



MACRO-ECONOMIC DEVELOPMENTS AND OUTLOOK FOR THE MEDIUM-TERM BUDGET

**PRESENTATION TO THE PUBLIC SECTOR HEARINGS
ON THE FY 2027/28 BUDGET AND THE MEDIUM-TERM**

DR. CHRIS KIPTOO, CBS

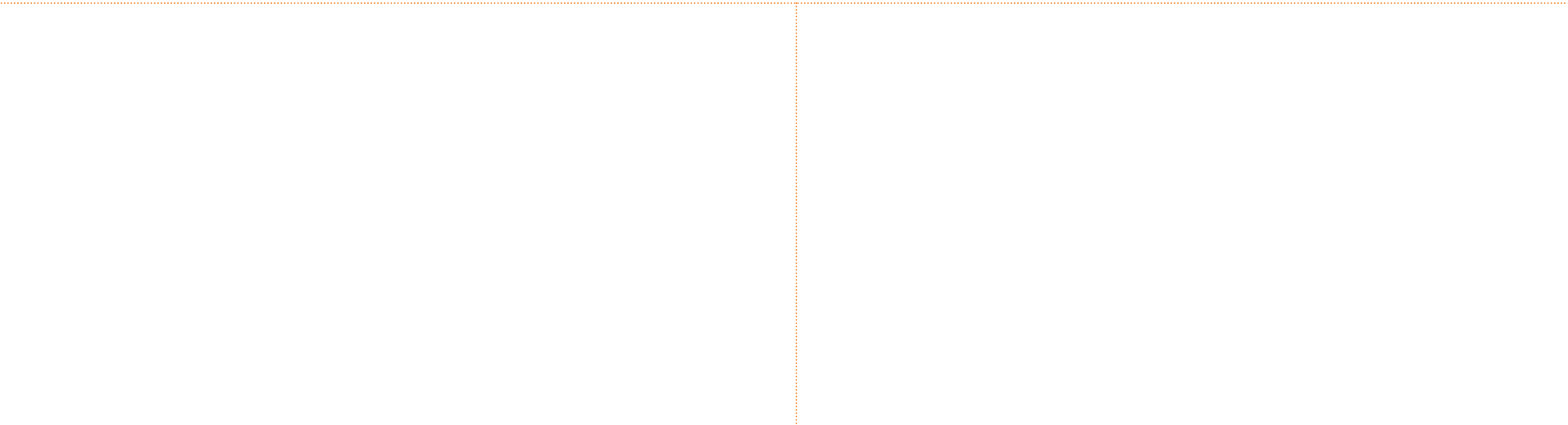
PRINCIPAL SECRETARY/ THE NATIONAL TREASURY

9th October 2026

PRESENTATION OUTLINE

1. Macroeconomic performance
2. Budget implementation
3. FY 2027/28 proposed budget
4. Pressures on the Budget: Shrinking fiscal space
5. Medium Term Outlook: The case for more and stronger fiscal reforms
6. Improved credit profile: What others say about Kenya
7. Conclusion and next steps after Public Sector Hearings

1.0: Macroeconomic Performance



1.1: Global growth is projected to moderate to 3.0% in 2026 before recovering to 3.4% in 2027, from an average growth of 3.5% during 2024–2025,

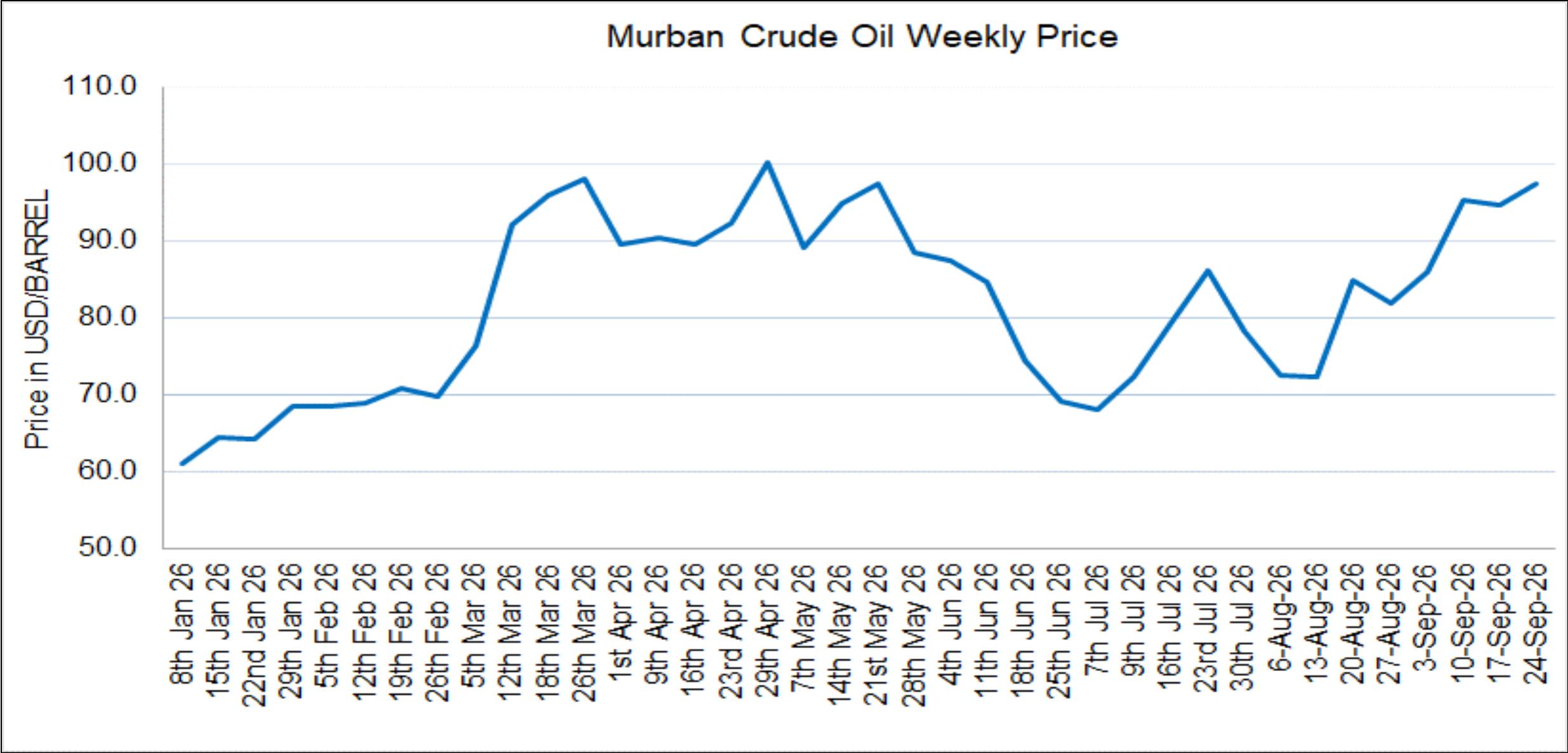
❑ The global slowdown in 2026 reflects the adverse effects of the Middle East conflict manifested in **supply chain disruptions, higher energy prices and elevated inflationary pressures.**

❑ Growth is expected to recover to **3.4% 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.

	Growth (%)			
	Actual		Projections	
Economy	2024	2025	2026	2027
World	3.5	3.5	3.0	3.4
Advanced Economies	1.9	1.9	1.7	1.8
<i>Of which: USA</i>	2.8	2.1	2.3	2.2
<i>Euro Area</i>	1.0	1.4	0.9	1.2
<i>Japan</i>	(0.2)	1.1	0.6	0.7
Emerging and Developing Economies	4.5	4.5	3.8	4.5
<i>Of which: China</i>	5.0	5.0	4.6	4.1
<i>India</i>	7.1	7.7	6.4	6.7
Sub-Saharan Africa	4.2	4.5	4.3	4.5
<i>Of which: South Africa</i>	0.5	1.1	1.1	1.3
<i>Nigeria</i>	4.1	4.0	4.1	4.3

❖ Sub-Saharan Africa's growth is projected to remain resilient at **4.3% in 2026** before improving to **4.5% in 2027**, supported by ongoing macroeconomic reforms despite persistent external headwinds.

1.2: International oil prices remain elevated and volatile due to the conflict in the Middle East and heightened global uncertainties



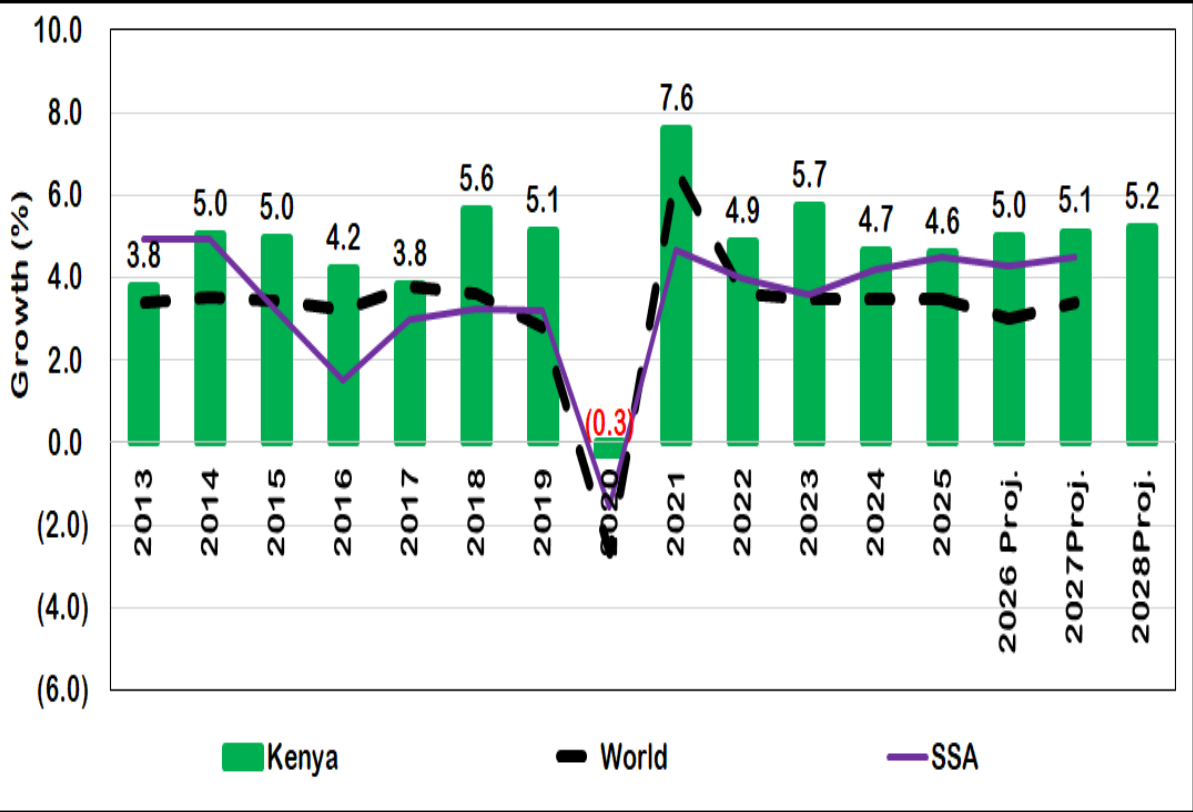
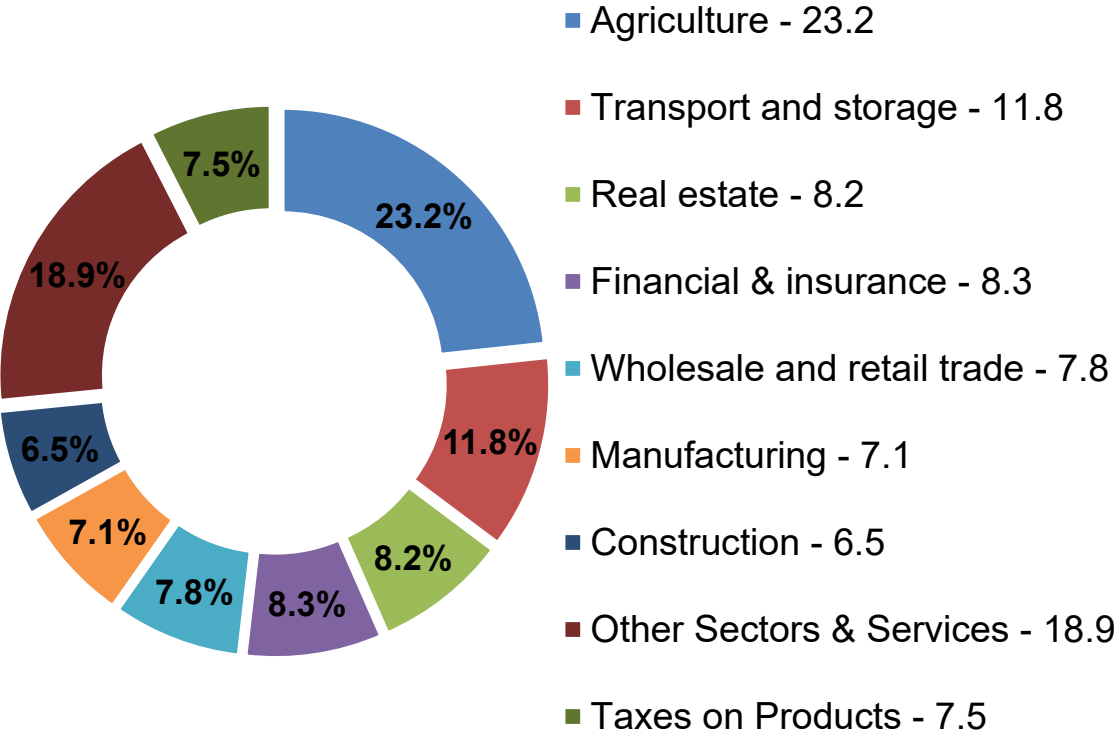
1.3: Kenyan economy remains one of the fastest-growing economies in the region, with growth exceeding both the Global and Sub-Saharan African averages

