IMPORTANT NOTICE

NOT FOR DISTRIBUTION IN, OR INTO, THE UNITED STATES EXCEPT TO QUALIFIED INSTITUTIONAL BUYERS ("QIBs"), AS DEFINED IN, AND IN COMPLIANCE WITH, RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR OTHERWISE THAN TO PERSONS TO WHOM IT CAN LAWFULLY BE DISTRIBUTED.

IMPORTANT: You must read the following disclaimer before continuing. The following applies to the offering circular ("**Offering Circular**") following this page, whether received by e-mail, accessed from an internet page or received as a result of electronic transmission, and you are therefore required to read this carefully before reading, accessing or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer and the Joint Bookrunners (each as defined below) as a result of such access.

The attached Offering Circular has been prepared solely in connection with the proposed offering to certain institutional and professional investors of the securities described herein, which are exempt from registration under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). Nothing in this electronic transmission constitutes an offer of securities for sale in the United States.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR A SOLICITATION OF AN OFFER TO BUY SECURITIES IN ANY JURISDICTION WHERE THE OFFER, SALE OR SOLICITATION IS NOT PERMITTED. ANY SECURITIES TO BE ISSUED HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

Confirmation of Your Representation: In order to be eligible to view the attached Offering Circular or make an investment decision with respect to the securities, you must be either: (i) outside of the United States; or (ii) a QIB within the meaning of Rule 144A under the Securities Act. The attached Offering Circular is being sent at your request, and by accessing the attached Offering Circular you have confirmed to Citigroup Global Markets Limited and The Standard Bank of South Africa Limited as joint bookrunners (the "**Joint Bookrunners**") and the Republic of Kenya, acting through the National Treasury and Economic Planning (the "**Issuer**") that: (i) you understand and agree to the terms set out herein; (ii) in respect of securities being offered in an offshore transaction pursuant to Regulations S under the Securities Act, you are outside the United States, its territories and possessions, and to the extent the attached Offering Circular is delivered via e-mail, the e-mail address to which, pursuant to your request, the attached Offering Circular has been delivered by electronic transmission is not located in the United States, its territories and possessions for the purposes of Regulation S under the Securities Act; (iii) in respect of securities offered and sold in reliance on Rule 144A, you are a QIB within the meaning of Rule 144A under the Securities Act; (iv) you consent to delivery by electronic transmission; (v) you will not transmit the attached Offering Circular (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Joint Bookrunners and the Issuer (each as defined in the attached Offering Circular); and (vi) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase any of the securities.

Restrictions: THE FOLLOWING ELECTRONIC TRANSMISSION MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THIS DOCUMENT MAY ONLY BE DISTRIBUTED OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT AND WITHIN THE UNITED STATES TO QIBS PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**"). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS DOCUMENT CONTRARY TO ANY OF

THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY NOTES DESCRIBED THEREIN.

You are reminded that the attached Offering Circular has been delivered to you on the basis that you are a person into whose possession the attached Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the attached Offering Circular, electronically or otherwise, to any other person and in particular to any U.S. person or to any U.S. address. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

UK MiFIR product governance / Professional investors and ECPs only target market: Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

The attached Offering Circular is being distributed only to and directed only at (i) persons who are outside the United Kingdom, or (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"), or (iii) high net worth entities and other persons falling within Article 49(2)(a) to (d) of the Order, or (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("**FSMA**") in connection with the issue or sale of any securities of the Issuer may otherwise lawfully be communicated or caused to be communicated (all such persons in (i)-(iv) collectively being referred to as "**relevant persons**"). The attached Offering Circular is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the attached Offering Circular relates is available only to relevant persons and will be engaged in only with relevant persons. No other person should rely on it.

The attached Offering Circular does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. No action has been or will be taken in any jurisdiction by the Joint Bookrunners or the Issuer that would, or is intended to, permit a public offering of the securities, or possession or distribution of the attached Offering Circular or any other offering or publicity material relating to the securities, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that the offering of securities described in the attached Offering Circular be made by a licenced broker or dealer and a Joint Bookrunner or any affiliate (as defined under Rule 501(b) of Regulation D of the Securities Act) of the applicable Joint Bookrunner is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Bookrunners or such affiliate on behalf of the Issuer or holders of the applicable securities in such jurisdiction.

The attached Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Joint Bookrunners, any person who controls any of the Issuer, the Joint Bookrunners, any director, officer, employee or agent of any of them, or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the attached Offering Circular distributed to you in electronic format and the hard copy version available to you on request from any of the Joint Bookrunners. Please ensure that your copy is complete. You are responsible for protecting against viruses and other destructive items. Your use of this document is at your own risk, and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

THE REPUBLIC OF KENYA
US$1,500,000,000 9.500% Amortising Notes due 2036
Issue Price: 97.195%

The US$1,500,000,000 9.500% Amortising Notes due 2036 (the "**Notes**") to be issued by the Republic of Kenya, acting through the National Treasury and Economic Planning (the "**Issuer**" or "**Kenya**") are direct, unconditional and unsecured obligations of the Issuer.

The Notes shall be finally redeemed at their final Amortisation Amount payable on 5 March 2036 (the "**Maturity Date**"). The Notes will bear interest on their outstanding principal amount from time to time (as determined in accordance with "*Terms and Conditions of the Notes—Redemption and Purchase*"). The Notes will bear interest from (and including) 5 March 2025 at the rate of 9.500% per annum, payable semi-annually in arrear on 5 March and 5 September of each year, commencing on 5 September 2025. Unless previously redeemed or purchased and cancelled, the Notes will be redeemed in three equal instalments of US$500,000,000, on each of 5 March 2034, 5 March 2035 and 5 March 2036 as described under "*Terms and Conditions of the Notes—Redemption and Purchase*" (such amounts in respect of the Notes, each an "**Amortisation Amount**"). Payments on the Notes will be made in US dollars without deduction for or on account of taxes imposed or levied by Kenya to the extent described under "*Terms and Conditions of the Notes—Taxation*".

Application has been made to the United Kingdom Financial Conduct Authority (the "**FCA**") for the Notes to be admitted to the official list of the FCA (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for the Notes to be admitted to trading on the London Stock Exchange's main market. For the purposes of such application, the Issuer is an exempt issuer pursuant to Article 1(2) of Regulation (EU) 2017/1129 as it forms part of United Kingdom ("**UK**") domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") (as amended, the "**UK Prospectus Regulation**"). Accordingly, this offering circular ("**Offering Circular**") has not been reviewed or approved by the FCA and has not been approved as a prospectus by any other competent authority under the UK Prospectus Regulation. The Notes will not be subject to the prospectus requirements of the UK Prospectus Regulation but will be listed in accordance with the listing rules of the London Stock Exchange.

References in this Offering Circular to the Notes being "**listed**" (and all related references) shall mean that the Notes have been admitted to trading on the London Stock Exchange's main market and have been admitted to the Official List. The London Stock Exchange's main market is a UK regulated market for the purposes of Regulation (EU) No. 600/2014 on markets in financial instruments as it forms part of UK domestic law by virtue of the EUWA.

An investment in the Notes involves a high degree of risk. Prospective investors should have regard to the factors described under the heading "*Risk Factors*".

The Notes have not been and will not be registered under the US Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any State or other jurisdiction of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a summary of certain restrictions on resale, see "*Transfer Restrictions*" and "*Plan of Distribution*". The Notes will be offered and sold outside the United States in reliance on Regulation S under the Securities Act ("**Regulation S**") and within the United States to qualified institutional buyers ("**QIBs**") within the meaning of Rule 144A under the Securities Act ("**Rule 144A**"). Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

The Notes are expected to be rated B- by Fitch (Hong Kong) Limited ("**Fitch**") and as B- by S&P Global Ratings UK Limited ("**S&P**"). The ratings issued by Fitch have been endorsed by Fitch Ratings Ltd. ("**Fitch UK**"), in accordance with Regulation (EC) No. 1060/2009 as it forms part of UK domestic law by virtue of the EUWA (the "**UK CRA Regulation**") and have not been withdrawn. Each of S&P and Fitch UK have been registered under the UK CRA Regulation and appear on the list of registered credit rating agencies on the website of the Financial Conduct Authority. S&P and Fitch UK are established in the UK and registered in accordance with the UK CRA Regulation. As such, the ratings issued by S&P and Fitch may be used for regulatory purposes in the UK in accordance with the UK CRA Regulation. Any change in the rating of the Notes may adversely affect the price that a purchaser may be willing to pay for the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The Notes will be offered and sold in registered form in denominations of US$200,000 or any amount in excess thereof which is an integral multiple of US$1,000. The Notes that are offered and sold in reliance on Regulation S (the "**Unrestricted Notes**") will be represented by beneficial interests in one or more global notes (the "**Unrestricted Global Notes**") in registered form without interest coupons attached, which will be registered in the name of Citivic Nominees Limited, as nominee for, and will be deposited on or about 5 March 2025 (the "**Closing Date**") with, Citibank Europe plc, as common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). The Notes that are offered and sold in reliance on Rule 144A (the "**Restricted Notes**") will be represented by beneficial interests in one or more global notes (the "**Restricted Global Notes**") in each case in registered form without interest coupons attached, which will be deposited on or about the Closing Date with Citibank, N.A. as custodian (the "**Custodian**") for, and registered in the name of Cede & Co. as nominee for, The Depository Trust Company ("**DTC**"). Interests in the Restricted Global Notes will be subject to certain restrictions on transfer. Beneficial interests in the Unrestricted Global Notes and Restricted Global Notes (together, the "**Global Notes**") will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear, Clearstream, Luxembourg and their respective participants. Except in the limited circumstances as described herein, certificates will not be issued in exchange for beneficial interests in the Global Notes.

Joint Bookrunners

Citigroup Standard Bank

This Offering Circular is dated 3 March 2025

RESPONSIBILITY STATEMENT

Kenya accepts responsibility for the information contained in this Offering Circular and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

To the best of the knowledge and belief of Kenya, the information contained in this Offering Circular is true and accurate in every material respect and is not misleading in any material respect, and this Offering Circular does not omit to state any material fact necessary to make such information not misleading. The opinions, assumptions, intentions, projections and forecasts expressed in this Offering Circular with regard to Kenya are honestly held by Kenya, have been reached after considering all relevant circumstances and are based on reasonable assumptions.

IMPORTANT NOTICE

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by Kenya or the Joint Bookrunners. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of Kenya since the date hereof. This Offering Circular may only be used for the purpose for which it has been published.

None of the Joint Bookrunners nor any of their respective affiliates have authorised the whole or any part of this Offering Circular, and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Offering Circular. None of the Joint Bookrunners or any of their directors, affiliates, advisers and agents has made any independent verification of the information contained in this Offering Circular in connection with the issue or offering of the Notes, and no representation or warranty, express or implied, is made by any of the Joint Bookrunners or their directors, affiliates, advisers or agents with respect to the accuracy or completeness of such information. Nothing contained in this Offering Circular is, is to be construed as, or shall be relied upon as, a representation or warranty, whether to the past or the future, by any of the Joint Bookrunners or their respective directors, affiliates, advisers or agents in any respect.

This Offering Circular does not constitute an offer of, or an invitation by, or on behalf of, Kenya or the Joint Bookrunners to subscribe for, or purchase, any of the Notes in any jurisdiction in which such offer or invitation is unlawful. This Offering Circular does not constitute an offer, and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such an offer or solicitation is not authorised or is unlawful. The distribution of this Offering Circular and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by Kenya and the Joint Bookrunners to inform themselves about and to observe any such restrictions.

This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes and the admission of the Notes to the Official List and to trading on the London Stock Exchange's main market. The Issuer and the Joint Bookrunners reserve the right to reject any offer to purchase Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States other than any QIB to whom an offer has been made directly by one of the Joint Bookrunners or its respective U.S. broker-dealer affiliate. Distribution of this Offering Circular to any person within the United States, other than any QIB and those persons, if any, retained to advise such QIB with respect thereto, is unauthorised, and any disclosure without the prior written consent of the Issuer of any of its contents to any person within the United States, other than any QIB and those persons, if any, retained to advise such QIB, is prohibited.

This Offering Circular is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by Kenya or the Joint Bookrunners that any recipient of this Offering Circular should purchase any of the Notes. Each prospective investor contemplating purchasing Notes should make its own independent investigation of the financial Condition and affairs, and its own appraisal of the creditworthiness, of Kenya. Prospective investors should also consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Kenya of acquiring, holding and disposing of the Notes and receiving payments of principal, interest and/or other amounts under the Notes.

Notwithstanding anything herein to the contrary, from the commencement of discussions with respect to the transaction contemplated by this Offering Circular, all persons may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transaction described herein and all materials of any kind (including opinions and other tax analyses) that are provided to such persons relating to such tax treatment and tax structure, except to the extent that any such disclosure could reasonably be expected to cause this transaction not to be in compliance with securities laws. For the purposes of this paragraph, the tax treatment of this transaction is the purported or claimed US federal income tax treatment of this transaction and the tax structure of this transaction is any fact that may be relevant to understanding the purported or claimed US federal income tax treatment of this transaction.

This Offering Circular may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Each purchaser or holder of interests in the Notes will be deemed, by its acceptance or purchase of any such Notes, to have made certain representations and agreements as set out in "*Transfer Restrictions*".

For a description of certain restrictions on offers, sales and deliveries of the Notes, see "*Plan of Distribution*".

The Republic of Kenya is a sovereign state. Consequently, it may be difficult for investors to obtain or enforce judgments or arbitral awards. See "*Risk Factors—Risks Relating to the Notes—Kenya is a sovereign state and, accordingly, it may be difficult to obtain or enforce judgments or arbitral awards against it*".

UK MiFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

STABILISATION

In connection with the issue of the Notes, Citigroup Global Markets Limited (the "**Stabilisation Manager**") (or any person acting on behalf of the Stabilisation Manager) may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a higher level than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or any person acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES REVIEWED OR PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF THE NOTES OR APPROVED THIS OFFERING CIRCULAR OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT 2001 OF SINGAPORE

Product Classification pursuant to Section 309B of the Securities and Futures Act 2001 – In connection with Section 309B of the Securities and Futures Act 2001 of Singapore as modified or amended from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the Monetary Authority of Singapore (the "**MAS**") Notice SFA 04-N12: Notice on the Sale of Investment Products and the MAS Notice FAAN16: Notice on Recommendations on Investment Products).

SUITABILITY OF INVESTMENT

An investment in the Notes may not be suitable for all investors. Generally, investment in emerging markets such as Kenya is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. Prospective investors are urged to consult their own legal, tax and financial advisers before making an investment. Such risks include, but are not limited to, higher volatility and more limited liquidity in respect of the Notes, a fragile export base, budget deficits, lack of adequate infrastructure necessary to accelerate economic growth and changes in the political and economic environment. Emerging markets can also experience more instances of corruption by government officials and misuse of public funds than do more mature markets, which could affect the ability of governments to meet their obligations under issued securities.

Investors should also note that emerging markets such as Kenya are subject to rapid change and that the information set out in this Offering Circular may become outdated relatively quickly.

Each prospective investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each prospective investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Circular or any applicable supplement;
- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant financial markets; and
- is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each prospective investor should consult its legal advisers to determine whether and to what extent the Notes are legal investments for it, the Notes can be used as collateral for various types of borrowing and other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

PRESENTATION OF ECONOMIC AND OTHER INFORMATION

Annual information presented in this Offering Circular is based upon a fiscal year commencing on 1 July in one year and ending on 30 June in the subsequent year, unless otherwise indicated. While the fiscal year ends on 30 June of each year, certain information in this Offering Circular provided by the Kenya National Bureau of Statistics, including GDP and GDP sector information, are provided as of 31 December of each year. Certain figures included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be the sum of the figures which precede them. Statistical information reported herein has been derived from official publications of, and information supplied by, a number of agencies and ministries of Kenya, including the National Treasury, the Central Bank of Kenya (the "**CBK**") and the Kenya National Bureau of Statistics. Some statistical information has also been derived from information publicly made available by third parties such as the International Monetary Fund (the "**IMF**") and the World Bank (the "**World Bank**"). Where such third-party information has been so sourced, the source is stated where it appears in this Offering Circular. Kenya confirms that it has accurately reproduced such information and that, so far as it is aware and is able to ascertain from information published by third parties, it has omitted no facts which would render the reproduced information inaccurate or misleading. As used in this Offering Circular, references to the "Government" are to the government of Kenya, and the term "Central Government" is interchangeable with, and means the same as, "National Government".

Similar statistics may be obtainable from other sources, but the date of publication, underlying assumptions, methodology and, consequently, the resulting data may vary from source to source. In addition, statistics and data published by one ministry or agency may differ from similar statistics and data produced by other agencies or ministries due to differing underlying assumptions, methodology or timing of when such data is reproduced. Certain historical statistical information contained herein is provisional or otherwise based on estimates that Kenya and/or its agencies believe to be based on reasonable assumptions. Kenya's official financial and economic statistics are subject to internal review as part of a regular confirmation process. Accordingly, the financial and economic information set out in this Offering Circular may be subsequently adjusted or revised and may differ from previously published financial and economic information. In addition, Kenya's budget figures as presented in the Offering Circular may be subject to subsequent revision. While Kenya does not expect such revisions to be material, no assurance can be given that material changes will not be made.

References to any individual period, such as 2023/24, are references to a fiscal year commencing on 1 July in one year and ending on 30 June in the subsequent year. References to any individual calendar year, such as 2022, are references to a calendar year commencing on 1 January and ending on 31 December in the same year. All references in this document to "**Kenyan shilling**", "**shilling**" and "**KES**" are to the currency of the Republic of Kenya; to "**US dollars**", "**US$**" and "**$**" are to the currency of the United States of America; and to "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended. For ease of information, certain financial information relating to the Republic of Kenya included herein is presented as translated into US dollars at the US dollar/KES rates of exchange deemed appropriate by Kenya. Unless otherwise specified, such rates were applicable as of the end of such specified period(s). Such translations should not be construed as a representation that the amounts in question have been, could have been or could be converted into US dollars at that or any other rate. References to "**SDR**" are to the Special Drawing Right, a unit of account having the meaning ascribed to it from time to time by the Rules and Regulations of the IMF. References in this document to "billions" are to thousands of millions.

The Kenya National Bureau of Statistics releases an economic survey covering socio-economic information for Kenya on an annual basis. This economic survey is generally released in May every year.

Information contained herein that is identified as being derived from a publication of the Republic of Kenya or one of its agencies or instrumentalities is included herein on the authority of such publication as an official public document of the Republic of Kenya. All other information contained herein with respect to the Republic of Kenya is included as an official public statement made on the authority of the Minister of Finance of the Republic of Kenya.

Rebasing of National Accounts

In September 2021, Kenya National Bureau of Statistics rebased its national accounts, changing the base year from 2009 to 2016, and revised the annual and quarterly national accounts statistics for the period 2009 to 2016. Kenya National Bureau of Statistics applied the System of National Accounts 2008 and the International Standard Industrial Classification revision 4 system ("**ISIC**") to compile the rebased GDP estimates. The System of National Accounts is the internationally agreed standard set of recommendations on how to compile measures of economic activity, and ISIC is the international standard for the classification of productive economic activities. This revision is the seventh time that Kenya has revised the national account statistics. The first revision was carried out in 1957 and subsequent revisions were carried out in 1957, 1967, 1976, 1985, 2005, 2014 and 2021. The UN Statistical Commission recommends that countries rebase every five years.

Rebasing enables economic estimates to better understand the current structure of the economy and sectoral growth drivers, and to better reflect the performance of the most important parts of the economy. For example, the rebasing in 2021 allowed the Government to account for changes in production structure, relative product prices and products. These measures have led to changes in the size of GDP, growth rates, contributions by sector and related indicators that use GDP.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes forward-looking statements, which involve risks and uncertainties. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "*believes*", "*estimates*", "*anticipates*", "*expects*", "*intends*", "*may*", "*will*" or "*should*" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Offering Circular and include statements regarding the Government's intentions, beliefs or current expectations concerning, amongst other things, the general political and economic conditions in Kenya. All forward-looking statements are based upon information available to Kenya on the date of this Offering Circular, and Kenya undertakes no obligation to update any of these in light of new information or future events. Kenya derives many of its forward-looking statements from its budgets and forecasts, which are based upon many detailed assumptions. While Kenya believes that its assumptions are reasonable, it cautions that it is difficult to predict the impact of known factors, and it is impossible to anticipate all factors that could affect Kenya's actual results. These factors include, but are not limited to:

external factors, such as:

- the impact of changes in international oil prices;
- the impact of changes in other international commodity prices, including tea, coffee and horticultural products;
- interest rates in financial markets outside Kenya;
- the impact of changes in the credit rating of Kenya;
- economic conditions in Kenya's major export markets;
- the impact of possible future regional instability;
- changes in global inflation rates;
- changes in the amount of remittances from non-residents;
- the decisions of international financial institutions, multilateral development banks and creditor countries regarding the amount and terms of their financial assistance to Kenya;
- the impact of global geopolitical conflicts; and
- the impact of climate change on international conditions,

as well as internal factors, such as:

- general economic, political and business conditions in Kenya;
- the impact of possible future social and political unrest;
- present and future exchange rates of the Kenyan currency;
- the level of foreign currency reserves;
- the impact of natural disasters, health epidemics and droughts and other agricultural blights;
- the level of domestic and external public debt;
- domestic inflation;
- the ability of Kenya to implement important economic reforms;
- the ability of Kenya to upgrade its infrastructure;

- the levels of foreign direct and portfolio investment; and
- the levels of domestic interest rates in Kenya.

ENFORCEMENT OF CIVIL LIABILITIES

Kenya is a sovereign state, and substantially all of the assets of Kenya are located in Kenya. Consequently, it may be difficult for investors to obtain or enforce judgments of courts and/or arbitral tribunals in England, the United States or anywhere else against Kenya. Kenya has not submitted to the jurisdiction of any courts in respect of the Notes, but instead has agreed to resolve disputes by arbitration in accordance with rules and procedures of the London Court of International Arbitration ("**LCIA**"). Kenya has waived certain immunities for the purpose of arbitration of disputes arising out of or in connection with the Notes. Kenya has not, however, waived immunity from execution or attachment in respect of certain of its assets. See "*Terms and Conditions of the Notes—Governing Law, Arbitration and Enforcement Consent to Enforcement and Waiver of Immunity*". Kenya is a party to the United Nations (New York) Convention on Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**").

Kenya's waiver of immunity is, however, limited. Such a waiver constitutes only a limited and specific waiver for the purposes of the Notes, and under no circumstances shall it be interpreted as a general waiver by Kenya or a waiver with respect to proceedings unrelated to the Notes.

Arbitral awards obtained outside Kenya may be enforced in Kenya, in accordance with the New York Convention and under the Arbitration Act 1995. Leave to enforce the award as a decree of the High Court must be obtained. Such leave may be refused where the recognition or enforcement of such award is contrary to public policy in Kenya or falls under section 37 of the Arbitration Act, 1995. Where an order is made against the Government for the payment of money or costs, a further application must follow for a certificate of order against the Government and must be served on the Attorney General. The amount can then be paid out of appropriations provided in the national budget. Aside from this procedure, no execution, attachment or process may be issued by any Kenyan court for enforcing payment by the Government of any money or costs, and no person shall be individually liable under any order for payment by the Government, any Government department or any officer of the Government in relation to such money or costs. Injunctive relief and orders for specific performance may not be made by Kenyan courts against the Government.

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OVERVIEW

You should read this overview as an introduction to this Offering Circular. Any decision to invest in the Notes should be based on a consideration of this Offering Circular as a whole. This overview does not purport to be complete and is qualified in its entirety by the more detailed information elsewhere in the Offering Circular. Prospective investors should also carefully consider the information set forth in the "Risk Factors" below prior to making any investment decision. Capitalised terms not otherwise defined in this overview have the same meaning as elsewhere in this Offering Circular. See "Republic of Kenya" and "The Economy", amongst other sections, for a more detailed description of the Issuer. References in this overview to a "Condition": are to the corresponding numbered condition thereto set out in the "Terms and Conditions of the Notes".

Republic of Kenya

General

Kenya occupies a land area of 580,876.3 square kilometres on the equator and is bordered by the Indian Ocean to the south east, Tanzania to the south, Uganda to the west, South Sudan to the north west, Ethiopia to the north and Somalia to the north east. Kenya had an estimated population of 55 million in 2023. Kenya is divided into 47 semi-autonomous counties that are headed by governors who are elected in the general elections held every five years in accordance with the Constitution of Kenya, 2010 (the "**Constitution**"). Nairobi is the capital city of the country. On 9 August 2022, general elections were held in Kenya and William Samoei Ruto was sworn in as President of Kenya on 13 September 2022. Kenya's next general elections are scheduled to take place on August 2027.

The Economy

Kenya has experienced continued growth in GDP over the last few years. Real GDP experienced a contraction of 0.3% in 2020. However, it rebounded with a significant growth of 7.6% in 2021, followed by an increase of 4.9% in 2022. The upward trend continued with a growth of 5.6% in 2023 and a slightly lower growth rate of 4.6% in 2024. The Government attributes the decline to reduced growth in several sectors of the economy and the peak in 2021 to the significantly high growths that signified recovery from the economic downturn in 2020. Real GDP grew by 4.0% in the third quarter of 2024, compared to 6.0% in the corresponding quarter of 2023. Kenya's economy is expected to remain resilient, supported by a robust performance in the services and agriculture sectors. Leading indicators in the third quarter of 2024 point to strong activities in agriculture, forestry and fishing, transportation and storage activities, financial and insurance activities, real estate activities, wholesale and retail activities and accommodation and food service activities.

