4	16.3	14.2	16.2	15.4	16.8	6.8
Central Government Budget											
Total revenue	17.3	17.5	17.2	17.4	17.5	17.4	16.9	17.6	16.6	18.0	18.2
Total expenditure and net lending	23.5	25.0	24.1	23.2	21.3	23.6	20.4	23.3	20.0	23.4	23.4
Overall Fiscal balance excl. grants	-6.2	-7.5	-6.9	-5.7	-3.9	-6.2	-3.5	-5.7	-3.4	-5.3	-5.2
Overall Fiscal balance, incl. grants, cash basis	-6.0	-7.3	-6.8	-5.5	-3.6	-5.9	-3.3	-5.4	-3.1	-5.1	-4.9
Statistical discrepancy	0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Fiscal balance, incl. grants, cash basis- adj. descrepancy	-6.0	-7.3	-6.8	-5.5	-3.6	-5.9	-3.3	-5.4	-3.1	-5.1	-4.9
Primary budget balance	-0.1	-1.2	-1.0	0.5	1.6	0.5	1.5	1.0	1.4	1.4	1.6
Net domestic borrowing	5.1	5.2	5.3	4.3	2.4	4.0	2.7	3.6	2.6	3.3	2.9
External Sector											
Exports value, goods and services	16.2	15.1	15.2	14.5	14.2	14.3	13.9	14.1	13.6	13.8	13.2
Imports value, goods and services	22.6	21.6	21.8	20.5	19.8	20.4	19.0	19.8	18.3	19.2	18.5
Current external balance, including official transfers	-1.8	-2.5	-2.6	-2.6	-2.6	-3.1	-2.5	-3.1	-2.5	-3.2	-3.4
Gross reserves in months of next yr's imports	5.0	4.8	4.8	4.9	4.9	4.9	5.0	5.0	5.2	5.1	7.0
Gross reserves in months of this yr's imports	5.4	5.1	5.1	5.2	5.3	5.3	5.4	5.4	5.5	5.5	5.6
Public debt											
Nominal central government debt (eop), gross	69.9	70.6	69.9	68.8	65.5	68.0	62.3	66.8	59.5	65.7	64.6
Nominal debt (eop), net of deposits	67.9	67.5	67.9	65.9	62.9	66.4	60.0	65.4	57.4	64.4	63.4
Domestic (gross)	37.4	39.2	39.3	39.4	37.8	39.9	36.8	39.6	35.9	39.2	38.5
Domestic (net)	35.4	36.0	37.4	36.5	35.3	38.3	34.5	38.2	33.8	37.9	37.3
External	32.5	31.5	30.5	29.4	27.7	28.1	25.6	27.2	23.7	26.5	26.1
Memorandum Items:											
Nominal GDP (in Ksh Billion)	16,905	18,642	18,627	20,817	23,127	22,944	25,650	25,406	28,346	27,977	30,825
Nominal GDP (in US$ Million)	128,009	144,132	143,654	160,454	177,365	175,467	196,287	193,464	217,221	213,725	236,169

Source: The National Treasury

Annex Table 2: Government Operations for the FY 2024/25 - 2030/31 Period, KSh Billion

