ANNUAL NATIONAL SHADOW BUDGET

FY2025/2026

Recalibrating Budget Performance in the Face of Fiscal Constraints

5th Edition

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Preface

Welcome to the fifth edition of the Annual National Shadow Budget by the Institute of Public Finance (IPF). At a time when the government is faced with multiple challenges stemming from fiscal pressures, slowdown in economic growth and major shift in global foreign policy, the importance of informed budgeting, fiscal discipline and optimal resource allocation becomes increasingly paramount. In this edition, we delve into the theme "Recalibrating Budget Performance in the Face of Fiscal Constraint." Key documents such as the 2025 Budget Policy Statement (BPS), Vision 2030 and sector strategic plans, the much-needed fiscal consolidation and the ambitious Bottom-Up Transformation Agenda (BETA) sets the stage for our analysis. Drawing from insights gleaned from financial and non-financial performance over FY2023/24 and the transition between FY2024/25-2025/26, this edition identifies critical gaps, raises key questions and makes recommendations aimed at informed resource allocation in a manner that desired outcomes can be realised in the best interest of the citizens. Among the gaps and challenges identified through a review of sector reports, analysis of budget execution and budget allocations include: low absorption of development budgets; mismatch between budget absorption; and key performance indicators and alarming accumulation of pending bills. Moreover, we examine strategies to address overlaps, redundancies, and function duplications, which could potentially free resources for priority expenditure in critical sectors like health, social protection and education. Our vision for the Annual National Shadow Budget remains steadfast—to generate evidence that informs public discourse on public finance management. By offering a comprehensive set of questions for parliamentary and civil society oversight, we aim to catalyze transparent, accountable, and equitable budgeting practices. As with all IPF publications, the views expressed herein reflect those of the institute, independent of our research funders.

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Executive Summary

The Annual National Shadow Budget FY 2025/26 by the Institute of Public Finance is themed *"From Allocations to Outcomes: Recalibrating Budget Performance in the Face of Fiscal Constraint"* highlighting the mismatch in budget absorption and the level of key performance indicators achieved, multiple challenges that the government faces domestically in managing debt fragility and pending bills, slowing private sector activity, the struggle in the delivery of Bottom up Economic Transformation Agenda (BETA), while at the same time facing growing international uncertainty due to a major shift in global foreign policy.

The Kenyan economy has remained resilient despite high debt fragility, with growth in 2024 estimated at 4.6%, significantly higher than the global average. Additionally, inflation is anchored within the lower range of the target band of 2.5% to 7.5%, foreign exchange reserves are adequate at a level exceeding 4 months of import cover, and the fiscal deficit has narrowed supported by a slightly positive primary balance. The central bank's policy rate has been lowered by 4 percentage points since June 2024, and is 8% as of April 2025, with the aim to stimulate lending to the private sector.

Despite these positive trends, households have seen a significant increase in the cost of living, and the poverty rate as of 2022 is 39.8%, implying that over 20 million Kenyans live under the poverty line, of which 16 million are unable to meet their basic food needs. Subdued lending to the private sector and a structural deficit in the supply of decent jobs in the formal sector that is by far outstripped by entrants to the job market, contribute to enduring challenges at the household level. As a consequence, government policies to raise revenues through tax hikes in order to support fiscal consolidation have been met with widespread social unrest, resulting in missed targets and a slower fiscal consolidation path.

Increasing levels of global uncertainty have increased downside risks to growth over the medium term. Rising protectionism and nationalism in the United States has led to a major shift in its foreign policy, with a realignment of its trade policy and development aid to reinforce the protection of its global interests. Tariff wars and policy uncertainty have increased the risks of global stagflation, pushing the global economy into a recession while at the same time increasing inflation. Additionally, the United States' sudden reduction in aid to developing economies has increased the need for domestic financing.

The FY2025/26 budget amounts to KES 4.1 trillion, representing an increase of 11% over the 2024/25 supplementary budget estimates. The health sector has received a major budgetary allocation increase of 72% in line with the government's priority to achieve universal healthcare, with the most significant increase allocated to the operationalization of the Social Health Authority. The General Economic and Commercial Affairs (GECA) sector has also received a significantly higher allocation of 41%, reversing the previous year's budgetary cut of 43%. The government's priorities in this sector are to target the growth of specific value chains and to support the MSME economy as an engine for growth and job creation. Conversely, the only sector with a decline in allocation from the previous year was the Public Administration and International Relations (PAIR) sector, which had a lower allocation by 8%. Trends over the last 3 fiscal years indicate that GECA on average has had the largest decline in allocation, due primarily to a significantly lower allocation between 2023/24 and 2024/25.

To support growth-friendly fiscal consolidation, the government intends to implement expenditure reforms that improve the efficiency and effectiveness of spending. These include an emphasis on entrenching a zero-based budgeting approach for FY 2025/26 and all future budgets, using a budgeting tool developed by the National Treasury. Additionally, to deliver value for money, the government intends to implement Public Investment Management (PIM) Regulations, requiring all ministries, departments and agencies to complete on-going projects before starting new ones. To manage debt, the government intends to focus on maximizing external borrowing on concessional terms, with non-concessional and commercial borrowing limited to priority projects that cannot secure concessional financing.

However, major challenges remain in budgeting and performance across sectors. Despite the government's emphasis on zero-based budgeting, there is little detail of the outcomes and savings that have been achieved from the approach, and neither are substantial savings readily apparent from an analysis of allocations within sectors.

Pending bills reported by the Controller of Budget as of December 2024 stood at KSh 524 billion for the national government and KSh.182 for county governments, with the major share owed to contractors for projects undertaken. Compared with FY2023/24, SAGAs have recorded the highest jump of 12%. Pending bills have a major negative impact on the economy by damaging private sector activity and creating stress in the banking sector, thereby lowering credit to the private sector. Pending bills also limit the effectiveness of the accommodative monetary policy stance, highlighting the need to have better coordination between fiscal and monetary policy. Additionally, these outstanding payments undermine confidence and trust in government, leading to higher procurement costs, attracting penalties and interest, and creating additional public costs in litigation.

Additionally, there are major gaps in the implementation of projects and in performance tracking. A large number of MDAs have high budget absorption rates but low achievement in key performance indicators. Further, across all sectors, a significant number of indicators are given with no targets. Additionally, only about one-third of flagship Vision 2030 projects with available data have a completion rate of over 80%. Poor project implementation occurs in part due to late disbursement of funds from the exchequer or a lack of funding, disruptions due to budget revisions, as well as late submission of documentation for completed works.

Moving forward, the government should prioritize rebalancing growth to the private sector as the key engine of economic development, which will support revenue collection and thereby underpin fiscal consolidation efforts. Additionally, prudent fiscal management and ensuring value for money by virtue of rigorous project performance monitoring will enhance quality-of-service delivery.

Abbreviations and acronyms

ABMT	Alternative Building Material Technology
AIA	Appropriations in Aid
ALM	Africa Leadership Meeting
ANSB	Annual National Shadow Budget
ARUD	Agriculture Rural and Urban Development
ASALs	Arid and Semi-Arid Lands
BETA	Bottom-Up Economic Transformation Agenda
BPS	Budget Policy Statement
BPTAP	Benefits Package and Tariffs Advisory Panel
CBC	Competency-Based Curriculum
CBET	Competency-Based Education and Training
CHAN	African Nations Championship
CHPs	Community Health Promoters
CRA	Commission on Revenue Allocation
DHA	Digital Health Agency
EAC	East African Community
ECCF	Emergency Chronic and Critical Illness Fund
ECDE	Early Childhood Development Education
EIICT	Energy Infrastructure and Information Communication Technology
EPWNR	Environment Protection Water and Natural Resources
FPE	Free Primary Education
FSE	Free Secondary Education
GAPSS	General Administration Planning and Support Services
GECA	General Economic and Commercial Affairs
GDP	Gross Domestic Product
GER	Gross Enrolment Rate
GJLO	Governance Justice Law and Order
HCW	Health Care Workers
HIV	Human Immunodeficiency Virus
HR	Human Resources
HRH	Human Resources for Health
HPTs	Health Products and Technologies
ICT	Information Communication Technology
ID	Identity Card
IEBC	Independent Electoral and Boundaries Commission
IHMIS	Integrated Health Management Information System
IMF	International Monetary Fund
IPF	Institute of Public Finance
IPOA	Independent Policy Oversight Authority
IWRM	Integrated Water Resources Management
JSC	Judicial Service Commission
KERRA	Kenya Rural Roads Authority
KIPPRA	Kenya Institute of Public Policy Research and Analysis
KPI	Key Performance Indicators

KURA	Kenya Urban Roads Authority
KYEB	Kenya Yearbook Editorial Board
LCB	Lower Cost Boarding
LEZ	Livestock Export Zone
MDAs	Ministries Departments and Agencies
MOH	Ministry of Health
MSMEs	Micro Small and Medium Enterprises
MTEF	Medium Term Expenditure Framework
NAVCDP	National Agricultural Value Chain Development Project
NFSP	National Government Fertilizer Project
NHA	National Health Accounts
NHIF	National Health Insurance Fund
NHPB	National Health Procurement Board
NIA	National Irrigation Authority
NOFBI	National Optic Fibre Network Backhaul Initiative
NPHI	National Public Health Institute
NSFC	National Skills and Funding Council
NSSF	National Social Security Fund
OAG	Office of the Auditor General
OCOB	Office of the Controller of Budget
PAIR	Public Administration and International Relations
PAYE	Pay as You Earn
PBB	Programme-Based Budget
PCNs	Primary Healthcare Networks
PFM	Public Financial Management
PHC	Primary Health Care
PIM	Public Investment Management
PPPs	Public Private Partnerships
RIVATEX	Rift Valley Textiles
RMNCAH	Reproductive Maternal Newborn Child and Adolescent Health
SAGA	Semi-Autonomous Government Agency
SDG	Sustainable Development Goal
SDMS	State Department of Medical Services
SDPHPS	State Department for Public Health and Professional Standards
SEZ	Special Economic Zone
SHA	Social Health Authority
SHI	Social Health Insurance
SHIF	Social Health Insurance Fund
SPCR	Social Protection Culture and Recreation
SSA	Sub-Saharan Africa
TB	Tuberculosis
TSC	Teachers Service Commission
TVET	Technical and Vocational Education and Training
UHC	Universal Health Coverage
UN	United Nations
UPE	Universal Primary Education
VAT	Value Added Tax
VSLF	Variable Scholarship and Loans Funding
VTCs	Vocational Training Centres
WHO	World Health Organization

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Chapter One: Introduction

1.1 Overview

The 2025/26 budget amounts to KSh 4.1 trillion, representing an increase of 11.4 percent over the previous year's supplementary budget. The most significant percentage increases in sectoral allocations are in line with key government priorities to promote universal healthcare, with a major allocation to the operationalization of the Social Health Authority, and boosting the private sector by supporting MSMEs as key drivers of economic growth. The Institute of Public Finance (IPF) has analyzed sectoral spending priorities and budget ceilings under theme *"From Allocations to Outcomes: Recalibrating Budget Performance in the Face of Fiscal Constraint"*.

The 5th edition of the Annual National Shadow Budget performs an in-depth analysis of budget absorption relative to key performance indicators, an analysis of the alignment of proposed sectoral budgets relative to priorities listed in the Bottom-Up Economic Transformation Agenda and the Fourth Medium Term Economic Plan, provides recommendations to improve sectoral performance, and raises key questions for Parliament to address.

Some of the key propositions within the 2025 Annual National Shadow Budget include:

In the **Health sector**, the budget has a 72 percent budget increase from Ksh 118 billion in FY2024/25 to KSh 204 billion in FY2025/26. However, despite increased allocations to the social protection in health sub-program under the GAPSS program in SDMS from KSh. 13.7 billion in FY2024/25 to KSh. 94.3 billion in FY2025/26, KSh 82.4 billion is indicated as appropriation-in-aid for the Social Health Insurance Fund, essentially to be financed from citizen's contributions, and therefore not a predictable source of financing. This will have a counter effect on the efforts to have the indigents get health insurance under the new Social Health Insurance (SHI) package. Therefore, the government needs to increase funding for Social Health Insurance Fund and establish specific budget lines for the Primary Health Care Fund and the Health Emergency and Chronic Disease Fund.

In the **Environment Protection, Water and Natural Resources (EPWNR) sector**, prioritizing the recharge of all groundwater aquifers (shallow and deep) across the country, and addressing high levels of pollution in the Thwake dam, which is reeling under heavy pollution problems from Nairobi and the upper catchment of River Athi, making the water unfit for people around it and negatively affecting large human and animal populations for nearly 300km downstream. Additionally, increasing support to mining cooperatives and committees to support artisanal miners and thus boost job creation.

Aligning budget allocations in the **Agriculture, Rural and Urban Development (ARUD) sector** to government priorities by increasing the allocation to the Land Policy and Planning programme and enhancing funding for the Land Information

Management Programme to enable the full implementation of the National Land Management Information System, support the development of land value indices, and address the systemic inefficiencies that undermine infrastructure development and land governance.

Within the **Education sector**, substantially increasing resources to teacher recruitment, training and expansion of education infrastructure to support the improvement of the teacher-student ratio by employing 56,000 teachers. Further, increasing the allocation to primary education to address the decline in the gross enrollment rate, and ensuring sustained allocations to Technical and Vocational Education Training (TVET) in order to support the effectiveness of TVET initiatives.

The **Public Administration and International Relations sector** has seen minimal increases in oversight institutions including the CRA, OCOB and OAG, relative to substantial increases for executive offices under the Presidency. Additionally, there is a significant reduction in funding to the State Department for Economic Planning. These allocations raise concerns about the government's commitment to effective public finance management.

In the **Governance, Justice, Law and Order (GJLO) sector**, a comprehensive personnel audit of the National Police Service and the State Department for Internal Security and National Administration to identify areas of redundancy and optimize staff deployment, in order to support rationalization of personnel costs while ensuring adequate service delivery. Further, demanding a breakdown of the unexplained "others" category, which is allocated substantial amounts but is opaque and difficult to track.

Addressing pending bills amounting to KSh 17.4 billion within the **General Economic and Commercial Affairs (GECA) sector**, which have adversely affected economic activities particularly of MSMEs; and

Within the **Social Protection, Culture and Recreation (SPCR) sector**, streamlining and aggregating social protection programmes across government to ensure there is equitable allocation of resources based on need across vulnerable groups and geography, and expanding allocations to social protection in response to increased poverty.

1.2 Methodology

We deployed a robust and rigorous methodology to ensure the credibility of our Annual National Shadow Budget. The approach involved:

Review and analysis of financial and non-financial performance analysis: To identify trends and patterns in the allocation of resources and to determine the effectiveness of past spending. This analysis helps to identify areas that need improvement and ensure that the proposed spending is more effective and efficient. We assess government priorities as highlighted in the 2025 BPS and proposed allocations for FY 2025/26 to examine the alignment of funding priorities to commitments made by government. This allows us to examine how changes in budgetary allocation relate to these priorities and past performance.

Consultation with stakeholders: To ensure that the Shadow Budget reflects the needs and priorities of various stakeholders, consultations were held with civil society organizations, academia, and other relevant experts. These consultations helped to identify areas that need improvement and provide valuable input into the budgeting process.

Data sources and key policy documents: The data was sourced from publicly available budget documents, including the Budget Review and Outlook Paper, Sector Working Group Reports, Quarterly Budget Implementation Review Reports, Budget Policy Statement, and the budget itself. Other documents considered include the IMF World Economic Outlook, MTP IV, Vision 2030 and sector strategic plans.

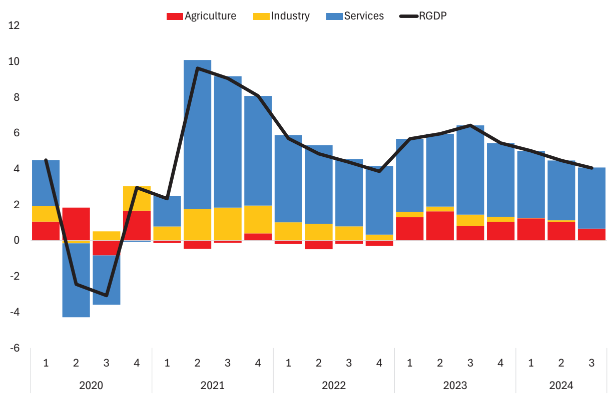
Chapter Two:
Macro-Fiscal

2.1 Macro-Fiscal Outlook

Kenya has remained resilient in the face of domestic civil unrest and external shocks. The economy is projected to grow at 4.6 percent in 2024, higher than the projected average of 3.8 percent for sub-Saharan Africa.[1] The composition of growth has rebalanced with a higher contribution from agriculture but a considerable decline in the contribution of industry. Services have consistently provided the largest contribution to growth since rebounding strongly during the recovery from the COVID-19 Pandemic in mid-2021. However, overall growth trends over time show a decline in real GDP, with quarterly year-on-year growth declining from 5 percent in Q1 2024 to 4.1 percent in Q3 2024.

Figure 1: Contributions to Gross Domestic Product

(Year-on-year percent growth, constant 2016 prices)

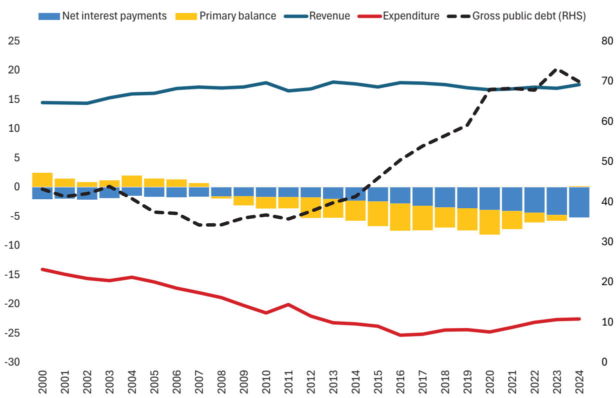


Notes & Sources: *Data from KNBS, Quarterly Gross Domestic Product Report, Third Quarter, 2024, Table 2. Data includes all industries at basic prices.*

Fiscal consolidation targets have been missed resulting in a slower fiscal consolidation path although the appreciation of the Kenya shilling has lowered the external debt servicing burden. The overall fiscal deficit narrowed from 5.9 percent in FY 2022/23 to 5.6 percent in FY 2023/24 and is projected to narrow further to 4.9 percent in FY 2024/25, reflecting the government's current implementation of its fiscal stance.[2] Fiscal consolidation is supported by a slightly positive primary balance, as a result of an increase in government revenues. In 2024, the government's planned tax policy measures to increase revenues were met with strong public opposition, leading to the rejection of the Finance Bill. Revenue collections over the fiscal year to December 2024 underperformed relative to target by KES. 93.2 billion, with the greatest shortfalls in VAT and income tax collections.

Figure 2 : General government fiscal balance and gross public debt

(Percent of GDP)



Notes & Sources: *IMF WEO database.*

[1] *International Monetary Fund. January 2025. "World Economic Outlook Update. Global Growth: Divergent and Uncertain".*

[2] *National Treasury, 2025 Budget Policy Statement, Table 2.5b, p. 45.*

However, expenditures remained largely on target as of December 2024, although recurrent expenditures, which surpassed their target by 41 billion, were offset by development expenditures and county allocations, which were below target by 13 billion and 28 billion respectively. Due to the revenue shortfall, fiscal consolidation is much slower than the aggressively targeted 2.3 percentage points in the FY 2024/25 budget, with a projected narrowing of 0.7 percentage points instead. [3]

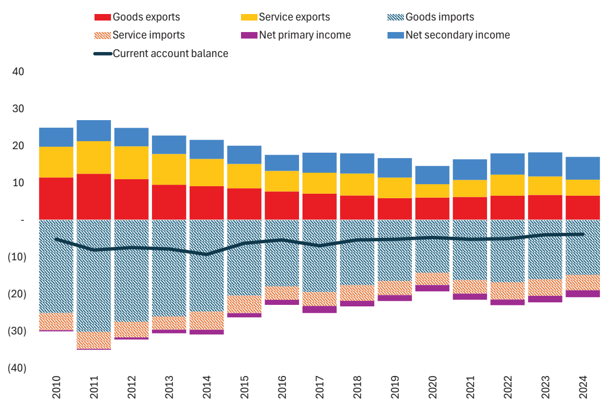
High interest payments continue to contribute to Kenya's high debt fragility, with the economy listed at high risk of distress by the IMF.[4] Kenya's public debt increased rapidly from below 40 percent in 2010 to above 70 percent of GDP in 2023 due to large investments in infrastructure. This was fueled by an ambitious development agenda and supported by the availability of cheap global financing following the global financial crisis in 2008. The primary balance turned increasingly negative beginning in 2008 as government expenditure surpassed 20 percent of GDP and continued increasing to 25 percent of GDP, despite government revenues stalling at about 17 percent of GDP. Public debt increased by 9 percentage points in 2020 with the onset of the COVID-19 Pandemic, and interest payments on external debt increased with depreciation of the Kenya shilling following global shocks including the rebalancing of global interest rates and the Russian war in Ukraine. The government is committed to lowering the fiscal balance to below 3 percent of GDP over the medium term and ensuring that public debt remains on a downward and sustainable trajectory.

Trade has declined significantly since 2010 from 58 percent of GDP to 32 percent of GDP as of 2023.[5] Over this period, the current account deficit has narrowed, driven primarily by a decline in imports of goods as a share of GDP. However, there has also been a declining contribution of both exports of goods and services to growth over this period. In contrast, remittances have remained resilient. Over the last five years, the current account deficit has remained stable at around 5 percent of GDP. The government continues to maintain adequate international reserves exceeding 4 months of imports.

Headline year-on-year inflation was 3.3 percent as of January 2025, with food inflation (food, beverages and tobacco) making the largest contribution. The inflation rate also reflects fuel price deflation due to year-on-year declines in the prices of diesel, petrol and kerosene of 15 percent or more, as well as a decline of 20 percent in the price of electricity. An overall trend of disinflation since May 2023 has brought the inflation rate down from 8 percent to the lower band of the Central Bank's inflation target. A decline in the contribution of both food and non-food inflation has contributed to the decline in overall inflation.

Figure 3 : Current account

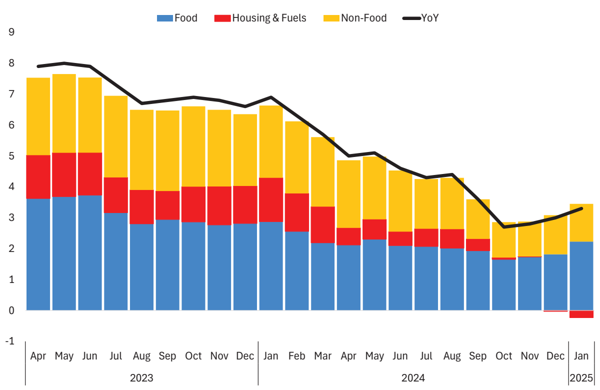
(Percent of GDP)



Notes & Sources: *Data from World Bank World Development Indicator database. 2024 data are forecasts from IMF.*

Figure 4 : Decomposition of Inflation

(Percent, year-on-year)



Notes & Sources: *Data from KNBS Consumer Price Index reports, April 2023 to January 2025.*

[3] *National Treasury, 2025 Budget Policy Statement, Table 2.5b.*

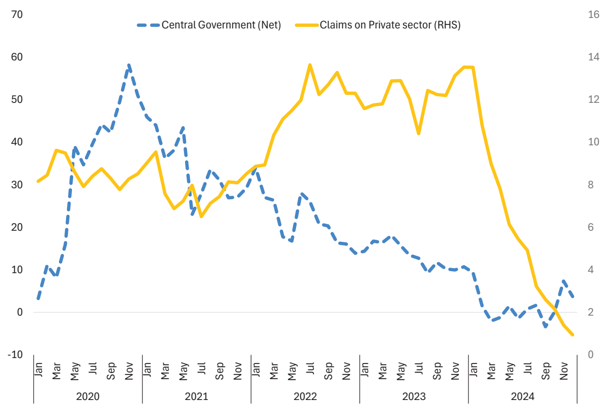
[4] *See International Monetary Fund, List of LIC DSAs for PRGT-Eligible Countries; https://www.imf.org/external/pubs/ft/dsa/dsalist.pdf*

[5] *World Bank, World Development Indicators database. Trade the sum of exports and imports of goods and services as a percent of GDP.*

The Central Bank's policy rate increased beginning in mid-2022 due to rising food and fuel inflation that increased the overall inflation rate above the upper band of 7.5 percent. The policy rate increased from 7 percent to 7.5 percent in May 2022, and subsequent hikes pushed the rate to 13 percent by February 2024. Inflation subsequently eased and prompted a series of cuts in the policy rate, lowering the rate by 3 percentage points from 13 percent in June 2024 to 10 percent as of April 2025. The rate cuts are aimed at stimulating economic activity within the private sector. However, credit to the private sector has decelerated significantly since the beginning of 2024.

Figure 5 : Credit to the private sector and central government

(Annual percentage change)



Notes & Sources: *IMF International Financial Statistics database.*

International Developments

Global growth in 2024 is estimated at 3.2 percent, similar to growth in 2023.[6] Growth in the United States remained robust over the year, supported by strong consumption, while in contrast growth in other major advanced economies including Japan and Germany slowed. Additionally, growth in China slowed with property market instability. The global geopolitical environment saw continued elevated tension due to wars and political unrest. Further, a significant number of developing and emerging economies continued to navigate high levels of debt fragility, with the largest share of countries in sub-Saharan Africa (SSA). Growth in SSA in 2024 is estimated at 3.8 percent, up from 3.6 percent in 2023.

In 2025, global growth is projected to remain stable at 3.3 percent, while growth in SSA is expected to accelerate to 4.2 percent. However, there are significant downside risks to growth. Rising protectionism and nationalism, as well as a rapid shift in policies in the United States, have raised policy uncertainty globally. Further, the sudden stop of aid disbursements by the United States, which totaled about US$ 8 billion annually, signals a radical shift in foreign policy by the United States, and is likely to have a major impact particularly on health sectors in countries that have been dependent on these flows. Additionally, the threat of tariff wars poses a risk to global trade. Higher tariffs could trigger stagflation by creating drag on global growth while at the same time increasing inflation.

Outlook and Risks

Kenya's growth is 2025 is projected at 5.3 percent, driven by increased agricultural productivity, a resilient services sector and the implementation of priorities under the Bottom-Up Economic Transformation Agenda ("BETA") and the Medium-Term Economic Plan IV.[7] The key priorities of BETA are to realize inclusive green growth by focusing on six key objectives: bringing down the cost of living, eradicating hunger, creating jobs, expanding the tax base, improving foreign exchange balances and inclusive growth, with targeted economic interventions in five core pillars: agricultural transformation; micro, small and medium enterprise economy; housing and settlement; health care; and the digital superhighway and creative economy. [8]

Prudent macroeconomic management and an accommodative monetary policy stance will support growth. However, significant risks to growth persist. A high debt burden and fiscal slippage would contribute to increased debt fragility. Further, although tax administration policies are under implementation, there is a risk of public unrest with the implementation of any policy measures to raise additional revenues through new or higher taxes. Kenya also remains vulnerable to climate-related shocks that if realized would lower agricultural output. Rising regional instability due to conflicts in neighboring countries may also negatively impact the economy.

[6] *International Monetary Fund, World Economic Outlook Update, January 2025.*

[7] *National Treasury, 2025 Budget Policy Statement, p. 36.*

[8] *National Treasury, 2025 Budget Policy Statement, p. 2.*

Proposed Budget for FY2025/26

Projected budgetary ceilings for FY2025/26 amount to KSh. 1,851.7 billion in recurrent expenditure and KSh. 710.3 billion in development expenditure. The total ceiling of KSh. 2,562 billion is equivalent to an 11 percent increase above the 2024/25 supplementary estimates.

Table 1: Budget allocations for FY 2024/25 & FY 2025/26 (KSh Billion)

	Approved Supp I (KSh Billion)	2025 BPS Ceiling (KSh Billion)	Change
	FY2024/25	FY2025/26	
National	2,301	2,562	11%
Executive	2,237	2,494	11%
Parliament	40.9	42.5	4%
Judiciary	22.5	25.7	14%
CFS	1237.23	1368.99	11%
County transfers	380	405.1	7%
Total	**3,949**	**4,336**	**10%**

Notes*

**Consolidated Funds Services(CFS) is composed of domestic interest, foreign interest and pensions & salaries for State Officers*

The largest sectoral allocations are to the education sector (KSh. 723.9 billion) and the energy, infrastructure and ICT sector (KSh. 504.6 billion), which together account for 48 percent of the budget. Additionally, the education sector accounts for 37.6 percent of recurrent expenditure, while the energy, infrastructure and ICT sector accounts for 50 percent of development expenditure. In the 2025/26 budget the health sector has the largest annual percentage increase, amounting to 72 percent, following a decline of 11 percent in the previous year. The general, economic and commercial affairs (GECA) also has a major increase of 41 percent in 2025/26, following a decline in the previous year of 43 percent. Budgetary allocations reflect the government's priorities to achieve universal health coverage, to target the growth of specific value chains and to support the MSME economy as an engine for growth and job creation. Conversely, the only sector with a decline in allocation from the previous year was the Public Administration and International Relations (PAIR) sector, which had a lower allocation by 8 percent.

On average, between FY 2022/2023 when the current government took office and FY 2025/26, the health sector has received the highest average annual increase in budget (20.7 percent) followed by the energy,

Table 2: Summary of Sector Budget Allocations

	Approved Supp I (Ksh. Billion)	2025 BPS Ceiling (Ksh. Billion)	Change
	FY2024/25	FY2025/26	
NATIONAL SECURITY	219,303	257,023	17%
Recurrent	217,769	244,507	12%
Development	1,534	12,516	716%
PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS (PAIR)	311,795	286,759	-8%
Recurrent	186,453	189,702	2%
Development	125,342	97,057	-23%
HEALTH	118,856	204,495	72%
Recurrent	86,828	171,948	98%

	Approved Supp I (Ksh. Billion)	2025 BPS Ceiling (Ksh. Billion)	Change
	FY2024/25	FY2025/26	
Development	32,028	32,547	2%
GOVERNANCE, JUSTICE, LAW & ORDER (GJLO)	234,861	265,873	13%
Recurrent	228,980	243,505	6%
Development	5,881	22,368	280%
ENERGY, INFRASTRUCTURE & ICT	444,290	504,604	14%
Recurrent	142,034	149,704	5%
Development	302,256	354,900	17%
ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES	101,197	33,699	-67%
Recurrent	32,152	70,065	118%
Development	69,045	103,765	50%
SOCIAL PROTECTION, CULTURE AND RECREATION (SPCR)	68,942	78,786	14%
Recurrent	45,281	52,143	15%
Development	23,662	26,643	13%
EDUCATION	681,723	723,890	6%
Recurrent	660,635	696,462	5%
Development	21,088	27,428	30%
AGRICULTURE, RURAL & URBAN DEVELOPMENT (ARUD)	73,933	77,672	5%
Recurrent	29,362	32,202	10%
Development	44,571	45,469	2%
GENERAL ECONOMIC AND COMMERCIAL AFFAIRS (GECA)	45,626	59,139	30%
Recurrent	29,866	37,813	27%
Development	15,760	21,327	35%
TOTAL	**2,300,525.7**	**2,562,005**	**11%**
Recurrent	1,659,359	1,851,684	12%
Development	641,166	710,321	11%

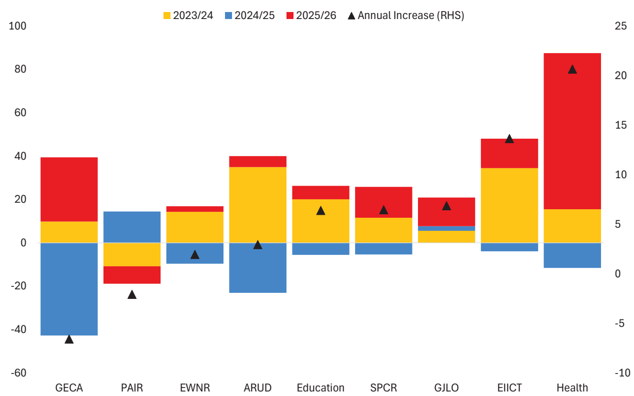
Data Source: *National Treasury*

infrastructure and ICT sector (13.6 percent). Over this period, GECA and PAIR have on average received lower allocation in percentage terms, with the lowest annual allocation to GECA (-6.6 percent).

The government has emphasized the entrenching of a zero-based budgeting approach to finalize the FY 2025/26 budget and all future budgets, using a budget costing tool developed by the National Treasury. However, there is little detail provided on the outcomes that have been achieved in streamlining budgets across sectors.

Over FY 2023/24, government revenues excluding grants amounted to KSh. 2,702.6 billion (17.1 percent of GDP), increasing by KSh 342.2 billion from the previous fiscal year. The largest contribution to taxes was obtained from value-added taxes, which accounted

Figure 6 : Annual change in budget allocation (Percent) and average annual increase between 2023/24 and 2025/26 (RHS)



Notes & Sources: *National Treasury data.*

for 26 percent of total ordinary revenue collections. Direct and indirect taxes have over the last decade accounted for roughly equal shares of total tax revenues, although as a share of GDP. In the period July to December 2024, revenue collections excluding grants amounted to KSh. 1,368.7 billion, corresponding to a growth of 4.2 percent relative to the period July to December 2023. However, revenue outturns indicate that the government consistently underperforms in collecting revenues relative to target. In particular, in FY 2023/24 there was a massive underperformance of 1.3 percent of GDP (KSh 204.9 billion) in revenue collections relative to target. Additionally, over the six months between July and December 2024, the underperformance trend relative to target has continued. To boost revenue collection in FY 2025/26 the authorities are targeting a combination of tax policy and tax administration reforms including leveraging technology to improve the efficiency of tax collections, minimizing tax expenditures and increasing non-tax revenues raised by ministries, departments and agencies from services offered to the public.

Figure 7 : Revenue targets and outturns

Notes & Sources: *National Treasury data.*

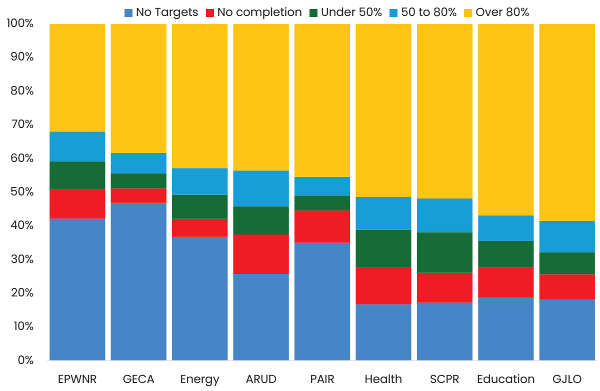
It is imperative to focus on implementing the Medium-Term Revenue Strategy (MTRS) and the National Tax Policy (NTP) to enhance revenue streams. These initiatives are crucial for maintaining projections of stable economic growth in FY2024/25 and the medium term. However, without addressing the challenges beleaguering the private sector, including tight monetary policies and delayed payments to government suppliers, the potential for economic and revenue growth could be compromised.

Cross-cutting issues

A sectoral comparison of issues indicates a number of cross-cutting themes. A critical concern is the level of national government pending bills, which stood at KSh 539.9 billion as of December 2024, equivalent to 3.3 percent of GDP, with KSh 426.3 billion owed by state corporations and KSh 97.8 billion owed by ministries, state departments and other government entities. The greatest percentage of pending bills is owed to contractors for projects undertaken. Pending bills have a major negative impact on the economy by damaging private sector activity and creating stress in the banking sector, thereby resulting in lower growth. They also undermine confidence and trust in government and lead to higher costs of procurement for government. In addition, government arrears attract penalties and interest and create additional public costs in litigation fees. Despite large pending bills, the government continues to initiate new projects in sectors in which there are large existing pending bills. The payment of outstanding pending bills must be prioritized prior to commencing new projects.

Poor implementation of projects exerts significant costs and lowers value for money in publicly funded projects. Failed projects, including those that have exceeded their implementation timelines by many years but still continue to receive budget allocations, are major losses to the public and avenues for the misappropriation of funds. A broad analysis of key performance indicators across sectors shows significant gaps in performance monitoring. Across all sectors, a significant number of indicators are given with no targets, with the highest share in GECA, where 51 percent of performance indicators have no targets. Additionally, on average 8 percent of indicators across sectors have a completion percentage of zero, with the highest percentage in ARUD, where 12 percent of indicators have a completion percentage of zero. However, some sectors show a performance above 80 percent on a large number of indicators. The best performing sectors are GJLO and Education, where 59 percent and 57 percent of indicators respectively have a performance of above 80 percent. Additionally, an analysis of flagship Vision 2030 projects with available data shows that only 35 percent of the projects have a completion rate of over 80 percent. Further, 42 percent of the projects have a completion rate of under 50 percent. Poor implementation of projects that are externally funded exerts additional costs in commitment fees. As of June 2024, commitment fees on undisbursed external loans were KSh 1.58 billion, equivalent to 0.01 percent of GDP.

Figure 8: Completion Rate of Key Performance Indicators (Percent)



Notes & Sources: *National Treasury data.*

The timely disbursement of funds from the exchequer to MDAs is critical to enabling timely service delivery. However, erratic disbursement of funds poses a significant issue for implementing agencies, which are forced to divert existing funds to meet urgent liabilities, or to borrow money from the financial sector in order to make payments. Government disbursements tend to be lumpy, with large disbursements typically at the end of the fiscal year, but low and erratic disbursements during the rest of the year.

Tax expenditures are typically used by government in order to provide subsidies to a class of taxpayers, or to provide economic incentives. They either reduce or defer a taxpayer's liability through instruments including tax exemptions, deductions, offsets or accelerated depreciation of assets. As of 2023, tax expenditure was KSh 510.6 billion, equivalent to 3.4 percent of GDP. The largest tax expenditures were on value-added tax, which amounted to KSh 333 billion, with the largest contributions from finance and insurance, manufacturing and agriculture, forestry and fishing.[9] The implementation of tax expenditures that target a class of taxpayers must ensure that the exemptions are progressive. Exemptions that have the highest benefits for higher-income individuals are best implemented using other instruments.

The budget includes allocations at the national level for functions that have been devolved. These expenditures should either be justified or implemented at their appropriate level in order to avoid the duplication of functions. Further, functions that are duplicated across ministries, as well as between ministries and state agencies require rationalization.

[9] *The National Treasury and Economic Planning, 2024 Tax Expenditure Report, September 2024, Table 16, p. 22.*

Chapter Three:

Sector Deep Dives

3.1 General Economic and Commercial Affairs (GECA)

3.1.1 Overview of GECA Sector

The General Economic and Commercial Affairs (GECA) sector plays a crucial role in promoting the economic growth and development of the country by stimulating trade, industrialization, investment, enterprise development, market access, private sector development, job and wealth creation and overall economic competitiveness locally, regionally and internationally. In line with BETA and other government policies and programs, the GECA sector targets the value chain through enhancements of production, value addition and market access, and local and foreign investments, promotion of MSMEs, manufacturing, agro-processing industry, and regional growth. Table 3 gives an analysis of the sector allocation and expenditure for the financial years 2021/2022, 2022/2023 and 2023/2024.

Table 3: Summary of historical GECA Sector Allocation and Expenditure

FY	Allocation (Ksh. billion)	Recurrent	Development	Total Expenditure	Total Recurrent expenditure	Total Development expenditure	Total pending bills	Pending bills for Recurrent	Pending bills for Dev
2021/22	38.4	19.7	18.7	35.3 (91.8%)	18.9 (95.7%)	16.4 (87.7%)	0.3	0.3	0
2022/23	72.6	29.8	42.7	54.3 (74.9%)	27 (90.6%)	27.3 (63.9%)	0.4	0.4	0.07
2023/24	79.7	46.8	32.9	53.9 (67.8%)	39.8 (85.1%)	14.1 (43.2%)	12.2	3.7	8.5

Total expenditure on recurrent more than doubled in the period 2021/22 to 2023/24 from Ksh 18.9 billion to Ksh 39.8 billion. However, development expenditure decreased from Ksh 16.4 billion to Ksh 14.1 billion for the sector. Table 3 also shows that the sector is increasingly accumulating pending bills. Most of the pending bills are from:

- State Department for Industry due to lack of Exchequer on Rift Valley Textile (RIVATEX) project,
- State Department for Trade and State Department for East African Community
- Goods and Services, e.g. utilities and domestic or foreign travel.

The increasing pending bills also result from accumulating interest and penalties which are often awarded through courts, as well as delays in projects completion which then get subjected to price fluctuations of the materials. Most of the pending bills are attributed to the non-provision of budgets for existing multi-year projects in the subsequent financial years, as well as delays in completion by some contractors when undertaking project execution who are having contractual agreement allowing for pre-payment or partial completion certificate requiring payments. This is, therefore, money owed to suppliers and contractors for goods delivered or services rendered but yet to be paid for. However, delays in projects execution results in low absorption rates.

3.1.2 Analysis of past budget performance against key performance indicators (KPIs)

The sector has a pivotal role in driving economic growth, job creation, and industrial development in accordance with MTP-IV and BETA. Notably in the sector, through the agenda of transforming MSMEs, the sector has established the Financial Inclusion Fund, popularly known as the Hustler Fund, to provide access to affordable credit. The Government disbursed Ksh 60 billion through the Financial Inclusion Fund with a total of Ksh. 23 billion going to women. The sector has also disbursed Ksh 5.4 billion to farmers across 26 coffee growing counties in Kenya. If the program was impactful, this should be seen through increased access to credit by MSMEs which then would amount to increased production. The majority of MSMEs are in agriculture and together with coffee growing farmers. Despite these efforts, available data shows that agricultural primary production growth has declined from 6.5 percent to 6.1 percent.