Selected Economic Information

	Year ended 31 December				
Domestic economy	**2019**	**2020**	**2021**	**2022**	**2023**
Nominal GDP (KES millions)....................	10,237,727	10,715,070	12,027,662	13,489,642	15,108,806
Real GDP (KES millions)	8,756,946	8,733,060	9,395,942	9,852,583	10,399,980
Real GDP (growth rate)(%)........................	5.1	(0.3)	7.6	4.9	5.6

Source: Kenya National Bureau of Statistics, Economic Survey 2024

	Year ended 31 December					
	2019	2020	2021	2022	2023	2024[(6)]
Average annual inflation rate (%)	5.2	5.4	6.1	7.7	6.6	3.0
Balance of payments						
Exports of goods, f.o.b. (KES million)..............................	598,764	644,206	744,332	874,438	1,009,716	N/A
Imports of goods, f.o.b. (KES million)..............................	1,688,325	1,531,835	1,957,457	2,253,934	2,411,359	N/A
Balance on goods and services (KES million)	(911,513)	(852,443)	(1,099,439)	(1,243,131)	(1,317,468)	N/A
Current account balance (KES million)....................	(536,306)	(397,116)	(613,602)	(694,162)	(603,727)	N/A
Capital account (KES million)..............................	21,146	14,023	21,451	16,508	17,264	N/A
Financial account (KES millions)	(491,954)	(286,476)	(644,073)	(494,868)	(384,703)	N/A
Public finance						
National Government revenues (KES millions)	1,756,802	1,834,870	2,230,839	2,383,593	2,724,699	N/A
National Government expenditures (KES millions)	2,565,444	2,769,254	3,027,836	3,221,001	3,605,210	N/A
Deficit including grants (cash basis) (KES millions)	(796,841)	(929,286)	(785,129)	(800,377)	(880,511)	N/A
Fiscal deficit (as % of GDP[(1)])	7.0	8.2	6.2	5.6	5.3	N/A
Public debt[(2) (3)]						
National Government external debt (U.S millions)............	29,552	33,005	37,078	36,489	38,904	39,928
National Government internal debt (U.S millions)............	27,229	29,976	34,069	36,797	34,826	41,765
Total National Government debt (U.S millions)............	56,781	62,889	71,303	72,745	72,980	81,686
Total Government debt to GDP (%)[(4)]	62	66	68	68	72	66
Interest payments to GDP (%)[(5)]	6.3	5.1	6.7	6.9	5.2	5.4

(1) Figures calculated at 30 June are calculated with the nominal GDP as at 30 June of the year provided.
(2) National Government debt excludes certain publicly guaranteed debt such as debt of state-owned enterprises and debt of local Government.
(3) Conversion from Kenyan shilling to US dollar made using the applicable end of period mean exchange rate as released by the Central Bank of Kenya.
(4) Calculated as total National Government debt as a percentage of nominal GDP.
(5) Calculated as net servicing charges as a percentage of nominal GDP.
(6) As of the date of this Offering Circular, the 2024 data is not yet available for all line items. Where data is unavailable, it has been flagged as “N/A”.

Source: *National Treasury; Central Bank of Kenya*.

Overall inflation remained within the target range from December 2023 to January 2025, mainly on account of low food and fuel prices. It declined to 3.0% in December 2024 from 6.6% in December 2023. Food inflation declined to 6.1% in January 2025 from 7.7% in December 2023 mainly on account of significant decreases in prices of select non-vegetable items reflecting seasonal patterns and developments in international food prices. Fuel inflation declined to 1.0% in December 2024 from 13.7% in December 2023, primarily due to lower electricity prices and stable domestic pump prices, driven by a reduction in fuel costs for power generation and a strengthening of the Kenyan shilling.

The resulting fiscal deficit inclusive of grants of KES 818.3 billion (5.3% of GDP) for 2023/2024 were financed by a net external financing of KES 222.7 billion (1.4% of GDP) and a net domestic financing of KES 595.6 billion (3.8% of GDP). Developments in expenditure rationalisation and the revenue recovery resulted in projections to total revenues for the FY 2023/24 at KES 2,946.0 billion (18.9% GDP) and total expenditures are projected at KES 3,871 billion (24.7% of GDP). In 2022/23, the fiscal deficit (including grants, on a cash basis), amounted to KES 800.4 billion (5.6% of GDP) against a target of KES 846.2 billion (5.8% of GDP). The fiscal deficit was financed through net external financing amounting to KES 310.8 billion (2.1% of GDP) and net domestic financing of KES 459.5 billion (3.2% of GDP). In FY 2024/25, the fiscal deficit is projected to widen to KES 768.6 billion (4.3% of GDP), up from KES 597 billion (3.3% of GDP) in the approved Supplementary Estimates No. I. This increase is primarily attributed to a reduction in anticipated revenue collection, due to the withdrawal of the Finance Bill 2024 which was expected to raise an additional revenue amounting to KES 344.3 billion

In 2024, the current account narrowed further to a recorded deficit of US$4,091 million (3.7% of projected GDP). The narrowing of the current account deficit reflected an improvement in the goods balance and secondary income balance, which jointly offset the services balance and primary income balance. Improvement in goods exports and remittance inflows also contributed to the current account development. In 2025, it is expected that the current account deficit will widen to 3.9% of nominal 2025 GDP, due to imported capital consumer goods demand. However, the pressure on the Kenyan shilling will be limited given that the deficit is not expected to meet the all-time high recorded average of 5.9% between 2014 and 2023. The current account deficit is projected to average 3.1% of GDP between 2024 and 2033. Despite a low national savings rate, a growth in Kenya's export capacity is expected to narrow the current account deficit further in the coming years, primarily driven by increased demand for agricultural products like tea and coffee.

Vision 2030

In 2007, the Government announced "Vision 2030" as its long-term plan for attaining middle-income status as a nation by 2030. In line with Vision 2030, the Government prepares successive medium-term plans ("**MTPs**") that outline the policies, programmes and projects that the Government intends to implement over a five-year period. The first MTP covered the period from 2008 to 2012, with the second MTP covering the 2013 to 2017 period. The third MTP, covered the 2018 to 2022 period. The fourth MTP is intended to cover the 2023 to 2027 period.

In the initial year of the first MTP, a number of projects were implemented which were aimed at national healing and reconciliation following the post-election violence. Repair of damaged infrastructure, assistance to affected small-scale businesses and resettlement of internally displaced persons were all undertaken in order to raise GDP growth (which fell to 1.5% in 2008) and to promote national reconciliation.

The Government announced the second MTP of Vision 2030 in October 2013. The second MTP gave priority to devolution as specified in the Constitution and to more rapid socio-economic development with equity as a tool for building national unity. The second MTP also aimed to build on the successes of the first MTP, particularly in increasing the scale and pace of economic transformation through infrastructure development, and places strategic emphasis on priority sectors under the economic and social pillars of Vision 2030. Under the second MTP, transformation of the economy was focused on rapid economic growth, a stable macro-economic environment, modernisation of infrastructure, diversification and commercialisation of agriculture, food security, a higher contribution of manufacturing to GDP, wider access to African and global markets, wider access for Kenyans to better quality education and health care, job creation targeting unemployed youth, provision of better housing and provision of improved water sources and sanitation to Kenyan households.

The Government announced the third MTP of Vision 2030 in March 2017. The third MTP aimed to carry forward and complete the programmes and projects initiated during the second MTP. It also aimed to achieve high inclusive and broad-based economic growth. A key objective of the third MTP was to include policies, programmes and projects aimed at meeting the Sustainable Development Goals, which replaced the Millennium Development Goals from January 2016.

The Fourth Medium Term Plan 2023-2027 ("**MTP IV**") is intended to implement the Bottom-Up Economic Transformation Agenda ("BETA") which is geared towards economic turn-around and inclusive growth through a value chain approach. The MTP IV for Kenya aims to address the challenges facing the economy through targeted interventions across key sectors. By focusing on enhancing productivity, infrastructure development, social welfare, environmental sustainability, and governance, MTP IV seeks to drive inclusive, broad-based, and sustainable economic growth. The plan emphasises the importance of coordinated efforts and strategic investments to create a resilient and prosperous economy for all Kenyans. See "—*The Fourth MTP*" below.

The 2024/2025 Budget

The FY 2024/25 budget was developed against a backdrop of an improved global economic outlook. The chosen theme for the budget was 'Sustaining BETA, Fiscal Consolidation and Investing in Climate Change Mitigation and Adaptation for Improved Livelihoods'. The budget and medium-term framework were focused on the implementation of the BETA as prioritised in the Medium-Term Plan IV. The agenda was geared towards economic turnaround and inclusive growth and aimed to increase investments in the five core pillars envisaged to have the largest impact to the economy as well as on household welfare. These include Agricultural Transformation and Inclusive Growth; Micro, Small and Medium Enterprises (MSME); Housing and Settlement; Healthcare; and Digital Superhighway and Creative Industry.

However, the implementation of FY 2024/25 budget has been impeded by the withdrawal of Finance Bill, 2024, which was expected to raise an additional revenue amounting to KES 344.3 billion. To ensure seamless implementation of the FY 2024/25 budget and safeguard the fiscal consolidation plan, the National Treasury initiated several expenditure rationalization measures. These include eliminating non-priority expenditures, retiring costly and unsustainable consumption subsidies, scaling up the use of Public-Private Partnerships (PPPs) for commercially viable projects, and implementing the Superannuation Scheme to ease future pension burdens. Additionally, the Treasury is rolling out an end-to-end e-procurement system and adhering to fiscal responsibility principles, including a maximum of 35% of expenditures spent on wages and employee benefits. These measures are reflected in Supplementary Estimates No. I and Supplementary Estimates No. II. For more information, see "*Public Finance*".

THE OFFERING

The following is an overview of the terms of (and other matters relating to) the Notes and, where applicable, the Notes.

Issuer..	The Republic of Kenya, acting through the National Treasury and Economic Planning.
Legal Entity Identifier (LEI)..........	549300VVURQQYU45PR87
Notes Being Issued...........................	US$1,500,000,000 9.500% Amortising Notes due 2036.
Issue Price of Notes..........................	97.195%
Issue Date	5 March 2025
Redemption	Unless previously redeemed or purchased and cancelled, the Issuer will redeem the Notes in three equal instalments of US$500,000,000 on 5 March 2034, 5 March 2035 and 5 March 2036.
Interest Rate and Interest Payment Dates	The Notes bear interest from and including 5 March 2025 at the rate of 9.500% per annum to but excluding 5 March 2036 payable semi-annually in arrear on the outstanding principal amount from time to time of the Notes (as determined in accordance with Condition 7 (*Redemption and Purchase*)) on 5 March and 5 September in each year commencing on 5 September 2025.
Status	The Notes constitute direct, unconditional, unsubordinated and (subject to a negative pledge, described below) unsecured obligations of the Issuer and rank *pari passu* without any preference amongst themselves and at least *pari passu* with all other present and future unsubordinated and (subject as provided in the negative pledge described below) unsecured obligations of the Issuer, save only for such obligations as may be preferred by mandatory provisions of applicable law, provided, further, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other obligations and, in particular, shall have no obligation to pay such other obligations at the same time or as a Condition of paying sums due on the Notes and vice versa. The Notes are backed by the full faith and credit of the Issuer.
Negative Pledge...............................	So long as any Note remains outstanding, the Issuer has undertaken that it will not (save for the specific exceptions provided in the Conditions) create, incur, assume or permit to subsist any Security (as defined in the Conditions) upon the whole or any part of its present or future assets or revenues to secure: (a) any of its Public External Indebtedness; (b) any guarantees in respect of Public External Indebtedness; or (c) Public External Indebtedness of any other person, without, at the same time or prior thereto, securing the Notes equally and rateably therewith or providing such other arrangement as shall be approved by relevant Noteholders.
Events of Default.............................	Condition 10 (*Events of Default*) provides that holders of the Notes who hold at least 25% in aggregate principal amount of the relevant Notes then outstanding may declare such Notes to be immediately

due and payable at their principal amount together with accrued interest if, inter alia:

(a) the Issuer fails to pay principal or interest on such Notes when due and continues to do so for 15 business days or 30 days, respectively;

(b) the Issuer does not comply with one or more of the terms of such Notes, the applicable Agency Agreement or the applicable Deed of Covenant and (if capable of remedy) such default continues for 45 days following service of notice by any relevant Noteholder requiring such breach be remedied;

(c) the Issuer is in default or there is an acceleration in maturity in relation to any External Indebtedness or default in any guarantee thereof in excess of US$25,000,000;

(d) the Issuer declares a moratorium in respect of its External Indebtedness;

(e) the Issuer ceases to be a member of the IMF or ceases to be eligible to use the general resources of the IMF;

(f) the Issuer denies the validity of the Notes or any of its obligations under such Notes, or it shall become unlawful for the Issuer to perform or comply with all or any of its obligations set out in such Notes as a result of any change in law or regulation in Kenya or final and unappealable ruling of a court in Kenya; or such obligations cease to be in full force and effect; or

(g) if any authorisation, consent of, or filing or registration with any governmental authority necessary for the payment of such Notes when due ceases to be in effect; all as more particularly described in Condition 10 (*Events of Default*).

A declaration of acceleration may be rescinded in certain circumstances by the resolution in writing of the holders of at least 50% in aggregate principal amount of the outstanding Notes (as the case may be) in accordance with the procedures in Condition 10 (*Events of Default*).

Noteholder Meetings .... The Conditions contain provisions for calling meetings of Noteholders and, in certain circumstances, holders of other debt securities of the Issuer, to consider matters affecting their interests generally. These provisions permit defined majorities (which may, in certain circumstances, be formed of holders of debt securities of the Issuer other than the Notes) to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. See Condition 13 (*Meetings of Noteholders; Written Resolutions*) and "*Risk Factors— The terms of the Notes may be modified, waived or substituted without the consent of all the holders of the Notes*."

Modification and Amendment........ In addition to any modifications made by way of Noteholder Meetings under Condition 13 (*Meetings of Noteholders; Written Resolutions*), the Conditions also contain provisions permitting the Notes, the Conditions or the Agency Agreement to be amended without the consent of the Noteholders either (i) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein or (ii) in any other manner which is, in the sole opinion of the Issuer, not materially prejudicial to the interests of the Noteholders. See Condition 13.8 (*Manifest error, etc.*).

Taxation and Additional Amounts.	All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction, subject to certain exceptions described in Condition 8 (*Taxation*).
"**Original Issue Discount**"	The Notes will be issued with original issue discount ("**OID**") for US federal income tax purposes because the stated principal amount of the Notes will exceed their "issue price" by an amount equal to or more than a statutorily defined *de minimis* amount. Accordingly, US Holders (as defined in "*Taxation—United States Federal Income Taxation*") will be required to include any amounts representing OID in gross income (as ordinary income) on a constant yield to maturity basis for US federal income tax purposes in advance of the receipt of cash payments to which such income is attributable regardless of their regular method of accounting for US federal income tax purposes. For further discussion, see "*Taxation—United States Federal Income Taxation.*"
Listing and Admission to Trading .	Application has been made to the FCA for the Notes to be admitted to the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the London Stock Exchange's main market.
Denomination..................................	The Notes will be in registered form and will be offered and sold in a minimum denomination of US$200,000 and integral multiples of US$1,000 thereof.
Form of the Notes	The Notes will be in registered form, without interest coupons attached. The Notes will initially be represented by Global Notes. One or more Restricted Global Notes will be issued in respect of Notes offered and sold in reliance on Rule 144A. The Unrestricted Global Notes will be issued in respect of the Notes offered and sold in reliance on Regulation S. Except in limited circumstances, certificates for the Notes in definitive form will not be issued to investors in exchange for beneficial interests in the Global Notes. See "*The Global Notes*".
Transfer Restrictions......................	The Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws. Consequently, the Notes may not be offered, sold or resold in the United States except pursuant to an exemption from, or in a transaction not subject to, the

	registration requirements of the Securities Act and applicable U.S. state securities laws. See "*Transfer Restrictions*".
Use of Proceeds	The net proceeds of the issue of the Notes are intended to be utilised to repay outstanding debt of the Issuer, including to purchase its 2027 Notes (as defined below), which have been accepted for purchase by the Issuer in the Tender Offer announced on 24 February 2025. In addition, if the principal amount of the Notes exceeds the aggregate amount of the 2027 Notes tendered in the Tender Offer, the Issuer intends to utilise the balance for the refinancing of other external indebtedness.
Ratings...	The Notes are expected to be assigned a rating of B- by S&P and B- by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating organisation.
Further Issues	The Issuer may from time to time, without notice to or the consent of the registered holders of the Notes, issue additional securities that will form a single series with such Notes, subject to certain conditions set out in Condition 15 (*Further Issues*).
Governing Law	The Agency Agreement, the Deed of Covenant and the Notes (including any non-contractual obligations arising from or in connection with any of them) are governed by, and will be construed in accordance with, English law.
Arbitration	Any dispute arising out of or in connection with the Notes shall be resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration, as more particularly described in Condition 16 (*Governing Law, Arbitration and Enforcement*). The parties have expressly excluded the jurisdiction of the courts.
Risk Factors	Any one or more of the risk factors below could affect Kenya's economy, its ability to fulfil its obligations under the Notes and your investment in the Notes.
Fiscal Agent, Paying Agent and Transfer Agent.................................	Citibank, N.A., London Branch
Registrar...	Citibank Europe plc, Germany Branch
Security Codes for the Unrestricted Notes	ISIN: XS3010561762 Common Code:301056176 CFI: DBFTFR FISN:KENYA, REPUBLIC OF 9.50000 05/03/36
Security Codes for the Restricted Notes	ISIN: US491798AN42 CUSIP: 491798 AN4 Common Code:300955967 CFI: DBFUBR FISN:KENYA REP/9.5 NT 20360305 144

RISK FACTORS

An investment in the Notes involves a high degree of risk. You should carefully consider the risks described below as well as the other information contained in this Offering Circular before buying any of the Notes. Any of the following risks could materially adversely affect Kenya's economy and your investment in the Notes. The risks described below are not the only risks Kenya faces. Additional risks and uncertainties not currently known to Kenya or that Kenya currently deems to be immaterial may also materially affect Kenya's economy and its ability to fulfil its obligations under the Notes. In any such case, you may lose all or part of your investment in the Notes.

Risks Relating to the Republic of Kenya

Investing in securities of emerging market countries such as Kenya poses a greater degree of risk than investment in more mature market economies because the economies in emerging markets are more susceptible to destabilisation resulting from domestic and international developments.

Investing in securities of emerging market countries such as Kenya generally poses a greater degree of risk than investment in more mature market economies because the economies in emerging markets are more susceptible to destabilisation resulting from domestic and international developments. These risks include, but are not limited to, higher volatility and more limited liquidity in respect of the Notes, political risk, social unrests, terrorism and obstacles to effectively combating the financing of terrorism, inflation, currency volatility, exchange controls, instability in neighbouring countries and surrounding regions, corruption, money-laundering, a narrow export base, budget deficits, delays in reform and transformation agendas, lack of adequate infrastructure necessary to accelerate economic growth and changes in the political and economic environment. Emerging market countries can also experience more instances of corruption by government officials and misuse of public funds than do more mature markets, which could adversely affect the country and the perception of doing business therein, all of which can affect the ability of governments to meet their financial commitments domestically and internationally, including but not limited to obligations under issued securities.

Although significant progress has been made in reforming Kenya's economy and its political and judicial systems, Kenya is still in the process of developing the necessary infrastructure, regulatory and judicial framework that is essential to support market institutions and broad-based social and economic reforms. Generally, investment in securities of issuers in emerging markets, such as Kenya, is only suitable for sophisticated investors who fully appreciate the significance of risks involved in, and are familiar with, investing in emerging markets and investors are urged to consult their own legal and financial advisers before making an investment.

Furthermore, because international investors' reactions to events occurring in one emerging market country sometimes appear to demonstrate a "contagion" effect, in which an entire region or class of investment is disfavoured by international investors, Kenya could be adversely affected by negative economic or financial developments in other emerging market countries. This is particularly the case in the current economic environment where a number of emerging economies globally have entered periods of financial stress and distress following the Covid-19 pandemic and its impact on the global economy. For example, according to the International Monetary Fund (2023 Regional Economic Outlook: Sub-Saharan Africa), over half of the region's low-income countries are at a high risk of debt distress or are already in distress. Any possible defaults or forced restructuring in other African nations currently ongoing or which could occur may affect the market's perception of Kenya and have consequential and adverse effects on Kenya's economy. See "*—High levels of indebtedness could have a material adverse effect on Kenya's economy, its sovereign credit ratings and its ability to service its debt, including the Notes*" for further information.

In addition, Kenya's economy and macroeconomic goals are susceptible to adverse external shocks, including potential global economic and/or health crises, a global economic slowdown, the ongoing instability in the international financial markets, geopolitical events, new or ongoing global conflicts (see "*—Impact of the Global Conflicts*" below), exchange rate depreciation, turmoil in the European banking system and the sovereign debt market of certain members of the European Monetary System, tightening of US monetary policy and consequent increase in US interest rates, persistent geopolitical uncertainty in the international oil and commodities markets and fluctuations in remittances as a consequence of various factors including economic and financial changes in developed markets, and immigration policy changes in countries with a significant diaspora presence such as the United Kingdom, the U.S. and Tanzania. In particular, the Covid-19 Pandemic has significantly affected developing economies, where the capacity to address the financial, economic and health issues tends to be less comprehensive than the measures observed in more developed countries. This disparity has exacerbated the fiscal challenges that Kenya was already grappling with prior to the emergence of the pandemic. These and similar developments could result in fewer exports by Kenya, which relies largely on its export markets, and/or adversely affect economic or market conditions and contribute to instability in global financial and foreign exchange markets, which could have a material adverse impact on Kenya's economy.

Investors should also note that emerging markets, such as Kenya, are subject to rapid changes and that the information set out in this Offering Circular may become outdated relatively quickly.

High levels of indebtedness could have a material adverse effect on Kenya's economy, its sovereign credit ratings and its ability to service its debt, including the Notes.

As at 30 June 2024, Kenya's stock of public and publicly guaranteed debt stood at KES 10,582.0 billion, of which KES 5,171.7 billion (48.9%) was external debt and KES 5,410.3 billion (51.1%) was domestic indebtedness (*Source*: *Annual Public Debt Management Report, 2024*). In US Dollar terms, the total external debt as at 30 June 2024 amounted to approximately US$ 39.9 billion. In addition, as of 30 June 2024, the National Government guaranteed approximately KES 100.2 billion of the indebtedness of the non-financial public sector, principally state-owned enterprises. While such guarantees fell by 59% from KES 170.2 billion as of 30 June 2023, on account of the novation of Kenya Airways debt and repayment of called-up guaranteed debt, these enterprises continue to have substantial reliance on direct Government financing.

For the year ended 30 June 2024, the ratio of interest payments to revenue increased to 36.7% from 33.8%. This increase was as a result of high interest rates for debt market instruments compounded by the depreciation of the Kenyan shilling, inflating debt service cost of external debts payable in foreign currencies during the year. The Government continues to finance the funding gap for the fiscal deficit from additional borrowings which will be a mix of concessional and non-concessional sources (including borrowings from development partners as well as accessing the international and domestic capital and loan markets), but which are expected to increase the overall debt stock.

The high levels of public indebtedness of Kenya represents a constraint for the management of public finances. The joint IMF-World Bank Debt Sustainability Analysis ("**DSA**") qualifies Kenya's debt distress risk as high and the debt carrying capacity of Kenya was classified as medium by the IMF in July 2023, reflecting the impact of the Covid-19 Pandemic, exchange rate fluctuations, prolonged drought, locust invasion and declines in exports and economic growth as well as fiscal measures taken in response, including increased expenditures and tax relief.

Kenya regularly evaluates its debt portfolio and engages with existing lenders with a view to optimizing its rate and maturity structure. In addition, Kenya is currently in discussions with a number of official, commercial and multilateral lenders for financing on a mix of concessional and commercial rates.

As at the date of this Offering Circular, Kenya has either met in a timely manner all payment obligations to all of its external creditors or agreed the terms for debt suspension under the DSSI (as defined below), including with respect to its outstanding international bonds. Nevertheless, the Covid-19 Pandemic and the various containment and mitigation measures deployed by the Government adversely impacted the economy and placed significant pressure on Kenya's balance of payments and budgetary needs. While debt service costs increased to 68.0% of total state revenue in the fiscal year 2023/2024 from 58.8% in the fiscal year 2022/2023, this percentage increase does not account for the refinancing of the US$2 billion Eurobonds due in June 2024, which were partially refinanced by a US$1.5 billion Eurobond issued in February of that year. Total interest payments as a ratio of revenue (i.e., removing any principal repayments) increased to 36.7% in the FY 2023/24 from 33.8% in the FY 2022/23 (See *Annual Public Debt Management Report 2023/2024)*.