- ❑ The Kenyan economy has remained resilient and registered an average growth rate of **5.0 percent** in the period **2022 to 2025**, outperforming the average global growth rate of **3.4 percent** and that of Sub-Saharan Africa of **4.1 percent**.
- ❑ Importantly, **macroeconomic stability** has been preserved, **confidence** in the **economy strengthened**, and the foundations for sustained growth are **now firmly** in place under the Bottom-Up Economic Transformation (**BETA**).
- ❑ Macroeconomic fundamentals such as **inflation**, **interest rates** and **exchange rate** have strongly rebounded and are projected to remain stable.
- ❑ Reforms are therefore yielding desired results

1.4: The Kenyan economy remains one of the fastest-growing economies in the region, with growth exceeding both the Global and Sub-Saharan African Averages.

In 2025, a diversified services sector (55.1% of GDP) drives the economy, while Agriculture remains the largest single sector (23.2% of GDP), supporting employment, exports, and food security.

Growth is expected to remain resilient, accelerating from 4.6% in 2025 to 5.0% in 2026 and 5.1% in 2027, supported by sound macroeconomic policies, ongoing structural reforms, and stronger private sector investment.



1.5: Domestic growth outlook for 2026 revised downwards to 5.0% in 2026

5.3% → 5.0%

GDP growth revised by -0.3 percentage points

Lower than initially projected, but the outlook remains resilient.

KEY TRANSMISSION CHANNELS



Higher oil prices



Trade and logistics disruptions



Supply-chain interruptions



Weaker tourism and remittance flows

SECTORAL IMPACT: GROWTH PERFORMANCE WILL DIVERGE

SECTOR	INITIAL (2026)	REVISED (2026)	CHANGE (pp)
1. Accommodation and food services	10.4%	15.0%	+4.6 pp
2. Electricity and water supply	3.9%	5.4%	+1.5 pp
3. Manufacturing	3.0%	2.6%	-0.4 pp
4. Wholesale and retail trade	4.7%	3.8%	-0.9 pp
5. Financial and insurance	7.6%	6.7%	-0.9 pp
6. Information and communication	6.8%	5.5%	-1.3 pp
7. Transport and storage	5.4%	3.9%	-1.5 pp
8. Agriculture, forestry and fishing	4.7%	3.0%	-1.7 pp



Strongest upward revision:
Accommodation and food services, 15.0% (+4.6 pp)



Electricity and water supply, 5.4% (+1.5 pp)



Largest downward adjustments:
Agriculture and transport

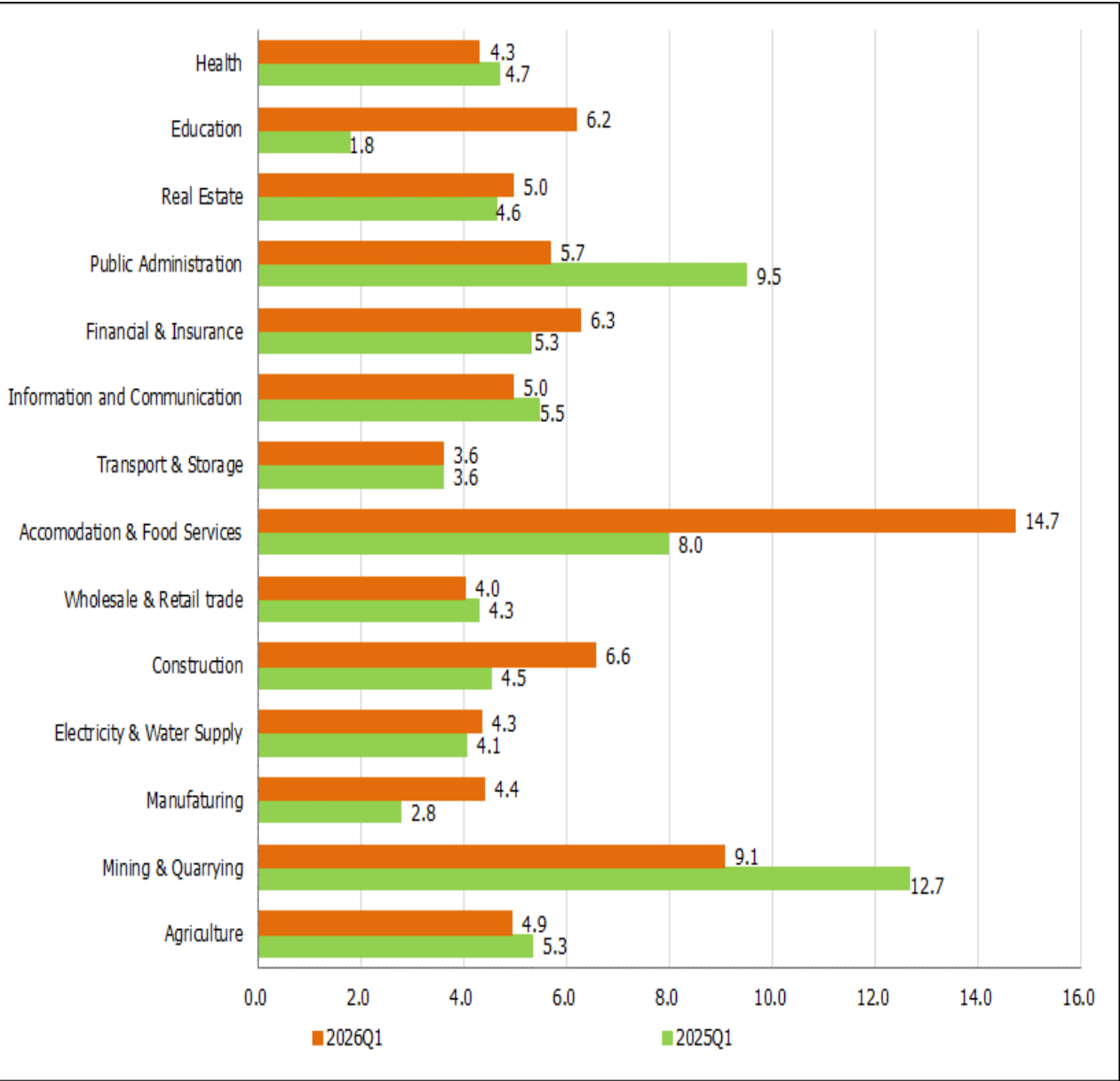


POLICY IMPLICATION: Target support to logistics-sensitive sectors while enabling expansion in resilient and recovering activities.

□ Baseline growth for 2026 revised downwards reflecting emerging external risks, particularly from the Middle East conflict.

□ Growth in 2027 projected at 5.1% as external pressures ease and global supply chains normalize

1.6: In Quarter 1 of 2026, the economy grew by 5.3% compared to 4.9% in Q1 of 2025



Agriculture (4.9%): Supported by improved agricultural output and stronger horticultural exports.

Mining & Quarrying (9.1%): Driven by increased mineral and quarry production.

Manufacturing (4.4%): Marking the strongest performance in recent years:

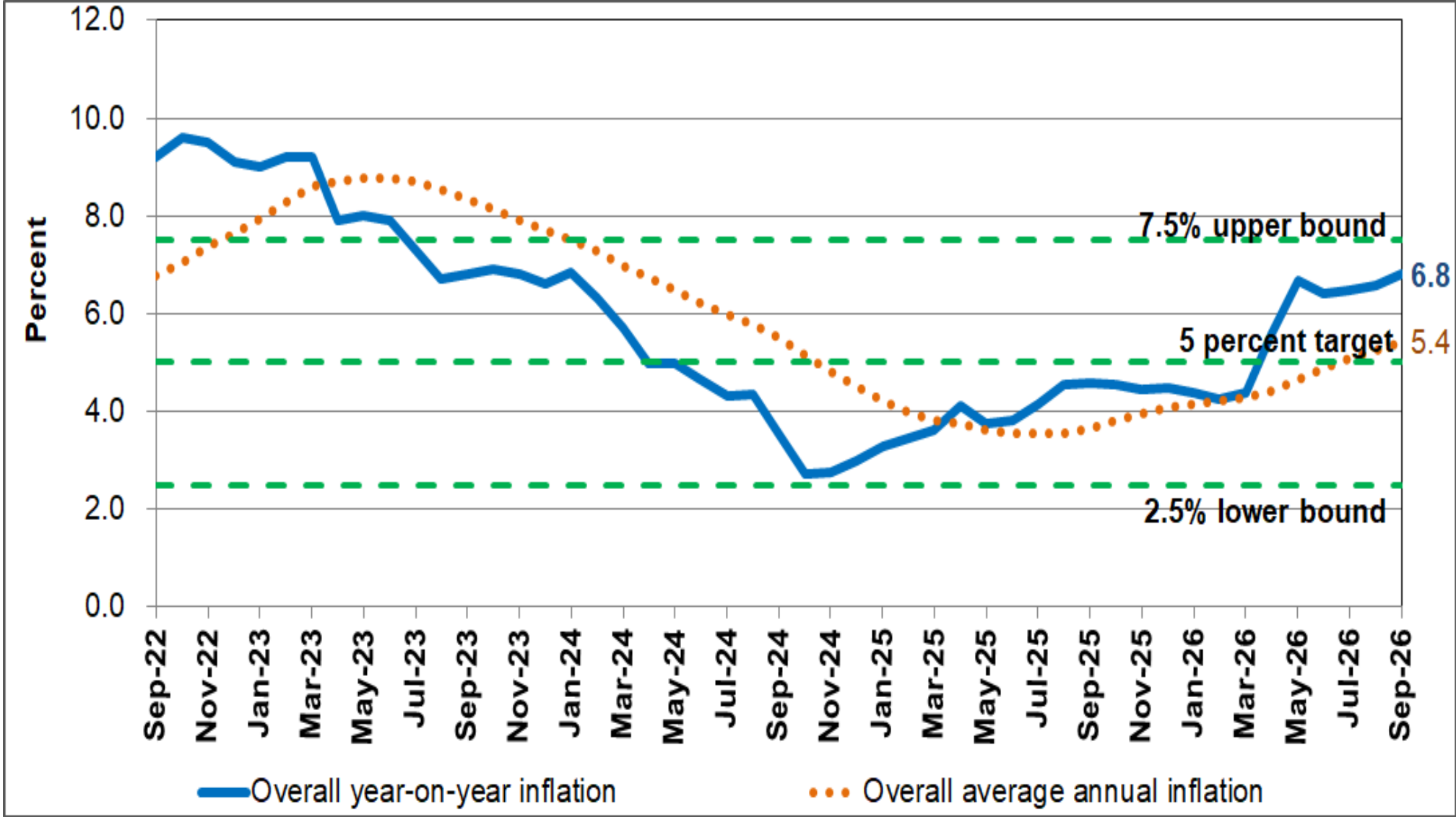
❖ Driven by increased production of sugar, soft drinks, milk, cement, galvanized sheets, and assembled vehicles

Construction (6.6%): Sustained by infrastructure development and private sector investment.