	2024/25	2025/26		2026/27	2027/28		2028/29		2029/30		2030/31
	Prel.	Suppl.II	Prel.	Budget	BPS 2026	BROP 2026	BPS 2026	BROP 2026	BPS 2026	BROP 2026	BROP 2026
TOTAL REVENUE	**2,923.6**	**3,259.0**	**3,198.8**	**3,630.6**	**3,839.1**	**4,003.7**	**4,173.7**	**4,477.6**	**4,590.3**	**5,041.3**	**5,615.3**
Ordinary Revenue (Tax+Non-Tax Revenue)	2,420.2	2,640.6	2,588.4	2,985.7	3,190.2	3,249.2	3,494.6	3,655.0	3,848.5	4,136.9	4,601.1
Tax Revenue	2,272.4	2,457.4	2,467.2	2,858.7	3,076.8	3,139.0	3,374.0	3,542.7	3,705.5	4,010.8	4,470.0
Income Tax	1,093.0	1,169.4	1,175.6	1,383.6	1,484.9	1,485.8	1,619.2	1,666.8	1,775.5	1,893.5	2,098.4
Import duty (net)	157.1	176.5	180.0	186.2	194.0	220.7	205.4	247.9	220.0	279.8	313.5
Excise duty	292.5	313.3	312.0	382.2	397.0	404.6	440.5	446.1	488.8	497.0	549.2
Value Added Tax	660.7	721.4	722.4	829.2	919.1	939.8	1,021.0	1,083.1	1,127.6	1,232.4	1,390.7
Other Tax Revenue	69.1	76.8	77.2	77.4	81.9	88.0	87.9	98.8	93.6	108.2	118.2
Non-Tax Revenue	147.8	183.2	121.2	127.1	113.4	110.2	120.5	112.3	142.9	126.1	131.2
Ministerial Appropriation in Aid	**503.4**	**618.3**	**610.4**	**644.8**	**648.9**	**754.5**	**679.2**	**822.6**	**741.8**	**904.4**	**1014.1**
Railway Development Levy	36.8	*47.1*	*48.5*	*48.5*	*49.7*	*55.7*	*54.9*	*59.5*	*60.7*	*67.9*	*76.6*
African Union & Int't Subscription Fund	5.2	*6.6*	*11.2*	*9.7*	*7.0*	*9.7*	*7.8*	*10.7*	*8.6*	*12.3*	*14.4*
Recurrent	199.7	*255.2*	*229.2*	*270.2*	*261.3*	*312.5*	*262.1*	*337.5*	*297.5*	*357.2*	*400.7*
Road Maintenance Levy - Normal	73.3	*70.2*	*80.3*	*62.8*	*88.7*	*99.4*	*93.5*	*109.5*	*98.5*	*122.0*	*134.8*
NMS - Recurrent	22.5	*25.5*	*24.0*	*22.0*	*26.6*	*34.4*	*28.1*	*37.3*	*29.7*	*42.2*	*47.4*
PDL - Recurrent	42.4	*66.7*	*81.8*	*80.2*	*59.1*	*89.0*	*61.9*	*101.8*	*60.0*	*121.9*	*144.1*
NMS - Development	14.1	14.4	*15.0*	7.0	*15.9*	18.5	16.6	20.4	17.5	*22.8*	*25.1*
PDL - Development	32.2	32.0	35.0	32.7	34.9	43.2	36.7	47.7	38.7	*53.1*	*58.7*
Housing Development Levy	73.2	95.0	*79.1*	110.0	*101.6*	90.2	113.3	96.3	126.4	*102.9*	*109.8*
EXPENDITURE AND NET LENDING	**3,975.9**	**4,656.5**	**4,484.2**	**4,819.4**	**4,931.4**	**5,415.5**	**5,241.6**	**5,929.3**	**5,662.3**	**6,533.7**	**7,213.2**
Recurrent expenditure	2,948.4	3,400.7	3,285.3	3,565.6	3,569.0	4,021.1	3,712.3	4,400.8	4,018.3	4,836.7	5,347.7
Interest payments	995.1	1,126.8	1,074.4	1,254.2	1,203.4	1,457.4	1,231.8	1,632.8	1,269.8	1,817.1	2,012.2
Domestic interest	784.1	911.9	862.7	986.7	953.5	1,150.5	978.5	1,288.6	1,022.3	1,443.2	1,616.4
Foreign Interest	211.0	214.8	211.8	267.5	249.9	306.9	253.2	344.2	247.5	373.8	395.8
Pensions & Other CFS	176.8	201.6	166.2	207.5	218.7	218.7	224.0	223.6	232.1	231.7	258.5
Pensions	172.9	196.5	162.4	202.4	213.9	213.2	219.3	217.9	227.2	225.8	252.3
Other CFS	3.9	5.1	3.9	5.2	4.7	5.4	4.7	5.7	5.0	6.0	6.3
Contribution to Civil Service Pension Fund	34.3	38.4	43.6	39.6	40.8	40.8	42.0	42.4	43.7	44.1	44.5
Net Issues/Net Expenditure	1,441.5	1,676.4	1,656.4	1,699.6	1,722.4	1,848.3	1,823.2	2,007.0	2,038.5	2,210.2	2,435.2
O/W: Wages & Salaries	624.7	689.3	684.4	702.0	752.4	777.9	790.0	857.6	829.5	955.2	1,055.5
Free Secondary education	54.6	54.9	50.0	54.6	79.1	59.8	82.3	65.4	82.3	71.5	78.2
Free Primary Education	30.4	7.9	6.9	7.0	14.7	8.4	15.3	9.2	15.3	10.3	11.8
Junior Secondary School - Capitation	7.6	30.9	25.6	30.8	41.5	51.3	43.1	56.6	43.1	62.3	62.3
IEBC	3.9	5.9	11.1	24.9	16.4	29.2	29.2	11.2	29.2	7.2	7.2
Defense and NIS	231.4	264.1	278.8	297.4	235.4	298.3	244.8	299.2	263.8	297.1	299.5
Others	465.6	578.0	558.5	552.0	545.4	585.9	580.9	669.7	737.7	767.1	879.7
Ministerial Recurrent AIA	300.8	357.6	344.6	364.7	383.7	456.0	391.4	495.0	434.2	533.7	597.3
Development and Net lending	**582.9**	**771.0**	**731.5**	**750.8**	**883.8**	**915.8**	**1,041.2**	**1,033.6**	**1,129.7**	**1,155.8**	**1,273.0**
Domestically financed (Gross)	397.7	552.8	548.4	562.8	580.2	612.2	676.7	699.2	759.6	779.3	866.8
O/W Domestically Financed (Net)/NMS	227.3	324.0	317.6	315.3	349.9	357.0	425.7	419.2	490.7	461.6	508.6
Ministerial Development AIA	170.4	228.8	230.8	247.4	230.3	255.2	251.1	280.0	269.0	317.6	358.2
Foreign financed	165.6	210.6	175.9	177.8	285.0	285.0	341.9	311.8	346.9	353.4	383.1
Net lending	19.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equalization Fund	0.0	7.6	7.3	10.3	18.6	18.6	22.6	22.6	23.1	23.1	23.1
County Tranfers	**444.6**	**484.8**	**467.3**	**502.0**	**473.5**	**473.5**	**483.0**	**490.0**	**509.4**	**536.3**	**587.5**
Equitable Share	418.3	415.0	415.0	428.0	440.9	440.9	450.4	457.3	476.7	503.6	554.8
Conditional Allocation	26.3	69.8	52.3	74.0	32.7	32.7	32.7	32.7	32.7	32.7	32.7
Contingency Fund	**0.0**	**0.0**	**0.0**	**1.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**
Fiscal Balance *(commitment basis excl. grants)*	**-1,052.4**	**-1,397.6**	**-1,285.4**	**-1,188.8**	**-1,092.3**	**-1,411.8**	**-1,067.9**	**-1,451.6**	**-1,072.0**	**-1,492.4**	**-1,597.9**
Grants	**33.3**	**39.9**	**20.7**	**43.6**	**58.8**	**58.8**	**67.1**	**67.1**	**77.1**	**77.1**	**77.1**
Fiscal Balance *(incl. grants)*	**-1,019.1**	**-1,357.7**	**-1,264.7**	**-1,145.2**	**-1,033.5**	**-1,352.9**	**-1,000.8**	**-1,384.6**	**-994.9**	**-1,415.3**	**-1,520.8**
Fiscal Balance *(cash basis incl. grants) Exl. SGR*	**-1,019.1**	**-1,357.7**	**-1,264.7**	**-1,145.2**	**-1,033.5**	**-1,352.9**	**-1,000.8**	**-1,384.6**	**-994.9**	**-1,415.3**	**-1,520.8**
Adjustment to Cash Basis	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance *(incl. grants) Cash Basis*	**-1,019.1**	**-1,357.7**	**-1,264.7**	**-1,145.2**	**-1,033.5**	**-1,352.9**	**-1,000.8**	**-1,384.6**	**-994.9**	**-1,415.3**	**-1,520.8**
Statistical discrepancy	15.1	0.0	-13.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FINANCING	**1,034.2**	**1,357.7**	**1,251.0**	**1,145.2**	**1,033.5**	**1,352.9**	**1,000.8**	**1,384.6**	**994.9**	**1,415.3**	**1,520.8**
Net Foreign Financing	**179.7**	**384.0**	**267.3**	**247.2**	**287.8**	**423.8**	**153.3**	**475.8**	**148.3**	**500.9**	**625.4**
Disbursements	**527.0**	**907.7**	**771.7**	**790.1**	**674.7**	**883.9**	**639.3**	**975.6**	**634.3**	**1,159.3**	**1,220.7**
Commercial Financing	253.1	540.1	475.1	300.9	224.1	280.5	140.0	331.0	140.0	391.7	399.8
of which: External Debt Operations - Refinancing	188.3	143.6	142.7	130.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Project loans (AIA + Revenue)	151.4	232.7	196.8	191.6	258.8	258.8	307.5	277.4	302.5	309.0	338.7
o/w: Project loans (AIA)	65.6	102.5	86.1	75.3	123.3	123.3	140.3	137.4	145.3	153.1	169.1
Project Loans Revenue	85.8	130.2	110.7	116.3	135.6	135.6	167.2	140.0	157.2	155.9	169.5
Use of IMF SDR Allocation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OPEC Funds	8.8	4.0	0.0	114.5	0.0	206.4	0.0	229.1	0.0	266.8	290.5
Programme Loans	113.7	130.9	99.9	183.1	191.8	138.1	191.8	138.1	191.8	191.8	191.8
o/w: P for R Programme Loans	15.3	3.5	2.6	5.0	0.0	5.0	0.0	5.0	0.0	0.0	0.0
IMF - EFF/ECF/RSF	50.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
World Bank DPO	21.8	101.4	97.2	94.3	170.5	97.5	170.5	97.5	170.5	170.5	170.5
AfDB	26.3	26.0	0.0	83.9	21.3	35.6	21.3	35.6	21.3	21.3	21.3
Debt repayment - Principal	-347.3	-523.6	-504.3	-542.9	-387.0	-460.1	-486.0	-499.8	-486.0	-658.4	-595.3
Net Domestic Financing	**854.5**	**973.6**	**983.7**	**898.0**	**745.7**	**929.1**	**847.5**	**908.8**	**846.6**	**914.4**	**895.4**
Memo items											
Gross Debt (Stock)	11,813.9	13,168.5	13,013.2	14,313.7	15,189.0	15,594.7	16,189.8	16,979.3	17,184.7	18,394.6	19,915.5
External Debt	5,488.5	5,868.9	5,684.7	6,116.1	6,245.7	6,439.1	6,399.0	6,914.9	6,547.3	7,415.8	8,041.2
Domestic Debt (gross)	6,325.5	7,299.6	7,328.5	8,197.6	8,943.3	9,155.6	9,790.8	10,064.4	10,637.4	10,978.8	11,874.2
Domestic Debt (net)	5,988.1	6,709.1	6,960.9	7,607.0	8,352.8	8,788.0	9,200.2	9,696.7	10,046.8	10,611.2	11,506.6
Financing gap	15.1	0.0	-13.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP	**16,904.9**	**18,642.5**	**18,627.5**	**20,816.8**	**23,126.5**	**22,943.9**	**25,649.5**	**25,405.6**	**28,345.7**	**27,977.3**	**30,824.7**

Source: The National Treasury

Annex Table 3: Government Operations for the FY 2024/25 - 2030/31 Period (% of GDP)