To support its debt sustainability goals, Kenya has relied on a number of initiatives from multilateral institutions. For instance, the Government took steps to join the Debt Service Suspension Initiative (the "**DSSI**"), a programme established by the G20 member states and Paris Club creditors which offered temporary suspension of debt service payments for all eligible countries that made such a request in order to support the poorest countries in their Covid-19 containment measures and their respective economies. The Government finalised the deferral agreements for debt service payments individually with the G20 member states. The first phase of entering into the deferral agreements was completed by 30 June 2021, after which Government sought suspension of debt service payments between July and December 2021. The first phase was expected to defer approximately KES 38.3 billion (US$ 358 million) relating to debt service payments between January and June 2021, while the second phase was expected to defer approximately KES 41.1 billion (US$ 384 million) for debt service payments between July and December 2021. The deferred payments are required to be repaid over five years, following a one-year grace period. See "*Public Debt—Debt Management*". The first phase of the DSSI freed up approximately KES 46.2 billion, while the second and final phase deferred approximately KES 9.5 billion of debt service payments between July and December 2021. Under the DSSI, Kenya's total repayment period is of five years, including a one-year grace period.

In addition, on 2 April 2021, the Executive Board of the IMF approved 38-month arrangements under the Extended Credit Facility (the "**ECF**") and the Extended Fund Facility (the "**EFF**") for Kenya in an amount equivalent to SDR 1.655 billion (305% of quota or about US$2.34 billion) to support the next phase of the Covid-19 response, address the urgent need to reduce debt vulnerabilities and for safeguarding resources to protect vulnerable groups. Further, on 10 June 2021, the World Bank approved a US$750 million in development policy financing to support reforms in sectors significantly impacted by the Covid-19 Pandemic, such as healthcare, education and energy, as well as to generally support the Government's Post-Covid-19 Economic Recovery Strategy.

Since the Covid-19 Pandemic, Kenya has continued to engage with multilateral institutions, particularly the IMF, to address its debt issues. For instance, the arrangements under the ECF and EFF for Kenya were extended by 10 months on 17 July 2023 during the period of the fourth and fifth review. Additionally, on the 17 July 2023, the IMF Board approved a 20-month arrangement under the Resilience and Sustainability Facility (the "**RSF**") in an amount of US$551.4 million. On 19 July 2023, the Government and the IMF concluded the fifth review of the IMF Programme, agreeing on an additional US$ 110.3 million in IMF financing. The IMF Program aimed to reduce Kenya's fiscal deficit by broadening the existing tax base, strengthening revenue administration and cutting non-priority expenditures while maintaining allocations to social and growth-enhancing development programs. In response to ongoing balance of payment pressures, the IMF approved a disbursement of approximately US$ 941.2 million on 17 January 2024 during its sixth review. On 30 October 2024, the executive board of the IMF concluded the seventh and eighth reviews under the ECF, EFF and RSF with Kenya. This approval enabled a combined disbursement of around US$606 million, aimed at supporting Kenya's efforts to rebuild fiscal and external buffers and enhance resilience to climate shocks. The IMF Programme further advanced broader reform and governance agendas, addressing weaknesses in some state-owned enterprises (the "**SOEs**") and strengthening transparency and accountability through the anti-money laundering and anti-corruption frameworks. The Government also undertook measures to advance fiscal consolidation and improve debt burden management.

While the DSA contemplates that Kenya will continue to be able to access international capital markets, such as through the issue of the Notes, a significant increase in the level of debt-to-GDP or worsening of the fiscal situation in Kenya may result in Kenya's debt becoming unsustainable.

In addition, some of the policy reforms may prove unpopular or difficult to implement or maintain. For example, planned tax increases included in the Finance Bill 2024 to broaden the tax base prompted social unrest in the country resulting in the proposed tax increases not being adopted. Further, the Government has not been able to maintain the debt ceiling of ± 55% of the GDP in present value terms implemented in revisions to the Public Finance Management Act 2012 ("**PFMA**") adopted on 1 November 2023. The new cap provides that such threshold may be exceeded by not more than 5% in exceptional circumstances, although as at 31 December 2023, Kenya's debt was 68.2% in present value terms, and continues to remain elevated as of the date of this Offering Circular. While the PFMA also provides that the Cabinet Secretary of the Ministry of Finance has five years from the date of adoptions of the amendments (1 November 2028) to take measures to ensure that borrowing complies with the threshold, failure to do so within the grace period may result in Kenya's debt being deemed unsustainable.

Any failure to continue to meet the conditions of the economic and sectorial programs agreed with the IMF and the World Bank or its own policy initiatives may adversely affect Kenya's ability to make further drawings under the various facilities offered by these institutions and ultimately affect the Government's ability to service the Notes. Kenya is also expected to continue to rely on external financing, including international debt issuances and concessional borrowings from multilateral financial institutions, in order to meet its fiscal requirements, which may increase its overall debt obligations. The high levels of indebtedness of state-owned enterprises, and the Government guarantees given in respect of these enterprises, may further increases the Government's financing requirements. If the Government fails to successfully implement its debt strategy or is unable to access sufficient financing, it may be unable to refinance its debt when due or debt levels could rise to an unsustainable level, which may negatively impact Kenya's ability to make timely payments of interest and/or principal on the Notes. Failure to achieve budgetary targets and/or to limit Kenya's fiscal deficit may adversely affect Kenya's economic growth.

Failure to achieve budgetary targets and/or to limit Kenya's fiscal deficit may adversely affect Kenya's economic growth.

The fiscal deficit for 2024/25 is estimated at 4.3% of GDP, a reduction from 5.1% in 2023/24, 5.3% in 2022/23, 6.2% in 2021/22 and 8.2% in 2020/21 (See *Annual Public Debt Management Report 2023/2024; Annual Public Debt Management Report 2022/2023 and Annual Public Debt Management Report 2021/2022*). Government revenues for 2024/25 are projected to fall short of budget targets, reaching 16.9% of GDP (including grants) compared to the target of 18.3% of GDP. This short fall is primarily due to the underperformance of the VAT, excise duty, import duty and pay-as-you-earn taxes. Comparatively, in 2022/23, government revenue reached 16.4% of GDP (*Source: 2024 Budget Review and Outlook Paper*). For 2023/24, nominal debt is projected to amount to 65.7% of GDP, compared to 72.0% in 2022/23, 67.7% in 2021/22, 68.1% in 2020/21, and 65.8% in 2019/20 (See *Annual Public Debt Management Report 2023/2024*).

The Government expects to finance the funding gap resulting from the 2024/2025 fiscal deficit largely from borrowings including funding from development partners (such as the IMF, World bank and African Development Bank), from commercial sources (including commercial lending, such as the TDB Facility and the Notes being offered hereby), from project financing and from domestic borrowings.

The Government is taking active measures to reduce expenditures and increase revenues in order to reduce its fiscal deficit, with the downward trend in Kenya's tax-to-GDP ratio being noted by the IMF as a key issue. In particular, it plans to enhance domestic revenue mobilisation and reduce recurrent spending in favour of capital investment to promote sustainable and inclusive growth. Revenue enhancement measures include extensive revisions to the current Income Tax Act in order to strengthen tax administration and expand the tax base and initiatives to address transit diversion and inefficiency in the clearing of imports, although a number of the proposals to broaden tax revenues have been met with legal challenges and social unrest. See "*Public Finance—Taxation Policy*" and "*Public Finance—Revenues and Expenditures*".

For example, Kenya has struggled to implement such tax reforms due to their unpopularity and the resulting nationwide protests. On 26 June 2023, the President signed the Finance Act 2023 into law, introducing widespread reforms to the Kenyan tax regime. The reforms introduced by the Finance Act 2023 include changes to income tax, introduction of taxation of repatriated income for non-residents, changes to turnover tax (including an increase on the TOT rate to 3%), additional requirements for withholding tax, introduction of new Pay-As-You-Earn tax bands and a new housing levy. While initially challenged as unconstitutional, which was upheld by the Court of Appeal in July 2024, Kenya's Supreme Court overturned the Court of Appeal's decision in October 2024.

Further, the Finance Bill, 2024, approved by Kenya's National assembly on 25 June 2024 which proposed higher taxes on goods, including 16% VAT on bread and a 25% excise duty on Kenyan raw and refined vegetable cooking oil, aiming to raise an additional US$2.7 billion in taxes, proved unpopular, prompting widespread youth-led protests and riots and an attack on the Kenyan Parliament, with rioters setting part of the building on fire. In response to the unrest, on 26 June 2024, the President issued a Presidential Memorandum of Referral declining to assent the Finance Bill, 2024.

Certain amendments were introduced to the Finance Bill, 2024 in November 2024, which lessened potential burden on taxpayers, but also result in lower expected tax revenue than the original U.S.$2.7 billion (approximately KES 390 billion) package as envisaged in the Finance Bill, 2024. Given Kenya's low tax compliance rates, it is unclear how effective it will be in broadening the tax base in light of the resistance it faced to the Finance Bills introduced in 2023 and 2024. The proposed tax reforms may not be successfully implemented and may lead to further unrest, which could adversely affect the market's perception of Kenya and its economic stability. For more information, see "*Republic of Kenya – 2024 Protests*" and "*Public Finance – Finance Bill, 2024, the Tax Laws (Amendment) Bill, 2024, and the Tax Procedures (Amendment) Bill, 2024*".

Most recently, the temporary closure of the United States Agency for International Development (USAID) under U.S. President Donald Trump, implemented in February 2025, poses significant risks for Kenya. President Trump's Executive Order 14169 in January 2025 paused all U.S. foreign development assistance for a comprehensive review. This suspension affected key health initiatives, including USAID and PEPFAR programs, raising global health concerns. Although a partial waiver issued on 28 January 2025, allowing some humanitarian aid, many health programs continue to struggle.

Kenya, a major beneficiary of USAID, has been significantly impacted, with thousands of health workers facing retrenchment. The temporary 90-day waiver permits some continued aid, but long-term stability remains uncertain. The Kenyan government is exploring domestic funding solutions to sustain critical health programs, emphasizing the need for local funding mechanisms if U.S. aid is permanently withdrawn. However, this could increase debt servicing costs, further straining Kenya's fiscal stability and debt sustainability.

Further, if the Government is not able to realise additional revenues or raise sufficient debt on affordable terms to address the deficit, it may be forced to cut expenditures, particularly as the current strength of the U.S. dollar makes dollar-based financing options available to the Government more expensive at this time. Failure to reduce the fiscal deficit may result in an increase in Kenya’s debt levels and a subsequent increase in debt servicing costs, which puts further strain on Kenya’s fiscal stability and debt sustainability and could in turn have a material adverse effect on the Kenyan economy and its ability to service its debts.

High inflation could have a material adverse effect on Kenya’s economy

Historically, inflation in Kenya has fluctuated year to year, being largely driven by global price and inflationary trends stemming from supply related factors. This includes elevated international oil and food prices in 2021 and 2022 which were impacted by global supply chain constraints triggered by multiple factors, including the lingering effects of the Covid-19 pandemic, the war in Ukraine, and severe drought conditions. These elements collectively exerted upward pressures on domestic prices. Additionally, following the rapid monetary policy tightening in advanced economies, particularly the U.S., domestic currencies in emerging and frontier economies including Kenya, depreciated against the U.S. dollar, exerting upward pressure on prices of imported goods. (See “*—The impact of climate change has negatively affected Kenya in the past and may negatively affect it in the future*” and “*—Any significant depreciation of the Kenyan shilling against the US dollar or other major currencies might have a negative effect on Kenya’s ability to repay its debt denominated in currencies other than the Kenyan shilling, including the amounts due under the Notes*” below). Russia’s invasion of Ukraine has already had, and likely will continue to have, a material impact on global economic and market conditions, including increasing inflation (particularly for food, energy, and shipping costs) (see “*—Impact of global conflicts”).* In August 2023, to curb the rising price of petrol, kerosene and diesel, Kenya’s energy regulator reintroduced fuel subsidies which aimed to maintain the price of petrol, diesel and kerosene until September 2023. In May 2024, the National Treasury reduced fuel subsidy allocations from KES 54.18 billion in the previous financial year to KES 27 billion for the 2024/25 financial year.

Kenya’s overall inflation has declined significantly with 12-month inflation declining from a peak of 9.6% in October 2022 to 3.0% in December 2024 reflecting the effectiveness of the Central Bank’s tight monetary policy and pass-through effects of the strengthening exchange rate that have eased food and energy prices. Although tighter monetary policies have historically helped to curb inflation, the impact on inflation of heightened geopolitical tensions and conflicts (especially in the Middle East and Africa) and higher fuel and other import prices is beyond the Government’s control. There can be no assurance that the inflation rate will not rise in the future. Further, the economic policies are subject to further change and revision at any time and there can be no assurance that these measures will not result in further volatility. Significant inflation could have a material adverse effect on Kenya’s economy and the ability to service the Notes, including compelling the Central Bank of Kenya to increase or maintain high interest rates. See “*Monetary and Financial System Structure and Development of the Kenyan Banking Sector Inflation and interest rates*”.

Kenya may be unable to meet its economic growth and reform objectives and policies which may adversely affect the performance of the Kenyan economy.

The Government has announced its intention to pursue a series of economic and fiscal reform initiatives, including those set forth in Vision 2030 and the second, third and fourth Medium Term Plan (the “**MTP**”). However, there can be no assurance that such initiatives will be adequately funded, will achieve or maintain the necessary long-term political support, will be fully implemented or prove successful in achieving their objectives. There can also be no assurance that the targets envisioned by the Government's economic and fiscal reform initiatives will be achieved, including the target of 10% GDP growth set in Vision 2030. Continued pursuit of long-term objectives such as those set forth in Vision 2030 and the MTP IV will depend on a number of factors, including continued political support at many levels of Kenyan society, adequate funding, effective transition to devolved government, improved security, power sector reform, availability of human capital and significant coordination. The MTP IV focuses on implementing the Bottom-Up Economic Transformation Agenda ("**BETA**") plan for economic turn-around and inclusive growth through a value chain approach focused on five pillars: agricultural transformation, micro, small and medium enterprise ("**MSME**") economy, healthcare, housing and settlement and digital superhighway and creative industry. The five pillars are expected to contribute towards six objectives: ensure inclusive economic growth, lower the cost of living, enhance social security, manage unemployment, expand the tax base and increase foreign exchange earnings. The significant funding requirements for these plans may prove difficult or impossible to meet. Kenya may be unable to complete planned flagship projects or may experience difficulties implementing reforms. The Government was not able to achieve its medium-term objective under the third MTP of 7% real GDP growth in 2022 (See *Third Medium Term Plan, 2018-2022* and *Third National Reporting Indicator Handbook, 2018-2022*).

For example, in relation to the implementation of the MTP IV, Kenya is already facing certain challenges. The current MTP, which runs for a period of three fiscal years from FY 2024/25 to FY 2026/27, aims to grow the tax-to-GDP ratio from 14.1% to 20% within this timeframe, which were intended to be implemented in part through the Finance Bill, 2024. However, as a result of national protests, the Government has yet to implement some of these tax reforms. For more information, see "*Republic of Kenya – 2024 Protests*" and "*Public Finance – Finance Bill, 2024, the Tax Laws (Amendment) Bill, 2024, and the Tax Procedures (Amendment) Bill, 2024*". If the Government is not able to fund or implement the medium-term objectives contained in the MTP IV, or if there is a delay in such funding or implementation, then the Government may not be able to meet the long-term strategic objectives set forth in Vision 2030, which could result in a material adverse effect on the economy.

Compounding these challenges, the proposed tariffs by President Donald Trump, set to take effect in February 2025 and including levies on imports, could introduce global economic uncertainty that may indirectly affect Kenya's export-driven economy. The United States, a key trading partner for Kenya through the African Growth and Opportunity Act (AGOA), facilitates duty-free exports of various Kenyan products. However, President Donald Trump's protectionist policies and the uncertain renewal of AGOA, set to expire in September 2025, pose additional risks. These tariffs, primarily targeting major trade partners, could lead to stricter import regulations and decreased competitiveness for Kenyan products in the U.S. market, such as textiles, coffee beans and macadamia nuts, potentially impacting Kenya's economic stability and growth.

Since 2020 Kenya has experienced significant annual real GDP growth, rising to 7.6% in 2021 from 0.3% in 2020, 4.9% in 2022 and 5.6% in 2023. Despite this GDP growth, poverty levels in Kenya remain elevated. The overall poverty headcount in 2019, 2020, 2021 and 2022 was 33.6%, 42.9%, 38.6% and 39.8% respectively. The country's Vision 2030 acknowledges that there are also large disparities in incomes and access to education, healthcare and land, as well as to basic needs, including clean water, adequate housing and sanitation. High and persistent levels of poverty and unemployment and increasing inequality may individually or in the aggregate have negative effects on the Kenyan economy in addition to increasing the risk of social instability and higher violent crime. If reforms do not adequately address the high levels of poverty, unemployment and inequality, or if Kenya is unable to meet its reform objectives in such areas, such continued conditions may materially adversely affect Kenya's economic growth.

The impact of recent policy measures proposed to be introduced by the Government to implement measures recommended under the IMF Program aimed to strengthening revenue collection and cut non-priority expenditures have led to political and social instability in the country.

Kenya has faced recent political instability resulting from the 2022 General Election, where President William Ruto won 50.5% of the votes and was subsequently elected as Kenya's fifth President. In August 2022, the opposition party filed an unsuccessful Supreme Court challenge to the 2022 General Election result and subsequently the opposition has urged its supporters to protest against measures introduced by the current Government, with certain protests having escalated to and resulted in violence and civilian casualties. There can be no assurance that opposition to Government policy and possible protests will continue, which may in turn affect market perceptions of Kenya and general socioeconomic stability. In particular, election related instability may arise in conjunction with the 2027 elections.

In May 2024, the proposed tax increases in the Finance Bill, 2024 were heavily criticised by younger Kenyans. Peaceful protests began on 18 June 2024 in Nairobi, prompting a number of arrests. On the same day, the Kenyan Parliament amended the bill, removing certain of the controversial clauses. However, the bill was nonetheless passed the next day, leading to nationwide protests and heavy clashes with security forces. On 25 June 2024, protesters stormed the Parliament buildings, resulting in casualties and numerous injuries due to clashes with police. The following day, President Ruto held a press conference and decided to withhold the signing of the bill due to its unpopularity. Despite this, protests escalated into riots on 2 July 2024.

The withdrawal of the bill led to an initial shortfall in revenue in July, causing GDP growth rates to slow down moderately between the first quarter and third quarter of 2024, from 5.0% to 4.0%. In response, the Government has been taking active measures to strengthen its institutional resilience following the protests. The Supreme Court of Kenya has given a decision on what is required and what is to be considered in relation to the guidelines around how to carry out public participation. Several reforms have also been proposed in the National Dialogue Committee Report, adopted by the Senate and National Assembly on 21 February 2024 and 22 February 2024 respectively, with the consensus to recommend constitutional, legal and policy reforms on issues of concern to the people of Kenya.

In response to the ongoing unrest, several cabinet ministers were removed from office, and President Ruto established a new "broad-based unity government" in July 2024. However, this measure did not alleviate the protests. Political instability persisted in Kenya, and in October 2024, the Senate impeached former Deputy President Rigathi Gachagua on charges of corruption, inciting ethnic divisions, and supporting anti-government protests.

If required policy measures are not able to be implemented for social or political reasons, or future protests were to persist for an extended period, they could negatively impact the economy, which in turn could adversely affect the Kenya's ability to meet its debt obligations, including those under the Notes.

For more information, see "*Republic of Kenya – Finance Bill 2024 Protests*" and "*Public Finance – Finance Bill, 2024, the Tax Laws (Amendment) Bill, 2024, and the Tax Procedures (Amendment) Bill, 2024*".

Any significant depreciation of the Kenyan Shilling against the US dollar or other major currencies might have a negative effect on Kenya's ability to repay its debt denominated in currencies other than the Kenyan shilling, including the amounts due under the Notes.

During the first half of 2024, the Kenyan Shilling depreciated against most of the selected major trading currencies. The Shilling weakened against the Euro, US Dollar, Pound Sterling and Japanese Yen by 23.4%, 19.3%, 23.4% and 10.7%, respectively, between 30 June 2022 and June 2023 (*Source: Annual Public Debt Management Report 2023/2024*). However, during the third quarter of 2024, the Kenyan Shilling appreciated against all major currencies compared to the corresponding quarter in 2023. During the second half of 2024, the Shilling had gained on average 10.1% against the US Dollar, 9.3% against the Euro, and 7.7% against the Pound Sterling. Conversely, it depreciated by 12.7% against the Japanese Yen (*Source: Quarterly Gross Domestic Product Report, Third Quarter 2024*). Despite this overall appreciation during the third quarter of 2024, any depreciation of the Kenyan Shilling against the US Dollar, exchange rate volatility, or a decline in foreign reserves levels could materially impair Kenya's ability to repay its external debt, 67% of which was denominated in US dollars as at 30 June 2024. Kenya has a relatively high fiscal deficit, limited foreign-exchange reserves and a high dependence on commodity exports, which puts further pressure on the Kenyan shilling and ultimately could result in a decline of foreign reserves. As a result, when combined with weak commodity prices and low production levels and given that Kenya pays for key imports such as oil in US dollars, the Kenyan shilling is likely to remain vulnerable to external shocks. This vulnerability could lead to a sharp decline in its value and exert significant pressure on Kenya's balance of payments.

For the foregoing reasons, a continued depreciation of the Kenyan shilling against the US dollar or other major currencies might have a material adverse effect on Kenya's ability to repay its debt denominated in currencies other than the Kenyan shilling, including the amounts due under the Notes.

Impact of global and regional conflicts could have an adverse effect on the Kenyan economy and political stability

Geopolitical events and developments significantly affect the macroeconomic and political environment and can create sources of uncertainty and concern both globally and for Kenya. In February 2022, Russian forces invaded Ukraine, and Russia recognised the independence of the so-called "Donetsk People's Republic" and the "Luhansk People's Republic", two separatist regions within Ukraine, and a military conflict has since commenced between Russia and Ukraine and is continuing as of the date of this Offering Circular. These actions led the United States, the European Union and the United Kingdom, among others, to impose economic sanctions against Russia, Russian government officials and Russian corporates and financial institutions. The ongoing conflict has had a significant impact on international capital markets, investor sentiment and commodity prices (including oil and gas, which has led to rising fuel prices, and arable crops, which has led to rising food prices and consequently increased inflationary pressures). The sanctions announced to date include restrictions on selling or importing goods, services or technology in or from affected regions, travel bans and asset freezes impacting connected individuals and political, military, business and financial organisations in Russia. Such sanctions have direct and indirect effects on Kenya, as is the case with other participants in the global economy, which could become more significant if Kenya does not comply or is not seen to adequately comply with the sanctions. There remains a risk of further escalation and a resulting further impact on geopolitical conditions. Western and allied governments could impose wider sanctions and take other actions should the conflict further escalate. In particular, increased prices and supply shortages of products, such as wheat and energy, could further contribute to inflationary pressure. Most recently, in February 2025, high-level negotiations between US and Russian officials regarding the Ukraine conflict took place in Saudi Arabia. The outcome of these talks could influence market stability, depending on the progress made in US-Russia relations and the resolution of the Ukraine conflict. While the full extent of the impact of the conflict remains to be seen, the effects of the conflict could affect the Kenya economy.

Kenya shares a border with Ethiopia and South Sudan, who in turn share a border with Sudan. On 15 April 2023, the Sudanese 'Rapid Support Forces' attacked various bases belonging to the Sudanese Armed Forces across Sudan. The conflict between the paramilitary group and the Sudanese Armed Forces continues to be concentrated around the capital city of Khartoum and the Darfur region, resulting in significant civilian causalities and displacements. Despite repeated negotiation attempts, and the introduction of sanctions by the United States, the European Union and the United Kingdom in response to the violence across Sudan, the conflict remains ongoing as of the date of this Offering Circular. Moreover, the ongoing famine in Sudan, driven by conflict, is causing a major displacement crisis, with millions fleeing to neighbouring countries like Kenya, straining its resources and humanitarian efforts. Any escalation of the current conflict in Sudan any impact on its neighbouring countries could be detrimental to wider geopolitical stability in East Africa, which may in turn have a material adverse effect on the Kenyan economy. In addition, the ongoing conflict and instability in the Democratic Republic of the Congo, exacerbated by repeated military incursions by rebels alleged to be backed by the Rwanda government, may pose significant risks to the stability and economic prospects in the region. This could place additional pressure on Kenya to actively contribute to conflict resolution efforts, potentially affecting its diplomatic and economic relations within the region.

Lastly, on 7 October 2023, Hamas launched an attack on a number of cities in Israel from the Gaza Strip, killing a significant number of members of the Israeli Defence Forces and civilians. In response, the government of Israel formally declared war and mobilised Israel Defence Forces to begin a large-scale counter-offensive military operation against Hamas. On 15 January 2025, it was announced that Hamas and Israel have agreed to a ceasefire deal to end the 15-month conflict, which is expected to be implemented in phases. However, it remains unclear how this will unfold in practice. There was also an escalation of violence around the Lebanon-Israel border, and increased escalations of military activities in the wider region, by, among others, the Republic of Iran, the United States, the United Kingdom and the Houthis in Yemen. In particular, there have been increased attacks by the Yemeni Houthis on international shipping cargoes traversing the Red Sea and the Gulf of Aden, which has impacted globally shipping routes and supply chains. The scale, duration, and impact of the conflict in the region, as well as any global effects, are currently uncertain and cannot be predicted with any certainty. A wider regional conflict or any escalation of the current conflict could have effects on wider geopolitical stability and the global macroeconomic framework, which may in turn have a material adverse effect on the Kenyan economy.