During the 2023/24 period, the sector was to play a key role in delivery of the Government Development Agenda and implement the Bottom-up Economic Approach for attainment of higher and sustained economic growth. This included increasing the contribution of manufacturing to GDP to 15 percent as well as specific outputs under food security either as a driver or an enabler. As a driver, the sector was to undertake targeted investments in manufacturing, agro-processing industry, growth and promotion of MSMEs. As an enabler, the sector was to create a conducive environment for business, mobilize resources for investments and industrial development, promote exports, promote sustainable tourism, deepen the EAC integration, implement special programmes for accelerated development of the ASALs and promote equitable regional socio-economic basin-based development. The sector analysis of past financial and non-financial performance is given in table 4

Table 4: Analysis of GECA sector past financial and non-financial performance

Sector/Vote/Programme Details	Approved Budget			Actual Expenditure			Absorption Rate 2023/24	% Level of Achievement 2023/24
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24		
State Department For Regional And Northern Corridor Development	**5,504.56**	**6,974.49**	**0.00**	**4,711.70**	**6,894.25**	**0.00**		
Integrated Regional Development	5,504.56	6,974.49	0	4,711.70	6,894.25	0		
State Department For Development Of The Asals	**10,954.81**	**20,805.08**	**0.00**	**10,336.02**	**14,228.14**	**0.00**		
Accelerated ASALs Development	10,954.81	20,805.08	0	10,336.02	14,228.14	0		
State Department For ASALS And Regional Development	-	-	**30,465.36**	-	-	**25,223.02**	**83%**	
Accelerated ASALs Development	0	0	14,420.31	0	0	15,013.94	104%	84%
Integrated Regional Development	0	0	15,445.62	0	0	9,713.20	63%	72%
General Administration Planning and Support Services	0	0	599.43	0	0	495.88	83%	92%
State Department for Cooperatives	1,927.60	22,960.39	7,832.90	2,007.80	14,682.79	3,813.86	49%	81%
Co-operative Development and Management	1,927.60	22,960.39	7,832.90	2,007.80	14,682.79	3,813.86	49%	81%
State Department for Trade	**4,907.65**	**4,217.81**	**3,552.79**	**4,436.59**	**3,731.95**	**3,233.05**	**91%**	**85%**
Trade Development and Promotion	4,907.65	0	0	4,436.59	0	0		64%
Domestic Trade and Enterprise Development	0	2,348.68	1,481.25	0	1,866.37	1,476.59	100%	
Fair Trade Practices and Compliance of Standards	0	505.67	96.51	0	505.57	79.12	82%	92%
International Trade Development	0	966.20	1,188.10	0	963.41	994.29	84%	84%

Sector/Vote/Programme Details	Approved Budget			Actual Expenditure			Absorption Rate 2023/24	% Level of Achievement 2023/24
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24		
General Administration, Support Services and Planning	0	397.26	786.93	0	396.60	683.05	87%	100%
State Department for Industry	**6,298.02**	**3,908.00**	**8,742.97**	**5,097.18**	**3,319.00**	**5,413.95**	**62%**	**82%**
Industrial Development and Investment	2,122.74	1,390.00	6,094.70	2,012.03	1,224.00	3,008.79	49%	71%
Standards and Business Incubation	3,731.93	2,147.00	2,096.44	2,654.54	1,741.00	1,891.62	90%	81%
General Administration, Planning and Support Services	443.35	371.00	551.83	430.61	354.00	513.54	93%	95%
State Department for Micro, Small and Medium Sized Enterprises Development	**0**	**633.62**	**8019.57**	**0**	**587.67**	**3186.77**	**40%**	**88%**
Promotion and Development of MSMEs	0	525.75	1,187.52	0	525.75	1,066.51	90%	83%
Product and Market Development for MSMEs	0	0	578.35	0	0	369.67	64%	100%
Digitization and Financial Inclusion for MSMEs	0	0	5,865.78	0	0	1,487.69	25%	93%
General Administration Planning and Support Services	0	107.87	387.92	0	61.92	262.90	68%	75%
State Department for Investment Promotion	**-**	**2,164.00**	**7,189.00**	**-**	**899.00**	**2,599.00**	**36%**	**81%**
Investment Development and Promotion	0	2,164.00	7,189.00	0	899.00	2,599.00	36%	81%
State Department for Tourism	**8,215.00**	**10,114.00**	**12,899.00**	**8,074.00**	**9,219.00**	**9,425.00**	**73%**	**82%**
Tourism Promotion and Marketing	8,215.00	937.00	1,030.00	8,074.00	927.00	929.00	90%	76%
Tourism Product Development and Diversification	0	8,873.00	11,561.00	0	8,041.00	8,217.00	71%	99%
General Administration, Planning & Support Service	0	304.00	308.00	0	251.00	279.00	91%	71%
State Department for East African Community	**609.30**	**775.90**	**982.70**	**604.00**	**760.70**	**960.70**	**98%**	**92%**
East African Affairs And Regional Integration	609.30	775.90	982.70	604.00	760.70	960.70	98%	92%
General Economic and Commercial Affairs (GECA)	**38,416.9**	**72,553.3**	**79,684.3**	**35,267.3**	**54,322.5**	**53,855.4**	**68%**	**84%**

The trends on allocation are showing increment and expenditure and absorption decline over the period. The decline in expenditure is happening as allocation is on the rise. The table also shows a number of non-allocations and non-expenditures like in the State Department for Regional and Northern Corridor Development and State Department for Development of the Asals. This arises due to State Departments reorganizations. As shown in table 2.2, larger allocations and budgets are to Tourism Product Development and Diversification, State Department for Development of the ASALs and State Department for Investment Promotion. The State Department for the East African Community had the lowest budgetary allocation. A number of the spending sections have indicated a declining absorption rate and at the same time experiencing allocation growth. Examples are Industrial Development and Investment, Investment Development and Promotion and Co-operative Development and Management. Some programmes have absorbed 100 percent, yet the achievements are below 100 percent. These include, whereas some have over-absorbed, but their performance is below 100 percent like Accelerated ASALs Development, Domestic Trade & Enterprise Development. The State Department for Trade and Enterprise Development

Table 5:Duplicated Programmes Across the State Departments in GECA Sector

STATE DEPARTMENT	PROGRAMMES	SUB-PROGRAMMES
State Department for Cooperatives	Cooperative Development and Management	Marketing, Value Addition and Research
State Department for MSMEs Development	Product and Market Development MSMEs	Value Addition, Innovation and Incubation for MSMEs
State Department for Trade	Domestic Trade and Enterprise Development	Development Promotion and Regulation of wholesale and Retail Trade
State Department for Industry	Industrial Development and Development	Promotion of Industrial Development

and the State Department for Tourism recorded the highest absorption of the budget. The State Department for Industry recorded the lowest.

Some of the roles, programmes and projects are duplicated across the state departments. Examples of duplicated programs are as shown in table 5

It would make more sense for the government to consolidate and save especially on the administrative costs.

Analysis of the sector expenditure shows that the highest spending by category was transfers in the form of subsidies, grants, or direct transfers to SAGAs, which are meant to complement activities and mandates executed on behalf of parent ministries. This would further imply that most of the mandates allocated to the sector are performed by SAGAs. This gives an avenue to reevaluate the sector's cost of administration and the need to merge most of the departments.

In total, the absorption rate for the sector has decreased over time. The main cause of this is lack of exchequer releases and delays emanating from delays in projects execution. Analysis of programmes and sub-programmes shows that several sub-programmes did not spend the budgeted amount. Many programmes had a below 80 percent absorption rate. This means that they are overbudgeted or understaffed. Some of the low funds absorbing departments are also experiencing budget allocation growth as observed in table 5. Examples include Co-operative Development and Management whose absorption rate has declined over the year to 49 percent. However, its budget has increased from Ksh. 1.9 billion to Ksh. 3.8 billion. Another example is the Industrial Development and Investment programme whose budget has been increased from Ksh. 2 billion to Ksh. 6 billion despite its absorption rate decreasing from 95 to 49 percent. Another example is the Investment Development and Promotion programme whose budget has been raised from Ksh. 2.2 billion to Ksh. 7.2 billion despite its absorption rate decreasing to 36 percent. This indicates that some of the targeted programmes and projects are not implemented. In addition, it denies other sections funds. Allocation of budgets therefore needs to be pegged to the absorption capacity of the implementing MDAs. Together with absorption capacity, the sector was faced with numerous challenges that impacted on its performance. These challenges included:

1. Budget cuts resulting in stalled projects

The consequences of stalling and delayed completion of these projects are accumulation of interests and penalties, gaps in the realization of the desired outcomes and inefficiencies in service delivery to the citizenry. Some of the projects affected include Development of Athi River Textile hub, Modernization of RIVATEX, Anti-Counterfeit Agency Exhibit Warehouses, Development of Textile Park- Naivasha-Special Economic Zones, Coffee Cherry Advance Revolving Fund, Dairy Processing (Powdered Milk), Revitalization of Coffee Industry and National Drought Emergency Fund.

2. Duplicated Roles

There are some duplications in the sector. For example, the provision of financial support for MSMEs (Credit to MSMEs) under the State Department for Micro, Small and Medium Enterprises (MSME) Development and Provision of Finances to SMEs in the Manufacturing sector under the State Department for Industry. In addition, the budget estimates and actual expenditures are noted to differ greatly, and this happens in the process of budget implementation. This has necessitated regular budget adjustments that result to supplementary budgeting within a financial year. It would be better to evaluate whether the financial estimates, done before the start of a financial year, are realistic before committing them into the final budget estimates. This is to reduce the growing trend observed on the estimate and the actual expenditures and reduce on the number of incomplete projects. Financial estimates should be as close to the actual estimates as possible under normal circumstances.

3. Low KPIs Performance

General Admin, Planning and Support Service; Regional Development; Domestic Trade and Enterprise Development; and Industrial Dev and Investment continuously record below 80 percent performance on KPIs. The underperformance is not attributable to low finance as the activities have reported full allocation and absorptions, so government entities should provide sufficient detail to explain the failure to meet their targets.

4. Delays in Disbursement of Funds and Non-allocation of Funds to Ongoing Programs

Delays in disbursement of funds and non-allocation of funds to ongoing programs have resulted in stalled and delayed projects implementation, accumulating pending bills, penalties, and cost overruns.

5. Pending Bills

The sector had accumulated pending bills amounting to Ksh 17.4 billion. Pending bills have adversely affected economic activities especially on the Small and Medium Enterprises. MDAs are required to treat carryover payments as a first charge, prior to entering new commitments according to Treasury Circular No. 7/2023.

Table 6 gives an analysis of th e sector's recurrent expenditure for the 2021/22 to 2023/24

Table 6: GECA sector Recurrent Expenditure

Programme Details	Approved Budget			Actual Expenditure			Absorption Rate		
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
State Department for Regional and Northern Corridor Development									
Integrated Regional Development	3	3.3	-	2.5	3.3	-	84%	98%	0%
State Department for Development of the Asals									
Accelerated ASALs Development	1.1	6.4	-	1	5.2	-	97%	82%	0%
State Department for Asals and Regional Development									
Accelerated ASALs Development	-	-	10.2	-	-	11.5	0%	0%	112%
Integrated Regional Development	-	-	10	-	-	6.9	0%	0%	68%
General Admin Planning & Support Services	-	-	0.6	-	-	0.5	0%	0%	83%
State Department for Cooperatives									
Co-operative Dev and Management	1.5	2.1	1.9	1.6	1.9	1.7	106%	90%	92%
State Department for Trade									
Trade Development and Promotion	2.5	-	-	2.4	-	-	96%	0%	0%
Domestic Trade and Enterprise Dev	-	1.1	1.4	-	1.1	1.4	0%	99%	100%
Fair Trade Practices & Compliance of Stds	-	0.5	0.1	-	0.5	0.08	0%	100%	82%
International Trade Development	-	1	1.2	-	1	1	0%	100%	84%
General Admin Support Services & Planning	-	0.4	0.8	-	0.4	0.7	0%	100%	87%
State Department for Industry									
Industrial Development and Investment	1.5	1	1.5	1.3	0.8	1.4	93%	84%	98%
Standards and Business Incubation	1.4	1.4	1	1.4	1.1	1	96%	81%	99%
General Administration, Planning and Support Services	0.4	0.4	0.6	0.4	0.4	0.5	97%	95%	93%
State Department for Micro, Small and Medium Sized Enterprises Development									

Programme Details	Approved Budget			Actual Expenditure			Absorption Rate		
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
Promotion and Dev of MSMEs	-	0.5	0.5	-	0.5	0.4	0%	100%	96%
Product & Market Dev for MSMEs	-	-	0.5	-	-	0.3	0%	0%	59%
Digitization & Financial Inclusion for MSMEs	-	-	0.8	-	-	0.5	0%	0%	63%
General Administration Planning & Support Services	-	0.1	0.4	-	0.06	0.3	0%	57%	68%
State Department for Investment Promotion									
Investment Dev & Promotion	-	0.9	1.7	-	0.9	1.3	0%	97%	80%
State Department for Tourism									
Tourism Promotion & Marketing	7.7	0.9	0.9	7.6	0.9	0.9	98%	99%	95%
Tourism Product Dev & Diversification	-	8.8	11.5	-	8	8.2	0%	91%	71%
General Admin, Planning & Support Service	-	0.3	0.3	-	0.2	0.3	0%	88%	90%
State Department for East African Community									
East African Affairs & Regional Integration	0.6	0.8	1	0.6	0.8	1	99%	98%	98%

Recurrent expenditure comprises the largest portion of the budget in the sector. The sector budgeted for 14.1 percent of the budget to development and the rest to the recurrent. This is despite the fact that the sector is the main driver of investment in the economy. Most of its allocation, therefore, should be directed to capital accumulation and growth since the sector is more on investment that should entail enabling by capital accumulation and hence needs to have its largest part of its budget on investment and development rather than on recurrent expenditure.

The State Department for Tourism is noted to be the largest consumer of the recurrent budget. This is despite its declining absorption of the same. The State Department for Regional and Northern Corridor Development follows in recurrent budgeting. Absorption for most of recurrent expenditures are above 90 percent for most of the programmes. Co-operative Development and Management recorded the highest recurrent expenditure with an over-expenditure estimate in 2021/2022 at 106, and 90 and 92 percent for the financial year 2022/2023 and 2023/2024 respectively.

The gaps on the table are also emanating from the continuous reorganization of state departments and functions. However, the effect of these reorganizations especially on the accountability and efficiency of expenditures has not been established. An impact assessment of frequent reorganizations of the state departments and programmes even across the sectors needs to be carried out to give a picture of their effect to the budget.

Table 7 summarizes the development expenditure and spending in the GECA sector in the reporting period.

Table 7: GECA sector Development Expenditure

Programme Details	Approved Budget			Actual Expenditure			Absorption Rate		
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
State Department for Regional and Northern Corridor Development									
Integrated Regional Development	2.5	3.6	-	2.2	3.6	-	88%	100%	0%
State Department for Development of the Asals									
Accelerated ASALs Development	9.9	14.4	-	9.3	9	-	94%	62%	0%
State Department for Asals and Regional Development									
Accelerated ASALs Development	-	-	4.2	-	-	3.5	0%	0%	85%
Integrated Regional Development	-	-	5.4	-	-	2.9	0%	0%	53%

Programme Details	Approved Budget			Actual Expenditure			Absorption Rate		
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
General Admin Planning & Support Services	-	-	-	-	-	-	0%	0%	0%
State Department for Cooperatives									
Co-operative Dev & Management	0.4	20.8	6	0.4	12.8	2.1	99%	61%	35%
State Department for Trade									
Trade Development and Promotion	2.4	-	-	2	-	-	84%	0%	0%
Domestic Trade and Enterprise Dev	-	1.3	0.05	-	0.8	0.05	0%	63%	100%
Fair Trade Practices & Compliance of Std.	-	-	-	-	-	-	0%	0%	0%
International Trade Development	-	-	-	-	-	-	0%	0%	0%
Gen Admin, Support Services & Planning	-	-	-	-	-	-	0%	0%	0%
State Department for Industry									
Industrial Dev and Investment	0.8	0.4	4.6	0.7	0.4	1.6	99%	96%	34%
Standards and Business Incubation	2.3	0.8	1.1	1.3	0.6	0.9	56%	81%	82%
General Adm, Planning & Support Services	-	-	-	-	-	-	0%	0%	0%
State Department for Micro, Small and Medium Sized Enterprises Development									
Promotion & Dev of MSMEs	-	0.04	0.7	-	0.04	0.6	0%	100%	86%
Product & Market Dev for MSMEs	-	-	0.09	-	-	0.08	0%	0%	94%
Digitization & Financial Inclusion for MSMEs	-	-	5.1	-	-	1	0%	0%	20%
General Adm Planning & Support Services	-	-	-	-	-	-	0%	0%	0%
State Department for Investment Promotion									
Investment Dev and Promotion	-	1.2	5.5	-	0	1.3	0%	0%	23%
State Department for Tourism									
Tourism Promotion & Marketing	0.5	-	0.1	0.5	-	0.05	100%	0%	50%
Tourism Product Dev & Diversification	-	0.03	0.03	-	0	0.02	0%	0%	80%
General Adm, Planning & Support Service	-	0.03	0.02	-	0.01	0.01	0%	38%	100%
State Department for East African Community									
East African Affairs & Regional Integration	-	-	-	-	-	-	0%	0%	0%

The sector indicates a bad situation when it comes to development funds absorption. The trend is that of worsening situation. This may be an indicator of poor planning. Funds should not be budgeted for activities unless if and when are set up and ready to be financed within the budgeted period. Failure to adhere to this would amount to denying other priorities from accessing a budget. In regard to this, Co-operative Development and Management, whose budget has drastic rise in the financial year 2022/23 due to large allocation on Marketing, Value Addition and Re-search programme to enable adoption of digital channels by SACCOs, had its allocation increased from Ksh. 0.4 billion in the financial year 2021/22 to Ksh. 6 billion in the financial year 2023/24. However, since the project on digitization was completed, the recommendation is that the department may have its budget reduced by 35 percent of its 2023/24 budget to match its absorption capacity. This is because the exchequer issued is noted to be higher than the actual expenditure in the state department and largely affects development expenditures that left about Ksh. 143 million unspent. Investment Development and Promotion needs to have its development budget reviewed downward to its absorption level as the average unspent amount is Ksh. 26 million. These reductions may not have any significant effect on the departments as the trend shows a decline in the need of the current budget.

The highest development allocation is the State Department for Cooperatives which happens to be the lowest in absorption. It is followed by State Department for Development of the Asals and State Department for Regional and Northern Corridor Development. Most of the development absorption rate is below 80 percent and are development projects which are multi-year in nature and implemented over some time. The State Department for Tourism received the highest budgetary allocation.

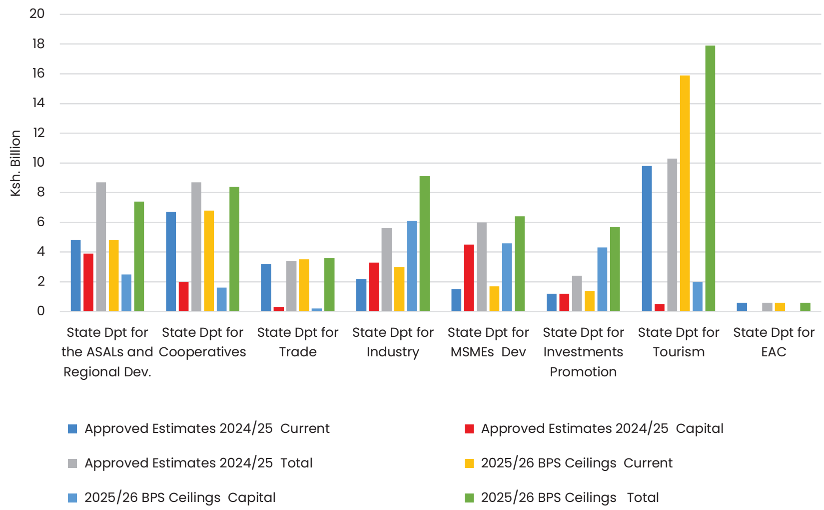
It is observed that the implementation of some projects had surpassed the expected completion time. For example, the establishment of the County Integrated Agro-Industrial Parks project under the State Department for Industry had a project completion status of 58 percent and an expenditure of Ksh. 4.5 billion out of a budget of Ksh 7.7 billion. This is despite the projected completion timeline of 30 June 2023. The recommendation is that the Government prioritize the timely completion of multi-year projects already in progress and provide adequate funding in subsequent financial years.

3.1.3 Analysis of FY2025/26 Budget Propositions, Key Questions and Recommendations

The Fourth Medium Term Plan, 2023-2027 has been linked with the 'Bottom-Up Economic Transformation Agenda. Under this, BPS has been developed to translate the aspirations into concrete priority interventions to be implemented. From the BPS, the Government has planned to use the GECA sector to raise productivity of key value chains. A key element of the value chain approach identified is the support to Micro, Small and Medium Enterprises (MSMEs). Towards this, the sector financial requirement for the FY2025/26 was noted to amount to KSh 182 billion against BPS ceiling of KSh 64 billion. This is a third of the sector's requirements and about 0.02 percent of the total national budget. This is despite the BPS emphasis on promoting investment in targeted interventions through a value chain approach. However, the allocation amounts to 41 percent increase from the 2024/25 budget allocation. Figure 1 shows the estimates and approved for 2024/2025 financial year and 2025/2026 BPS ceilings.

A quarter of the sector's budget goes to the State Department for Tourism taking 28 percent of the sector budget. This State Department has 3 Sub-programmes (SP)- Niche Tourism Product Development and Diversification, Tourism Infrastructure Development, and Tourism Training and Capacity Building. The allocation to the department has increased by 74 percent from Ksh. 10.3 to 18 billion. However, a large part of the programme expenditure is a recurrent budget representing over 98 percent which mainly is allocated to Tourism Product Development and Diversification taking 21 percent of the sector budget and realizing 71 percent increment of the budget. In line with priorities, the State Department for MSMEs, Investment Promotion and EAC ought to have received priority. However, all state departments have an increment of their budget from the one approved in 2024/25, apart

Figure 9: FY2024/2025 Estimates and Approved Vs the 2025/2026 BPS ceilings for GECA Sector



from the State Department for ASALs and Regional Development. This is despite the observed low absorption level with some departments. Against the 2025 BPS ceiling, table 8 highlights the budget for the State Departments and the programmes under the GECA sector.

Table 8:Analysis Budget Propositions for GECA Sector in FY2025/26

Sector/Vote/Programme Details	Approved Estimates 2024/25 (A)			2025/26 BPS Ceilings (B)			% change in allocation (B-A)/A	% Share of the Sector Budget
	Rec	Dev.	Total	Rec	Dev.	Total		2024/25
GENERAL ECONOMIC AND COMMERCIAL AFFAIRS	**29,865.5**	**15,759.9**	**45,625.5**	**37,812.5**	**21,326.7**	**59,139.2**	**30%**	**100%**
State Department for the ASALs and Regional Development	**4,805.7**	**3,927.5**	**8,733.3**	**4,846.7**	**2,532.3**	**7,379.0**	**-16%**	**19%**
Accelerated ASAL Development	2,809.3	1,814.3	4,623.7	2,774.8	1,807.7	4,582.5	-1%	10%
GAPSS	414.1		414.1	291.0		291.0	-30%	1%
Integrated Regional Development	1,582.3	2,113.2	3,695.5	1,780.9	724.6	2,505.5	-32%	8%
State Department for Cooperatives	**6,709.7**	**2,000.0**	**8,709.7**	**6,871.3**	**1,565.5**	**8,436.8**	**-3%**	**19%**
Cooperative Development and Management	6,709.7	2,000.0	8,709.7	6,871.3	1,565.5	8,436.8	-3%	19%
State Department for Trade	**3,071.7**	**290.0**	**3,361.7**	**3,459.3**	**170.0**	**3,629.3**	**8%**	**7%**
Domestic Trade and Enterprise Development	1,770.0		1,770.0	1,907.1	100.0	2,007.1	13%	4%
Fair Trade Practices And Compliance of Standards	116.0		116.0	195.1	70.0	265.1	129%	0%
International Trade Development and Promotion	822.5	290.0	1,112.5	1,021.0		1,021.0	-8%	2%
GAPSS	363.2		363.2	336.1		336.1	-7%	1%
State Department for Industry	**2,207.4**	**3,343.9**	**5,551.3**	**2,999.4**	**6,132.5**	**9,131.9**	**65%**	**12%**
GAPSS	364.4		364.4	373.3		373.3	2%	1%
Industrial Training & Industrial Development	940.9	2,000.0	2,940.9	1,048.6	4,806.4	5,855.0	99%	6%
Standards and Business Incubation	902.1	1,343.9	2,246.0	1,577.4	1,326.2	2,903.6	29%	5%
State Department for Micro Small and Medium Enterprises Development	**1,487.0**	**4,528.5**	**6,015.5**	**1,724.3**	**4,629.0**	**6,353.3**	**6%**	**13%**
Promotion and Development of MSMEs	484.8	2,528.5	3,013.3	716.4	1,029.0	1,745.4	-42%	7%
Product and Market Development for MSMEs	380.7		380.7	330.7	1,550.0	1,930.7	407%	1%
Digitization and Financial Inclusion for MSMEs	350.7	2,000.0	2,350.7	350.7	2,050.0	2,400.7	2%	5%
GAPSS	270.8		270.8	276.5		276.5	2%	1%
State Department for Investments Promotion	**1,165.7**	**1,200.0**	**2,365.7**	**1,391.4**	**4,313.4**	**5,704.8**	**141%**	**5%**
Investment Development and Promotion	1,165.7	1,200.0	2,365.7	1,391.4	4,313.4	5,704.8	141%	5%
State Department for Tourism	**9,845.6**	**470.0**	**10,315.6**	**15,932.7**	**1,984.0**	**17,916.7**	**74%**	**23%**

Sector/Vote/Programme Details	Approved Estimates 2024/25 (A)			2025/26 BPS Ceilings (B)			% change in allocation (B-A)/A	% Share of the Sector Budget
	Rec	Dev.	Total	Rec	Dev.	Total		2024/25
Tourism Product Development and Diversification	9,051.1	440.0	9,491.1	14,910.9	1,279.0	16,189.9	71%	21%
GAPSS	258.2		258.2	318.7	36.0	354.7	37%	1%
State Department for East African Community	**572.7**	-	**572.7**	**587.4**		**587.4**	**3%**	**1%**
East African Affairs and Regional Integration	572.7		572.7	587.4		587.4	3%	1%

From the sector priorities, the focus went to obligations in the fulfilment of requirements such as completion of the ongoing projects for which significant funding has already been committed in the past period, which include verified pending bills and Legal dues for the recurrent expenditures and stalled projects and pipeline projects for the development projects

A large allocation to a recurrent under sub-programme Co-operative Advisory Services and GAPSS. Though the sub-programme had the budget reduced by 1 percent, based on the progress made on budget implementation, MDAs are encouraged to review their financial and non-financial performance compared to the annual estimates to identify and address underlying issues to ensure effective budget implementation. Ksh. 8.6 billion can be reviewed further and refocused on other allocations. In addition, Tourism Product Development and Diversification has about Ksh. 15 billion on increase to recurrent and not within BPS focus. This can be retargeted better and be aligned with the BPS objectives.

An increase of budget by 41 percent from 45.6 in the year 2024/25 to 64.4 proposed by 2025 BPS will result inan increase of 73 percent in capital budget and 24 percent increase in recurrent budget. Out of this increment, Tourism Promotion and Marketing, and Investment Development and Promotion noted the largest increment with 142 and 141 percent respectively. This focuses on improving destination competitiveness. The high allocation in the tourism development and promotion programme is attributed to niche tourism product development & diversification sub-programme to promote tourism in the country.

A key element of the value chain approach, according to BPS, will be to support Micro, Small and Medium Enterprises (MSMEs) to provide employment and income opportunities for economically excluded segments of the population. However, the budget on Promotion and Development of MSMEs is proposed to be reduced by 42 percent.

One of the departments noted to have a low and decreasing funds absorption rate was Investment Development and Promotion. This department is proposed to have its budget further increased by 141 percent. Others include programmes under the State Department for Micro, Small and Medium Sized Enterprises Development whose performance and funds absorptions are low but has its budget adjusted upward by 6 percent. However, Promotion and Development of MSMEs has been slashed by 42 percent against the commitment to place emphasis on promoting MSMEs.

3.1.4 Recommendations

There is no clear linkage between planning and funds allocation. This makes most of prioritized project incur regular budget adjustments. Consequently, the sector had accumulated pending bills amounting to Ksh 17.4 billion. Pending bills have adversely affected economic activities especially on the Small and Medium Enterprises. MDAs are required to treat carryover payments as a first charge, prior to entering new commitments according to Treasury Circular No. 7/2023. This is together with ongoing projects which have been delayed due to budgetary constraints over the years. As a result, the projects are accumulating high interest rates, penalties and pending bills. Why are they not prioritized in the coming budget cycle? In addition, realistic budgeting can be achieved through clear feasibility studies.

Reconsidering the budget by the low performing and low funds absorbing programmes. A number of departments are noted to have a low and decreasing funds absorption rate. The departments are then proposed to have their budget further increased. The budgeting should be reconsidered and also the factors contributing to the low absorption capacity, and where possible cut their budget to their absorption capacity.

There are overlapping and duplicative mandates among the implementing agencies in the sector, resulting to inefficiencies and hampering public service delivery and wastage of public resources. Example is the provision of financial support for MSMEs (Credit to MSMEs) under the State Department for Micro, Small and Medium Enterprises (MSME) with a budget of Ksh. 1.7 billion, and Development and Provision of Finances to SMEs in Manufacturing sector under State Department for Industry budgeted at Ksh. 5.9 billion. Merging of some departments with duplicated and overlapping roles would go along way especially on saving on administrative costs. This has also been adequately articulated by research by Michael Sang.[10]

The sector is a capital creation sector, and as such, its budget should lean more on development budgeting. The sector budgeted for 14.1 percent of the budget to development. It therefore needs to have its largest part of its budget on investment and development rather than on recurrent expenditure.

Most of the low allocations and budget cuts highlighted in the BPS are against the objectives of the MTPs and the BETA Manifesto. A number of projects are affected including Athi River Textile hub, Industrial Research Laboratories, RIVATEX, Dairy Processing, Coffee, etc. The proposal is that the planned projects in these areas are fully funded to realize the plan.

3.2 Energy, Infrastructure and ICT

3.2.1 Overview of EIICT Sector

The Energy, Infrastructure, Information and Communication Technology (E-IICT) plays a key role in acting as an enabler in the development of the other sectors. With a 14 percent increase in its overall budget allocation in the 2025/26 Budget Policy Statement (BPS), from 444 billion in FY 2024/25 to 504 billion, the sector is expected to contribute significantly to the Bottom-Up Economic Agenda. The sector's contribution to BETA is through provision of cost-effective public utilities and essential services geared at promoting socio-economic transformation across the country. Additionally, the sector is to ensure access to clean, sustainable and affordable energy and remains a key enabler for inclusive green growth and transformation. This report aims to analyse the budget allocation for the financial year (FY) 2024/25 in light of the benchmark period of 2023/2024.

Critical questions

a) Does the government's mere 2 percent increase in budget allocation to the State Department for Energy, relative to larger increases for other departments, reflect a misalignment in national priority-setting?
b) What are the budgetary implications of the ongoing dissolution and merger of several SAGAs, and how can the resulting freed-up budget lines be effectively repurposed within the respective sectors?

Several SAGAs are either being dissolved or merged, which will have budgetary implications. These budget lines can be repurposed for that particular sector. In addition, certain budget line questions arise from the sections analysed per SAGA as noted (shown in Table 9).

Key thought on the Government realignment of SAGAs

i. For all the SAGAs that either will no longer receive exchequer funding or be dissolved or undergo divesture, that is the Engineers Board of Kenya, Kenya Yearbook Editorial Board, and Nuclear Power and Energy Agency, the budgetary savings can be realigned towards the non-attained targets as discussed later in this analysis.
ii. For NUPEA, it is necessary to track how much savings can be attained by its amalgamation to the Parent ministry, since is currently housed at the government offices at KAWI and has not had a huge staff turnover.

[10] *Problematic Overlaps and Duplication of Mandates of State (2024) Journalofcmsd Volume 11(5) and Governmental Agencies in Kenya: Proposals for Legal and Institutional Reform: Michael Sang*

Table 9: Budgetary Implications arising from Government realignment of SAGA's in the EIICT Sector

Sub-sector	SAGA	Budgetary implication – FY2024/25 & 2025/6
Roads	Kenya Rural Roads Authority (KERRA) Established by the Kenya Roads Act no. 2 of 2007	To be merged to one entity
	Kenya Urban Roads Authority (KURA) Established by the Kenya Roads Act no. 2 of 2007	
	Engineers Board of Kenya Established under Section 3(1) of the Engineers	
Broadcasting and Telecommunication	Kenya Yearbook Editorial Board (KYEB) established by legal notice 187/2007	To be dissolved/undergo divesture to private sector
Energy	Nuclear Power and Energy Agency (NuPEA) Established under the energy Act, 2019	To be dissolved/undergo divesture to private sector

3.2.2 Analysis of past budget performance against key performance indicators (KPIs)

This section aims to assess the efficiency and effectiveness of the budget with due reference to absorption rates and Key Performance Indicators (KPI) achievements. Based on the first quarter report from the Controller of Budget, a performance analysis that is also reflected in the previous years was extracted.

Table 10: Financial and Non-financial Performance for EIICT Sector

Sector/Vote/Programme Details	Approved Budget			Actual Expenditure			Absorption Rate 2023/24	% Level of Achievement 2023/24
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24		
ENERGY, INFRASTRUCTURE AND ICT SECTOR								
State Department for Roads	**230,588.0**	**170,795.0**	**178,059.0**	**203,257.0**	**159,043.0**	**150,264.0**		**74%**
Road Transport	230,588.0	170,795.0	178,059.0	203,257.0	159,043.0	150,264.0	84%	87%
State Department for Transport	**11,353.0**	**12,493.0**	**59,723.0**	**6,289.0**	**12,589.0**	**55,242.0**		**74%**
General Administration Planning and Support Services (GAPSS)	262.0	430.0	3,280.0	223.0	257.0	2,613.0	80%	61%
Rail Transport	-	1,893.0	39,661.0	-	-	37,360.0	94%	74%
Marine Transport	1,069.0	1,075.0	1,546.0	11.0	1,124.0	710.0	46%	38%
Air Transport	9,665.0	8,323.0	11,059.0	6,013.0	10,285.0	10,776.0	97%	98%
Road Transport and Safety Regulation	357.0	772.0	4,177.0	42.0	923.0	3,783.0	91%	90%
State Department for Shipping and Maritime Affairs	**2,679.0**	**2,870.0**	**3,222.0**	**1,710.0**	**1,983.0**	**2,549.0**		**73%**
Shipping and Maritime Affairs	2,679.0	2,870.0	3,222.0	1,710.0	1,983.0	2,549.0	79%	73%
State Department for Housing & Urban Development	**15,517.0**	**11,769.0**	**78,184.0**	**11,359.0**	**10,342.0**	**25,493.0**		**39%**
Housing Development and Human Settlement	5,836.0	8,518.0	73,982.0	5,372.0	7,859.0	23,958.0	32%	39%

Sector/Vote/Programme Details	Approved Budget			Actual Expenditure			Absorption Rate 2023/24	% Level of Achievement 2023/24
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24		
ENERGY, INFRASTRUCTURE AND ICT SECTOR								
Urban and Metropolitan Development	9,322.0	3,013.0	3,872.0	5,629.0	2,251.0	1,207.0	31%	0%
General Administration Planning and Support Services (GAPSS)	359.0	238.0	330.0	358.0	232.0	328.0	99%	100%
State Department for Public Works	**4,153.0**	**3,508.0**	**4,211.0**	**3,824.0**	**3,340.0**	**3,694.0**		**90%**
Government Buildings	1,038.0	632.0	1,073.0	1,018.0	637.0	736.0	69%	91%
Coastline Infrastructure and Pedestrian Access	351.0	303.0	185.0	341.0	302.0	178.0	96%	100%
General Administration Planning and Support Services (GAPSS)	370.0	364.0	370.0	350.0	352.0	349.0	94%	75%
Regulation & Development of Construction Industry	2,394.0	2,209.0	2,583.0	2,115.0	2,049.0	2,431.0	94%	95%
State Department for Information Communication Technology & Digital Economy	**20,170.0**	**14,486.0**	**19,379.0**	**18,190.0**	**11,678.0**	**15,890.0**		**79%**
General Administration Planning and Support Services (GAPSS)	258.0	319.0	324.0	252.0	316.0	308.0	95%	63%
ICT Infrastructure Development	17,821.0	11,977.0	15,053.0	16,355.0	9,707.0	12,575.0	84%	80%
E-Government Services	2,091.0	2,190.0	4,002.0	1,583.0	1,655.0	3,007.0	75%	95%
State Department for Broadcasting & Telecommunications	**8,043.0**	**6,545.0**	**7,451.0**	**7,308.0**	**5,516.0**	**6,140.0**		**63%**
General Administration Planning and Support Services (GAPSS)	251.0	211.0	287.0	246.0	211.0	274.0	95%	17%
Information And Communication Sendees	6,409.0	5,266.0	6,754.0	5,745.0	4,266.0	5,618.0	83%	89%
Mass Media Skills Development	289.0	258.0	410.0	289.0	251.0	248.0	60%	82%
Film Development Services Programme	1,094.0	810.0	-	1,028.0	788.0	-	0%	
State Department for Energy	**65,605.0**	**54,808.0**	**55,207.0**	**46,869.0**	**40,639.0**	**42,721.0**		**79%**
General Administration Planning and Support Services (GAPSS)	541.0	548.0	557.0	511.0	527.0	524.0	94%	100%
Power Generation	11,775.0	11,600.0	14,066.0	7,833.0	9,518.0	6,969.0	50%	76%
Power Transmission and Distribution	51,981.0	40,925.0	38,781.0	37,619.0	29,125.0	34,388.0	89%	78%
Alternative Energy Technologies	1,308.0	1,735.0	1,803.0	906.0	1,469.0	840.0	47%	61%
State Department for Petroleum	**84,414.0**	**66,492.0**	**56,934.0**	**82,549.0**	**65,698.0**	**49,840.0**		**74%**
Exploration and Distribution of Oil and Gas	2,500.0	2,552.0	56,934.0	2,120.0	2,390.0	49,840.0	88%	74%
Geological Survey & Geo information Management	259.0	60.0	-	199.0	47.0	-	0%	-
Mineral Resources Management	218.0	212.0	-	187.0	173.0	-	0%	-
General Administration Planning and Support Services (GAPSS)	81,437.0	63,668.0	-	80,043.0	63,088.0	-	0%	-
Energy, Infrastructure, Information and Communication Technology (E-IICT)	**442,522.0**	**343,766.0**	**462,370.0**	**381,355.0**	**310,828.0**	**351,833.0**	**76%**	**72%**

The State Department for Transport budget allocation increased significantly by approximately 426 percent from Ksh 11 billion in FY 2021/22 to Ksh 55.2 billion in FY 2023/24. Despite this increase, an analysis of key performance indicators (KPIs) reveals mixed results; notably, the overall sub-sector performance averaged 98 percent, but certain agencies significantly underperformed. For example,, the Shipping and Maritime Agency reported 0 percent achievement in implementing Marine Transport policies. Additionally, only 13 percent of the planned 15 percent of Berth 1 of the Dongo Kundu Special Economic Zone (SEZ) was constructed. Kenya Railways also underachieved, reaching only 54 percent completion for the construction of cargo handling facilities in Mariakani and rehabilitating just 3 out of 9 locomotives, signaling inefficiencies in execution despite enhanced funding.

Similarly, the State Department for Housing experienced a significant allocation increase of approximately 404 percent from Ksh 15.5 billion to Ksh 78.2 billion. However, overall KPI performance was relatively poor, reporting a mere 39 percent. Key areas of concern included the failure to establish any of the targeted 9 Constituency Alternative Building Material Technology (ABMT) Centres, and training only 60 out of 2,500 planned ABMT trainees. These gaps in capacity building critically hinder both the pace and affordability of the government's affordable housing initiative. Moreover, supporting amenities such as classrooms, social halls, and health centres—intended to make these housing units livable and attractive remain unconstructed. Most concerning is the complete lack of disbursement of the Ksh 1 billion allocated for rural housing loans in the FY 2025/26 budget.

It is possible that the Ksh 1 billion can be realigned to an expedited case for research and development of alternative building materials, the establishment of ABTM centres and training of ABTM persons at Universities and TVETs. This will create more impact and increase the number of annual affordable houses constructed.From the foregoing, it is notable that generally:

a) In either case (median or average scenarios), the state departments of energy, Geological survey and geo-information management, E-government services, urban and metropolitan development, shipping and maritime affairs, and maritime and Rail transport are highest absorbing.
b) Underperformance is based on two key aspects: (i) Either a decrease in exchequer issuances and/or (ii) a change of capacity or mandate of the department making it challenging to fully achieve within the stated periods.

Table 11: Analysis of EIICT Sector Pending Bills by Nature and Type for FY 2021/22 – 2023/24

Type/Nature	Due to Lack of Exchequer (KSh. Million)			Due to Lack of provision (KSh. Million)		
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
ENERGY, INFRASTRUCTURE AND ICT SECTOR						
Recurrent	**193**	**183**	**69**	**10,425**	**10,569**	**7,479**
Compensation of employees	6	23	-	1,015	1,280	755
Use of Goods and Services e.g. utilities, domestic or foreign travel etc.	165	109	24	1,254	996	2,021
Social benefits e.g. NHIF, NSSF	4	6	3	7,375	7,100	3,798
Other expense	18	45	43	781	1,193	905
Development	**21,586**	**27,833**	**25,931**	**150,008**	**166,904**	**198,196**
Acquisition of non-financial assets	17,792	24,871	25,305	148,000	164,904	198,186
Use of goods and services	475	492	264	8	-	10
Others-Specify	3,319	2,469	362	2,000	2,000	-
Total Pending Bills	**21,779**	**28,016**	**26,000**	**160,434**	**177,473**	**205,675**

A significant portion of pending bills in the national budget continues to be associated with the development budget as compared to the recurrent budget. For example, in the FY 2023/24, pending bills under the development budget stood at Ksh 224.1 billion, whereas the recurrent budget recorded only Ksh 7.5 billion in pending bills. This shows that development projects are more vulnerable to delays in funds disbursements. It also implies that critical infrastructure and service delivery initiatives may be stalled, negatively affecting socio-economic outcomes and undermining public trust in government service delivery. If not addressed, this could hinder the achievement of medium- and long-term development goals.

Additionally, a notable observation is that the majority of these pending bills are due to a lack of budgetary provision rather than a delay in the release of exchequer funds. Specifically, Ksh 205.7 billion worth of pending bills in FY 2023/24 resulted from a lack of provision in the budget, while Ksh 26 billion was due to delayed exchequer releases. This points to poor planning in the budgeting processes, where project commitments are made and implemented without adequate budget allocation. It is thus necessary that the government bridges the gap in funding towards development, while ensuring that all project commitments are accounted for in the budget. Additionally, it is imperative that the government prioritizes the completion of prior incomplete projects before committing resources to new ones.

Appropriation in Aid (A-i-A)

Appropriation in Aid as discussed in this sub-section refers to a portion of the government budget that is used to finance specific activities of government agencies and arises from: (i) donor grants and loans, and (ii) revenues that agencies collect directly through service fees. It is noted that A-i-A is not shared between national and county governments.

It is worth noting that there is no direction correlation between levels of Appropriations in Aid collection for State Departments and KPI achievement. In fact, State Departments that collected low A-i-A had high levels of KPI achievements, suggesting KPI performance may be dependent on implementation factors. This is with the exception of State Department for Housing and Urban Development, which had low A-i-A collection accompanied by low levels of KPI achievement.

Additionally, the State Department for Roads that had a large collection of AiA amounting to KSh 110 billion was accompanied by high pending bills of KSh 166 billion. This disparity points to systemic challenges in fund utilization

3.2.3 Analysis of FY 2025/26 Budget Proposition, Key Questions and Recommendations

The government has demonstrated a commitment to prioritizing the Energy, Infrastructure, and ICT sector, as reflected by a notable 14 percent increase in its overall budget allocation in the 2025/26 Budget Policy Statement (BPS). This marks a positive step toward advancing the key enablers identified in the Bottom-Up Economic Transformation Agenda (BETA) and the Medium-Term Plan IV. However, a closer look at the internal distribution of funds within the sector reveals some inconsistencies.

Key Questions

Does the current budget allocation to the State Departments reflect the government's stated policy

Figure 10: AIA and KPIs Performance by State Departments within EIICT Sector in FY 2023/24

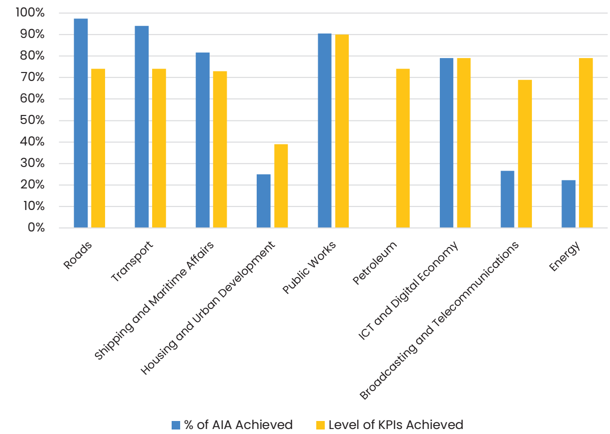
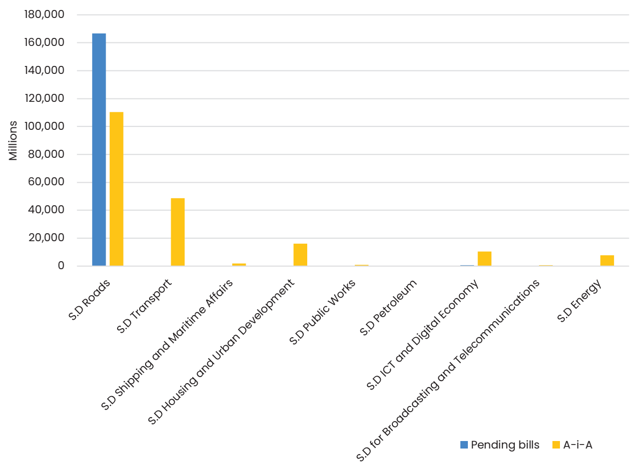


Figure 11: A Comparison of A-I-A and Pending Bills in the EIICT Sector for FY 2023/24



commitments under BETA and the Medium-Term Plan IV?

Notably, the State Department for Energy received only 2 percent increase in its allocation, the second lowest increase among the departments within this sector. This is particularly concerning given that energy is explicitly recognized under BETA as a crucial pillar for promoting inclusive green growth and driving the broader transformation agenda. The limited funding may undermine the government's ability to achieve these strategic objectives, especially in expanding access to sustainable energy solutions that are vital for long-term socio-economic development.