	2024/25	2025/26		2026/27	2027/28		2028/29		2029/30		2030/31
	Prel.	Suppl.II	Prel.	Budget	BPS 2026	BROP 2026	BPS 2026	BROP 2026	BPS 2026	BROP 2026	BROP 2026
TOTAL REVENUE	**17.3**	**17.5**	**17.2**	**17.4**	**16.6**	**17.4**	**16.3**	**17.6**	**16.2**	**18.0**	**18.2**
Ordinary Revenue (Tax+Non-Tax Revenue)	**14.3**	**14.2**	**13.9**	**14.3**	**13.8**	**14.2**	**13.6**	**14.4**	**13.6**	**14.8**	**14.9**
Tax Revenue	13.4	13.2	13.2	13.7	13.3	13.7	13.2	13.9	13.1	14.3	14.5
Income Tax	6.5	6.3	6.3	6.6	6.4	6.5	6.3	6.6	6.3	6.8	6.8
Import duty (net)	0.9	0.9	1.0	0.9	0.8	1.0	0.8	1.0	0.8	1.0	1.0
Excise duty	1.7	1.7	1.7	1.8	1.7	1.8	1.7	1.8	1.7	1.8	1.8
Value Added Tax	3.9	3.9	3.9	4.0	4.0	4.1	4.0	4.3	4.0	4.4	4.5
Other Tax Revenue	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.4	0.3	0.4	0.4
Non-Tax Revenue	0.9	1.0	0.7	0.6	0.5	0.5	0.5	0.4	0.5	0.5	0.4
Ministerial Appropriation in Aid	**3.0**	**3.3**	**3.3**	**3.1**	**2.8**	**3.3**	**2.6**	**3.2**	**2.6**	**3.2**	**3.3**
Railway Development Levy	0.2	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
African Union & Int't Subscription Fund	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recurrent	1.2	1.4	1.2	1.3	1.1	1.4	1.0	1.3	1.0	1.3	1.3
Road Maintenance Levy - Normal	0.4	0.4	0.4	0.3	0.4	0.4	0.4	0.4	0.3	0.4	0.4
NMS - Recurrent	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2
PDL - Recurrent	0.3	0.4	0.4	0.4	0.3	0.4	0.2	0.4	0.2	0.4	0.5
NMS - Development	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
PDL - Development	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.1	0.2	0.2
Housing Development Levy	0.4	0.5	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4
EXPENDITURE AND NET LENDING	**23.5**	**25.0**	**24.1**	**23.2**	**21.3**	**23.6**	**20.4**	**23.3**	**20.0**	**23.4**	**23.4**
Recurrent expenditure	**17.4**	**18.2**	**17.6**	**17.1**	**15.4**	**17.5**	**14.5**	**17.3**	**14.2**	**17.3**	**17.3**
Interest payments	5.9	6.0	5.8	6.0	5.2	6.4	4.8	6.4	4.5	6.5	6.5
Domestic interest	4.6	4.9	4.6	4.7	4.1	5.0	3.8	5.1	3.6	5.2	5.2
Foreign Interest	1.2	1.2	1.1	1.3	1.1	1.3	1.0	1.4	0.9	1.3	1.3
Pensions & Other CFS	1.0	1.1	0.9	1.0	0.9	1.0	0.9	0.9	0.8	0.8	0.8
Pensions	1.0	1.1	0.9	1.0	0.9	0.9	0.9	0.9	0.8	0.8	0.8
Other CFS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution to Civil Service Pension Fund	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1
Net Issues/Net Expenditure	8.5	9.0	8.9	8.2	7.4	8.1	7.1	7.9	7.2	7.9	7.9
O/W: Wages & Salaries	3.7	3.7	3.7	3.4	3.3	3.4	3.1	3.4	2.9	3.4	3.4
Free Secondary education	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Free Primary Education	0.2	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.0
Junior Secondary School - Capitation	0.0	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
IEBC	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.0	0.0
Defense and NIS	1.4	1.4	1.5	1.4	1.0	1.3	1.0	1.2	0.9	1.1	1.0
Others	2.8	3.1	3.0	2.7	2.4	2.6	2.3	2.6	2.6	2.7	2.9
Ministerial Recurrent AIA	1.8	1.9	1.9	1.8	1.7	2.0	1.5	1.9	1.5	1.9	1.9
Development and Net lending	**3.4**	**4.1**	**3.9**	**3.6**	**3.8**	**4.0**	**4.1**	**4.1**	**4.0**	**4.1**	**4.1**
Domestically financed (Gross)	2.4	3.0	2.9	2.7	2.5	2.7	2.6	2.8	2.7	2.8	2.8
O/W Domestically Financed (Net)/NMS	1.3	1.7	1.7	1.5	1.5	1.6	1.7	1.7	1.7	1.7	1.7
Ministerial Development AIA	1.0	1.2	1.2	1.2	1.0	1.1	1.0	1.1	0.9	1.1	1.2
Foreign financed	1.0	1.1	0.9	0.9	1.2	1.2	1.3	1.2	1.2	1.3	1.2
Net lending	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equalization Fund	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
County Tranfers	**2.6**	**2.6**	**2.5**	**2.4**	**2.0**	**2.1**	**1.9**	**1.9**	**1.8**	**1.9**	**1.9**
Equitable Share	2.5	2.2	2.2	2.1	1.9	1.9	1.8	1.8	1.7	1.8	1.8
Conditional Allocation	0.2	0.4	0.3	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Contingency Fund	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Fiscal Balance (commitment basis excl. grants)	**-6.2**	**-7.5**	**-6.9**	**-5.7**	**-4.7**	**-6.2**	**-4.2**	**-5.7**	**-3.8**	**-5.3**	**-5.2**
Grants	**0.2**	**0.2**	**0.1**	**0.2**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**
Fiscal Balance (incl. grants)	**-6.0**	**-7.3**	**-6.8**	**-5.5**	**-4.5**	**-5.9**	**-3.9**	**-5.4**	**-3.5**	**-5.1**	**-4.9**
Adjustment to Cash Basis	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance (incl. grants) Cash Basis	**-6.0**	**-7.3**	**-6.8**	**-5.5**	**-4.5**	**-5.9**	**-3.9**	**-5.4**	**-3.5**	**-5.1**	**-4.9**
Statistical discrepancy	0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FINANCING	**6.1**	**7.3**	**6.7**	**5.5**	**4.5**	**5.9**	**3.9**	**5.4**	**3.5**	**5.1**	**4.9**
Net Foreign Financing	**1.1**	**2.1**	**1.4**	**1.2**	**1.2**	**1.8**	**0.6**	**1.9**	**0.5**	**1.8**	**2.0**
Disbuserments	**3.1**	**4.9**	**4.1**	**3.8**	**2.9**	**3.9**	**2.5**	**3.8**	**2.2**	**4.1**	**4.0**
Commercial Financing	1.5	2.9	2.6	1.4	1.0	1.2	0.5	1.3	0.5	1.4	1.3
of which: External Debt Operations - Refinancing	1.1	0.8	0.8	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Project loans (AIA + Revenue)	0.9	1.2	1.1	0.9	1.1	1.1	1.2	1.1	1.1	1.1	1.1
o/w: Project loans (AIA)	0.4	0.5	0.5	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Project Loans Revenue	0.5	0.7	0.6	0.6	0.6	0.6	0.7	0.6	0.6	0.6	0.5
Use of IMF SDR Allocation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OPEC Funds	0.1	0.0	0.0	0.6	0.0	0.9	0.0	0.9	0.0	1.0	0.9
Programme Loans	0.7	0.7	0.5	0.9	0.8	0.6	0.7	0.5	0.7	0.7	0.6
o/w: P for R Programme Loans	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF - EFF/ECF/RSF	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
World Bank DPO	0.1	0.5	0.5	0.5	0.7	0.4	0.7	0.4	0.6	0.6	0.6
AfDB	0.2	0.1	0.0	0.4	0.1	0.2	0.1	0.1	0.1	0.1	0.1
Debt repayment - Principal	-2.1	-2.8	-2.7	-2.6	-1.7	-2.0	-1.9	-2.0	-1.7	-2.4	-1.9
Net Domestic Financing	**5.1**	**5.2**	**5.3**	**4.3**	**3.2**	**4.0**	**3.3**	**3.6**	**3.0**	**3.3**	**2.9**
Memo items											
Gross Debt (Stock)	69.9	70.6	69.9	68.8	65.7	68.0	63.1	66.8	60.6	65.7	64.6
External Debt	32.5	31.5	30.5	29.4	27.0	28.1	24.9	27.2	23.1	26.5	26.1
Domestic Debt (gross)	37.4	39.2	39.3	39.4	38.7	39.9	38.2	39.6	37.5	39.2	38.5
Domestic Debt (net)	35.4	36.0	37.4	36.5	36.1	38.3	35.9	38.2	35.4	37.9	37.3
Financing gap	0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: The National Treasury

Annex Table 4: Development Sector Ceilings for the FY 2027/28 – 2029/30 MTEF Period (KSh Million)

Code	Sector	Economic Classification	Printed Estimates	2026 BROP Projections		
			2026/27	2027/28	2028/29	2029/30
010	**Agriculture, Rural and Urban Development (ARUD)**	**Gross**	**66,395.6**	**65,219.1**	**65,834.2**	**66,518.9**
		GOK	39,358.5	34,552.0	37,242.0	37,876.7
		Loans	23,514.1	25,853.2	24,106.2	24,106.2
		Grants	681.0	1,271.9	824.0	824.0
		Local AIA	2,842.0	3,542.0	3,662.0	3,712.0
020	**Energy, Infrastructure and ICT**	**Gross**	**392,030.2**	**503,276.7**	**555,786.2**	**553,556.9**
		GOK	86,976.2	89,389.0	99,008.0	81,113.0
		Loans	65,570.2	100,923.7	140,446.2	147,947.7
		Grants	6,569.4	7,084.5	3,277.5	2,217.5
		Local AIA	232,914.5	305,879.5	313,054.5	322,278.7
030	**General Economic and Commercial Affairs**	**Gross**	**21,311.5**	**24,234.4**	**26,299.3**	**24,753.7**
		GOK	8,644.9	9,455.8	11,211.5	9,341.4
		Loans	4,905.5	6,623.0	6,623.0	6,623.0
		Grants	1,520.0	1,672.6	1,672.6	1,672.6
		Local AIA	6,241.0	6,483.0	6,792.2	7,116.8
040	**Health**	**Gross**	**35,231.3**	**49,901.6**	**48,543.0**	**44,528.0**
		GOK	18,006.9	19,955.0	21,550.0	21,450.0
		Loans	7,858.0	18,856.6	17,490.0	17,490.0
		Grants	9,366.4	11,090.0	9,503.0	5,588.0
		Local AIA				
050	**Education**	**Gross**	**36,317.9**	**39,594.6**	**45,933.4**	**46,160.1**
		GOK	13,246.9	13,633.5	18,989.3	18,829.0
		Loans	14,296.8	16,796.8	15,892.8	15,892.8
		Grants	8,774.2	9,164.3	11,051.3	11,438.3
		Local AIA				
060	**Governance, Justice, Law and Order (GJLO)**	**Gross**	**29,721.4**	**29,666.0**	**35,487.4**	**38,258.6**
		GOK	17,881.4	18,485.4	24,324.4	27,095.6
		Loans	-	-	-	-
		Grants	46.1	39.6	22.0	22.0
		Local AIA	11,794.0	11,141.0	11,141.0	11,141.0
070	**Public Administration and International Relations (PAIR)**	**Gross**	**130,089.3**	**175,635.9**	**193,332.6**	**244,567.7**
		GOK	90,210.1	145,296.0	163,298.7	214,703.4
		Loans	28,004.7	18,128.5	17,828.5	17,828.5
		Grants	11,874.5	12,211.3	12,205.3	12,035.8
		Local AIA				
080	**National Security**	**Gross**	**10,634.4**	**35,634.4**	**38,634.4**	**43,634.4**
		GOK	4,000.0	4,000.0	7,000.0	7,000.0
		Loans	6,100.4	31,100.4	31,100.4	36,100.4
		Grants	-	-	-	-
		Local AIA	534.0	534.0	534.0	534.0
090	**Social Protection, Culture and Recreation**	**Gross**	**41,932.3**	**38,916.5**	**39,234.2**	**39,421.8**
		GOK	11,357.1	8,341.2	8,658.9	8,846.6
		Loans	5,148.0	5,148.0	5,148.0	5,148.0
		Grants	223.0	223.0	223.0	223.0
		Local AIA	25,204.3	25,204.3	25,204.3	25,204.3
0100	**Environment Protection, Water and Natural Resources**	**Gross**	**80,771.5**	**89,707.4**	**133,431.0**	**138,647.0**
		GOK	39,429.8	37,457.4	55,512.0	63,472.0
		Loans	36,209.0	47,730.0	71,264.0	68,264.0
		Grants	4,549.0	3,762.0	5,897.0	6,153.0
		Local AIA	583.7	758.0	758.0	758.0
	TOTAL	**Gross**	**844,435.4**	**1,051,786.5**	**1,182,515.6**	**1,240,047.2**
		GOK	**329,111.8**	**380,565.4**	**446,794.9**	**489,727.7**
		Loans	**191,606.7**	**271,160.2**	**329,899.0**	**339,400.5**
		Grants	**43,603.6**	**46,519.1**	**44,675.7**	**40,174.2**
		Local AIA	**280,113.4**	**353,541.8**	**361,145.9**	**370,744.7**