Kenya continues to be challenged by internal security issues as well as unfavourable media coverage, which has had and may continue to have a negative impact on the economy, including the tourism industry.

Kenya has from time-to-time experienced internal security concerns. The Al-Shabaab group, an extremist militant group, has claimed responsibility for multiple attacks in recent years and continues to threaten further attacks, not only against Kenya but also against Western countries for their intervention in Somalia. For example, on 7 January 2020, Al-Shabaab opened fire in a primary school in North-eastern Kenya, resulting in the death of three teachers and four children who sought refuge in a police post in Saretho village near Garissa county. Shortly before, on 5 January 2020, Al-Shabaab conducted an attack on the Manda Bay Airfield, which killed three United States military personnel and left several others wounded. On 18 May 2021, a suspected improvised explosive device detonated in Baure, Lamu County, ostensibly targeted members of the Kenyan Defence Forces ("**KDF**"). This incident killed eight KDF soldiers and injured several others. On 15 December 2023, a roadside bomb planted by Al-Shabaab between Egge Dam and Bogyar along Dadaab-Garissa killed four individuals and seriously injured two others. Al-Shaabab attacks continue to pose a significant challenge to internal security with a 66% increase in politically-motivated violent incidents involving the group in 2022 compared to 2021. The group's violent attacks have persisted in 2023, resulting in 70 deaths in Kenya, the highest number since 2019. Due to the ongoing violence perpetrated by Al-Shabaab's in Kenya, in July 2023 the government decided to delay the planned phased reopening of the Kenya-Somalia border.

In addition, the Dadaab refugee complex in northeast Kenya, originally established in 1991 to house refugees from the Somali civil war, has elicited concerns that the camp is a ground for recruiting Islamist militants, compromising border security and causing significant law and order problems within Kenya's territory. The government has been working to manage the risks posed by the camp but has faced numerous challenges. For instance, in November 2023, the Somali and Kenyan Governments signed an agreement with the United Nations High Commission for Refugees to begin the voluntary repatriation of Somali refugees. However, any forced repatriation or even the perception of such repatriation, could potentially build resentment amongst affected individuals and enhance Al-Shabaab's recruitment efforts in Kenya. Government efforts to manage the risks posed by the camp also faced legal hurdles. In February 2017, the High Court ruled against the Government proposal to close the camp. Similarly, on 24 March 2021, the Cabinet Secretary for Interior announced jointly with the UNHCR that Kenya intended to expedite the repatriation of individuals residing in both Dadaab and Kakuma refugee camps with a view to closing the camps by 30 June 2022. However, the Nairobi High Court issued an injunction temporarily blocking the Government from repatriating refugees and asylum seekers dwelling at Kakuma and Dadaab camps. As of the date of this Offering Circular, the Dadaab refugee complex is still open and is one of the largest refugeee camps in the world. For more information, see "*Republic of Kenya—Anti-Corruption, Anti-Money Laundering and Combating Terrorism Combating Terrorism*".

The Refugees Act 2021, came into effect in February 2022 and is designed to provide legal protection to refugees and acknowledge their rights as asylum seekers. The positive shift of Kenya's refugee law provides an opportunity for refugees to integrate socially and economically.

As of the date of this Offering Circular the Dadaab camp remains open. As of September 2024, the camp housed over 402,000 refugees and asylum-seekers and the Government, together with UN agencies, continues to provide new refugees with basic services. The camp's population increased rapidly in 2023 due to an extended drought in Somalia, leading to severe overcrowding, increased pressure on services and a cholera outbreak. Should the Somali state fail, such as in the case that international actors withdraw security support, risks to Kenya may become more acute and severely impact Kenya's investment climate.

Other internal security threats include the rise of pastoralist militias and incidents of mob violence. In March 2023 alone, pastoralist militia violence in the North Rift region surged by 89% compared to February 2023. Although there was a temporary decrease in violence in the subsequent months, the levels of violence increased again from September 2023 to March 2024 in the North Rift, Baringo and Samburu counties. In 2022, the capital also faced a peak in mob violence, with 440 mob violence events reported. Much of the mob violence were linked to the 2022 General Election and the campaign process. See "*—Investing in securities in emerging markets such as Kenya generally poses a greater degree of risk than investment in more mature market economies because the economies in emerging markets are more susceptible to destabilisation resulting from domestic and international developments.*"

Kenya also suffers from high crime rates. In 2020, 69,645 crimes were reported to the police. This increased by 16.7% to 81,272 cases in 2021, 8.4% to 88,083 cases in 2022 and further increased by 19% to 104,842 in

2023, primarily as a result of increased usage of dangerous drugs and criminal damages. For more information, (*Source: Kenya National Bureau of Statistics, Economic Survey 2024*). Violent crimes, such as kidnapping and extortion, continue to pose a significant risk to businesses and economic growth.

Foreign tourism is an important contributor to Kenya's economy, as well as being an important source of foreign exchange and one of Kenya's largest employers. As a result of security concerns, the United Kingdom, the United States, France and Australia have, in the past, issued travel advice recommending that their citizens avoid or reconsider travel to certain areas within Kenya, although some of these travel advisories have since been revised or withdrawn. The United States and the United Kingdom were, respectively, the largest and second largest sources of foreign tourists to Kenya in 2023. Similarly, in considering the top 30 performing source markets in 2022, the United States took the top position with 209,360 which was 16% of the total tourists. This was closely followed by Uganda, the United Kingdom, and the United Republic of Tanzania with 12%, 10%, and 10% market shares respectively. Accordingly, such travel warnings, as well as unfavourable media coverage, including coverage of extremist violence or violence in some parts of Kenya or future analogous events may create a negative perception of Kenya as a holiday destination and thus have a detrimental impact on the level of tourism. See "*Investing in securities in emerging markets such as Kenya generally poses a greater degree of risk than investment in more mature market economies because the economies in emerging markets are more susceptible to destabilisation resulting from domestic and international developments*". Earnings from tourism decreased significantly in 2020 primarily due to the impact of the Covid-19 Pandemic and related social and travel restrictions. The Government has estimated that the Covid-19 Pandemic cost the Kenyan tourism industry over KES 68 billion to date in hotel receipts and associated revenue. However, earnings from tourism have gradually begun to recover since 2020. For instance, in 2023, inbound tourism earnings increased by 31.5% to KES 352.5 billion, up from KES 268.1 billion in 2022. This growth reflects improved security measures and effective domestic and international marketing campaigns (*Source: Ministry of Tourism and Wildlife, Annual Tourism Sector Performance Report 2023*). Despite the steady growth since 2020, any decrease in tourism is likely to have an adverse economic impact. See "*The Economy—Principal Sectors of the Economy—Tourism*" for more information.

Although the Government has implemented security measures, investments and public campaigns to counter terrorism and criminal activities, as well as economic measures to promote tourism in Kenya, there can be no assurance that such measures will be sufficient. As long as these issues remain unaddressed, civil unrest and insurgent activities will continue to create social, ethnic and political tension. This, in turn, can negatively impact the economy and fiscal stability, potentially having a material adverse effect on Kenya's economy and, consequently, on its ability to meet its debt obligations, including those under the Notes.

The impact of climate change has negatively affected Kenya in the past and may negatively affect it in the future.

Climate change has significantly impacted Kenya and continues to pose a substantial threat to the country's economy, sustainable development goals and Vision 2030. The global increase in the mean temperature is likely to alter precipitation patterns, raise sea level and increase the frequency of extreme weather events such as prolonged droughts and flash floods.

Given that Kenya's economy heavily relies on climate-sensitive sectors like agriculture, tourism and energy, the country remains particularly vulnerable to climate change. For instance, agriculture, forestry, and fishing account for 21.8% of Kenya's GDP in 2023. The economy's reliance on these sectors makes it particularly susceptible to natural disasters such as floods and droughts. Floods may lead to casualties, the destruction of crops and livestock, trigger outbreak of waterborne diseases, and damage infrastructure such as roads and bridges. Droughts may negatively affect the supply of agricultural commodities, overall food supply and security as well as the hydroelectric power generation. The costs associated with natural disasters and related relief efforts may adversely affect Kenya's budgetary position and its ability to service financial obligations, including servicing of the Notes.

The effects of climate change are already being felt in Kenya. Potential consequences of these climatic changes include reduced agriculture productivity, damage to coastal infrastructure, fragile ecosystems, adverse health impacts, biodiversity loss, financial market disruptions, lower GDP and altered migration patterns.

For example, since 2019, Kenya has faced consecutive below-average rainy seasons, culminating in the longest and most severe drought in 40 years in 2024. This drought has led to increased food insecurity due to livestock losses and rising food prices. In 2023, 2.6 million livestock deaths were attributed to the drought, and the price of staple commodities such as maize and beans surged by 60% to 90% above the average. Acute food insecurity peaked to its highest level in at least a decade, with 5.4 million people in the arid and semi-arid region of Kenya projected to have faced Crisis (IPC Phase 3) or Emergency (IPC Phase 4) levels by March 2023. Although the number of food-insecure individuals decreased from 2.8 million in July 2023 to 2.0 million in February 2024, at least 1.2 million people are still projected to have faced acute food insecurity (IPC Phase 3 and above) between April and June 2024. The draught also caused a significant increase in food prices, with the annual inflation rate reaching a five-year high of 8.3% in August 2022. Access to water was further compromised, with almost 35% of water pans drying up in 2022, forcing people to travel between 8.6 and 17.6 kilometers to access water, at least 38% above the three-year average. Lastly, the drought also had knock-on effects on electricity generation in 2022 with a 17.3% decline in hydroelectricity generation from 2021 to 2022 due to insufficient rains.

Conversely, from October 2023 to January 2024, Kenya experienced El Niño-related flooding. Above-average rainfall in October 2023 caused severe flooding, particularly in the coastal regions, displacing approximately 6,000 households and damaging farmland and infrastructure. Continued heavy rains in November 2023 led to further flash floods, resulting in significant losses of livestock, farmland, and homes. The floods affected 38 of Kenya's 47 counties, caused 76 fatalities and prompted President Ruto to activate the National Disaster Operation Centre. By April 2024, El Niño had resulted in 174 deaths and displaced more than 500,000 households. More than 17,000 acres of farmland were destroyed, and 13,400 livestock deaths were recorded. These impacts and the costs to mitigate them are expected to negatively impact the Kenyan economy.

In response to climate change, Kenya has established the National Treasury as the National Designated Authority for Green Climate Fund and created mechanisms to involve the private sector in financing mitigation and adaption initiatives through the issuance of green bonds. Despite these efforts, adverse weather conditions as well as any natural disasters or other effects associated with climate change could have a continued material adverse effect on the Kenyan economy.

China is Kenya's largest creditor and an adverse impact on the Chinese economy may impact the future ability of Kenya to increase its borrowings.

As at 30 June 2024, outstanding bilateral external debt due to China (excluding Chinese commercial banks) amounted to US$ 5.7 billion, making China Kenya's largest creditor. See "*Public Debt*". During the years 2018 and 2019, the Government through various implementing ministries entered into three loans with Exim Bank of China, amounting to a total sum of approximately CNY1.66 billion to finance projects in roads and ICT sectors. Such loans mature between 2038 and 2039. In September 2024, Kenya entered negotiations with the China Development Bank (CDB) and secured approval for a loan of approximately US$280 million to fund the completion of 15 rural roads, which were 20% complete at the time.

Kenya's reliance on China for such a significant portion of its bilateral external debt and a key financing source to various infrastructure projects means that any disruption to China's economic stability or shifts in Chinese appetite for funding infrastructure projects in emerging markets could have an adverse effect on Kenya's ability to increase bilateral borrowings from the country in the future. Further, as has been cited in media and ratings agency reports, the terms of Chinese lending may be less favourable to borrowers than debt from other multilateral or bilateral lenders.

Failure to address actual and perceived risks of corruption and money laundering may adversely affect Kenya's economy and ability to attract foreign direct investment.

Although Kenya has implemented and is pursuing major initiatives to prevent and fight corruption and money laundering, both remain important issues in Kenya and a key constraint on economic growth. Kenya is ranked 121 out of 180 in Transparency International's 2024 Corruption Perceptions Index and placed at the 32 percentile rank (with 100 the highest rank) on the World Bank's Worldwide Governance Indicators for 2024 (control of corruption indicator).

While the number of cases handled by the Kenya Ethics and Anti-Corruption Commission (the "**EACC**") declined following the enactment of the Ethics and Anti-Corruption Commission Act 2011 and the Anti-Corruption and Economic Crimes (Amnesty and Restitution) Regulations 2011 under the Anti-Corruption and Economics Crime Act, 2003 ("**Anti-Corruption and Economic Crimes Act**"), the number of cases has risen in recent years and corruption continues to be a concern. The outcome of these types of investigations and any future allegations of corruption, whether or not substantiated, could have a material adverse effect on the Kenyan economy and may have a negative effect on Kenya's ability to attract foreign investment.

In June 2014, the Financial Action Task Force (the "**FATF**"), established by the G-7 countries as part of an ongoing global anti-money laundering and anti-terrorist financing effort, announced that Kenya would no longer be subject to monitoring due to previously identified strategic anti-money laundering deficiencies. In February 2024, Kenya made a high-level political commitment to work with the FATF and Eastern and Southern Africa Anti-Money Laundering Group (the "**ESAAMLG**") to strengthen the effectiveness of its anti-money laundering (AML) and counter-terrorist financing (CFT) regime (See "*Republic of Kenya—Anti Corruption, Anti-Money Laundering and Combating Terrorism*"). Since the adoption of its mutual evaluation report (the "**MER**") in September 2022, Kenya has made progress on some of the MER's recommended actions including by making amendments to its AML/CFT legislation to bring its framework in closer compliance with the FATF recommendations and establishing a case management system to better manage its international cooperation requests. However, on 23 February 2024, the FATF placed Kenya under increased monitoring, commonly referred to as the "grey list". This was due to several factors, including a lack of clear strategy for prosecuting money laundering offences, inadequate investigations or prosecutions of legal or natural persons for terrorist financing offences despite several terrorism-related investigations, and a significant lack of regulation and supervision of the country's large non-profit sector.

Despite Kenya's efforts to mitigate corruption and money laundering risks, there is no certainty regarding the success of these measures or that Kenya will cease to be subject to enhanced monitoring. For example, President Ruto criticised lawmakers for delaying the adoption of the Conflict-of-Interest Bill, a legislative proposal designed to address and manage conflicts of interest within public service. He emphasized that such delays hinder critical efforts to combat corruption. Failure to implement these strategies, continued corruption in the public sector and deficiencies in the systems for addressing money laundering activities could have a material adverse effect on the Kenyan economy and may have a negative effect on Kenya's ability to attract foreign investment. See also "*The Economy—Major Infrastructure Projects Expansion of Railway Transport*" for a discussion of the procurement process in the SGR.

Failure to continue to restructure and enhance the banking and financial sector may constrain Kenya's economic growth.

The Kenyan banking sector is subject to a number of risks and uncertainties, that include inflationary pressures, the effects of tighter monetary policy conditions on credit flows and by extension economic activity, sustained depreciation of the Kenyan shilling versus the major currencies, and concerns of debt sustainability amidst upcoming external debt maturities. In particular, asset quality in the Kenyan banking sector has decreased in recent years as reflected by the sector's high non-performing loan ratio which was 14.1% in December 2021, 13.9% in December 2022 and 15.6% in December 2023 and 16.4% in December 2024 (*Source:* CBK 2023 Bank Supervision Annual Report). The decline in 2022 was mainly attributable to improved business activities as the economy continued to recover from the COVID-19 pandemic. Conversely, the increase in non-performing loans in 2023 was driven by deteriorating asset quality due to challenges in the business environment and delayed payments. The concentration of non-performing loans was mainly in Trade, Manufacturing, Real Estate, and Personal and Household sectors in December 2022, December 2023 and December 2024. This was mainly due to delayed payments from public and private sectors, slow uptake of housing units and a challenging business environment. If the non-performing loan ratio continues to increase, this could have a material adverse effect on the Kenyan banking sector and the Kenyan economy due to likelihood of higher credit costs. (Source: CBK 2022 and 2023 Bank Supervision Annual Report). In September 2022, rising Kenyan banks' asset-quality risks were reported due to weaker global and domestic conditions with continued asset-quality pressures expected from SMEs and retail loan books. Such conditions contributed in Fitch viewing the Kenyan banks' sector with negative outlook. Separately, stress tests conducted by CBK in September 2023 showed capital shortfalls at some banks in scenarios with large interest rate increases or significant currency depreciation. The Central Bank of Kenya is monitoring the implementation of the bank's capital restoration plans and encouraging adequate provisioning for loan losses.

In December 2023, amidst continued global uncertainty, volatility in international oil prices, a weak global growth outlook, and escalating geopolitical tensions, the Monetary Policy Committee ("**MPC**") noted persistent domestic inflationary pressures and a depreciating shilling, which contributed to the rising cost of imports and higher domestic prices. In response, the Central Bank of Kenya raised the base lending rate by 2 percentage points to 12.5%, leading commercial banks to increase their loan rates. As of January 2025, the lending rate stands at 16.89%.

The banking sector is also particularly concentrated amongst certain major banks. In 2013, the CBK developed a framework for identifying Domestic Systemically Important Banks ("**D-SIBs**"). However, the framework on D-SIBs has not been regularised under the Banking Act and/or the CBK's Prudential Guidelines 2013 for institutions licenced under the Banking Act (the Prudential Guidelines) and therefore remains non-operationalised. The capital and liquidity requirements are enforced under the Banking Act. Out of the 39 banking institutions, 37 were privately owned while the Kenya Government had majority ownership in 2 institutions. Nine banks are designated as D-SIBs and of the 37 privately owned banks, 20 were locally owned (the controlling shareholders are domiciled in Kenya) while 17 were foreign owned. D-SIBs account for 77.4% of the banking sector's total deposits as at December 2023., and consequently, the potential failure of one or more D-SIBs and any remedial measures could pose a systemic risk to the banking industry and have a material adverse impact on the Kenyan banking sector and the Kenyan economy.

Furthermore, the National Bank of Kenya, one of the largest banks in the country, is largely supported by Government shareholdings. However, it has faced challenges in recent years due to a distressed portfolio as well as issues relating to governance. As a result, Kenya Commercial Bank Group ("**KCB Group**") acquired 100% shareholding in the National Bank of Kenya in 2019. This relationship between the Kenyan banking sector and the Government is further seen in the sensitivity of Kenyan bank ratings to a lower sovereign rating and high sovereign debt exposure pressures. During 2020, three significant transactions involving the consolidation of smaller banks were concluded. Access Bank of Nigeria acquired Transnational Bank which was subsequently renamed Access Bank Kenya. CIB Bank of Egypt acquired a majority stake in Mayfair Bank and renamed it to Mayfair CIB Bank. The Co-operative Bank of Kenya acquired Jamii Bora Bank and renamed it Kingdom Bank. Since the Covid-19 pandemic, all Kenyan banks continue to strengthen their capital and liquidity buffers and business models. A number of smaller banks have experienced capital deficiencies necessitating sector consolidation and asset and liability selling. In 2023, Equity Bank (Kenya) Limited acquired certain assets and liabilities of Spire Bank Limited. As of 30 September 2023, 20 banks accounting for 60% of the asset base were accessing the CBK's "discount window," a lending facility of last-resort. The Kenyan market for banking and financial services is fragmented and a number of smaller banks in Kenya are undercapitalised and operating at a loss. The Kenyan banking sector is currently undergoing a period of consolidation to reduce the number of existing banks. However, to the extent such efforts to consolidate are unsuccessful, fragmentation in the banking sector could continue to hinder smooth transmission of monetary policy, increase the burden on the regulators and supervisors of the Kenyan banking system and prevent smaller banks from achieving economies of scale to help sustain profitability. Each of the foregoing elements could in turn have a material adverse effect on the Kenyan economy and its ability to service its debts, including the Notes.

The Kenyan banking sector is subject to operational risks relating to the introduction of and reliance on information technology systems including cybersecurity and privacy risks.

As part of the Government's "Vision 2030" strategy and successive MTPs, information and communication technology ("**ICT**") has been prioritised by the Government as having a key role in expanding access to financial services and improving the ways of doing business in Kenya as a whole. As various ICT products and infrastructure have been implemented throughout the Kenyan banking sector, including the increasing usage of mobile financial services and additional ICT financial products, there has been an inherent operational risk with Kenyan banks' dependency on their ICT systems to process a large number of transactions on an accurate and timely basis, and to store and process business and operating data. The proper functioning of the banks' financial controls, risk management, credit analysis and reporting, accounting, customer service and other ICT functions are critical to the individual banks' business as well as to the overall health of the banking sector. In addition, as various financial products have been leveraged on the new ICT payment platforms, including the provision of Government services to the private sector and the collection of Government payments, the banking sector and other businesses whose performance is linked to these ICT systems remain an important source of corporate tax revenue for the Government. Therefore, any failure or disruption to mobile banking services or other ICT products operated by the banking sector may lead to significant loss of potential Government revenue, customers' deposits and market confidence. Such failures can be caused by a variety of factors, including natural disasters, extended power outages, computer viruses, and/or complications related to the availability and operation of the national fibre optic coverage. The proper functioning of ICT systems also depends on accurate and reliable data and other system inputs, which are subject to human errors.

In addition, information security risks for large financial institutions have increased in recent years, in part because of the proliferation of new technologies, the use of internet and telecommunications technology and the increased sophistication and activities of organised criminals and hackers. Kenyan banks' databases contain personal data of their customers, which may be vulnerable to damage, including telecommunications and network failures, natural disasters and human acts both by individuals external to the banks' business as well as the banks' employees. Although Kenyan banks maintain information security software, their computer systems, software and networks may be vulnerable to unauthorised access, misuse, denial-of-service attacks, phishing attacks (SMS phishing by which individuals or organised groups send SMS or text messages to customers to obtain sensitive information or account credentials), computer viruses or other malicious codes. The National Cybersecurity Centre detected more than 143 million cyber threats in 2021 as compared to 187.8 million threats in 2022 (*Source: Cybersecurity Report Q1 2021-2021 and Cybersecurity Report April-June 2023*). In 2023 alone, Kenya recorded 860 million cyberattacks targeting its critical information infrastructure, resulting in losses amounting to US$83 million. Cyber threats peaked during the three-month period between April to June 2024, with the National Cybersecurity Centre detecting 1.1 billion threats events (*Source: Cybersecurity Report Q4 2023-2024)*. This is attributed to enhanced cyber threat detection capabilities tools such as deployment of more sensors. In July 2023, a major cyber-attack caused an outage of more than 5000 public services in Kenya for a period exceeding 48 hours. The outage affected key services including M-Pesa, a key mobile phone-based money transfer service, and the Government's e-services portal providing national identification and visas. Cyber-attacks could give rise to the loss of significant amounts of customer data and other sensitive information, loss of significant levels of liquid assets (including cash) and the disablement of the banks' ICT systems used to service the banks customers, including the Government. As attempted attacks continue to evolve in scope and sophistication, banks may incur significant costs in their attempts to modify or enhance protective measures against such attacks, or to investigate or remediate any vulnerability or resulting breach. The risk of cyber-attacks resulting in hacker access to sensitive data may also disincentivise certain foreign investors from launching financial infrastructure in Kenya and dampen economic opportunity.

Any substantial failure of the Kenyan banking sector ICT systems or any failure by Kenyan banks to effectively manage cybersecurity and privacy risks, may affect the health of the banking sector as a whole, and therefore have a material adverse effect on Kenya's economy.

A significant portion of the Kenyan economy is not recorded.

A significant portion of the Kenyan economy is composed of the informal, or shadow, economy. Based on information from the Kenya National Bureau of Statistics, approximately 83.0% of employment in 2019, 83.3% in 2020, 83.6% in 2021, 83.8% in 2022 and 83.5% in 2023 was in the informal sector, which the Government defines as including all small-scale activities that are semi-organised, unregulated and which use low and simple technologies while employing few persons. The informal economy is not recorded and is only partially taxed, resulting in a lack of revenue for the Government, ineffective regulation, unreliability of statistical information (including the understatement of GDP and the contribution to GDP of various sectors) and inability to monitor or otherwise regulate a large portion of the economy. However, this informal sector is estimated to contribute between 20 and 40% of Kenya's GDP and is mainly composed of work conducted by young women aged between 18 to 35. Lack of effective regulation and enforcement in this sector also gives rise to other issues, including health and safety issues. Although the Government is attempting to address the informal economy by streamlining certain regulations, particularly tax laws, there can be no assurance that such reforms will adequately address the issues and bring the informal economy into the formal sector, thus having a material adverse effect on Kenya's economy. See "*The Economy—Employment and Wages*".

Furthermore, although unregulated artisanal and small-scale mining serves as an income-generating activity for some vulnerable groups in Kenya, such activity is associated with smuggling, tax evasion, health and safety risks, socio-cultural dislocation and a variety of illicit activities.

Because legal reforms in a number of areas were adopted fairly recently and are largely untested, any perceived inadequacy in the Kenyan legal system may generally deter foreign and domestic investment in Kenya and adversely affect Kenya's economy.