Key Recommendation:

The government should re-prioritize intra-sectoral allocations by significantly increasing resources to the State Department for Energy, ensuring alignment with BETA and MTP IV objectives. Without energy, none of the sectors will make many advances, and it is a cross-sectoral issue, it's easy to subsume it under the infrastructure agenda of BETA. Focusing on it and giving it the priority it needs makes the development of all the other sectors feasible and sustainable.

Will the planned increased allocations to the E-IICT sector over the next three financial years translate into improved service delivery, given the sector's historical absorption rates?

Government plans to provide the E-IICT sector with increased allocations of 14 percent in the 2025/26 BPS However, by taking the average of the absorption rate for the last 3 financial years, and using it to predict the absorption rate over the coming years, it is clear that the sector will not have the capacity to absorb all exchequer issuances.

The government should prioritize enhancing the absorptive capacity of the E-IICT sector by addressing implementation bottlenecks such as delayed procurement, weak project management, and limited technical capacity in key implementing agencies.

Table 12: Analysis of FY2025/26 Budget Proposition for EIICT Sector

Sector/Vote/Programme Details	Approved Estimates 2024/25 (A)			2025/26 BPS Ceilings (B)			% change in allocation (B-A)/A	% Share of the Sector Budget
	Rec	Dev.	Total	Rec	Dev.	Total		2024/25
ENERGY, INFRASTRUCTURE AND ICT SECTOR	**142,034.0**	**302,255.3**	**444,289.7**	**149,704.0**	**354,900.0**	**504,604.0**	**14%**	**100%**
State Department for Roads	**72,072.2**	**119,911.8**	**191,984.0**	**71,898.0**	**126,991.1**	**198,889.1**	**4%**	**43%**
Road Transport	72,072.2	119,911.8	191,984.0	71,898.0	126,991.1	198,889.1	4%	43%
State Department for Transport	**16,337.3**	**32,007.0**	**48,344.3**	**21,009.0**	**45,440.0**	**66,449.0**	**37%**	**11%**
General Administration Planning and Support Services (GAPSS)	1,254.1	694.0	1,948.1	1,420.0	1,799.0	3,219.0	65%	0%
Rail Transport	676.8	27,417.0	28,093.8	677.0	36,840.0	37,517.0	34%	6%
Marine Transport	520.5	2,365.0	2,885.5	18.0	4,165.0	4,183.0	45%	1%
Air Transport	11,367.6	-	11,367.6	14,021.0	750.0	14,771.0	30%	3%
Road Safety	2,518.3	1,531.0	4,049.3	4,873.0	1,886.0	6,759.0	67%	1%
State Department for Shipping and Maritime Affairs	**2,223.0**	**750.0**	**2,973.0**	**3,691.0**	**2,359.0**	**6,050.0**	**103%**	**1%**
Shipping and Maritime Affairs	2,223.0	750.0	2,973.0	3,691.0	2,359.0	6,050.0	103%	1%
State Department for Housing & Urban Development	**1,302.9**	**85,195.3**	**86,498.7**	**1,440.0**	**112,861.0**	**114,301.0**	**32%**	**19%**

Sector/Vote/Programme Details	Approved Estimates 2024/25 (A)			2025/26 BPS Ceilings (B)			% change in allocation (B-A)/A	% Share of the Sector Budget
	Rec	Dev.	Total	Rec	Dev.	Total		2024/25
Urban and Metropolitan Development	144.9	8,461.0	8,605.9	155.0	11,151.0	11,306.0	31%	2%
General Administration Planning and Support Services (GAPSS)	345.3	-	345.3	352.0		352.0	2%	0%
State Department for Public Works	**3,681.2**	**224.0**	**3,905.2**	**3,832.0**	**771.0**	**4,603.0**	**18%**	**1%**
Government Buildings	578.1	-	578.1	674.0	478.0	1,152.0	99%	0%
Coastline Infrastructure and Pedestrian Access	90.2	124.0	214.2	1,040.0	234.0	338.0	58%	0%
General Administration Planning and Support Services (GAPSS)	354.2	-	354.2	363.0		363.0	2%	0%
Regulation and Development of the Construction Industry	2,658.7	100.0	2,758.7	2,691.0	59.0	2,750.0	0%	1%
State Department for Information Communication Technology & Digital Economy	**3,508.3**	**16,489.7**	**19,998.0**	**3,489.0**	**17,684.0**	**21,173.0**	**6%**	**5%**
General Administration Planning and Support Services (GAPSS)	269.6		269.6	376.0		376.0	39%	0%
ICT Infrastructure Development	701.6	15,431.9	16,133.5	1,271.0	14,439.0	15,710.0	-3%	4%
E-Government Services	2,537.1	1,057.8	3,594.9	1,842.0	3,245.0	5,087.0	42%	1%
State Department for Broadcasting & Telecommunications	**5,707.8**	**-**	**5,707.8**	**6,194.0**	**645.0**	**6,839.0**	**20%**	**1%**
General Administration Planning and Support Services (GAPSS)	210.0		210.0	242.0		242.0	15%	0%
Information And Communication Sendees	5,281.6		5,281.6	5,704.0	645.0	6,349.0	20%	1%
Mass Media Skills Development	216.2		216.2	248.0		248.0	0%	0%
Film Development Services Programme				12,153.0	43,087.9	55,240.9	0%	0%
State Department for Energy	**9,882.1**	**44,177.5**	**54,059.5**	**12,153.0**	**43,087.9**	**55,240.9**	**2%**	**12%**
General Administration Planning and Support Services (GAPSS)	373.8	180.0	553.8	361.0	320.0	681.0	23%	0%
Power Generation	2,028.8	12,972.8	15,001.5	2,495.0	10,489.0	12,984.0	-13%	3%
Power Transmission and Distribution	7,413.7	29,063.7	36,477.4	9,228.0	30,274.9	39,502.9	8%	8%
Alternative Energy Technologies	65.8	1,961.0	2,026.8	69.0	2,004.0	2,073.0	2%	0%
State Department for Petroleum	**27,319.2**	**3,500.0**	**30,819.2**	**25,998.0**	**5,061.0**	**31,059.0**	**1%**	**7%**
Exploration and Distribution of Oil and Gas	27,319.2	3,500.0	30,819.2	25,998.0	5,061.0	31,059.0	1%	7%

3.3 Health Sector

3.3.1 Overview of Health sector

The Constitution of Kenya 2010 and Vision 2030 development blueprint require the country to provide the highest attainable standards of healthcare to all her population. To accelerate the attainment of Sustainable Development Goal (SDG) 3.8. on Universal Health Coverage (UHC), the Kenya UHC policy 2020-2030 was launched in addition to the Kenya Health Policy 2014–2030 whose goal is to attain the highest possible standard of health in a manner responsive to the needs of the population. Key documents that should guide resource allocation include the Fourth Medium Term Plan (2023-2027) 'Bottom-Up Economic Transformation Agenda' and regional and international obligations including the African Leadership Meeting (ALM) commitments on Domestic Health Financing and the Africa Union Agenda 2063.

This section takes a holistic view of the health landscape in Kenya to establish whether resource allocation for FY2025/26 mirrors commitment to full implementation of key policy documents, whether progress is being made towards making health equitable, affordable, and of high-quality, whether the restructuring of the two state departments has made service delivery effective and efficient. The findings will inform alternative propositions on how resources could be better re-allocated within the ministry and across various programs and sub-programs.

Current status of the sector

The Social Health Authority (SHA) which was established by the SHA Act of 2023 replaced the National Health Insurance Fund, effective 1st October 2024. SHA is mandated to operationalize three funds: the Social Health Insurance Fund, Primary Health Care Fund and the Emergency Chronic and Critical Illness Fund.

Moreover, the Benefits Package and Tariffs Advisory Panel (BPTAP) was established in February 2025, to guide the implementation of Kenya's Social Health Insurance program. The panel's mandate includes reviewing and recommending comprehensive health benefits packages, advising on fair pricing and tariffs for healthcare services, and monitoring the impact of SHA by ensuring prioritization of cost-effective, high-impact interventions that optimize resource allocation while guaranteeing access to essential services.

While establishment of SHA and BPTAP would accelerate attainment of UHC, the looming exit of key donors raises significant concerns about financing. National Health Accounts (NHA) 2022, indicates that 18.3 percent of current health expenditure is from external sources. It is estimated that more than half of this amount is from the United States government which has initiated a funding freeze from January 2025. HIV, TB, Malaria, Family Planning, Nutrition, Immunization, Blood transfusion and Global Health Security programs are remarkably affected, due to the sudden shortfall of an estimated KSh 30.9 billion. Of the KSh 80.5 billion required for program commodities, the Kenyan government provides KSh 11.9 billion, KSh 24.9 billion is solely provided by the US Government, while there is an existing gap of KSh 28.4 billion. There is urgent need for sustainable financing in the health sector to ensure undisrupted flow in these critical services, as well as consideration of reorganization of the health workforce involved in these programs and integration of these services in the SHA benefits package. This is imperative as we risk reversing the gains made in each of these programs over the years. Operationalization of the National Public Health Institute (NPHI) is currently underway. It was established in 2022 to tackle public health challenges and strengthen disease surveillance, prevention, and response. Its operationalization as a Semi-Autonomous Government Agency (SAGA) will likely result in structural changes within the Ministry of Health, as its functions are largely similar to those of the State Department of Public Health and Professional Standards.

In the FY2025/26, a cut to financing for medical professional councils is expected. This follows an Executive Order requiring restructuring of parastatals i.e., the Kenya Medical Practitioners and Dentists Council (KMPDC), Nursing Council of Kenya, Clinical Officers Authority, Kenya Health Professionals Oversight Authority, Kenya Medical Laboratory Technicians and Technologists Board, Council of the institute of Nutritionists and Dieticians, Public Health Officers and Technicians Council.

3.3.2 Analysis of past budget performance against key performance indicators (KPIs)

Table 13: Analysis of Health Sector past financial and non-financial performance

Sector/Vote/Programme Details	Approved Budget			Actual Expenditure			Absorption Rate 2023/24	% Level of Achievement 2023/24
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24		
ENERGY,INFRASTRUCTURE AND ICT SECTOR								
State Department for Medical Services	**129,779**	**111,189**	**105,323**	**109,399**	**97,001**	**85,179**	**81%**	**71%**
National Referral and specialized Services	50,281	50,822	60,333	48,011	48,126	54,650	91%	84%
Curative and Reproductive Maternal & Newborn Child Adolescent Health	30,077	20,344	16,853	15,483	12,148	8,148	48%	67%
Health Research and Innovation	11,353	10,016	4,789	11,221	7,907	3,638	76%	80%
General Administration, Planning & Support Services	38,068	30,007	23,348	34,684	28,820	18,743	80%	51%
State Department for Public Health and Professional Standards	**-**	**5,212**	**29,114**	**-**	**1,981**	**25,245**	**87%**	**71%**
Preventive & Promotive Health Services	-	2,522	6,136	-	126	4,727	77%	84%
Health Resource Development and Innovation	-	2,179	18,173	-	1,386	16,537	91%	88%
General Administration, Planning & Support Services	**-**	**480**	**745**	**-**	**441**	**625**	**84%**	**58%**
Health Policy, Standards and Regulations	-	31	4,060	-	28	3,356	83%	54%
HEALTH	**129,779**	**116,401**	**134,437**	**109,399**	**98,982**	**110,424**	**82%**	**71%**

In the financial year 2023/24, the health sector was allocated KSh 134.4 billion, of which the State Department for Medical Services (SDMS) received 78 percent, while the State Department for Public Health and Professional Standard (SDPHPS) received 22 percent.

The average absorption rate in this financial year was 82 percent, indicating a decline in absorption from 85 percent in 2022/23. SDMS had a decline in absorption rate from 87 percent in 2022/23 to 81 percent in 2023/24 while SDPHPS had a notable increase in absorption rate from 38 percent to 87 percent over the same period, as a result of the restructuring of the state departments which led to well defined mandates and distinct allocation of duties Out of the KSh 110.4 billion actual expenditure in 2023/24, recurrent expenditure which had an allocation of 76 percent had a 94 percent absorption rate while the development expenditure which had an allocation of 24 percent had a 59 percent absorption rate.

The average level of achievement of key performance indicators across the sector was at 71 percent, indicating that spending did not directly translate into achieving all planned goals. Moreover, 18 percent of the allocated budget remained unspent. This has been attributed to delayed disbursement of funds, protracted procurement processes, country-wide industrial unrest and financial and contractual inefficiencies.[11]

The curative and reproductive maternal and newborn, child and adolescent health program had an absorption of only 48 percent yet achieved two thirds of its targets. There is a need to analyze this program to find out whether the allocated budget was too high, or the targets set were low, or the budget was supplemented by other sources.

[11] *Health Sector Report Medium Term Expenditure Framework (MTEF) For The Period 2025/26-2027/28 https://www.treasury.go.ke/wp-content/uploads/2024/11/Heath-Sector-Report.pdf*

Previously Raised and Persistent Budget Issues

a) Duplication of programs under SDMS and SDPHPS

Executive Order No. 2/2023 reorganized the Health Sector into two State Departments, namely the State Department for Medical Services and the State Department for Public Health and Professional Standards, which resulted in overlapping programs and frequent reassignments of roles. In this reorganization, all the programs were similar across the two state departments except National Referral and Specialized Services. This was found to extend to the sub-programs and KPIs, prompting questions on whether the government was struggling to identify the most effective way to attain its goals. As a result of the overlapping of mandates, in the following year 2023/24 the programs under the two state departments were restructured as follows:

- **SDMS to manage:** National Referral & Specialized Services, Curative & Reproductive Maternal, Newborn, Child & Adolescent Health (RMNCAH), Health Research and Innovations and General Administration Planning and Support Services (GAPSS)
- **SDPHPS to manage:** Preventive and Promotive Health Services, Health Resources Development and Innovation, Health Policy, Standards and Regulations and General Administration Planning and Support Services (GAPSS) specific for this state department.

This has established a clearer division of responsibilities, leading to better attainment of KPIs i.e. 71 percent for each of the departments and an almost similar absorption rate of 81 percent & 87 percent in SDMS and SDPHPS respectively, compared to an extreme variation of 87 percent and 38 percent respectively in the two state departments in the previous financial year

b) Burden of pending bills

In FY 2023/24, the Medical Services Sub-sector had total pending bills amounting to KSh 33.6 billion comprising KSh7.7 billion due to lack of Exchequer and KSh 25.9 billion due to lack of budgetary provision. This is from a total pending bill of KSh 77.3 billion in the FY 2022/23. There is no clear explanation on the significant reduction of the pending bill by KSh 43.6 billion which is substantially attributed to MOH-SDMS and not the parastatals under this sub-sector.

While a reduction in pending bills is commendable as it signifies prioritization in the clearing of pending bills that may be due to exchequer releases, listing them under the 'other' category, raises concerns on the specific nature of the activities from which the bills arise and piques attention on how this was cleared, and whether there could be discrepancies in the reporting of pending bills figures.

From the analysis of SAGAs under SDMS, Kenyatta National Hospital had an increase of KSh 4.3 billion of pending bills from the previous financial year arising due to NSSF and pension deficits, while Mwai Kibaki Hospital had a reduction of pending bills by KSh 9.6 billion attributed to the clearing of pension deficits. Accuracy and validity of this information provided in the sector report is necessary.

Table 14: Analysis of the Health Sector budget for FY2025/26

Sector/Vote/Programme Details	Approved Estimates 2024/25 (A)			2025/26 BPS Ceilings (B)			% change in allocation (B-A)/A	% Share of the Sector Budget
	Rec	Dev.	Total	Rec	Dev.	Total		2024/25
HEALTH	**86,828**	**31,978**	**118,856**	**171,948**	**32,547**	**204,495**	**72%**	**100%**
State Department for Medical Services	**64,242**	**27,689**	**91,981**	**145,127**	**27,495**	**172,622**	**88%**	**84%**
National Referral & Specialized Services	44,995	10,505	55,500	46,793	9,216	56,009	1%	27%
Curative & Reproductive Maternal New Boni Child Adolescent Health RMNCAH	1,573	14,905	16,478	1,630	15,800	17,430	6%	9%
Health Research and Innovations	3,126	230	3,406	3,225	430	3,655	7%	2%

Sector/Vote/Programme Details	Approved Estimates 2024/25 (A)			2025/26 BPS Ceilings (B)			% change in allocation (B-A)/A	% Share of the Sector Budget
	Rec	Dev.	Total	Rec	Dev.	Total		2024/25
State Department for Public Health and Professional Standard	**22,586**	**4,289**	**26,875**	**26,821**	**5,052**	**31,873**	**19%**	**16%**
Preventive and Promotive Health Sendees	4,844	3,838	8,682	7,836	4,340	12,176	40%	6%
Health Resources Development and Innovation	13,165	451	13,616	10,045	672	10,717	-21%	5%
Health Policy, Standards and Regulations	3,981		3,981	8,599	40	8,639	117%	4%
General Administration Planning and Support Services (GAPSS)	596		596	341		341	-43%	0%

Analysis of Health Sector Allocations for FY 2024/25

A significant increase in the health budget allocation has been noted i.e., from KSh 118.9 billion in 2024/2025 to KSh 204.5 billion, reflecting a 72 percent change in allocation, which is the highest, by far, of all sectors. This is in line with the government's priority to deliver Universal Health Coverage through provision of equitable, accessible and affordable health care of the highest attainable standards. This indicates 4.7 percent of total government expenditure in the health sector.

SDMS has received an allocation of 84 percent of the health budget, with SDPHPS receiving the rest. The 72 percent change in allocation has markedly been towards the General Administration Planning and Support Services (GAPSS) program under SDMS, which has received a 476 percent increase, against a 43 percent decrease in the same program under SDPHPS.

This is attributable, to a great extent, to the Social protection in health sub-program under the GAPSS program in SDMS whose current allocation is KShs 94.3 billion against a previous allocation of KShs 13.7 billion, reflecting a 580 percent increase. This is majorly aligned to the operationalization of the SHA which is one of the key delivery units in this sub-program. However, of this amount, KShs 82.4 billion is indicated as appropriation-in-aid for the Social Health Insurance Fund, essentially to be financed from citizen's contributions, and therefore not a predictable source of financing.

We recommend that major programs like SHA should ideally not be listed under the General Administration Planning and Support Services budget line, but rather to have these as independent to promote transparency as well as not to make it seem like the administration costs are inflated.

There is no justification for more than 100 percent budget increase in Health Policy, Standards and Regulations program in SDPHPS i.e., from KShs 4 billion to KShs 8.6 billion. Inasmuch as this may be a need, we would recommend that the resources are redirected towards more pressing demands like filling the donor funding decline gaps.

3.3.3 Analysis of FY2025/26 Budget Propositions, Key Questions and Recommendations

The pillars of focus for the health sector in the Fourth Medium Term Plan 2023-2027 'BETA Transformation Agenda' are as follows:

Health financing: To increase the number of households with health insurance under the new Social Health Insurance (SHI) package. This entails ensuring indigents have an insurance cover paid for by national and county governments; establishment of Health Benefit Package and Tariffs Authority, establishment of the Primary Health Care Fund; and establishment of the Health Emergency and Chronic Disease Fund.

Remarks - This pillar falls under the 'social protection in health' sub-program of the GAPPS program of the SDMS. Significant increase has been noted in this sub-program i.e., 580% increase however this is attributed to AIA in SHIF. The PHC fund has been allocated KSh 4.1 billion while ECCF has been allocated KSh 2 billion, with more allocations expected in the supplementary budget. Additionally, there is an allocation of KSh 0.8 billion for social health insurance for indigents and vulnerable persons.

Health commodity security: To enhance sustainable access and affordability of quality essential Health Products and Technologies (HPTs) by expanding the local production of essential HPTs, establishment of a National Health Procurement Board (NHPB), upgrading the National Quality Control Laboratory and Pharmacy and Poisons Board (PPB) towards the attainment of WHO Maturity Level 3 Standards; establishment of Kenya Biovax Institute to enhance local manufacturing capacity of essential HPTs.

Remarks - The Kenya Biovax Institute is under the Health Research and Innovations program of the SDMS. BETA Priorities in the 2025/2026 development budget are: Human Vaccine Production through completion of the Biovax Institute. However, Biovax Institute has been allocated KSh 0.28 Billion against a requirement of KSh 11 Billion. In the FY 2023/24, the institute had an absorption of 132 percent i.e. an actual expenditure of KSh 0.20 Billion against an approved budget of KShs 0.15 Billion. The completion should be prioritized to enhance local manufacturing capacity of essential HPTs and to ensure self-sufficiency and sustainability of vaccines in the face of dwindling donor financing. However, it is noted that there is inconsistent and inaccurate reporting. The fill and finish facility under the Kenya BioVax is claimed to be 90 percent complete and in the same document, it is elsewhere indicated as 14 percent complete. This needs to be verified.

Integrated Health Management Information System (IHMIS): To enhance access to health information and services through digitization of health services and interconnectivity in the health sector through end-to-end visibility of the whole ecosystem. This is through digitization of 6000 health facilities by 2028; integration of all existing health systems in the Ministry of Health, SAGAs and counties, operationalization of electronic health records to standardize data for patients; development of a high-level Afya Bora Mashinani dashboard and linking all level 4 and 5 facilities through NOFBI to a respective level 6 facility for telemedicine services.

Remarks - The Digital Health Agency (DHA) was established by the Digital Health Act, 2023. It is under the Health Research and Innovations program of the SDMS, with a core mandate is to establish, operationalize and maintain the comprehensive and integrated health information system. It has been allocated KSh 0.2 billion against a requirement of KSh 1.3 billion.

Human Resource for Health (HRH): To transform human resource for health (HRH) systems to efficiently support quality service delivery. This will entail matching stipends for 100,000 existing community health promoters (CHPs), renewal of contracts for 8,550 UHC staff for three (3) years; and posting 1,200 medical interns, training of specialized and sub-specialized healthcare workers; capacity building of health workforce; establishment of a master register for all health practitioners in Kenya; and development of a policy, guidelines and framework on recruitment and export of health care workers.

Remarks - KSh 1.7 billion has been allocated as a grant transfer to other levels of government for basic salaries for doctors in line with the signed return-to-work formula. There is also an allocation of KSh 3.3 billion for 107,831 community health promoters also as a grant transfer to other levels of government.

The Health Policy and Regulations sub-program whose mandate includes developing health norms and standards, clinical guidelines, HRH policy on internship, HCW migration policy etc has received an allocation of KSh 4.2 billion up from a previous allocation of KSh 94 million. There is no justification of this massive increase. We recommend that part of this allocation should be re-allocated within this program to support additional posting of medical interns under the HR pillar.

The Executive order requiring restructuring of professional councils within the health sector means that these bodies will no longer be financed through budgetary allocations. They are under SDPHPS, the Health Policy, Standards and Regulations program, and the Health Standards and Quality sub-program. They had received an allocation of KSh 4.3 billion in the FY 2025/26. A significant portion of this amount is Appropriation-in-Aid (AIA). We recommend that the net exchequer amount, estimated at around KSh 2 billion, should be re-allocated to partly support critical programs affected by freezing of donor funds from US government.

Community health high impact interventions: To scale up high impact interventions in PHC through operationalization of all 315 primary healthcare networks (PCNs), setting up of multi-disciplinary teams for each PCN; establishment and equipping of an additional 850 CHUs; procurement of CHPs kits; roll out of the community health information system; community engagements for CHPs.

Remarks - This pillar falls under the Preventive and Promotive Health Services program of the SDPHPS, that has an overall increase of 40 percent allocation compared to the previous financial year. 30 primary care networks are currently functional, with 315 targeted to be operationalized by 2028. 7.8 million households are currently supported by CHPs, against a target of 12.5 million

Table 15: Health Sector Allocations to Current versus Capital Expenditure in FY2025/26

Sector/Vote/Program Details	Current	Capital	Total
HEALTH	**171,948**	**32,547**	**204,495**
State Department for Medical Services	**145,127**	**27,495**	**172,622**
National Referral & Specialized Services	46,793	9,216	56,009
Curative & Reproductive, Maternal, New Born, Child & Adolescent Health RMNCAH	1,630	15,800	17,430
Health Research and Innovations	3,225	430	3,655
General Administration Planning and Support Services (GAPSS)	93,480	2,049	95,529
State Department for Public Health and Professional Standard	**26,821**	**5,052**	**31,873**
Preventive and Promotive Health Sendees	7,836	4,340	12,176
Health Resources Development and Innovation	10,045	672	10,717
Health Policy, Standards and Regulations	8,599	40	8,639
General Administration Planning and Support Services (GAPSS)	341	-	341

The development budget as a proportion of the total budget has been declining over the years. While in 2021/22, it was 49 percent, it was 38 percent and 34 percent in the subsequent years. In 2025/26, it is only 16 percent, indicating that less money is being budgeted for critical areas like health infrastructure and acquisition of equipment.

Conclusion

The government's 72 percent increase in the health budget from the previous financial year reflects its attempt to uphold its commitment to provide the highest attainable standards of healthcare to all her population, particularly through operationalization of SHA. However, with most of this allocation expected to be from Appropriation-in-aid may considerably affect the efficiency of SHA operations due to unpredictability of this financing source.

Additionally, there is no clear demonstration from the budget to fill the considerable gap that is left by the US stop work order that notably affects the health sector. Lastly, it is worth noting that the restructuring of the programs under the SDMS and the SDPHPS has made service delivery within MOH more efficient.

Critical and Strategic Questions for the legislators/ policy makers

1. **SHA sustainability**
   SHIF is expected to be solely financed through member contributions, however this has been cited to be significantly low to sustain SHIF's operations. What is the realistic long-term sustainability for the fund considering the projected contributions from the informal sector are not forth-coming?[12]

2. **SHA accountability**
   Prudent use of limited resources is paramount. How is Parliament ensuring SHA is efficient in delivery of its mandate as the channel through which UHC will be attained and accountable in the resources allocated[13]

3. **Donor transition planning**
   In 2021, the Ministry of Health launched a 'Kenya Health Sector Transition Roadmap' to put in place a phased implementation plan from donor financing from 2022-2030. However the transition from external aid is no longer a distant prospect but a current critical reality. What measures have been put in place to urgently ensure sufficient domestic resource mobilization?

3.4 Public Administration and International Relations Sector

3.4.1 Overview of the PAIR Sector

The Public Administration and International Relations (PAIR) sector is responsible for performance of key government functions in coordinating, managing, and over-sighting of the planning, administrative, public finance, and legislative functions of the government, and promoting Kenya's international relations[14].

Key highlights

1. **The proposed FY 2025/26 budget allocations for the PAIR Sector reveal critical contradictions that undermine the government's fiscal consolidation agenda and its commitment to inclusive long-term economic growth.** There are minimal budget increases for oversight institutions—CRA (12 percent), OCOB (10 percent), and OAG (7 percent) compared to the substantial increases for executive offices under the presidency. State House budget increased by 75 percent, from Ksh 4.3 billion in FY 2024/25 to Ksh 7.5 billion in FY 2025/26, while the Office of the Deputy President's budget rose by 33 percent, from Ksh 2.6 billion to Ksh 3.5 billion. The Executive Office of the President saw a 32 percent increase, with its budget growing from Ksh 3.6 billion to Ksh 4.8 billion, and the Office of the Prime Cabinet Secretary's budget grew by 29 percent, from Ksh 721.7 million to Ksh 930.9 million. These disparities raise concerns about the government's commitment to effective public financial management. In addition, drastic reduction in funding for the State Department for Economic Planning by 56 percent, risk hindering the government's ability to implement its stated economic priorities.
2. **State House is the largest beneficiary with a 75 percent budget increase from Ksh 4.3 billion in FY 2024/25 to Ksh 7.5 billion in FY 2025/26.** The Office of the Deputy President's budget rose by 33 percent, from Ksh 2.6 billion to Ksh 3.5 billion. The Executive Office of the President's budget grew by 32 percent, from Ksh 3.6 billion to Ksh 4.8 billion. The Office of the Prime Cabinet Secretary's budget saw a 29 percent increase, from Ksh 721.7 million to Ksh 930.9 million. The State Departments for Performance and Delivery and Cabinet Affairs under the presidency have each received a 20 percent budget increase.

[12] *Health Cabinet Secretary Presser on 12th Feb 2025.* https://www.citizen.digital/news/sha-runs-into-funding-crisis-govt-says-only-3m-out-of-19m-kenyans-making-contributions-n357536

[13] *Auditor General Report on 3rd March 2025* https://www.capitalfm.co.ke/news/2025/03/auditor-general-exposes-sh104b-sha-scandal-urges-parliament-to-act/

[14] *Public Administration and International Relations Sector Report Medium Term Expenditure Framework (MTEF) Period 2025/26–2027/28 - Link*

3. **The most striking budget contraction is in Economic Planning, which has suffered a drastic 56 percent reduction in FY 2025/26.** The budget allocations reflect a prioritization of executive power and operational growth at the expense of long-term economic stability and planning. Without immediate action to address these imbalances, the proposed budget may inadvertently prioritize executive power and privilege over essential public services and national development priorities.
4. **Sector reporting is limited to input and process-level indicators, rather than outputs and outcomes.** This gap limits the ability to evaluate whether the sector's budget is being used efficiently and effectively. Moreover, the absence of alignment with the Program-Based Budgeting (PBB) approach, adopted by the Kenyan government in FY 2012/13, further complicates the assessment of performance and results.
5. **The sector absorbed 86 percent of its total approved budget and achieved 69 percent of its target Key Performance Indicators (KPIs) in FY 2023/24.** While this may seem like efficient use of resources, several key institutions missed their performance targets despite high budget absorption rates exceeding 90 percent. The Office of the Prime Cabinet Secretary, the Office of the Controller of Budget, the State Department for Parliamentary Affairs, and the Office of the Auditor-General achieved only 68 percent, 67 percent, 58 percent, and 58 percent of their target KPIs, respectively.
6. **Total sector pending bills increased to Ksh 20.5 billion in FY 2023/24 after an initial decline from Ksh 30.3 billion in FY 2021/22 to Ksh 12.3 billion in FY 2022/23.** Pending bills due to lack of exchequer releases nearly doubled in FY 2023/24 growing from Ksh 9.8 billion in FY 2022/23 to Ksh 18.6 billion in FY 2023/24. Pending bills due to lack of budget provision declined slightly from Ksh 2.5 billion to Ksh 1.94 billion in FY 2023/24. While budgeting for pending bills has improved, liquidity constraints seem to be a major driver for accumulation of pending bills in the sector.
7. The total pending bills due to a lack of Exchequer transfers nearly doubled from Ksh 9.82 billion in 2022/23 to Ksh 18.6 billion in 2023/24, highlighting a critical cash flow issue that undermines government credibility, slows service delivery, and increases fiscal risks, making fiscal consolidation increasingly difficult.

Key Recommendations for FY 2025/26 Budget

Based on the analysis of key policy documents, strategic plans, and the sector's performance, we make the following recommendations:

1. The National Assembly should reassess the disproportionate increases in executive office budgets in comparison to the cuts in economic planning. A reallocation of resources to ensure adequate funding for economic planning is crucial to achieve long-term growth and fiscal stability.
2. The Presidency should lead by example in fiscal discipline. Before increasing budgets for the executive offices, it is essential to demonstrate a commitment to reducing unnecessary expenditures. This will enhance the credibility of the government's fiscal consolidation efforts.
3. The National Assembly should implement stricter oversight measures to ensure that the increases in executive office budgets are justified and used efficiently. Additionally, clear performance benchmarks should be established to track the outcomes of these budget allocations.
4. The National Treasury and the State Department for Economic Planning and the National Assembly should implement more robust, outcome-oriented Key Performance Indicators (KPIs) that capture the actual impact of the sector's programs in line with the Program Based Budgeting (PBB) approach. This would align budget reporting with tangible results rather than just input and activity-based indicators.
5. All MDAs under PAIR Sector should take a more comprehensive approach to addressing pending bills in the sector. This includes improving fiscal discipline, enhancing cash flow management, and prioritizing the clearance of arrears before committing to new spending.
6. To optimize governance and reduce redundancy, the functions of the State Department for Performance and Delivery Management should be absorbed by the State Department for Public Service. Additionally, the coordination role of the Office of the Prime Cabinet Secretary overlaps with that of the Office of the Deputy President. Therefore, it is advised that the Office of the Prime Cabinet Secretary be abolished, with its functions redistributed between the Office of the Cabinet Secretary for Foreign Affairs and the Office of the Deputy President. These changes would streamline governance and can be enacted through an executive order under the President's authority.

These recommendations are informed by a detailed analysis of the 2025 Budget Policy Statement (BPS), the Medium-Term Expenditure Plan (MTP) IV, the Public Administration and International Relations Sector Report, and the Kenya Kwanza Manifesto on Bottom-Up Economic Transformation.

Sector budget absorption has remained relatively stable, averaging 85 percent for the period 2021/22 to 2023/24, with recurrent and development expenditures at 82 percent and 89 percent respectively.

Trends in budget allocation, actual expenditure and absorption

Table 16: PAIR Sector budget absorption for the period 2021/22 to 2023/24

PAIR Sector	Total Approved Budget (KSh Million)			Total Actual Expenditure (KSh Million)			% KPI Achievement	Absorption Rate (%)			
FY	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24	2023/24	2021/22	2022/23	2023/24	Av.
Sector Total	**330,615.4**	**305,345.6**	**272,338.7**	**288,148.1**	**248,771.6**	**234,403.7**	**69**	**87**	**81**	**86**	**85**
Recurrent	208,792.6	185,763.3	146,264.6	179,559.6	145,460.4	118,691.8	-	86	78	81	82
Development	121,822.8	119,582.3	126,074.1	108,588.5	103,311.2	115,711.9	-	89	86	92	89

Source: *PAIR Sector MTEF 2025/26–2027/28*

In FY 2023/24, the sector achieved 69 percent of its target Key Performance Indicators (KPIs), while actual expenditure accounted for 86 percent of the total approved budget. However, the reported KPIs are limited to input, activity, and process levels, without addressing the tangible results or benefits (outputs and outcomes) achieved.

The sector budget performance report fails to include output and outcome indicators as required by the program-based budgeting (PBB) approach, which the Kenyan government adopted more than a decade ago. The absence of such indicators undermines accountability, as the government cannot assure taxpayers that public resources are allocated, spent, and managed efficiently when spending cannot be directly linked to the respective outputs and outcomes.

In addition, the goal of PBB framework is to enhance resource allocation and management, but this goal cannot be realized when sector budget preparation, approval, implementation and reporting is not in a program-based format[15]. It is impossible to evaluate the value for money or the effectiveness of sector expenditure without results. This limitation hampers an evidence-based assessment of alignment between the sector's socio-economic priorities, sector plans, and annual budgets, ultimately undermining efforts to integrate a culture of performance or results-based budgeting to improve efficiency of public service delivery.

The PAIR sector is experiencing a declining fiscal priority in the national budget. Over the past three fiscal years, total budget allocations to the sector have

Table 17: Change in budget allocation, actual expenditure and absorption within the PAIR Sector

PAIR Sector	FY 2021/22 (KSh Million)	FY 2022/23 (KSh Million)	FY 2023/24 (KSh Million)	% Change	
				FY 2022/23	FY 2023/24
Total Allocation	330.6	305.4	272.3	-7.6	-10.8
Total Expenditure	288.2	248.8	234.4	-13.6	-5.8
Absorption Rate (%)	87	81	86	-6.9	6.2
Recurrent Allocation	208.8	185.8	146.3	-11.0	-21.3
Recurrent Expenditure	179.6	145.5	118.7	-19.0	-18.4
Recurrent Absorption Rate (%)	86	78	81	-9.3	3.8

[15] *Programme-Based Budgeting - Link*

PAIR Sector	FY 2021/22 (KSh Million)	FY 2022/23 (KSh Million)	FY 2023/24 (KSh Million)	% Change	
				FY 2022/23	FY 2023/24
Development Allocation	121.8	119.6	126.1	-1.8	5.4
Development Expenditure	108.6	103.3	115.7	-4.9	12
Development Absorption Rate (%)	89	86	92	-3.4	7

Source: *PAIR Sector MTEF 2025/26–2027/28*

steadily contracted, reflecting an overall reduction of 18 percent. Recurrent expenditure has borne the brunt of budget cuts, while development allocations have remained relatively stable. Absorption of development budgets improved consistently, rising from 89 percent in FY 2021/22 to 92 percent in FY 2023/24, while absorption rates for recurrent spending declined from 86 percent to 78 percent, before recovering modestly to 81 percent over the same period.

Budget allocations per Subsector

Table 18: Trends in Approved budgets per subsector s within the PAIR Sector

	Approved budget (KSh Million)			% Change in approved budget		
FY	2021/22	2022/23	2023/24	2022/23	2023/24	Av
Executive office of the president	42,378.4	35,044.1	5,221.2	-17	-85	-51
Office of the Deputy President	-	1,016.9	4,761.5	-	368	368
Office of the Prime Cabinet Secretary	-	853.3	1,416.9	-	66	66
State Department for Parliamentary Affairs	-	-	388.1	-	-	-
State Department for Performance and Delivery Management	-	85.9	338.1	-	294	294
State Department for Cabinet Affairs	-	-	522.1	-	-	-
State House	9,186.9	11,975.5	11,338.6	30	-5	13
State department of devolution	4,402.4	1,807.6	2,378.0	-59	32	-14
Ministry of Foreign Affairs	19,991.5	15,386.2	-	-23	-	-23
State department of foreign affairs	-	5,383.3	23,234.6	-	332	332
The National Treasury	172,047	147,563	131,992	-14	-11	-12
State Department for Economic Planning	51,633.6	51,382.3	49,186.4	0.5	-4	-2
State Department for Public Service	20,158.8	22,943.1	26,447.8	14	15	15
Commission of Revenue Allocation	446	540.8	516.8	21	-4	8
Public Service Commission	2,391.5	2,478.7	3,585.4	4	45	24
Salaries and Remuneration Commission	621.4	504.9	549.1	-19	9	-5
Office of the Auditor General	6,083.5	6,523.7	8,208.9	7	26	17
Office of the Controller of Budget	649.6	620.4	723.9	-4	17	6
Commission on Administrative Justice	624.8	577.8	730.2	-8	26	9
Sector Total	**330,615.4**	**305,345.5**	**272,339.2**	**-8**	**-11**	**-9**

Source: *PAIR Sector MTEF 2025/26–2027/28*

The budgetary allocation trends for the sector highlight both the challenges of fiscal constraints and the disparities in resource allocation among different MDAs. The sector's overall budget allocation declined by 8 percent in FY 2022/23 and by 11 percent in FY 2023/24. This reduction was due to the austerity measures that the government has been implementing to manage its policy on fiscal consolidation. The decline in the sector's budget raises questions about the government's prioritization of this sector compared to others and whether these cuts may impact the sector's ability to achieve its objectives effectively.

At the same time, certain Ministries, Departments, and Agencies (MDAs) within the sector saw notable increases in their budget allocations. For instance, the State House experienced a budget increase of 30 percent in FY 2022/23, followed by a slight decline of 5 percent in FY 2023/24. Other key MDAs also saw significant budgetary increases. The Public Service Commission, the OAG, and the State Department for Public Service saw average budget increases of 24 percent, 17 percent, and 15 percent, respectively. However, it raises critical questions: Are the increases in these MDAs justified, and do they contribute to achieving tangible outcomes for the public, or are they a result of political maneuvering and shifting priorities?