Transport & Storage (3.6%): Supported by increased road transport, port throughput, and SGR freight and passenger traffic.

Financial & Insurance (6.3%);
Accommodation & Food Services (14.7%).

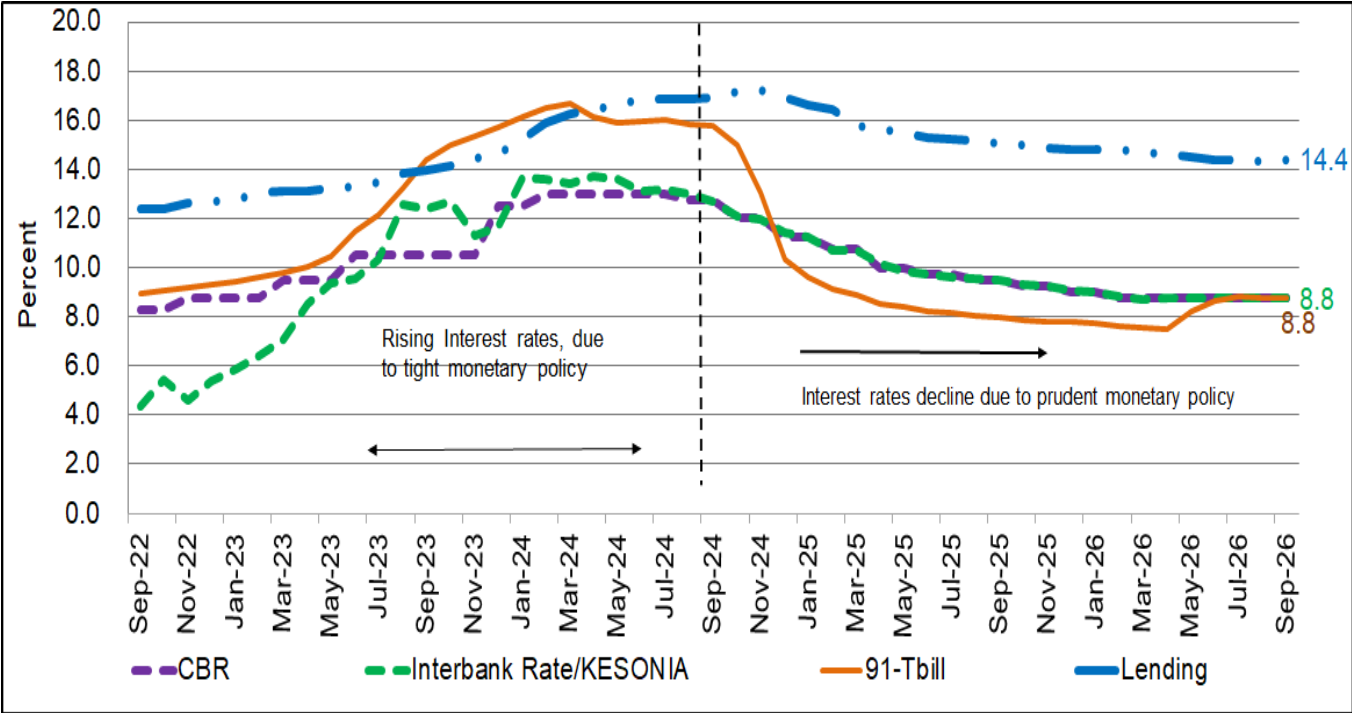
1.7: Inflation remains within the target range: At 6.8% in September 2026, from 4.4% percent in March 2026 and 4.6% in September 2025, largely reflecting the impact of the escalation of the Middle East conflict on global oil prices



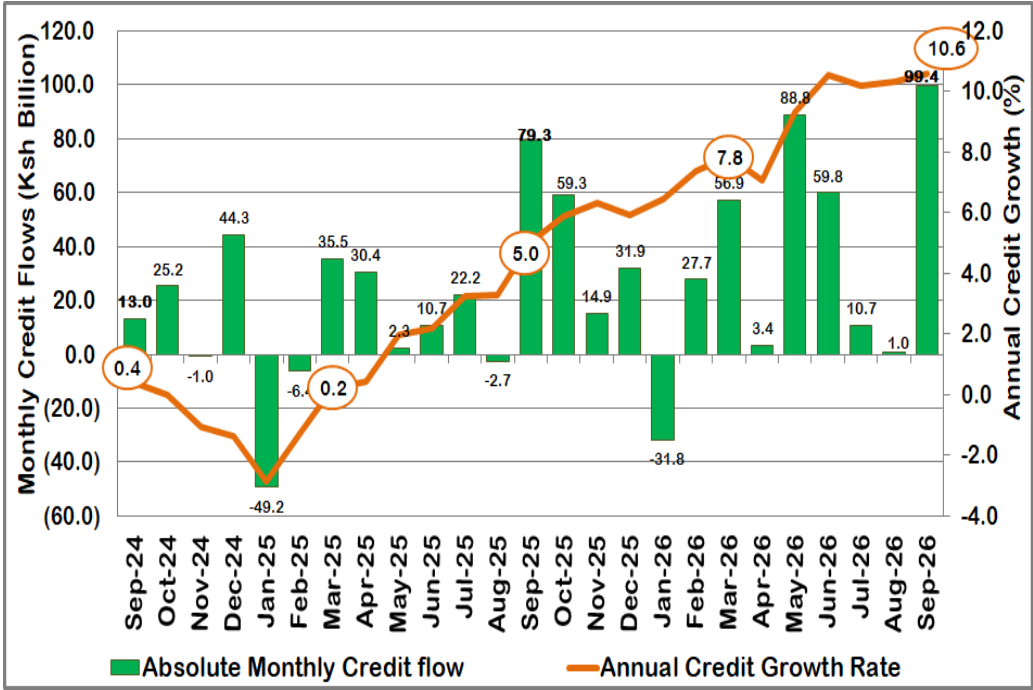
❖ **Government interventions including subsidies and the temporary reduction of VAT on fuel continue to stabilize domestic fuel pump prices.**

1.8: Interest rates decline while credit to the private sector gradually recovers...

- ❑ **CBR** at 8.75% by September 2026 compared with 13.0% in August 2024;
- ❑ **The 91-day Treasury bill rate** at **8.8%** in September 2026 while the **364-day rate** at **9.1%** over the same period.
- ❑ **Lending rates** declined to **14.4%** in **September 2026**, from a peak of 17.2% in November 2024.



- ❑ Growth in commercial banks **lending to the private sector** remained strong at **10.6%** in **September 2026** from -2.9% in January 2025.
- supported by increased credit flows to key sectors of the economy.



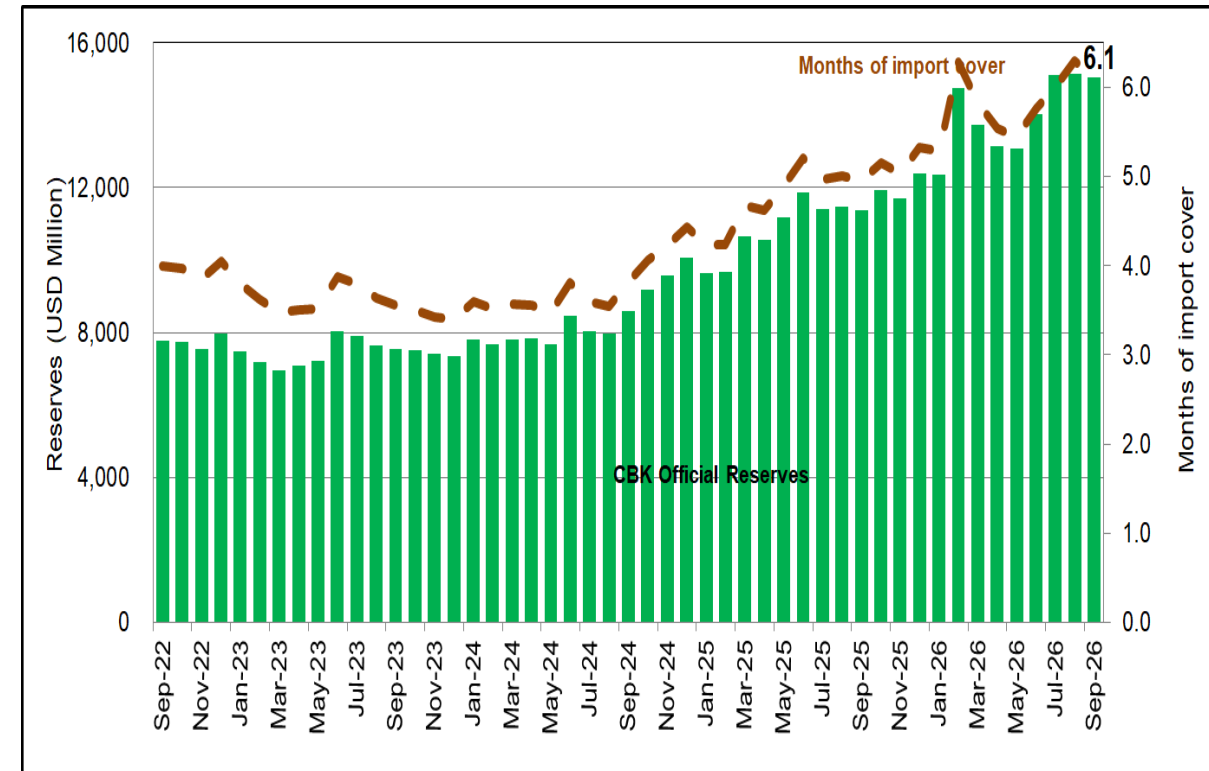
1.9: Resilient external sector and stability in the foreign exchange market

Current account deficit is estimated at **3.1% of GDP** in the year to **August 2026** compared to 2.1% of GDP in a similar period in 2025:

- **Goods exports** increased by 11.8%, mainly driven by horticulture, tea, and machinery and transport equipment.
- **Goods imports** increased by 15.8%, reflecting higher imports of food, mineral fuels, and intermediate and capital goods.
- **Services receipts** increased by 8.7% mainly driven by travel services receipts,
- **Remittances** remained strong at **US\$ 5,013 million** in the year to August 2026