Source: The National Treasury

Annex Table 5: Recurrent Sector Ceilings for the FY 2027/28 – 2029/30 MTEF Period (KSh Million)

Code	Sector	Economic Classification	Printed Estimates	2026 BROP Projections		
			2026/27	2027/28	2028/29	2029/30
010	**Agriculture, Rural and Urban Development (ARUD)**	Gross	**44,988.0**	**42,948.0**	**44,957.9**	**46,040.2**
		A-I-A	23,533.7	24,568.5	25,807.3	25,807.3
		Net	21,454.4	18,379.5	19,150.6	20,232.9
020	**Energy, Infrastructure and ICT**	Gross	**138,221.5**	**142,356.7**	**145,676.8**	**149,061.4**
		A-I-A	120,065.5	125,159.9	126,833.0	128,289.7
		Net	18,155.9	17,196.8	18,843.7	20,771.8
030	**General Economic and Commercial Affairs**	Gross	**39,908.7**	**37,591.7**	**41,512.8**	**42,491.2**
		A-I-A	17,898.3	17,898.3	17,898.3	17,898.3
		Net	22,010.4	19,693.4	23,614.5	24,592.9
040	**Health**	Gross	**141,021.6**	**145,306.9**	**161,355.1**	**168,361.6**
		A-I-A	53,539.6	55,291.6	54,033.6	54,033.6
		Net	87,482.0	90,015.3	107,321.6	114,328.0
050	**Education**	Gross	**748,164.2**	**809,110.2**	**885,731.3**	**957,668.3**
		A-I-A	85,790.2	85,790.2	85,790.2	85,790.2
		Net	662,374.0	723,320.0	799,941.0	871,878.1
060	**Governance, Justice, Law and Order (GJLO)**	Gross	**331,801.9**	**355,510.4**	**337,166.0**	**370,047.9**
		A-I-A	4,466.9	6,084.5	4,459.4	6,084.5
		Net	327,334.9	349,425.9	332,706.5	363,963.4
070	**Public Administration and International Relations (PAIR)**	Gross	**228,763.4**	**256,129.7**	**293,587.6**	**354,112.4**
		A-I-A	22,779.1	22,779.1	22,779.1	22,779.1
		Net	205,984.3	233,350.6	270,808.5	331,333.3
080	**National Security**	Gross	**305,598.2**	**325,386.1**	**351,394.7**	**377,550.3**
		A-I-A	8,193.3	8,193.3	8,193.3	8,193.3
		Net	297,404.9	317,192.8	343,201.4	369,357.0
090	**Social Protection, Culture and Recreation**	Gross	**59,337.9**	**62,441.8**	**67,715.2**	**67,834.9**
		A-I-A	4,473.6	1,116.1	1,116.1	1,116.1
		Net	54,864.3	61,325.7	66,599.1	66,718.8
0100	**Environment Protection, Water and Natural Resources**	Gross	**40,465.9**	**42,568.9**	**42,329.4**	**43,218.8**
		A-I-A	23,975.3	24,175.3	24,175.3	24,175.3
		Net	16,490.6	18,393.6	18,154.1	19,043.5
	Total	Gross	**2,078,271.4**	**2,219,350.5**	**2,371,426.7**	**2,576,386.9**
		A-I-A	**364,715.6**	**371,056.8**	**371,085.7**	**374,167.3**
		Net	**1,713,555.8**	**1,848,293.7**	**2,000,341.0**	**2,202,219.6**

Source: The National Treasury

Annex Table 6: Budget Calendar for the FY 2027/28 Medium-Term Budget

Activity	Responsibility	Timeline
1. Develop and Issue FY 2027/28 Budget Preparation Guidelines	**National Treasury**	**10-Jul-26**
2. Launch of the FY 2027/28 and the Medium Term Budget Process	**National Treasury**	**22-Jul-26**
3. Programme Performance & Strategic Reviews	**MDAs**	**30-Jul-26**
3.1 Review and Update of Strategic Plans	"	"
3.2 Review of Programme Outputs and Outcomes	"	"
3.3 Review of Expenditure for the Period 2023/24 - 2025/26	"	"
3.4 Review and Approval of Projects for FY2027/28	Project Committees	"
3.5 Progress Report on MTP IV Implementation	"	"
3.6 Preparation of Annual Plans	"	"
4.Submission of Baseline Information	**MDAs**	**12-Aug-26**
5. Development of Medium-Term Budget Framework	**Macro Working Group**	**30-Aug-26**
5.1 Estimation of Resource Envelope	"	"
5.2 Determination of Policy Priorities	"	"
5.3 Preliminary Resource Allocation to Sectors, Parliament, Judiciary & Counties	"	"
5.4 Draft 2026 Budget Review and Outlook Paper (2026 BROP)	"	15-Aug-26
5.5 Submission of 2026 BROP to the Cabinet	"	26-Aug-26
5.6 Approval of 2026 BROP by the Cabinet	"	30-Aug-26
5.7 Submission of Approved 2026 BROP to Parliament	"	1-Sep-26
6. Preparation of Sector Budget Proposals	**Line Ministries**	**23-Oct-26**
6.1 Retreats to Draft Sector Budget Proposals	Sector Working Group	7th Sep - 2nd Oct 2026
6.2 Hold Public Sector Hearing	National Treasury	12th -14th Oct. 2026
6.3 Review and Incorporation of Stakeholder Inputs in the Sector Budget Proposals	Sector Working Group	16-Oct-26
6.4 Submission of Sector Budget Proposals to the National Treasury	Sector Chairpersons	20-Oct-26
6.5 Consultative Meeting with CSs/PSs on Sector Budget Proposals	National Treasury	23-Oct-26
7. Draft Budget Policy Statement (BPS)	**Macro Working Group**	**30-Nov-26**
7.1 Draft 2027 BPS	Macro Working Group	30-Oct-26
7.2 Division of Revenue Bill (DORB)	National Treasury	"
7.3 County Allocation of Revenue Bill (CARB)	National Treasury	"
7.4 County Governments' Additional Allocation Bill (CGAAB)	National Treasury	"
7.5 Submission of BPS, DORB, CARB and CGAAB to Cabinet for Approval	National Treasury	13-Nov-26
7.6 Submission of BPS, DORB, CARB and CGAAB to Parliament for Approval	National Treasury	30-Nov-26
8. Preparation of Pre-Election Report	**National Treasury**	**10-May-27**
8.1 Draft Pre-Election Report	National Treasury	30-Apr-27
8.2 Submission of Pre-Election Report to Parliament	National Treasury	10-May-27
9. Preparation and Approval of Final MDAs Budgets		**31-Mar-27**
9.1 Develop and Issue Final Guidelines on Preparation of 2027/28 MTEF Budget	National Treasury	15-Dec-26
9.2 Submission of Budget Proposals to the National Treasury	Line Ministries	30-Dec-26
9.3 Consolidation of the Draft Budget Estimates	National Treasury	20-Jan-27
9.4 Submission of the FY 2027/28 and the Medium Term Budget to Cabinet for Approval	National Treasury	26-Jan-27
9.5 Submission of the FY 2027/28 and the Medium Term Budget to Parliament	National Treasury	29-Jan-27
9.6 Submission of the Finance Bill, 2027	National Treasury	29-Jan-27
9.7 Review of Draft Budget Estimates by Parliament	National Assembly	19-Feb-27
9.8 Report on Draft Budget Estimates from Parliament	National Assembly	5-Mar-27
9.9 Consolidation of the Final Budget Estimates	National Treasury	8-Mar-27
9.10 Submission of Appropriation Bill to Parliament	National Treasury	8-Mar-27
10. Budget Statement	**National Treasury**	**18-Mar-27**
11. Appropriation Bill Passed	**National Assembly**	**31-Mar-27**
12. Finance Bill Passed	**National Assembly**	**31-Mar-27**

