



## PRESS RELEASE

(ED: 19:30 Hrs.)

ISSUE NO. 2 *of* 2025

### DESPATCH FROM CABINET

**HIS EXCELLENCY the President has today presided over a Cabinet meeting at State House, Nairobi.** The meeting was convened in keeping with the statutory timelines prescribed under the **Public Finance Management Act.** **Consequently,** the session was dedicated to the consideration of the **2025 Budget Policy Statement,** as well as other key policy documents and statutory instruments that anchor the formulation of the **FY 2025/26 Medium-Term Budget.**

**THE BUDGET** proposals were considered against the backdrop of **a strong rebound of macroeconomic fundamentals** that have turbocharged the administration's socio-economic plan. The sustained turnaround of the key drivers of the economy is further expected to propel the transformation of livelihoods across the nation as espoused under the **Bottom-Up Economic Transformation Agenda (BETA).**

**AS PART** of the economic turnaround, Cabinet observed that the **economic environment** was further evidenced by the strength and **stability of the Kenya Shilling,** which held its value against other currencies. Other key indicators include the **continued decline in bank interest rates,** as reflected in rate cuts by the nation's lenders, as well as the **positive review of the nation's credit risk** by global sovereign risk rating agencies.

**ECONOMIC GROWTH** is expected to **pick up to 5.3 percent in 2025 and 2026,** maintaining the same momentum over the medium term. This growth will be largely driven by: enhanced agricultural productivity; a resilient services sector; and the ongoing implementation of priorities under BETA. The flagship programmes being: Universal Health Coverage through **Taifa Care,** the Affordable Housing Programme (**Boma Yangu**), agricultural transformation, the transformation of the Micro, Small, and Medium Enterprises (MSME) economy, the Digital Superhighway, and the Creative Economy.



**THIS PREVAILING** economic stability reinforces the Administration’s fiscal consolidation plan, which has helped lower interest rates on government securities, as seen in the **reduction of rates for the 90-day and 180-day Treasury Bills to below double digits.**

**CAPITALIZING ON** the success of prior initiatives and the advancements made under BETA, the FY 2025/26 policy statement prioritizes fiscal consolidation. This strategic focus aims to **reduce public debt vulnerabilities, creating the fiscal space needed to effectively deliver critical goods and services.**

**HEADLINED AS ‘Consolidating Gains Under the Bottom-UP Economic Transformation Agenda for Inclusive Green Growth’,** the 2025 Budget Policy Statement (BPS) emphasizes promoting investments in the core pillars of BETA and enablers. It focuses on harnessing the implementation of targeted interventions and structural reforms through a value chain approach.

**THE BUDGET** policy statement forms the basis for detailed budget allocations to be **submitted to Parliament by 30<sup>th</sup> April, 2025.** The other highlights of the proposed **Ksh. 4.26 trillion include:**

<b>ELEMENT</b>	<b>AMOUNT (KSHS).</b>
Total Revenue	3.386 trillion
Recurrent Expenditure	3.096 trillion
Development Expenditure	725.1 billion

**IN LINE** with the Administration’s commitment to entrenching the ethos of good governance as a fundamental aspect of national life, the Policy Statement seeks to strengthen the framework for public financial management. This will be achieved through the adoption of zero-based budgeting, a transition to accrual-based accounting, and the implementation of the Treasury Single Account to improve cash flow management.

**ADDITIONALLY, THE** government will fully operationalize the IFMIS asset inventory management modules and scale up public-private partnerships (PPPs) to increase private sector involvement in public service delivery. These measures are aimed at fostering **transparency, efficiency, and accountability in public financial management** while also driving sustainable economic development.



**CABINET ALSO** considered and approved the **Division of Revenue Bill, 2025, the County Allocation of Revenue Bill, 2025, and the County Governments Additional Allocation Bill, 2025.** The Division of Revenue Bill proposes an allocation of **Ksh. 405.1 billion to County Governments** as their equitable share of revenue.