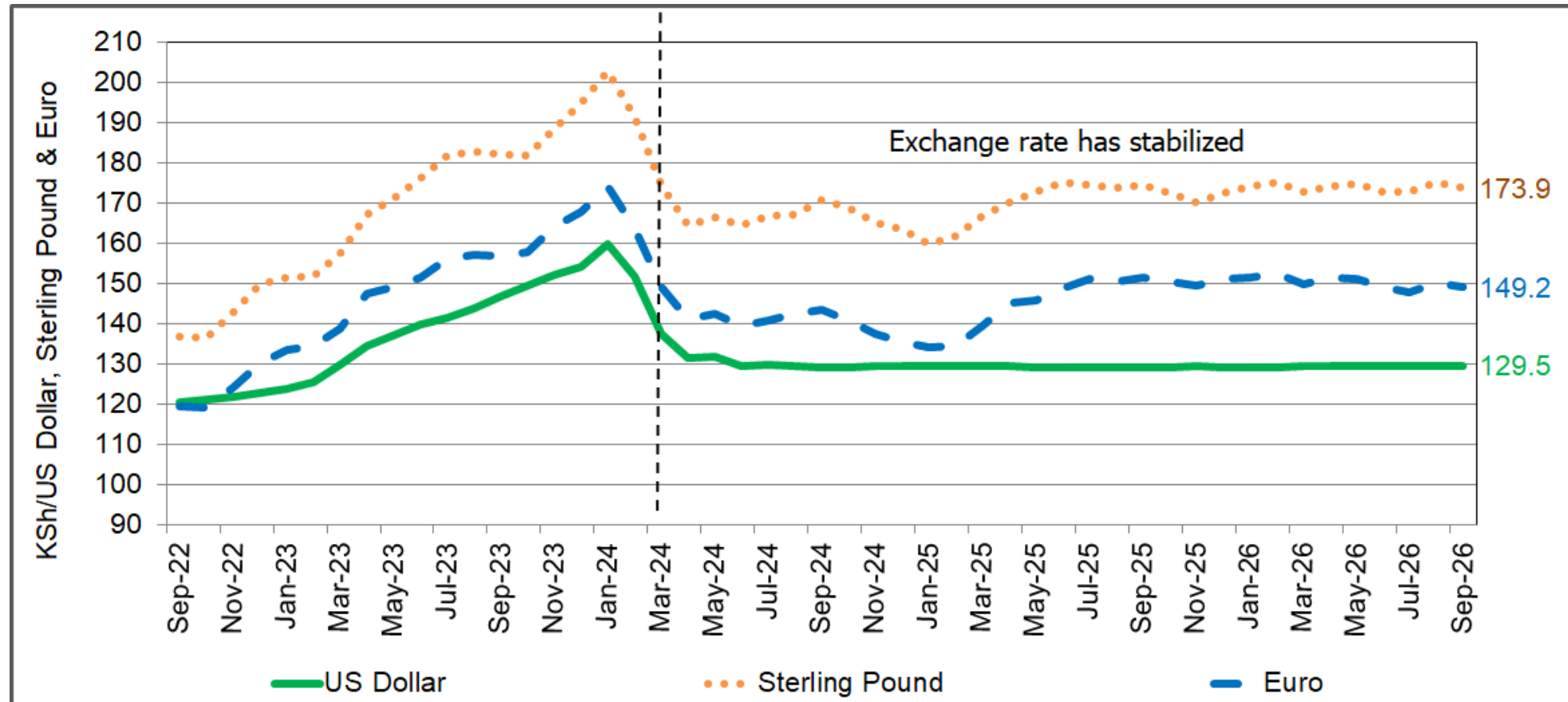
The official foreign exchange reserves remained adequate at **USD 14.9 billion (6.1 months of import cover)** as of end **September 2026**.

- These reserves continue to provide adequate cover and a buffer against short-term domestic and external shocks.



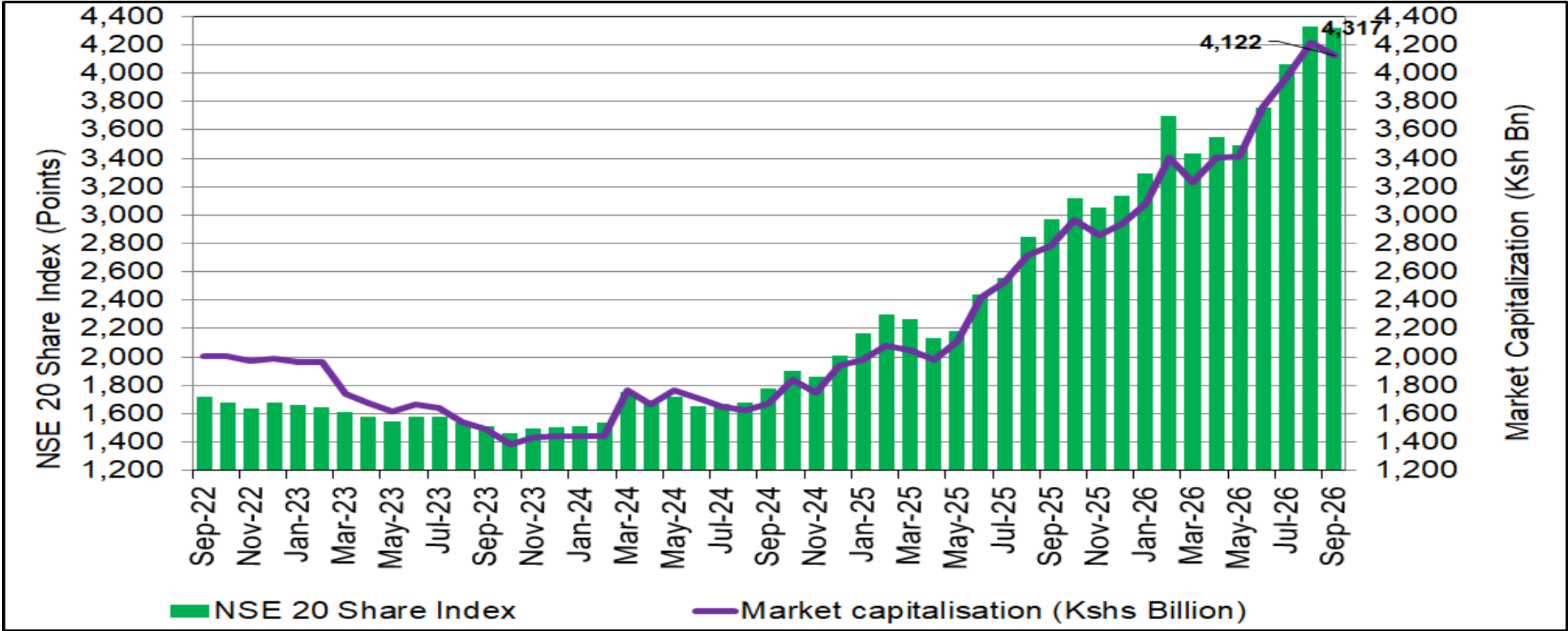
1.10: Kenya Shilling to the US Dollar rate has remained stable

- ❑ The Kenya Shilling remained relatively stable against the dollar, averaging **KSh 129.5 in September 2026** compared to KSh 129.2 in September 2025, and showing a marked appreciation from a peak of KSh 160.8 in January 2024.
- The stability was supported by strong foreign exchange reserves, steady remittance and export inflows, and improved market confidence,



1.11: Activities at the Nairobi Securities Exchange (NSE) improved significantly over the past year:

- ❑ The **NSE 20 Share Index** rose by **45.2%** to **4,317 points** in **September 2026**, having crossed the 4,000-point mark in August 2026 for the first time in nearly a decade
- ❑ **Market capitalization** surpassed the KSh 4 trillion mark in August 2026 and increased by **48.0%** to **KSh 4,122 billion** in **September 2026**.



1.12: Highlights of Performance of Kenya's Capital market

- ❑ **Trading activity is at record levels. Equity turnover in the first seven months of 2026** rose 242.6% year-on-year to KSh 381.9 billion:
 - shares traded up 127.4% to 11.84 billion and deals up 17% to over 514,000.
 - Bond turnover hit a record KSh 2.71 trillion in 2025 (up 75.5%), and Q1 2026 became the first quarter in history to exceed KSh 1 trillion in bond trading.

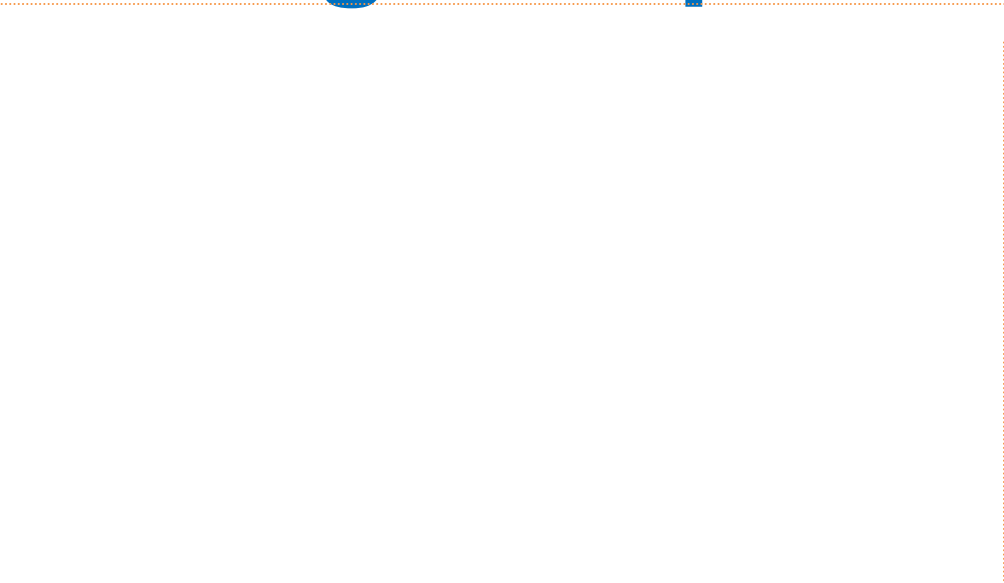
The strong performance was supported by:

- ❑ lower domestic interest rates, a relatively stable exchange rate, and improved corporate earnings.
- ❑ Major capital market transactions, including the successful Kenya Pipeline Company (KPC) Initial Public Offering (IPO) and the Government's partial divestiture of a 15% stake in Safaricom PLC to Vodacom.
- ❑ **Wealth creation** is being democratised.
 - ❖ Over 70,000 ordinary Kenyans participated in the KPC e-IPO; the removal of the 100-share minimum and the Ziidi Trader platform have opened the market to first-time investors; and individual bond accounts nearly quadrupled year-on-year in Q1 2026.

1.13: Strong FDI inflows in 2025: Strong investor confidence despite global uncertainty.

- ❑ **FDI inflows of USD 3.2 billion in 2025:** the highest ever recorded - **38% growth from USD 2.3 billion in 2024** (*UNCTAD World Investment Report 2026*)
- ❑ Kenya ranked among Africa's top five FDI destinations and remained one of East Africa's leading investment hubs.
- ❑ **Investor Confidence**
 - ❖ **Reinvested earnings** reached **USD 1.77 billion**, accounting for 55% of Kenya's total FDI inflows.
 - ❖ **Reinvested earnings** increased by 128% between 2022 and 2025, signalling strong confidence by existing investors.
 - ❖ Since nearly 70% of global FDI originates from reinvestment and expansion, investor aftercare remains Kenya's most cost-effective strategy for sustaining FDI growth.
- ❑ **Kenya remained among the top recipients of FDI in Africa:** Egypt: ~USD 15 billion; Nigeria: ~USD 4.0 billion; Ethiopia: ~USD 3.8 billion; Uganda: ~USD 3.4 billion; Kenya: ~**USD 3.2 billion**