Source: National Treasury

Annex Table 7: County Government's Fiscal Performance for FY 2025/26

S/No.	County	County Governments OSR Performance									2025/26 County Budget Performance								
		FY 2025/26 OSR Performance									Budget Estimates(KSh Million)			Expenditure(KSh Million)			Rec. Absorption Rate(%)	Dev. Absorption Rate(%)	Overall Absorption Rate(%)
		Ordinary OSR Target	Ordinary OSR Actual	Performance(%)	FIF/AIA Target	FIF/AIA Actual	Performance(%)	Total OSR Revenue Target	Total ActualOSR	Performance(%)	Rec (A)	Dev (B)	Total (C=A+B)	Rec D	Dev (E)	Total (F=D+E)	G=D/A*100	H=E/B*100	I=F/C*100
1	Baringo	331.94	131.27	39.5	320.00	195.25	61.0	651.94	326.51	50.1	5,793.60	3,748.43	**9,542.03**	3,451.89	640.49	**4,092.38**	59.6	17.1	42.9
2	Bomet	607.50	88.05	14.5	290.00	340.65	117.5	897.50	428.69	47.8	6,818.55	3,997.23	**10,815.78**	4,473.16	1,671.31	**6,144.47**	65.6	41.8	56.8
3	Bungoma	683.89	390.62	57.1	1,393.56	831.13	59.6	2,077.45	1,221.76	58.8	11,888.81	5,544.38	**17,433.19**	8,088.61	1,493.36	**9,581.97**	68.0	26.9	55.0
4	Busia	554.70	153.13	27.6	445.06	355.31	79.8	999.76	508.44	50.9	7,253.88	3,994.27	**11,248.15**	4,727.03	1,343.48	**6,070.51**	65.2	33.6	54.0
5	Elgeyo - Marakwe	107.43	55.78	51.9	350.00	230.11	65.7	457.43	285.89	62.5	4,880.59	3,969.02	**8,849.61**	3,000.72	1,005.12	**4,005.84**	61.5	25.3	45.3
6	Embu	712.49	263.40	37.0	600.00	591.77	98.6	1,312.49	855.17	65.2	5,673.12	3,317.13	**8,990.25**	2,966.46	998.27	**3,964.73**	52.3	30.1	44.1
7	Garissa	101.00	44.27	43.8	349.00	444.86	127.5	450.00	489.13	108.7	7,666.96	5,027.67	**12,694.63**	4,516.42	1,935.60	**6,452.02**	58.9	38.5	50.8
8	Homa Bay	566.18	304.04	53.7	1,104.91	714.57	64.7	1,671.09	1,018.62	61.0	8,409.36	5,192.09	**13,601.45**	5,175.08	1,622.74	**6,797.82**	61.5	31.3	50.0
9	Isiolo	271.21	122.54	45.2	104.00	44.29	42.6	375.21	166.83	44.5	4,899.68	2,656.16	**7,555.84**	2,710.17	876.24	**3,586.41**	55.3	33.0	47.5
10	Kajiado	1,200.00	514.24	42.9	440.00	214.17	48.7	1,640.00	728.41	44.4	8,882.07	4,893.40	**13,775.47**	5,303.80	438.44	**5,742.24**	59.7	9.0	41.7
11	Kakanega	957.37	431.57	45.1	1,242.63	806.13	64.9	2,200.00	1,237.70	56.3	11,929.98	5,117.88	**17,047.86**	8,053.03	1,742.18	**9,795.21**	67.5	34.0	57.5
12	Kericho	870.13	245.56	28.2	724.25	392.32	54.2	1,594.38	637.88	40.0	6,506.27	3,528.69	**10,034.96**	3,499.43	725.34	**4,224.77**	53.8	20.6	42.1
13	Kiambu	7,322.37	2,486.44	34.0	2,611.85	1,411.62	54.0	9,934.22	3,898.06	39.2	16,517.87	10,313.45	**26,831.32**	9,486.49	3,166.61	**12,653.10**	57.4	30.7	47.2
14	Kilifi	1,875.71	524.62	28.0	500.00	691.78	138.4	2,375.71	1,216.40	51.2	10,479.03	9,397.48	**19,876.51**	7,706.65	4,320.40	**12,027.05**	73.5	46.0	60.5
15	Kirinyaga	459.00	324.74	70.7	305.00	454.80	149.1	764.00	779.54	102.0	5,292.70	3,248.67	**8,541.37**	3,163.51	1,270.10	**4,433.61**	59.8	39.1	51.9
16	Kisii	1,467.00	352.49	24.0	1,700.00	809.14	47.6	3,167.00	1,161.62	36.7	11,233.88	8,814.05	**20,047.93**	6,427.43	2,356.80	**8,784.23**	57.2	26.7	43.8
17	Kisumu	2,741.31	581.66	21.2	800.00	505.57	63.2	3,541.31	1,087.23	30.7	10,366.33	5,965.19	**16,331.52**	5,248.24	1,261.83	**6,510.07**	50.6	21.2	39.9
18	Kitui	312.35	196.24	62.8	806.90	452.22	56.0	1,119.25	648.47	57.9	9,518.59	5,226.77	**14,745.36**	6,542.31	1,549.24	**8,091.55**	68.7	29.6	54.9
19	Kwale	486.04	259.91	53.5	400.00	292.38	73.1	886.04	552.30	62.3	7,960.38	7,867.18	**15,827.56**	5,049.69	2,137.21	**7,186.90**	63.4	27.2	45.4
20	Laikipia	725.00	374.65	51.7	626.00	508.38	81.2	1,351.00	883.02	65.4	4,946.67	4,270.47	**9,217.14**	3,383.50	1,045.99	**4,429.49**	68.4	24.5	48.1
21	Lamu	150.00	71.17	47.4	130.00	129.63	99.7	280.00	200.80	71.7	3,355.33	2,237.23	**5,592.56**	1,896.74	251.51	**2,148.25**	56.5	11.2	38.4
22	Machakos	3,020.88	1,378.81	45.6	1,069.90	1,242.11	116.1	4,090.78	2,620.93	64.1	10,597.21	4,596.38	**15,193.59**	7,991.78	1,163.43	**9,155.21**	75.4	25.3	60.3
23	Makueni	1,067.56	317.66	29.8	600.00	806.80	134.5	1,667.56	1,124.46	67.4	8,238.17	4,867.90	**13,106.07**	5,224.07	1,748.49	**6,972.56**	63.4	35.9	53.2
24	Mandera	360.00	128.13	35.6	322.53	146.98	45.6	682.53	275.11	40.3	9,570.93	5,440.74	**15,011.67**	6,048.07	2,409.11	**8,457.18**	63.2	44.3	56.3
25	Marsabit	150.00	67.92	45.3	173.50	73.81	42.5	323.50	141.73	43.8	6,656.99	3,672.95	**10,329.94**	4,973.41	1,871.86	**6,845.27**	74.7	51.0	66.3
26	Meru	796.00	324.70	40.8	1,025.50	848.19	82.7	1,821.50	1,172.89	64.4	9,794.27	6,224.56	**16,018.83**	7,561.88	3,390.60	**10,952.48**	77.2	54.5	68.4
27	Migori	525.00	204.15	38.9	350.00	388.11	110.9	875.00	592.26	67.7	7,449.61	4,327.74	**11,777.35**	4,757.32	848.50	**5,605.82**	63.9	19.6	47.6
28	Mombasa	3,877.93	2,192.10	56.5	1,200.00	1,718.19	143.2	5,077.93	3,910.29	77.0	10,179.29	4,450.71	**14,630.00**	6,377.13	910.03	**7,287.16**	62.6	20.4	49.8
29	Murang'a	1,018.57	503.65	49.4	588.10	656.86	111.7	1,606.67	1,160.51	72.2	7,887.83	3,828.92	**11,716.75**	4,573.46	1,462.03	**6,035.49**	58.0	38.2	51.5
30	Nairobi	19,942.05	9,440.57	47.3	1,236.00	1,348.85	109.1	21,178.05	10,789.42	50.9	31,203.19	13,417.70	**44,620.89**	26,780.80	5,341.86	**32,122.66**	85.8	39.8	72.0
31	Nakuru	2,400.00	1,313.32	54.7	2,175.90	1,502.58	69.1	4,575.90	2,815.90	61.5	14,924.87	7,472.53	**22,397.40**	9,329.64	1,419.36	**10,749.00**	62.5	19.0	48.0
32	Nandi	669.21	217.34	32.5	453.61	456.76	100.7	1,122.82	674.10	60.0	6,529.91	4,111.27	**10,641.18**	4,468.93	2,273.01	**6,741.94**	68.4	55.3	63.4
33	Narok	5,909.59	3,301.73	55.9	120.95	142.08	117.5	6,030.54	3,443.81	57.1	11,018.82	6,212.24	**17,231.06**	7,325.05	2,091.60	**9,416.65**	66.5	33.7	54.6
34	Nyamira	675.00	166.66	24.7	300.00	386.47	128.8	975.00	553.13	56.7	5,365.31	3,280.99	**8,646.30**	3,703.35	1,322.99	**5,026.34**	69.0	40.3	58.1
35	Nyandarua	218.71	101.58	46.4	650.00	309.70	47.6	868.71	411.28	47.3	5,833.87	3,592.61	**9,426.48**	3,638.49	812.61	**4,451.10**	62.4	22.6	47.2
36	Nyeri	800.00	530.03	66.3	850.00	764.29	89.9	1,650.00	1,294.32	78.4	6,324.12	3,117.61	**9,441.73**	4,603.05	735.12	**5,338.17**	72.8	23.6	56.5
37	Samburu	282.37	277.72	98.4	-	112.10	-	282.37	389.82	138.1	5,403.79	2,705.59	**8,109.38**	3,825.82	810.10	**4,635.92**	70.8	29.9	57.2
38	Siaya	2,036.24	184.20	9.0	1,078.69	423.24	39.2	3,114.92	607.45	19.5	6,974.55	5,818.79	**12,793.34**	3,762.29	761.71	**4,524.00**	53.9	13.1	35.4
39	Taita-Taveta	669.60	234.55	35.0	280.00	202.53	72.3	949.60	437.09	46.0	5,721.68	2,613.34	**8,335.02**	3,947.75	949.02	**4,896.77**	69.0	36.3	58.7
40	Tana River	196.07	85.62	43.7	4.35	2.24	51.5	200.42	87.86	43.8	5,639.26	4,325.61	**9,964.87**	3,160.52	746.87	**3,907.39**	56.0	17.3	39.2
41	Tharaka-Nithi	293.08	189.65	64.7	305.40	270.12	88.4	598.48	459.76	76.8	4,617.43	2,893.13	**7,510.56**	2,679.16	677.87	**3,357.03**	58.0	23.4	44.7
42	Trans Nzoia	324.97	243.14	74.8	275.03	245.43	89.2	600.00	488.57	81.4	6,250.62	3,667.04	**9,917.66**	3,797.31	1,595.36	**5,392.67**	60.8	43.5	54.4
43	Turkana	600.00	143.04	23.8	600.00	19.88	3.3	1,200.00	162.92	13.6	12,303.86	7,602.43	**19,906.29**	7,255.88	1,686.80	**8,942.68**	59.0	22.2	44.9
44	Uasin Gishu	1,300.00	666.55	51.3	450.00	391.54	87.0	1,750.00	1,058.09	60.5	9,984.97	7,442.25	**17,427.22**	5,363.09	1,001.49	**6,364.58**	53.7	13.5	36.5
45	Vihiga	170.00	148.45	87.3	274.13	194.75	71.0	444.13	343.20	77.3	5,244.37	2,681.85	**7,926.22**	3,592.96	943.78	**4,536.74**	68.5	35.2	57.2
46	Wajir	110.00	75.79	68.9	240.00	166.73	69.5	350.00	242.51	69.3	8,758.85	4,879.67	**13,638.52**	5,831.91	2,612.20	**8,444.11**	66.6	53.5	61.9
47	West Pokot	98.15	77.34	78.8	253.51	216.31	85.3	351.66	293.65	83.5	6,227.17	2,757.89	**8,985.06**	4,130.84	635.34	**4,766.18**	66.3	23.0	53.0
	Total	**70,013.60**	**30,430.79**	**43.5**	**30,120.26**	**23,452.73**	**77.9**	**100,133.85**	**53,883.53**	**53.81**	**398,974.59**	**234,329.28**	**633,303.87**	**259,574.32**	**72,073.40**	**331,647.72**	**65.1**	**30.8**	**52.4**