The justice system in Kenya is going through major changes. The reform of the legal and institutional framework includes reforms to the judiciary and the police services. Historically, Kenya's judiciary has suffered from a lack of resources and inefficiencies, and, as a result, has faced a significant backlog of cases. The judiciary and the legal system more generally are subject to a risk of politicisation and corruption which can have a material adverse impact on Kenya's investment climate and economic outlook.

With respect to the judiciary, an independent Judicial Service Commission responsible for nominating judges was established under Article 171(1) of the Constitution, and, thereafter members have been competitively appointed with the approval of Parliament. On 22 March 2011, a Judicial Service Act was enacted which established the mandate and membership of the Judicial Service Commission, created a Judiciary Fund, and regulated appointment and removal of judges, amongst other things. Judges and magistrates have undergone public vetting, and many new judges and magistrates have been appointed to increase capacity. Infrastructure development, including the construction of new courts and the purchase of equipment, has been completed. The Chief Justice and the Deputy Chief Justice of the Supreme Court were competitively appointed with the approval of Parliament. In addition, the Government has created a Judiciary Fund which was set to be operational in 2021/2020 and covers both recurrent and development spending. In 2019/20, 2020/21, 2021/22, 2022/23 and 2023/24, Government funding to the Judiciary was KES 17.9 billion, KES 18.9 billion, KES 16.2 billion, KES 19.8 billion and KES 20.6 billion, respectively (*Source:2024 Budget Review and Outlook Report*). Moreover, new court procedural rules have also been promulgated, which are aimed at improving efficiency. As the legal reforms in a number of areas were adopted fairly recently and are largely untested, this could lead to a perceived inadequacy in the Kenyan legal system. Such perceptions may deter foreign and domestic investment in Kenya, thereby adversely affecting the country's economy.

With respect to the police services, the Constitution has provided for major changes to security and police governance, including provisions to diminish political manipulation and increase accountability of the police. The Constitution also merged the prior two police forces (the Kenya Police Service and the Administration Police Service) into one National Police Service. During 2011 three key police reform laws were passed: the National Police Service Act, which provides for the establishment, structure, powers and operations of the police service; the National Police Service Commission Act, which makes further provisions for the functions and powers of the National Police Service Commission and the qualifications and procedures for appointment of such; and the Independent Policing Oversight Authority Act 2011, which provides for civilian oversight of the work of the police and establishes the Independent Policing Oversight Authority, as well as its functions and powers. Reforms to the police force are continuing. No assurance can be given that these reforms might not lead to increased costs for the Government and materially adversely affect Kenya's economy or effectively address the current levels of crime.

Tensions with Kenya's neighbours could disrupt the Kenyan economy and have negative consequences for Kenya in its international diplomatic and trade relations.

Kenya has in the past been involved in territorial disputes with its neighbours, and such disputes may continue. For instance, in 2008, both Kenya and Uganda claimed Migingo Island as their territory. The two countries have since taken steps to make delineation of the boundary of the lake more precise and to petrol the disputed island. In addition, in 2019, Kenya signed a memorandum of understanding with the Ugandan authorities to enable fishermen and other Lake Victoria users to access either side of Lake Victoria's boundary. However, this memorandum of understanding may be threatened by any future territorial disputes between Kenya and Uganda.

Also, Kenya has submitted to the UN Commission on the Limits of the Continental Shelf (the "**UN Commission**") a filing on claims to mineral exploitation rights in ocean waters beyond the 200 nautical mile baseline. Somalia and Kenya are in discussion over the non-objection of their respective submissions. In addition, in 2014, Somalia instituted proceedings against Kenya before the International Court of Justice (the "**ICJ**") with regard to the dispute concerning the location of the maritime boundary between the two countries in the Indian Ocean. Hearings proceeded in March 2021 without Kenya making oral arguments. The court rendered its judgement on 12 October 2021. In its judgment, the court rejected the claim made by Somalia, alleging that Kenya, by its conduct in the disputed area, had violated its international obligations. See "*Republic of Kenya—Border Disputes*" for more information.

In addition, structural differences between East African countries may result in a hampering of intra-regional trade due to barriers to the free movement of goods. Challenges may also include the informality of cross-border trade, poor infrastructure, and non-tariff barriers. As Kenya is a manufacturing and financial hub of the region, this may limit the realization of the potential for trade with other East African nations.

Tensions have also increased between Kenya and its neighbour Sudan over the ongoing conflict in Sudan. See "*—Impact of Global Conflicts*" for further information. In January 2024, Sudan recalled its ambassador to Kenya due to allegations of Kenyan interference in Sudanese internal affairs and threatening Sudanese sovereignty.

Tensions also remain with South Sudan over Kenya's border with the country. In May 2023, the Minister for Roads and Bridges of the Republic of South Sudan stated that the construction of the Nadapal-Nakodok road may not continue until the boundaries between Kenya and South Sudan are established. Border-related issues are also relevant to an ongoing lawsuit between Kenya and Rwanda regarding land in Miritini, Mombasa which was allocated to Rwanda for use as a dry dock for exports and imports.

The region may also face instability as a result of Ethiopia entering an agreement with Somaliland for access to Somaliland waters. This also impacts the Lamu Port-Southern Sudan-Ethiopia Transport project which aims to provide reliable transport for Ethiopia and South Sudan and promote trade within the region. See "*The Economy—The Lamu Port-Southern Sudan Ethiopia Transport Corridor*" for further information on the project. Any escalation in tensions with Kenya's neighbours could materially adversely affect the Kenyan economy and have negative consequences for Kenya in its international diplomatic and trade relations.

Failure to significantly improve Kenya's infrastructure could adversely affect Kenya's economy, competitive ranking and growth prospects, including its ability to meet GDP growth targets.

Failure to improve infrastructure may impede growth of key sectors of the economy and may constrain Kenya's economic growth. The lack of infrastructure (including inadequate power supply and transportation systems) may be a significant constraint in further development in the key sectors of the economy, and Kenya's current rate of growth may decline in future periods as a result of poor infrastructure development. It may be difficult to fund further infrastructural development due to potential fiscal constraints stemming from the burden of servicing debts accrued for the purpose of funding infrastructure projects. Over the last several years, however, Kenya has made progress in the development and expansion and improvement of airports, ports, rail, pipelines, hydropower, geothermal plants, ferries, housing and public works facilities.

Certain large infrastructure projects, such as the Mombasa port, have faced significant under-investment in regional logistics which have in turn hampered the ability to foster greater intra-regional trade. Infrastructure projects also pose additional risks, including the displacement of communities living along proposed infrastructure sites, which could exacerbate the vulnerability of these communities due to loss of homes, livelihoods, and social and cultural heritage. A failure to significantly improve Kenya's infrastructure in order to support growth in the key sectors of its economy may constrain Kenya's overall economic growth and make it difficult to meet the objectives of Vision 2030, which may in turn result in a material adverse effect on Kenya's ability to meet its debt obligations, including those under the Notes. For more information on risks to growth of key sectors of the economy, see "*—Kenya may be unable to meet its economic growth and reform objectives and policies which may adversely affect the performance of the Kenyan economy*".

Statistical information published by Kenya may differ from that produced by other sources and may be unreliable. Statistical information may also be more limited in scope and published less frequently than in the case of other countries such that adequate monitoring of key fiscal and economic indicators may be difficult.

The National Treasury, Kenya National Bureau of Statistics and the CBK all produce statistics relating to Kenya and its economy. Although collaborative efforts are being taken by the relevant agencies in order to produce accurate and consistent social and economic data, there may be inconsistencies in the compilation of data and methodologies used by some of these agencies, and in common with many developing economies, given the relative size of the informal economy in Kenya there may be material omissions or misstatements in the statistical data prepared by such agencies. As a result, there can be no assurance that these statistics are as accurate or as reliable as those published by more developed countries. In addition, Kenya's statistical information may also be more limited in scope and published less frequently than in the case of other countries such that adequate monitoring of key fiscal and economic indicators may be difficult.

Some of the statistics contained in this Offering Circular for 2019, 2020, 2021, 2022, 2023 and 2024 may be estimated or provisional figures that are subject to later revision. In September 2021, the Government published rebased and revised national accounts estimates from 2009 to 2016. Although there has been significant efforts to improve the compilation of Kenya's balance of payments data in recent years, including through technical assistance provided by the IMF, errors and omissions in the balance of payments data persist and may complicate the assessment of such data.

Failure to compile accurate and timely data on fiscal and economic indicators may affect how effectively Government policy is made in response to such statistical information and thus have a material adverse effect on Kenya's economic growth. Prospective investors should be aware that figures relating to Kenya's GDP, its balance of payments and other figures cited in this Offering Circular may be subject to some degree of uncertainty and that the information set forth in this Offering Circular may become outdated relatively quickly, which may result in such figures being revised in future periods.

Kenya's energy sector relies exclusively on imported oil to meet its petroleum requirements and is therefore vulnerable to oil price increases and prolonged weakness in the Kenyan shilling to US dollar exchange rate.

Kenya relies solely on imported oil to meet its petroleum requirements. In 2019, Kenya imported 6.4 million tonnes of petroleum. This figure decreased by 10.9% to 5.7 million tonnes in 2020, then increased by 12.3% to return to 6.4 million tonnes in 2021. Since 2021, import levels have been on a downward trend. In 2022, oil imports decreased by 7.8% to 5.9 million tonnes, and further declined by 27.1% to 4.3 million tonnes in 2024. This downward trend is primarily due to government policies promoting the use of cleaner energy sources such as liquefied petroleum gas, coupled with high taxes and levies on fuel, leading to reduced consumption. Notwithstanding the recent decrease in oil import level, a rise in the international price of oil can significantly affect Kenya's economy because, amongst other things, a higher oil price increases Kenya's imports cost and thereby increases its trade and current account deficits and exerts upward pressure on prices and inflation. In 2020, measures were taken to confirm oil reserve quality and continuity in the Ngamia and Amosing fields and the development of domestic oil reserves is expected to lead to significant product growth from 2026.

Previously, Kenya procured oil through an open tender system, under which the Government tendered online for petroleum products to be purchased every month. The oil marketing company that offered the lowest price on freight and premium won the tender and was engaged to deliver the petroleum products on behalf of the other licenced oil marketing companies. However, Kenya introduced a government-to-government oil import arrangement replacing the previous open tendering system in March 2023, as measure to help ease foreign exchange pressures. The arrangement is based on a master framework agreed between Kenya and suppliers from the Gulf that are state-owned. The arrangement provides a six-month credit for oil imports, backed by letters of credit issued by participating commercial banks. Under the arrangement, the Ministry of Energy and Petroleum centrally procures the petroleum product from the supplier through an identified seller who is responsible for opening the letter of credit and payment for the product can take place in KES. The scheme was for an initial 9 months but was extended for 12 months to December 2024. As of the date of this Offering Circular, gasoline, automotive gas oil and kerosene are imported under the government-to-government arrangement and current supply agreements are valid up to 31 December 2024.

Oil prices and markets historically have been volatile, and they are likely to continue to be volatile in the future. Prices of oil are subject to wide fluctuations in response to relatively minor changes in the supply of, and demand for, oil, market uncertainty and a variety of additional factors that are beyond Kenya's control. These factors include, but are not limited to, political conditions in the Middle East and other regions, internal and political decisions of the Organisation of the Petroleum Exporting Countries ("**OPEC**") and other oil producing nations to decrease or increase production of crude oil, US and other international sanctions targeting oil producing countries (including Iran, Russia and Venezuela), domestic and foreign supplies of oil, consumer demand, weather conditions, domestic and foreign government regulations, transport costs, the price and availability of alternative fuels and overall economic conditions. For example, Brent crude oil prices fell below US$21 per barrel in April 2020 and subsequently rose to above US$68 per barrel by April 2021 due to shifts in global demand and OPEC policy. Kenya does not have a hedging policy to manage oil price risk. In August 2023, as a consequence of an increase in pump prices, the Government introduced a fuel stabilization plan in the July-August pricing cycle, and this has continued until February 2024. The stabilization is funded using resources from the Petroleum Development Fund (set up under the Petroleum Development Levy Order 2020).

Further, international oil prices are typically denominated in US dollars and so prolonged weakness in the exchange rate of the Kenyan shilling against the US dollar will increase the local cost of petroleum and other oil-based products, even if there is no change in the international price of oil. Should oil prices increase and/or prolonged weaknesses in the Kenyan shilling against the US dollar occur, such events could have a material adverse effect on Kenya's economy.

Periodic strikes by doctors and teachers disrupt the provision of health and education services in Kenya and may lead to further increases in the public sector wage bill, which could crowd out spending in much-needed infrastructure and affect the stability of the Kenyan economy.

There have been periodic strikes by doctors, nurses and teachers, demanding increased salaries and collective bargaining agreements with unions.

In December 2020, doctors and nurses went on a strike over delayed salaries, inadequacy of personal protective equipment and health insurance during the Covid-19 Pandemic. The strike was called off in less than a week following conciliatory intervention by the Ministry of Health. On 29 February 2024, hundreds of health workers, joined by officials from the Kenya Medical Practitioners, Pharmacists and Dentists Union (the "**KMPDU**"), marched to the Ministry of Health and the National Treasury in Nairobi. Demonstrators protested the health ministry's failure to open internship posts for medical graduates in February 2024, which the KMPDU claimed had been agreed upon during talks with the health ministry in January. As at 15 March 2024, 27 demonstrations by health workers were recorded, nearly matching the 28 demonstrations recorded in the entire year of 2023. Similarly, intern teachers initiated their own wave of demonstrations in April and May 2024, demanding that the Teachers' Service Commission (the "**TSC**") pay them full salaries as permanent, pensionable employees in compliance with an order by the Employment and Labor Relations Court of Nairobi on 17 April. Similar to health workers' demonstrations, the number of demonstrations by junior secondary school intern teachers has increased in 2024 compared to 2023.

The occurrence of such strikes significantly disrupts the provision of health and education services in Kenya, and there can be no assurance that doctors, nurses and teachers will not carry out further strikes, or that strikes may not occur in other sectors. Such strikes may result in the Government having to increase wages or implement costly measures to prevent further disruption, thus increasing Government expenditure. While the Government wage bill decreased in recent years, from 29.8% of Government revenue in 2020/21 to 23.2% in 2023/24, any further increases in the wage bill could crowd out spending in needed infrastructure investment and social protection. The wage bill is projected at 22.4% of Government revenues for 2024/25 but is expected to stabilise at around 21.7% of Government revenue going forward (*Source: 2024 Budget Policy Statement*). Measures to address the wage bill could include freezing public sector employment and reforming the remuneration policy. Resistance to these reforms by those most likely to be immediately affected may be followed by further protests, demonstrations and strikes. Instability in the civil service sector could affect the stability of the Kenyan economy. On the other hand, if the Government fails to implement reforms to the wage bill, the Government's fiscal position could deteriorate and the Kenyan economy may be materially adversely affected.

Changes in monetary policies in developed markets may cause capital outflows from emerging and frontier markets and may generate a negative impact on emerging and frontier economies, such as Kenya.

Changes in monetary policies in developed markets outside the control of Kenyan policymakers may cause capital outflows from emerging and frontier markets and may generate a negative impact on emerging and frontier economies, such as Kenya. Of significance, short-term private capital flows, a large source of financing for Kenya's capital and financial account, may decline if developed markets scale back expansionary monetary policy measures. This would adversely affect the funding of Kenya's current account deficit. A portfolio shift to larger economies with increasing yields could lead to a depreciation of the Kenyan shilling and increase exchange rate volatility. Higher volatility in the exchange rate could bring uncertainty in the currency market. Faced with uncertainty, investors tend to postpone making investment decisions, which could lead to less investment in the economy and have a material adverse effect on Kenya's economy.

Power shortages, over-dependence on hydropower and high energy costs may negatively impact economic growth.

Electricity in Kenya is generated from imported fossil fuels and renewable energy sources including biomass, hydro, geothermal, solar and wind. As at 30 June 2024, the interconnected installed capacity was 3,199.9 megawatts ("**MW**") with a peak demand of 2,172 MW. According to the International Trade Administration, about 84% of the population has access to electricity. Assistance from, amongst others, the Development

Partners, African Development Bank, World Bank and the Global Partnership of Output Based Aid have greatly contributed to the development of Kenya's electricity network. Nevertheless, lack of reliable electricity supply remains a serious impediment to Kenya's economic growth and development. Insufficient power generation, aging or insufficient infrastructure, high initial investment costs, inadequate funding and weak distribution networks result in occasional power outages, inadequate generation and transmission capacity, high transmission and distribution losses and power rationing, particularly during the dry season. For example, in late 2023, successive nationwide power blackouts took place with the most recent blackout in December 2023 disrupting two terminals of Nairobi airport where back-up power generators failed to activate. Droughts have also impacted electricity generation as Kenya depends on hydropower generation for much of its power generation capacity (approximately 838.9 MW of total power generation in 2022), with geothermal capacity accounting for approximately 871 MW in 2022.

The issue of power blackouts and unreliable electricity supply is compounded by the issue of transmission losses. As at 30 June 2024, the total system losses increased slightly to 23.47%, up from 23.19% in 2023. This rise can be attributed to both technical and commercial factors arising from the expanded transmission and distribution network. During the 2023/2024 period, the Systems Average Interruption Duration Index (SAIDI) averaged 10.14 hours per month, while the Customer Average Interruption Duration Index (CAIDI) was estimated at 3.96 interruptions per customer. This marks an increase from the 2022/2023 period, where the SAIFI stood at 8.37 hours per customer and the CAIDI was 3.75 interruptions per customer. This was due to the fact that the electricity transmission network is vulnerable and faces large amounts of variable renewable energy. There is also an issue with vandalism which interrupts the supply of electricity. The energy sector is working towards minimizing these losses and improving system reliability by implementing transmission and distribution projects from 2,919 MW in 2021 to 8,920 MW in 2041. Initiatives include installation of smart meters to industrial customers funded by the World Bank which helps to monitor meter tampering issues and a shortening of the length of low voltage networks.

Kenya's Vision 2030 seeks to achieve universal access to electricity by 2030. The Government's LCPDPs for 2022-2041 set out a series of recommendations and plans to develop Kenya's renewable energy capabilities, and to improve its energy infrastructure to meet the country's energy demands. See "*The Economy—Increasing Electricity Availability through Power Generation*". In December 2023, Davis Chirchir, Kenya's Energy Minister, announced that Kenya would be considering scheduled power outages known as "load shedding" as a method for managing blackouts, as well.

No assurance can be given that Kenya will be able to improve the power sector effectively, or that the improvements will not cost significantly more than estimates. While the Government intends to develop the transmission network to minimise transmission distances and losses, it may not be able to adequately finance these initiatives to achieve its targets or meet socio-economic and environmental sustainability concerns. Failure to address adequately the significant deficiencies in Kenya's power generation, transmission and distribution infrastructure could lead to lower GDP growth and reduce the country's ability to attract investment, thereby causing a material adverse effect on Kenya's economy.

Health risks could adversely affect Kenya's economy.

Total disease incidences as reported by public health authorities decreased by 6.9% from 94.3 million in 2021 to 87.8 million in 2022. Respiratory system diseases were the leading cause of morbidity at 19.5% of all disease instances in 2022.

Most recently, the temporary closure of the United States Agency for International Development (USAID) may pose notable risks for Kenya. This decision has led to the suspension of services responsible for transporting essential drugs, resulting in a disruption of the health supply chain, particularly affecting the Northern, Northeast, and Savannah regions.

HIV/AIDS, tuberculosis (which is exacerbated in the presence of HIV/AIDS) and malaria are major healthcare challenges in Kenya and other East African countries. However, according to estimates from the World Health Organisation, national HIV prevalence of adults aged 15-49 years has shown a consistent decline, decreasing from 4.2% in 2019 to 4.1% in 2020, 3.9% in 2021, 3.8% in 2022, and 3.7% in 2023.

Incidences of tuberculosis infections are predominantly opportunistic infections occurring in individuals with compromised immune systems as a result of HIV. Tuberculosis deaths remain a challenge for Kenya due to a number of reasons such as malnutrition, late diagnosis, and HIV co-infection.

While nationwide malaria prevalence has decreased from 14.9% in 2019 to 11.7% in 2022, the number of confirmed cases have been increasing since 2021. Confirmed cases of malaria in Kenya rose from approximately 4.3 million in 2021 to 4.9 million in 2022, representing a 14% increase, and further increased to 5.6 million in 2023, representing an approximately 14.3% increase from the previous year. The western and Nyanza Lake endemic zones continue to bear the greatest burden of malaria, where many Kenyans live, with a significant majority of them being under the age of 15.

Since October 2022, Kenya has been facing an outbreak of cholera with 17 of the 47 counties on high alert in April 2023. The outbreak has been concentrated in the northern regions and was triggered by the impact of prolonged and severe droughts. In February 2023, the Kenyan health authorities launched the cholera vaccination drive to control the outbreak and targeted 2.2 million people in the four worst-affected counties.

There can be no assurance that the high prevalence rate of HIV/AIDS, tuberculosis, malaria, cholera or other diseases or the possible spread of diseases across the African content into Kenya will not have a material adverse effect on the economy of Kenya and its ability to service its debt, including the Notes.

Risks Relating to the Notes

Events in other emerging markets, including those in other African countries, may negatively affect the Notes.

Economic distress in any emerging market country may adversely affect prices of securities and the level of investment in other emerging market issuers as investors move their money to more stable, developed markets. Financial problems or an increase in the perceived risks associated with investing in emerging market economies could dampen foreign investment in Kenya, adversely affect the Kenyan economy or adversely affect the trading price of the Notes. Even if the Kenyan economy remains relatively stable, economic distress in other emerging market countries could adversely affect the trading price of the Notes and the availability of foreign funding sources for the Government. Adverse developments in other countries in sub-Saharan Africa, in particular, may have a negative impact on Kenya if investors perceive risk that such developments will adversely affect Kenya or that similar adverse developments may occur in Kenya. Risks associated with sub-Saharan Africa include political uncertainty, civil unrest and conflict, corruption, the outbreak of diseases and poor infrastructure. Investors' perceptions of certain risks may be compounded by incomplete, unreliable or unavailable economic and statistical data on Kenya, including elements of the information provided in this Offering Circular. See "—*Statistical information published by Kenya may differ from that produced by other sources and may be unreliable. Statistical information may also be more limited in scope and published less frequently than in the case of other countries such that adequate monitoring of key fiscal and economic indicators may be difficult*".

The Notes have amortising redemption features.

The Notes have amortising obligations and principal on the Notes is scheduled to be repaid in three equal instalments of US$500,000,000 on 5 March 2034, 5 March 2035 and 5 March 2036. Holders of the Notes may only be able to reinvest any amounts they receive upon such amortisation in lower-yielding securities than the Notes. Prospective investors should consider the reinvestment risk in light of other investments available at the relevant time.

Credit ratings may not reflect all risks.

The Notes are assigned a rating of B- by both S&P and B- by Fitch. These ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A credit rating is generally dependent on a number of factors, including public debt levels, past and projected future budget deficits and other considerations. Any adverse change in the credit ratings of the Notes, or of the Issuer, could adversely affect the trading price of the Notes.

Investors regulated in the UK are subject to restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2023 ratings, provided the relevant conditions are satisfied.

European regulated investors are similarly restricted under the Regulation (EC) No. 1060/2009 (the "**CRA Regulation**") from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

If the status of the rating agency rating the Notes changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Offering Circular.

The liquidity of the Notes may be limited and trading prices may fluctuate.

The Notes have no established trading market. While application has been made to admit the Notes to trading on the London Stock Exchange's main market and any one or more of the Joint Bookrunners may make a market in the Notes, they are not obliged to do so and may discontinue any market making, if commenced, at any time without notice. There can be no assurance that a secondary market will develop for the Notes or, if a secondary market does develop, that it will continue. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering prices, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of Kenya.

Fluctuations in exchange rates and interest rates may adversely affect the value of the Notes.

The Issuer will pay principal and interest on the Notes in US dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than US dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the US dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the US dollar would decrease the equivalent Investor's Currency yield on the Notes, the Investor's Currency equivalent value of the principal payable on the Notes and the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities (including where the investor is domiciled) may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal. In addition, investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Definitive Notes not denominated in an integral multiple of US$200,000 or its equivalent may be illiquid and difficult to trade.

The Notes have denominations consisting of a minimum of US$200,000 plus integral multiples of US$1,000 in excess thereof. It is possible that the Notes may be traded in amounts that are not integral multiples of US$ 200,000. In such a case, a holder who, as a result of trading such amounts, holds an amount which is less than US$200,000 in their account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a nominal amount of Notes at or in excess of US$200,000 such that its holding amounts to US$200,000. Further, a holder who, as a result of trading such amounts, holds an amount which is less than US$200,000 in their account with the relevant clearing system at the relevant time may not receive a Certificate in respect of such holding (should Certificates be printed) and would need to purchase a nominal amount of Notes at or in excess of US$200,000 such that its holding amounts to US$200,000.

If Certificates are issued, holders should be aware that Certificates which have a denomination that is not an integral multiple of US$200,000 may be illiquid and more difficult to trade than Notes denominated in an integral multiple of US$200,000.

The Notes will be issued with original issue discount for US federal income tax purposes.

