



**REPUBLIC OF KENYA
THE NATIONAL TREASURY**

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Treasury Circular No. 3/2026

Date: 12th February, 2026

To : All Cabinet Secretaries

: All County Governors

: All Principal Secretaries (*with sufficient copies to all Accounting Officers of State Corporations and Agencies*)

Dear

RE: CIRCULAR ON OPTIMAL UTILIZATION OF GOVERNMENT ASSETS

The Government of Kenya has over the years invested substantial public resources in the acquisition, development, operation, and maintenance of public assets with the objective of enhancing service delivery and supporting socio-economic development.

However, assessments undertaken by the National Treasury have identified instances of idle and underutilized assets, duplication, weak maintenance practices, and inadequate asset planning across the public sector entities. These inefficiencies result in avoidable fiscal pressures, increased recurrent expenditure, and undermine Government fiscal consolidation objectives and public financial management reforms.

1. Purpose of the Circular

The purpose of this Circular is to provide policy and operational guidance to Ministries, Departments and Agencies (MDAs) and County Governments on the optimal utilization, management, and stewardship of Government assets throughout their life-cycle.

Specifically, the Circular seeks to:

- Ensure that all public assets deliver maximum value for money, efficiency, and accountability;
- Increase productivity through improved utilization of existing assets;
- Reduce costs, wastage, and duplication;
- Support evidence-based decision-making for fiscal sustainability and improved service delivery;
- Promote utilization of idle and underutilized asset capacity.

2. Legal and Policy Framework

This Circular is issued pursuant to, and shall be read together with, the following legal and policy instruments:

- a. The Constitution of Kenya, 2010, particularly Articles 201 and 227 on prudent and responsible use of public resources;
- b. The Public Finance Management Act, 2012, which assigns Accounting Officers responsibility for the proper management and safeguarding of public assets;
- c. The Public Procurement and Asset Disposal Act, 2015, and attendant Regulations governing acquisition, management, and disposal of public assets;
- d. The National Asset and Liability Management Policy, which provides the overarching framework for life-cycle management of public assets and liabilities;
- e. Treasury Circulars, Guidelines, and Regulations issued from time to time by the National Treasury; and
- f. Applicable International Public Sector Accounting Standards (IPSAS) relating to the recognition, measurement, and reporting of public assets.

All Ministries, Departments and Agencies (MDAs) and County Governments are required to ensure full compliance with the above legal and policy instruments.

3. Scope of the Circular

This Circular applies to:

- All Ministries, Departments and Agencies (MDAs) at the National and County Government levels; and
- All Government-owned or controlled assets, whether held directly or indirectly.

4. Directives on Strategies /opportunities for public assets optimal utilization

4.1. Commercialization of Public Land

All Principal Secretaries and Accounting Officers are hereby directed to:

- a. Identify and document all idle or underutilized public land under their custody, supported by valid ownership documents and updated asset registers;
- b. Undertake independent valuation of such land through registered Government valuers;
- c. Assess suitable commercialization options, including but not limited to:
 - Leasing arrangements;
 - Public Private Partnerships (PPPs);
 - Joint ventures, where legally permitted;
 - Licensing and user rights;
 - Development rights, subject to planning approvals;
- d. Ensure that all commercialization initiatives comply with:
 - Competitive procurement requirements;
 - National Land Commission approvals, where applicable;
 - Compliance with existing rules and regulations;
 - Environmental and physical planning laws.

Reporting Requirements

Principal Secretaries/Accounting Officers shall:

- Integrate public land commercialization initiatives into their Asset Management Plans; and
- Submit a report to the National Treasury within **ninety (90) days** of the date of this Circular detailing:
 1. Identified idle or underutilized land and Reference Number;
 2. Proposed commercialization models; and
 3. Status of approvals and implementation timelines.