Source of Data: Controller of Budget

Annex Table 8: Members of the Macro Working Group who attended the Retreat in Naivasha from 16th to 22nd August 2026 to Review and Finalize this 2026 Budget Review and Outlook Paper

S/No.	Name	Designation	Institution	Department
1	Mr. Musa Kathanje	Director/ Macro & Fiscal Affairs	The National Treasury	Macro & Fiscal Affairs
2	Mr. John Njera	Director Planning		
3	Mr. Maurice Omete	Principal Economist		
4	Ms. Catherine Kalachia	Principal Economist		
5	Mr. Humphrey Kuloba	Assistant Director		
6	Ms. Sharon Chepkor	Senior Economic Policy Analyst		
7	Mr. Emmanuel Kitaka	Senior Economic Policy Analyst		
8	Mr. Kelvin Kariuki	Senior Economic Policy Analyst		
9	Ms. Jalody Cherotich	Senior Economic Policy Analyst		
10	Ms. Amina Rashid	Economic Policy Analyst		
11	Mr. Fredrick Mhital	Economic Policy Analyst		
12	Mr. Victor Oyaro	Economic Policy Analyst		
13	Mr. Josiah Gatuni	Economist I		
14	Ms. Miriam Musyoki	Deputy Director		Budget
15	Mr. Dancan Kombo	Economist I		
16	Mr. Joshua Musyoka	Assistant Director		Intergovernmental Fiscal Relations
17	Ms. Sharon Wamu	Senior Economist		
18	Ms. Deborah Muricho	Senior Economic Policy Analyst		Financial and Sectoral Affairs
19	Ms. Nancy Oswera	Assistant Director		Debt Policy, Strategy and Risk Management
20	Ms. Grace Mukindia	Principal Debt Settlement Officer		Debt Recording and Settlement
21	Ms. Maureen Nafula	Senior Investment Officer		Government Investment and Public Enterprises
22	Mr. Evans K. Muigai	Deputy Accountant General		Pensions
23	Mr. Ambrose Ogango	Senior Chief Finance Officer		Finance Unit/National Treasury
24	Mr. Benson Kiriga	Director/Macro Modelling and Forecasting	State Department for Economic Planning	
25	Ms. Maryanne Gitimu	Economist	Central Bank of Kenya	
26	Mr. Peter Wairimu	Economist		
27	Mr. Walter Omwenga	Senior Research and Tax Modelling Officer	Kenya Revenue Authority	

S/No.	Name	Designation	Institution	Department
28	Mr. Solomon Barasa	Business Analysis Officer		
29	Mr. Austin Cheboi	Policy Analyst	Kenya Institute for Public Policy Research and Analysis	
30	Ms. Doris Syombua	Statistician	Kenya National Bureau of Statistics	
31	Ms. Lineth Oyugi	Director/Economic Affairs	Commission on Revenue Allocation	

Annex Table 9: Summary of Comments Received from Stakeholders and Public on the 2026 BROP

SECTION/POLICY AREA	PARAGRAPH	RECOMMENDATIONS	RESPONSE/ACTION TAKEN
Fiscal Performance - Revenue and Expenditures	5	Rewrite the last sentence to capture the growth for total revenue inclusive of Ministerial AiA and compare to FY 2024/25.	The growth of total revenue inclusive ministerial AiA has been amended and captured in table 1 and paragraph 5
	9	It is indicated that external grants amounted to KSh 20.7 billion against a target of KSh 39.9 billion. However, no reason is given for the below target performance.	The observation is noted. The below-target performance in external grants was mainly due to delays in the disbursement of some committed grants by development partners and the non-realisation of projected grants during the financial year.
	10	The review should identify and report on specific causes of the under-absorption so that corrective measures can be targeted at the implementation stage. The review should also incorporate the strategies in place to ensure seamless implementation of e-GPS.	The observation is noted. The under-absorption was mainly attributed to delays in procurement processes, including the slow adoption and implementation of the electronic Government Procurement System (e-GP), as highlighted in the OCOB quarterly reports. The Government is addressing these challenges through early procurement planning, accelerated onboarding and training of procuring entities, enhanced technical support, and closer monitoring of compliance with e-GP requirements.
	13 - 15	Provide explanations for performances. Review the updated figures and Table 3. Information or the narrative is not sufficient for better understanding of MDAs to citizens.	Paragraphs 11 to 13 have been amended to provide for explanations on expenditure performances. Table 3 has been updated with the recent data to illustrate expenditure performance in the period under review. Paragraphs 14-16 have been amended with sufficient information for better understanding.
	Table 3	Amend the numbers in Table 3 to be consistent with the main outturn in Annex Table 2.	The figures in Table 3 have been well aligned and updated accordingly with the figures provided in Annex Table 2.
	17	Include information on commercial financing as part of the total disbursements.	Paragraph 18 has been amended to capture all the disbursements made under net foreign financing.
	17	The National Treasury should consider providing additional information for the remaining balance of KSh 475,0 billion and provide tabular information on these	Paragraph 18 has been revised to clarify that the balance of KSh 475.1 billion in the deficit financing requirement arose from commercial financing. Since this amount represents a financing source for the overall budget deficit