2.0: Budget Implementation and Outlook



2.1: FY 2026/27: Summary of Budget performance by end September 2026

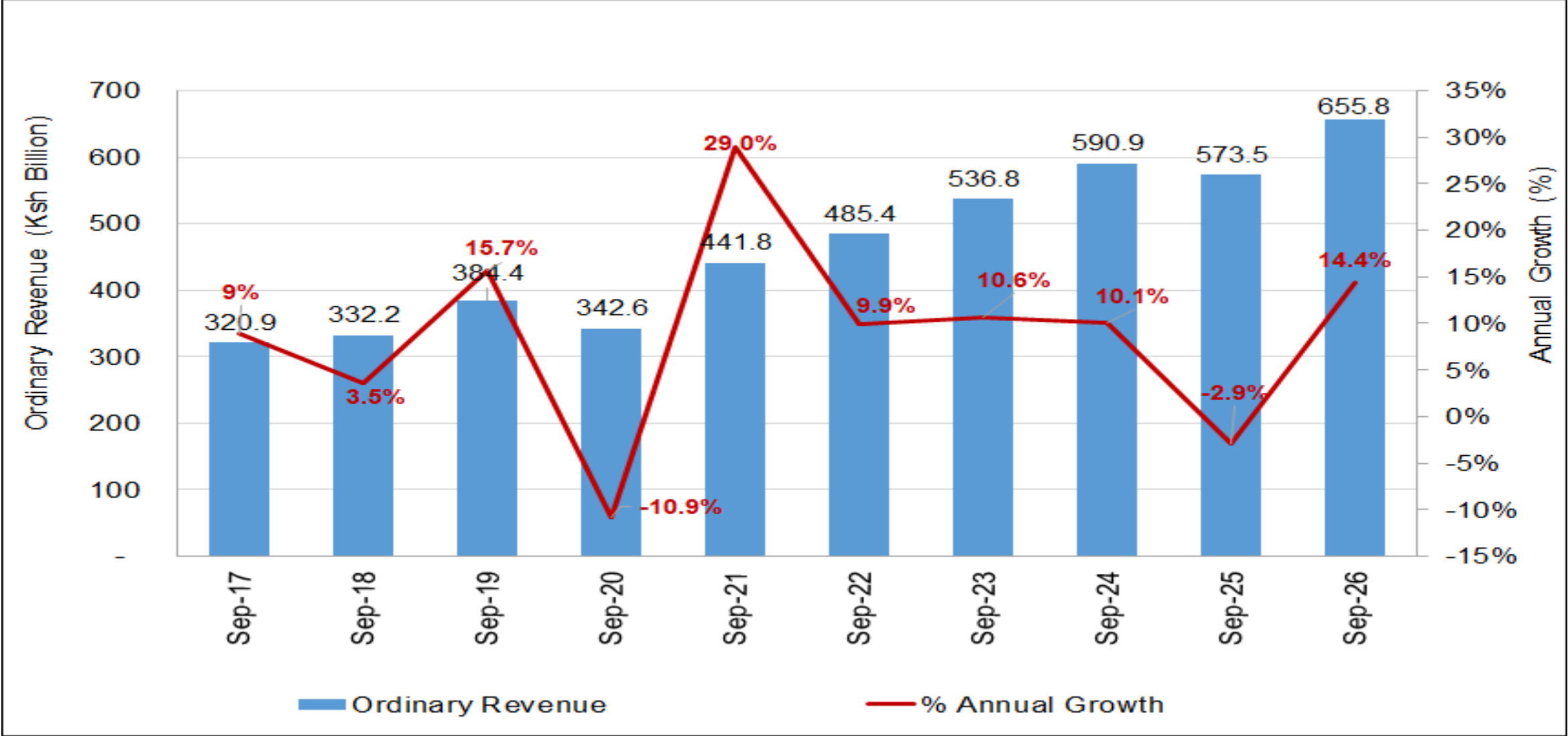
- ❑ Budget implementation during the first quarter of FY 2026/27 progressed well in line with the approved Budget,
- ❑ By end September 2026, revenue collection was below target by **KSh 40.4 billion** mainly on account of shortfalls in **ordinary revenues** of **KSh 58.2 billion** while **Ministerial AiA** surpassed target by **KSh 17.8 billion**.
 - Revenues grew by **15.9%** by end September 2026 compared with a growth of 1.4% by end September 2025;
 - ordinary revenues grew by **14.4%** compared to growth of -2.9% over the same period.
- ❑ **Expenditures** by end September 2026 **surpassed target** by **KSh 116.9 billion** largely on account of above target absorption of recurrent expenditure by **KSh 59.3 billion** and development expenditure by **KSh 34.7 billion**.
 - Transfers of Equitable share to County Governments above target by **KSh 22.9 billion**.
- ❑ **Fiscal deficit incl. of grants** by end September was **KSh 329.1 billion (1.6% of GDP)** against a target of **KSh 174.8 billion (0.8%)**.

2.2: FY 2026/27 Budget Performance: Revenue performance by end September 2026

Amount in KSh Billion	September 2025			September 2026				
	Actual	% of GDP	% Growth	Target	Prel.Issues	Deviation	% of GDP	% Growth
A. Total Revenue (1+2)	706.9	3.7	1.4	859.9	819.5	(40.4)	3.9	15.9
1. Ordinary Revenue (i+ii)	573.5	3.0	(2.9)	714.0	655.8	(58.2)	3.2	14.4
<i>i) Tax Revenues</i>	<i>556.4</i>	<i>2.9</i>	<i>5.9</i>	<i>683.4</i>	<i>632.9</i>	<i>(50.5)</i>	<i>3.0</i>	<i>13.8</i>
Import Duty	40.5	0.2	16.9	45.9	46.9	1.0	0.2	15.8
Excise Duty	73.9	0.4	8.4	94.3	78.1	(16.3)	0.4	5.7
Income Tax	252.6	1.3	(2.3)	323.3	297.9	(25.4)	1.4	17.9
PAYE	136.6	0.7	0.2	162.2	149.6	(12.6)	0.7	9.5
Other Income Tax	116.0	0.6	(5.2)	161.2	148.3	(12.8)	0.7	27.9
VAT	173.4	0.9	14.6	200.9	190.7	(10.1)	0.9	10.0
VAT Local	87.3	0.5	17.4	100.8	96.1	(4.7)	0.5	10.1
VAT Imports	86.0	0.4	11.8	100.0	94.6	(5.4)	0.5	10.0
Other Tax Revenue	16.0	0.1	25.1	19.0	19.4	0.3	0.1	20.6
<i>ii) Non Tax Revenue</i>	<i>17.1</i>	<i>0.1</i>	<i>(73.8)</i>	<i>30.6</i>	<i>22.9</i>	<i>(7.7)</i>	<i>0.1</i>	<i>34.0</i>
2. Appropriation In Aid	133.5	0.7	25.2	145.9	163.6	17.8	0.8	22.6
B. External Grants	2.9	0.0	118.1	4.6	7.6	3.0	0.0	0.0
Total Revenue and External Grants (A+B)	709.9	3.7	1.6	864	827	(37.4)	4.0	16.5

- ❑ In September 2026, **tax revenues** fell short of the target by **KSh 50.5 billion**, with all major tax heads, except import duty, recording below-target performance.
 - Despite the shortfall, all tax heads recorded positive growth, with overall tax revenue growing by 13.8%, compared to 5.9% over the same period in 2025.

2.3: Reforms are paying off: Ordinary revenue performance rebounded strongly in September 2026 to grow by 14.4%; way above the -2.9% in September 2025. The momentum is expected to continue for the rest of the FY.



3.0:FY 2027/28 Proposed Budget



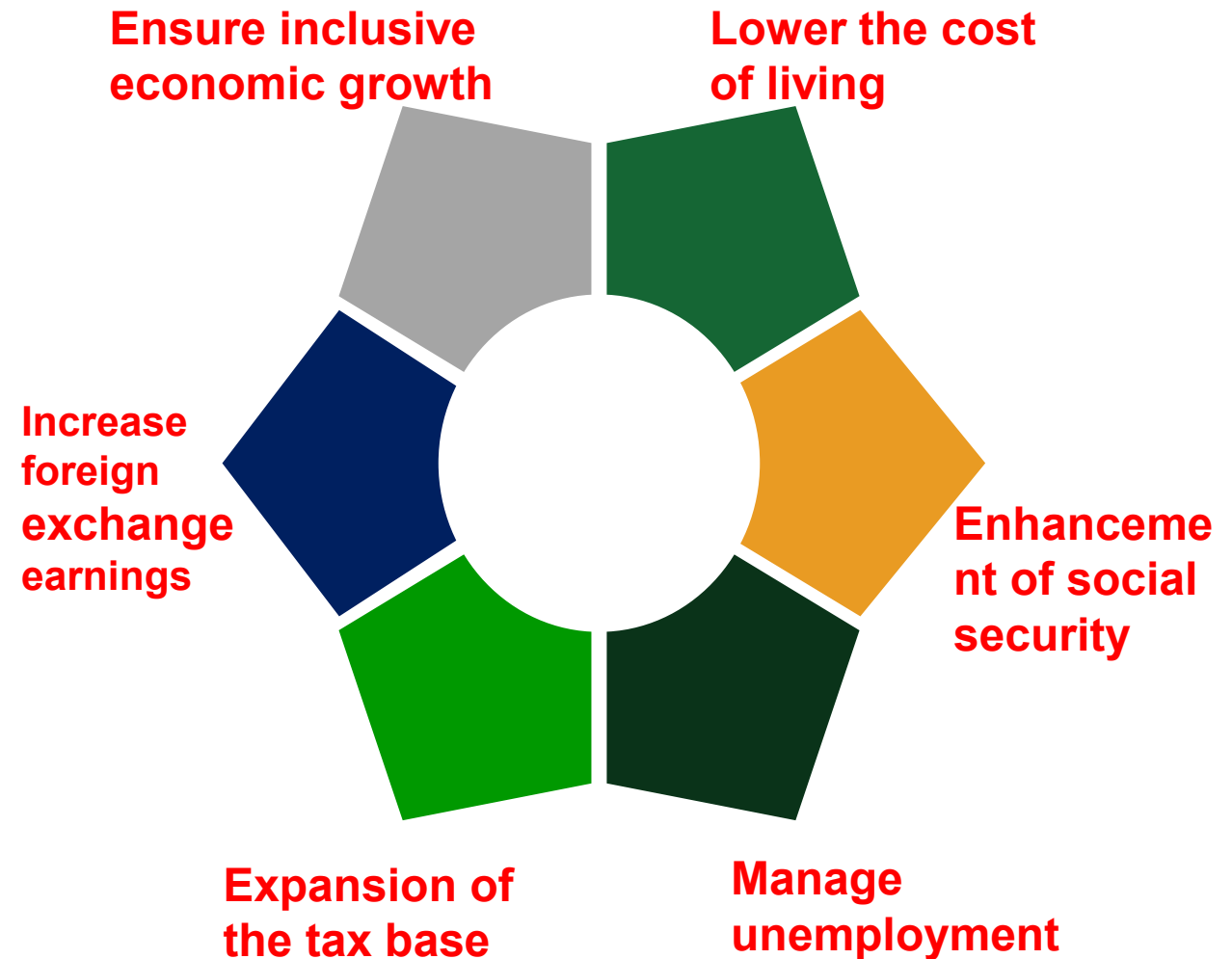
3.1: Government Policy and Priorities over the Medium Term

- ❑ Our Budget continues to support implementation of the **Bottom-up Economic Transformation Agenda (BETA)** to achieve economic turnaround and inclusive growth.
- ❑ The Agenda aims to increase investments in the five core pillars envisaged to have the largest impact to the economy as well as on household welfare. These are:
 - i. **Agricultural Transformation and Inclusive Growth**
 - ii. **Micro, Small and Medium Enterprise (MSME)**
 - iii. **Housing and Settlement**
 - iv. **Universal Healthcare**
 - v. **Digital Superhighway and Creative Industry**
- ❑ The key enablers include: Infrastructure; Manufacturing; Blue Economy; Services Economy, Environment and Climate Change; Education and Training; Women Agenda; Social Protection; Sports, Culture and Arts; Youth Empowerment and Development Agenda; Governance; and Foreign Policy and Regional Integration.

3.2: Resource Allocation for FY 2027/28 and Medium Term Budget

- ❑ Resource allocation for the BETA priority programmes done 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.

Through the priority strategy, the following objectives will be achieved



3.3: FY 2027/28: Total Revenues, Total Expenditures and Fiscal Deficit

TOTAL REVENUE & AIA Ksh 4,003.7 billion 17.4% of GDP		TOTAL EXPENDITURE Ksh 5,415.5 billion 23.6% of GDP		FISCAL DEFICIT INCL. GRANTS Ksh 1,352.9 billion 5.9% of GDP	
REVENUE COMPOSITION		KSh billion	EXPENDITURE COMPOSITION		KSh billion % GDP
Ordinary Revenue		3,249.2	Recurrent Expenditure		4,021.1 17.5%
14.2% of GDP			Development Expenditure		915.8 4.0%
Tax Revenue		3,139.0	Transfers to Counties		473.5 2.1%
13.7% of GDP			Equitable Share:		440.9
APPROPRIATION-IN-AID (AIA)		754.5	Contingency Fund		5.0
Deficit Financing:		Net External Financing		Net Domestic Financing	
		Ksh 423.8 billion		Ksh 929.1 billion	
		1.8% GDP		4.0% GDP	

3.4: Sector Ceilings for the FY 2027/28 Budget (KSh Million).