3.4.2 Analysis of past budget performance against key performance indicators (KPIs)

Table 19: Analysis of past financial and non-financial performance for PAIR Sector

Sector/Vote/Programme Details	Approved Budget			Actual Expenditure			Absorption Rate 2023/24	% Level of Achievement 2023/24
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24		
PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS (PAIR)								
Executive office of the president	**42,378.4**	**35,044.1**	**5,221.2**	**31,044.1**	**21,737.9**	**4,507.4**	**86%**	**75%**
State House Affairs	9,186.9	11,975.5	-	9,138.2	10,424.1	-	0%	-
Deputy President Services	1,503.4	2,584.3	-	1,466.7	2,462.9	-	0%	-
Cabinet Affairs	1,763.3	2,352.0	-	1,729.7	2,120.8	-	0%	-
Government Advisory Services	681.4	542.6	656.0	679.6	486.0	615.6	94%	80%
Nairobi Metropolitan Services	29,243.4	17,589.7	-	18,029.9	6,244.1	-	0%	-
Government Printing Services	-	-	987.1	-	-	801.7	81%	71%
GAPSS	-	-	3,578.1	-	-	3,090.1	86%	81%
Leadership and Coordination of Government Services	-	-	-	-	-	-		66%
Office of the Deputy President	**-**	**1,016.9**	**4,761.5**	**-**	**927.9**	**4,714.6**	**99%**	**100%**
Deputy President Services	-	1,016.9	4,761.5	-	927.9	4,714.6	99%	100%
Office of the Prime Cabinet Secretary	**-**	**853.3**	**1,416.9**	**-**	**664.1**	**1,271.8**	**90%**	**68%**
GAPSS	-	761.3	-	-	608.7	-	0%	-
Public Service Performance Management & Delivery Services	-	33.9		-	15.9	-	0%	-
Government Coordination and Supervision	-	58.1	1,416.9	-	39.5	1,271.8	90%	68%
State Department for Parliamentary Affairs	**-**	**-**	**388.1**	**-**	**-**	**360.3**	**93%**	**58%**
Parliamentary Liaison and Legislative Affairs	-	-	105.3	-	-	98.9	94%	73%
Policy Coordination and Strategy	-	-	58.3	-	-	54.1	93%	33%
GAPSS	-	-	224.5	-	-	207.3	92%	67%
State Department for Performance and Delivery Management	**-**	**85.9**	**338.1**	**-**	**71.9**	**331.3**	**98%**	**75%**
Public Service Performance Management and Delivery Services	-	85.9	131.7	-	71.9	136.3	103%	75%

Sector/Vote/Programme Details	Approved Budget			Actual Expenditure			Absorption Rate 2023/24	% Level of Achievement 2023/24
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24		
PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS (PAIR)								
GAPSS	-	-	206.4	-	-	195.0	94%	-
State Department for Cabinet Affairs	**-**	**-**	**522.1**	**-**	**-**	**355.8**	**68%**	**63%**
Cabinet Affairs Delivery	-	-	522.1	-	-	355.8	68%	63%
State House	**9,186.9**	**11,975.5**	**11,338.6**	**9,150.1**	**10,424.1**	**11,328.5**	**100%**	**100%**
State House Affairs	9,186.9	11,975.5	11,338.6	9,150.1	10,424.1	11,328.5	100%	100%
State department of devolution	**4,402.4**	**1,807.6**	**2,378.0**	**3,397.5**	**1,664.8**	**2,085.0**	**0%**	**0%**
Devolution Support Services	1,924.7	510.8	-	1,074.7	372.2	-	0%	-
Management of Intergovernmental Relations	732.4	951.1	-	724.3	948.9	-	0%	-
Administration Support Services	407.1	345.7		393.5	343.7		0%	-
Special Initiative	1,338.2	-	-	1,205.0	-	-	0%	-
Devolution Services	-	-	2,378.0	-	-	2,085.0	88%	-
Ministry of Foreign Affairs	**19,991.5**	**15,386.2**	**-**	**19,869.7**	**15,242.6**	**-**	**0%**	**-**
GAPSS	2,444.7	2,573.9	-	2,425.2	2,465.1	-	0%	-
Management of Kenya missions (added)	17,274.6	12,657.3	-	17,192.1	12,625.5	-	0%	-
Economic Cooperation and Commercial Diplomacy	51.8	38.6	-	51.8	38.0	-	0%	-
Foreign Policy Research, Capacity Development and Technical Cooperation	220.4	116.4	-	200.6	114.0	-	0%	-
State department of foreign affairs	**-**	**5,383.3**	**23,234.6**	**-**	**5,278.4**	**23,226.2**	**100%**	**95%**
GAPSS	-	1,010.1	4,246.1	-	926.9	4,242.9	100%	98%
Management of Kenya missions abroad	-	4,328.2	18,674.3	-	4,310.5	18,669.2	100%	
Economic Cooperation and Commercial Diplomacy	-	11.0	49.9	-	9.0	49.8	100%	87%
Foreign Policy Research, Capacity Development and Technical Cooperation	-	34.0	264.3	-	32.0	264.3	100%	100%
State Department for Diaspora Affairs	-	658.0	1,187.7	-	383.2	1,024.6	86%	66%
GAPSS	-	487.7	-	-	294.5	-	0%	-
Management of Diaspora and Consular Affairs	-	170.3	1,187.7	-	88.7	1,024.6	86%	66%
The National Treasury	**172,047.0**	**147,563.0**	**131,992.0**	**146,299.0**	**110,210.0**	**99,483.0**	**75%**	**81%**
GAPSS	62,579.0	66,220.0	74,445.0	55,917.0	51,630.0	60,293.0	81%	70%
Public Financial Management	55,922.0	38,093.0	42,692.0	48,009.0	26,370.0	25,979.0	61%	80%
Economic and Financial Policy Formulation and Management	1,837.0	3,937.0	14,425.0	1,538.0	2,936.0	12,781.0	89%	86%

Sector/Vote/Programme Details	Approved Budget			Actual Expenditure			Absorption Rate 2023/24	% Level of Achievement 2023/24
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24		
PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS (PAIR)								
Market Competition and Creation of an Enabling Business Environment	332.0	708.0	430.0	332.0	683.0	430.0	100%	86%
Government Clearing Services	68.0	47.0	-	49.0	2.0	-	0%	-
Rail Transport	45,375.0	38,458.0	-	35,980.0	28,589.0	-	0%	-
Marine Transport	5,934.0	100.0	-	4,474.0	-	-	0%	-
State Department for Economic Planning	**51,633.6**	**51,382.3**	**49,186.4**	**48,583.8**	**51,088.0**	**50,069.2**	**102%**	**71%**
Economic Policy and National Planning	48,931.7	49,433.0	45,969.1	45,969.1	49,312.7	47,246.0	103%	89%
National Statistical Information Services	2,113.3	1,522.4	2,833.1	2,044.3	1,371.0	2,484.1	88%	79%
Monitoring and Evaluation Services	243.0	151.8	132.3	235.4	131.8	99.9	76%	42%
GAPSS	345.6	275.2	251.9	335.1	272.4	239.2	95%	73%
Sectoral and Intergovernmental Development Planning(added in FY 2024/25)	-	-	-	-	-	-	-	72%
State Department for Public Service	**20,158.8**	**22,943.1**	**26,447.8**	**19,617.2**	**20,312.0**	**22,807.9**	**86%**	**84%**
Public Service Human Resource Management and Development	-	-	-	-	-	-		69%
Public Service Transformation	8,426.5	9,510.6	11,843.5	8,173.1	9,100.4	10,217.7	86%	78%
GAPSS	708.5	490.8	687.0	630.9	416.9	643.0	94%	100%
National Youth Service	11,023.8	12,941.7	13,917.3	10,813.2	10,794.7	11,947.2	86%	90%
Commission of Revenue Allocation	**446.0**	**540.8**	**516.8**	**434.1**	**536.2**	**549.9**	**106%**	**75%**
Inter government revenue and financial matters	446.0	540.8	516.8	434.1	536.2	549.9	106%	75%
Public Service Commission	**2,391.5**	**2,478.7**	**3,585.4**	**2,292.5**	**2,378.9**	**3,363.3**	**94%**	**83%**
GAPSS	792.1	932.1	902.0	755.1	894.8	858.6	95%	69%
Human Resource Management & Development	1,419.3	1,356.5	2,475.1	1,365.8	1,308.7	2,308.8	93%	86%
Governance and National Values	145.7	139.8	123.6	137.7	132.6	116.7	94%	94%
Performance and Productivity Management	34.4	50.3	54.0	33.9	42.8	52.8	98%	-
Administration of Quasi-Judicial Functions	-	-	30.7	-	-	26.4	86%	-
Salaries and Remuneration Commission	**621.4**	**504.9**	**549.1**	**589.7**	**498.6**	**529.5**	**96%**	**100%**
Salaries and Remuneration Management	621.4	504.9	549.1	589.7	498.6	529.5	96%	100%

Sector/Vote/Programme Details	Approved Budget			Actual Expenditure			Absorption Rate 2023/24	% Level of Achievement 2023/24
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24		
PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS (PAIR)								
Office of the Auditor General	**6,083.5**	**6,523.7**	**8,208.9**	**5,658.2**	**6,187.6**	**7,384.8**	**90%**	**58%**
Audit Services	6,083.5	6,523.7	8,208.9	5,658.2	6,187.6	7,384.8	90%	58%
Office of the Controller of Budget	**649.6**	**620.4**	**723.9**	**619.4**	**596.5**	**668.5**	**92%**	**67%**
Control and Management of Public Finances	649.6	620.4	723.9	619.4	596.5	668.5	92%	67%
Commission on Administrative Justice	**624.8**	**577.8**	**730.2**	**592.7**	**568.8**	**687.8**	**94%**	**69%**
Promotion of Administrative Justice	624.8	577.8	730.2	592.7	568.8	687.8	94%	69%
Public Administration and International Relations (PAIR)	**330,615.4**	**305,345.5**	**272,339.2**	**288,148.0**	**248,771.5**	**234,389.1**	**86%**	**69%**

Source: *PAIR Sector MTEF 2025/26–2027/28*

Sector budget absorption declined from 87 percent in FY 2021/22 to 81 percent in FY 2022/23 but improved to 86 percent in FY 2023/24, still below the FY 2021/22 level. This raises important questions about the efficiency of resource allocation and management within the sector.

In terms of non-financial performance, the sector achieved 77 percent of its target indicators in FY 2023/24, compared to 86 percent in financial performance. This disparity highlights a significant gap between financial expenditure and actual performance outcomes. The fact that the sector can absorb the budget but still fall short of achieving key performance indicators (KPIs) raises concerns about the effectiveness of spending. Are resources being allocated and spent in areas that directly contribute to the sector's intended outcomes, or is there a misalignment between financial absorption and tangible results? These questions can be answered effectively if the MDAs under PAIR sector integrate financial and non-financial performance indicators at output and outcome level in during budget preparation, implementation and reporting.

Certain MDAs within the sector, despite absorbing 90 percent of their approved budgets, failed to achieve their KPIs. The Office of the Prime Cabinet Secretary, the Office of the Controller of Budget, the State Department for Parliamentary Affairs, and the Office of the Auditor General achieved only 68 percent, 67 percent, 58 percent, and 58 percent of their target KPIs, respectively. This reveals a contradictory observation that high budget absorption does not necessarily correlate with successful program implementation or outcomes. What factors are contributing to the disconnect between budget absorption and KPI achievement? Are these MDAs effectively utilizing their resources on their planned targets? The Office of the Deputy President had the most significant increase in budgetary allocation in FY 2023/24, receiving a 368 percent increase. Despite absorbing 99 percent of this allocation and achieving 100 percent of its KPIs, the KPIs reported were limited to activity, input, and process levels.

Pending Bills

Total pending bills due to lack of exchequer rose from Ksh 9.82 billion (2022/23) to Ksh 18.6 billion (2023/24), nearly doubling. Pending bills due to lack of budget provision, however, slightly declined from Ksh 2.47 billion (2022/23) to Ksh 1.94 billion (2023/24). While budgeting for expenditures has improved, the government's liquidity constraints have worsened, leading to a significant accumulation of pending bills due to cash flow issues.

Continuous accumulation of pending bills in the sector undermines government credibility, slow service delivery, and increases fiscal risks, making the goal of fiscal consolidation increasingly difficult to achieve. Addressing the issue of pending bills in the sector

Table 20:Analysis of pending Bills for PAIR Sector

Summary of Pending Bills by Nature and Type (Ksh Million)						
Type/Nature	Due to lack of Exchequer			Due to lack of Provision		
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
Recurrent	16,971	8,789	7,574	645	2,278	1,940
Development	10,234	1,036	11,028	2,404	196	0.0
Total	27,205	9,825	18,602	3,049	2,475	1,940
Recurrent Allocation	208.8	185.8	146.3	-11.0	-21.3	
Recurrent Expenditure	179.6	145.5	118.7	-19.0	-18.4	
Recurrent Absorption Rate (%)	86	78	81	-9.3	3.8	

Source: *PAIR Sector MTEF 2025/26–2027/28*

requires a comprehensive approach that includes better fiscal discipline, improved cash flow management, and prioritization of arrears clearance before new commitments.

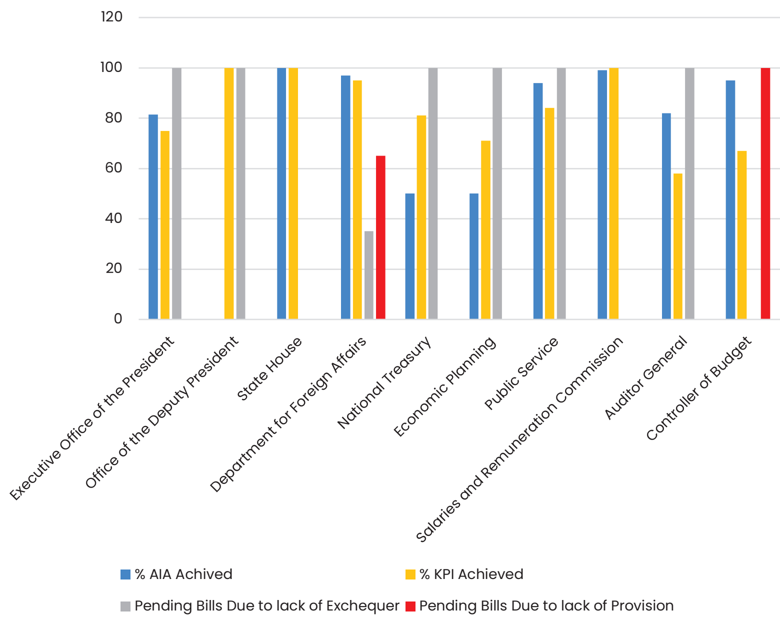
Total pending bills due to lack of exchequer rose from Ksh 9.82 billion (2022/23) to Ksh 18.6 billion (2023/24), nearly doubling. Pending bills due to lack of budget provision, however, slightly declined from Ksh 2.47 billion (2022/23) to Ksh 1.94 billion (2023/24). While budgeting for expenditures has improved, the government's liquidity constraints have worsened, leading to a significant accumulation of pending bills due to cash flow issues.

Continuous accumulation of pending bills in the sector undermines government credibility, slow service delivery, and increases fiscal risks, making the goal of fiscal consolidation increasingly difficult to achieve. Addressing the issue of pending bills in the sector requires a comprehensive approach that includes better fiscal discipline, improved cash flow management, and prioritization of arrears clearance before new commitments.

In FY 2023/24, the total sector revised budget for Appropriations-in-Aid was KSh 27.3 billion, with actual expenditure at Ksh 15.2 billion, representing just 56 percent of the revised budget. The National

A-I-A, KPIs and Pending Bills Performance by State Departments within PAIR Sector in FY 2023/24

Figure 12: A-i-A, KPIs and Pending Bills Performance by State Departments within PAIR Sector in FY 2023/24



Source: *OCOB FY 2023/24; PAIR Sector MTEF 2025/26–2027/28*

Treasury accounted for 76.5 percent of the expenditure, followed by the State Department for Public Service at 17.7 percent. The remaining ministries MDAs contributed only 6%. Notably, there were pending bills totaling Ksh 20.5 billion (KSh 18.6 billion due to a lack of exchequer funds, and KSh 1.94 billion resulting from a lack of budget provision). Given the National Treasury's significant share of the sector's Appropriations-In-Aid, it has the potential to settle some of these pending bills from its A-I-A. However, all its pending bills are due to a lack of exchequer, a situation mirrored by the State Department for Public Service, which, despite contributing 18% of the sector's A-I-A, has all its pending bills arising from a similar issue.

3.4.3 Analysis of FY2025/26 Budget Propositions, Key Questions and Recommendations

The sector priorities captured in the 2025 BPS and Medium Term Expenditure Framework (MTEF) Period 2025/26– 2027/28 are largely aligned with the broader goals outlined in MTP IV. Both documents emphasize economic growth, improved public service delivery, good governance, and sustainable development. However, the BPS provides a more detailed and immediate roadmap for achieving these objectives. The 2025 BPS and MTEF give more attention to modernization of the State Law Office, the development of integrated revenue collection systems, and the focus on green finance and tax compliance illustrates a more granular approach to achieving the long-term vision laid out in MTP IV. Nonetheless, both documents are complementary, with the BPS providing the detailed implementation strategies necessary to realize the broader ambitions of the MTP IV.

Economic Growth and Diaspora Engagement

Both the MTP IV and the sector priorities in the proposed FY 2025/26 budget emphasize the critical role of the diaspora in Kenya's economic strategy. The MTP IV highlights the need to enhance diaspora remittances, with a target to increase remittances from KSh 478.5 billion in 2022 to KSh 1 trillion by 2027. It also calls for transforming Kenya's missions abroad into economic hubs that attract investment, trade, and strengthen diplomatic relations. Similarly, the BPS aligns with this objective, focusing on the welfare and rights of diaspora citizens while prioritizing the modernization of diplomatic infrastructure to enhance Kenya's global image. The MDAs responsible for the delivery of this program include the State Department for Foreign Affairs and the State Department for Diaspora Affairs, which have been allocated a budget of KSh 23.8 billion for FY 2025/26, accounting for 8.3 percent of the sector budget. This allocation represents an 11 percent growth compared to the FY 2024/25 budget.

Public Service Efficiency and Service Delivery

The MTP IV and the sector priorities in the proposed FY 2025/26 budget share common goals in improving public service delivery and efficiency. Both documents emphasize the importance of enhancing coordination across MDAs and digitizing government services, such as onboarding all services onto the e-Citizen portal. However, in April 2025, the High Court of Kenya declared the payment of school fees via the e-Citizen platform unconstitutional, citing unclear control and operations of the platform[16]. The MDAs responsible for the delivery of this program include State House, the Executive Office of the President, the Office of the Deputy President, the Office of the Prime Cabinet Secretary, the State Department for Performance and Delivery Management, the Salaries and Remuneration Commission, and the Commission on Administrative Justice. Together, they have been allocated a budget of KSh 18.4 billion, accounting for 6.4 percent of the sector budget representing budget gain of 43.8 percent compared to allocations for FY 2024/25.

Governance, Accountability, and Transparency

Both the MTP IV and the sector priorities in the proposed FY 2025/26 budget prioritize improving governance, accountability, and transparency in public management. The MTP IV underscores the need for robust governance practices, good leadership ethics, and transparent financial management. The sector budget proposal focuses on leadership, policy direction, and the management of public resources, with an emphasis on ensuring accountability in public financial management. This includes promoting public debt transparency and strengthening financial reporting. The implementing MDAs include the departments for Parliamentary Affairs and Cabinet Affairs, the Office of the Controller of Budget, the Office of the Auditor General and Parliament. Together, they have an accumulated budget of KSh 52.6 billion, accounting

[16] *High Court in Kenya quashed mandatory school fees payment via eCitizen - Link*

for 18.3 percent of the sector budget with a growth of 4.6 percent in FY 2025/25 compared to FY 2024/25. It is worth to note that over 80 percent (42.5 billion) of this budget is for Parliament whose budget has been increased by 4 percent.

Devolution and County Revenue Enhancement

Both the MTP IV and the proposed sector budget recognize the importance of strengthening devolution, particularly in terms of improving county governments' own-source revenue and enhancing service delivery at the county level. The MTP IV outlines strategies for improving the management of devolution affairs, focusing on performance management and public participation. The sector budget places more emphasis on developing an integrated revenue collection system across counties to streamline operations and reduce inefficiencies. It also focuses on aligning county revenue systems with national structures. The delivery MDAs include the State Department for Devolution and the Commission on Revenue Allocation, which have a combined budget allocation of KSh 4.8 billion, representing 1.7 percent of the sector budget.

Strengthening Public Finance Management (PFM)

PFM reforms are a key priority in both the MTP IV and the proposed sector budget for FY 2025/26. Both documents stress the need to increase fiscal space, manage public debt, and broaden the tax base, particularly by focusing on informal sector taxation and enhancing compliance. The proposed budget expands on these goals by emphasizing the enhancement of rental income taxation and leveraging technology to increase compliance, offering specific strategies to modernize Kenya's tax system. The delivery MDAs include the National Treasury and the State Department for Economic Planning, which have a combined budget allocation of KSh 162.5 billion, accounting for 56.7 percent of the sector budget.

Public Service Reform and Capacity Building

Both documents align on the need for public service reform, focusing on improving efficiency, enhancing leadership, and building capacity within the public sector. The MTP IV emphasizes transforming the public service to meet the needs of a growing economy, particularly through leadership development and capacity building. The sector budget also highlights these goals but goes further by emphasizing the need for effective coordination, supervision, and alignment across MDAs. It focuses on improving public service performance through enhanced training and development initiatives. The implementing MDAs include the State Department for Public Service and the Public Service Commission, with a combined budget allocation of KSh 24.7 billion, accounting for 8.6 percent of the sector budget.

3.4.5 Analysis of proposed budget for FY 2025/26

The Kenya Kwanza government, since it took power in 2022 has repeatedly emphasized the need for fiscal consolidation to reduce budget deficits and stabilize public debt. However, the proposed PAIR sector budget allocations for FY 2025/26 reveal a disconnect between rhetoric and action, particularly in the sharp increases in executive spending. The Sector has been allocated Ksh 286.8 billion in FY 2025/26, compared to Ksh 311.8 billion in FY 2024/25, which is an 8 percent decline in the sector's budget allocation. According to MTP IV, the sector's resource requirement for financial years 2025/26 is Ksh. 337 billion. The analysis of the alignment between MTP IV and sector priorities for FY 2025/26 revealed a very close linkage. However, the disparity in resource allocation in the 2025 BPS versus the resource requirement in MTP IV raises questions about the sector's budget credibility. Can the sector effectively manage and execute such a large number of programs within the allocated budget?

Table 21: Analysis of PAIR Sector's proposed budget for FY 2025/26

Sector/Vote/Programme Details	Approved Estimates 2024/25 (A)			2025/26 BPS Ceilings (B)			% change in allocation (B-A)/A	% Share of the Sector Budget
	Rec	Dev.	Total	Rec	Dev.	Total		2024/25
PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS	**186,453.2**	**125,342.1**	**311,795.3**	**189,701.8**	**97,057.2**	**286,759.0**	**-8%**	**100.0%**
Government Printing Services	711.9		711.9	765.7	500.0	1,265.7	78%	0.2%

Sector/Vote/Programme Details	Approved Estimates 2024/25 (A)			2025/26 BPS Ceilings (B)			% change in allocation (B-A)/A	% Share of the Sector Budget
	Rec	Dev.	Total	Rec	Dev.	Total		2024/25
Government Advisory Services	1,129.9		1,129.9	1,096.7		1,096.7	-3%	0.4%
Leaders hip and Cordination of Government Services	510.7		510.7	530.8	150.0	680.8		0.2%
Office of the Deputy President	**2,598.2**	-	**2,598.2**	**3,347.5**	**100.0**	**3,447.5**	**33%**	**0.8%**
Deputy President Services	2,598.2		2,598.2	3,347.5	100.0	3,447.5	33%	0.8%
Office of the Prime Cabinet Secretary	**721.7**	-	**721.7**	**930.9**	-	**930.9**	**29%**	**0.2%**
Government Coordination and Supervision	721.7		721.7	930.9		930.9	29%	0.2%
State Department for Parliamentary Affairs	**363.9**	-	**363.9**	**391.0**	-	**391.0**	**7%**	**0.1%**
Parliamentary Liaison and Legislative Affairs	86.0		86.0	93.2		93.2	8%	0.0%
Policy Coordination and Strategy	86.3		86.3	90.2		90.2	5%	0.0%
GAPSS	191.6		191.6	207.6		207.6	8%	0.1%
State Department for Performance and Delivery	**507.9**	-	**507.9**	**599.2**	**10.0**	**609.2**	**20%**	**0.2%**
Public Service Performance Management and Delivery Services	84.7		84.7	85.9	5.0	90.9	7%	0.0%
GAPSS	176.8		176.8	261.0		261.0	48%	0.1%
Coordination and Supervision of Government Services	206.1		206.1	206.1		206.1		0.1%
Service Delivery Management	40.3		40.3	46.2	5.0	51.2		0.0%
State Department for Cabinet Affairs	**228.7**	-	**228.7**	**274.2**	-	**274.2**	**20%**	**0.1%**
Cabinet Affairs Services	228.7		228.7	274.2		274.2	20%	0.1%
State House	**4,307.5**	-	**4,307.5**	**6,802.8**	**715.4**	**7,518.2**	**75%**	**1.4%**
State House Affairs	4,307.5		4,307.5	6,802.8	715.4	7,518.2	75%	1.4%
State Department for Devolution	**1,442.9**	**2,653.0**	**4,095.9**	**1,518.9**	**2,876.0**	**4,394.9**	**7%**	**1.3%**
Devolution Services	1,442.9	2,653.0	4,095.9	1,518.9	2,876.0	4,394.9	7%	1.3%
State Department for Foreign Affairs	**20,013.1**	-	**20,013.1**	**20,811.6**	**2,346.4**	**23,158.0**	**16%**	**6.4%**
GAPSS	2,557.3		2,557.3	2,814.1	238.1	3,052.2	19%	0.8%
Foreign Relation and Diplomacy	17,264.0		17,264.0	17,798.0	1,948.3	19,746.3	14%	5.5%

Sector/Vote/Programme Details	Approved Estimates 2024/25 (A)			2025/26 BPS Ceilings (B)			% change in allocation (B-A)/A	% Share of the Sector Budget
	Rec	Dev.	Total	Rec	Dev.	Total		2024/25
Foreign Policy Research, Capacity Dev and T echnical Coop eration	143.9		143.9	150.0	160.0	310.0	115%	0.0%
State Department for Diaspnra Affairs	**637.8**	**-**	**637.8**	**675.9**	**-**	**675.9**	**6%**	**0.2%**
Management of Diaspora and Consular Affairs	637.8		637.8	675.9		675.9	6%	0.2%
The National Treasury	**76,735.1**	**52,504.4**	**129,239.5**	**71,707.1**	**59,001.3**	**130,708.4**	**1%**	**41.5%**
GAPSS	62,201.3	6,552.5	68,753.8	59,836.7	4,727.3	64,564.0	-6%	22.1%
Public Financial Management	12,537.5	36,964.7	49,502.2	9,738.3	38,773.0	48,511.3	-2%	15.9%
Economic and Financial Polity Formulation and Management	1,487.8	8,987.2	10,475.0	1,524.1	15,501.0	17,025.1	63%	3.4%
Market Competition	508.5		508.5	608.0		608.0	20%	0.2%
State Department for Economic Planning	**3,246.6**	**68,623.7**	**71,870.3**	**3,487.7**	**28,257.8**	**31,745.5**	**-56%**	**23.1%**
Public Service Transformation	2.0		2.0					
Monitoring and Evaluation Services	494.5	6.0	500.5	173.5	56.0	229.5		
Economic Policy and National Planning	1,673.3	68,328.2	70,001.5				-100%	22.5%
National Statistical Information Sendees	867.8	289.5	1,157.3	868.1	1,651.8	2,519.9	118%	0.4%
GAPSS	209.0		209.0	401.3		401.3	92%	0.1%
Macro-economic Policy, National Planning and Research			-	1,388.2	66.0	1,454.2		
Sectoral and Intergovernmental Development Planning			-	656.6	26,484.0	27,140.6	0%	0.0%
State Department for Public Service	**18,658.5**	**363.9**	**19,022.4**	**19,876.2**	**1,195.0**	**21,071.2**	**11%**	**6.1%**
Public Service Transformation	8,001.8	363.9	8,365.7	8,404.8	1,080.0	9,484.8	13%	2.7%
GAPSS	366.2		366.2	411.3		411.3	12%	0.1%
National Youth Service	10,290.5		10,290.5	11,060.1	115.0	11,175.1	9%	3.3%
Public Service Human Resource Management and Development			-					
Parliament	**39,747.4**	**1,118.1**	**40,865.5**	**41,123.2**	**1,365.0**	**42,488.2**	**4%**	**13.1%**
The Commission on Revenue Allocation	**364.3**	**-**	**364.3**	**409.0**	**-**	**409.0**	**12%**	**0.1%**
Inter-Governmental Transfers and Financial Matters	364.3		364.3	409.0		409.0	12%	0.1%

Sector/Vote/Programme Details	Approved Estimates 2024/25 (A)			2025/26 BPS Ceilings (B)			% change in allocation (B-A)/A	% Share of the Sector Budget
	Rec	Dev.	Total	Rec	Dev.	Total		2024/25
GAPSS	801.1		801.1	903.7	35.3	939.0	17%	0.3%
Human Resource management and Development	2,443.0		2,443.0	2,451.6		2,451.6	0%	0.8%
Governance and National Values	149.0	-	149.0	140.9		140.9	-5%	0.0%
Performance and Productivity Management	48.8		48.8	43.2		43.2	-11%	0.0%
Administration of Quasi-judicial Functions	34.7		34.7	25.8		25.8	-26%	0.0%
Salaries and Remuneration Commission	**452.7**	-	**452.7**	**481.8**	-	**481.8**	**6%**	**0.1%**
Salaries and Remuneration Management	452.7		452.7	481.8		481.8	6%	0.1%
Auditor General	**8,024.9**	**79.0**	**8,103.9**	**8,297.2**	**355.0**	**8,652.2**	**7%**	**2.6%**
Audit Services	8,024.9	79.0	8,103.9	8,297.2	355.0	8,652.2	7%	2.6%
Office of the Controller of Budget	**704.3**	-	**704.3**	**777.5**	-	**777.5**	**10%**	**0.2%**
Control and Management of Public finances	704.3		704.3	777.5		777.5	10%	0.2%
The Commission on Administrative Justice	**636.5**	-	**636.5**	**676.2**	-	**676.2**	**6%**	**0.2%**
Promotion of Administrative Justice	636.5		636.5	676.2		676.2	6%	0.2%

Source: *BPS 2025, Source: PAIR Sector MTEF 2025/26–2027/28*

A deeper dive into the sector's budget allocations for FY 2025/26 shows that the top gainers are:

- The State House budget increased by 75 percent, from KSh 4.3 billion in FY 2024/25 to KSh 7.5 billion in FY 2025/26.
- The Office of the Deputy President's budget rose by 33 percent, from KSh 2.6 billion in FY 2024/25 to KSh 3.4 billion in FY 2025/26.
- The Executive Office of the President has a 32 percent increase, with its budget growing from KSh 3.6 billion to KSh 4.8 billion.
- The Office of the Prime Cabinet Secretary's budget grew by 29 percent, from KSh 721.7 million in FY 2024/25 to KSh 930.9 million in FY 2025/26.
- The State Departments for Performance and Delivery and Cabinet Affairs each saw a 20 percent growth.

The most striking budget contraction is in Economic Planning, which has suffered a drastic 56 percent reduction. The observed budget reduction appears to result primarily from both programs restructuring and a straightforward withdrawal of funding. Notably, the Economic Policy and National Planning program, which accounts for 97 percent (KSh 70 billion) of the budget in FY 2024/25, has no budget allocation in FY 2025/26. Sectoral and Intergovernmental Development Planning program which has no allocation in FY 2024/25 has an allocation of KSh 27 billion in FY 2025/26, representing around 84 percent of the department's total budget in FY 2025/26.

Given the importance of the Economic Policy and National Planning program and its significant role in the national economy, further justification for these changes is warranted. Parliament should thoroughly examine and interrogate these shifts when reviewing the FY 2025/26 budget. This cut raises serious concerns, as it contradicts the government's priority in FY 2025/26, where the department for economic planning has the leading mandate. The 2025 BPS outlines the government's economic priorities, focusing on sustainable economic growth, fiscal stability, and promotion of inclusive green development. Cutting funding for this department points to a short-term focus on expenditure reduction at the cost of long-term economic planning and stability. Such drastic reductions in planning resources could lead to poor and weak fiscal decisions, weak economic coordination, and inadequate preparation for external shocks. If the government is serious about economic reforms and fiscal consolidation, why is it deprioritizing the institution responsible for crafting and guiding those policies?

Oversight and accountability institutions have seen marginal changes in their budgets. The CRA, OCOB and the OAG have their budgets increased by 12 percent, 10 percent and 7 percent respectively. Comparing these changes with those of the executive offices raises concerns about whether the government is deliberately weakening oversight institutions to reduce scrutiny over spending. These slight changes further raise concerns about the government's commitment to strengthening devolution and improving public financial management (PFM) through better financial controls, audits, and reporting.

For fiscal consolidation to be credible, the presidency should set the tone by reducing its own expenditures before imposing austerity measures on the rest of the government. Without this, the policy risks being perceived as a tool to justify cuts to essential services while expanding executive power and privilege. The current budget allocations expose this contradiction, making it clear that the commitment to fiscal discipline is, at best, inconsistent.

Key Questions that members of Parliament should consider while approving the Sector budget for FY 2025/26

1. Given the significant budget increases for various offices within the top executive branch, including the State House, Executive Office of the President, and the Office of the Deputy President, how can the government justify these expansions considering its stated commitment to fiscal consolidation and austerity measures across the broader public sector?
2. How can the government reconcile the expansion of executive budgets with the need for fiscal discipline and austerity, shouldn't the executive lead by example in reducing its own expenditures first?
3. What specific steps will the executive take to demonstrate its commitment to fiscal responsibility and equitable allocation of resources, particularly when the proposed increases in executive office budgets seem to contradict the broader fiscal consolidation agenda?
4. Given the large increases in the budgets for the executive offices, how can Parliament ensure that these funds are being used efficiently and effectively, without contributing to the expansion of executive power and privilege at the expense of essential public services and development priorities?
5. In the face of these budgetary contradictions, what mechanisms will Parliament put in place to ensure that fiscal consolidation does not disproportionately affect key social services or hinder long-term national development goals, while addressing the perceived imbalance in executive spending?
6. Considering the government's stated commitment on sustainable economic growth, fiscal stability, and inclusive green development in the FY 2025/26 Budget Policy Statement, how does the 56 percent budget cut for the State Department for Economic Planning align with these long-term priorities, and what alternative measures are being proposed to ensure effective economic planning?
7. Given that the State Department for Economic Planning holds a leading mandate for shaping the country's economic direction, how do you justify substantial cuts to its budget without compromising the government's ability to make informed, long-term fiscal decisions and maintain economic stability?
8. What safeguards will be put in place to ensure that the drastic reduction in planning resources does not lead to weak fiscal coordination, poor policy execution, or insufficient preparation for unforeseen external economic shocks, especially in the context of global economic volatility?
9. If the government is serious about economic reforms and fiscal consolidation, why is it deprioritizing the institution responsible for crafting and guiding those policies?

3.5 Education Sector

3.5.1 Overview of the Education sector

The education sector reflects a combination of achievements and challenges, highlighting commendable progress alongside pressing issues that demand targeted policy and budgetary action. Among the most notable achievements is the government's ongoing commitment to strengthening teacher recruitment efforts. In FY 2023/24, the government achieved a 100 percent recruitment target by hiring 2,000 intern teachers to support Universal Primary Education (UPE). This target has been retained in the FY 2025/26–2027/28 Medium-Term Expenditure Framework (MTEF) period, reflecting a continued commitment to improving the teacher–learner ratio. These efforts are critical in addressing overcrowded classrooms, enhancing the quality of instruction, and supporting the effective implementation of the Competency-Based Curriculum (CBC), particularly in underserved areas. It also aligns with constitutional obligations to provide free, quality basic education. Continued recruitment offers a predictable framework for workforce planning and signals a strategic focus on improving learning outcomes through better-resourced classrooms.

However, reforms under the new Tertiary Education Variable Scholarship and Loans Funding (VSLF) Model, administered through the National Skills and Funding Council (NSFC), have faced resistance from students and institutions. The transition from capitation to a needs-based funding model has faced criticism due to inadequate stakeholder engagement and implementation gaps, potentially jeopardizing the goals of access and equity in tertiary education. Furthermore, the Auditor General's report for the fiscal year 2023/24 highlights issues such as limited inclusivity for students from vulnerable groups, the absence of Sharia-compliant financing options, and the financial strain on parents and students, all of which contribute to resistance toward the model.

Meanwhile, the sector is grappling with a worrying decline in enrollment at the primary level, attributed partly to the ongoing transition to the 2-6-3-3-3 CBC structure. In FY 2023/24, the enrollment target was 6,963,388 learners, but actual enrollment stood at 6,445,582, achieving only 93 percent of the target and reflecting a 21 percent drop from the FY 2022/23 figure of 8,123,952. This decline raises serious questions about learner retention, the impact of demographic changes, and the effect of economic hardship on school attendance. Notably, the FY 2025/26 budget proposal lacks a clear roadmap for reversing this trend or for addressing the structural issues driving it.

Efficiency in budget implementation also remains a challenge. The Primary Education Programme recorded a budget absorption rate of 78 percent yet only 57 percent of Key Performance Indicators (KPIs) were achieved. According to the FY 2024 Sector Report, the sector cited financial constraints in 58 of 282 delivery areas and noted concerns from stakeholders over limited consultation, suggesting systemic inefficiencies. The inefficiency has been contributed largely by the inability to deliver physical infrastructure projects, which had an execution rate of 74 percent versus spending on other areas, which was executed at 88 percent .This disparity highlights the difficulty in efficiently delivering infrastructure projects while achieving higher absorption rates in non-infrastructure areas. It also suggests systemic inefficiencies and a lack of effective oversight in capital spending. Despite proposed continued investment in infrastructure in FY 2025/26, the underlying implementation bottlenecks have not been explicitly addressed.

Another concern is the underfunding of co-curricular programs. Under Vision 2030's Fourth Medium-Term Plan (MTP IV), co-curricular development is a priority under the human capital development pillar. While the government has funded participation in games and performing arts, other initiatives such as scholarships and international exchange programs remain unfunded. The FY 2025/26 proposal does not correct this gap, undermining the CBC's goal of nurturing holistic learner growth and failing to unlock the full potential of youth talent development.

These findings raise critical questions that require urgent policy and budgetary attention. First, how will the government address declining enrollment and ensure higher retention under CBC amidst economic and structural barriers? Second, beyond recruitment, what strategies are in place to improve teacher deployment and translate these efforts into measurable learning outcomes, particularly in disadvantaged regions? Third, what adjustments will be made to the VSLF model to ensure it delivers on equity and inclusivity without creating undue financial pressure on learners and families? Fourth, what institutional reforms will be implemented to resolve inefficiencies in infrastructure delivery and ensure that capital investments achieve intended objectives? Finally, why has funding for co-curricular scholarships and exchange programs stalled, and how can future budgets prioritize these initiatives to support talent development and holistic learning?

Addressing these questions is key to aligning the education sector's performance with national priorities such as Vision 2030 MTP IV, the Education Sector Strategic Plan, and the Bottom-Up Economic Transformation Agenda. It also ensures compliance with constitutional and international commitments, including the UN Convention on the Rights of the Child. To achieve strategic outcomes in FY 2025/26, the budget should prioritize infrastructure development with realistic targets, tackle declining enrollment through targeted interventions, and strengthen stakeholder engagement to support tertiary education reforms. It should also fund neglected co-curricular programs, like scholarships and exchange initiatives, to promote holistic learning under the Competency-Based Curriculum. Aligning resources with strategic goals is critical for improving education outcomes and advancing equity and inclusion.

3.5.2 Analysis of past budget performance against key performance indicators (KPIs)

An analysis of learners' enrolment figures reveals a notable discrepancy between ECDE (pre-primary) and primary levels. While pre-primary enrolment stands at 2,885,636 learners, the primary level enrolment is significantly higher at 6,445,582 - more than double. This significant gap raises crucial questions about the barriers preventing many learners from attending the pre-primary level, which may have broader implications for early childhood education access and equity in the long term.

The State Department for Basic Education is facing profound challenges in implementing infrastructure development projects, with inadequate funding posing a major barrier to progress. In FY 2023/2024, the department set an ambitious target of 1,673 infrastructure projects, yet none of these achieved any measurable progress. Additionally, out of 245 identified deliverables, only 38 managed to reach between 0-25 percent completion, with 27 remaining entirely stalled at 0 percent achievement. These figures starkly illustrate the Ministry of Education's systemic failure to effectively deliver on infrastructure projects, raising urgent concerns about resource allocation and operational efficiency within the sector.

Another area where the sector has struggled to meet its targets is in ICT-related initiatives, which have consistently scored low on achievement. For instance, the provision of ICT equipment to TVET institutions had a target of 89, yet none were delivered. Similarly, the procurement of 200 laptops or computers for automating TSC operations saw zero progress. Additionally, only 60 teachers were trained in ICT integration, a stark contrast to the targeted 23,000. These shortcomings underscore significant gaps in the Ministry's ICT implementation efforts, which demand urgent attention.

The Education sector remains one of the key sectors for the government, consistently attracting a substantial portion of the national budget. In the FY 2024/25 budget, the sector was allocated approximately KSh. 682 billion, representing 29.6 percent of the total budget. This allocation increased to approximately KSh. 724 billion, or 28.3 percent of the total budget, in FY 2025/26, as illustrated in the table below. However, despite receiving a significant share of resources, the sector continues to grapple with persistent challenges in the efficient and effective allocation of resources.

Table 22: State Department for Basic Education KPI targets for FY 2023/24

No	Description	Target for FY 2023/2024	% achieved
1	Number of LCB primary school infrastructure renovated	40	0%
2	Number of schools with renovated infrastructures	210	0%
3	Number of New Primary teacher training colleges Completed	10	0%
4	Number of Smart classrooms established in public primary schools	1000	0%
5	Number of Workshops in public secondary schools constructed	226	0%
6	Number of Laboratories in targeted public Secondary Schools built	187	0%

Table 23: Education Sector budget allocations (KSh Billion)

S.N	Financial Year	TOTAL ALLOCATION (Amount in KSh Billion)
1	FY 2021/2022	549.5
2	FY 2022/2023	601.1
3	FY 2023/2024	721.9
4	FY 2024/2025	681.7
5	FY 2025/2026	723.8

Table 24:Analysis of past financial and non-financial performance

Total Budget	Approved Budget			Actual Expenditure			Absorption Rate 2023/24	% Level of Achievement 2023/24
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24		
State Department for Technical, Vocational Education and Training	**27,061.0**	**28,506.0**	**40,612.0**	**22,602.0**	**22,966.0**	**30,925.0**	**76%**	**78%**
Technical Vocational Education and Training	26,873.0	28,249.0	40,081.0	22,422.0	22,723.0	30,479.0	76%	83%
Youth Training and Development	58.0	47.0	50.0	54.0	38.0	39.0	78%	60%
General Administration, Planning & Support Services	130.0	210.0	481.0	126.0	205.0	407.0	85%	91%
State Department for Higher Education & Research	**105,594.9**	**107,700.4**	**159,688.1**	**97,324.1**	**101,142.9**	**143,089.6**	**90%**	**76%**
University Education	104,382.3	106,165.0	158,498.2	96,134.8	99,902.4	141,928.0	90%	79%
Research, Science, Technology and Innovation	852.6	1,091.3	691.0	837.3	840.5	686.7	99%	89%
General Administration, Planning & Support Services	360.0	444.0	499.0	352.0	400.0	475.0	95%	61%
State Department for Basic Education	**107,344.0**	**134,821.0**	**155,357.0**	**92,877.0**	**102,422.0**	**146,036.0**	**94%**	**76%**
Primary Education	22,317.0	28,897.0	34,468.0	18,799.0	18,772.0	27,033.0	78%	57%
Secondary Education	75,779.0	96,533.0	110,131.0	67,003.0	74,852.0	108,698.0	99%	77%
Quality Assurance and Standards	4,300.0	4,015.0	5,218.0	2,703.0	4,051.0	5,066.0	97%	82%
General Administration, Planning & Support Services	4,948.0	5,376.0	5,540.0	4,372.0	4,747.0	5,239.0	95%	89%
Teachers Service Commission	**290,837.0**	**300,195.0**	**340,751.0**	**290,511.0**	**296,966.0**	**335,381.0**	**98%**	**75%**
Teacher Resource Management	282,213.0	291,762.0	331,498.0	282,068.0	289,741.0	326,617.0	99%	85%
Governance and Standards	1,012.0	1,155.0	1,317.0	1,004.0	723.0	1,294.0	98%	78%
General Administration, Planning & Support Services	7,612.0	7,278.0	7,936.0	7,439.0	6,502.0	7,470.0	94%	63%
EDUCATION	549,492.9	601,140.4	721,984.1	513,141.1	538,646.9	675,198.6	94%	76%

From the table above, the following are evident:

In FY 2023/24, the TVET programme achieved a budget absorption rate of 76 percent and a KPI achievement level of 83 percent, supported by significant progress across key areas. The number of accredited institutions rose to 2,605, with 788 accredited that year alone. Enrolment in public TVET institutions increased to 406,649, and 52,542 trainees benefited from Government Scholarships under the new funding model. A total of 24 new institutions were constructed, 143 completed, and over 97 equipped with modern training tools. Trainer capacity was strengthened through the recruitment of 2,000 trainers and the registration of 4,145 trainers. Additionally, 14,611 trainees were skilled, 3,950 computers distributed, and 53 institutions onboarded to the OdeL program. These achievements underscore effective implementation and justify both the financial absorption and the high performance of the programme.

On the other hand, the Youth Training and Development Programme recorded an absorption rate of 78 percent, yet only achieved 60 percent of its key performance indicators, pointing to inefficient and ineffective resource utilization. Despite substantial expenditure, the outcomes fell short due to limited ICT integration and slow uptake of the Competency-Based Education and Training (CBET) curriculum across Vocational Training Centres (VTCs). For instance, although 1,157 VTCs were mapped for digital connectivity, only 14 benefitted from digital hubs, reflecting poor alignment between planning and implementation. Furthermore, while 60 CBET curricula were rolled out and 259 VET staff trained in internal quality assurance, the investment in capacity building and curriculum development did not translate into proportional performance improvements. The mismatch between infrastructural investments and actual utilization, such as underused ICT resources and inadequate trainer deployment, highlights systemic inefficiencies that hindered the programme's effectiveness.

Despite the relatively high budget absorption across the State Departments for Higher Education & Research (90 percent), Basic Education (94 percent), and the Teachers Service Commission (TSC) (98 percent), overall key performance indicator achievement remained modest, signalling inefficiencies in translating financial inputs into tangible outcomes. In the State Department for Basic Education, the low KPI achievement of 76 percent was largely attributed to reduced enrolment rates, incomplete infrastructure development projects, and delayed disbursements from development partners, which disrupted programme execution. Primary Education was notably affected, recording a low absorption rate of 78 percent and only 57 percent KPI achievement, indicating significant implementation challenges.

For the Teachers Service Commission, despite near-total budget utilization (98 percent), KPI achievement stood at 75 percent. This underperformance was mainly due to the failure to recruit teachers on permanent and pensionable terms, the late receipt of exchequer releases, and the lapse of the digitization contract that hindered progress in modernizing teacher management systems. Similarly, in the State Department for Higher Education & Research, although the Research, Science, Technology and Innovation programme achieved high absorption (99 percent) and a commendable KPI score (89 percent), other programmes like University Education and General Administration, Planning and Support Services lagged behind in outcomes despite absorbing over 89 percent of their budgets. This pattern across the education sector suggests systemic issues in planning, execution, and performance monitoring that need to be addressed to enhance effectiveness and value for money in public spending.

Pending Bills

Table 25: Analysis of Pending Bills by Nature and Type in the Education Sector

Department	Due to lack of exchequer (Millions (KSh))			Due to Lack of Provision (Millions (KSh))			Total (KSh) Millions		
	Recurrent	Development	Total	Recurrent	Development	Total	Recurrent	Development	Total
State Department For Basic Education	833.0	0.0	833.0	0.0	0.0	0.0	**833.0**	**-**	**833.0**
State Department For Technical, Vocational Education And Training	0.0	0.0	0.0	4.6	62.7	67.4	**4.6**	**62.7**	**67.4**
State Department For Higher Education And Research	35,493.6	3,695.4	39,188.9	9,932.7	3,103.9	13,036.6	**45,426.3**	**6,799.2**	**52,225.5**
Teachers Service Commission	4,619.0	0.0	4,619.0	3,301.0	0.0	3,301.0	**7,920.0**	**-**	**7,920.0**
Total	**40,945.6**	**3,695.4**	**44,640.9**	**13,238.4**	**3,166.6**	**16,405.0**	**54,183.9**	**6,862.0**	**61,045.9**

Pending bills in the education sector stem from two primary factors: lack of provisions and delayed exchequer releases. These challenges have significantly affected key institutions within the sector, like the Teachers Service Commission (TSC) and the State Departments for Basic Education and Higher Education and Research. The TSC, responsible for teacher recruitment, payment, and management, has experienced substantial delays in releasing salaries and allowances due to inadequate exchequer funds. This has not only created backlogs but also dampened the morale of teachers, hindering their ability to provide quality education. Similarly, the Department of Basic Education has been unable to fulfill its financial obligations, resulting in delays in critical infrastructure projects, the procurement of learning materials, and operational costs. These challenges are compounded by insufficient budgetary allocations, further exacerbating the issue of pending bills.