**THIS PROPOSAL** translates to 25.8% of the most recent audited and approved revenues, way above the constitutional threshold of 15%. The **other elements of the transfers to the counties for the FY 2025/26** are as follows:

<b>SUBJECT</b>	<b>ELEMENTS</b>	<b>AMOUNT (KSH).</b>
Transfer to Counties	Equitable Share of Revenue	405.1 billion
	Equalization Fund	10.6 billion
	Additional allocation (both conditional and unconditional)	69.8 billion
<b>Total transfer to counties</b>		<b>474.87 billion</b>

**TO STEER** the **successful implementation of the FY 2024/25 Budget** and address emerging challenges, including the **failure to enact the 2024 Finance Act, global shocks, and other expenditure pressures such as increased pension payments,** the meeting considered and approved the **FY 2024/25 Supplementary Estimates No. II.**

**THE KSH. 199.9 billion** supplementary budget seeks to fund critical expenditure areas. The fully funded supplementary estimates have been achieved through reallocation of resources and rationalization of various State programmes.

**TO ADDRESS** the settlement of all pending bills owed to Micro, small and medium enterprises, **Cabinet sanctioned the payment of all pending bills of up to Ksh. 10 million** that constitute 95% of all verified pending bills by **30<sup>th</sup> June, 2025.**

**AS PART** of the Administration's innovation to sustainably address the **long-standing issue of accrued pending bills in the road sub-sector,** while simultaneously establishing a **forward-looking framework for financing road infrastructure,** Cabinet considered and approved a **landmark framework for the securitization of a portion of the Roads Maintenance Levy Fund (RMLF).**



**THIS TRANSFORMATIVE** initiative, which is subject to all necessary regulatory approvals, aims to raise up to **Ksh. 175 billion**. These funds will be appropriated towards the settlement of the outstanding **payments to contractors for completed works and certified invoices**, support the timely completion of ongoing road projects, and **catalyze the development of critical new infrastructure projects across the nation**.

**IN SUPPORT** of our nation's growing aviation sub-sector, which is a key pillar of the service sector, Cabinet considered and ratified additional measures aimed at **enhancing the traveler experience at Jomo Kenyatta International Airport (JKIA)** and other international airports across the country. These significant measures, as ratified by Cabinet, are designed to reduce delays at the airport by:

- I. Increasing the duty-free threshold for items imported** into the country by Kenyans from **Ksh. 50,000 to Ksh. 250,000**;
- II. Doubling the number of immigration clearance desks and retooling of the staff compliment**;
- III. Strengthening security screening** of luggage through risk-based profiling, so as to ensure that **only flagged baggage from the scanners undergo secondary manual inspection; and**
- IV. Vesting** all the agencies supporting in airport services under the command of the Kenya Airports Authority (KAA).

**AS PART** of the ongoing transformation, JKIA's infrastructure will undergo additional upgrades, these will include modernized baggage handling systems, improved stormwater drainage, upgraded access roads, installation of covered walkways, enhanced air conditioning, and clearer signage. The international arrivals reception halls as well as the meet-and-greet services will be strictly regulated, ensuring that only licensed facilitators operate within the airport to enhance security and maintain order. These measures take immediate effect, **reinforcing JKIA's position as a leading aviation hub**.

**TO FURTHER** position the country as a leading player in both regional and international affairs, Cabinet approved the hosting of the **International Air Transport Association (IATA) Ground Handling Conference** in Kenya. Scheduled for May 2025, the conference will be the first of its kind to be held in Africa and will be **hosted by IATA in collaboration with the national carrier, Kenya Airways PLC**.



**BUILDING UPON** Kenya's global connectivity and Nairobi's growing diplomatic stature, Cabinet considered and approved **host country agreements that solidify the regional office status** for various international organizations and institutions, whose regional, continental, and global headquarters are based in Nairobi. **These agreements are as follows:**

- I. Shelter Afrique Development Bank;
- II. World Vision International;
- III. Oxfam International;
- IV. Save the Children International East and South Africa (ESA) Regional Office;
- V. International Cooperative Alliance (ICA);
- VI. Norwegian Refugee Council;
- VII. Population Services International (PSI);
- VIII. International Law Development Organization (IDLO);
- IX. The International Institute for Democracy and Electoral Assistance (International IDEA) Regional Office; and
- X. Population Council INC.

**IN CONCLUDING** the day's session, Cabinet considered and approved the **agreement on the elimination of double taxation between the Government of Kenya and the Government of the Republic of Singapore.** The agreement aims to provide clarity on the taxation of various cross-border incomes derived from the two contracting states. By dint of the grant of Cabinet approval, the **Agreement will be transmitted to Parliament for approval in accordance with the Treaties Ratification Act.**

**CABINET OFFICE**  
**EXECUTIVE OFFICE OF THE PRESIDENT**

Tuesday, 11<sup>th</sup> February, 2025