Sector	BROP Projections (Amount in Ksh Million)			% Share in Total Ministerial Expenditure		
	2027/28	2028/29	2029/30	2027/28	2028/29	2029/30
Agriculture, Rural and Urban Development (ARUD)	108,167	110,792	112,559	3.3	3.1	2.9
Energy, Infrastructure and ICT	645,633	701,463	702,618	19.7	19.7	18.4
General Economic and Commercial Affairs	61,826	67,812	67,245	1.9	1.9	1.8
Health	195,208	209,898	212,890	6.0	5.9	5.6
Education	848,705	931,665	1,003,828	25.9	26.2	26.2
Governance, Justice, Law and Order (GJLO)	385,176	372,653	408,307	11.8	10.5	10.7
Public Administration and International Relations	431,766	486,920	598,680	13.2	13.7	15.7
National Security	361,021	396,731	429,173	11.0	11.1	11.2
Social Protection, Culture and Recreation	101,358	106,949	107,257	3.1	3.0	2.8
Environment Protection, Water and Natural Resources	132,276	175,760	181,866	4.0	4.9	4.8
Grand Total	3,271,137	3,560,644	3,824,422	100.0	100.0	100.0

❑ **Ksh 3.56 Trillion** is proposed for sharing by Sectors in the FY 2027/28 budget. Education takes **25.9%** of this while Energy, Infrastructure & ICT receive **19.7%** of the total. Both sectors account for a combined **45.6% of total ministerial expenditures.**

4.0: Pressures on the Budget: Shrinking Fiscal Space

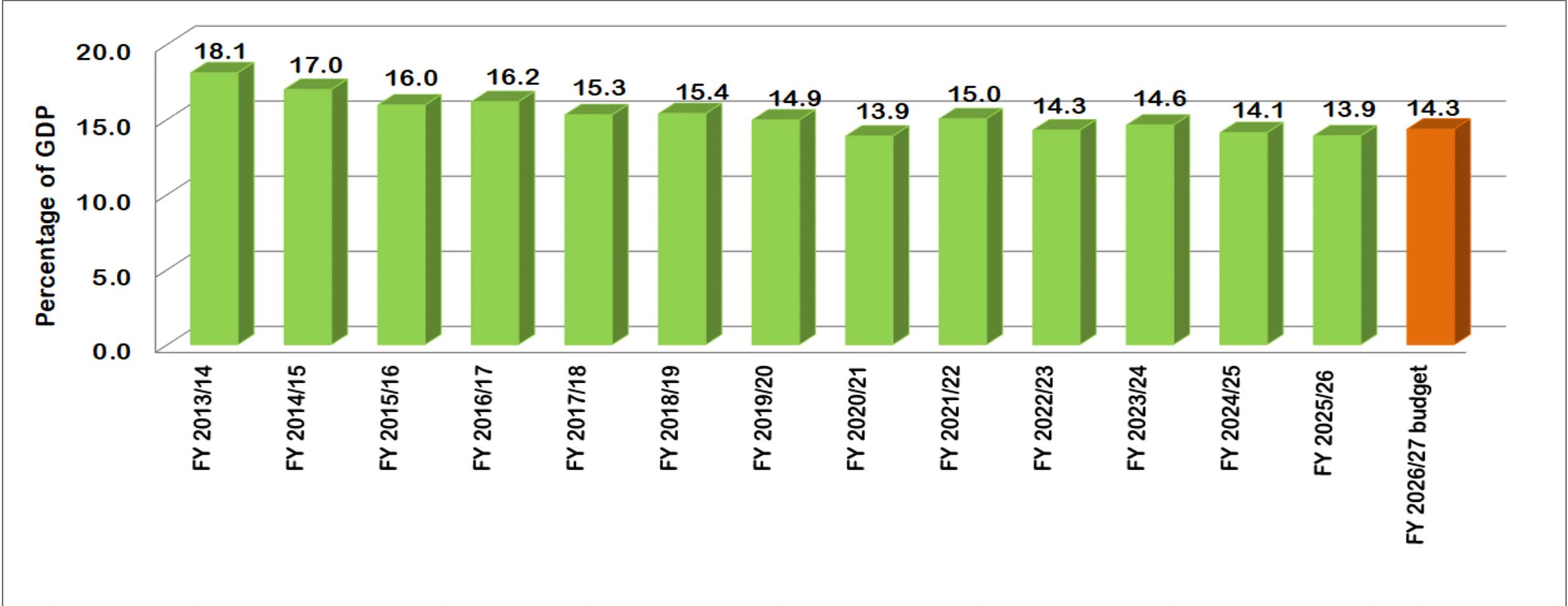


4.1:Fiscal Pressures on the Budget

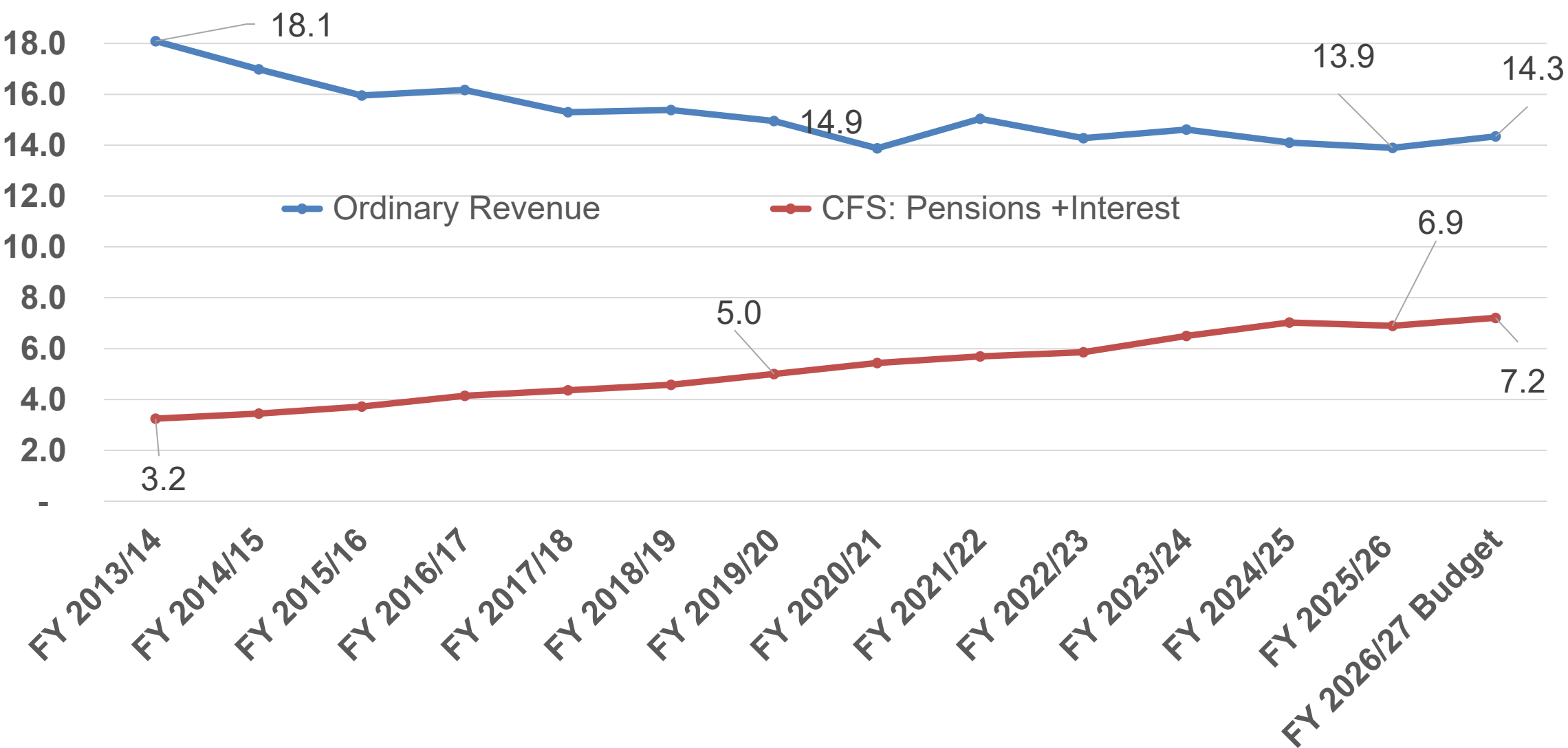
- **Revenue is eroding** - ordinary revenue has fallen steadily since FY 2013/14, from 18.1% to about 13.9% of GDP in FY 2026/27;
- **Debt is heavy** – Debt at Present Value of 65.6% of GDP, and a PV 55%+/-5% anchor. This calls for continuous liability management and strong fiscal consolidation that can yield a primary surplus of at least 2.3% of GDP each year;
- **Demand for Spending has been rising and is rigid** - Consolidated Fund Services and MDA spending pressures leave little fiscal space to support development and priority projects of Government.

4.2: Ordinary Revenues have been on a decline dropping from **18.1% of GDP** in FY 2013/14 to 13.9% in the FY 2020/21 and recovering modestly to 15.0 and stabilizing at 14.3%

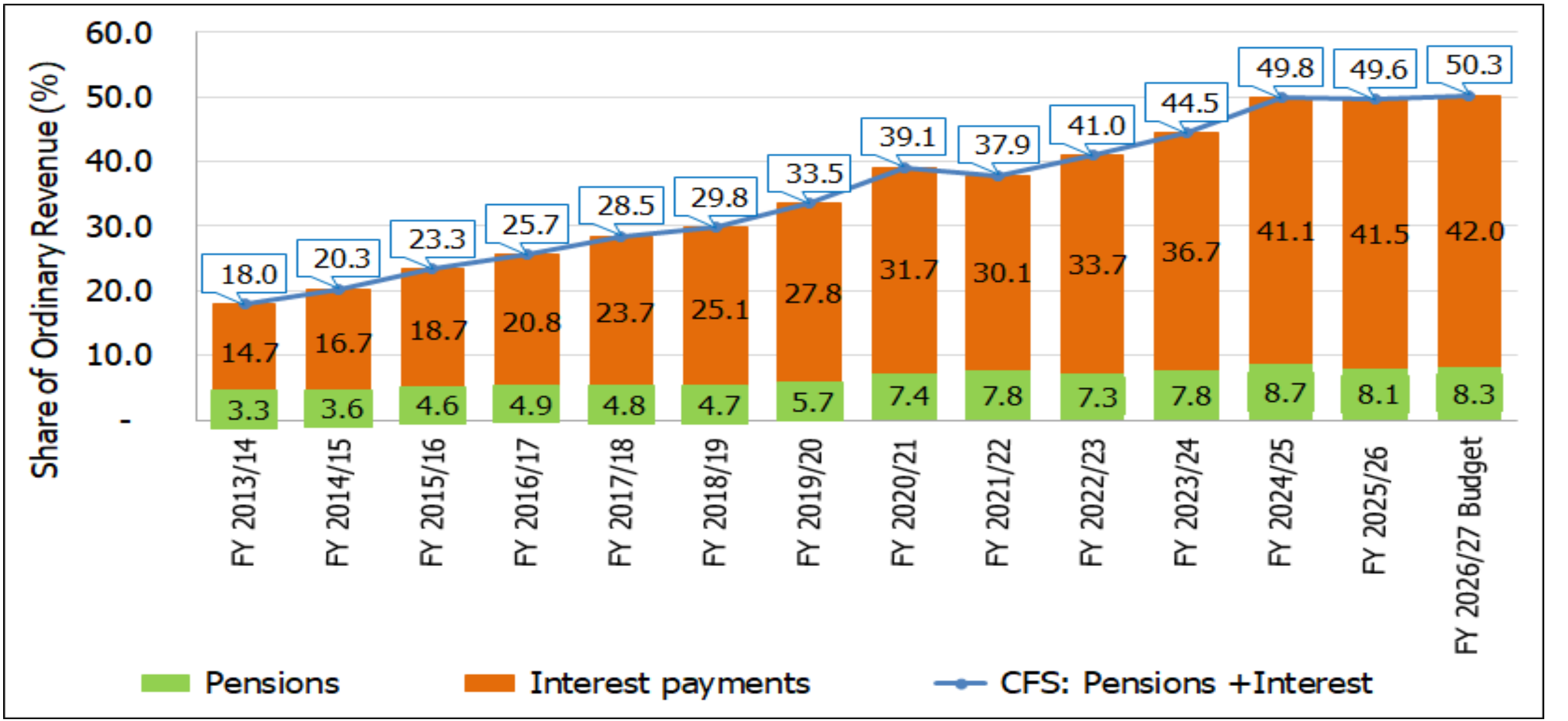
- The solution is **to reverse the declining trend** of ordinary revenues back to its historical levels and beyond