The State Department for Higher Education and Research has consistently reported the highest level of pending bills within the education sector, with arrears increasing from KSh 30.5 billion in FY 2021/22 to KSh 39.2 billion in FY 2023/24. Most of these unpaid obligations stem from delays in exchequer releases, which accounted for Ksh 13 billion in FY 2023/24 alone. Most of the arrears fall under recurrent expenditure, driven largely by statutory obligations such as PAYE (KSh 16.7 billion), social benefits like NHIF and NSSF (KSh 4.9 billion), and pensions (KSh 3.2 billion). On the development side, pending bills have also grown significantly, particularly in the acquisition of non-financial assets, which more than doubled from KSh 1.5 billion in FY 2021/22 to over KSh 3 billion in FY 2023/24. In comparison, the State Departments for Basic Education and TVET reported far lower pending bills, KSh 833 million and KSh 67 million respectively in FY 2023/24, highlighting the disproportionate financial burden facing the higher education sub-sector. This persistent accumulation of arrears points to deeper issues related to funding delays, limited budget absorption, and structural financing gaps in higher education.

The lack of sufficient budgetary provisions for the education sector, especially for agencies like the TSC and State Departments, has resulted in financial shortfalls, delaying payments to vendors, contractors, and service providers. For instance, crucial infrastructure projects under the State Department for Basic Education, including the construction and renovation of schools, have stalled due to the unavailability of timely funds. Likewise, inadequate budgetary support for Higher Education and Research, which supervises universities and research institutions, has delayed research grants and operational funding for universities. Such delays disrupt the timely implementation of educational programs and undermine the sector's ability to introduce reforms aimed at enhancing education quality.

Adding to the problem, delayed and insufficient exchequer releases have created liquidity challenges, as the government struggles to meet its financial commitments despite approved budget allocations. This has made it difficult for affected departments to settle pending invoices, pay salaries, and fund essential projects. The delayed payments have also affected the private sector, with contractors, suppliers, and service providers facing cash flow issues. Over time, the persistent accumulation of unpaid bills has undermined the overall efficiency of the education sector, obstructing its goals of improving access to quality education. Addressing these challenges will require better budget planning, timely disbursements, and more effective financial management across the sector.

3.5.3 Analysis of FY2025/26 Budget Propositions, Key Questions and Recommendations

A Cost per Unit Analysis would provide critical insights into the financial efficiency and effectiveness of key education programs. For example, determining the cost per child for the school feeding program would help assess its sustainability and direct impact on student attendance, performance, and overall well-being, particularly in underserved regions. Similarly, calculating the cost per learner for Free Primary Education (FPE) and Free Secondary Education (FSE) programs would offer a clear understanding of how resources are distributed across different educational levels and regions. This analysis would enable a deeper evaluation of the return on investment, revealing whether funding is reaching the areas where it is most needed and how well it contributes to improving educational outcomes. By breaking down these costs, we can pinpoint inefficiencies, highlight opportunities for optimizing resource allocation, and ensure that public funds are being used to maximize both equity and quality in education. Ultimately, such an approach would help refine program delivery, foster greater transparency, and support evidence-based decision-making to improve the impact of these vital education initiatives.

Given the increasing participation in co-curricular activities, which are key to holistic student development as outlined in MTP IV, why is there no visible allocation for these activities in the current budget? Co-curricular activities, including athletics, science fairs, drama festivals, music, and sports at the sub-county level, are part of the Quality Assurance and Standards program, specifically under the Co-curricular Activities subprogram. Therefore, under which specific program or subprogram should funding for co-curricular activities be expected, especially considering the significant investments in education infrastructure, teacher recruitment, and student support programs as highlighted in the BPS?

Similarly, how can Parliament strengthen its oversight role to ensure that all sectors, including education, receive the resources allocated in the budget as and when required? The education sector has faced significant challenges due to cash flow problems, which have led to delays in the disbursement of Capitation Grants to schools, negatively impacting the timely delivery of essential services and resources. This not only disrupts the learning environment but also hampers the effective implementation of key educational programs. As such, what specific measures can be put in place to track accountability across disbursement systems, enhance transparency, and ensure that the intended funds reach the relevant institutions without delay? Additionally, how can Parliament ensure that such accountability mechanisms are embedded in government processes, especially in critical sectors like education, to avoid further disruptions and improve service delivery?

While the decline in enrolment in public primary schools, from 8,849,268 in FY 2021/22 to 8,123,952 in FY 2022/23, and further to 6,445,582 in FY 2023/24, can partly be attributed to the transition to Junior Secondary School (JSS), could there be other underlying causes for this sharp drop? Where are the JSS learners counted, and how can we get their numbers? Additionally, is it possible that more learners are opting for private schools due to better Competency-Based Curriculum (CBC) amenities? If so, what measures is the government taking to address this trend? Are the conditions in public schools improving to match the CBC amenities offered in private schools and attract more learners back to the public system? What steps has the government taken, or is planning to take, to curb this decline in enrolment and ensure that public schools remain a viable option for families across the country? How is the government tracking the enrolment numbers to ensure that there are no learners who have fallen through the cracks?

The sector should reconsider initiating new infrastructure or capital projects until the ongoing ones are completed, particularly given that previous targets have not been met due to fiscal constraints. It should work with realistic targets that are both cost-effective and efficient. For example, the sector had a target to construct 10 primary Teacher Training Colleges in FY 2023/2024, but none were delivered, and now the target is just 2 in FY 2025/2026. Similarly, despite setting a target of 1,000 smart classrooms for public primary schools, none were built, yet the revised target is 500 for FY 2025/2026. While revising targets to more realistic figures is positive, the sector must prioritize completing ongoing projects to avoid fragmentation and resource dilution. The Education Sector Report highlights the critical need to focus on delivering projects already in progress, while the BPS stresses fiscal responsibility and the importance of targeting investments that yield measurable results within the available budget. MTP IV also advocates strategic resource allocation to ensure that projects are not only completed on time but also contribute to the broader goal of enhancing access to quality education. Therefore, the sector must adopt a more disciplined approach, ensuring that resources are used efficiently, and that only achievable, impactful projects are undertaken, aligned with national priorities. This strategy will maximize the effectiveness of government investments, mitigate the risk of wastage, and ensure that the Ministry delivers on its educational commitments without compromising fiscal sustainability.

The allocations proposed in the budget for FY 2025/2026 align with the Government's commitment to expanding access to quality education and promoting equity and inclusivity. Specific allocations include funds for the construction of classrooms, recruitment of teachers to address the teacher-student ratio, and the expansion of the school feeding program to improve retention in marginalized areas. Additionally, resources are allocated for the rehabilitation of TVET institutions, supporting the goals of enhancing vocational training and youth employment opportunities as outlined in the MTP IV and BPS. A review of the budget allocation and the Key performance indicators illustrates this commitment. While the allocations proposed in the budget for FY 2025/2026 generally reflect the Government's commitment to expanding access to quality education and promoting equity, there are concerns regarding certain sub-sectors, particularly Technical and Vocational Education and Training (TVET). Despite the Government's policy focus on strengthening TVET, the allocation for this sector has been reduced by 0.6 percent. Although there was a

24 percent budget underperformance in the previous planned period, this should not justify a reduction in allocations. The decrease, even if minimal, signals a disconnect between the intended policy commitment and actual resource utilization, which could hinder the effectiveness of TVET initiatives moving forward.

Despite the Government's significant commitments in education, as outlined in the Budget Policy Statement (BPS), which emphasizes teacher recruitment, training, and the expansion of education infrastructure, the proposed 6.9 percent increase in the allocation for teacher resource management may still fall short of addressing the growing staffing needs. The commitment to improving the teacher-student ratio by employing 56,000 teachers for primary and secondary schools requires substantial investment. Furthermore, with the continuing increase in student enrollment and the ambitious reforms under the Competency Based Curriculum (CBC), the allocation is unlikely to meet the expanding demand for teachers. Given the gap in staffing, particularly in rural and marginalized areas, a more substantial increase in funding, such as at least a 10 percent increment for teacher resource mobilization, is required to ensure that the education system can effectively support the Government's policy objectives of equity, inclusivity, and quality education.

The allocation to Primary Education should be increased to address the decline in the Gross Enrollment Rate (GER), which has decreased from 108 percent in 2007 to 92.5 percent in 2021/2022. This decline is a concern, particularly given the Government's priority to ensure universal access to quality primary education, as reflected in the Medium-Term Plan IV (MTP IV). To reverse this trend and promote inclusivity, it is essential to target a GER of at least 100 percent over the next five years. This would ensure that all children of official school age, including those in marginalized and rural areas, are enrolled in primary school, thereby supporting the achievement of universal primary education.

A higher GER is crucial for determining literacy levels, as it reflects the ability to bring in all children, including those in hard-to-reach areas. In comparison, the transition rate, which has risen from 59.6 percent in 2007 to 78.5 percent in 2022, while important, is not as indicative of the overall access to education or the literacy rate. To achieve this target, it is necessary to allocate additional resources to infrastructure, teacher recruitment, and school feeding programs, especially in underserved regions. We propose an allocation increase of at least 10-15 percent for Primary Education to meet these targets and improve the GER.

Table 26: Education Sector Budget for FY2025/26

Sector/Vote/Programme Details	Approved Estimates 2024/25 (A)			2025/26 BPS Ceilings (B)			% change in allocation (B-A)/A	% Share of the Sector Budget
	Rec	Dev.	Total	Rec	Dev.	Total		2024/25
EDUCATION	**660,634.7**	**21,087.9**	**681,722.7**	**696,462.0**	**27,428.0**	**723,890.0**	**6%**	**100%**
State Department for Technical, Vocational Education and Training	**37,729.3**	**5,111.6**	**42,840.9**	**36,869.0**	**5,764.0**	**42,633.0**	**0%**	**6%**
Technical Vocational Education and Training	37,258.2	5,111.6	42,369.8	36,364.0	5,764.0	42,128.0	-1%	6%
Youth Training and Development	57.6		57.6	67.0		67.0	16%	0%
General Administration, Planning & Support Services	413.5		413.5	438.0		438.0	6%	0%
State Department for Higher Education & Research	**145,542.9**	**1,220.0**	**146,762.9**	**146,141.0**	**3,668.0**	**149,809.0**	**2%**	**21%**
University Education	144,676.0	1,220.0	145,896.0	145,249.0	3,668.0	148,917.0	2%	21%
Research, Science, Technology and Innovation	635.0		635.0	644.0		644.0	1%	0%
General Administration, Planning & Support Services	231.9		231.9	248.0		248.0	7%	0%
State Department for Basic Education	**119,870.0**	**14,361.0**	**134,231.0**	**131,629.0**	**17,541.0**	**149,170.0**	**11%**	**21%**

Sector/Vote/Programme Details	Approved Estimates 2024/25 (A)			2025/26 BPS Ceilings (B)			% change in allocation (B-A)/A	% Share of the Sector Budget
	Rec	Dev.	Total	Rec	Dev.	Total		2024/25
Secondary Education	94,557.2	2,375.0	96,932.2	102,873.0	3,757.0	106,630.0	10%	15%
Quality Assurance and Standards	6,254.7		6,254.7	9,377.0	25.0	9,402.0	50%	1%
General Administration, Planning & Support Services	4,608.9		4,608.9	4,750.0		4,750.0	3%	1%
Teachers Service Commission	**357,492.5**	**395.3**	**357,887.9**	**381,823.0**	**455.0**	**382,278.0**	**7%**	**52%**
Teacher Resource Management	347,280.9	395.3	347,676.3	371,223.0	413.0	371,636.0	7%	51%
Governance and Standards	1,104.4		1,104.4	1,350.0		1,350.0	22%	0%
General Administration, Planning & Support Services	9,107.2	-	9,107.2	9,250.0	42.0	9,292.0	2%	1%

Source: *Budget Policy Statement (BPS)*

The Government of Kenya's 2025 Budget Policy Statement lays out a comprehensive roadmap to enhance the Education sector's relevance, quality, equity, and accessibility. At the core of these reforms is the implementation of the Competency-Based Curriculum (CBC), which demands substantial investment in teacher preparation, instructional materials, and infrastructure. Digital learning programs and ICT infrastructure also take centre stage, equipping learners with essential technological skills for the global marketplace. Recognizing the pivotal role of teachers in driving these reforms, the Government has prioritized their welfare, professional development, and recruitment, focusing particularly on underserved regions.

These significant initiatives necessitate a rise in administrative costs, which are driven by the need to coordinate and implement wide-ranging reforms. Key contributors to these increases include the operationalization of the National Education Management Information System, designed to improve data accuracy, accountability, and efficiency within the sector. Additionally, the establishment of institutions such as the Open University of Kenya and various TVET centres demands robust administrative frameworks to manage enrollment, resources, and personnel effectively. Such investments in administration underscore the Government's focus on reinforcing structural systems to ensure seamless reform delivery.

Quality assurance and governance standards form a crucial part of these efforts. The shift from exam-based evaluations to the Competency-Based Assessment Framework signals a commitment to holistic, competency-driven learning. To support this transition, capacity-building programs for teachers and trainers aim to uphold high instructional standards, addressing disparities in marginalized areas. Infrastructure investment for special needs education further promotes inclusivity, ensuring equitable access to learning opportunities. The integration of digital skills into curricula, alongside specialized information systems like the National Skills Management Information System, facilitates effective tracking of progress and supports alignment with global standards. Through these multifaceted reforms, the Government seeks to elevate educational quality while fostering socio-economic development. By strengthening links between industry and educational institutions, expanding learning infrastructure, and leveraging modern technologies, Kenya is building a solid foundation for sustainable growth and transformative educational outcomes.

3.6 Governance, Justice, Law and Order (GJLO)

3.6.1 Overview of GJLO Sector

The vision of the Governance, Justice, Law and Order (GJLO) sector is 'a secure, just, cohesive, democratic, accountable and a transparent environment for a globally competitive and prosperous Kenya'. The sector plays a crucial role in upholding democracy, enforcing the rule of law, ensuring national security, and fostering socio-economic development.

In MTP IV the GJLO sector, situated within the Governance and Public Administration Sector, is projected to grow, as a percentage of the overall economy, from 4.6 percent in 2022 to 5.8 percent in 2027 [17] and contribute to the GDP by an average of 6 percent over the plan period.[18] The priority sector strategies, programmes and projects in the five year implementation period of MTP IV are geared towards enhancing security capabilities and welfare, improving service delivery, strengthening devolution, and transforming judicial and legal services[19].

Chart 1. GJLOS Sub-Sectors

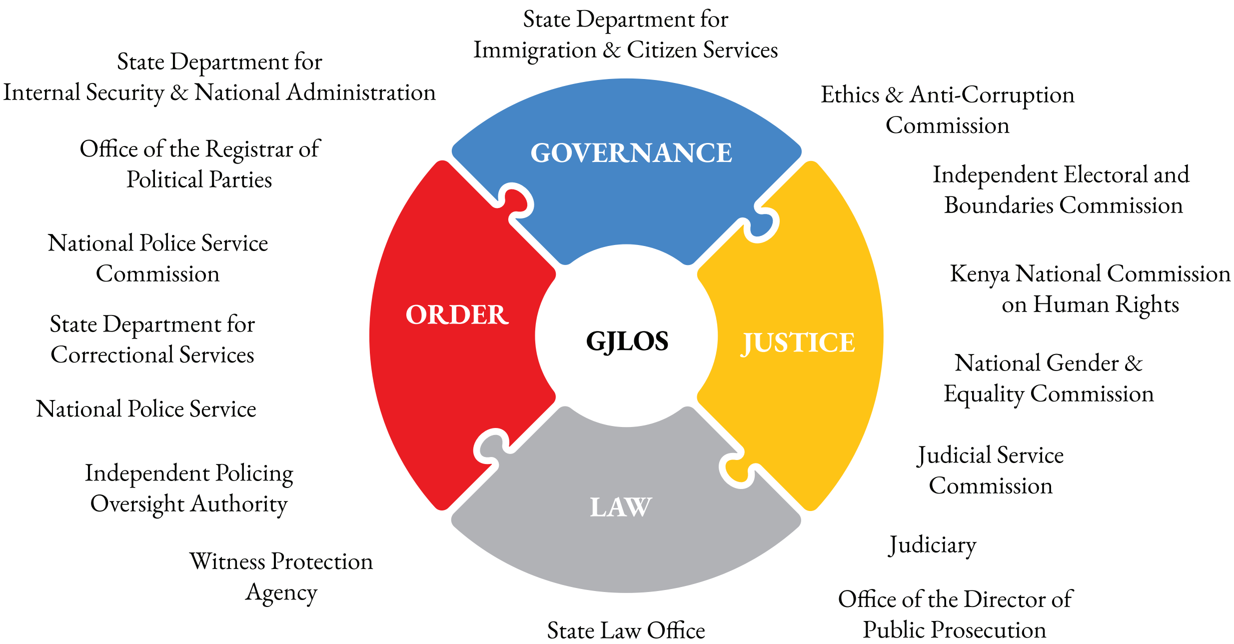


Figure 13: GJLO Sub-sectors

The sector will receive a significant budget increase of 13 percent in FY 2025/26, rising from Ksh 235 Billion in FY 2024/25 to Ksh 266 Billion. A significant portion of this growth comes from the development budget which will see a sharp rise of Ksh 16 Billion, increasing from Ksh 5.9 Billion in FY 2024/25 to Ksh 22.4 Billion in the FY 2025/26. This increase suggests a shift in emphasis to infrastructure development, technology investments, and capacity-building within the sector.

Table 27: Breakdown by Economic Classification of GJLO Sector Budget (Ksh Million)

	FY 2023/24	FY 2024/25	FY 2025/26
Recurrent	214,731	228,979	243,504
Development	15,258	5,882	22,368
Total GJLO Sector Budget	**229,989**	**234,861**	**265,872**

[17] *Fourth Medium Term Plan (2023-2027): "Bottom-Up Economic Transformation Agenda for Inclusive Growth", pg 111*

[18] *Ibid, pg 109*

[19] *Ibid, pg 187*

Chart 2. Trend in GJLO Sector Budget

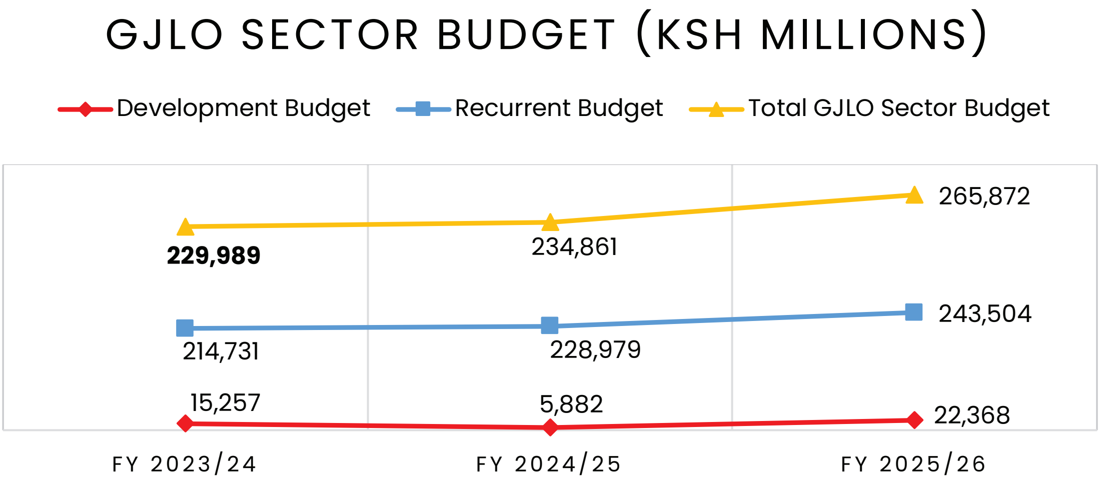


Figure 14 : Trend in GJLO Sector Budget

Summary of overall sector observations

This report highlights key budgetary and performance challenges within the Governance, Justice, Law, and Order (GJLO) sector. The findings indicate a misalignment between budget absorption rates and the achievement of Key Performance Indicators (KPIs), raising concerns about service delivery effectiveness.

A major concern is the increase in personnel costs, particularly within the National Police Service and the State Department for Internal Security and National Administration. This calls for a rationalization strategy to optimize staffing levels. Additionally, the lack of transparency in the 'Others' budget line, which accounts for over 20 percent of total sector expenditure, raises concerns about financial accountability. Without a detailed breakdown of expenditure classified under this category, it becomes difficult to assess their necessity or effectiveness. To improve financial oversight, this report recommends greater transparency in budget classification and reporting.

The report also emphasizes the role of partnerships and interagency collaboration in enhancing performance. Cases where stakeholder support, donor funding, and multi-agency approaches were leveraged show significant improvement in KPI achievement. Encouraging more public-private partnerships (PPPs) and interagency collaborations can help address funding shortfalls and service inefficiencies.

Other Key Observations to Note:

Low allocation to development budget. Historically, the allocation of resources between recurrent expenditure and development has always prioritized recurrent expenditure with the sectors lowest recorded development budget allocations in FY 2022/23 (Ksh 4.7 Billion) and FY 2024/25 (Ksh 5.9 Billion). However, the 2025 Budget Policy Statement (BPS) marks a significant shift, with the development budget increasing exponentially by 281 percent — rising from Ksh 5.9 Billion in FY 2024/25 to Ksh 22.4 Billion in the FY 2025/26. If effectively implemented, this shift could address long-standing challenges related to infrastructure gaps and operational inefficiencies in the sector.

Table 28: GJLO Sector's Recurrent Expenditure vs Development (Ksh Million)

	2021/22	2022/23	2023/24	2024/25	2025/26
Recurrent	204,936 (96%)	213,150 (98%)	214,731 (93%)	228,979 (97%)	243,504 (92%)
Development	9,355 (4%)	4,674 (2%)	15,258 (7%)	5,882 (3%)	22,368 (8%)

Absence of information on judiciary performance. The sector report does not provide information on the performance of the Judiciary and the Judicial Service Commission. The lack of judiciary performance data presents a significant gap in the sector report. While the Judiciary and the Judicial Service Commission (JSC) report independently as mandated by law, their exclusion from the sector analysis limits its comprehensiveness. The Judiciary plays a pivotal role in the sector influencing access to justice, dispute resolution, and overall sector efficiency. A holistic sector assessment should incorporate judicial performance indicators, such as case backlog reduction, efficiency in handling disputes, and resource allocation, to provide a complete picture of the sector's effectiveness.

3.6.2 Analysis of past budget performance against key performance indicators (KPIs)

Table 29: Analysis of GJLO Sector's Past Financial and Non-Financial Performance

Sector/Vote/Programme Details	Approved Budget			Actual Expenditure			Absorption Rate 2023/24	% Level of Achievement 2023/24
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24		
1. 1021 State Department For Interior &Citizen Services	**142,864.8**	**110,174.9**	**0.0**	**139,448.0**	**108,684.8**	**0.0**	**0%**	
Programme 1: Policing Services	100,126.5	80,310.0	0.0	99,200.9	79,642.9	0.0	0%	
Programme 2: Planning, Policy Coordination And Support Services	28,924.8	19,256.7	0.0	27,469.7	19,248.6	0.0	0%	
Programme 3: Government Printing Services	774.4	547.0	0.0	672.0	508.1	0.0	0%	
Programme 4: Road Safety	3,357.1	2,181.0	0.0	2,511.2	1,649.9	0.0	0%	
Programme 5: Population Registration Services	5,048.5	3,989.2	0.0	5,001.2	3,922.5	0.0	0%	
Programme 6: Migration And Citizen Services Management	3,571.0	3,095.3	0.0	3,530.5	2,919.0	0.0	0%	
Programme 7: Policy Coordination Services	1,062.6	795.7	0.0	1,062.6	793.8	0.0	0%	
2. 1023 State Department For Correctional Services	**28,881.4**	**32,071.5**	**35,369.5**	**28,356.7**	**31,692.6**	**32,933.5**	**93%**	**89%**
Programme 1: Prison Services	26,715.1	29,737.6	32,487.7	26,502.0	29,722.0	30,412.9	94%	92%
Programme 2: Probation And After Care Services	1,817.3	1,978.4	2,315.7	1,555.0	1,691.0	2,010.0	87%	76%
Programme 3: General Adm. Planning & Support Services	349.1	355.5	566.2	299.7	279.6	510.6	90%	100%
3.1024 State Department For Citizen Services	**0.0**	**2,013.8**	**14,205.6**	**0.0**	**1,933.3**	**14,113.3**	**99%**	**94%**
Programme 1: Migration And Citizen Services Management	0.0	1,057.7	6,705.2	0.0	1,035.3	6,633.3	99%	96%
Programme 2: Population Management Services	0.0	956.1	6,373.6	0.0	898.0	6,355.9	100%	86%
Programme 3: General Administration And Support Services	0.0	0.0	1,126.9	0.0	0.0	1,124.1	100%	100%
4. 1025 National Police Service	**0.0**	**25,180.1**	**113,293.2**	**0.0**	**24,808.6**	**111,537.7**	**98%**	**77%**
Programme 1: Policing Services	0.0	25,180.1	113,293.2	0.0	24,808.6	111,537.7	98%	77%
5. 1026 State Department Of Internal Security And National Administration	**0.0**	**8,845.9**	**41,229.3**	**0.0**	**7,920.7**	**41,202.1**	**100%**	**100%**
Programme1: Planning, Policy Coordination And Support Services	0.0	8,419.3	39,771.5	0.0	7,599.9	39,744.4	100%	100%
Programme 2: Policy Coordination Services	0.0	426.7	1,457.8	0.0	320.8	1,457.7	100%	

Sector/Vote/Programme Details	Approved Budget			Actual Expenditure			Absorption Rate 2023/24	% Level of Achievement 2023/24
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24		
6.1252 State Law Office And Department Of Justice	**5,249.7**	**5,814.9**	**6,667.8**	**5,087.4**	**5,519.6**	**6,542.6**	**98%**	**85%**
Programme 1: legal services	2,494.7	2,705.1	3,086.3	2,474.5	2,627.9	3,056.2	99%	93%
Programme 2 : Governance, Legal Training and Constitutional Affairs	1,963.7	1,962.8	2,045.3	1,851.8	1,897.5	2,015.4	99%	82%
Programme 3:General Administration, Planning and Support Services	791.3	1,147.0	1,536.2	761.2	994.1	1,471.0	96%	80%
7. 1271 Ethics And Anti0Corruption Commission	**3,586.0**	**3,567.1**	**3,983.8**	**3,531.9**	**3,438.4**	**3,801.8**	**95%**	**79%**
Programme:Ethics And Anti Corruption	3,586.0	3,567.1	3,983.8	3,531.9	3,438.4	3,801.8	95%	79%
8.1291 Office Of The Director Of Public Prosecutions	**3,476.0**	**3,682.1**	**4,163.0**	**3,423.2**	**3,527.1**	**4,138.7**	**99%**	**93%**
Programme 1: Public Prosecutions Services	3,476.0	3,682.1	4,163.0	3,423.2	3,527.1	4,138.7	99%	93%
9.1211 Office Of The Registrar Of Political Parties	**3,314.7**	**1,530.3**	**1,460.3**	**3,173.9**	**1,455.4**	**1,430.4**	**98%**	**80%**
Programme 1: Registration, Regulation And Funding Of Political Parties	3,314.7	1,530.3	1,460.3	3,173.9	1,455.4	1,430.4	98%	80%
10.1321 Witness Protection Agency	**490.2**	**631.8**	**791.4**	**489.2**	**631.1**	**774.0**	**98%**	**100%**
Programme 1: Witness Protection	490.2	631.8	791.4	489.2	631.1	774.0	98%	100%
11. 2011 Kenya National Commission Of Human Right	**399.7**	**451.3**	**539.8**	**397.4**	**451.3**	**524.8**	**97%**	**83%**
Programme 1: Protection And Promotion Of Human Rights	399.7	451.3	539.8	397.4	451.3	524.8	97%	83%
12. 2031 Independent Electoral And Boundaries Commission	**23,166.0**	**20,631.0**	**4,699.0**	**20,254.4**	**20,229.0**	**4,388.6**	**93%**	**38%**
P1: Management Of Electoral Process	23,064.0	20,368.6	4,637.3	20,175.5	20,015.6	4,328.0	93%	43%
P2: Delimitation Of Boundaries	102.0	262.4	61.8	78.9	213.4	60.6	98%	33%
13. 2051 Judicial Service Commission	**618.6**	**887.0**	**896.6**	**577.3**	**834.2**	**881.2**	**98%**	**0%**
Programme 1: Judicial Oversight	618.6	887.0	896.6	577.3	834.2	881.2	98%	0%
14 .2101 National Police Service Commission	**864.0**	**1,007.0**	**1,182.7**	**819.0**	**958.0**	**1,180.6**	**100%**	**58%**
National Police Service Human Resource Management	864.0	1,007.0	1,182.7	819.0	958.0	1,180.6	100%	58%
15. 2141 National Gender And Equality Commission	**449.9**	**408.4**	**451.9**	**432.9**	**403.5**	**445.1**	**98%**	**70%**
Programme: Promotion Of Gender Equality And Freedom From Discrimination	449.9	408.4	451.9	432.9	403.5	445.1	98%	70%
16. Independent Policing Oversight Authority	**929.4**	**926.7**	**1,054.5**	**879.7**	**906.3**	**1,036.8**	**98%**	**70%**
Programme:1 Policing Oversight Services	929.4	926.7	1,054.5	879.7	906.3	1,036.8	98%	70%
Governance, Justice, Law and Order (GJLO)	**214,290.4**	**217,823.9**	**229,988.5**	**206,870.9**	**213,393.7**	**224,931.1**	**98%**	**74%**

Overall, the sector performed well in utilizing allocated funds with an overall sector-wide absorption rate of 98 percent. While a high absorption rate suggests that allocated funds are being utilized, it does not necessarily translate into improved service delivery or sectoral performance. The absorption rate for the FY 2023/24 across all sub-sector was high, showing effective budget execution: ranging from 93 percent to 100 percent.

Two sub-sectors were the best performing with 100 percent achievement of KPIs, i.e. the State Department of Internal Security and National Administration and the Witness Protection Agency. It is of note that the National Police Service had the largest budget allocation (Kshs 113,293.24 Million) and a high expenditure rate (98 percent absorption) but a KPI achievement of 77 percent appears relatively low and could point to operational inefficiencies, resource constraints affecting service delivery or a poor choice of KPIs.

This recurring issue of high budget absorption rates coupled with low achievement of Key Performance Indicators (KPIs) raises concerns about the efficiency and impact of public spending. The red flags in terms of absorption of budget vis-a-vis achievement of KPIs are the Independent Electoral and Boundaries Commission (IEBC) at 38 percent achievement of KPIs to 93 percent budget absorption and the National Police Service Commission at 58 percent achievement of KPIs to 100 percent absorption. These figures suggest that financial resources are being utilized but the intended objectives are not being met effectively. In IEBC, the proposed targets were not achieved because the Commission was not fully constituted and by law it cannot fulfil some of the duties such as conducting by-elections in Wards that have experienced vacancies due to lack of quorum. The reconstitution of IEBC after the 2022 election process has been delayed and this has stalled crucial activities including the delimitation of boundaries, a constitutional process with a strict timeframe for implementation. At the National Police Service Commission, on the other hand, according to the MTEF GJLO Sector report, the targets set were not achieved due to budget constraints. The key factors that may be contributing to this mismatch in budget absorption to KPI achievement include:

- ***Inefficiencies in Resource Allocation.*** Funds may be spent on non-priority areas or administrative costs rather than core service delivery. This is evident in the case of IEBC and the National Police Service Commission where budgets were absorbed without clear linkages to key outputs or key performance indicators.

- ***Weak Project Implementation and Oversight.*** The sub-sectors in the GJLO sector may lack robust monitoring and evaluation mechanisms which can lead to ineffective program execution. For instance, within the State Department for Internal Security and National Administration, the Government Chemist Department could not perform forensic analyses due to inadequate supply of reagents and time constraints. In the same sub-sector, the Border Control and Operations Coordination Committee failed to meet its set meeting targets due to poor scheduling rather than financial limitations. In the Ethics and Anti-Corruption Commission, the targeted number of corruption investigations were not completed and the reason cited was that the cases were high-impact, yet this should have accelerated rather than delayed investigations.

- ***Delays in Procurement and Execution.*** For instance, in the State Department for Immigration and Citizen Services, the Refugee Master plan (Shirika Plan) was not operationalized because the financial plan was incomplete and project was donor funded; and the Refugee Management System was not installed due to delays in awarding of tender because the project was deemed a sensitive project.

- ***Budget Constraints as a Limiting Factor.*** A review of programme performance within the sector for the MTEF period 2022/23 to 2023/24 highlights several instances that indicate that budget cuts directly impacted service delivery. Budget rationalizations, budget cuts and inadequate budgetary provisions were consistently cited as the reason why targets were not achieved. These explanations are superficial, repetitive and lack analytical rigour. It reflects poor performance reporting and a disregard for accountability. Merely citing 'budget cuts' or 'inadequate budgetary provisions' as blanket justifications, without substantiating how and why specific outcomes were missed, is insufficient and unacceptable in any results-based management framework. It points to a culture of poor planning rather than genuine fiscal constraint. Without robust justification, these claims cannot inform future budget decisions or improve programme design. The restructure or deprioritization of projects as well as reduced allocations to the sector directly affected program implementation and slowed the completion of development projects. Even in cases where there was full budget absorption, the funding received may have been insufficient to cover the actual cost of achieving the intended results.

Success Factors in Surpassing KPIs. Conversely, in cases where targets were surpassed, external support and collaboration played a crucial role. Additional funding from development agencies/donors and partnerships with stakeholders helped the sub-sectors to exceed targets. In addition, collaboration across government entities and multi-agency approaches improved efficiency and accelerated project completion.

C. Analysis of GJLO Sector Expenditure Trends

Overall Sector Analysis. The sector's expenditure trends reveal key shifts in financial allocations and spending patterns over the fiscal years (FY) 2021/22 to 2023/24. Below are the major observations:[20]

- **Decline in Appropriation-in-Aid (AIA). Appropriation-in-Aid (AIA)** experienced a significant drop in FY 2022/23, the approved budget had anticipated an AIA of Ksh 2.2 Billion, however only Ksh 843.9 Million was collected. A modest recovery is seen in FY 2023/24, with Ksh 1.6 billion in collections. Local AIA in the sector was high in 2021/22 due to the general election period, the Independent Electoral and Boundaries Commission and the Office of the Registrar of Political Parties contributed to the AIA collections through received fees to certify party lists, process applications for clearance as independent candidates as well as funds from international development partners to support their operations during the election period and for capacity building. It is also noteworthy that there was a decline in the issuance of ID card due to a breakdown of the printing machine that led to backlogs. In FY 2022/23 2,129,082 ID cards were issued while in FY 2023/24, 1,797,166 ID cards were issued, this contributed to the decline in AIA. The decline in AIA may not necessarily be negative. The Liaison Committee, in its review of the Budget Policy Statement (BPS)[21] for the Financial Year 2025/26, has noted with concern the continued implementation of Appropriations-in-Aid (AIA) mandates across various government agencies. A key concern is that AIA reduces the amount of discretionary funds available for annual appropriation by the National Assembly. By allowing institutions to retain and utilize funds independently, the legislature's ability to allocate resources in line with national priorities is constrained[22]. Furthermore, the retention of funds outside the Consolidated Fund limits the budgetary control powers granted by the Constitution to the Controller of Budget[23].

- **Utilities Expenditure Surge.** Expenditure on utilities almost doubled, increasing from Ksh 1.2 Billion (FY 2022/23) to Ksh 2.1 Billion (FY

Table 30: GJLO Sector Summary Actual Expenditure (Key Budget Lines)

	2021/22	2022/23	2023/24
Gross	198,598.9	209,041.7	209,891.4
AIA	2,743.1	843.9	1,610.9
Compensation of Employees	128,749.2	139,361.4	141,678.3
Transfers	8,953.5	5,720.4	6,109.3
Utilities	1,642.2	1,193.3	2,091.1
Rent	1,334.4	1,634.9	1,865.5
Insurance	8,064.2	11,635.0	13,682.8
Others	49,507.6	49,144.5	44,197.2

[20] *Source: 2025/26 GJLO MTEF Sector Report*

[21] *Report Of The Liaison Committee On The Budget Policy Statement For FY 2025-26 And The Medium Term. Parliamentary Session. 13th Parliament (2022-2027)*

[22] *Ibid*

[23] *Ibid*

2023/24). The nearly 100 percent increase in spending on utilities suggests both increased operational costs and high utility prices. It is well documented that the cost of electricity has been steadily increasing over the years,[24] however, the increase in energy bills leads to decreased allocations for program implementation or development. There is a need for the government to address the underlying factors contributing to high electricity prices in the country before it negatively impacts future budget allocations.

There has been a sharp decline in budget allocation from Ksh 131.9 billion (FY 2021/22) to Ksh 104.9 billion (FY 2022/23) under the State Department for Immigration. The State Department for Correctional Services has experienced a steady growth from Ksh 28 billion (FY 2021/22) to Ksh 32.3 billion (FY 2023/24). The National Police Service has had a major budget surge in in FY 2023/24 to Ksh 109.2 billion (previous years' figures missing in the sector MTEF Report). The State Department for Internal Security and National Administration saw a huge increase in budget allocation from Ksh 7.9 billion (FY 2022/23) to Ksh 33.7 billion (FY 2023/24). The Independent Electoral and Boundaries Commission (IEBC) witnessed a drastic drop in budget allocation in FY 2023/24 to Ksh 4.4 billion, following the election cycle.

- **Compensation of Employees.** Employee compensation has been steadily increasing, jumping by Ksh 11 billion from Ksh 128 billion (FY 2021/22) to Ksh 139 billion (FY 2022/23). The trend continued in FY 2023/24 reaching Ksh 141.7 billion. The significant spending on employees is understandable because the GJLO sector is service based, where different cadres of officers in each of the sub-sectors offer services to the people of Kenya. The sharp rise in the National Police Service and the State Department for Internal Security and National Administration suggests rapid personnel expansion. Where applicable, there should be a rationalization of the officers within the sub-sectors and their functions to get rid of redundancies. This could lead to savings in the compensation of employees that could be re-directed to development.
- **'Others' Budget Line.** The 'others' budget line under the 'other recurrent' budget line accounted for 25 percent (Ksh 49.5 billion) of the gross budget in FY 2021/22, 24 percent (Ksh 49.1 billion) in FY 2022/23 and 21 percent (Ksh 44.2 billion) in FY 2023/24. The fact that it accounted for 25 percent of the total budget in FY 2021/22, 24 percent in FY 2022/23, and 21 percent in FY 2023/24 indicates that a substantial portion of government expenditure is classified under a broad, non-specific category. There is a need for further inquiry into the actual cost items categorized in the 'others' budget line. When expenses are grouped together under a vague category, it becomes difficult to track how funds are actually being spent. It also raises concerns about transparency and accountability in budget utilization and becomes challenging to assess if the spending is aligned with the sector goals or to identify whether the budget line is a potential area of overspending or waste. It is however, positive to note that this budget line has been gradually declining as a share of total spending.

Table 31: Share of GJLO budget allocated to state departments over FY2021/22 – 2023/24

SUB-SECTOR	2021/22	2022/23	2023/24
State Department for Immigration & Citizen Services [25]	19.4%	17.8%	
State Department for Correctional Services	18.7%	21.4%	17.2%
National Police Service		18.2%	12.8%
State Department for Internal Security & National Administration		49.2%	46.1%
State Law Office and Department of Justice	16.4%	18.5%	23.1%
Ethics and Anti-Corruption Commission	22.1%	20.8%	23.6%
Office of Director of Public Prosecutions	14.2%	15.7%	19.1%
Office of the Registrar of Political Parties	12.8%	16.9%	21.2%

[24] *See: https://kippra.or.ke/addressing-high-electricity-prices-to-improve-kenyan-households-welfare/*

[25] *It should be noted that in the GJLO MTEF Sector Report, this subsector is noted as the 'State Department for Interior & Citizen Services'*

SUB-SECTOR	2021/22	2022/23	2023/24
Witness Protection Agency	24.9%	37.6%	42.5%
Kenya National Commission on Human Rights	7.5%	9.4%	13.7%
Independent Electoral and Boundaries Commission	75%	54.4%	29.3%
Judicial Service Commission	65.9%	72.5%	69.1%
National Police Service Commission	29.6%	32.2%	30.4%
National Gender and Equality Commission	24.9%	16.7%	17.9%
Independent Policing Oversight Authority	26.3%	20.5%	18.7%

C.1 Analysis of Expenditure by Sub-Sector

Table 32 shows actual expenditure by subsector in the GJLO sector, with notable entries highlighted in red:

Table 32: Analysis of GJLO Recurrent Budget by Category of Actual Expenditure (Kshs Millions)

SUB-SECTOR	ECONOMIC CLASSIFICATION	2021/22	2022/23	2023/24
State Department for Immigration & Citizen Services[1]	**Gross**	**131,908.0**	**104,989.0**	
	AIA	2,090.0	289.0	
	Compensation of Employees	95,535.0	74,849.0	
	Others	25,581.0	18,702.0	
State Department for Correctional Services	**Gross**	**28,033.0**	**31,269.0**	**32,332.0**
	AIA	3.5	3.5	2.6
	Compensation of Employees	20,747.0	22,489.0	24,877.0
	Others	5,246.0	6,705.0	5,549.0
National Police Service	**Gross**		**24,809.0**	**109,255.0**
	Compensation of Employees		19,942.0	82,862.0
	Others		4,508.0	13,959.0
State Department for Internal Security & National Administration	**Gross**		**7,921.0**	**33,723.0**
	AIA		8.8	102.6
	Compensation of Employees		3,573.0	15,570.0
	Others		3,897.0	15,554.0
State Law Office and Department of Justice	**Gross**	**4,950.0**	**5,452.0**	**6,370.0**
	AIA	500.6	535.0	555.0
	Compensation of Employees	1,433.2	1,647.9	1,836.6
	Others	810.7	1,009.4	1,467.6
Ethics and Anti-Corruption Commission	**Gross**	**3,495.1**	**3,391.8**	**3,742.3**
	Compensation of Employees	2,252.4	2,326.5	2,475.8
	Others	770.2	706.3	884.3
Office of Director of Public Prosecutions	**Gross**	**3,306.0**	**3,520.0**	**4,086.0**
	Compensation of Employees	2,280.0	2,370.0	2,662.7
	Others	468.0	552.0	780.7

SUB-SECTOR	ECONOMIC CLASSIFICATION	2021/22	2022/23	2023/24
Office of the Registrar of Political Parties	**Gross**	**3,173.9**	**1,455.4**	**1,430.4**
	Transfers	2,475.3	884.4	808.3
	Others	406.7	246.2	303.2
Witness Protection Agency	**Gross**	**489.2**	**631.1**	**774.0**
	Others	121.8	235.9	328.8
Kenya National Commission on Human Rights	**Gross**	**397.4**	**451.3**	**524.8**
	Compensation of Employees	274.4	295.3	326.0
	Others	29.9	42.6	71.9
Independent Electoral and Boundaries Commission	**Gross**	**20,137.0**	**20,229.0**	**4,388.6**
	AIA	149.0	7.6	-
	Compensation of Employees	4,363.0	8,550.0	2,453.6
	Others	15,111.2	11,019.3	1,288.0
Judicial Service Commission	**Gross**	**577.3**	**834.2**	**881.2**
	Compensation of Employees	154.7	158.8	218.9
	Others	380.5	605.9	608.6
National Police Service Commission	**Gross**	**819.0**	**958.0**	**1,180.6**
	Compensation of Employees	431.0	460.0	605.9
	Others	242.0	308.0	358.9
National Gender and Equality Commission	**Gross**	**432.9**	**397.8**	**440.4**
	Compensation of Employees	237.1	245.4	278.2
	Others	107.7	66.4	78.7
Independent Policing Oversight Authority	**Gross**	**879.7**	**906.3**	**1,036.8**
	Compensation of Employees	500.1	519.5	659.7
	Others	231.6	185.9	193.6

Justification for Disaggregation and Disclosure of 'Others'. This report recommends that the sub-sectors and SAGAs within the GJLO sector should disclose and disaggregate expenditure currently reported under the broad category of 'others'. This measure is necessary to enhance transparency, accountability, and fiscal discipline. The use of a non-specific category such as 'others' obscures the true nature of expenditure and impedes effective oversight by Parliament, the Office of the Auditor General, and the public. It also undermines the principles outlined in the Public Finance Management Act, which mandates clarity and accountability in the use of public resources. Furthermore, expenditures hidden under 'others' increase the risk of misallocation, misappropriation, and budget inefficiencies due to inadequate scrutiny and planning.