The Notes will be issued with OID for US federal income tax purposes because the stated principal amount of the Notes will exceed their "issue price" by an amount equal to or more than a statutorily defined de minimis amount. Accordingly, US Holders will be required to include any amounts representing OID in gross income (as ordinary income) on a constant yield to maturity basis for US federal income tax purposes in advance of the receipt of cash payments to which such income is attributable regardless of their regular method of accounting for US federal income tax purposes. For further discussion, see "*Taxation – United States Federal Income Taxation*" below.

The terms of the Notes may be modified, waived or substituted without the consent of all the holders of the Notes.

The Terms and Conditions of the Notes contain provisions for convening meetings of holders of the Notes to consider matters affecting their interests and for the passing of written resolutions of holders without the need for a meeting. Such provisions are commonly referred to as "collective action clauses". The provisions permit defined majorities to bind all holders of the Notes including any such Noteholders who did not attend and vote at the relevant meeting or sign the relevant written resolution and any such Noteholders who voted in a manner contrary to the majority.

In addition, the Terms and Conditions of the Notes permit "cross-series modifications" to be made to more than one series of debt securities, provided that each affected series of debt securities also contains a cross-series modification provision. Under certain circumstances, including the satisfaction of the Uniformly Applicable condition (as more particularly described in the Terms and Conditions), such cross-series modification may be made to more than one series of debt securities with the approval of the applicable percentage of the aggregate principal amount of the outstanding debt securities of all affected series and without requiring the approval of a particular percentage of the holders of any individual affected series of debt securities.

There is therefore a risk that the terms of the Notes may be modified in circumstances where the holders of debt securities approving the modification may be holders of different series of debt securities and the majority of Noteholders would not necessarily have approved such modification. In addition, there is a risk that the provisions allowing for aggregation across multiple series of debt securities may make the Notes less attractive to purchasers in the secondary market and adversely affect the market value of the Notes in circumstances where such modification or a proposal for such modification is expected to be made by the Issuer.

The Terms and Conditions of the Notes also provide that the Notes, their terms and conditions and the provisions of the Agency Agreement (as defined in the Terms and Conditions) may be amended without the consent of the Noteholders for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained therein or in any other manner which is, in the sole opinion of the Issuer, not materially prejudicial to the interests of the Noteholders.

The Conditions restrict the ability of an individual holder to declare an Event of Default, and permit a majority of holders to rescind a declaration of such an Event of Default.

The Conditions contain a provision which, if an Event of Default occurs, allows the holders of not less than 25% in aggregate principal amount of the outstanding Notes to declare all of the Notes to be immediately due and payable by providing notice in writing to the Issuer, whereupon the principal, interest and all additional amounts payable on the Notes will become immediately due and payable on the date on which the Issuer receives written notice of the declaration as aforesaid.

The Conditions also contain a provision permitting the holders of at least 50% in aggregate principal amount of the outstanding Notes to notify the Issuer to the effect that the Event of Default or Events of Default giving rise to any above-mentioned declaration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn. The Issuer shall give notice thereof to the Noteholders, whereupon the relevant declaration shall be withdrawn and shall have no further effect.

The Issuer is not required to effect equal or rateable payment(s) with respect to its other debt obligations pursuant to the Conditions, and is not required to pay other debt obligations at the same time or as a condition of paying sums on the Notes and vice versa.

In accordance with Condition 3 (*Status*), the Notes will at all times rank *pari passu* with all other present and future unsecured obligations of the Issuer. However, the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other unsecured obligations of the Issuer and, in particular, shall have no obligation to pay other unsecured obligations at the same time or as a condition of paying sums due on the Notes and vice versa. Accordingly, the Issuer may choose to grant preferential treatment to, and therefore prioritise payment obligations to, other unsecured creditors of the Issuer as payments fall due.

Kenya is a sovereign state and, accordingly, it may be difficult to obtain or enforce judgments or arbitral awards against it.

Kenya is a sovereign state and has waived only certain immunities and has not submitted to the jurisdiction of any court outside Kenya, but instead it has agreed to resolve disputes by arbitration in accordance with rules and procedures of the LCIA. As a result, an LCIA arbitration proceeding is the exclusive forum in which a holder may assert a claim against Kenya. In addition, it may not be possible for investors to effect service of process upon Kenya within their own jurisdiction, obtain jurisdiction over Kenya in their own jurisdiction or enforce against Kenya judgments or arbitral awards obtained in their own jurisdiction. See "*Enforcement of Civil Liabilities*" and Condition 16(b) (*Arbitration*).

The value of the Notes could be adversely affected by a change in English law or administrative practice.

The Terms and Conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the value of any Notes affected by it.

USE OF PROCEEDS

Kenya intends to apply the net proceeds of the issue of the Notes towards the repayment of the outstanding debt of Kenya, including to purchase its US$900,000,000 7.000% Notes due 2027 (the "**2027 Notes**") which have been accepted for purchase by Kenya in the tender offer announced by Kenya on 24 February 2025 (the "**Tender Offer**"). In addition, if the principal amount of the Notes exceeds the aggregate amount of 2027 Notes repurchased in the Tender Offer, the Republic intends to utilise the balance for the refinancing of other external indebtedness.

REPUBLIC OF KENYA

Location and Geography

Kenya occupies a land area of 580,876.3 square kilometres on the equator and is bordered by the Indian Ocean to the southeast, Tanzania to the south, Uganda to the west, South Sudan to the northwest, Ethiopia to the north and Somalia to the northeast. Kenya is divided into 47 semi-autonomous counties that are headed by governors who are elected in the general elections held every five years in accordance with the Constitution of Kenya, 2010. Nairobi is the capital city of the country.

Kenya has a warm and humid climate along its Indian Ocean coastline, with wildlife-rich savannah grasslands inland towards the capital. Nairobi has a cool climate that gets colder approaching Mount Kenya. Further inland, there is a warm and humid climate around Lake Victoria and temperate forested and hilly areas in the western region. The north-eastern regions along the border with Somalia and Ethiopia are arid and semi-arid areas with near-desert landscapes. Lake Victoria, the world's second largest fresh-water lake and the world's largest tropical lake, is situated to the southwest; Kenya, Uganda and Tanzania share its border.

The "long rains" season occurs from March to May. The "short rains" season occurs from October to December. The rainfall is sometimes heavy and often falls in the afternoon and evening. The temperature remains high throughout these months of tropical rain. The hottest periods are February and March, leading into the season of long rains, and the coldest periods are in July and August. In recent years, Kenya has also experienced major droughts and flooding. *(See "Risk Factors—The impact of climate change has negatively affected Kenya in the past and may negatively affect it in the future.").*

Kiswahili and English are both official languages in Kenya. Kiswahili is the national language.

Border Disputes

The Maritime Border with Somalia

Kenya has a long-running boundary dispute with Somalia concerning the location of the maritime boundary between the two countries in the Indian Ocean. On 6 May 2009, Kenya submitted information to the UN Commission on the boundary limits of the continental shelf beyond 200 nautical miles from the baselines from which the breadth of the territorial sea is measured. The submission was intended to give Kenya the right to explore and exploit mineral resources in this additional territory under the United Nations Convention on the Law of the Sea. On 28 August 2014, Somalia started proceedings against Kenya before the ICJ regarding the boundary dispute. Somalia contended that both countries disagree about the location of the maritime boundary in the area where their maritime entitlements overlap. Somalia requested that the ICJ determine the complete course of the single maritime boundary dividing all the maritime areas appertaining to Somalia and Kenya in the Indian Ocean and for the ICJ to determine the precise geographical co-ordinates of the single maritime boundary in the Indian Ocean, including the continental shelf beyond 200 nautical miles. On 7 October 2015, Kenya raised preliminary objections to the jurisdiction of the Court and the admissibility of the Application by

Somalia. In February 2017, the Court rendered its decision on the preliminary objections and dismissed the preliminary objections. The Court determined that it had authority to hear the full case. The hearing took place in between 15 and 18 March 2021. Kenya declined to participate in the proceedings, citing that new counsel was introduced on record and needed to be given proper instructions and they did not want to proceed without proper representation. The hearing therefore proceeded without Kenya making its oral arguments, solely on the basis of the written proceedings submitted by Kenya.

The ICJ delivered its decision on the merits of the case on 12 October 2021 by which it determined the maritime boundary between Somalia and Kenya. In its judgment, the court rejected the claim made by Somalia, alleging that Kenya, by its conduct in the disputed area, had violated its international obligations.

Migingo Island

Migingo is a 2,000-square-metre (half-acre) island in Lake Victoria. In 2008, both Kenya and Uganda claimed the island as part of their territory. The basis for the dispute revolves primarily around the lucrative fishing rights associated with the island, mostly for valuable Nile perch. In July 2009, the Ugandan government stated that, while Migingo Island was in fact part of Kenya, much of the waters near the island were Ugandan territory.

In April 2009, the Ugandan flag on the island was lowered and Ugandan security personnel withdrew from the island. A joint re-demarcation line of the border was launched on 2 June 2009 to recover and to place survey markers on land, making delineation of the boundary on the lake more precise. The two countries have established a joint technical experts committee to demarcate the borderline along the island. The committee has held several meetings aimed at concluding the exercise. In August 2016, Kenya and Uganda announced a joint taskforce comprising police from both countries that will patrol the disputed island and the entire common border. In 2019, Kenya signed a memorandum of understanding with Uganda, which has enabled fishermen and other Lake Victoria users to access either side of the boundary. The joint taskforces remain united under one island, despite the ongoing dispute over the ownership of the island.

Ilemi Triangle

The Ilemi Triangle is an area of disputed land in East Africa, measuring between 10,320 and 14,000 square kilometres (3,985 and 5,405 square miles). The territory borders Ethiopia, and both South Sudan and Kenya have claimed the territory. However, since its independence, Kenya, has had *de facto* control of the area.

History

In 1890, Britain established the East Africa Protectorate, which became a crown colony in 1920, by the name of the Colony and Protectorate of Kenya. Organised resistance to colonial rule emerged in the 1920s, intensified in the 1940s, and became violent in 1952, following the formation of the Mau Mau Resistance movement. After nearly eight decades of British colonial rule, Kenya gained independence in 1963 and became a republic a year later. Jomo Kenyatta, an icon of the struggle for liberation, became Prime Minister, and later, its President, from independence in 1963 until his death in 1978, when President Daniel Moi took power in a constitutional succession. The country was a *de facto* one-party state from 1969 until 1982 when the ruling Kenya African National Union ("**KANU**") made itself the sole legal party in Kenya. President Moi retired in December 2002 following democratically held elections. Mwai Kibaki ran as the candidate of the multi-ethnic, united opposition group, the National Rainbow Coalition ("**NARC**") and defeated KANU candidate Uhuru Kenyatta (the son of founding President Jomo Kenyatta) with a successful anti-corruption campaign. Kibaki assumed the presidency in 2002. His NARC coalition splintered in 2005 over a constitutional review process. Government defectors joined with KANU to form a new opposition coalition, the Orange Democratic Movement ("**ODM**"), which defeated the Government's draft constitution in a referendum in November 2005. President Kibaki's re-election in December 2007 brought charges of vote rigging from ODM candidate Raila Odinga, resulting in two months of violence in which it is estimated that 1,133 people died. The African Union conducted mediation, led by former UN Secretary General Kofi Annan, in late February 2008. Through this mediation process, the parties agreed to a power-sharing accord bringing Mr. Odinga into the Government as Prime Minister.

The power-sharing accord included a broad reform agenda, the centrepiece of which was constitutional reform. In August 2010, Kenya promulgated a new Constitution following a national referendum. The Constitution introduced a bill of rights for Kenyan citizens, and significant devolution of power and resources to 47 newly created counties. It also abolished the position of Prime Minister and the first presidential elections were held under the Constitution on 4 March 2013. There were allegations of voting irregularities; however, the 2013 elections were not marred by violence. Uhuru Kenyatta won in the first round by a close margin, and the newly constituted Supreme Court dismissed the opposition's petition against the election results. Uhuru Kenyatta was sworn into office on 9 April 2013. Uhuru Kenyatta was re-elected as President in August 2017; however, the election results were annulled by the Supreme Court, which cited irregularities in the votes and it ordered re-elections to be held. The October 2017 re-election was boycotted by the opposition, the National Super Alliance ("**NASA**") led by Raila Odinga. Voter turnout for the election was significantly lower than for the August 2017 elections. Uhuru Kenyatta was re-elected in the October 2017 re-election and the results were again challenged in the Supreme Court. In November 2017, the Supreme Court ruled the petitions were without merit and declared that Uhuru Kenyatta had been validly re-elected as President and he was subsequently sworn in as President of Kenya. In March 2018, Raila Odinga officially recognised Uhuru Kenyatta as President of Kenya and the two released a joint press statement promising reconciliation and collaboration on economic and political reforms.

See "*Risk Factors—Risks Relating to the Republic of Kenya—Investing in securities in emerging markets such as Kenya generally poses a greater degree of risk than investment in more mature market economies because the economies in emerging markets are more susceptible to destabilisation resulting from domestic and international developments.*"

On 9 August 2022, general elections were held in Kenya to elect, among others, the President of the Republic of Kenya for a five-year term as prescribed by the Constitution. The Chairperson of the Independent Electoral and Boundaries Commission (the "**IEBC**") declared William Samoei Ruto as the President-elect and Rigathi Gachagua, as the Deputy President having been satisfied that the terms of Article 138(4) of the Constitution had been met. The Chairperson of the IEBC issued Gazette Notice No. 9773 of 16 August 2022 to formalise the declaration. The said declaration precipitated the institution and filing of nine Presidential Election Petitions challenging among other issues: (i) whether the technology deployed by the IEBC for the conduct of the 2022 General Elections met the standards of integrity, verifiability, security, and transparency to guarantee accurate and verifiable results; (ii) whether there were unexplainable discrepancies between the votes cast for Presidential candidates and other elective positions; and (iii) whether the declared President-elect attained requisite majority of votes cast in accordance with Article 138(4) of the Constitution.

The Supreme Court upon scrutiny of the evidence supplied by the petitioners, held that the election of William Samoei Ruto as President is valid under Article 140(3) of the Constitution. William Samoei Ruto was sworn in as President of Kenya on 13 September 2022.

The decision of the Supreme Court went against the opposition leader, Hon. Raila Odinga who mobilized his supporters to take part in a series of violent demonstrations which also protested against the rising cost of living, high tax rates, joblessness among the youth, and other political and socio-economic issues. The President and Raila Odinga came together to address the issues and formed the National Dialogue Committee which sought to end the demonstrations. In 2023, the National Dialogue Committee published a report that provided recommendations which included auditing of the election process, restructuring of the IEBC to ensure that minority perspectives, electoral law reforms to increase the timeline within which the Supreme Court can hear presidential election petitions and proposals to lower the cost of living by reducing some taxes and Government expenditure.

2024 Protests

In May 2024, a series of nationwide protests followed, particularly amongst young Kenyans, in response to the unpopular tax increases within the Finance Bill, 2024 proposed by President Ruto's Government. Young activists spearheaded the protests and rallied through the means of social media platforms including X (formerly known as Twitter), Tik Tok and Instagram.

Peaceful protests began on 18 June and led to arrests, which were met with widespread condemnation across the country. The Kenyan Parliament introduced several amendments to the bill in response to the protests, and the bill was passed on 25 June 2024. On the same day, protestors entered Parliament buildings, leading to a clash with police forces, resulting in casualties and numerous injuries. On 26 June, President Ruto declined to sign the Finance Bill, 2024 into law and called for its withdrawal during a press conference in response to the outbreak of violent protests and unpopularity of the bill. Despite the withdrawal of the bill, the protests transitioned into riots on 2 July 2024. President Ruto made changes to the cabinet, resulting in the formation of a “broad-based government”. Four opposition members from the Raila Odinga’s Orange Democratic Movement, have recently been appointed as part of the newly reformed cabinet.

Although protests intensified initially, there has been a significant cut in the number of social unrests since the President’s refusal to assent the Finance Bill into law and its referral back to the National Assembly with the recommendation for deletion of all clauses thereof. In this backdrop, in October 2024, the Senate impeached former Deputy President Rigathi Gachagua on charges of corruption, inciting ethnic divisions, and supporting anti-government protests. As of 1 November 2024, he has been replaced by Mr. Kithure Kindiki.

Kenya’s next general elections are scheduled to take place on August 2027.

Energy

Supply

The main source of energy in Kenya is biomass, accounting for 69% of the primary energy consumption, followed by petroleum at 22% and electricity 9%. Other forms of energy in use include solar, hydro, biogas, thermal and wind. As at 30 June 2024, the interconnected installed capacity was 2,859.4 MW, accounting for 79.89% of Kenya’s total installed capacity. Electricity access rate is estimated at about 9,659,877 customers connected to the national grid as at June 2024, representing an increase of 4.86% from 9,212,581 customers in June 2023. The peak demand in the financial year 2023/2024 was registered as 2,177.13 MW, an increase of 1.3% from 2,149 MW in the financial year 2022/2023. The Muhoroni power station has been restored recently by the Government, injecting an additional 60 MW to the grid which is expected to improve access in western Kenya. Further improvement in electricity access is to be facilitated by the Government with the Cabinet Secretary announcing Government plans to establish a new power substation at Thurdibuoro in Nyakach in Kisumu County, start the construction of the Sondu-Ndhiwa electricity transmission line and upgrade the Gogo hydro-power station in Migori from 2 MW to 8 MW. Interventions from the development partners, mainly the African Development Bank, the World Bank, European Investment Bank, the EU and Japan International Cooperation Agency through the Last Mile Connectivity project and Global Partnership of Output Based Aid have greatly contributed to growth in access.

The Power Transmission Network is currently operating at 132 kilo Volts (“**kV**”), 220 kV,400 kV & 500kV. The size of transmission network (500kV, 400kV, 220kV and 132kV) by circuit length is approximately 9,105km. The distribution network comprises an approximate medium voltage network with a length of approximately 79,310 km. The total system losses, including both technical and commercial, was 23.5% in the financial year 2023/2024, due to technical and commercial factors arising from the expanded transmission and distribution network. The System Average Interruption Frequency Index and Customer Average Interruption Duration Index are estimated to be below international standards, at 10.14 hours per month and 2.53 hours per month, respectively, during the financial year 2023/2024. The energy sector is working towards minimizing these losses and improving system reliability by implementing transmission and distribution projects from 2,919 MW in 2021 to 8,920 MW in 2041.

Electricity demand is projected to grow to 8,920 MW by 2041 according to the LCPDP. The Government plans to expand the generation capacity to meet this demand and the transmission network to 8,644km by 2040. Renewable energy will continue playing a dominant role in the supply of energy accounting for about 94% of the energy dispatched. The Government plans to expand the generation capacity to meet this demand and the transmission network to 12,672km by 2041. To achieve the increased demand, the Least Cost Power Development Plan (“**LCPDP**”) 2022-2041 aims for generation coming from geothermal, hydro, solar and wind with development by public and private sector actors. In 2021, The Ministry restructured the Feed In Tariff Policy for small renewable energy projects and the Renewable Energy Policy for wind and solar projects. Future electricity supply plans are expected to remain focussed on increasing renewable components and flexible generation through hydroelectric sources. This is central in achieving the country’s development agenda under the Vision 2030 and the BETA (See *The Economy - The Bottom-up Economic Transformation Agenda***).**

The following table presents Kenya's installed and effective/contracted electricity-producing capacity as at 30 June 2023:

Technology	Interconnected Capacity (MW)		Installed: Captive Capacity (MW)	Installed: Off grid Capacity	Effective /Contracted: Total Installed Capacity	Effective /Contracted: % Total Installed
	Installed	Effective				
Hydro	839.3	810.4	33.0	0.1	872.4	24.38%
Geothermal	940.0	841.1	3.7		943.7	26.37%
Thermal	572.8	562.4	21.3	42.0	636.1	17.78%
Wind	435.5	425.5	-	0.6	436.1	12.19%
Solar	210.3	210.3	229.2	3.4	442.9	12.38%
Bioenergy	2.0	2.0	161.8		163.8	4.58%
Imports	200.0	200.0	-		200.0	
WHRC	-	-	83.5		83.5	2.33%
Total	**3,199.9**	**3,051.7**	**532.6**	**46.0**	**3,778.5**	**100.00%**

Source: Ministry of Energy & Petroleum

Geothermal energy accounts for the largest portion of Kenya's installed capacity, at 26.37%. Hydro and thermal power follow, with 24.38% and 17.78% respectively. Solar photovoltaic systems and wind generation contribute 12.38% and 12.19% to the total installed capacity as at 30 June 2024.

Currently, there is limited cross-border power supply between Kenya and Uganda and Tanzania. In 2021, the connection between Kenya and Ethiopia was energised and Kenya is currently importing 200MW with an aim to import 400MW in 2026. There are several regional interconnectors under implementation. These will increase and facilitate regional power trade. The lines are 400kV Kenya - Tanzania interconnector, 400kV Kenya – Uganda interconnector and the 500kV HVDC Kenya – Ethiopia interconnector.

Government strategy

The Ministry of Energy undertakes long-term electricity planning through an annual 20-year rolling LCPDP the latest of which is for 2022-2041.

The LCPDP projects that demand for electricity will grow from 12,416 gigawatt hours ("**GWh**") in 2021 to 34,321 GWh in 2041, with the corresponding peak demand increasing from 2,036 MW in 2021 to 5,757 MW in 2041. This will be supplied with generation originating from geothermal, hydro, solar and wind sources that are under development by the public and private sectors.

A total of 12,672 kilometres in circuit length of power transmission lines and 18,497 MVA in substation capacity will be constructed in addition to the construction of a modern National Load Dispatch and Control Centre. In addition, the distribution footprint will entail the construction of 116 new primary distribution substations with a distribution capacity of 2,809 MVA and 1,244 kilometres of associated 66kV and 33kV lines, 20 new bulk supply substations and installation of 336.5 megavolt ampere of reactive power ("**MVAR**") reactive power compensation equipment in 15 transmission substations.

The Government in achieving its target of universal access of electricity by the year 2030. The Last Mile Connectivity and KOSAP project involves expansion of the national power distribution grid and development of off-grid solutions to achieve this goal. Although there can be no assurance that the Government will meet such target as a result of possible challenges including inadequate financing to achieve the targets and difficulties in meeting the socio-economic and environmental sustainability concerns. This could slow down economic growth given the importance of the sector to industrial development.

See "*The Economy—Oil and Gas—Renewable Energy*" for details regarding renewable energy policies.

Population

According to the World Bank, Kenya had an estimated population of approximately 55 million in 2023, of which 27.5 were male and 27.8 million were female, accounting for 50.4% of the total population.

The five largest ethnic groups are Kikuyu, Luhya, Kalenjin, Luo and Kamba, while the five smallest ethnic groups are Dahalo, El Molo, Konso, Gosha and Wayyu.

According to the World Bank, population density is estimated at approximately 95 people per square kilometre in 2022, with approximately 28% of the population living in urban areas. Nairobi, the capital of the country and its largest city, has an estimated population of 4.9 million.

The following table sets out selected comparative socio-economic indicators for 2024 for Kenya and for certain other countries in the region.

	Per capita GDP (in current prices 2023 US$)(1)	Life Expectancy (in years)(2)	Adult Literacy Rate(3)	Doing Business Ranking(4)	Debt/GDP(5) (% of GDP)
Ghana	2,190.0	64	80	118	82.9
Kenya	2,190.0	62	83	56	65.7
Tanzania	1,270.0	67	82	141	46.3
Uganda	1,300.0	64	81	116	49.9
Rwanda	1,010,3	67	76	38	64.5

(1) IMF World Economic Outlook 2024 data.
(2) 2024 World Bank data.
(3) 2024 World Bank data.
(4) 2024 World Bank data.
(5) Kenya MTDS, 2024, Tanzania MTDS 2024, Uganda MTDS 2024, 2024 IMF: Central Government Debt

Public Health

Kenya's public health policy is to achieve the highest attainable standard of health in a manner responsive to the needs of the population. Under the current health sector structure, the sector is composed of the Ministry of Health and eight semi-autonomous Government agencies, which provide the Ministry of Health with support in specialised health, service delivery, medical research and training, procurement and distribution of drugs and financing through health insurance.

The Ministry of Health is primarily responsible for developing national policy, providing technical support, monitoring quality standards of performance of the county governments and community organisations, providing guidelines on tariffs and conducting studies required for administrative and management purposes.

Pursuant to the Constitution, most of the delivery of health services is provided by the counties, with further responsibilities at the county level being provided at a sub-county and community level. The one exception is the Ministry of Health, which retains national referral services, comprising all secondary and tertiary referral facilities that provide specialised services. The county health services are primarily responsible for comprehensive in-patient diagnostics, medical, surgical and rehabilitative care, including reproductive health services, specialised outpatient services and facilitating and managing referrals from the sub-county and community health level. The primary responsibilities at the sub-county level are disease prevention and health promotion, basic outpatient diagnostic, medial surgical and rehabilitative services, inpatient services for emergency patients awaiting referral, patient observation and normal delivery services. County health services are funded from locally generated revenue, rather than from national grants. At both the national and county level, the Government allocated approximately 4.5% of the total budget to healthcare provisions in 2023/24. The sub-county level institutions are also responsible for facilitating referrals from the community health level. The community health level institutions in the country, comprised of the community units, are primarily responsible for the promotion of better health behaviours, recognition of signs and symptoms of conditions requiring referral and facilitation of community diagnostics, management and referrals to the higher levels.