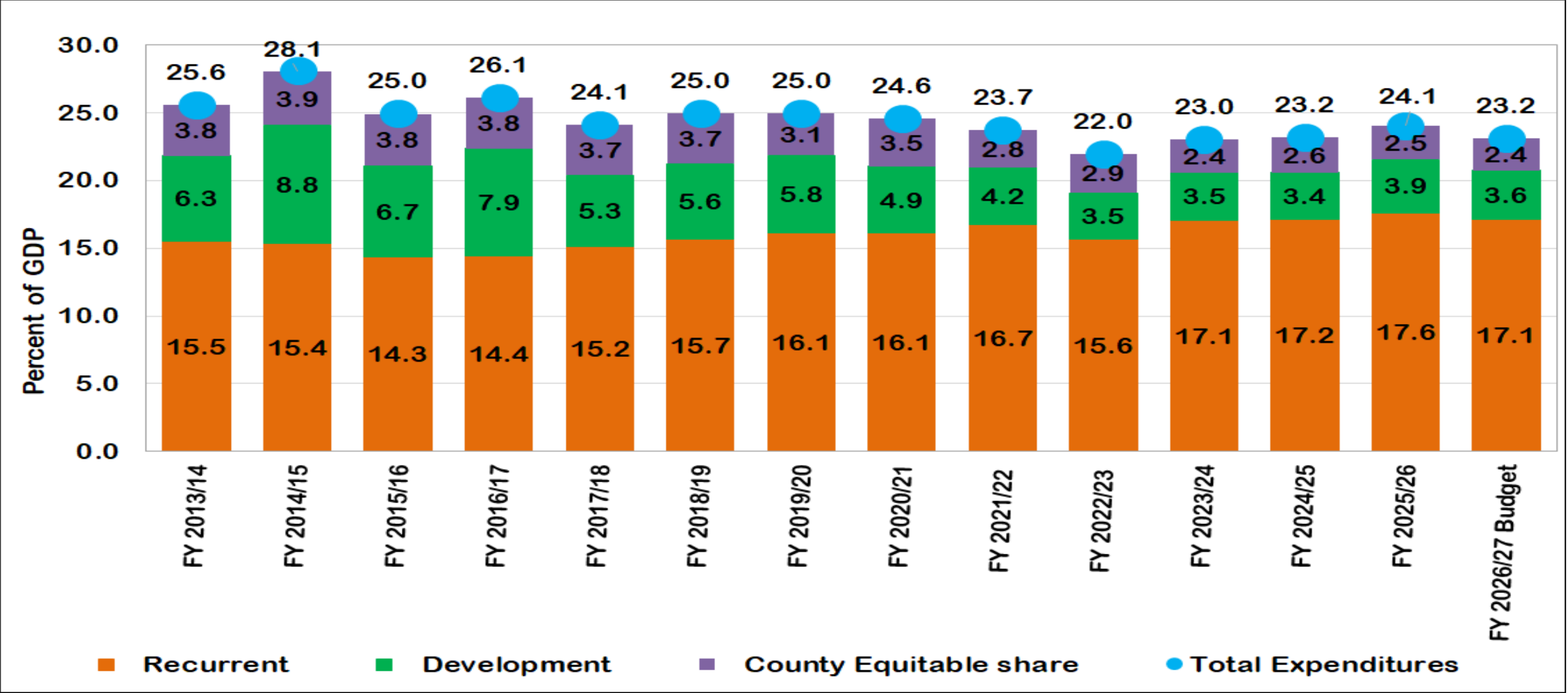
4.3: As revenues declined expenditures related to Consolidated Fund Services(CFS) more than doubled from 3.2% of GDP in FY 2013/14 to 7.2% of GDP in FY 2026/27 - narrowing the fiscal space available to support other Government expenditures



4.4: Under the CFS budget, interest payments take the lion share of ordinary revenues at 42% in FY 2026/27 from 14.7% in FY 2013/14

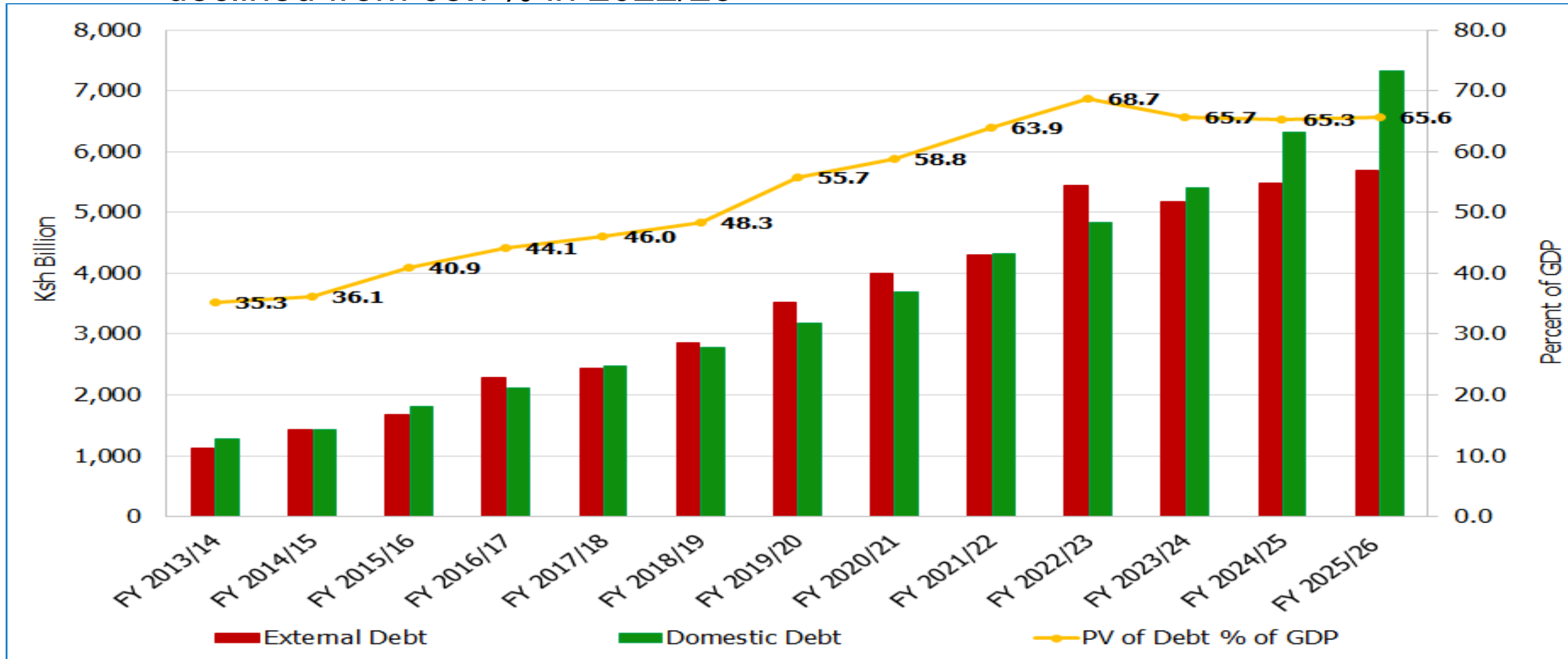


4.5: While total expenditures as a share of GDP declined, recurrent expenditures increased from 15.5% of GDP in the FY 2013/14 to the projected 17.1% of GDP in the FY 2026/27 Budget while development expenditure declined



4.6: Public debt stood at KSh 13.0 trillion in June 2026, comprising of KSh 5.7 trillion (43.7%) in external debt and KSh 7.3 trillion (56.3%) in domestic debt.

- Present Value (PV) of total debt-to-GDP was 65.6% by June 2026, a declined from 68.7% in 2022/23



5.0: Medium Term Outlook: The Case for More and Stronger Fiscal Reforms



5.1:Reforms on Revenue Mobilization over the Medium Term

- ❑ Continuous implementation of the **Medium-Term Revenue Strategy** and the **National Tax Policy** that target to raise tax revenues to 20% of GDP. The Strategy targets to progressively strengthen tax revenue mobilization by:
 - ❖ simplifying and harmonizing tax laws,
 - ❖ rationalizing and targeting tax expenditures, and
 - ❖ creating a simple, predictable and fair tax system.
- ❑ **Scaling up non-tax revenues** by enhancing the capacity of MDAs to effectively generate income from public services and strengthen their operational systems to improve service-based revenue performance.

5.2: Digitizing Tax Administration to continue driving Revenue Reforms

Modern revenue mobilization requires both institutional reform and technological transformation.



Tax Base Broadening

Reduce exemptions, rationalize incentives, expand coverage to informal sectors



Compliance & Enforcement

Risk-based auditing, anti-evasion measures, cross-border information sharing

Digital Tax Systems

E-filing, mobile payments, real-time data analytics for revenue collection

Progressive Tax Design

Balance revenue needs with equity — avoid regressive indirect taxes that fuel instability

Taxpayer Trust

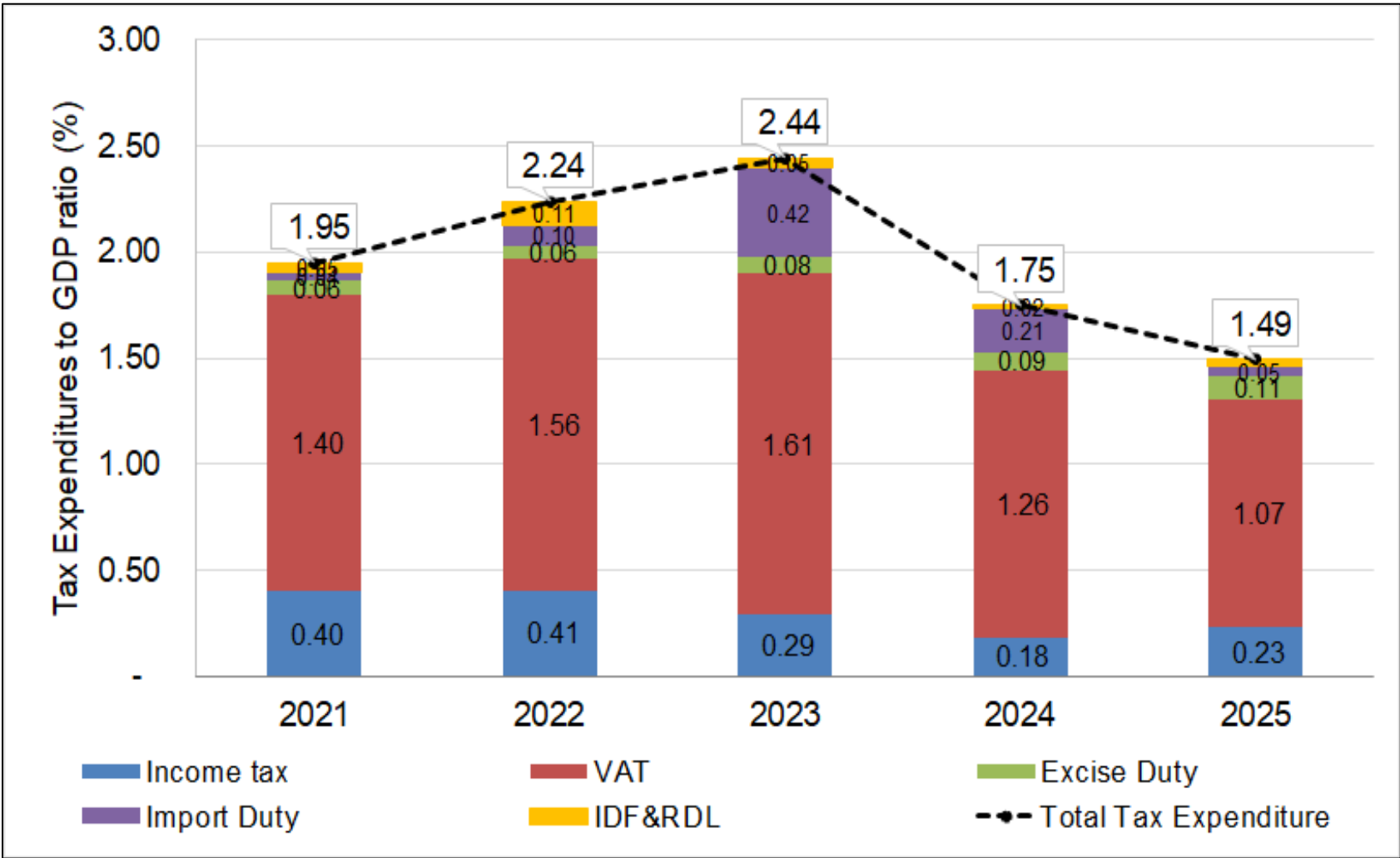
Transparency, simplified procedures, visible public service delivery as social contract

International Cooperation

OECD tax norms, Platform for Collaboration on Tax

5.3: Reforms are yielding results: Tax Expenditures have been declining since 2023

- ❑ Due to efforts to rationalize tax expenditures under the **MTRS**, tax expenditures have continued to decline: Declined to Ksh 262.6 billion (1.49% of GDP) in 2025 from Ksh 282.4 billion (1.75% of GDP) in 2024.