Disaggregating 'others' ensures that each line item is properly categorized, allowing for better tracking of funds, improved planning, and more efficient allocation of resources. If the amounts captured under 'others' represent multiple legitimate expense types, they should be appropriately classified into standard chart of accounts codes to facilitate auditability. This level of granularity is crucial for identifying wasteful spending, detecting anomalies, and supporting decision-making in budgeting across the sector.

The Implication of Pending Bills.[26] Pending bills can arise due to two primary reasons: the first is lack of exchequer releases. This situation occurs when government agencies have budgetary allocations for specific expenditure, but the National Treasury has not disbursed the corresponding funds (exchequer releases). Consequently, despite having approved

[26] *Pending bills refer to unpaid obligations by government departments, ministries, and agencies for goods and services rendered.*

budgets, these agencies cannot settle their obligations, leading to the accumulation of pending bills and affecting timely implementation of programs and projects. The second reasons that pending bills arise is due to lack of provision. This scenario arises when government entities incur expenses without prior budgetary allocation or exceed their approved budgets. Essentially, these obligations were not anticipated or planned for in the financial year's budget, leading to expenditure without the necessary fiscal provision. These amount to unauthorized commitments, where institutions have spent money without budgetary backing. This is a clear violation of financial regulations, reflecting a breakdown in internal controls, and opens the door to audit queries.

The trend over the past three financial years shows a concerning escalation in pending bills. Exchequer-related pending bills have increased from KSh. 3.04 billion (2021/22) to KSh. 13.67 billion (2023/24). While pending bills due to lack of provision, have also seen a significant increase, with FY 2023/24 reaching KSh 7.5 billion. (Note: the GJLO MTEF Sector Report incorrectly stated pending bills due to lack of provision at Kshs. 1.137 trillion for FY 2023/24. The correct figure is KSh. 7.5 billion, as derived from the actual figures.) This suggests a failure in budgetary control and potential errors in financial reporting, both of which undermine confidence in the sector's fiscal management. The existing error in summation should be flagged and addressed to ensure accurate financial reporting and restore confidence in the integrity of the sector's budget analysis. Finally, there is an accountability vacuum, as no mention is made of corrective action, disciplinary measures, or reform strategies to prevent the recurrence of pending bills.

The Public Finance Management (PFM) Act, 2012 requires pending bills to be treated as a first charge on approved budgets, therefore the sub-sectors and SAGAs are required to rationalize their budgets, include the pending bills and ensure that they are incorporated into the budget estimates by the National Treasury. In practice however, most sub-sectors and SAGAs do not prioritize the payment of pending bills. Within the Internal Security and National Administration sub-sector, KSh 911 Million of the Ksh 983.3 Million pending bills incurred in FY 2022/23 were settled, leaving a balance of KSh 72 Million.

The Justice and Legal Affairs Committee noted in the Report of the Liaison Committee on the Budget Policy Statement for FY 2025-26 that the Independent Electoral and Boundaries Commission had accumulated significant pending bills amounting to KSh 2.6 Billion over pending legal fees incurred in election petitions when legal firms represented the Commission. To remedy this situation, the Committee urged the Commission to standardize legal fees charged by advocates and engage in-house lawyers to represent it in some of the petitions[27]. The same report also noted that 2025 BPS does not propose a strategy to settle these pending bills or prevent their accumulation. The Committee therefore recommended that IEBC submits to Parliament a comprehensive report, by 30th April 2025, 'detailing all pending bills, including legal fees, election logistics and other outstanding obligations for verification and scrutiny'[28].

In conclusion, pending bills in the GJLO sector are not simply a symptom of delayed exchequer releases or underfunding. They represent a deeper institutional failure in financial governance, budgeting discipline, and accountability. Parliament should not approve further allocations to entities that cannot justify their fiscal behavior, clean up their arrears transparently, or operate within the legal budgetary framework.

Table 33: GJLO Sector Total Pending Bills

GJLO Sector Total Pending Bills							
	Due to Lack of Exchequer (Ksh. Million)			Due to Lack of Provision (Ksh. Million)			Remarks by IPF
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24	
Reported in SWG Report FY 2025/26	**3,042**	**6,406**	**13,669**	**1,951**	**3,869**	**1,137,728**	**Incorrect**
Calculated by IPF	3,042	6,406	13,699	1,951	3,869	7,553	Correct

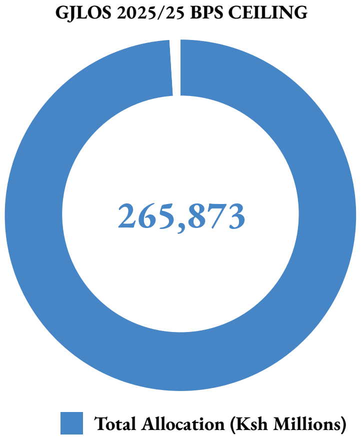
Data Source: *GJLO SWG Report FY 2025/26*

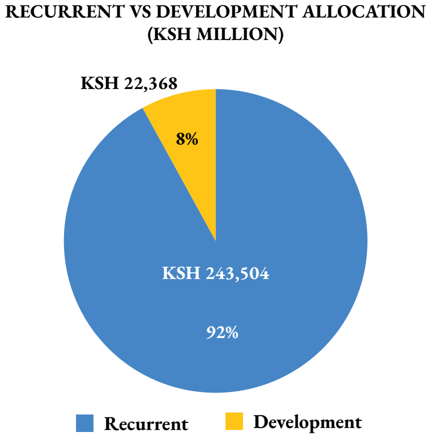
[27] *Report Of The Liaison Committee On The Budget Policy Statement For FY 2025-26 And The Medium Term. Parliamentary Session. 13th Parliament (2022-2027), pg 17*

[28] *Ibid, pg 25*

3.6.3 Analysis of FY2025/26 Budget Propositions, Key Questions and Recommendations

Figure 15 : Overview of FY 2025/26 Allocations





In FY 2025/26, the sector's spending ceiling will increase by 14. Notably, the development budget has seen an astronomical increase of 281 percent, up from Ksh. 5.9 Billion in FY 2024/25, reflecting a strategic emphasis on infrastructure and capacity-building. Meanwhile, recurrent expenditure will grow by 6 percent, moving from Ksh. 229 billion in FY 2024/25 to the proposed spending ceiling of Ksh. 244 billion in FY 2025/26.

In the Medium-Term Expenditure Framework (MTEF) Period 2025/26- 2027/28, the budget for the GJLO Sector will be implemented by the sixteen sub-sectors and fourteen SAGAs through twenty-five (25) programmes. The programmes with significant budget increases are the General Administration and Support Services program under the State Department for Internal Security and National Administration which saw budget growth of 98 percent increasing to Ksh 17 billion; and Migration and Citizen Services program under the State Department for Immigration and Citizen Services, the saw a percentage increase of 68 percent reaching Ksh 11 billion.

Table 34: GJLO Resource Budget Allocation (Ksh Million)

Sector/Vote/Programme Details	Approved Estimates 2024/25 (A)			2025/26 BPS Ceilings (B)			% change in allocation (B-A)/A	% Share of the Sector Budget
	Rec	Dev.	Total	Rec	Dev.	Total		2024/25
GOVERNANCE, JUSTICE, LAW AND ORDER	**228,979.4**	**5,881.8**	**234,860.4**	**243,504.1**	**22,368.1**	**265,872.7**	**13%**	**100%**
State Department for Correctional Services	**35,989.6**	**40.0**	**36,029.6**	**37,246.3**	**1,050.0**	**38,296.3**	**6%**	**15%**
General Administration And Support Services	508.6		508.6	476.0	62.0	538.0	6%	0%
Prison Services	33,366.1		33,366.1	34,780.1	815.0	35,595.1	7%	14%
Probation & After Care Services	2,114.9	40.0	2,154.9	1,990.2	173.0	2,163.2	0%	1%
State Department for Immigration and Citizen Services	**9,874.2**	**4,396.2**	**14,270.4**	**10,485.0**	**10,038.8**	**20,523.8**	**44%**	**6%**
Migration & Citizen Services	4,247.3	2,505.0	6,752.3	4,479.3	6,849.6	11,328.9	68%	3%
General Administration and Planning	1,006.7	70.0	1,076.7	1,140.2	350.0	1,490.2	38%	0%

Sector/Vote/Programme Details	Approved Estimates 2024/25 (A)			2025/26 BPS Ceilings (B)			% change in allocation (B-A)/A	% Share of the Sector Budget
	Rec	Dev.	Total	Rec	Dev.	Total		2024/25
National Police Sen ice	**110,842.4**	**35.0**	**110,877.4**	**116,042.9**	**2,378.3**	**118,421.2**	**7%**	**47%**
Policing Services	110,842.4	35.0	110,877.4	116,042.9	2,378.3	118,421.2	7%	47%
State Department for Internal Security and National Administration	**27,825.2**	**360.2**	**28,185.4**	**30,523.8**	**6,985.0**	**37,508.8**	**33%**	**12%**
General Administration and Support Services	8,329.8		8,329.8	9,859.0	6,683.0	16,542.0	99%	4%
National Government Field Administration Services	1,343.4		1,343.4	1,638.2	65.0	1,703.2		1%
Policy Coordination Services	18,152.0	360.2	18,512.2	19,026.6	237.0	19,263.6	4%	8%
State Law Office	**5,272.0**	**157.8**	**5,429.0**	**6,032.2**	**200.0**	**6,232.2**	**15%**	**2%**
Legal Services	2,970.9		2,970.9	3,451.8		3,451.8	16%	1%
Governance, Legal Training and Constitutional Affairs	1,458.1	35.8	1,493.1	1,696.1	50.0	1,746.1	17%	1%
General Administration, Planning and Support Services	843.0	122.0	965.0	884.3	150.0	1,034.3	7%	0%
The Judiciary	**21,018.4**	**826.6**	**21,845.0**	**23,437.4**	**1,500.0**	**24,937.4**	**14%**	**9%**
Dispensation of Justice	21,018.4	826.6	21,845.0	23,437.4	1,500.0	24,937.4	14%	9%
Ethics and Anti-Corruption Commission	**4,113.6**	**30.0**	**4,143.6**	**4,313.3**	**100.0**	**4,413.8**	**7%**	**2%**
Ethics and Anti-Corruption	4,113.6	30.0	4,143.6	4,313.3	100.0	4,413.8	7%	2%
Office of the Director of Public Prosecutions	**3,959.0**	**26.0**	**3,985.0**	**4,159.4**	**86.0**	**4,245.4**	**7%**	**2%**
Public Prosecution Services	3,959.0	26.0	3,985.0	4,159.4	86.0	4,245.4	7%	2%
Office ofthe Registrar of Political Parties	**1,927.8**	**-**	**1,927.8**	**1,985.5**	**-**	**1,985.5**	**3%**	**1%**
Registration, Regulation and Funding of Political Parties	1,927.8	-	1,927.8	1,985.5		1,985.5	3%	1%
Witness Protection Agency	**697.1**	**-**	**697.1**	**847.9**	**-**	**847.9**	**22%**	**0%**
Witness Protection	697.1		697.1	847.9		847.9	22%	0%
Kenya National Commission on Human Rights	**478.0**	**-**	**478.0**	**528.6**	**-**	**528.6**	**11%**	**0%**
Protection and Promotion of Human Rights	478.0		478.0	528.6		528.6	11%	0%
Independent Electoral and Boundaries Commission	**3,817.7**	**-**	**3,817.7**	**3,965.6**	**30.0**	**3,995.6**	**5%**	**2%**
Management of Electoral Processes	3,781.7		3,781.7	3,923.7	30.0	3,953.7	5%	2%
Judicial Service Commission	**660.1**	**-**	**660.1**	**812.4**	**-**	**812.4**	**23%**	**0%**
General Administration, Planning and Support Services	660.1		660.1	812.4		812.4	23%	0%

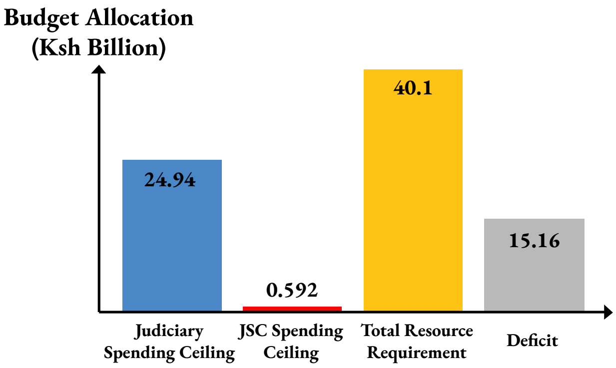
Sector/Vote/Programme Details	Approved Estimates 2024/25 (A)			2025/26 BPS Ceilings (B)			% change in allocation (B-A)/A	% Share of the Sector Budget
	Rec	Dev.	Total	Rec	Dev.	Total		2024/25
National Police Service Human Resource Management	1,008.0		1,008.0	1,333.0		1,333.0	32%	0%
National Gender and Equality Commission	**407.7**	**10.0**	**417.7**	**476.7**	**-**	**476.7**	**14%**	**0%**
Promotion of Gender Equality and Freedom from Discrimination	407.7	10.0	417.7	476.7		476.7	14%	0%
Independent Policing Oversight Authority	***1,088.6***	*-*	***1,088.6***	***1,314.1***	*-*	***1,314.1***	***21%***	***0%***
Policing Oversight Services	1,088.6	-	1,088.6	1,314.1	-	1,314.1	21%	0%

Development vs Recurrent Expenditure. The largest allocation of the recurrent expenditure budget has gone to the National Police Service at Ksh 116 billion which is 48 percent of the total ceiling for recurrent expenditure. The State Department for Correctional Services, the State Department for Internal Security and National Administration and the State Department for Immigration and Citizen Services each received an allocation of Ksh 37 billion, Ksh 30.5 billion and Ksh 10.5 billion respectively. These four sub-sectors collectively make up 80 percent of the recurrent budget allocation.

The State Department for Immigration and Citizen Services has received the highest allocation of the development budget amounting to Ksh 10.0 Billion. It is the only subsector with an almost 50:50 split between the development and recurrent expenditure budgets.[29] Out of the Ksh 10.0 billion allocation, Ksh 6.9 billion has been earmarked for Migration and Citizen Services, Ksh 2.9 billion has been earmarked for Population Management Services and Ksh 350 million has been earmarked for General Administration and Planning. According to the GJLO Sector MTEF Report (2025/26) the key outputs anticipated in this sub-sector are the refurbishment of Nyayo House, the establishment of 2 border points, the construction of 20 registries and the construction of 10 offices. [30]

Persistent budget shortfalls have led the Judiciary to seek alternative funding, such as support from development partners, though this avenue should not

Figure 16: Judiciary Budget Overview for FY 2025/26



be the default mechanism to reduce the budget deficit since the priority programs that development partners are willing to fund are aligned to their own national priorities and may be divergent to the internal priorities of the Judiciary or the priorities of Kenya. Past and current Chief Justices have proposed ring-fencing a specific share of the national budget for the Judiciary: Retired Chief Justice David Maraga[31] proposed 2.5 percent of the national budget, while current Chief Justice Martha Koome[32] has proposed an allocation of not less than 2 percent of the total budget. Were Parliament to adopt the 2 percent proposal, the combined allocation for the Judiciary and JSC would increase to Ksh 45.8 billion—this would be a 78 billion increase over the current combined allocation of Ksh 25.8 billion in FY 2025/26. However, the rationale

[29] *The sub-sector has a total allocation of Ksh. 20.52 Billion with Ksh 10.04 Billion allocated to development while Ksh. 10.49 Billion is allocated to recurrent expenditure.*

[30] *GJLO Sector MTEF Report (2025/26), pg 113*

[31] *Judiciary of Kenya. "Statement by Chief Justice David Maraga on Judiciary Budget Cuts." November 4, 2019. See: https://www.judiciary.go.ke/statement-by-chief-justice-david-maraga-on-judiciary-budget-cuts/*

[32] *National Assembly. "National Assembly, Judiciary Hold Consultative Forum, Agree to Ringfence the JSC Budget." March 10, 2022. See: http://www.parliament.go.ke/national-assembly-judiciary-hold-consultative-forum-agree-ringfence-jsc-budget*

behind the proposal to ring-fence 2 percent of the budget for the Judiciary and the JSC remains unclear, leaving the feasibility of this approach in question.

Recommendations

The IPF shadow budget proposition for the GJLO sector focuses on:

- **Reallocating funds from personnel costs:** The National Police Service and State Department for Internal Security and National Administration have seen sharp increases in the 'compensation to employees' budget line, raising concerns about over-expansion or redundancy. This is because the State Department for Internal Security and National Administration had 100% achievement of KPIs and did not factor inadequate personnel as a challenge to program performance in the sub-sector. In the National Police Service on the other hand, public safety targets were fully achieved with police presence nationwide and the only areas cited with inadequate personnel were the National Police Reservists Unit and the Internal Affairs Unit whose mandate, to investigating complaints against police officers, overlaps with the Independent Police Oversight Authority (IPOA). IPF proposes a comprehensive personnel audit to identify areas of redundancy, if any and optimize staff deployment. IPF also proposes a rationalization of the personnel costs and the implementation of a strategy to reduce non-essential wage costs while ensuring adequate service delivery.

- **Increasing transparency in expenditure:** The unexplained "Others" budget line remains high in many sub-sectors and opaque, making it difficult to track expenditure and assess its alignment with national and sector priorities. To improve accountability, a priority action will be to demand a detailed breakdown of the "Others" category. IPF further proposes the implementation of a strict budget classification policy to prevent the use of vague categories in reporting expenditure. Without proper classification, IPF recommends freezing or reducing this allocation until a clear breakdown and justification is provided.

- **Shift Focus to Development & Governance:** Savings from personnel cost optimization and improved budget transparency by breaking down the "Others" category should be redirected to underfunded areas like legal aid, anti-corruption efforts, judicial services, and citizen services.

- **Leveraging Partnerships:** Stakeholder engagement, interagency collaboration and donor support have been key drivers of KPI overachievement. To leverage this further, IPF proposes the establishment of a structured engagement framework for donor and stakeholder engagement. IPF further proposes the strengthening of interagency collaboration to ensure seamless coordination and to improve service delivery in the sector. Finally, IPF proposes the use of public-private partnerships (PPPs) to supplement government efforts in infrastructure development and technology adoption.

Below is a table depicting the proposed overall GJLO sector budget and the proposed sub-sectors targeted for budget change:

Critical Questions for Legislators and Policymakers

Members of Parliament are constitutionally mandated to provide oversight on the use of public funds and to ensure that budget allocations directly translate into improved service delivery. In reviewing the GJLO sector's performance while drafting this report, IPF has noted with concern that many sub-sectors have offered generic and repetitive justifications for failure to achieve performance targets. Such explanations, without disaggregated data or analysis, undermine the credibility of performance reporting and hinder effective fiscal decision-making. Moreover, the persistent use of the ambiguous expenditure category 'others' in financial reports raises red flags on transparency and budget accountability.

Table 35: IPF Budget Proposition for the GJLO Sector

Sector/ Sub-Sector	Approved Estimates 2024/25 (KSh Million)	2025/26 BPS Ceiling (KSh Million)	% Change	IPF Proposed Budget (Adjusted Budget & Justification)	Justification
Governance, Justice, Law and Order Sector (Total)	234,860.4	267,682.7	14%	260,000	Reduction proposed after a rationalization of the personnel and 'others' budget lines

Sector/ Sub-Sector	Approved Estimates 2024/25 (KSh Million)	2025/26 BPS Ceiling (KSh Million)	% Change	IPF Proposed Budget (Adjusted Budget & Justification)	Justification
National Police Service	110,877.4	120,421.2	9%	110,000	Reduction proposed due to potential redundancy in personnel expansion and limit the 'others' budget. Funds redirected to the Judiciary and Citizen Services
State Department for Internal Security and National Administration	28,185.4	37,280.8	32%	34,000	Freeze new wage expansion, maintain the allocation for development
State Department for Correctional Services	36,029.6	38.296.3	6%	37,000	Minor reduction proposed in recurrent expenditure to improve efficiency
State Department for Immigration & Citizen Services	14,270.4	20,523.8	44%	21,000	Increased for citizen services and digitization of services
The Judiciary	21,845	24,937.4	14%	26,000	Additional funding proposed for case backlog reduction
Ethics and Anti-Corruption Commission (EACC)	4,143.6	4,413.8	7%	5,000	Increase to strengthen anti-corruption investigations and prosecutions
Office of the Director of Public Prosecutions (ODPP)	3,985	4,245.4	7%	4,500	Increase for prosecution services
Witness Protection Agency	697.1	847.9	22%	900	Additional funding for security of witnesses
Kenya National Commission on Human Rights	478	528.6	11%	600	Funding allocated to human rights monitoring
Independent Electoral and Boundaries Commission	3,817.7	3,995.6	5%	4,500	Increase for electoral reforms
Independent Policing Oversight Authority	1,088.6	1314.1	21%	1,500	Increase for police accountability and oversight

To ensure that resource allocations are justified, targeted, and efficient, the following questions are proposed for interrogation:

Transparency and Accountability

a. Given the fact that the 'others' budget line accounted for a significant portion of the total budget (25% in FY 2021/22, 24% in FY 2022/23, and 21% in FY 2023/24), what steps are being taken to ensure that expenses classified under 'others' are transparent and properly accounted for? How can Parliament and the public be assured that funds are not being misused or concealed?
b. If Parliament were to freeze or reduce your budget until the sub-sectors provide a full breakdown and justification of past expenditures—especially those hidden under 'others', would the subsectors be able to confidently demonstrate that all funds were properly used and accounted for?

3.7 Agriculture, Rural, and Urban Development (ARUD) Sector

3.7.1 Overview of ARUD Sector

This section assesses financial and non-financial performance of the ARUD sector in the past and whether resources allocated for the FY2025/26 mirror aspirations of The Vision 2030. Specifically, the realization of a modern and commercially oriented agricultural sector, driven by increased productivity, value addition, and access to markets; Enhanced land reforms and a comprehensive land use policy to ensure equitable access and sustainable utilization of land; Efficient urban planning and infrastructure to support urbanization, reduce informal settlements, and promote cities suitable and conducive for living; and development of fisheries leading to increased fish production, reduced fish post-harvest losses per annum and increased exports of marine products. MTP IV is another critical document used in the analysis to establish the extent to which resources allocated are likely to promote sustainable agricultural transformation, land digitization, strengthened blue economy and institutional reforms.

Summary of key findings

- In the FY 2024/24, there was high budget absorption in all the departments except for the State Department for Lands and Physical Planning.
- High budget absorption rate in the FY 2023/24 did not translate to KPIs achievement with many departments failing to achieve their KPIs despite absorbing over 90 percent of their budgets.
- There was a mismatch between budget allocation and delivery in FY 2023/24.
- A 7 percent budget increase in the State Department for Agriculture reaffirming the government's recognition of the sector's crucial role in economic growth and food security.
- State Department for Livestock Development sector is facing a 16.6 percent budget cut in FY2025/26, which could severely undermine productivity and resilience, particularly in the context of low dairy production due to inadequate feeding resources.
- The proposed 4 percent cut in FY 2025/26 to the Fisheries Development and Management Programme threatens gains in aquaculture, a growing industry crucial for food security and rural livelihoods.

Critical questions for FY2025/26

- Why is the livestock sector which contributes significantly to GDP and is pivotal for food security and rural livelihoods facing a budget cut in FY2025/26, despite clear evidence of underfunding in key productivity and value addition areas?
- How can the government justify budget cuts to the Blue Economy and Fisheries sector in FY 2025/26 when the sector has high potential to contribute significantly to GDP and employment, and yet remains underutilized due to stalled flagship projects and inadequate investment?
- How can the government reconcile its increased overall allocation to agriculture in FY 2025/26 with a significant budget cut to the Crop Development and Management Programme, a key driver of food security, irrigation expansion, and rural income generation?

3.7.2 Analysis of past budget performance against key performance indicators (KPIs)

Table 36: Analysis of past financial and non-financial performance

Sector/Vote/Programme Details	Approved Budget			Actual Expenditure			Absorption Rate 2023/24	% Level of Achievement 2023/24
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24		
State Department for Lands and Physical Planning	**11,937.0**	**13,069.0**	**19,585.0**	**10,758.0**	**11,790.0**	**8,967.2**	**46%**	**75%**
Land Policy and Planning	5,461.0	4,292.0	6,857.4	5,193.0	4,231.0	6,758.8	99%	53%
Land Information Management	-	-	1,099.0	-	-	969.6	88%	72%
General Administration Planning and Support Services	6,476.0	8,777.0	11,628.6	5,565.0	7,559.0	1,238.8	11%	100%
State department for Livestock Development	**6,476.0**	**8,777.0**	**11,628.6**	**5,565.0**	**7,559.0**	**10,682.2**	**92%**	**76%**
Livestock Resources Management and Development	6,476.0	8,777.0	11,628.6	5,565.0	7,559.0	10,682.2	92%	76%
State Department for Blue Economy and Fisheries	**8,232.0**	**7,229.0**	**10,757.0**	**7,043.0**	**6,583.0**	**10,041.3**	**93%**	**72%**
Fisheries Development and Management	6,368.0	5,599.0	8,298.5	5,353.0	4,985.0	7,712.5	93%	82%

Sector/Vote/Programme Details	Approved Budget			Actual Expenditure			Absorption Rate 2023/24	% Level of Achievement 2023/24
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24		
Development and Coordination of the Blue Economy	1,638.0	1,405.0	2,187.7	1,497.0	1,380.0	2,095.6	96%	57%
General Administration Planning and Support Services	226.0	225.0	270.9	193.0	218.0	233.1	86%	77%
State Department for Agriculture	**45,076.0**	**49,419.0**	**62,725.1**	**38,359.0**	**46,355.0**	**57,209.9**	**91%**	**76%**
General Administration Planning and Support Services	8,488.0	8,267.0	7,845.0	7,447.0	6,408.0	7,388.1	94%	76%
Crop Development and Management	28,713.0	33,300.0	48,521.5	23,214.0	28,844.0	43,610.4	90%	59%
Agribusiness and Information Management	1,380.0	2,106.0	868.3	1,307.0	2,009.0	845.9	97%	100%
Agricultural Research and Development	6,495.0	5,746.0	5,490.3	6,391.0	9,094.0	5,365.5	98%	70%
National Land Commission	**1,725.9**	**1,481.6**	**1,753.8**	**1,712.1**	**1,481.1**	**1,753.2**	**100%**	**58%**
Land Administration & Management	1,725.9	1,481.6	1,753.8	1,712.1	1,481.1	1,753.2	100%	58%
State Department for Cooperatives	**1,928.0**	-	-	**1,938.0**	-	-		
Cooperative Development and Management	1,928.0	-	-	1,938.0	-	-		
Agriculture, Rural, and Urban Development (ARUD)	**75,374.9**	**79,975.6**	**106,449.4**	**65,375.1**	**73,768.1**	**88,653.8**	**83%**	**60%**

Absorption rates across the departments were relatively high, ranging from 88 percent to 99 percent in technical departments and as low as 46 percent for the State Department for Lands and Physical Planning. For example, The State Department for Livestock Development (92 percent) and Blue Economy and Fisheries (93 percent) exhibited high absorption, suggesting effective fund disbursement and utilization. In contrast, the State Department for Lands and Physical Planning absorbed only 46 percent of its allocated budget, signalling serious implementation bottlenecks, possibly due to procurement delays, capacity constraints, or project readiness issues.

Land Policy and Planning achieved 99 percent absorption but only 53 percent of its KPIs, raising efficiency concerns. Was money spent without producing expected outputs? Similarly, Crop Development and Management absorbed 90 percent of its allocation but achieved only 59 percent of KPIs, implying suboptimal return on investment. On the other hand, Fisheries Development and Management shows a positive relationship: 93 percent absorption and 82 percent KPI achievement, indicating efficient and effective resource use.

The numbers show that high absorption does not always equal high performance. Departments must not only spend but spend well linking inputs to measurable outcomes. Low absorption (e.g., 46 percent in critical departments like Lands points to structural and operational inefficiencies. Without addressing these, future allocations may remain underutilized, stalling sectoral reforms. Mismatch between budget and delivery could also mean inflated allocations without proper implementation plans, necessitating more rigorous budget scrutiny and performance based budgeting.

While most departments demonstrate high financial absorption rates, several fall short in converting those resources into results, highlighting inefficiencies and weak accountability in public expenditure. For FY 2025/26, it is crucial to align funding with performance capacity, strengthen Monitoring and Evaluation frameworks, and implement consequence management for persistent underperformers. This shift will ensure resources are not just spent but spent prudently and efficiently.

1.1 State Department of Lands and Physical Planning

The State Department of Lands and Physical Planning, as part of its sub-programme on development planning and land reform in FY 2023/24, was responsible for developing a national land value index that targeted 14 counties. A land value index for only 5 counties was developed; they are Nyeri, Laikipia, Tharaka Nithi, Kitui and Makueni Counties; these counties represent 36 percent of the targeted counties. According to the MTEF for the period 2025/26-2027/28, this underperformance is the result of inadequate human resources. A land value index is a measure for standardizing and harmonizing the values of land across the country with the primary objective of ensuring that rents, rates, stamp duties, and compensation are predictable, rational, and not subject to subjective valuations during compulsory land acquisition. Land value indexes were developed only in five counties in FY 2023/24 instead of 14 counties targeted, and less than half of the counties have been covered so far. As compensation for compulsory land acquisition for public infrastructure projects is not harmonised and standardized throughout the country, the country may suffer substantial losses in land acquisition for public infrastructure projects. In order to ensure the development of a national land value index that covers a greater number of counties, why hasn't the State Department of Lands and Physical Planning and, more specifically, the Land Policy and Planning Programme been given sufficient funding to hire the necessary staff?

In the fiscal year 2023/24, 72 percent of the land information management programme's KPIs were achieved. Under this program, a sub-program on digitizing land records and processes targeted the digitization of land offices across the country. During FY 2023/24, 8 land offices were planned to be digitized, but just one in Muranga County was digitized, which is a 13 percent digitization rate. Three others were going on in Isiolo, Marsabit and Mombasa counties. Budget constraints prevented the digitization of the remainder, according to the State Department of Lands and Physical Planning. In this regard, the failure to achieve the goal of digitizing land records and processes in 8 land offices within selected counties compromises the desired outcomes of digitizing land registries, which include increased security of tenure, fewer disputes, and improved conveyancing, which stimulates the land market.

1.2 State Department for Livestock Development

There was an absorption rate of 92 percent for the State Department for Livestock Development in FY 2023/24, whereas 76 percent was achieved for the programme's KPIs, as illustrated in Table 1. A priority BETA value chain under the State Department for Livestock Development is leather and leather products, as well as beef and dairy products. It is stated in MTP IV that the growth and development of the dairy industry are hindered by low productivity. In recognition of the important role that feeds play in the Kenyan dairy value chain, MTP IV proposes that feed centers are established and equipped in each ward to improve dairy production. This was not addressed in FY 2023/24 however, since no funds were allocated for the provision of dairy feeds, thus the objective of doubling dairy productivity through appropriate feeding, especially among smallholder dairy farmers, remained elusive.

Kenya's dairy milk production is dominated by small-scale farmers, who account for approximately 80 percent of the total production and 56 percent of the total milk production. Current and projected levels of milk production are not sufficient to meet domestic demand, resulting in imports from neighboring countries. In light of this situation, why was no funding allocated to feed production?

With regard to the leather and leather products value chain, the MTP IV advises increasing the recovery of hides and skins from abattoirs, slaughterhouses, and at home slaughter and thereby increasing the utilization of tanneries from 25 percent to 100 percent. As a means of expediting the collection of hides and skins, it is necessary to set up hides and skins collection centers; to provide support for the collection, preservation, and delivery of hides and skins to tanneries. Again, the FY 2023/24 budget failed to align with MTP IV as it gave a wide berth to the establishment of hides and skins aggregation centers/bandas, considering that not a single one was to be established. Kenya's leather and leather products value chain, from livestock to finished goods, offers significant potential for industrialization and economic diversification. Through the BETA, the Kenyan government prioritized leather and leather products for industrialization, diversification, and job creation; however, why weren't sufficient funds allocated?

A priority of MTP IV was to complete the Bachuma Livestock Export Zone (LEZ) in Taita

Taveta County. This is the first commercial quarantine facility in Kenya, set to revolutionize livestock exports and attract foreign buyers. However, the completion of this project has lasted longer than the anticipated completion time, in fact it has lasted for more than a decade, reaching a 72 percent completion in FY 2023/24. The delay in completion has raised eyebrows from those who view it as a white elephant. As a result, the local ranchers and traders are frustrated by the lack of progress on the project, as they expected that the project would deliver economic benefits sooner rather than later. Over several fiscal years, Bachuma LEZ has been allocated a huge amount of funding, but despite this, it has dragged on for more than a decade than expected. Why is more funding still allocated despite it being regarded as a potential white elephant?

1.3 State Department for Blue Economy and Fisheries

A key component of MTP IV is the government's effort to develop a sustainable blue economy through the State Department for Blue Economy and Fisheries. The sector's budget was absorbed at 93 percent and 72 percent of KPIs were met, while the fisheries development and management programme was absorbed at 93 percent and 82 percent of KPIs were met, whereas the blue economy programme was developed and coordinated at 96 percent with 57 percent of KPIs achieved, based on Table 1. In terms of the fishery development and management program, Kenya is a net importer of fish, despite its abundant potential to produce fish. As of FY 2023/24, only 12 percent of the desired number of brooders and fingerlings were multiplied and supplied to farmers. This low performance hurts the fish farming industry, which contributes to food security, income generation, and employment in rural Kenya.

1.4 State Department of Agriculture

In Kenya, approximately 80 percent of people live in rural areas and depend on agriculture and related activities for their livelihood. According to MTP IV, agriculture is critical to addressing food insecurity and poverty. However, the State Department of Agriculture achieved a budgetary absorption rate of 91 percent in FY 2023/24, while KPIs were at 76 percent, as shown in Table 1. In the crop development and management program, the budgetary absorption rate was 90 percent, while KPIs were 59 percent. In fact, the KPI targets achieved are not very encouraging for agriculture, which contributes significantly to Kenya's GDP, food security, employment, and foreign exchange earnings. For instance, 10 MT of rice seeds were intended for distribution to farmers, but only 6.5 MT were distributed, which represents 65% of the target distribution. Likewise, 1000 MT of certified seed potatoes were expected to be produced, however only 540 were produced, representing 54 percent of the target. As far as transfer services regarding cotton and rice technologies are concerned, it was intended that 10,000 cotton farmers would be supported, 3,000 rice farmers would be supported, but in neither crop was a single farmer supported. There were plans to fund 375 youth agri-preneurs but only 45 were funded, 2000 Ha of land were meant to be put under irrigation, but none was irrigated. These failures resulted in low agriculture productivity.

For the crop development and Management programme, irrigation schemes and in particular the areas put under irrigation depart from the MTP IV where irrigation is considered a critical enabler for transforming agriculture, as no irrigation areas (Ha.) were established. Though the country's agricultural output is almost entirely rain-fed, only 17 percent of its arable land is suitable for rain-fed agriculture. It is necessary to irrigate the remaining 83 percent to ensure optimal crop growth because of inadequate rainfall. However, irrigated fields account for only 2 percent of Kenya's total crop land. It was intended that 2000 Ha would be irrigated under the National Agricultural Value Chain Development Project (NAVCDP), but according to the MTEF, none of the acreage was irrigated due to budget constraints. As a result, it is asked why the Kenyan government does not place a high priority on irrigation in its budget allocations to expand irrigation acreage, particularly so as to increase food and horticultural crop production?

The Kenya Kwanza government recognizes agriculture's pivotal role in the development of Kenya, and to support this sector, it has implemented the National Government Fertilizer Program (NFSP) which aims to decrease fertilizer prices, increase fertilizer use, and ultimately boost food production in Kenya. In FY 2023/24, a great deal of success was achieved in terms of the number of farmers accessing fertilizer, with a target exceeded by 34 percent. Due to the increased adoption of fertilizer, and the consequent increase in maize yields, the program has been successful in addressing short-term food security concerns, and mitigating the adverse effects of the global fertilizer crisis. In an environment of perfectly competitive markets, conventional economic analysis has demonstrated that subsidies are not desirable because they tend to lead to inefficiency and a decline in welfare. There is a consensus among experts that fertilizer subsidies are not financially sustainable beyond the very short-term because of the deadweight loss associated with them as well as the high financial and administrative costs, the inefficiency of distribution, and the potential for distortion of the market. As a result, the issue of fiscal sustainability of the NSFP should be taken into account in the long term.

In the MTP IV, the government emphasizes the textile and apparel value chains, which seek to enhance the local production of cotton. In it, cotton growers get organized into cooperatives; certified cotton seeds are distributed (BioTechnology cotton and hybrid cotton) to farmers through existing cotton acreage and expanding acreage through biotechnology cotton in the 24 cotton-growing counties. In the FY 2023/24, 75 percent of the area (acres) initially targeted for cotton planting was actually planted, while 77 percent of the seed cotton intended to be distributed was actually distributed. In the past, the cotton-to-garment value chain contributed significantly to Kenya's rural livelihood and foreign exchange earnings. However, since the liberalization of the cotton industry in the 1990s, it has seen a decline in production and productivity. Cotton seed and lint production in the United States is substantially lower than demand for seed-oil and textile and apparel industries. A greater effort should be made to increase acreage under cotton and increase the number of certified cotton seeds in Kenya in order to raise the current production of cotton lint, which is approximately 7,000 tons, to a potential production of 200,000 tons.

ARUD Sector pending bills

The National Treasury has failed several times to release funds to different state departments on a timely basis according to the schedules in place. This has caused delays in payment of bills already incurred. The total pending bills due to lack of exchequer for the Agriculture, Rural and Urban Development Sector for FY 2023/24 were KSh. 12,678.58 million. Additionally, pending bills that arose due to lack of provisions were KSh. 3,107.50 million FY 2023/24 respectively. These are obligations incurred and were not provided for in the budget. These pending bills may prove difficult to settle due to legal provisions. In some cases, the government provisions for verified and approved bills but fails to honor them due to fiscal challenges, leading to the accumulation of arrears. Accumulation of unpaid obligations could mean continued fiscal pressure, as they are rolled over into the new financial year, increasing the risk of budgetary imbalances, reduced service delivery, and loss of confidence among suppliers and investors.

3.7.3 Analysis of FY2025/26 Budget Propositions, Key Questions and Recommendations

Table 37: Analysis and propositions to the budget for FY2025/26 in line with BETA (KSh Million)

Sector/Vote/Programme Details	Approved Estimates 2024/25 (A)			2025/26 BPS Ceilings (B)			% change in allocation (B-A)/A	% Share of the Sector Budget
	Rec	Dev.	Total	Rec	Dev.	Total		2024/25
AGRICULTURE, RURAL & URBAN DEVELOPMENT	**29,362.2**	**44,571.0**	**73,933.2**	**32,202.2**	**45,469.4**	**77,671.4**	**5%**	**100%**
State Department for Lands and Physical Planning	**4,135.7**	**2,379.0**	**6,514.7**	**5,870.9**	**2,977.4**	**8,848.3**	**36%**	**9%**
Land Policy and Planning	2,929.3	2,214.0	5,143.3	4,633.7	1,800.4	6,434.1	25%	7%
General Administration Planning and Support Services	1,206.4		1,206.4	1,237.2		1,237.2	3%	2%
State Department for Livestock Development	**5,293.2**	**7,966.0**	**13,259.2**	**4,623.0**	**6,515.0**	**11,138.0**	**-16%**	**18%**
Livestock Resources Management and Development	5,293.2	7,966.0	13,259.2	4,623.0	6,515.0	11,138.0	-16%	18%
State Department for the Blue Economy and Fisheries	**2,448.2**	**7,892.9**	**10,341.1**	**2,832.9**	**6,799.0**	**9,631.9**	**-7%**	**14%**

Sector/Vote/Programme Details	Approved Estimates 2024/25 (A)			2025/26 BPS Ceilings (B)			% change in allocation (B-A)/A	% Share of the Sector Budget
	Rec	Dev.	Total	Rec	Dev.	Total		2024/25
General Administration Planning and Support Services	199.9		199.9	200.7		200.7	0%	0%
Development and Coordination of the Blue Economy	57.3	1,000.0	1,057.3	59.6	683.0	742.6	-30%	1%
State Department for Agriculture	**15,702.9**	**26,333.1**	**42,036.0**	**16,869.4**	**28,171.0**	**45,040.2**	**7%**	**57%**
General Administration Planning and Support Services	6,202.1	3,223.3	9,425.4	8,375.9	8,641.5	17,017.3	81%	13%
Crop Development and Management	4,132.0	22,362.8	26,494.8	3,121.7	19,502.1	22,623.7	-15%	36%
Agribusiness and Information Management	134.5	747.0	881.5	132.5		132.5	-85%	1%
Agricultural Research & Development	5,234.3		5,234.3	5,239.3	27.4	5,266.7	1%	7%
National Land Commission	**1,782.2**	**-**	**1,782.2**	**2,006.0**	**1,007.0**	**3,013.0**	**69%**	**2%**
Land Administration and Management	1,782.2		1,782.2	2,006.0	1,007.0	3,013.0	69%	2%

1.5 State Department of Lands and Physical Planning

In FY 2023/24, the Land Policy and Planning programme underperformed in strategic reform areas, notably failing to review or develop land value indexes, which has fuelled speculative land ownership around infrastructure projects. This oversight has led to inflated compensation claims, delayed project implementation, and unnecessary fiscal burdens. Furthermore, the Land Information Management Programme remained severely underfunded, despite its transformative potential in digitizing land registries, securing tenure, improving public land oversight, and enhancing revenue mobilization. While some KPIs, like title deed processing and land office renovations, were achieved or exceeded, this success was largely due to low target-setting rather than ambitious performance.

To align with the objectives of MTP IV and Vision 2030, in the FY 2025/26, the government should adjust its budgetary priorities by increasing the allocation to the Land Policy and Planning programme to at least 30% and enhancing funding for the Land Information Management Programme by 650%. These adjustments will enable the full implementation of the National Land Management Information System, support the development of land value indexes, and address key systemic inefficiencies that currently undermine infrastructure development and land governance.

1.6 State Department for Livestock Development

Why is the livestock sector which contributes significantly to GDP and is pivotal for food security and rural livelihoods facing a budget cut in FY2025/26, despite clear evidence of underfunding in key productivity and value addition areas?

Despite its importance and its central role in MTP IV, the sector is facing a 16.6 percent budget cut in FY2025/26, which could severely undermine productivity and resilience, particularly in the context of low dairy production due to inadequate feeding resources. The proposed reduction in funding does not align with the sector's strategic role in food security and economic development. To safeguard gains and strengthen livestock value chains, the budget cut should be reduced to no more than 8 percent and resources should be directed toward equipping feed centres across wards.

Additionally, the leather and leather products subsector offer a viable pathway to industrialization and export diversification. Plans to establish 25 hides and skins aggregation centers in FY2025/26 align well with MTP IV and should be supported to improve value addition, boost incomes, and generate employment. However, the Bachuma Livestock Export Zone (LEZ), despite its strategic intent, has faced chronic delays likely due to corruption and should not receive further allocations until a proper audit and accountability measures are in place. For FY 2025/26, allocations should focus on functional and high-impact interventions, prioritizing feed resources, leather value chain infrastructure, and enforcement of accountability in stalled projects.