SECTION/POLICY AREA	PARAGRAPH	RECOMMENDATIONS	RESPONSE/ACTION TAKEN
		programs and projects funded in the review to support future budget analysis and review.	and is not necessarily allocated to specific programmes or projects, project-by-project attribution may not be available.
	17	The review indicates that the government received KSh 267.3 billion in external financing However, no information is provided on the source of these funds. The review should indicate creditor categories such as funds received from bilateral sources, multilateral sources and commercial sources.	Paragraph 18 presents external financing and debt repayments on an aggregate basis. While the paragraph provides the creditor breakdown for principal repayments, the corresponding breakdown for external financing inflows will be included in the financing analysis to enhance clarity and completeness.
	18	The National Treasury to consider providing a tabular summary to ensure comprehensive information on pending bills is provided as suggested above	Paragraph 19, was revised to include a comprehensive presentation of pending bills for State Corporations and MDAs. Detailed information on pending bills by MDAs and counties will be provided in the 2027 BPS.
	21	Explain why the revenue collection target was not achieved and how this variance affected the fiscal space.	In relation to financial management FY 2025/26, total revenue was at 17.2 percent of GDP which in turn underscores the various measures enhancing revenue mobilization.
	117 / Table 1	IHRM proposes that the National Treasury consider revised PAYE tax bands for resident individuals on employment income: 0% on the first KSh 30,000; 20% on KSh 30,001–38,333; 25% on KSh 38,334–500,000; 27.5% on KSh 500,001–800,000; and 30% above KSh 800,000. The proposal should be considered alongside the broader revenue and expenditure projections for FY 2027/28–2029/30.	PAYE tax bands are prescribed through the applicable tax laws and administered by the Kenya Revenue Authority (KRA); therefore, any review of the bands is a tax-policy matter for consideration by the National Treasury and Parliament, with KRA implementing approved changes.
Fiscal Responsibility Principles	Table 5	Review the figures in Table 6 and update with the latest framework data	Reviewed and updated to align with the recent fiscal framework data.
	25	The BROP recognizes the high risk of debt distress but does not provide sufficient evidence of progress or a credible roadmap for bringing public debt down to the 55% debt anchor. The BROP should include the latest end-year debt data and a detailed medium-term debt-	To slow the growth of public debt, the Government is pursuing fiscal consolidation through deficit reduction, expenditure prioritization and rationalization, strengthened revenue administration, and tighter control of borrowing within approved budget limits. The Government is also

SECTION/POLICY AREA	PARAGRAPH	RECOMMENDATIONS	RESPONSE/ACTION TAKEN
		reduction strategy with specific annual targets, timelines, and policy measures. Progress toward the 55% debt anchor should also be reported regularly and transparently.	strengthening debt management by prioritizing concessional financing, managing refinancing and foreign-exchange risks, and monitoring guarantees and other contingent liabilities. These measures are aimed at moderating debt accumulation and stabilizing the debt-to-GDP ratio over the medium term, with a view to its gradual reduction as fiscal space improves.
	25	Review the number to align with outturn table 4 and re-compute the percentage. Explain why development allocation is below the fiscal requirement of 30 percent and provide strategies to ensure adherence to the fiscal responsibility principles in the medium term. Provide an explanation for the non-adherence to the fiscal responsibility principle on borrowing and how the fiscal responsibility principle will be adhered to going forward.	The figures have been amended accordingly. The provisions of Section 15(2)(c) of the Public Finance Management (PFM) Act, CAP 412A, the National Treasury remains committed to ensuring that proceeds from borrowing are used strictly to finance development expenditure and not recurrent expenditure. In FY 2024/25, total borrowing amounted to KSh 1,251.1 billion, of which KSh 999.8 billion, equivalent to 79.9 percent, was allocated specifically to development projects. Over the medium term, the Government remains committed to adhering to fiscal responsibility principles to ensure efficient resource utilization.
	25 (d)	There is a lot of repetition, amend the paragraph Insert the benchmarks in Table 6 for ease of comparison, including the Present Value (PV) of public debt-to-revenue and grant ratio.	The paragraph harmonized to ease comparison and clarity.
	25(b) / Table 5	IHRM recommends that the National Treasury, in collaboration with the Public Service Commission and Salaries and Remuneration Commission, formally engage certified HRM practitioners registered under the Human Resource Management Professionals Act in wage bill reviews, job evaluation exercises and staff establishment audits across MDAs, to strengthen wage bill sustainability through professional human resource planning.	The National Treasury will consider engaging the Public Service Commission, Salaries and Remuneration Commission and qualified HRM practitioners in wage bill reviews, job evaluations and staff-establishment audits, in order to strengthen professional human resource planning and promote wage bill sustainability.

SECTION/POLICY AREA	PARAGRAPH	RECOMMENDATIONS	RESPONSE/ACTION TAKEN
County Governments' Fiscal Performance	29	Update the actual figures for total transfers and additional allocations.	The figures were harmonized as per the fiscal framework.
	31	Update additional allocation and total disbursements to County Governments.	The additional allocation and total disbursements to County Governments reviewed and updated.
	34	The review provides the distribution of Conditional Allocations to Counties from the National Government of KSh 4.9 billion. However, it is not clear which counties received the funds, the amounts received and the outstanding balances based on how the funds were utilised. This is important to corroborate between the beneficiary counties anticipated in the law.	The BROP presents the absorption of conditional allocations on an aggregate basis. Detailed information on the beneficiary counties, amounts disbursed, utilisation, and outstanding balances is maintained in the relevant Government records and can be availed upon request.
	39	Substantiate the statements on County Governments' Own Source Revenue performance. Clarify how some counties recorded more than 100 percent of their annual targets within the first nine months and explain the implications for the realism of the original targets.	The comment is addressed in paragraph 42, which explains the factors behind the varying county revenue performance and notes that counties exceeding their annual targets may have set conservative targets. It also highlights the need for realistic, evidence-based revenue forecasts and continued improvements in revenue administration.
	42	Table 9 and 10 should be updated with data for 30th June 2026. Figures 2-8 containing data from OCOB reports are to be replaced with information contained in the Annual Report for FY 2025/26 covering the 12 months since the review covers information for the whole year.	The observation is noted. At the time of finalizing the BROP, the OCOB Annual Report for FY 2025/26, covering the full twelve-month period ending 30th June 2026, had not been published. Consequently, the updated information required for Tables 9 and 10 and Figures 2–8 was not available for inclusion in the current BROP. The tables and figures will be updated once the OCOB Annual Report is published. However, given the strict timelines for the BROP, which is scheduled for submission to Cabinet for approval by 26th August 2026, the updated information will be incorporated in the 2027 Budget Policy Statement.
	56	The BROP should explicitly highlight the implementation gap between budgeted development allocations and actual development expenditure.	In paragraph 59, the reason for the gap between budgeted development allocations and actual development expenditure is captured. In part, the high expenditure of wages and benefits observed in most counties constrained

SECTION/POLICY AREA	PARAGRAPH	RECOMMENDATIONS	RESPONSE/ACTION TAKEN
			the fiscal space available for operations and development expenditure, thereby affecting the absorption of development funds.
	58-59	Include the progress made by the taskforce and it should come out clearly and specify the period and the fiscal risks being taken.	The policy has been clearly stated on paragraph 60, which sets out the relevant policy measures and identifies the key fiscal risks, including high wage-bill expenditure, underperformance in Own-Source Revenue (OSR) and rising pending bills. These risks are linked to their potential impact on county financial sustainability, service delivery and local business development.
	58 / Figure 8	In view of county compensation of employees reaching 44.2% of total revenue in the first nine months of FY 2025/26, IHRM recommends independent human resource audits and staff establishment reviews in affected counties, undertaken by or in consultation with IHRM, to support lawful and orderly rationalization of county staff establishments while avoiding ad-hoc or unlawful measures that may trigger labour disputes or infringe employee rights.	Necessary action will be taken in consultation with the relevant stakeholders to address the high county wage bill, strengthen staff- establishment controls and safeguard fiscal sustainability, while ensuring compliance with applicable laws and protection of employee rights.
	63	The National should provide timelines for the integration of the HRIS-Ke system with IFMIS to enable monitoring of the implementation process. This should include timelines for the configuration of the HRIS-Ke system to enable automatic processing of salaries and statutory deductions.	The Government is implementing HRIS-Ke in phases, including its rollout to County Governments, configuration to automate salary processing and the computation and remittance of statutory deductions, and integration with IFMIS to ensure that payroll payments are aligned with approved budgets. The implementation timeline, including milestones for system configuration, integration, testing, and full operationalisation, is being finalised by the responsible agencies.
	65	Amend Table 12 to include emerging market and developing economies and the Middle East and Central Asia as part of the Global Outlook performance.	Table 12 was amended and captured both the Emerging Market and developing economies as well as the Middle East and Central Asia outlook and performance.