Universal Healthcare

The Government has identified healthcare delivery as one of the core pillars of the BETA.

Under the BETA, the Government made commitments to progress the universal healthcare coverage. In this regard, the Government increased allocation to the health sector by EKS 31.5 billion in the FY 2023/24.

The Government has committed to invest in the primary healthcare system through; (i) establishment of stakeholder managed primary health care funds as strategic purchasers at each level 4 facility; (ii) establishment and operationalization of emergency medical fund and establish a fund to bridge the financial gaps in the wake of diminishing donor funding in support of key programmes including HIV/AIDS, tuberculosis, malaria, family planning and reproductive health, vaccines and nutrition. To achieve this, the Government has identified the following as areas of priority in respect of the implementation of universal health coverage:

- Kenya has made notable progress in its pursuit of universal health coverage through enactment of four Acts. These Acts, namely the Primary Health Care Act, the Digital Health Act, Facility the Improvement Financing Act and the Social Health Insurance Act, are aimed at revolutionising the healthcare sector in the country. The Facility Improvement Financing Act aims to improve the financial governance of public health facilities by ensuring that public health facilities can retain their funds and have management autonomy. It also aims to provide a unified system for financial management in public health facilities. Under the Facility Improvement Financing Act, the Government has developed and operationalised the 'Facility Improvement Fund'. The Primary Health Care Act and the Digital Health Act took effect on 2 November 2023, and the Social Health Insurance Act took effect on 22 November 2023. However, the constitutionality of these acts has been challenged and is currently the subject of ongoing litigation before the Court of Appeal;

- As part of the health sector interventions highlighted above, the Government has sought to reform the National Health Insurance Fund ("**NHIF**") as a necessary imperative. The enactment of the Social Health Insurance Act establishes the Social Health Authority under which three funds have been created: the Primary Healthcare Fund, the Social Health Insurance Fund and the Emergency, Chronic, and Critical Illness Fund. All the funds, assets and other property held by NHIF Board was vested in the Social Health Authority with effect from 22 November 2023. The NHIF Act has been repealed and the NHIF Board is required to wind up the NHIF within one year from the stated effective date;

- The Government has also changed the contribution structure from an occupational scheme for persons in formal employment to a household contribution model with the aim of enhancing the health insurance membership. The Social Health Insurance Fund introduces a new funding model that is not reliant only on the contributions from members but also from the National Assembly. The Act introduced a 2.75% flat rate for contributions from Kenyans to increase the monies available to ensure universal health coverage.

- The Government has ring fenced and up scaled research funding for the Kenya Medical Research Institute in the FY 2023/24 and the subsequent medium term; and

- The Government is also supporting Kenya Bio Vax Limited to locally produce vaccines and other health products and technologies.

Other commitments of the Government to facilitate the implementation of universal health coverage include:

- employment and initiation of payment for community health workers who shall form part of the Primary Health Care system;

- prioritization of employment of 20,000 healthcare workers- doctors, nurses, clinical officers, laboratory technologists, physiotherapists, among others, to bridge the gap according to WHO recommendations of 23 HC per 10,000 populations;

- the establishment of an emergency medical treatment fund to cater for emergency, cancer treatment and referrals;

- setting aside of KES 50 billion for medical schemes associated with the Kenya Association of Retired Officers;

- integration of preventive and promotive services/ establish of MDT (a primary healthcare approach) as envisioned in the Afya Bora Mashinani;

- setting aside of seed deposit amount of KES 100 billion into co-funding the strategic programs for HIV, tuberculosis, blood transfusion, malaria, family planning and reproductive health;

- ring-fencing funds for healthcare from facility improvement funds to allocations from the Treasury in collaboration with County Governments; and
- building up supply chain management systems to ensure efficiency and accountability in the medical supplies to all health facilities.

HIV/AIDS, Malaria and Tuberculosis

HIV/AIDS, malaria and tuberculosis are major healthcare challenges in Kenya and other East African countries. According to estimates from the World Bank, national HIV prevalence in adults aged 15-49 years declined from 38,000 adults in 2014 to 17,000 adults in 2022. Tuberculosis deaths remain a challenge due to a number of reasons such as malnutrition, late diagnosis, and HIV co-infection.

The Government has implemented specific strategies to address the prevention and treatment of HIV/AIDS, including provision of counselling and testing, public education, provision of free antiretrovirals to those infected and increasing efforts to prevent stigmatisation and discrimination of those infected. The estimated annual cost for HIV commodities is KES 27-30 billion. Unfortunately, there has been a decline in proportionate donor funding and expectation for increase in Government contribution towards HIV commodities. The decision to suspend US foreign aid has disrupted essential health and humanitarian programmes, including programs meant for HIV/AIDS in Kenya.

The Government's efforts on malaria include establishment of the National Malaria Control Programme under the Ministry of Health which is administratively under the State Department of Public health and Professional Standards and technically positioned within the Directorate of Preventive and Promotive Health Services of the Ministry of Health. The program is charged with the responsibility of providing policy strategic guidance and support capacity development in the Counties as well as coordination of the scaling up of an effective malaria control and prevention strategies and interventions. This scale-up is based on the Kenya Malaria Strategic plans, which are developed after every 5 years following comprehensive Malaria Program reviews.

During 2022/23, the Government allocated a total of KES 306 million for the procurement of malaria commodities. The Global Fund provided KES 477.6 million and the President's Malaria Initiative contributed KES 229.4 million of funding for procurement of these commodities in 2022/2023.

Since October 2022, Kenya's northern regions have been affected by a cholera outbreak triggered by the impact of a severe drought and the outbreak has affected 26 of the 47 counties. As of 28 August 2023, Kenya recorded more than 11,872 cases and 196 deaths, with a fatality rate of 1.7%. The outbreak led the country's health authorities to launch a cholera vaccination drive in February 2022 to control the spread of disease and the campaign targeted 2.2 million people in the four worst-affected counties. According to the World Health Organisation, the campaign ultimately managed to reach 99.2% of the target population by 21 February 2023. An additional vaccination campaign in eight high-risk counties took place in August 2023 with vaccinations of 1.59 million people.

Ebola

In March 2014, the WHO reported an outbreak of Ebola in Guinea, and the virus later spread to other West and Central African countries, including Liberia, Nigeria, Senegal and Sierra Leone. Ebola is a dangerous and contagious virus that often results in death. The West Africa Ebola outbreak was the largest in history, affecting multiple countries in and beyond West Africa. According to the WHO, 28,616 suspected, probable, and confirmed cases with a total of 11,310 deaths were recorded in Guinea, Liberia, and Sierra Leone in 2014.

On 29 March 2016, the WHO lifted the Public Health Emergency of International Concern related to Ebola in West Africa. While there have been no confirmed cases of Ebola in Kenya, the Government issued an Ebola alert in May 2017, following an outbreak of the disease in the Democratic Republic of the Congo, and again in 2019, following an outbreak in Uganda. Kenya has invested in significant training and equipment to combat any possible outbreak and has recently strengthened screening and surveillance of persons travelling from or through the Democratic Republic of the Congo.

Education

The overall goal of the education sector is to increase access to education and training, improve quality and relevance of education, reduce inequality as well as develop knowledge and skills in science, technology and innovation for global competitiveness. The education sector is composed of the State Department for Basic Education, State Department for Universities, State Department for Vocational and Technical Training and Teachers Service Commission, together with their affiliated agencies and institutions. The National Government's role is in setting policy, allocating the national education budget, and supervising and regulating the education system. The Ministry of Education Budget as a percentage of Total Government Budget was 17.3% for 2023/24, an increase of 10% from 2022/2023.

The Kenyan government has made notable progress in integrating Information and Communication Technology into education and enhancing infrastructure across learning institutions. Through the Digital Literacy Programme, over 1.2 million digital devices have been distributed to 21,638 public primary schools, ensuring that learners gain essential digital skills. The Kenya Institute of Curriculum Development has also approved coding content to enrich the digital curriculum. Additionally, approximately 331,000 teachers have undergone training to effectively incorporate digital tools in delivering the Competency-Based Curriculum. To further support Information and Communication Technology adoption, the government has prioritised school connectivity, with over 200 institutions linked to the internet in the past three months alone, as part of a broader initiative to achieve full connectivity by 2025.

In addition to Information and Communication Technology integration, the government is focusing on expanding vocational training, internships, and employment opportunities for young Kenyans. Plans are underway to construct Technical and Vocational Education and Training institutions in 52 constituencies that currently lack them, aiming to enroll two million youths in TVET programs by mid-2025. To bridge the gap between education and employment, a government-private sector partnership has been established to create over 100,000 paid industrial internships, with financial incentives to encourage private firms to mentor young professionals. Furthermore, the Public Service Internship Programme has launched its seventh cohort for the 2024/2025 financial year, providing graduates with practical experience in various government ministries and agencies. These initiatives reflect the government's commitment to equipping Kenyan youth with the skills and opportunities needed to thrive in a competitive job market.

Primary, Secondary and Higher Education

At present, basic education covers eight years of primary education, four years of secondary education and four years of basic university degree (8-4-4 system). The table below provides information as to student enrolment in primary and secondary schools as at the dates indicated.

	As at 31 December				
	2019	**2020**	**2021**	**2022**	**2023**
	(*thousands of students*)				
Primary school	10,072	10,170.1	10,285.1	10,364.2	10,241.0
Secondary school	3,260	3,520.4	3,692	3,920.3	4,109.5

Source: *Ministry of Education, Science and Technology.*

Kenya is transitioning from the current 8-4-4 system to 2-6-6-3 Competency Based Curriculum system. Kenya has adopted the "Competency Based Curriculum" for all levels of basic education which has already been rolled out in the "Early Years Education", which consists of Pre-Primary 1 and 2, and Grades 1, 2 and 3.

The table below provides student enrolment in public and private universities for the periods provided.

	2019/20	**2020/21**	**2021/22**	**2022/23[1]**
Public Universities[2]	430,572	440,474	448,482	450,638
Private Universities	110,304	112,841	113,584	112,287
Total Enrolment	**540,876**	**553,316**	**562,066**	**562,925**

[(1)] Provisional
[(2)] Includes information as to enrolment only as to the following universities: University of Nairobi, Kenyatta University, Moi University, Egerton University, Jomo Kenyatta University of Agriculture and Technology, Maseno University, Masinde Muliro University of Science and Technology, Kenya Polytechnic University and Mombasa Polytechnic University College.

Source: *Ministry of Education, Science and Technology.*

Political System

General

Kenya is a multiparty democratic state composed of the executive, the legislature, the judiciary and the devolved county governments.

The President, the Deputy President and the Cabinet constitute the executive branch of the Government. The President is the Head of State and Government, the Commander in Chief of the Kenya Defence Forces ("**KDF**") and the chair of the National Security Council. The President is elected by registered voters in a national election for a five-year term and can only be re-elected for one additional term. The Deputy President is the principal assistant of the President and deputises the President in the execution of the President's functions. The Cabinet is composed of the President, the Deputy President, the Attorney General, and the Cabinet Secretaries, of which there may be no less than 14 and no more than 22. The President nominates and, with the approval of the National Assembly, appoints Cabinet Secretaries. The President has appointed 21 Cabinet Secretaries.

The legislature is composed of the Senate and the National Assembly.

There are 67 Senators; 47 are elected by the registered voters in the 47 counties of Kenya; 16 women members are nominated by political parties according to their proportion of members in the Senate and four members (two men and two women) represent the youth and persons with disabilities and are elected on the basis of proportional representations by use of party lists. The Speaker is an *ex officio* member of the Senate. The Speaker is elected from candidates who are not Senators by the votes of two-thirds of all the Senators. If no candidate reaches the required number of votes, then a runoff election is held between the two candidates who receive the highest and next highest number of votes; however, if more than one candidate receives the highest number of votes, then only the candidates who receive the highest number of votes will participate in the runoff election. The candidate who receives the highest number of votes in the runoff election is declared the Speaker.

There are 349 members of the National Assembly. Each of the 290 constituencies elect a member to the National Assembly. Under the Constitution, there must be a women's representative Member of Parliament elected from each county, guaranteeing a minimum of 47 women members in the National Assembly. Twelve additional members are nominated by parliamentary political parties according to their proportion of members in the National Assembly. Similar to the Senate, the Speaker is an *ex officio* member of the National Assembly and is elected from candidates who are not members of the National Assembly. The procedure for election of the Speaker of the National Assembly is similar to the election of the Speaker of the Senate.

President Ruto currently enjoys the support of the majority of members of both the National Assembly and the Senate.

Since the occurrence of the 2007-2008 post-election violence, Kenya has made concerted efforts to put in place an institutional framework intended to facilitate the peaceful transition of successive governments. The most notable measures that have been implemented are the following:

- the Constitution, which contains detailed provisions in respect of general election cycles and the requirement that election petitions be determined within six months after the declaration of results. It established the Supreme Court of Kenya, whose mandate includes hearing and determining petitions arising out of a presidential election and provides for the process of swearing in a newly elected President;
- the enactment of legislation containing provisions aimed at addressing concerns that might have contributed to the 2007 post-election violence, as further detailed below;
- the establishment of various independent commissions whose mandates are to implement the provisions of the Constitution, as further detailed below;

- undertaking extensive ongoing judicial reforms to instil public confidence in the Kenyan judicial system, in particular the public vetting of judicial officers, including Magistrates and Judges of Kenya's subordinate and superior courts, respectively; and

- the establishment of the Constitutional Implementation Oversight Committee, a select committee of Parliament established under the Constitution to oversee implementation of the Constitution.

As mentioned above, several independent commissions have been established under the Constitution respectively to entrench constitutionalism and respect for the rule of law and to implement the devolved system of government. The independent commissions include:

- the National Cohesion and Integration Commission which, amongst other things, facilitates and promotes the elimination of all forms of discrimination, promotes arbitration and other dispute resolution mechanisms, investigates complaints of ethnic or racial discrimination and makes recommendations to the Attorney General, the Kenya National Commission on Human Rights or any other relevant authority on the remedial measures where such complaints are valid;

- the Kenya National Commission on Human Rights, which monitors, investigates and reports on the observance of human rights; investigates complaints about alleged abuses of human rights and takes steps to secure appropriate redress where human rights have been violated;

- the Independent Electoral and Boundaries Commission, which supervises elections and referenda at the county and national government levels;

- the National Police Service Commission, whose role includes staffing of the National Police Service, observing due process and exercising disciplinary control over the members of the National Police Service; and

- the National Land Commission, whose functions include managing public land on behalf of the national and county governments, initiating investigations, on its own initiative or on a complaint, into present or historical land injustices, and recommending appropriate redress.

In addition, a number of statutes have been enacted with the aim of fostering the peaceful transition of successive governments, including the following:

- the Assumption of the Office of President Act, 2012, which came into force upon the announcement of the date of first elections in March 2013 under the Constitution and set out the procedure for the swearing in ceremony of the President and the Deputy President;

- the National Police Service Act, which amongst other provisions, provides for the recruitment, enlisting and training of police officers and the implementation of the ongoing police reforms, which involve, amongst other measures, the public vetting of senior officials serving in the National Police Service;

- the Land Act 2012 and the Land Registration Act, which were intended to address unequal distribution of land, one of the perceived causes of the 2007 post-election violence. The two statutes revise, consolidate and rationalise existing land ownership in accordance with the Constitutional principles aimed at ensuring equitable access to land, security of land rights, transparent and cost-effective land administration, amongst others; and

- the PFMA which provides for the effective management of public finances by the national and county governments, the oversight responsibility of Parliament and County Assemblies and the different responsibilities of government entities.

Judicial System

The judiciary is composed of three superior courts: the Supreme Court, the Court of Appeal, and the High Court.

The Supreme Court is the highest judicial body consisting of the Chief Justice, the Deputy Chief Justice and five other judges. The Supreme Court has exclusive original jurisdiction to hear and determine disputes relating to the Presidential elections and appellate jurisdiction to hear and determine appeals from the Court of Appeal and any other court or tribunal as prescribed by national legislation.

The Court of Appeal consists of such number of judges, not fewer than 12, as may be prescribed by an Act of Parliament. This court has jurisdiction to hear appeals from the High Court and any other court or tribunal as prescribed by an Act of Parliament.

The High Court consists of such number of judges prescribed by an Act of Parliament and has unlimited original jurisdiction in civil and criminal matters, jurisdiction to determine any infringements of the rights and freedoms under the Bill of Rights to hear appeals from a decision of a tribunal appointed under the Constitution to consider the removal of a person from office, and to hear any questions with respect to interpretation of the Constitution and supervisory jurisdiction over all other subordinate courts and any other persons, body or authority exercising judicial or quasi-judicial functions.

The Constitution of Kenya also provides for the establishment of courts with the status of the High Court to hear and determine disputes relating to employment and labour relations, and the environment and the use and occupation of, and title to, land. The Magistrates' Courts Act establishes the subordinate courts and various other laws establish tribunals.

After a competitive recruitment process by the Judicial Service Commission on 21 May 2021, the first-ever female Chief Justice of the Republic of Kenya, Martha Karambu Koome, took her oath of office following the retirement of the previous Chief Justice David K. Maraga. The Chief Justice is the head of the Judiciary, President of the Supreme Court and President of the Judicial Service Commission. Justice William Ouko, from the Court of Appeal, was also appointed as a Judge of the Supreme Court.

In addition, in a Special Gazette release dated 3 June 2021, it was reported that the former President appointed 34 judges who took their oath of office on 4 June 2021. There were calls to the former President to appoint the remaining judges. The newly elected President in two Gazette Notices dated 13 September 2022, appointed the remaining 6 judges. The 6 judges took their oath of office on the same day. As of the date of this Offering Circular, there are 7 judges on the Supreme Court.

Procurement

Article 227 of the Constitution provides that state or public entities entering into contracts for goods or services shall do so in a fair, equitable, transparent, competitive and cost-effective way. The Public Procurement and Asset Disposal Act, 2015 and related regulations set provisions for awarding such contracts and emphasise maximisation of value for money, promotion of citizen contractors and promotion of local industry, sustainable development and protection of the environment. An open tender is considered to be the preferred procurement method; however, there are also alternative methods.

Various controls are in place to ensure appropriate procurement procedures:

- a clear separation of responsibilities in various stages of the procurement process;
- the head of procurement function of a procuring entity is required to prepare a signed professional opinion to the accounting officer for each procurement proceeding;
- a complaints procedure and an appeals procedure for aggrieved parties;
- an annual audit by the Office of the Auditor General; and
- a regular Public Procurement Regulatory Authority inspection audits.

The Public Procurement Administrative Review Board hears and determines appeals lodged by aggrieved bidders in the procurement process.

County Governments

The Constitution establishes 47 counties, each with its own county government. County governments consist of a county assembly and a county executive.

The county assembly is made up of members elected from different wards in the county, the number of special seat members necessary to ensure that no more than two-thirds of the membership of the assembly are the same gender and the number of members of marginalised groups, including persons with disabilities and youth, prescribed under an act of Parliament. The speaker of the county assembly is an *ex officio* member and is elected by the county assembly from amongst persons who are not members of the county assembly.

The executive authority of the county is vested in and exercised by a county executive committee. The executive committee consists of the county governor, the deputy governor and members appointed by the county governor with the approval of the county assembly (from amongst persons who are not members of the assembly).

Voters in each county elect their governor. Each county governor nominates a candidate for deputy governor. The governor and the deputy governor shall not hold office for more than two terms.

Some of the provisions of the Constitution with regard to devolved governments are still in the process of being implemented. Since February 2012, the National Assembly has enacted a number of laws to implement devolution, which, together with the Constitution, provide a set of institutional arrangements for managing the transition to devolved county governments.

The 2010 Constitution and Devolution

After the 1997 general elections, Parliament passed the Constitution of Kenya Review Act (1997) (later amended by the Constitution of Kenya Review Act (2002)) which formed the legal groundwork for constitutional reforms. A constitutional review body was created to provide civic education, seek public input and draft a new constitution to be studied by a National Constitutional Conference. Voters initially rejected the draft constitution, in a referendum in 2005. Parliament approved the revised constitution in April 2010. The proposed constitution was approved by 67% of Kenyan voters in a referendum in August 2010 and became the Constitution. The Constitution introduced additional checks and balances to executive power, including a bill of rights for Kenyan citizens and significant devolution of power and resources to 47 newly created counties. The purpose of devolution was largely to increase accountability and provision of services and to reduce poverty.

There have been various initiatives to support and facilitate a successful devolution framework. Examples of such support initiatives include:

- the World Bank's Kenya Devolution Support Program that assist capacity building and provision of technical assistance to all 47 county governments;
- the European Union's Instrument for Devolution Advice and Support program which supports economic development in 15 county governments;
- USAID's Agile and Harmonised Assistance for Devolution Institution which supports general devolution activities in Kenya; and
- UNDP's support consolidating gains and deepening devolution.

There is a strain on resource allocation between county governments and demand for resources occurs annually. This is resolved by the relevant institution established by the Constitution to determine distribution of revenue between different levels of government.

The financial management and reporting by county governments have improved, with more county governments reporting qualified statements of accounts. As a result, accountability has improved. The counties' revenue collection has also continued to improve, which has improved the financial position of counties. Despite this, debt has been increasing and nation debt remains high.

Legal Proceedings

The Republic is involved in various ongoing legal proceedings and disputes. To the knowledge of the Republic, there are no current, pending or threatened judicial or arbitral procedures that could have, or recently have had, a significant impact on the economic and financial situation of the country.

Anti-Corruption, Anti-Money Laundering, Crime and Combating Terrorism

Anti-Corruption and Money Laundering

Parliament has enacted various legislation dealing with corruption and money laundering, including the Anti-Corruption and Economic Crimes Act which provides for the prevention, investigation and punishment of corruption, economic crime and related offences; the Proceeds of Crime Act, which establishes the offence of money laundering and introduces measures for combating the offence; and the Ethics and Anti-Corruption Commission Act 2011, which established the EACC to combat and prevent corruption, economic crime and unethical conduct in Kenya through law enforcement, prevention, public education and the promotion of standards and practices of integrity, ethics and anti-corruption. The Ethics and Anti-Corruption Commission also enforces the Anti-Corruption and Economic Crimes Act 2003, which is the principal law that provides for the investigation, prosecution and adjudication of corruption and economic crime in Kenya. On 28 March 2013, the Proceeds of Crime and Anti-Money Laundering Regulations 2013 were issued by the Minister for Finance which provide for the due diligence and reporting requirements of certain reporting institutions licenced and regulated by Kenyan regulatory authorities. In 2017, the Proceeds of Crime Act was amended to enhance the Financial Reporting Centre's ("**FRC**") powers to impose civil monetary penalties and to take administrative action for non-compliance with the legislation, and the Asset Recovery Agency has also been strengthened by making it an autonomous institution with its own budget. The Statute Law (Miscellaneous Amendments) Act 2018 amended section 48 of the Proceeds of Crime Act to introduce reporting obligations for accountants when preparing or carrying out transactions for their clients in various situations including management of client money, securities or other assets, and management of bank, savings or securities accounts. In addition, amendments to the Companies Act 2015 to provide, amongst other things, the identification of beneficial owners, have also been passed. Kenya has an Anti-Money laundering/Combating the Financing of Terrorism (AML/CFT) legal and regulatory framework that is aligned to international standards.

In 2023, Kenya's Parliament passed amendments to various provisions of the law through the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Financing Laws (Amendment) Act of 2023 (the "**AML/CFT Amendment Act 2023**"). The amendments made significant changes to 16 Acts of Parliament to combat money laundering in Kenya. To curb the high risk of money laundering within the legal profession, the AML/CFT Amendment Act 2023 included the Law Society of Kenya as a body that falls within the bodies that should report money laundering crimes within its membership. The Law Society of Kenya was previously excluded as a reporting agent under the AML/CFT legal and regulatory framework. The AML/CFT Amendment Act, 2023 requires legal professionals to report any suspicious activities or transactions carried out by their clients including but not limited to suspected activities in real estate transactions, management of client assets, management of client accounts, management of companies, and buying and selling of business entities. The punishment for failure to report money laundering activities has also been increased to 50% of the amount of monetary instruments or an imprisonment for up to 5 years or both. This penalty was increased from the previous 10%.

The AML/CFT (Amendment) Act 2023 has also bolstered the power of the EACC in investigating financial crimes by including money laundering as an economic crime. The amendments expanded the definition of economic crimes in the Anti-Money Laundering and Economic Crimes Act to include an offence involving the laundering of proceeds of corruption. Previously, the EACC could not investigate money laundering separately from corruption as that was the power of the Directorate of Criminal Investigations. The AML/CFT Amendment Act 2023 now empowers the EACC to investigate money-laundering as a separate crime from corruption.

In addition, companies and other legal entities including limited liability partnerships are now required to provide information on beneficial owners. Companies and limited liability partnerships are also required to keep a register of nominee directors and partners respectively to help create more stringent controls around beneficial ownership. Through these requirements, the EACC can effectively investigate legal entities connected with individuals who suspected to be engaged in illicit financial activity.