4.2. Optimal Utilization of Government Buildings

Principal Secretaries/Accounting Officers shall implement the following measures:

a) Efficient Allocation of Office Space

- Promote efficient planning and allocation of Government office space based on approved space standards;
- Rationalize office accommodation to eliminate excess or idle space.

b) Restriction on Leasing of Office Space

- No public institution shall lease or rent office space where suitable Government-owned space is available and unutilized;
- Leasing shall only be undertaken with prior approval and justification demonstrating unavailability of Government premises;
- Approval by State Department of Housing and Urban Development with a copy to the National Treasury.

c) Government Residential Buildings

- Rent for Government-owned residential buildings shall be set in line with prevailing market rates, subject to approved Government housing policies;
- Rental rates shall be reviewed regularly to ensure transparency and revenue optimization but at least once every five years.

d) Sharing of Building Facilities

- Promote shared use of Government buildings and facilities across MDAs and County Governments, particularly in urban centers;
- Encourage co-location of compatible institutions to reduce duplication and operating costs.

e) Preference for Ownership over Leasing

- Prioritize construction or purchase of Government office space over long-term leasing;
- Capital investment decisions shall be supported by cost-benefit analysis demonstrating long-term value for money.

f) Reporting and Compliance

Principal Secretaries/Accounting Officers shall:

- Assess utilization levels of all Government buildings under their custody;
- Incorporate utilization strategies into their Asset Management Plans; and
- Submit a compliance report to the National Treasury within **ninety (90) days**.

4.3. Commercialization of Road Corridors and Way-leaves

Principal Secretaries/Accounting Officers of road agencies and County Governments shall pursue lawful and safe commercialization through:

- Wayleaves for utilities and linear infrastructure;
- Advertising and outdoor media;
- Service and commercial facilities through concessions or PPPs;
- Tolling and user charges under approved frameworks;
- Temporary use of excess road reserve land;
- Smart corridor and digital infrastructure.

All initiatives shall comply with safety, planning, valuation, procurement, and all existing regulations.

Reporting

Updated registers and revenue reports shall be submitted to the National Treasury within ninety (90) days of the date of this Circular.

4.4. Commercialization of Other Public Assets

a) Railway Lines and Railway Assets

Commercialization may include passenger and freight concessions, leasing of railway land and stations, way-leaves, and tourism services. Ownership shall remain vested in Government.

b) Government Transport Assets

Optimization measures include fleet pooling, leasing or chartering where permitted, managed services, and advertising, without compromising core service delivery or security.

c) Conference and Training Facilities

Facilities may be commercialized through leasing, event hosting, PPPs, management contracts, and ancillary services.

d) Mandatory Safeguards

All initiatives shall comply with existing service regulations and proper revenue accounting.

4.5. Government Fleet Optimization

a. The Principal Secretaries/Accounting Officers shall promote:

- Fleet pooling and shared use;
- Reduction of idle and underutilized vehicles;
- Data-driven acquisition and replacement decisions.

b. Priority in Maintenance and Skills Development

- Priority shall be given to garages owned by National Polytechnics and TVET institutions for vehicle repair and maintenance, where capacity exists with a radius of 40 Kilometers unless the vehicle is under warranty.
- Unserviceable vehicles shall, where appropriate, be transferred to TVET institutions as training aids, in accordance with prevailing service regulations and approved disposal procedures.

- Excess of Asset capacity should be reallocated to needy sectors of the public service. This should be data driven to enhance optimal use of available assets.

5. Oversight and Compliance

Principal Secretaries/Accounting Officers shall ensure compliance with this Circular and timely submission of accurate reports.

The National Treasury shall be available for any clarifications on this Circular. Strict adherence to this Circular is essential to enhance efficiency in public service delivery, promote prudent stewardship of public assets, and safeguard public resources.

Please bring the content of this circular to Agencies under you.

HON. FCPA JOHN MBADI NG'ONGO, EGH
CABINET SECRETARY/THE NATIONAL TREASURY

Copy to : **Mr. Felix Koskei, EGH**
Chief of Staff & Head of the Public Service
Executive Office of the President
NAIROBI

Ms. Dorcas Oduor, OGW, EBS, SC
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FCPA Nancy Gathungu, CBS
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Ms. Mary Mwiti
Chief Executive Officer
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All County Executive Committee Members for Finance