SECTION/POLICY AREA	PARAGRAPH	RECOMMENDATIONS	RESPONSE/ACTION TAKEN
	66	The BROP should indicate measures to address implementation delays under Equalisation Fund and the late enactment of the 2026 Appropriation Bills to avoid recurring implementation lags.	The observation is noted. The Government will strengthen coordination and adhere to the statutory budget calendar to ensure the timely approval and implementation of the Equalisation Fund and Appropriation Acts. Outstanding administrative and legislative issues will be addressed early to minimise delays and prevent recurring implementation lags.
	67-69	Include the progress made by the taskforce and it should come out clearly and specify the period and the fiscal risks being taken.	The policy has been clearly stated on paragraph 60, which sets out the relevant policy measures and identifies the key fiscal risks, including high wage-bill expenditure, underperformance in Own-Source Revenue (OSR) and rising pending bills. These risks are linked to their potential impact on county financial sustainability, service delivery and local business development.
	70–71	IHRM recommends complementary capacity building in county human resource management functions, including recruitment planning, establishment control, performance management and discipline, and offers to collaborate with the National Treasury's Intergovernmental Fiscal Relations Department and the Council of Governors to extend such training to County Executive Committee Members and Chief Officers responsible for public service management.	The National Treasury, in collaboration with other relevant institutions, conducted capacity-building training on public finance management on additional allocations for Chief Officers responsible for Finance from all Forty-Seven (47) County Governments and Chairpersons of the County Assemblies' Committees on Budget and Appropriations.
	77	Add the aspect of clearing of the pending bills as one of the indicators that led to the growth of the Construction Sub-sector	Paragraph 81 captures the inclusion of pending bills clearance to contractors as one of the defining factors that resulted in the growth of the sector.
	84	Insert the specific gazette notice	In Paragraph 88, the mention of the Legal Notice.70 of 2026 and Legal Notice.128 of 2026 both outlines the reduction of the VAT rate on specific petroleum productions from 16 percent to 8 percent for an initial period of three months and later in July 2026, an extension of further three months was implemented, consecutively.

SECTION/POLICY AREA	PARAGRAPH	RECOMMENDATIONS	RESPONSE/ACTION TAKEN
	Table 15	Review the numbers in Table 15, the GDP deflator to be revised for consistency across the Government institutions.	The GDP deflator figures have been reviewed and revised to ensure consistency with the official assumptions applied across Government institutions. The corrected figures have been reflected in Table 16.
	88	IHRM recommends that the proposed PAYE tax-band structure be considered in light of inflation and cost-of-living considerations, including the 6.5% inflation rate recorded in July 2026.	PAYE tax bands are prescribed through the applicable tax laws and administered by the Kenya Revenue Authority (KRA); therefore, any review of the bands is a tax-policy matter for consideration by the National Treasury and Parliament, with KRA implementing approved changes. The inflation and cost-of-living considerations raised will accordingly be brought to the attention of the relevant policy authorities.
Resource Allocation Framework	119	The 2026 BROP and 2027 BPS should project realistic revenue targets that take into account the expected slowdown in economic activities during the first quarter of FY 2027/28 due to the 2027 General Elections. Realistic revenue projections are a prerequisite for equitable sharing of revenue between the national and county governments.	The revenues are projected realistically however projections include revenue impact of policy and administration measures the government is expected to initiate in the FY 2027/28 and over the medium-term. These projections could also be reviewed in the 2027 BPS.
	123 and 125	Duplication of the criteria in both paragraph 123 and 125.	The duplication has been addressed. The criteria's have now been consolidated and captured only once in paragraph 131.
	118(v)	IHRM supports strengthening implementation of HRIS-Ke to automate payroll processing and facilitate simultaneous computation and remittance of pension contributions and statutory deductions. It requests formal engagement in the design, configuration and rollout of HRIS-Ke and recommends that officers administering HRIS-Ke at national and county levels be certified HRM practitioners.	All relevant stakeholders will be involved in the implementation of the expenditure reforms to ensure effective design, configuration and rollout of HRIS-Ke, as well as appropriate capacity and certification of officers administering the system.
	Paragraph 128	The draft 2026 BROP raises the fiscal deficit by 1.4 percent of GDP in FY 2027/28, 1.5 percent of GDP in FY	The deviation from the DSA-consistent path largely reflects in-year expenditure pressures, including security,

SECTION/POLICY AREA	PARAGRAPH	RECOMMENDATIONS	RESPONSE/ACTION TAKEN
		2028/29 and 1.6 percent of GDP in FY 2029/30. Gross debt projections are correspondingly higher by approximately 3.0 percent over the medium term. These projections are above the DSA-consistent path and could affect the assessment of macro-fiscal adequacy and the credibility of the medium-term fiscal consolidation framework. It is important therefore, to consider: i) Why fiscal consolidation pathway has weakened in the medium-term; ii) What reforms can help contain or offset spending pressures including curtailing continued use of supplementary budgets; and iii) Whether agreed revenue measures remain on track, have changed or additional measures are needed to improve the fiscal consolidation path.	drought response and the wage bill, which have necessitated significant supplementary budget adjustments in the past. To strengthen the consolidation path, the Government will continue implementing measures to contain expenditure pressures and improve the efficiency and predictability of budget execution. These include: i) extending Zero-Based Budgeting to MDA-level supplementary requests, with offsetting reallocations required where feasible rather than net increases in borrowing; ii) strengthening application of the PFM Act controls on supplementary budgets to minimize their frequency and ensure that in-year adjustments remain within the established fiscal framework; iii) advancing PFM reforms, including pension re-engineering and IFMIS/payroll integration, to reduce structural recurrent expenditure pressures; and iv) strengthening commitment controls to prevent their re-emergence as unbudgeted claims. On the revenue side, Government remains committed to the MTRS measures which have lagged behind and implement aggressive tax administration reforms, to strengthen the medium-term consolidation path. In addition, the Government will review the projections going forward in the next publication of the 2027 Budget Policy Statement (BPS).
Annexes	63 / 64 / 118(iv)	IHRM recommends timely reappointment of the Taskforce on Non-Remittance of Pension Deductions to Pension Schemes by County Government Entities and inclusion of qualified HRM practitioners in its reconstituted membership. It further supports automatic and simultaneous remittance of pension contributions	The IHRM and other relevant stakeholders will be involved in the formulation and implementation of the reforms to strengthen timely remittance, accountability and monitoring of pension contributions.

SECTION/POLICY AREA	PARAGRAPH	RECOMMENDATIONS	RESPONSE/ACTION TAKEN
		with salary payments, with clear accountability assigned to appropriately qualified HRM or payroll officers in each public entity.	
	116–118 / 124	IHRM recommends that the final BROP and resulting budget estimates expressly provide for professional membership subscriptions, practicing license fees and continuous professional development costs for public officers who are members of statutory professional regulatory bodies. Where withdrawal or reduction of such funding is contemplated, prior meaningful consultation, fair notice and reasonable transitional arrangements should be provided.	The recommendation is noted and will be taken into account in the preparation of the final BROP and the resulting budget estimates, subject to the applicable policy guidelines and available resources.
	122	IHRM requests formal representation in the Social Sectors and Governance and Public Administration Sector Working Groups and recognition as a standing consultee in future budget processes on matters relating to human resource management policy and practice in the public service	The role of IHRM as a technical stakeholder in public-sector human resource matters will be considered when constituting the relevant Sector Working Groups and planning future budget consultations, subject to the established Government procedures.
	122	IHRM recommends that the Government consult professional bodies when undertaking workforce planning for BETA priority value chains, ensuring that the human capital dimension of value chain implementation receives the same level of rigour as its financial and infrastructural dimensions.	In alignment with the value-chain approach outlined in the BROP and in paragraph 125, which provides for coordinated resource allocation across the identified BETA priority programmes and sectors. In implementing this approach, the Government will take into account the human-capital requirements of each value chain and consult relevant professional bodies to support effective workforce planning, avoid duplication and ensure achievement of the intended outcomes.
	125(vi) and 125(ix)	IHRM recommends that the resource allocation criteria under Zero-Based Budgeting Approach include assessment of the adequacy of professional human resource capacity within each MDA and programme. Sector Working Groups should incorporate human	The recommendation is noted and will be considered in the implementation of Zero-Based Budgeting Approach. Future programme justifications and resource-allocation decisions will take into account the adequacy of human resource capacity, including staffing levels, skills and

SECTION/POLICY AREA	PARAGRAPH	RECOMMENDATIONS	RESPONSE/ACTION TAKEN
		resource establishment and competency audits into programme justification so that staffing and human capital considerations inform programme and project prioritisation.	competency requirements, in line with the relevant Government guidelines and budget procedures.
Annexes	Annex Table 2	Consider increasing the county equitable share allocation, noting that the proposed FY 2027/28 allocation of KSh 440.1 billion represents an increase of only KSh 12 billion from FY 2026/27 while ordinary revenue is projected to grow by over KSh 300 billion.	The proposed FY 2027/28 equitable share allocation is based on the prevailing revenue projections, fiscal position and applicable allocation framework. The allocation may be reviewed during the preparation of the 2027 BPS in light of actual revenue performance, the impact of policy and administrative measures, and the available fiscal space.
Typographical Errors	Paragraph 1	Delete the repeated acronym 'BETA'.	Paragraph 1 is well amended.
	Paragraph 2 (vi)	Correct the date from 31st June 2027 to 30th June 2027.	The date has been corrected from 31st June 2027 to 31st March 2027 in alignment with the budget Calendar as provided in Annex Table 6.
	Paragraph 2	Delete 'that' in the statement on preparation of the FY 2027/28 and the medium-term budget.	Paragraph amended.
	Para. 61	Delete "enforcement of" to avoid repetition.	Paragraph Amended.
	Para. 68	Correct the presentation to read "Public Finance Management Act, CAP 412A".	Amendments done to capture the change.
	Para. 127	Delete the repeated word 'strictly' in the statement "Stakeholders are required to strictly adhere strictly to the prescribed timelines".	Paragraph amended.

THE NATIONAL TREASURY
AUGUST 2026