- **Domestic VAT remained the largest** source of tax expenditure at Ksh **175.8 billion**, accounting for **67.0%** of the total.
- This underscores the importance of continued review and rationalization of VAT-related incentives as part of broader efforts to strengthen domestic revenue mobilization and fiscal sustainability

5.4: Expenditure reforms to continue driving efficiency thus lowering total expenditures as a % of GDP

Strengthening expenditure controls and improving the efficiency and effectiveness of public spending



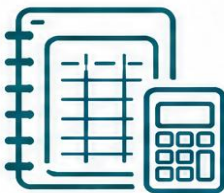
- 1

e-Government Procurement
Full implementation by all Procuring Entities.



- 2

Treasury Single Account
Full implementation, including automated County Government exchequer processes and integration of State Corporations and SAGAs' daily cash balances for better visibility of commercial-bank accounts.



- 3

Accrual-Basis Accounting
Continuous transition from cash-based to full accrual accounting across the public sector, aligned with IPSAS standards.



- 4

Pension Administration
Digitisation and automation through the end-to-end Pension Management Information System.



- 5

HRIS-Kenya
Strengthen implementation to automate payroll and simultaneously compute and remit pension contributions and other statutory deductions.



- 6

Public-Private Partnerships
Continue using the PPP framework for commercially viable projects.



- 7

Zero-Based Budgeting
Entrench the approach to re-orient the Government's budgeting and expenditure framework.

5.5: Reforms yielding desired outcomes: Treasury Single Account (TSA)

Consolidating government cash at the Central Bank of Kenya – from fragmentation to full visibility

✖ Before TSA

FRAGMENTED

🏦 Government funds scattered across hundreds of commercial bank accounts nationwide

🔍 Poor cash visibility – no consolidated picture of government balances in real time

⌚ Idle cash earning no return while government borrowed at high cost from the market

⚠️ Delayed payments, leakage risks, and weakened fiscal accountability across agencies

➔

✔ After TSA

CONSOLIDATED

🏦 Single CBK master account – all receipts and payments flow through one central point

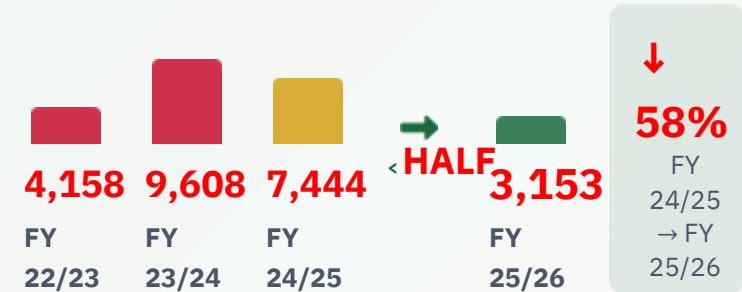
📈 Real-time cash visibility via Meridian system – web- based, cross-agency debt reporting

💰 Idle balances eliminated – reduced unnecessary domestic borrowing and interest costs

🛡️ DhowCSD platform launched Sept 2023 – enhanced transparency and accountability

TSA IMPACT: CBK OVERDRAFT INTEREST PAYMENTS (KSH MN)

FY 2025/26 overdraft interest was less than half of FY 2024/25 – direct result of TSA cash management improvements



5.6: State-Owned Enterprises Reforms: Creating Value and Unlocking Opportunities

- ❑ **Comprehensive reforms are underway**
- ❑ **Phase I of the reforms** covers 23 mergers, 16 dissolutions, 7 transfers of functions to MDAs, and the declassification of selected State Corporations. **Implementation is well advanced** as enabling legislation await approval. Work on staff rationalization and verification of assets and liabilities is ongoing to ensure a smooth transition.
- ❑ **The Government-Owned Enterprises Act, 2025:** Reforms in **65 GOEs and 18 statutory entities**, including the recruitment of independent directors to strengthen corporate governance are in progress.
 - ❑ GOEs will operate **on commercial principles, enhancing financial sustainability, reducing dependence on the Exchequer, improving service delivery, and strengthening accountability to the National Treasury.**

5.7: The National Infrastructure Fund

- ❑ The **National Infrastructure Fund (NIF)**, established in March 2026 and capitalized with **KSh 310.6 billion** with proceeds from Kenya Pipeline Company (KPC) and divestiture proceeds from Safaricom PLC.
- ❑ NIF will mobilizing private capital and expertise for commercially viable projects, while reducing reliance on taxation and public debt.
- ❑ The Fund will:
 - **promote growth of infrastructure projects** by pooling capital from diverse sources: **pension funds, sovereign wealth funds, private equity, banks, development finance institutions**
- ❑ The proceeds from privatization will be channeled into the Fund, thus ensuring transparent revenue flow in financing national priority projects, including; national highways, airports, seaports, electricity generation, ICT, water & irrigation, and agribusiness.
- ❖ Like to **Rironi-Nakuru-Mau Summit Expressway**, there is scope of funding projects with local capital like **pension funds** under a PPP arrangement.

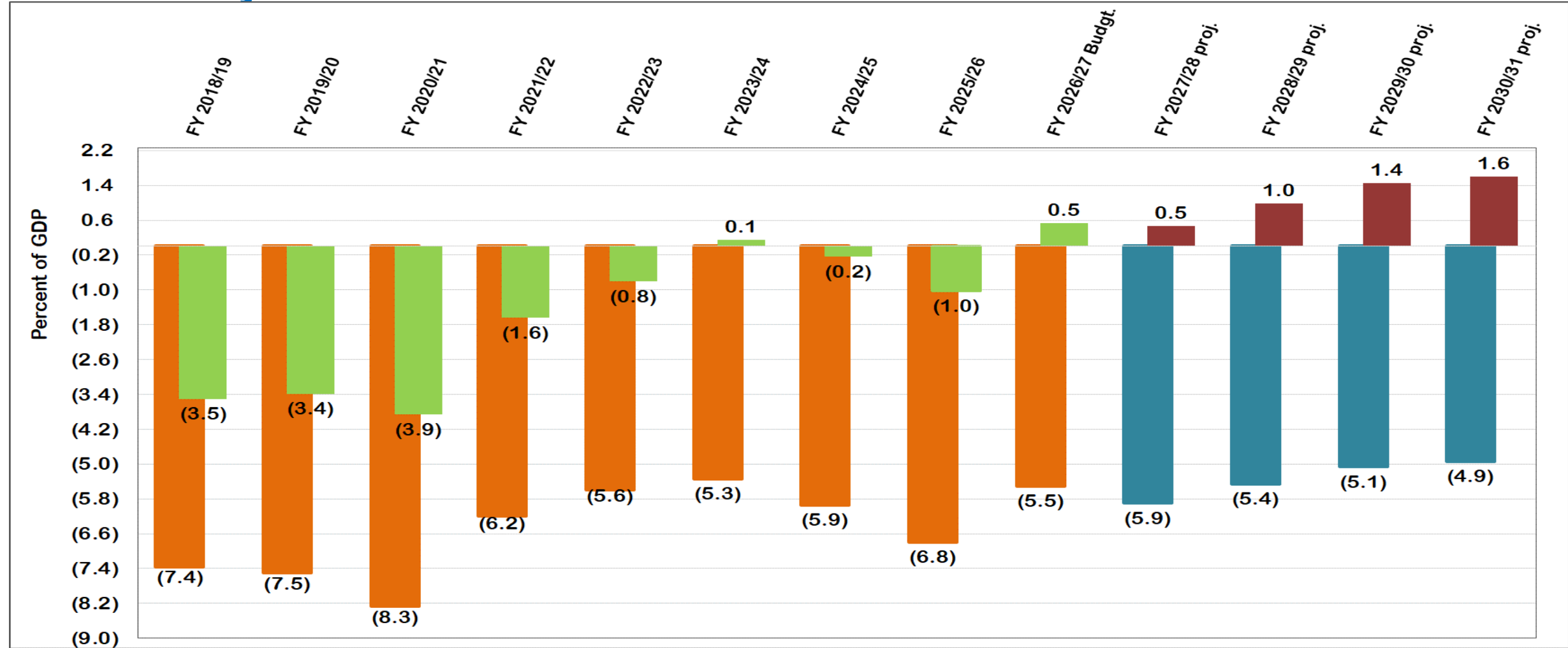
5.8: The Sovereign Wealth Fund: Gives effect to the principle of intergenerational equity enshrined in Article 201 of the Constitution

- ❑ **The Sovereign Wealth Fund** - a framework for the management and investment of strategic national assets and long-term public wealth.

It has three components:

- the Stabilisation Component,**
 - the Strategic Infrastructure Investment Component, and**
 - the Future Generation ('Urithi') Component,**
- ❑ The Fund will serve as a strategic fiscal anchor by ensuring that Kenya's natural resource wealth is:
 - prudently managed, productively invested, and equitably shared across current and future generations,

5.9: The reforms highlighted above will strengthen fiscal position and reduce the fiscal deficit from 6.8% of GDP in FY 2025/26 to 5.9% of GDP in the FY 2027/28 budget. There is need to strengthen primary surpluses to support debt sustainability



6.0: Improved Credit Profile: What others say about Kenya

6.1: Rating Agencies Upgrades Kenya's Long-Term Sovereign Credit Rating

Continued implementation of policies and programmes under the Bottom-Up Economic Transformation Agenda has continued to achieve the desired outcomes. As a result:

- ❑ **S&P Global Ratings: 'B' with a Stable Outlook** – On **21st August 2026**, S&P affirmed Kenya's '**B/B**' **sovereign credit ratings and Stable Outlook**, citing continued access to external and domestic financing and improved external liquidity, while noting persistent fiscal and debt-related pressures
- ❑ **Fitch Ratings: B- (Stable outlook)** — **affirmed** in **17th July 2026**, reflecting strong medium-term growth prospects, resilient foreign exchange reserves, and low GDP volatility, balanced against high debt servicing costs, fiscal consolidation challenges, and governance-related risks.
- ❑ **Moody's: B3 (Stable outlook)** — **upgraded** in **January 2026** from **Caa1**, due to stronger external liquidity, improved debt management and lower refinancing risks.

6.2: Rising Global Competitiveness and a Top Human Capital Champion

- ❑ **In Washington DC in April 2026**, the World Bank recognized Kenya as a top performer and **"Human Capital Champion"** for the significant progress in **building human capital through investments in health and education**.
 - **Key Drivers:** Progress is driven by a **16% drop in child stunting, improved education outcomes, and high renewable energy use** (over 93%) which supports workforce development.
- ❑ **In November 2025:** Kenya **topped the African economies** and was ranked position **56th Globally** in the IMD 2025 Global Competitiveness Ranking
 - Due to a **combination of rapid structural reforms, institutional modernization, and sustained policy execution** that distinguishes Kenya from regional peers.

7.0: Conclusion and Next Steps after Public Sector Hearings



7.1: Next Steps after Public Sector Hearings

- **2027 General Elections are scheduled for August 2027:** FY 2027/28 and Medium-Term Budget will then be completed by **March 2027**.
- **Public Sector Hearings** are taking place from today, **9th to 13th October, 2026**;
- **15th October 2026:** Finalisation of the Draft **2027 Budget Policy Statement** and other related documents;
- **15th - 25th October 2026:** Upload of the draft 2027 Budget Policy Statement and other related documents on the National Treasury website seeking comments from the public and stakeholders;
- **30th October 2026:** Submission of the **2027 Budget Policy Statement**, together with the **Division of Revenue Bill, 2027; County Allocation of Revenue Bill, 2027; County Governments Additional Allocations Bill, 2027;** and the **Medium-Term Debt Management Strategy, 2027** to Cabinet for approval;
- **16th November 2026:** Submission to Parliament of the approved 2027 Budget Policy Statement and the related documents to Parliament.
- I urge all the Sectors to finalise their reports in the **next few days** to unlock the next process

THANK



YOU