1.7 State Department for Blue Economy and Fisheries

How can the government justify budget cuts to the Blue Economy and Fisheries sector in FY 2025/26 when the sector has high potential to contribute significantly to GDP and employment, and yet remains underutilized due to stalled flagship projects and inadequate investment?

Despite the government's stated commitment in MTP IV to transform agriculture by increasing productivity in key value chains including the blue economy, the FY 2025/26 budget proposes a 7 percent cut to the State Department for Blue Economy and Fisheries. This is a significant setback for a sector that currently contributes less than 1 percent to GDP but holds vast untapped potential. The proposed 4 percent cut to the Fisheries Development and Management Programme threatens gains in aquaculture, a growing industry crucial for food security and rural livelihoods. Reductions in funding will hinder efforts to supply farmers with quality brooders and fingerlings which are essential inputs that accelerate fish growth, improve yields, and enhance profitability.

Moreover, the 30 percent budget cut to blue economy development and coordination jeopardizes key KPIs, including the completion of the Liwatoni Ultra-Modern Tuna Fish Hub, a strategic infrastructure project expected to boost Kenya's capacity to handle over 50,000 tons of fish annually for domestic and export markets. However, due to zero progress in FY 2023/24 and accountability concerns, no new funding should be allocated to the Liwatoni project without a thorough feasibility review to avoid resource wastage. To unlock the sector's full potential, estimated at $4.8 billion in GDP contribution and over 52,000 jobs in a decade, the government should maintain current budget levels for fisheries development, enhance allocations by 3 percent for broodstock and fingerling production, and reduce the proposed 30 percent budget cut for blue economy coordination to 10 percent while prioritizing sustainable and accountable project implementation.

1.8 State Department of Agriculture

How can the government reconcile its increased overall allocation to agriculture in FY 2025/26 with a significant budget cut to the Crop Development and Management Programme, a key driver of food security, irrigation expansion, and rural income generation?

In FY 2025/26, the State Department for Agriculture will receive a 7% budget increase, reaffirming the government's recognition of the sector's crucial role in economic growth and food security.

However, this broad commitment is undermined by a 15 percent budget cut to the Crop Development and Management Programme, which plays a central role in meeting the rising demand for food, feed, fiber, and fuel. This contradiction threatens initiatives such as the expansion of irrigated acreage for crops like rice, where the national deficit continues to drive heavy import dependency. The cut could also jeopardize long-term sustainability and food security interventions. Therefore, the proposed reduction should be scaled back to no more than 5 percent and additional resources must be directed to expand irrigation infrastructure, particularly for rice-producing regions.

Furthermore, the National Subsidized Fertilizer Programme faces structural risks from its crowding-out effect on private fertilizer markets, raising concerns over farmer dependence on state interventions. A shift to an e-voucher-based system would allow farmers to access subsidies through private agro-dealers, preserving market integrity while maintaining affordability. Scaling up microcredit programs tied to input access could also help address liquidity challenges among vulnerable farmers. In parallel, strategic investment in the cotton, textile, and apparel industry which is the second-largest manufacturing sector, can unlock large-scale employment if supported through increased cotton productivity, strong farmer cooperatives, and efficient ginning. For FY 2025/26, the government should realign its agricultural investments with high-impact, market-responsive, and value-chain-strengthening interventions to ensure sustainable outcomes.

3.8 Social Protection, Culture and Recreation (SPCR)

3.8.1 Overview of SPCR Sector

The Social Protection, Culture and Recreation (SPCR) sector in Kenya plays a critical role in fostering economic empowerment, social inclusion, child protection and equitable service delivery. The sector addresses various social issues, such as the empowerment of marginalized communities, enhancing access to cultural and recreational services, and ensuring the welfare of vulnerable groups like children, women, and people with disabilities. It contributes to employment opportunities through initiatives in sports, culture, and social protection programs, particularly targeting rural and urban populations.

SPCR supports several national programs, including cash transfers, social safety nets, and youth empowerment programs, which directly benefit millions of Kenyans. Programs like the National Safety Net, vocational training for persons with disabilities, gender mainstreaming, and child welfare services, among others, ensure that vulnerable populations across the country benefit from government support.

The sector is composed of 6 sub-sectors: the State Department for Sports; the State Department for Culture, the Arts and Heritage; the State Department for Youth Affairs and the Creative Economy; the State Department for Labour and Skills Development; the State Department for Social Protection and Senior Citizen Affairs; and the State Department for Gender and Affirmative Action. Additionally, the sector includes one autonomous government agency, the National Social Security Fund, and 27 Semi-Autonomous Government Agencies.

Contextual background

High poverty rates at the household level: The latest poverty report by the Kenya National Bureau of Statics shows that Kenya's poverty rate is still on an upward trajectory. The report for the year 2022 shows 39.8 percent of Kenyans are living in poverty.[33] This is higher than the 33.6 percent rate in 2019, which rose to 42.9 percent in 2020, then dropped 38.6 percent in 2021 before rising again to 39.8 percent in 2022.[34] The reports from the KNBS shows that 4 out of every 10 Kenyans may be in need of state cushioning through social protection programmes such as the cash transfer programmes in the SPCR sector.

Reforms of state corporations: The ongoing reforms of state-owned enterprises and corporations present opportunities but also risks for the sector. For example, the Sports, Arts and Social Development Fund is one such corporation that is to be declassified and brought under the ministry. However, the fund's resources not only support programmes in the sector, but 60 percent are earmarked for Universal Health Coverage (social protection for health). Will these core goals remain after the reforms? The shift of the fund to the ministry means that the safeguards of the fund will be lost, so this spending will be less secure.

Some of the corporations that will be merged include the women and youth development funds which are in the GECA sector but there are empowerment programmes in the SPRC sector as well. These reforms present an opportunity to merge all empowerment programmes in one coherent way to reduce the current risk of duplication. However, this may also see some of the core aspects of the programmes done away with completely as part of the government austerity measures. Therefore, in this context there is need to carefully evaluate the value of programmes that may fall under the reforms approved by the Cabinet in early 2025.

Equity in social protection: Children between the ages of 0-17 years account for 49 percent of the poor according to the Kenya National Bureau of Statistics.[35] Adults make up 43 percent while the elderly contribute only 8 percent of the share of the poor in Kenya. However, social protection programmes in the sector are focused disproportionately on the elderly with 69 percent of the Inua Jamii cash transfer allocation. Children are only allocated 5 percent of the resources under the same programme.[36]

Fragmentation of social protection programmes. This is a big issue for coordination, with most funds outside the sector. In addition, the funding, management and objectives of such public funded programmes may vary creating major risks for duplication. The National Assembly recommended that the National Treasury and the State Department for Social Protection should consolidate all the cash transfer programmes.

3.8.2 Analysis of past budget performance against key performance indicators (KPIs)

Social Protection, Culture, and Recreation (SPCR) is the smallest sector by allocation of the ten national sectors, receiving just 3.3 percent of the total MDAs

[33] *https://www.knbs.or.ke/wp-content/uploads/2024/10/The-Kenya-Poverty-Report-2022.pdf Page 36*

[34] *https://www.knbs.or.ke/wp-content/uploads/2023/09/The-Kenya-Poverty-Report-2019.pdf page 21; https://www.knbs.or.ke/wp-content/uploads/2023/09/The-Kenya-Poverty-Report-2020.pdf Page 33; https://www.knbs.or.ke/wp-content/uploads/2023/09/The-Kenya-Poverty-Report-2021.pdf Page 33.*

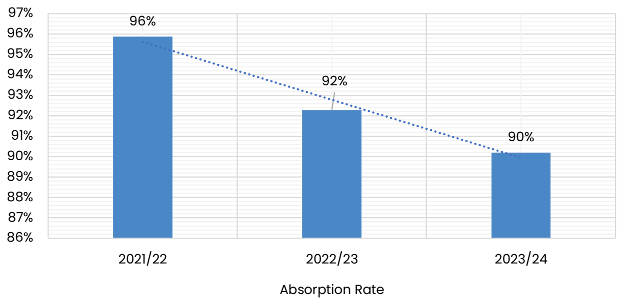
[35] *https://data.unwomen.org/sites/default/files/documents/Publications/CPR-Report-10_08_2020.pdf Page 16*

[36] *hhttp://www.parliament.go.ke/sites/default/files/2021-09/Tabled%20BAC%20Report%20on%20FY%202021-22%20Budget.pdf Page V*

budget for 2023/24. However, the share of the sector's actual expenditure was higher, 3.6 percent of total spending across all the sectors.

The sector absorption rate remains below the approved budget and has been declining over the past three years as shown in the chart below. The decline in budget expenditure rates against the approved budget across three years is indicative of a credibility challenge in the sector.

Figure 17: Budget Absorption Rate for SPCR Sector



Source: *Source: The Social Protection, Culture, and Recreation (SPCR) Sector Report, National Treasury*

However, the performance is not uniform across the MDAs in the sector and even at programme levels. A review at that sub-sector level provides further insights on budget lines that are struggling to spend compared to others. The absorption rates across the sector vary from 99 percent for the State Department for Culture and Heritage, down to just over three quarters expenditure rate in the State Department of Labour and Skills Development.

While the overall sector performance is on a decline over the study period, the MDAs level show slightly erratic performance between the years. For example, the State Department for Labour and Skills development overshot its budget allocation in expenditure in 2021/22 and 2022/23 at 117 percent and 122 percent respectively, then dropped to 76 percent in 2023/24. This trend seems aligned with significant changes in the allocation for the MDA in the same period with a dip in the allocations in 2022/23 from 2021/22 and then a significant rise in allocation in 2023/24. The sector report does not provide specific reasons for the changes in absorption but the MDA has the same challenges in delayed completion of projects and programmes. The only exception is the State Department for Youth Affairs whose absorption rates improved from 81, 88 to 91 percent in the three years.

Table 38: MDAs Budget Absorption within SPCR Sector over FY2021/22 - 2023/24

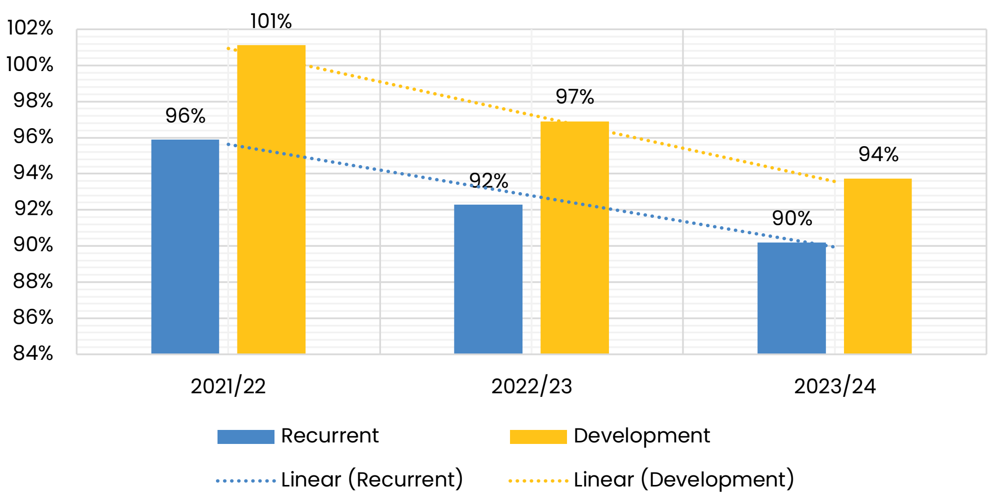
Sector/Vote/Programme Details	Approved Budget			Actual Expenditure			Absorption Rate 2023/24	% Level of Achievement 2023/24
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24		
State Department for Sports & the Arts	**16,475.0**	**13,919.0**	**17,612.0**	**15,822.0**	**12,193.0**	**15,898.0**	**90%**	**84%**
Sports	16,475.0	13,444.0	17,612.0	15,822.0	11,797.0	15,898.0	90%	84%
The Arts	-	246.0	-	-	199.0	-	0%	
Library Services	-	229.0	-	-	197.0	-	0%	
State Department for Culture and Heritage	**3,154.6**	**3,288.5**	**2,784.9**	**3,113.6**	**3,164.6**	**2,748.0**	**99%**	**70%**
Culture Development	1,984.5	2,459.8	2,571.4	1,961.3	2,341.9	2,544.2	99%	56%
The Arts	185.7	97.7	-	179.7	96.2	-	0%	74%
Library	804.9	572.4	-	798.3	569.0	-	0%	49%
GAPSS	179.5	158.7	213.5	174.3	157.5	203.8	95%	100%
State Department for Labour and Skills Development	**3,611.0**	**3,358.4**	**5,666.0**	**4,228.3**	**4,093.2**	**4,279.4**	**76%**	**74%**
Labour, Employment and Safety Services	939.3	1,077.5	1,600.9	910.5	1,064.8	1,128.8	71%	65%
Manpower Development, Industrial Skills & Productivity Management	2,230.9	1,732.6	3,371.1	2,880.8	2,487.4	2,458.2	73%	56%
GAPSS	440.8	548.3	694.1	437.0	541.0	692.5	100%	100%

Sector/Vote/Programme Details	Approved Budget			Actual Expenditure			Absorption Rate 2023/24	% Level of Achievement 2023/24
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24		
State Department for Social Protection, Pensions & Senior Citizens Affairs	**37,211.7**	**38,246.1**	**36,833.7**	**35,557.4**	**35,080.0**	**33,817.5**	**92%**	**88%**
Social Development and Children Services	4,416.1	4,936.7	5,200.9	4,033.2	4,107.5	4,162.5	80%	73%
National Safety Net Program	32,583.4	33,014.4	31,338.0	31,323.7	30,718.2	29,366.9	94%	90%
GAPSS	212.2	295.0	294.7	200.6	254.3	288.1	98%	100%
State Department for Gender and Affirmative Action	**3,621.0**	**3,946.0**	**5,739.5**	**3,534.1**	**3,489.3**	**5,126.4**	**89%**	**94%**
Community Development	2,185.8	2,186.0	3,036.4	2,185.8	2,186.0	3,036.4	100%	99%
Gender Empowerment	1,122.2	1,460.4	2,340.6	1,042.5	1,010.1	1,744.8	75%	86%
GAPSS	312.9	299.6	362.6	305.8	293.2	345.2	95%	98%
State Department for Youth Affairs	**5,395.4**	**2,537.7**	**4,212.2**	**4,351.7**	**2,232.5**	**3,835.6**	**91%**	**53%**
Youth Empowerment	5,395.4	-	-	4,351.7	-	-	0%	
Youth Empowerment Services	-	789.9	626.8	-	625.0	411.2	66%	75%
Youth Development Services	-	1,412.8	1,393.9	-	1,276.9	1,272.6	91%	30%
GAPSS	-	334.9	354.0	-	330.6	351.4	99%	54%
The Arts	-	-	1,413.3	-	-	1,377.8	97%	
Library Services	-	-	424.1	-	-	422.6	100%	
Grand Total	**69,468.6**	**65,295.6**	**72,848.4**	**66,607.2**	**60,252.6**	**65,704.9**	**90%**	**77%**

Data Source: *The Social Protection, Culture, and Recreation (SPCR) Sector Report, National Treasury*

The challenge on spending also affects both recurrent and development budget. While the sector is heavily recurrent the decline trends appear on both sides of the budget as shown below. The decline is consistent across the three years analyzed.

Figure 18: SPCR Sector Recurrent and Development Expenditure Rates



Data Source: *The Social Protection, Culture, and Recreation (SPCR) Sector Report, National Treasury*

All the MDAs in the sector missed their performance targets based on the indicators that are provided for different programme and sub-programmes in the SPCR sector report. The level of performance of the indicators is lower than the absorption of approved budgets. As shown in Table 39, the performance against set non-financial goals is even lower than the amount of funds absorbed. For example, the State Department for Culture was able to absorb 99 percent of its budget in 2023/2024 however, it was only able to achieve 70 percent of its set targets. This raises key questions on whether the resources were not sufficient to achieve the service targets or if the spending MDA failed to align available funds with key priorities, instead directing them toward lower-priority needs that consumed the majority of the budget. This differs with the State Department for Labour and Skill Development which had a budget absorption of 76 percent and a KPI achievement of 74 percent which seems to align spending against performance. In the more than 370 KPIs provided in the sector reports there are also many instances where there is overachievement of targets. This also raises questions on whether some programmes are getting more resources than they have planned for, or they have unlocked efficiencies that have enable them to achieve greater results within the period on implementation. It could be the case that they are also setting lower targets than what they can actually achieve with the approved budgets. In both scenarios, the sector and its MDAs should provide explanations that explain these trends and provide remedies to either improve performance or manage over-resourcing of some departments (while others are underfunded leading to pending bills as indicated in the reports).

Still, on the non-financial side of the budget, the sector reports note that only 16 of 93 capital projects were completed in the period between 2021/22 and 2023/24. This is a 17% completion rate which is very low and bound to have a direct impact on some of the services provided by the sector. The report provides the details of the projects and some brief reasons for various levels of performance or at least the status of each of them. However, it does not provide a summary of the main drivers of the low development spending and execution of the projects. A detailed review of all the reasons and comments against each project, there are three key gaps:

i. Termination of project contracts before their completion which indicate challenges that could be related to the procurement process in the MDAs under the sector. It's not clear whether there are financial penalties that have been incurred due to the cancelations. However, the report does highlight one scenario where a pending bill was taken to court and the company awarded Ksh 25 million under the State Department of Sports. Unfortunately, there is no further detail on the contractual status of the case. A review of the Auditor General reports for MDAs does not provide any insight on the impact of cancelled contracts either.
ii. Funding only one year of multi-year contracts is also highlighted, and this is collaborated by the pending bills that are related to lack of consideration during the budgeting process.
iii. Lack of disbursements which also has led to pending bills. This creates an impression of reallocation of resources budgeted for one project not being released for its use even when funds are available.

Table 39: SPCR MDAs Budget Key Performance Indicators for 2023/24

Sector/Vote/Programme Details	% level of KPIs Achieved 2023/24
State Department for Gender and Affirmative Action	94%
State Department for Social Protection, Pensions & Senior Citizens Affairs	88%
State Department for Sports & the Arts	84%
State Department for Labour and Skills Development	74%
State Department for Culture and Heritage	70%
State Department for Youth Affairs	53%
SOCIAL PROTECTION, CULTURE AND RECREATION	77%

Data Source: *The Social Protection, Culture, and Recreation (SPCR) Sector Report, National Treasury*

Reasons for poor absorption and execution of programmes and projects

The challenges identified above on budget executions require a deeper understanding of the issues affecting the ability of MDAs, programmes and sub-programmes to utilize their approved budgets. The sector reports, the Controller of Budget annual implementation reports and the Quarterly Economic and Budget Reports do not provide specific issues at that level. However, there are several overall reasons that come across reviewing the report to explain for poor budget execution. SPCR Sector Report 2024:

i. Budget revisions and late uploading of supplementary budgets lead to delays in spending. This can be corrected by having a more robust budgeting system that is well placed in policy and based on available resources to reduce the need to make adjustments during budget implementation. In addition, the Office of the Controller of Budget has previously raised issue with how supplementary budgets are handled and how MDAs are not included in the process but are then expected to spend late in the year against increased or reduced funding. Therefore, the National Treasury has to involve MDAs when preparing supplementary budgets to give them time to re-organize their spending plans which are guided by annual work and procurement plans.

ii. Delays in submission of documents for payment also emerges as an impediment to timely delivery of projects and services. In particular this is related to late delivery of documentation of completed works or documents necessary for approval of works. The procurement process in Kenya is lengthy and may need some review as the bureaucracy from procure to pay has many steps that can be streamlined with better use of IFMIS.[37]

iii. Delays in exchequer releases are frequently cited as a key reason for poor budget execution. While this explanation is plausible, its unlikely that it explains the different levels of underspending across the different MDAs and programmes. Therefore, this remains an incomplete justification for the sectors' overall budget underspending.

iv. There is also poor alignment of budgets and service targets during supplementary revisions where several targets that are not met because cuts were made during the supplementary budgets, but the targets were not adjusted to align with lower funding.

Pending Bills

The national government had pending bills worth Ksh 516.3 billion at the end of 2023/24. The bulk (74 percent) of them were contributed by state owned enterprises and semi-autonomous government agencies at Ksh 379.8. The Social Protection, Culture, and

Table 40: SPCR Share of Pending Bill by Budget Type

Budget Type/Nature	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
1. Recurrent	**645.7**	**407.1**	**1,264.5**	**59%**	**63%**	**96%**
Compensation of employees	-	-	-			
Use of goods and services e.g. utilities, domestic or foreign travel etc.	423.2	347.1	1,189.3	39%	54%	90%
Social benefits e.g. NHIF, NSSF	155.0	60.0	0.6	14%	9%	0%
Other expense	-	-	74.6			6%
2. Development	**451.6**	**237.6**	**57.4**	**41%**	**37%**	**4%**
Acquisition of non-financial assets	17.2	43.5	57.4	2%	7%	4%
Use of goods and services e.g. utilities,	144.5	103.3	-	13%	16%	
Domestic or foreign travel etc.	-	-	-			
Other-Specify	289.8	90.8	-	26%	14%	0%
Total Pending Bills	**1,097.3**	**644.7**	**1,321.8**	**100%**	**100%**	**100%**

Source: *The Social Protection, Culture, and Recreation (SPCR) Sector Report, National Treasury*

[37] https://www.nyeri.go.ke/wp-content/uploads/2018/12/Government-Procure-to-Pay-Process.pdf

Recreation (SPCR) sector had pending bills of Ksh 1.3 billion in the same period which accounts for 0.3 percent of the total for the national government. Therefore, the sector's contributions are much lower than the sector's 3 percent share of the budget. However, an area of concern for the sector is that the bulk of the pending bills in 2023/24 was in recurrent budget specifically in operations and maintenance. As shown in Table 41 the proportion has been rising in the three years between 2021/22 to 2023/24 to a point where it is almost entirely recurrent costs contributing to the pending bills. At the MDAs level. State Department for Culture and Heritage makes the largest contribution to pending bills in the sector accounting for 38 percent of it.

The sector report and other budget execution reports do not provide details of what the specific drivers are of the pending bills. However, the report provides overarching drivers such as late disbursement of funds and also lack of funding. In 2023/24, the proportion of pending bills caused by both was almost 50-50. However, this has been changing from the prior years where pending bills due to delayed exchequer issues were much lower but shot up seven-fold between 2022/23 and 2023/24. The Controller of Budget Report for 2023/24 indicates that in some cases the National Treasury includes supplementary budget lines meant to clear pending bills[38]. However, none of those indicated for that year were in this sector.

3.8.3 Analysis of FY2025/26 Budget Propositions, Key Questions and Recommendations

The Budget Policy Statement that was prepared by the National Treasury and tabled in Parliament proposed an allocation of Ksh 78.8 billion shillings. This is a 14 percent increase in allocation compared to the approved budget for 2024/25. At the MDA level the increase varies with ethe State Department for Labour getting the highest increase in its budget (42 percent) while the State Department for Sports and Arts has the lowest growth at 6 percent. There is not much change in the share of the sector's budget taken up by each MDA.

Table 41: Analysis of SPCR Budget for FY2025/26

Sector/Vote/Programme Details	Approved Estimates 2024/25 (A)			2025/26 BPS Ceilings (B)			% change in allocation (B-A)/A	% Share of the Sector Budget
	Rec	Dev.	Total	Rec	Dev.	Total		2024/25
SOCIAL PROTECTION, CULTURE AND RECREATION	**45,280.6**	**23,661.6**	**68,942.2**	**51,942.8**	**26,843.0**	**78,785.8**	**14%**	**100%**
State Department for Sports & Arts	**1,091.5**	**16,464.0**	**17,555.5**	**1,581.4**	**17,100.0**	**18,681.4**	**6%**	**25%**
Sports	1,091.5	16,464.0	17,555.5	1,581.4	17,100.0	18,681.4	6%	25%
State Department for Culture and Heritage	**2,757.3**	**70.0**	**2,827.3**	**3,451.6**	**90.0**	**3,541.6**	**25%**	**4%**
Culture/ Heritage	1,740.6	60.0	1,800.6	2,260.7	53.0	2,313.7	28%	3%
GAPSS	146.3	-	146.3	149.3	-	149.3	2%	0%
Public Records Mangement	125.7	-	125.7	128.5	37.0	165.5	32%	0%
The Arts	298.6	-	298.6	414.2	-	414.2		0%
Library Services	446.1	10.0	456.1	498.9	-	498.9		1%
State Department for Youth Affairs and the Art	**1,903.1**	**1,535.1**	**3,438.2**	**2,266.0**	**2,040.4**	**4,306.4**	**25%**	**5%**
Youth Empowerment Services	336.9	-	336.9	585.1	11.2	596.3	77%	0%
Youth Development Services	750.8	1,525.1	2,275.9	757.6	1,952.5	2,710.1	19%	3%
GAPSS	257.5	-	257.5	261.3	-	261.3	1%	0%
Tire Arts								
Film Development services	557.9	10.0	567.9	662.0	76.7	738.7	30%	1%

[38] *https://cob.go.ke/reports/national-government-budget-implementation-review-reports/# Page 14*

Sector/Vote/Programme Details	Approved Estimates 2024/25 (A)			2025/26 BPS Ceilings (B)			% change in allocation (B-A)/A	% Share of the Sector Budget
	Rec	Dev.	Total	Rec	Dev.	Total		2024/25
GAPSS	494.4	-	494.4	540.5	-	540.5	9%	1%
Labour, Employment and Safety Services	1,144.5	-	1,144.5	1,165.1	506.4	1,671.5	46%	2%
Manpower Development, Industrial Skills & Productivity Management	2,629.6	100.0	2,729.6	2,632.7	1,376.3	4,009.0	47%	4%
State Department for Social Protection, Pensions & Senior Citizens Affairs	**33,261.4**	**1,907.6**	**35,169.0**	**37,968.1**	**1,907.0**	**39,875.1**	**13%**	**51%**
Social Development and Children Services	4,665.2	-	4,665.2	3,490.2	183.0	3,673.2	-21%	7%
National Social Safety Net	28,370.6	1,907.6	30,278.2	34,209.6	1,724.0	35,933.6	19%	44%
GAPSS	225.6	-	225.6	268.3	-	268.3	19%	0%
State Department for Gender	**1,998.8**	**3,584.9**	**5,583.7**	**2,337.4**	**3,822.9**	**6,160.3**	**10%**	**8%**
Community Development	983.4	3,209.0	4,192.4	1,044.3	3,500.0	4,544.3	8%	6%
Gender Empowerment	793.9	375.9	1,169.8	967.1	322.9	1,290.0	10%	2%
GAPSS	221.5	-	221.5	326.0	-	326.0	47%	0%

Table 42: Sector Ceiling in FY2025/26 for MDAs under SPCR

Sector/Vote/Programme Details	Approved Estimates 2024/25	BPS Ceilings % change in 2025/26	% change in allocation	% Share of the Sector Budget 2024/25	% Share of the Sector Budget 2025/26
1 State Department for Labour	4,368.5	6,221.0	42%	6%	8%
2 State Department for Culture and Heritage	2,827.3	3,541.6	25%	4%	4%
3 State Department for Youth Affairs and the Art	3,438.2	4,306.4	25%	5%	5%
4 State Department for Social Protection, Pensions & Senior Citizens Affairs	35,169.0	39,875.1	13%	51%	51%
5 State Department for Gender	5,583.7	6,160.3	10%	8%	8%
6 State Department for Sports & Arts	17,555.5	18,681.4	6%	25%	24%
SOCIAL PROTECTION, CULTURE AND RECREATION	**68,942.2**	**78,785.8**	**14%**	**100%**	**100%**

Source: *The Social Protection, Culture, and Recreation (SPCR) Sector Report, National Treasury*

Social protection and the arts are not a core pillar under BETA; however, they are labelled as enablers, and they get a fair share of the BPS. For example, the BPS speaks to the priorities of building and refurbishing of stadia in preparation of the CHAN competition in 2027. There are also other priorities such as construction of 160 constituency sports academies. However, the MDA responsible also happens to have the least increase in its budget and in fact sees its share of the sector's budget decline by a percentage point.

Another key priority for the sector over the medium term is youth empowerment which has a proposed 25 percent increase in its allocation. This will, among other items, target to empower 2.5 million youth and build 150 centres. However, this comes at a time when the cabinet has approved a process to reform state corporations that are responsible for women and youth empowerment under GECA. Therefore, its not clear whether the reforms in empowerment programmes will affect those in this sector and that may require some level of caution as the sector budgets for 2025/26.

However, with the anticipated reforms of the state corporations related to empowerment, it would be more prudent to have the funding transferred to the State Department for Sports where the pressure to complete the stadiums in time will remain high.

The Social Development and Children Services programme are critical budget lines in consideration of the number of children who are in poverty. The cut by 21 percent and equivalent of nearly a billion shillings risks affecting a central component of taking care of vulnerable children. Therefore, it is our position that the budget for this critical programme be increased as a response to the increased number of poor children.

The Medium-Term Plan Four, targets having 3.2 million vulnerable Kenyans on-board the social protection cash transfer programme. The government reached 1.7 million through the transfer programmes according to the sector report. This means the government has to almost double the number of persons in the cash transfer programme in just under two years. Therefore, an annual increase of the State Department for Social Protection's budget by 13 percent may not be enough. The government has to increase the funding by at least 50 percent in 2025/26 and 2026/27 to meet this target. The allocation for the state department should be at least Ksh 58.8 billion in 2025/26 and 78.4 billion by 2026/27.

However, even with potential increases in funding, this will not meet the needs of vulnerable individuals. From the latest poverty report by the KNBS, there are 20.2 million poor people. Therefore the 3.2 million that can be reached with the accelerated increase in funding will only cover 16 percent of poor individuals in the country. This increases the need to aggregate key social protection interventions to have a coherent approach to who benefits and give more visibility to the available resources to cushion the poor.

The sports programme is the second largest in the sector by budgetary allocation at Ksh 18.7 billion. According to the Budget Policy Statement, the State Department for Sports will construct one stadium in the coming year. This is a significant investment, and it raises the question of whether this should be a Public-Private -Partnership. The country is currently facing challenges on international level stadium for the national play to use. In the recent past, the national football team had to play some of its international matches abroad. The wider challenges is the poor maintenance of such facilities. Therefore, it seems more prudent to have a PPP approach that guarantees the construction, completion and maintenance of large stadiums.

Critical questions to Parliament

a. How can the implementation of social protection policies ensure there is better coordination, integration and efficiency to reduce the fragmentation of social protection programs, which has been flagged before by the National Assembly as a key challenge to the impact on poor and vulnerable households?
b. Several state corporations in the sector are marked for reform in line with a cabinet decision from early 2025. How will these changes impact on the sector's capacity to deliver on their mandate and other core objectives of the sector?
c. The latest poverty reports show that more households are dropping into poverty and that means they are more dependent on government services and social protection cushion. Is Parliament tracking the relevance of current programs within this context?
d. As the government continues to pursue an aggressive fiscal consolidation program what is the realistic long-term sustainability for the sector to ensure its well-funded in the future?

Conclusion

The Social Protection, Culture and Reaction sector in Kenya is definitely a crucial part of the country's social inclusion, youth empowerment and equitable service delivery especially for vulnerable and poor households. However, as shown in this analysis the sector is facing challenges that affect its ability to achieve the sector objectives. These challenges include a lower than needed allocation trend against the targets for social protection, and budget absorption rates declining consistently across the past three years. This is further compounded by the rising levels of poverty and ongoing reforms of state corporations which pose both opportunities and risks for service delivery.

Therefore, to sustain progress in the sector's budget outcomes, it must address issues related to poor budget execution, ensure that reforms on state corporations and introduction of new laws such as the social protection bills do not compromise core social protection serveries and that there is improved coordination among various MDAs, programmes and sub-programmes to reduce duplication of efforts. To expand social protection programmes in response to increased poverty and aligning with goals in the MTP, the government has to invest more funds in the sector.

The existence of pending bills in the sector, particularly in recurrent expenditures, and the ever-present issues of budget revisions, delayed payments, and exchequer releases, point to systemic weaknesses in financial management and project execution. The low completion rate of development projects is a further symptom of a PFM system that is not working as it should. A concerted effort is necessary to streamline and aggregate social protection programmes across government, ensure there is equitable allocation of resources based on the need across groups and geographies, improve budget execution and have stronger accountability structures that can help ensure there is efficiency in spending in the sector.

Table 43: SPCR Budgets for State Departments over FY2021/22 – 2023/24 (KSh Million)

Sector/Vote/Programme Details	Total Approved Budget			Total Actual Expenditure			% level of KPIs Achieved	% level of KPIs Achieved	Absorption Rate		
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24	2023/24	2023/24	2021/22	2022/23	2023/24
SOCIAL PROTECTION, CULTURE AND RECREATION	**69,468.6**	**65,295.6**	**72,848.4**	**66,607.2**	**60,252.6**	**65,704.9**	**77%**	**100%**	**96%**	**92%**	**90%**
State Department for Sports & the Arts	**16,475.0**	**13,919.0**	**17,612.0**	**15,822.0**	**12,193.0**	**15,898.0**	**84%**	**112%**	**96%**	**88%**	**90%**
Sports	16,475.0	13,444.0	17,612.0	15,822.0	11,797.0	15,898.0	84%	112%	96%	88%	90%
The Arts	-	246.0	-	-	199.0	-			0%	81%	0%
Library Services	-	229.0	-	-	197.0	-			0%	0%	0%
State Department for Culture and Heritage	**3,154.6**	**3,288.5**	**2,784.9**	**3,113.6**	**3,164.6**	**2,748.0**	**70%**	**100%**	**99%**	**96%**	**99%**
Culture Development	1,984.5	2,459.8	2,571.4	1,961.3	2,341.9	2,544.2	56%	100%	99%	95%	99%
The Arts	185.7	97.7	-	179.7	96.2	-	74%	100%	97%	0%	0%
Library	804.9	572.4	-	798.3	569.0	-	49%	45%	99%	0%	0%
GAPSS	179.5	158.7	213.5	174.3	157.5	203.8	100%	100%	97%	0%	95%
State Department for Labour and Skills Development	**3,611.0**	**3,358.4**	**5,666.0**	**4,228.3**	**4,093.2**	**4,279.4**	**74%**	**82%**	**117%**	**122%**	**76%**
Labour, Employment and Safety Services	939.3	1,077.5	1,600.9	910.5	1,064.8	1,128.8	65%	82%	97%	99%	71%
Manpower Development, Industrial Skills & Productivity Management	2,230.9	1,732.6	3,371.1	2,880.8	2,487.4	2,458.2	56%	80%	129%	144%	73%
GAPSS	440.8	548.3	694.1	437.0	541.0	692.5	100%	100%	99%	0%	100%
State Department for Social Protection, Pensions & Senior Citiz	**37,211.7**	**38,246.1**	**36,833.7**	**35,557.4**	**35,080.0**	**33,817.5**	**88%**	**100%**	**96%**	**92%**	**92%**
Social Development and Children Services	4,416.1	4,936.7	5,200.9	4,033.2	4,107.5	4,162.5	73%	100%	91%	83%	80%
National Safety Net Program	32,583.4	33,014.4	31,338.0	31,323.7	30,718.2	29,366.9	90%	96%	96%	93%	94%
GAPSS	212.2	295.0	294.7	200.6	254.3	288.1	100%	100%	95%	0%	98%
State Department for Gender and Affirmative Action	**3,621.0**	**3,946.0**	**5,739.5**	**3,534.1**	**3,489.3**	**5,126.4**	**94%**	**100%**	**98%**	**88%**	**89%**
Community Development	2,185.8	2,186.0	3,036.4	2,185.8	2,186.0	3,036.4	99%	100%	100%	100%	100%
Gender Empowerment	1,122.2	1,460.4	2,340.6	1,042.5	1,010.1	1,744.8	86%	100%	93%	69%	75%
GAPSS	312.9	299.6	362.6	305.8	293.2	345.2	98%	100%	98%	0%	95%
State Department for Youth Affairs	**5,395.4**	**2,537.7**	**4,212.2**	**4,351.7**	**2,232.5**	**3,835.6**	**53%**	**54%**	**81%**	**88%**	**91%**
Youth Empowerment	5,395.4	-	-	4,351.7	-	-			0%	0%	0%
Youth Empowerment Services	-	789.9	626.8	-	625.0	411.2	75%	90%	0%	79%	66%
Youth Development Services	-	1,412.8	1,393.9	-	1,276.9	1,272.6	30%	16%	0%	90%	91%
GAPSS	-	334.9	354.0	-	330.6	351.4	54%	55%	0%	0%	99%
The Arts	-	-	1,413.3	-	-	1,377.8			0%	0%	97%
Library Services	-	-	424.1	-	-	422.6			0%	0%	100%

3.9 Environment Protection, Water and Natural Resources (EPWNR) Sector

3.9.1 Overview of the EPWNR Sector

The EPWNR Sector funding in FY 2025/26 represents 5 percent of the National Budget – a trend that has continued for three years in a row. The BPS has a proposed 2.5 percent increase in the EWNR sector budget from

Table 44: Summary of EWNR Sector Budget and BPS proposition

Environment, Water and Natural Resources by State Department	Approved Estimates 2024/25 (KSh Million)	2025/26 BPS Ceiling (KSh Million)	% Change	IPF Proposed Budget (Adjusted Budget & Justification)	Justification
Irrigation	21.4	18.9	(2.5)	(12%)	21%
Water & Sanitation	49.8	46.1	(3.7)	(7%)	49%
Mining	1.0	1.7	0.7	68%	1%
Wildlife	12.4	14.4	2.0	16%	12%
Environment & Climate Change	4.5	6.4	1.9	44%	4%
Forestry	12.1	16.3	4.3	35%	12%
TOTAL	**101.2**	**103.8**	**2.6**	**2.5%**	**100%**

Ksh 101 billion in FY 2024/25 to Ksh 104 billion in FY 2025/26. (as shown in Table 45) This increase is largely due to significant increases in: (a) Mining (68 percent)after decriminalizing artisanal mining and enhancement of refining capacity; (b) Environment and Climate Change (44 percent)and (c) Forestry (35 percent)arising from aggressive tree planning.

1. Some key sub-sectors have been significantly impacted negatively by fiscal consolidation. The biggest cut was to Irrigation at 12 percent followed by Water and Sanitation (7 percent). It is not clear why these have such reductions yet food security remains elusive in the country and water borne diseases need much attention.

2. The result from various types of analyses carried out in this document brings out the following main issues as requiring attention in the considerations of the budget policy statement:

    a) One of the singular greatest threat to the country core of the population is the ravages of drying rivers, deepening water tables, and debilitating instability of the state of the environment. The focus of water sources is limited to the water towers, while reliability of the groundwater availability dwindles as the water tables continue to be increasingly deeper. Recharge of all the groundwater aquifers (shallow and deep) across the country should be prioritized. Policy instruments and subsequent operational regulations are in place but pro-active Integrated Water Resources Management addressing development of water storages in all areas including the expansive ASAL rangeland (85 percent of the land-mass) should be done in tandem with deliberate support of budgetary provisions.

    b) As the achievement KPIs trail behind budget absorption, and as bottlenecks cited such as, delayed disbursements, low budgetary provisions, continue to be seen, the overriding need for food security should first address irrigation in terms of already invested infrastructure works in existing schemes. With the bulk of the system and staffing already in place, little investment in these irrigation schemes results in high immediate returns, including employment creation. This type of investment is worthwhile and some minimal investment could be needed to polish up the completion. Securing success in irrigation in all its facets requires expanded focus on local level water harvesting with direct beneficiary gains. The thrust of the policies should be those that would facilitate expansion of the creation of local level job opportunities for the youth and women, the main drive being micro-irrigation. This is yet to be funded. Conversely, less priority should be placed in high investment and operational cost projects with poorer economic returns, such as the Galana-Kulalu irrigation project.

    c) Thwake dam is reeling under heavy pollution problems from Nairobi and upper catchment of River Athi, making the water unfit for people around it, and likely to affect negatively the lives of large human and animal populations for nearly 300km downstream. Without an elaborate plan on how to deal with this pollution, including industrial controls in Nairobi, the dam risks being a white elephant. Its development therefore should have a parallel project to ensure that pollution is dealt with as an integral part.

3.9.2 Analysis of past budget performance against key performance indicators

Table 45: Analysis of EPWNR past financial and non-financial performance

Total	Approved Budget			Actual Expenditure			Absorption Rate 2023/24	% Level of Achievement 2023/24
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24		
State Department for Irrigation	**3,295.0**	**4,070.0**	**22,158.0**	**3,050.0**	**3,384.0**	**19,264.0**	**87%**	**76%**
Irrigation and Land Reclamation	-	1,007.0	18,061.0	-	877.0	15,290.0	85%	53%
Water Resources Management	-	801.0	-	-	791.0	-	0%	
Water Storage and Flood Control	-	-	2,377.0	-	-	2,377.0	100%	78%

Total	Approved Budget			Actual Expenditure			Absorption Rate 2023/24	% Level of Achievement 2023/24
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24		
Water Harvesting and Storage for Irrigation	3,295.0	2,262.0	1,551.0	3,050.0	1,716.0	1,435.0	93%	72%
General Administration, Planning and Support Services	-	-	169.0	-	-	162.0	96%	100%
Environment and Forestry Sub-sector	**14,606.0**	**13,705.0**	**6,996.0**	**13,012.0**	**11,925.0**	**6,197.0**	**89%**	**82%**
General Administration And Support Services	509.0	701.0	912.0	473.0	663.0	893.0	98%	
Environment Management and Protection.	3,535.0	2,913.0	4,519.0	2,512.0	2,301.0	4,021.0	89%	78%
Meteorological Services	1,259.0	1,322.0	1,490.0	1,190.0	1,162.0	1,208.0	81%	100%
Forest Resources Conservation and Management	9,303.0	8,769.0	75.0	8,837.0	7,799.0	75.0	100%	69%
Water and Sanitation Sub-sector	**77,869.0**	**66,943.0**	**51,499.0**	**66,988.0**	**48,374.0**	**39,222.0**	**76%**	**65%**
General Administration And Support Services	870.0	1,136.0	1,564.0	868.0	1,093.0	1,536.0	98%	67%
Water Resources Management	20,187.0	12,928.0	9,584.0	17,578.0	10,881.0	5,874.0	61%	74%
Water and Sewerage Infrastructure Development	33,084.0	36,658.0	40,351.0	28,740.0	23,586.0	31,812.0	79%	53%
Irrigation and Land Reclamation	11,550.0	7,399.0	-	8,473.0	5,515.0	-	0%	
Water Storage and Flood Control	8,883.0	7,555.0	-	8,279.0	6,082.0	-	0%	
Water Harvesting Storage for Irrigation	3,295.0	1,267.0	-	3,050.0	1,217.0	-	0%	
Mining Sub-sector	**-**	**369.0**	**2,810.0**	**-**	**349.0**	**1,713.0**	**61%**	**72%**
Mineral Resources Management	-	84.0	441.0	-	75.0	235.0	53%	79%
Geological Survey & Geo-information Management	-	98.0	1,528.0	-	92.0	754.0	49%	55%
General Administration And Support Services	-	187.0	841.0	-	182.0	724.0	86%	83%
Wildlife Sub-sector	**9,644.0**	**9,730.0**	**14,970.0**	**8,595.0**	**9,520.0**	**13,125.0**	**88%**	**64%**
Wildlife Conservation and Management	9,644.0	9,730.0	14,970.0	8,595.0	9,520.0	13,125.0	88%	64%
Forestry Sub-sector	**-**	**3,009.0**	**13,527.0**	**-**	**2,770.0**	**13,403.0**	**99%**	**74%**
Environment Management and Protection	-	4.0	-	-	4.0	-	0%	78%
Forests Resources Conservation and Management	-	3,005.0	13,527.0	-	2,766.0	13,403.0	99%	69%
Environment Protection, Water and Natural Resources (EPWNR)	**105,414.0**	**97,926.9**	**111,960.0**	**91,645.0**	**76,324.0**	**92,925.0**	**83%**	**62%**

2.1 Sector funding and alignment to needs

The overall EPWNR Sector absorption in FY 2023/24 was 83 percent while the KPI achievement stood at 62 percent. Four out of the Six State Departments within the Sector achieved absorption rates above 80 percent of their total budgets. These are Irrigation (87 percent), Environment and Climate Change (89 percent), Wildlife (88 budget was 88 percent while development budget was 62 percent. Difficulties in implementing the water and sewerage projects have been blamed on delayed disbursement of funds and budget cuts. The sustainable provision of improved water services and access to safe sanitation, which depends on water, is inherently linked to the sustainability of the water resources as the foundation. In this regard, the policy instruments and subsequent operational regulations that would enhance the recharge of groundwater across the entire country need to be development, enacted and supported by budgetary provisions.

Mining: Mining with an absorption rate of 61 percent saw an increase of 68 percent. A boost in performance has been noted since the decriminalization of artisanal mining. The last two FYs are a pointer towards a promising trend in growth, which justifies the increased budget. The mining sub sector, despite absorbing 95 percent of its total budget, only achieved 57 percent of its Key Performance Indicators on average. The government should push through the agenda of raising the professionalism of the sector, and ensure that benefits are realized at the grassroots.

Wildlife: The Wildlife Sub-Sector at a KPI achievement value of 88 percent continues to put emphasis on conservation, which has shown a vibrant return in terms of A.I.A. The Wildlife and Forestry sub sectors had absorption rates of 98 percent and 92 percent respectively, while only achieving 62 percent and 58 percent of their KPIs respectively. This imbalance between KPIs and absorption should be addressed.

Environment and Climate Change: Environment and Climate Change can be seen in the narrower sense of the development of water resources and supply infrastructure, as a key ingredient to employment through the agricultural sector – the backbone of Kenya's economy. This thrust is not evidently translated into financial commitments – a situation that needs to be corrected. The MTEF has clear references and undertones in the main discussions and in the risks, on the devastating and no doubt, debilitating impact of environmental degradation and climate change on people's livelihoods and the economy. This resurrects a once all-important global agenda but now less talked about IWRM – Integrated Water Resources Management. The IWRM agenda was never pushed through to realize the full benefits that would have been derived thereby. The result is a wake-up call to start battling with the vagaries of the widespread degradation that we now see across the whole county, negatively affecting household incomes. Holistic water harvesting alongside enhanced forest cover across all areas, including the expansive rangelands, would require a dedicated programme estimated to cost Ksh.810 billion over a 20 years period.

Forestry: Forestry has registered vibrance in the budget absorption of a high of 99 percent, the greatest gains being in the farm forestry and other areas. The momentum that is building is a great step towards restoration of the Country's base for water resources and much needed environmental integrity. The Government needs to sustain this impetus. No doubt, a definitive policy on sustainable charcoal production is also needed.

Question: It is not clear why the 'Irrigation and Land Reclamation' and 'Water Resources Management' are repeated in the Irrigation and Water and sanitation sub-sectors and funded in both. This anomaly needs to be corrected going forward.

2.2 KPIs, Targets and Absorption

2. The level of the attainment of KPIs in the Sector is generally lower (62%) compared to the absorption rate (83%). It is important to address the underlying causes of this imbalance. High absorption rates in recurrent expenditure are not matched on the capital expenditure side. Notable examples are Mining and Wildlife with recurrent of 78% and 91% respectively, while development is only 23% and 47% respectively. There is a need to align KPIs, targets and achieved targets across relevant sub-sectors to ensure coherence and effectiveness in achieving departmental objectives.
3. The subsectors within the EWNR Sector tend to operate in silos and are not seamlessly interconnected, except Irrigation, Water and Sanitation, which fall under one Ministry. As such, regular communication, collaboration, and monitoring would be essential for addressing inconsistencies and improving efficiency in the use of resources, as alluded to in the Budget Policy Statement 2025. The solution being the use of achievable smart KPIs that are aligned across departments to enhance transparency and accountability. Monitoring and evaluation mechanisms exist but effective implementation is crucial. Furthermore, there are cases of adhoc achievement of

targets that had no budgets nor initial line items as KPIs. Examples include commercial forestry – technology development and innovation (12% achievement against no target); and General administration, planning and support services – staff training (32 KPIs realized against no target).

2.3 Analysis of Pending Bill

The cumulative pending bills between FY 2021/22 and FY 2023/24 stood at Ksh.74.6 billion, of which, Ksh. 13 billion (17.4 percent) was due to lack of exchequer allocation and Ksh. 61.5 billion (82.6 percent) was due to lack of budgetary provision. The Recurrent portion of the pending bill was Ksh. 56.1 billion (75 percent), of which Ksh. 2.3 billion (4 percent) resulted from a lack of exchequer allocation, while Ksh. 53.8 billion (96 percent was due to lack of budgetary provision. On the other hand, the pending bills in the Development vote was Ksh. 18.1 billion of which Ksh. 10.3 billion was due to lack of exchequer allocation, and Ksh 7.7 billion was due to lack of budgetary provision.

Overall, the value of the pending bills increased by 153 percent over that period. (See Table 46).

Table 46: Cumulative increase in pending bills for EPWNR Sector over FY2021/22 – 2023/24 (Ksh billion)

Environment Protection, Water and Natural Resources	2021/22	2022/23	2023/24	% Increase	% Share
Irrigation	15.22	33.96	36.80	142%	49%
Water and Sanitation	7.49	12.81	20.48	173%	27%
Mining	0.00	0.06	0.23	6,746%	0%
Wildlife	2.74	5.42	8.50	211%	11%
Environment and Climate Change	0.07	0.20	0.58	680%	1%
Forestry	3.97	6.02	8.03	102%	11%
GRAND TOTAL	29.50	58.47	74.62	153%	100%

The highest percentage increase was in mining followed by environment and climate change, although the amounts are relatively small, yet the deterioration in payments points to an increasing risk. In quantitative terms, the biggest share of the pending bills falls in the sub-sectors with high value projects, namely, irrigation and water and sanitation.

The rise of the pending bills has been linked to persistent inadequate provisions to finance their clearing leading to uncontained growth and deterioration of this state of affairs. (see Table 47).

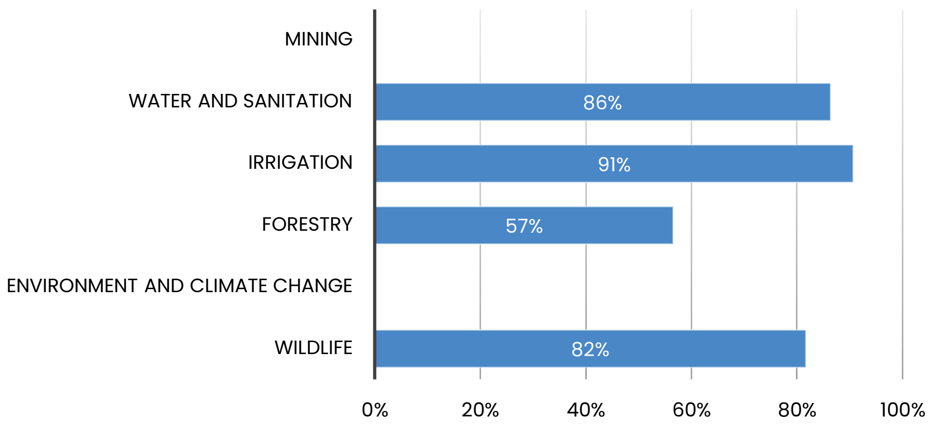
Table 47: Reasons for non-payment of pending bills

Environment Protection, Water and Natural Resources	Due to Lack of Exchequer (Ksh. Million)			Due to lack of Provision (Ksh. Million)		
Summary of pending Bills	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
Irrigation	-	-		15,223.84	18,736.40	2,837.93
Water and Sanitation	3,477.00	2,045.00	4,243.00	4,013.00	3,273.10	3,424.06
Mining	3.40	59.80	128.84	0.00	0.00	40.72
Wildlife		866.63	1,454.03	2,736.83	1,821.24	1,621.04
Environment and Climate Change	74.61	121.44	386.14	0	0	0
Forestry	-	-	201	3,974	2,046	1,811
GRAND TOTAL	3,555.01	3,092.87	6,413.01	25,947.67	25,876.74	9,734.75

2.4 Appropriations in Aid (A.I.A) for EPWNR Sector

Whilst the EWNR Sector budget stands at 5 percent of the national budget, the A.I.A budget for the sector is 6.9 percent and A.I.A expenditure accounts for 8.9 percent respectively of the national total budget. Overall, the A.I.A expenditure accounts for 34 percent of the total sector expenditure. The aggregate A.I.A budget absorption is relatively high standing at 81 percent. Within the EWNR Sector A.I.A sources, the Water and Sanitation A.I.A expenditure is the highest, representing 49 percent, which is mainly driven by water services business, followed by wildlife at 24 percent in Game Park services, and Irrigation at 21 percent, driven by irrigation systems support.

Figure 19: Percent of Figure 20AIA Achieved by State Departments in the EPWNR Sector in FY 2023/24



Data Source: *COB Report*

Generation of A.I.A revenues from the Irrigation sub-sector is mainly from management of the main canals in the large national irrigation schemes, such as Bura, Ahero, etc. So far this has been low in relation to the expenditure of the NIA. However, there is considerable room for this revenue to be considerably increased, and make a contribution to the level of A.I.A. Whilst mining is still being organized into profitable artisanal enterprises with the new legal provisions that have recently been enacted, a structured and facilitation approach has the potential to raise A.I.A revenues. Similarly, provision of seedlings for afforestation and farm forestry has remained at the level of promotion, or rather provision rather than as an income stream to the sub-sector. The space between pricing of government seedlings and private sector tree nurseries provides some flexibility to raise income in the form of A.I.A that is yet to be tapped.

2.5 Sector Priorities in the 2024 BPS

The 2025 Budget Policy Statement BPS places EWNR sector as essential to the sustainable development and prioritizes environment and climate change. This is aimed at realizing a sustainable biomass build-up in the country, emissions reduction by 32 percent and related value chains, as part of the attainment of the targets set out under the Bottom-Up Economic Transformation Agenda (BETA). The BPS, however, notes and rightly so, that the economy faces significant challenges arising from climate change and environmental degradation.
Priority focus has been given to Natural Resources including Minerals & Forestry as key value chain areas for implementation of the agenda. The sector priorities as stated in the BPS include irrigation and water storage, water and sewerage infrastructure development environmental conservation, and reforestation.

3.9.3 Analysis of FY2025/26 Budget Propositions, Key Questions and Recommendations

The objectives of this section are to:

- Determine whether government policies and programs achieve their intended goals
- Track expenditure to establish whether there is overspending and inefficiencies
- Ensures public funds are used efficiently to maximize benefits to the citizens
- Evaluate how effectively funds are allocated to different programmes within the sector

The BPS criteria for prioritization of budget allocation has been driven by:

- On-going transformative projects;
- Counterpart funds towards projects and programmes financed by development partners; and
- Strategic policy interventions, being nationwide, regional, social equity and environmental conservation.

3.1 KPIs Performance against Targets

The realization of targets in the various sub-sectors are as shown in Table 48 below.

Table 48: Sector Achievement of KPI Targets by Sub-Sector and Programme in FY 2023/24

Sub-Sector	Programme	KPIs in Total	Targets set		Zero-0% Complete of Target		Achieved, >=50% of Target set		Complete 100% of Target set		Results with No Targets	
Irrigation & Land reclamation	KPI=76%, 87% Absorption	66	38	58%	7	18%	21	55%	8	21%		0%
Water and Sanitation	KPI=65% 76% absorbed	221	129	58%	14	11%	95	74%		0%		0%
	Flagship	12	10	83%		0%	3	30%		0%		0%
Environment and Climate Change	KPI=82%, 89% Absorption	82	46	56%	9	20%	33	72%	22	48%	2	4%
	Flagship	25	15	60%		0%		0%	11	73%		0%
Mining	KPI=72%, 61% Absorption	31	17	55%	3	18%	17	100%		0%	3	18%
	Flagship	9	7	78%		0%		0%	6	86%		0%
Wildlife	KPI=64%, 99% Absorption	76	51	67%		0%	39	76%	21	41%	3	6%
	Flagship	13	8	62%		0%		0%		0%		0%
Forestry	KPI= 74%, 99% Absorption	85	55	65%	10	18%	36	65%	27	49%	1	2%
	Flagship	10	3	30%		0%		0%	4	133%		0%
TOTAL		630	379	60%	43	11%	244	64%	99	26%	9	2%

The total KPIs indicated are drawn from all projects set out for each sub-sector. Not all the KPIs translate into targets and overall, 60 percent of all KPIs had targets. Some 11 percent of all projects did not start although there were set targets. The general performance was fair with 64 percent of all projects having attained 50 percent completion or more. Out of these, 26 percent were fully completed. The 100 percent completion also includes projects that are still ongoing and at various stages of completion, whereby the set targets which could be, for example, a planned 12 percent completion, as a stage in a multi-year project. There were a few (9 percent)of KPIs realized that had not been targeted.

The Irrigation sub-sector is key to food security, which continues to be a national challenge. The Water and Sanitation Infrastructure Development programme represents a big skew in terms of under-achievement of actual targets. As noted earlier, there were challenges of inadequate funds arising from budget cuts and delayed exchequer releases. The environment and climate change sub-sector registered an overall good performance of the targets set. The Mining sub-sector generally performed well propped by increased budget allocation and policy legislation that facilitated achievement of targets. This has the advantage of a nation-wide growth in gains. The Wildlife sub-sector outputs had not been presented in an easily quantifiable manner overall in terms of KPIs used for the analysis. A number of projects met the MTP-IV criteria of being largely ongoing transformative donor funded projects with counterpart funding. The general under-targeting and under-achievement in some cases poses challenges in realizing the commitments made in the policies and strategies. Key to this is that a few of the flagship projects might not be completed by 2030, unless deliberate budget ringfencing and focus is done.

Budget adjustments: Overall, the Environment sector received a 2.5 percent budget increase in its allocation for the FY 2025/26 budget. Some state departments received budget cuts while others received increases. Environment & Climate Change had the biggest budget cut of 3.7 percent, while the Irrigation budget hasd a cut of 2.5 percent. The others had budget increases: the State Department for Forestry-4.2 percent, State Department for Mining (1.9 percent), State Department for Wildlife (1.9 percent), and State Department for Water & Sanitation (0.6 percent).

3.2 Analysis and propositions to the budget for FY2025/26

There is a generally lower rate of KPI achievement compared to the budget absorption. At the same time, there are numerous KPIs that had no targets set. Still in some cases, there were results realized but against no set targets. There is no doubt that challenges with funds constituted a major factor, whilst inappropriate targeting also set to lower the overall performance of the sector. In the outlook for the next budget cycle, the recommendations are driven by sub-sector performance, outstanding needs and budget constraints as shown below: (and summarized in Table 49)

(a) *Irrigation:* The BPS reduced the allocation of this sub-sector by 12 percent from Ksh.21.4 billion to Ksh.18.9 billion. Absorption has shown some fluctuation but generally lower than 87 percent. A strong focus on direct schools and household systems of irrigation as opposed to large and expensive infrastructure is the optimum direction to go. Marginal substantive and impactful development activities are planned to be moved to completion, with no further funding of Galana-Kulalu. In view of this, and absorption challenges, the budget proposition of Ksh. 18.2 billion should be sustained.

(b) *Water and sanitation:* The BPS reduced this budget by 7 percent from Ksh.49.8 billion to Ksh.46.1 billion. This sub-sector has a robust A.I.A from water sales strengthened by increasing urbanization. However, budget absorption has been low, at an average of 65 percent and year-on-year, and even fell to 76 percent. Delayed counterpart funds to development partner contribution remain a challenge, especially with the flow to SAGAs through the Treasury. In view of these factors, and taking into account high value infrastructure projects with guaranteed external sources, the budget proposition would be some-what depressed and, in order to keep recurrent expenditure in place, is put at Ksh. 43.6 billion.

Table 49: Analysis of EPWNR Sector budget for FY2025/26

Sector/Vote/Programme Details	Approved Estimates 2024/25 (A)			2025/26 BPS Ceilings (B)			% change in allocation (B-A)/A	% Share of the Sector Budget
	Rec	Dev.	Total	Rec	Dev.	Total		2024/25
Environment, water protection and natural resources	**32,152.1**	**69,045.0**	**101,197.1**	**33,699.2**	**70,065.4**	**103,764.6**	**3%**	**100%**
State Department for Irrigation	**1,178.4**	**20,228.6**	**21,407.0**	**1,419.2**	**17,444.4**	**18,863.6**	**-12%**	**21%**
Irrigation and Land Reclamation	610.9	16,364.6	16,975.5	822.2	14,070.4	14,892.6	-12%	17%
Water Storage and Flood Control	407.9	1,504.0	1,911.9	408.0	1,950.0	2,358.0	23%	2%
Water Harvesting and Storage for Irrigation	17.2	2,360.0	2,377.2	28.0	1,424.0	1,452.0	-39%	2%
General Administration And Support Services	142.4		142.4	161.0		161.0	13%	0%
State Department for Water & Sanitation	**5,739.6**	**44,100.6**	**49,840.2**	**6,209.0**	**39,908.0**	**46,117.0**	**-7%**	**49%**
General Administration And Support Services	557.8	115.0	672.8	598.0	307.0	905.0	35%	1%

Sector/Vote/Programme Details	Approved Estimates 2024/25 (A)			2025/26 BPS Ceilings (B)			% change in allocation (B-A)/A	% Share of the Sector Budget
	Rec	Dev.	Total	Rec	Dev.	Total		2024/25
Water and Sewerage Infrastructure Development	3,254.8	33,798.6	37,053.4	3,481.0	25,351.0	28,832.0	-22%	37%
State Department for Mining	**994.8**	-	**994.8**	**1,034.6**	**632.0**	**1,666.6**	**68%**	**1%**
General Administration And Support Services	396.3		396.3	405.6		405.6	2%	0%
Mineral Resources Management	307.6		307.6	345.0	294.0	639.0	108%	0%
Geological Survey and Geoinformation Management	290.9		290.9	284.0	338.0	622.0	114%	0%
State Department for Wildlife	**12,054.1**	**360.0**	**12,414.1**	**12,083.0**	**2,298.0**	**14,381.0**	**16%**	**12%**
Wildlife Conservation and Management	12,054.1	360.0	12,414.1	12,083.0	2,298.0	14,381.0	16%	12%
State Department for Environment & Climate Change	3,153.6	1,307.8	4,461.4	3,693.0	2,712.0	6,405.0	44%	4%
Environment Management and Protection	1,508.2	1,137.8	2,646.0	1,789.0	2,268.0	4,057.0	53%	3%
General Administration And Support Services	553.1		553.1	596.0		596.0	8%	1%
Meteorological Services	1,092.3	150.0	1,242.3	1,308.0	403.0	1,711.0	38%	1%
Water Rehabilitation and Conservation	-	20.0	20.0	-	41.0	41.0	105%	0%
State Department for Forestry	**9,031.6**	**3,048.0**	**12,079.6**	**9,260.4**	**7,071.0**	**16,331.4**	**35%**	**12%**
Forests Development, Management and Conservation	8,894.5	3,048.0	11,942.5	9,056.0	7,071.0	16,127.0	35%	12%
Agroforestry and Commercial Forestry Developmen	8.5	-	8.5	21.4		21.4	152%	0%
General Administration And Support Services	128.6	-	128.6	183.0		183.0	42%	0%

(c) *Environment, forestry and climate change:* The BPS increased allocation by 44 percent from Ksh.4.5 billion to Ksh.6.4 billion. The average KPI achievement was 82 percent and at no time higher than 89 percent. The sub-sector failed to set any targets for 44 percent of the KPIs. There is some degree of overlaps in the types of KPIs with the forestry sub-sector. While aiming to prop this sub-sector due to its strategic importance, and in view of budgetary constraints, and looking at the broad general administrative requirements, the budget has been proposed at Ksh. 6.2 billion.

(d) *Mining:* The BPS increased the budget by 68 percent from Ksh.1 billion to Ksh.1.7 billion. The biggest gains in this sub-sector have been in the software arena, that is, strengthening of policies, development of regulations and other operational tools to open up and free up the sub-sector. Large investments in terms of mining remain within the ambit of the private sector actors. The overall budget is modest in relative terms. In this regard, taking into account the need to put in place the legal and regulatory instruments to fully anchor it, the budget is recommended at Ksh.2.0 billion.

(e) *Wildlife:* An increase of 16 percent from Ksh.12.4 billion to Ksh.14.4 billion is made under the BPS. Wildlife conservation and minimizing human-wildlife conflicts continue to take centre-stage, alongside the related fencing infrastructure. The sub-sector also enjoys a robust A.I.A from park gate charges. Still, the exchequer continues to shoulder the promotional, security and payments of long-term outstanding bills for compensation of aggrieved victims of human-wildlife conflicts. In view of all these factors, and aspects of budget consolidation, budget is proposed at Ksh. 14.0 billion.

(f) *Forestry:* The BPS has increased the budget by 35 percent from Ksh. 12.1 billion to Ksh.14.4 billion. This thrust remains valid given the much-needed push for enhanced tree planting. There is active and productive participation of development partners in the development of model tree nurseries needed to drive tree planting by sustaining availability of seedlings across the Country. The main role being therefore to promote the agenda of promoting tree planting nationally. The still nascent carbon credit benefits needs funds to be streamlined, while keeping the recurrent expenditure in place. As such, a budget of Ksh. 16.2 billion is thus proposed.

3.3 In-depth review of programmes and recommendations

An in-depth review of the EWNR Sector budget proposals for the FY 2025/26 has revealed the following issues:

(a) Irrigation and Land Reclamation

Irrigation, Land Reclamation and Flood control:

The BPS assigns this programme Ksh. 14.9 billion of the Ksh. 18.9 billion (78 percent) for the sub-sector. The bulk of this budget goes to rehabilitation of existing flagship projects, completion of dams, and the national expanded irrigation programme, as well as the small-holder irrigation projects.

(a) The Galana-Kulalu flagship project and its viable utilization remains largely in limbo. Being a pumping scheme, a centralized and highly professional model of management is a key requirement, owing to the high power cost of Ksh. 6.2 billion annually, and since gravity flow production has been hampered by lack of a suitable dam site. With the public bill standing at Ksh. 15.3 billion for the 5,100 acres laid out, ***any further investment is discouraged, and further development should be through a clear PPP arrangement and agreed returns to the exchequer, with some budget savings to be realized.***

(b): Under the National Expanded Irrigation Programme, the earmarked investment for Bura Irrigation Scheme is Ksh.8.55 billion, and so far, Ksh. 6.4 has been spent towards gravitating water by canal from Tana River, for the existing schemes with a target of 5,550 acres. This translates to Ksh.1.5 million per acre. So far, 4,300 acres have been opened. under the NIA. This is a viable venture due to the low operation costs. ***With the bulk of the system and staffing already in place, little investment results in high immediate returns, including employment creation. This type of investment is worthwhile and some minimal investment could be needed to polish up the completion.***

(c) The Turkana Irrigation project has so far cost Ksh.1.1 billion of the planned investment of Ksh. 9.2 billion, completing 3,500 acres out of 4,800 acres. Challenges reported with irrigation projects include water shortage, low community adoption, and management issues, among others. ***These should be resolved as a precursor to further investments.***

(b) Water and Sanitation

The absorption rate for the recurrent budget was 81 percent while the development budget was 75 percent. The water and sewerage infrastructure takes Ksh. 28.8 billion (62 percent) while Water Resources Management takes Ksh. 16.4 billion (35 percent) of the sub-sector budget of Ksh. 46 billion.

(a) Inadequate funding that has been blamed for most of the projects with poor KPI achievement needs to be addressed, especially the bottlenecks cited, such as, delayed disbursements, low provisions. The same applies for projects that are complete or almost complete but not operating optimally. These include: Dongo-Kundu water project Ksh. 500 million (77 percent complete), K-WASH Project Ksh.59.83 billion K-WASH (County uptake challenge, Thwake Dam Ksh. 82 billion (uncontrolled pollution), Saudi Funds Ksh. 500 million (stalled at 10 percent since 2010).

(b) The growth of water services and its sustainability stands in question as reliable water resources continue to dwindle. The current focus of water sources is limited to the water towers, while groundwater availability is less reliable and continues to be increasingly deeper. ***Recharge of all the groundwater aquifers across the country should be prioritized to deal with the deepening water tables.***

(c) Wildlife

The Ksh.14.6 billion allocated to Wildlife is primarily aimed at conservation. An important part of this is the resolution of human wildlife conflict. In this regard, an outstanding issue is compensation of victims and for which ***a streamlined mechanism needs to be in place including assigning and protecting of wildlife corridors.***

(d) Forestry

The highly ambitious and publicized goal of planting Ksh.15 billion trees by 2032 requires enormous resources and logistics. Seven Model Tree Nurseries with capacities of at least 1.2 million seedlings per year have been proposed and three with support of development partners and NGOs. Despite allocation of budgets for new tree nurseries against set targets, none was reported to be built using exchequer funds as reported in the November 2024 sector report. ***Proper accountability mechanisms are needed to monitor the results from these expenditures.***

3.4 Key Messages for EPWNR Sector in FY 2025/26

Water storage and Irrigation: The flagship Turkana Irrigation project has yet to see the light of day. It is unclear whether this was overtaken by events and substituted by smaller standalone irrigation projects. Other flagship water storage projects have been slow to start. These include Soin-Koru dam, costing Ksh.19.9 billion and facing financing challenges, Bosto dam estimated to cost Ksh.20 billion is yet to start; and Maragua-4 dam estimated to cost Ksh.42 billion is also yet to take-off. The country has been registering rapidly falling groundwater tables. It is therefore unclear why the proposed groundwater recharge has not started.

Full-cycle approach to projects and programmes: The Ksh. 82 billion Thwake dam is reeling under heavy pollution problems from Nairobi and upper catchment of River Athi, making the water unfit for people around it, and likely to affect negatively the lives of large human and animal populations for nearly 300km downstream. Without an elaborate plan on how to deal with this pollution, including industrial controls in Nairobi, the dam risks being a white elephant. Its development therefore should have a parallel project to ensure that pollution is dealt with as an integral part.

It is important to ensure technical, financial, social and institutional sustainability of the large-scale projects proposed under the flagship listing or otherwise. An example is the Galana Kulalu Irrigation project (initially estimated at Ksh.14.5 billion and has so far cost Ksh.15.3 billion – according to KIPPRA) which has suffered challenges to do with lack of an adequate water source, financing and administrative issues. This is further analyzed under the section *'Analysis and propositions to the budget for FY2025/26'*. Each of these types of projects should be objectively evaluated for full technical, economic and financial viability, including inputs, long term sustainability in terms of opex, challenges and risks. Above all, funding set aside should be adequate to see through the project to completion.

4. Natural Resources:

(a) The Mining Sub-Sector absorbed 98 percent of Ksh. 0.3 billion allocated in FY 2022/23, and 61 percent of Ksh.1.7 billion allocated in FY 2023/24. The approved budget was subsequently reduced to Ksh.1 billion in FY 2024/25. Development of mineral resources through cooperatives for artisanal miners offer a strong boost to potential employment owing to the large number of people involved. The 2025/26 BPS has increased the budget to Ksh.1.7 billion. The BPS thrust to prop this sub-sector through support to mining cooperatives and committees is a promising proposition, with the potential to raise income levels of low-income earners in the sub-sector. This mechanism will enhance local level ownership devoid of external interference, and is likely to give artisanal miners maximum gains.

(b) The steady growth of the Wildlife Sub-Sector budget from Ksh.9.5 billion to Ksh.13.1 billion in FY 2022/23 and FY 2023/24 respectively has been matched with relatively robust absorption rates of 98 percent and 88 percent respectively. The slightly depressed absorption may have led to a scaling down of the budget to Ksh.12.1 billion in the FY 2024/25 budget. But it is notable that safe co-existence of wildlife and people have remained elusive, and compensation of those negatively affected has been slow because of complex and lengthy payment processes. The thrust in the 2025/26 BPS to raise this to Ksh.14.4 billion recognizes that the inadequate budget provision militates against the sustainability of wildlife as a key natural resource. However, this does not necessarily address the problems related to compensation of wildlife victim, which the sub-sector must address to forestall the tendency of people to fight back and seek redress the way they deem most suitable to them.

Forestry and Tree planting: The Forestry Sub-Sector saw a FY 2022/23 budget of Ksh.2.8 billion rise sharply to Ksh.13.4 billion (478 percent) and the absorption matched at 92 percent and 99 percent respectively. This was in the backdrop of the highly ambitious goal to plant Ksh.15 billion trees has been issued. Towards this end, a total of seven 'Model Tree Nurseries' were proposed, with a target of 3 in 2023/24. These have been funded through development partners including NGOs. The approved budget for FY 2024/25 was somewhat reduced to Ksh.12.1 billion possibly reflecting funds constraints. The BPS 2025/26 proposes a budget boost to Ksh.16.3 billion, which is necessary to prop the high tree planting ambition. For a high level of achievement of tree cover to be realized on a nationwide scale, a parallel drive towards development of water storages in the expansive ASAL rangeland, which constitute 85 percent of the Kenyan land-mass should be done in tandem. The current targets and projections, require a steady boost in the coming FYs.

Water Resources Management: Investments in Water Resources under the Water and Sanitation Sub-Sector have been on a decline from Ksh.17.6 billion, Ksh.10.9 billion and Ksh.5.9 billion in FY 2021/22, FY 2022/23 and FY 2023/24 respectively. The FY 2024/25 approved budget increased this to Ksh.12.1 billion, and the BPS 2025/26 raised it to Ksh.16.4 billion. This increase is encouraging towards reversing the downward slide, as the entire country is reeling from ravages of drying rivers, deepening water tables, and debilitating instability of the state of the environment. Focused budget provision is needed towards source level water harvesting, Seedling choices, traditional tree types, Household Carbon Credit benefits, sustainable charcoal production, and Groundwater recharge.

Chapter Four: Conclusion

The Annual National Shadow Budget for FY2025/26 comes at a time when GDP growth has experienced a slow down although the government is over ambitiously targeting an improvement to 5.3% in 2025 – to be supported by strengthening macroeconomic indicators such as declining inflation and appreciation of the Kenya Shilling against the US dollar. Another critical development is the government's decision to adopt zero-based budgeting and implement Public Investment Management (PIM) regulations which is a significant policy shift that if fully implemented can improve efficiency, reduce wastage, and ensure that allocations align with outcomes. Also worth noting is significant budget increase to the health sector to KSh. 204 billion in FY2025/26—up from KSh. 118 billion in FY2024/25 — underscoring government's commitment to rolling out Universal Health Coverage under the Bottom-Up Economic Transformation Agenda (BETA). Furthermore, under the social protection sector, the National Safety Net Programme has a 19 percent increase in budget allocation up to KSh. 35 billion in FY2025/26 from KSh. 30 billion in FY2024/25.

However, glaring concerns remain with respect to the accumulation of pending bills, that according to the Office of the Controller of Budget stood at KSh. 706 billion as at the end of first half of FY2024/25. These arrears are not only growing, but they reflect serious weaknesses in procurement planning, commitment control, and cash flow forecasting. Big concern is on SAGAs that saw pending bills grow by 12 percent from KSh. 379 billion in FY2023/24 to KSh. 476 billion. Deliberate action is required to address pending bills challenge. Otherwise, government statement that pending bills need to be prioritized remain just mere rhetorics if that lack of provision is persistently cited by the sector reports as a contributor to pending bills.

In the health sector, despite increased allocations to the Social protection in health sub-program under the GAPSS program in SDMS from KSh. 13.7 billion in FY2024/25 to KSh. 94.3 billion in FY2025/26, KShs 82.4 billion is indicated as appropriation-in-aid for the Social Health Insurance Fund, essentially to be financed from citizen's contributions, and therefore not a predictable source of financing. Another worrying trend is low absorption for the health sector development budget—only 59 percent of allocated development funds were utilized in FY 2023/24 thus undermining infrastructure expansion and service delivery.

Analysis of KPIs within the education sector reveals that spending is not translating into value or equity because basic education is one of the largest recipients of public funds yet there is slow execution of the Competency-Based Curriculum reforms, poor learning outcomes, and stagnating infrastructure expansion. In the State Department for Higher Education and Research, the development budget absorption rate was at a low of 49 percent in FY2023/24.

In the GECA sector, inefficiencies persist not only in the State Department for Investment Promotion but also in tourism, where recurrent spending on administration remains high while performance indicators tied to job creation and visitor numbers have plateaued. These trends point to a broader failure to enforce performance-based budgeting, with many programmes continuing to receive funding despite weak results and poor monitoring frameworks.

To restore fiscal credibility and ensure public resources deliver desired outcomes efficiently and effectively, the government must urgently strengthen the linkage between budget planning and execution. This requires enforcing programme rationalization across all sectors, especially where poorly performing initiatives continue to absorb resources with disproportionately low returns. Enhancing absorption capacity must go hand-in-hand with strengthening the operational autonomy and accountability of frontline spending units, particularly at the programme and sub-programme level. In social protection, harmonizing national initiatives and anchoring them in a coherent policy framework will be critical to ensuring coverage expansion aligns with real vulnerability. Furthermore, the full implementation of PIM guidelines must be accompanied by transparent publication of project appraisals, while zero-based budgeting should not become a technical label without political commitment to reallocate resources based on performance and need.

Chapter Five:
Annex Tables

Annex Table 1: Pending bills by national and county governments (Ksh Billion)

Pending bills (Ksh Billion)	FY 2023/24			H-1 FY 2024/25			Growth rate
	Recurrent	Development	Total	Recurrent	Development	Total	
National government	245.6	270.7	516.3	256.6	267.4	524.1	2%
MDAs	**100.7**	**35.7**	**136.5**	**73.6**	**24.2**	**97.8**	**-28%**
SAGAs	144.8	235.0	379.8	183.1	243.2	426.3	12%
County Government	143.7	38.2	182.0	145.1	37.1	182.1	0%
Total	389.3	309.0	698.2	401.7	304.5	706.2	1%

Data Source: *Controller of Budget, Budget Implementation Review Reports*

Annex Table 2: Education sector nature and type of pending bills (Ksh Million)

Type/ Nature	Due to Lack of Exchequer			Due to Lack of Provision		
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
State Department For Basic Education						
Rec.	1.09	6.8	833			
Dev.	239.1					
State Department For Technical, Vocational Education And Training						
Rec.	0	0	0	0	0	4.62
Dev.	0	0	0	0	0	67.37
State Department For Higher Education And Research						
Rec.	28,861.54	33,718.78	35,493.58	8,250.34	9,424.10	9,932.73
Dev.	1,664.68	1,276.20	3,695.35	2,396.92	3,164.07	3,103.86
Teachers Service Commission						
Rec.		2525	4703			3,301.00
Dev.						
Total	30766.41	37526.78	44724.93	10647.26	12588.17	16409.58

Data Source: *Education Sector Working Group Report 2025/26.*

Annex Table 3: Agriculture, Rural and Urban Development (ARUD) Sector nature and type of pending bills (Ksh Million)

Type/ Nature	Due to Lack of Exchequer			Due to Lack of Provision		
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
State Department For Lands And Physical Planning						
Recurrent	0.85	0	64.60	0	0	0
Development	203.60	0	77.30	0	0	0
Total Pending Bills	204.45	0	141.90	0	0	0
State Department For Livestock Developemnt						
1. Recurrent	6.81	149.26	1,015.86	0	0	0
2. Development	20.40	252.09	236.44	0	0	0
Total Pending Bills	27.21	401.35	1,252.30	0	0	0
State Department For The Blue Economy And Fisheries						
1. Recurrent	13.40	50.70	51.81	0	0	0
2. Development	100.60	14.20	64.27	0	0	0
Total Pending Bills	114.00	64.90	116.08	0	0	0
State Department For Agriculture						
1. Recurrent	926.33	1,005.11	1,061.97	0	3,023.00	2,617.00
2.Development	9,036.87	9,336.17	9,952.03	0	0	0
Total Pending Bills	9,963.20	10,341.28	11,014.00	0	3,023.00	2,617.00
National Lands Commission						
1. Recurrent	40.90	213.70	154.30	490.50	490.50	490.50
2. Development	0	0	0	0	0	0
Total Pending Bills	40.90	213.70	154.30	490.50	490.50	490.50
Grand Total	**10,349.76**	**11,021.23**	**12,678.58**	**490.50**	**3,513.50**	**3,107.50**

Data Source: *Agriculture, Rural and Urban Development Sector Report Sector Working Group Report FY 2025/26*

Annex Table 4: Energy, Infrastructure and ICT Sector nature and type of pending bills (Ksh Millions)

Type/ Nature	Due to Lack of Exchequer			Due to Lack of Provision		
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
State Department for Roads	0	0	0	130,063	144,448	166,760
State Department for Transport	2,931	1,667	35	2,000	2,000	39
State Department for Shipping and Maritime	47	31	10	0	0	0
State Department for Housing	139	1,458	224	1,978	397	0
State Department for Public Works	44	8	0	340	87	9
State Department for ICT & Digital Economy	804	1,608	722	0	0	0
State Department for Broadcasting and Telecommunications	0	1	2	10,335	10,562	7,436
State Department for Energy	17,815	23,242	25,006	15,710	19,971	31,416
State Department for Petroleum	0	0	0	8	7	15
Grand Total	**21,779**	**28,016**	**26,000**	**160,434**	**177,473**	**205,675**

Data Source: *Agriculture, Rural and Urban Development Sector Report Sector Working Group Report FY 2025/26.*

Annex Table 5: Environment Protection Water and Natural Resources (EPWNR) Sector nature and type of pending bills (Ksh Million)

Type/ Nature	Due to Lack of Exchequer (Ksh. Million)			Due to lack of Provision (Ksh. Million)		
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
State Department for Irrigation	-	-		15,223.8	18,736.4	2,837.9
Ministry of Water and Sanitation	3,477.0	2,045.0	4,243.0	4,013.0	3,273.1	3,424.1
State Department for Mining	3.4	59.8	128.8	-	-	40.7
State Department for Wildlife		866.6	1,454.0	2,736.8	1,821.2	1,621.0
Ministry of Environment and Climate Change	74.6	121.4	386.1	-	-	-
State Department for Forestry	-	-	201.0	3,974.0	2,046.0	1,811.0
Grand Total	**3,555.0**	**3,092.9**	**6,413.0**	**25,947.7**	**25,876.7**	**9,734.8**

Data Source: *Environment Protection Water and Natural Resources Sector Report Sector Working Group Report FY*

Annex Table 6: General Economic and Commercial Affairs (GECA) Sector nature and type of pending bills (Ksh Million)

Type/ Nature	Due to Lack of Exchequer (Ksh. Million)			Due to lack of Provision (Ksh. Million)		
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
State Department for Cooperatives	0	11.4	2.9	0	-	2.9
State Department for Industry	216.2	269.0	264.2	0	0	905.3
State Department for the ASALs and Regional Development	0	0	10,778.0	0	0	0
State Department for East African Community	13.8	54.0	73.8	0	0	0
State Department for Investment Promotion	0	0	11.0	0	0	0
State Department for Micro, Small and Medium Enterprises (MSME) Development	0	0	108.9	0	0	0
State Department for Tourism	7.7	5.6	29.5	0	0	0
State Department for Trade	86.3	40.2	55.8	17.5	0	0
Grand Total	**324.0**	**380.1**	**11,324.1**	**17.5**	-	**908.1**

Data Source: *General Economic and Commercial Affairs (GECA) Sector Report Sector Working Group Report FY 2025/26*

Annex Table 7: Governance Justice Law and Order (GJLO) Sector nature and type of pending bills (Ksh Million)

Type/ Nature	Due to Lack of Exchequer (Ksh. Million)			Due to lack of Provision (Ksh. Million)		
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
State Department for Correctional Services	201.6	1,166.5	1261.3	0.0	150.1	1,200.0
State Department for Immigration	0	1,313.0	3877.0	0	0	0
National Police Service	0	2,028.7	7221.0	0	0	1,888.5
State Department for Internal Security And National Administration	2,768.0	72.0	678.0	0	0	695.0
State Law Office	9.8	115.0	341.2	0	0	40.5
Ethics And Anti-Corruption Commission	9.7	80.3	25.1	25.4	28.8	0.0
Office Of The Director Of Public Prosecutions	13.0	101.4	21.3	0.0	13.8	0.0

Type/ Nature	Due to Lack of Exchequer (Ksh. Million)			Due to lack of Provision (Ksh. Million)		
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
Office Of The Registrar Of Political Parties	39.2	1.5	1.7	0	0	0
Witness Protection Agency	0	0	0	0	2.4	0.0
Kenya National Commission On Human Rights	0	0	9.0	13.2	28.4	8.1
Independent Electoral And Boundaries Commission	0	1,528.0	234.0	1,912.0	3,645.4	3,720.6
National Gender And Equality Commission	0	0	1.1	0	0	0
Independent Policing Oversight Authority	0.5	0	0	0	0	0
Grand Total	**3,041.8**	**6,406.4**	**13,670.6**	**1,950.6**	**3,869.0**	**7,552.7**

Data Source: *Governance Justice Law and Order (GJLO) Sector Report Sector Working Group Report FY 2025/26*

Annex Table 8: Social Protection, Culture and Recreation Sector (SPCR) Sector nature and type of pending bills (Ksh Million)

Type/ Nature	Due to Lack of Exchequer (Ksh. Million)			Due to lack of Provision (Ksh. Million)		
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
1.Recurrent	104.8	85.4	632.8	540.9	321.8	631.6
2.Development	144.5	97.7	57.4	307.0	139.9	0.0
Grand Total	**249.3**	**183.0**	**690.2**	**847.9**	**461.6**	**631.6**

Data Source: *Social Protection, Culture and Recreation Sector (SPCR) Sector Report Sector Working Group Report FY 2025/26*

Annex Table 9: Health Sector nature and type of pending bills (Ksh Million)

Type/ Nature	Due to Lack of Exchequer (Ksh. Million)			Due to lack of Provision (Ksh. Million)		
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
NCI-K	0	0	8.1	0	0	0
Moi Teaching & Referral Hospital	438.0	1456.0	1252.0	1077.0	1262.0	1483.0
KEMSA	0	0	0	3,441.3	4,928.9	4,607.7
KEMRI	339.0	456.0	300.0	2,108.0	2,087.0	2,087.0
NHIF/SHA	0	0	0	899.3	908.6	1966.3
National Syndemic Disease Control Council (NSDCC)	0	186	0	0	0	0
State Department for Medical Services	5,009.0	967.0	5,054.8	40,890.0	39,613.0	0
KNH-Mwai Kibaki Hospital Othaya	1,112.0	1,084.0	0	8,800.0	11,493.0	1.8
KNH-Mama Margaret	0	346	0	0	0	0
KNH	1,112.0	1,084.0	1,116.0	8,800.0	11,493.0	15,756.7
Grand Total	**8,010.0**	**5,579.0**	**7,730.9**	**66,015.6**	**71,785.5**	**25,902.5**

Data Source: *Health Sector Report Sector Working Group Report FY 2025/26*

Annex Table 10: Public Administration and International Relations (PAIR) Sector nature and type of pending bills (Ksh Million)

Type/ Nature	Due to Lack of Exchequer (Ksh. Million)			Due to lack of Provision (Ksh. Million)		
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
1. Recurrent	**16,971.10**	**8,789.94**	**7,574.11**	**645.07**	**2,278.81**	**1,940.15**
Compensation of Employees	0	0	0	0	0	0
Use of goods and services e.g. utilities, domestic or foreign travel etc.	8,329.5	8,789.9	6,261.0	645.1	994.4	1,938.1
Social benefits e.g. NHIF, NSSF	0	0	1288.49	0	1280.18	0.93
Other expense	8,591.63	0.00	24.65	0	4.23	1.12
2. Development	**10,234.8**	**1,036.0**	**11,028.1**	**2,404.2**	**196.8**	**0**
Acquisition of non-financial assets	0.8	91.0	578.7	272.1	196.8	0
Use of goods and services	2,376.3	833.1	10,226.4	1,679.6	0	0
Others-Specify (works)	7,857.7	111.9	223.1	452.6	0	0
Total Pending Bills	**27,205.9**	**9,825.9**	**18,602.3**	**3,049.3**	**2,475.6**	**1,940.2**

Data Source: *Public Administration and International Relations (PAIR) Sector Report Sector Working Group Report FY 2025/26*

Disclaimer

The findings and conclusions contained within are those of the authors and do not necessarily reflect the positions or policies of the Gates Foundation

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