The Central Bank of Kenya, the Capital Markets Authority, the Insurance Regulatory Authority and other financial regulatory authorities are also required to supervise the entities they regulate. Their supervision includes but is not limited to vetting significant shareholders and proposed directors, inspecting the entities, conducting audits and compelling production of documents, imposing sanctions, and allowing cooperation and information sharing between the regulatory authorities.

Kenya is also a member of the ESAAMLG. Members of ESAAMLG carry out mutual evaluations and prepare independent reports (containing analysis, findings and recommendations) of the country's compliance with the FATF Standards, in terms of both technical compliance and effectiveness. Kenya has addressed the majority of the findings from the first round of the mutual evolution in 2010 undertaken by ESAAMLG, with the second round of evaluations scheduled for November 2021. Kenya is in the final stages of conducting an anti-money laundering, anti-terrorist financing National Risk Assessment ("**NRA**") in compliance with FATF recommendations. The NRA assesses threats and vulnerabilities to inform a national strategy and action plan.

The EACC has set out a strategic plan for 2023 - 2028 (the "**EACC Strategic Plan**") to focus on the following:

- effectively deterring and punishing corruption and unethical practices;
- promoting ethics and integrity;
- improving institutional accountability in public and private sectors;
- increasing public involvement in the fight against corruption and unethical practices;
- enhancing cooperation, collaboration and coordination in the fight against corruption and unethical practices; and
- improving organizational efficiency and effectiveness.

The EACC Strategic Plan outlines an implementation and coordination framework aimed at achieving the above objectives. It envisions growing the EACC by 749 officers to ensure effective asset tracing, investigations, and efficient recovery of assets. It also seeks to strengthen policies on money laundering through partner and stakeholder engagement. The risk management framework under the EACC strategic Plan identifies 7 high risk areas that would hinder its strategic objectives and offers accompanying mitigating measures to help reduce the associated risks. The mitigating strategies offered include engaging the Office of the Director of Prosecution to increase prosecution of cases, engaging with the Judiciary to increase the number of judges and magistrates under the Anti-Corruption and Economic Crimes Court, and establishing a liaison office to upscale tracing of unexplained wealth or assets acquired through corruption.

The EACC also employs various additional corruption prevention strategies, which include:

- Disruption of corruption networks, through which the EACC has averted possible loss of public funds worth approximately KES 30.4 billion over the last five years;
- Review of systems, policies, procedures and practices of public bodies, including interventions in over 15 national Government ministries, departments and agencies ("**MDAs**") and 20 county governments. The EACC has also issued over 400 advisories to Government MDAs;
- Integrity verification for persons seeking appointments to public office. In the last five years, the Commission has processed 258,676 self-declaration forms under section 12A of the Leadership and Integrity Act, 2012 and undertook integrity vetting of over 30,000 persons seeking appointment to public office.
- Review and approval of Codes of Leadership and Integrity. Over 70% of state officers elected or appointed to public office following the 2017 General Election have signed these Codes;
- Regulation of bank accounts. The EACC has approved 565 bank accounts held outside Kenya by state and public officers; and
- Establishment of the National Integrity Academy which focuses on training on ethics and anti-corruption.

In addition, the EACC has undertaken systems review of public bodies, which have been conducted in more than 15 national government MDAs and 20 county governments, and it has issued more than 400 advisories to MDAs. The EACC has also developed: bribery regulations and guidelines, an asset management policy and provided inputs towards the Conflict-of-Interest Bill. At the national level, the Kenya has now adopted a National Ethics and Anti-Corruption Policy which has bolstered accountability in both the public and private sector. These interventions have created increased accountability and deterrence in engaging in corruption across all sectors.

Some of the EACC's key partnerships and collaborations to combat corruption and promote good governance in Kenya include:

- the Framework for the Return of Assets from Corruption and Crime in Kenya, which is a multi-lateral agreement between Kenya, Jersey, Switzerland and the United Kingdom that sets out a framework for return of stolen assets to Kenya;

- the Multi Agency Framework, which is a collaborative framework that consists of oversight, law and enforcement agencies whose mandates relate to combatting corruption; and

- the East African Association of Anti-Corruption Authorities (the "**EAAACA**"). The EACC is a member of EAAACA, which provides a forum for exchange of information, experience and best practice standards in asset recovery and other anti-corruption initiatives.

Positive developments combatting corruption and money laundering have been reported. For example, over the past five years, the EACC has concluded 1,000 investigations into corruption and related offences. A total of 275 corruption cases have been finalised in court, with 169 of these resulting in a conviction over the same period. In addition, the Commission recovered corruptly acquired assets worth approximately US$250,000,000 and disrupted possible loss of public funds worth approximately US$304,000,000. Finally, the EACC is also pursuing forfeiture of approximately US$25,500,000 as unexplained wealth possessed by certain national and county government officials. Assets worth approximately KES 28 billion have been recovered and surrendered back for public benefit. In order to ensure the integrity of the EACC's investigation processes and to ensure it does not prejudice the rights of the persons of interest, the Commission upholds confidentiality on matters under investigation.

The EACC also undertakes various public education, training and awareness programme. During the past five years, the EACC has:

- sensitised 219,359 public officers on ethics, integrity and anti-corruption;

- trained 1,944 community-based anticorruption monitors;

- sensitised 6,073 college students on ethics, integrity and character;

- reached 9,759,744 listeners and viewers through various outreach clinics and media education programmes;

- sensitised 13,605 student leaders, students and staff in colleges and universities; and

- trained 5,633 integrity assurance officers.

A key legal provision is the Proceeds of Crime Act which is aligned with international standards such as the Financial Action Taskforce Recommendations and the United Nations Convention Against Corruption (the "**UNCAC**"). The Proceeds of Crime Act establishes two institutions:

- The FRC, which became operational in 2012, is a Government institution created by the Proceeds of Crime Act. Its main function is to review, analyse and disseminate reports of unusual or suspicious transactions made by reporting institutions to law enforcement agencies.

- Assets Recovery Agency, whose function is to trace, identify, freeze, seize and confiscate proceeds of crime.

Key provisions in the AML/CFT legal framework include:

- The requirement for reporting institutions to apply counter measures to transactions or business relationships from countries that have been identified as posing a higher risk of money laundering, terrorism financing or proliferation financing.
- The inclusion of trust and company service providers as designated non-financial businesses and professionals that are subject to AML/CFT obligations.
- Banks are to submit annual compliance reports on their AML/CFT activities to the CBK.
- Banks are required to account for the source of cash deposits above the equivalent of US$10,000 and submit cash transaction reports to the FRC.
- Bank CEOs are required to declare under oath to the CBK that their institutions have complied with all applicable AML/CFT laws, that they and their employees have received training on AML/CFT compliance.
- The CBK conducts onsite inspections of payment service providers that provide, amongst other services, mobile money transfer. CBK requires the Chief Executive Officers of the PSPs to sign a declaration of their institutions compliance with all applicable AML and CFT laws, regulations and prudential guidelines.
- On 1 June 2019, former KES 1,000 bank notes were withdrawn from circulation and exchanged for new generation KES 1,000 bank notes to remove counterfeit and illegally acquired cash from the financial sector.

Kenya's anti-corruption legal, policy and institutional framework is benchmarked against the UNCAC in accordance with the implementation review mechanism established by the State parties to the UNCAC.

For more information, see "*Risk Factors—Risks Related to the Republic of Kenya—Failure to address actual and perceived risks of corruption and money laundering may adversely affect Kenya's economy and ability to attract foreign direct investment.*"

Crime

Kenya suffers from high crime rates. The total number of crimes reported to the police amounted to 104,842 in 2023, which principally consisted of crimes relating to theft and other offences against persons. The overall crime rate has not experienced a significant decrease over the past five years (excluding the impact of COVID-19). Certain types of violent crime, such as kidnappings and armed attacks on civilians and businesses, as well as crimes relating to dangerous drugs continue to remain prevalent.

The Government have implemented various policies to reduce crime, particularly the high crime rates in urban areas. These measures include: (i) establishing clear accountability structures in terms of response and escalation of investigations within the National Police Service, (ii) ensuring the National Police Service are adequately equipped and deploying more police officers in urban areas and (iii) installing street lights and promoting civilian involvement in crime prevention through Community Policing initiatives and (iv) increased training and use of technology for the police officers of the National Police Service.

Managing inter-ethnic violence amongst the Kenyan population remains a challenge. The Rift Valley, Nairobi, the pastoralist drylands, and the coast are amongst the most affected areas. Hostilities have arisen over inequality in land ownership, grazing rights and access to resources with the most violent incidences occurring around election times such as in 2007 and 2017, when 1,200 and 100 were killed, respectively, in post-election violence. There have been 39 incidences of inter-ethnic violence in 2022, which occurred as a result of cattle rustling and political clashes. The Government has introduced legislation and policies to manage violence amongst ethnic groups, and to reduce the incidences of violent outbreaks around election times such as (i) establishing Peace and Security Committees at regional, county and sub-county level, (ii) organising community forums, especially in hotspot regions and (iii) active monitoring of political rallies. The Government enacted the National Cohesion and Integration Act 2008, following the violence after the 2007 elections, and introduced the Policy on

Peacebuilding and Conflict Management in 2014. The Government continues to address these conflicts through regional meetings and community forums.

See "*Risk Factors—Risk related to Kenya—Kenya continues to be challenged by internal security issues as well as unfavourable media coverage which has had and may continue to have a negative impact on the economy, including the tourism industry*"

Combating Terrorism

Kenya has from time-to-time experienced internal security concerns. The Al-Shabaab group, an extremist militant group, has claimed responsibility for past attacks and resumed its threats of continued attacks, not only against Kenya but also against Western countries for their intervention in Somalia. Al-Shabaab claimed that the presence of Kenyan troops in southern Somalia as part of the peacekeeping forces of the African Union Mission in Somalia ("**AMISOM**") prompted attacks and announced that it would continue its attacks until Kenya withdrew its troops from Somalia. For example, on 5 January 2020, Al-Shabaab conducted an attack on a military airstrip in the shared U.S.-Kenyan Manda Bay Airfield, near Kenya's border with Somalia. The attack, which involved indirect and small-arms fire, killed three Americans. On 7 January 2020, Al-Shabaab militants opened fire near Saretho village in Garissa county. The attackers killed four children and wounded three others before being repelled by security forces. On 18 May 2021, a suspected improvised explosive device detonated in Baure, Lamu County killed 8 soldiers of the Kenyan Defence Forces and injured several others. Al-Shabaab violent attacks have continued to persist in June 2023, including along the Kenya-Somalia border which has resulted in a postponement of the reopening of such borders. See "*Risk Factors — Risks Relating to the Republic of Kenya - Kenya continues to be challenged by internal security issues as well as unfavourable media coverage, which has had and may continue to have a negative impact on the economy, including the tourism industry".*

As a result of such incidents, the United Kingdom, the United States, France and Australia have, in the past, issued travel advisories advising their citizens to avoid or reconsider travel to certain areas within Kenya. See "*Risk Factors—Risks Relating to the Republic of Kenya— Investing in securities in emerging markets such as Kenya generally poses a greater degree of risk than investment in more mature market economies because the economies in emerging markets are more susceptible to destabilisation resulting from domestic and international developments".*

As of February 2024, the Dadaab refugee complex in north-east Kenya housed over 360,000 refugees and asylum-seekers and the Government, together with UN agencies, continues to provide new refugees with basic services. Originally established in 1991 to house refugees from the Somali civil war, the Dadaab complex has elicited tension amongst the surrounding communities. Some have alleged that the existence of the settlement can compromise border security and has caused significant law and order problems within Kenya's territory. For example, in January 2019, police arrested 12 people at the Dadaab camp suspected of involvement in the terror attack in Nairobi on 15 January 2019. In March 2021, Kenya announced that it intended to close two refugee camps, Dadaab and Kakuma, by June 2022. However, the High Court in Nairobi, issued an injunction temporarily blocking the Government from repatriating refugees and asylum seekers dwelling at Kakuma and Dadaab camps. Following discussions with the UNHCR, in March 2021 the Government and the UNHCR agreed on a roadmap for orderly closure of the Kakuma and Dadaab camps by 30 June 2022. As of the date of this Offering Circular, the camp remains open. See "*Risk Factors—Risks Relating to the Republic of Kenya - Kenya continues to be challenged by internal security issues as well as unfavourable media coverage, which has had and may continue to have a negative impact on the economy, including the tourism industry*".

In addition, the Mombasa Republican Council, a separatist organisation based at the coastal town of Mombasa, has demanded that Mombasa secede from the rest of the country. The Mombasa Republican Council was formed in 1999 to address perceived historical injustice against the indigenous people of the coast who do not own land. The Government believes that members of Mombasa Republican Council could potentially be a recruiting ground for Al-Shabaab.

Anti-Terrorism Measures

The Prevention of Terrorism Act 2012, as amended, provides the legal framework to fight terrorism and gives law enforcers more powers to investigate and combat terrorism. In 2016, the Government launched the National Strategy on Countering Violent Extremism, aimed at fostering greater engagement with religious and civil society groups, enhancing inter-agency coordination in counter-terrorism strategies and strengthening security operations, surveillance and border controls.

International Relations

WTO Membership

Kenya has been a member of the World Trade Organisation (the "**WTO**") since 1 January 1995. In connection with Kenya's WTO membership, the Government is committed to supporting the progressive elimination of export subsidies as well as the substantial reduction of trade-distorting domestic support, while ensuring that it retains the right to support its own producers. As part of Kenya's goal of ensuring its citizens have access to foreign goods and services that are not readily available in the country, the Government is committed to engage in successive WTO Services negotiations to improve market access in partner WTO countries.

United Nations

Kenya has been a member of the UN since independence. Kenya recognises the vital role of the UN in establishing and maintaining international peace and security, as well as in sustainable development and democratisation. Kenya continues to contribute military, police and corrections personnel to UN peace keeping operations, mostly in Africa. Kenya is currently involved in peacekeeping operations involved in Somalia, Sudan, South Sudan, Sierra Leone, Liberia and Haiti.

On 21 October 2024, the Haiti head of the Transitional Presidential Council requested that the international peacekeeping mission in the country be transformed into a formal peacekeeping UN operation. Kenya is leading a multinational security mission, which was renewed by the Security Council in September 2024 for another 12 months. Kenya has deployed a further 217 police officers to Haiti in support of tackling gang violence and upholding public order.

World Bank and IMF

Kenya has been a member of the World Bank and the IMF since 1964. See "*Public Debt—Relations with the IMF*" for more information on Kenya's relationship with the IMF.

EU Relations

Kenya participates in political, trade and co-operation relations with the EU through the "Cotonou Agreement", the revised draft of which the EU and 79 countries in Africa, the Caribbean and the Pacific (the "**ACP**") signed in March 2010. The agreement has the objective of reducing and eventually eradicating poverty consistent with the objectives of sustainable development and the gradual integration of the ACP countries into the world economy. The agreement is designed to establish a comprehensive partnership, based on three complementary pillars: development cooperation, economic and trade cooperation, and the political dimension. Kenyan and EU bilateral cooperation is guided by the Kenya-EU Joint Cooperation Strategy 2018-2022.

In September 2023, Kenya and the EU signed a deal that will result in the disbursement by the EU of approximately EKS1.9 billion ($13 million) in grants for investment in Kenya's green hydrogen industry. The roadmap sets out Kenya's ambitions to develop its green hydrogen industry to 2032 and beyond. It focuses on domestic market development and growth, exports, and includes specific objectives related to emission reduction, job creation, and direct investments. In December 2023, Kenya and the EU signed the Kenya—EU Economic Partnership Agreement. The Agreement is expected to boost trade in goods and create new economic opportunities, with targeted cooperation to enhance Kenya's economic development. The agreement will provide duty-free, quota-free EU market access to all exports from Kenya as soon as it enters into force, as well as partial and gradual opening of the Kenyan market to imports from the EU.

United States

Kenya has a 'Strategic Partnership' with the United States based around four pillars: (1) Economic Prosperity, Trade and Investment, (2) Defence Cooperation, (3) Democracy, Governance and Civilian Security, and (4) Multilateral and Regional Issues. The partnership involves a strategic dialogue held annually by the Kenyan Ministry of Foreign Affairs and the US Department of State. Kenya and the United States have also established a trade and investment working group, through which both countries have agreed to put in place a mechanism that will promote optimisation of opportunities under the Africa Growth and Opportunity Act ("**AGOA**") over the period up to 2025, initiate discussions regarding post-AGOA arrangements and support Kenya in its efforts to maintain its trade policy and position of leadership in the region and the continent. Kenya and the United States have also collaborated in military efforts to counter terrorism and radicalisation in the fight against Al-Shabaab in Somalia. The US has offered military support in the form of equipment (including donations of helicopters, patrol boats and 12 bastion armoured personnel carriers to KDF and training of military and security officers.

Following the inauguration of President Donald Trump in January 2025, U.S.-Kenya relations are anticipated to maintain their robust partnership, with a continued focus on economic prosperity, trade, and investment. However, the administration's decision to freeze the US Agency for International Development (USAID), which has provided aid to Kenya in areas such as HIV/AIDS treatment, family planning, and emergency response, may intensify humanitarian challenges in the country.

China

China is Kenya's largest creditor and currently Chinese investment in the Kenyan economy is on the rise as there are more than 400 Chinese companies operating in Kenya, employing over 150,000 Kenyans. While Kenya and China enjoy cordial relations, Kenya's trade with China remains currently is heavily in favour of China, with most of Kenya exports being in primary form, while imports from China are mainly industrial products.

Cooperation between Kenya and China is undertaken through bilateral means, through the Forum for Cooperation with African Countries, the Belt and Road Initiative and others.

See "*Risk Factors—Risks Relating to the Republic of Kenya—China is Kenya's largest creditor and an adverse impact on the Chinese economy may impact the future ability of Kenya to increase its borrowings.*"

United Kingdom

The UK has consistently ranked in the top five export destinations for Kenya's exports with the UK accounting for approximately 23.6% and 25.2% of Kenya's total volume and total value of exports to Western Europe, respectively, in 2023.

The UK and Kenya enjoy good relations and agreed to enter a 'Strategic Partnership' on 21 January 2020. The partnership is anchored on five pillars, namely: mutual prosperity, security and stability, sustainable development, climate change, and people to people relations. Following the UK's exit from the European Union, Kenya and the UK entered into an Economic Partnership Agreement, pursuant to which Kenya's exports to the UK continue on duty-free and quota-free terms. This will support Kenya's agriculture and manufacturing sectors. The UK is one of Kenya's major trading partners outside the East African Community ("**EAC**"), especially for the commodity sector, and the countries signed an Economic Partnership Agreement on 8 December 2020.

Regional Relations

African Union. Kenya is an active member of the African Union (the "**AU**"), the successor of the Organisation of African Unity, which formally launched in July 2002 at a meeting in South Africa of African heads of state. The AU is modelled on the EU and has plans for a parliament, a central bank, a single currency, a court of justice and an investment bank. These plans include the Pan-African Parliament, which was inaugurated in March 2004 and has since held a number of sessions, although it does not yet play a legislative role.

AMISOM. AMISOM is an active regional peace support mission set up by the Peace and Security Council of the AU with the full support of the UN. The principal aim of the mission is to provide support for the Federal Republic of Somalia in its efforts to stabilise the country and foster political dialogue and reconciliation. AMISOM is also mandated to facilitate the delivery of humanitarian aid and create necessary conditions for the reconstruction and sustainable development of Somalia. AMISOM staff come from a wide range of nations across Africa, although a large number of its troops come from five countries: Uganda, Burundi, Djibouti, Kenya and Sierra Leone. AMISOM was created with an initial six-month mandate though subsequent renewals of its mandate by the AU Peace and Security Council and the UN Security Council has been authorised. UN Security Council resolution 2461 renewed the mandate of the troops to 31 March 2020. The Security Council

Resolution No. 2568 on 12 March 2021 authorised the AU to maintain the deployment of AMISOM until 31 December 2021.

East African Community. Kenya is also an active member of the EAC. The EAC is a regional intergovernmental organisation of the Republics of Burundi, Kenya, Rwanda and Uganda and the United Republic of Tanzania. The Treaty for Establishment of the EAC was signed on 30 November 1999 and entered into force on 7 July 2000 following its ratification by the original three partner states of Kenya, Tanzania and Uganda. Rwanda and Burundi acceded to the treaty on 18 June 2007 and became full members on 1 July 2007. In 2016, South Sudan became the sixth member of the EAC. The EAC aims at widening and deepening co-operation amongst its members in, amongst others, political, economic and social fields for their mutual benefit. The EAC countries established a customs union in 2005 and a common market in 2010. The common market comprises over 283.7 million people across six member states with a total GDP of approximately US$312.9 billion (according to separate IMF estimates for each member state in 2022). President Ruto was elected as the new Chairman of the East African Community in November 2024, affirming the growing demand for Kenya's leadership both globally and regionally. The next phase of EAC integration contemplates monetary union and a political federation of the member states.

The EAC customs union has assisted with the imposition of uniform competition policy and laws, customs procedures and external tariffs on goods imported from third countries, supporting the region to advance its economic development and poverty reduction agenda. The customs union has also promoted cross-border investment and served to attract investment into the region. As an enlarged market with minimal customs clearance formalities, it is more attractive to investors than the smaller markets of individual nations. In addition, the customs union offers a more predictable economic environment for both investors and traders across the region, as the regionally administered Common External Tariff and trade policy tend to be more stable.

Kenya has benefited from EAC integration, with trade in goods and services increasing since the launch of the customs union. In 2023, EAC member states (including South Sudan) accounted for 70.3% of Kenya's total exports to Africa, with Uganda as the leading destination within the EAC, accounting for approximately 41.3% of exports to the EAC.

In order to enhance trade within the EAC, member states have been addressing issues relating to movement of goods and services. Recently, the heads of state of Kenya, Uganda and Rwanda launched a project to revamp the existing railway from the port of Mombasa to Nairobi extending to Kampala, Uganda, which also is expected to have links to Kigali, Rwanda. The Government has also commenced building a new railway, road and pipeline as part of the Lamu Port-Southern Sudan-Ethiopia Transport ("**LAPSSET**") corridor project from Lamu, Kenya to South Sudan, which also is expected to have a connection to Ethiopia. The EAC member states expect these infrastructure projects to boost trade and economic integration amongst the members. The three member states also launched the single customs territory that saw the reduction of transit time for goods from Mombasa port to Kigali from 22 days to eight, and to Kampala from 18 days to five days.

Somalia and Ethiopia have expressed interest in joining the EAC.

COMESA. Kenya attaches great significance to COMESA, as it provides a market for its manufactured products. The COMESA region is a vibrant economic area and membership in the free trade area was launched in October 2000 and has since been a catalyst to increased trade and investment. The COMESA member states are Burundi, Comoros, Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe.

Currently, COMESA is the leading destination of Kenya's exports, constituting over 31.7% of total exports in 2023. In 2019, Kenya's exports to COMESA increased by 2.6% to KES 164.3 billion. In 2020, Kenya's exports to COMESA increased by 15.5% to KES 189.8 billion. In 2021, Kenya's exports to COMESA increased by 23.1% to KES 233.7 billion. In 2022, Kenya's exports to COMESA increased by 12.2% to KES 262.3 billion.

Kenya's primary exports to COMESA include tea, cement, natural sodium carbonate, iron and steel bars and cigarettes. Kenya now hosts a number of COMESA institutions which include the Monetary Institute, ZEP-RE (re-insurance company) and COMESA reference laboratory for plant health at the Kenya Plant Health Institute.

Within the framework of EAC and COMESA, Kenya has been negotiating the Tripartite Free Trade Area Agreement, an umbrella of organisations consisting of three of Africa's regional economic communities, which are EAC, COMESA and South African Development Community. The TFTA entered into force on 25 July 2024, after the requirement of 14 countries ratifying the agreement had been met. The 14 countries that now trade under the TFTA are Angola, Botswana, Burundi, Egypt, Eswatini, Kenya, Lesotho, Malawi, Namibia, Rwanda, South Africa, Uganda, Zambia and Zimbabwe, accounting for 75% of tripartite GDP in 2022. Djibouti has also ratified the agreement.

The objective of the Tripartite Free Trade Area is to contribute to the broader objectives of the AU, namely accelerating economic integration of the continent and achieving sustainable economic development, thereby reducing poverty and improving the quality of life for the people of eastern and southern Africa. The Tripartite Free Trade Area works towards harmonisation of the various regional integration programmes of its member regional economic communities. These regional integration programmes focus on expanding and integrating trade and include the establishment of a free trade area, a customs union, a monetary union, and a common market; as well as infrastructure development projects in transport, information, communication, technology and energy sectors. Kenya is expected to benefit from the Tripartite Free Trade Area framework due to an increased market for goods and services as well as increased investments with member states.

Nile Water Agreement of 1929. The Nile Water Agreement of 1929 grants Egypt the majority share of the Nile River's waters. Under the treaty, Egypt is guaranteed access to 55.5 billion cubic metres of water out of a total of 84 billion cubic metres. To forestall any potential disputes, the Nile Basin Initiative was formally launched in February 1999 by the water ministers of nine countries that share the river Egypt, Sudan, Ethiopia, Uganda, Kenya, Tanzania, Burundi, Rwanda and the Democratic Republic of the Congo, with Eritrea as an observer. The Nile Basin Initiative is a partnership amongst the Nile riparian states that "seeks to develop the river in a cooperative manner, share substantial socioeconomic benefits, and promote regional peace and security". The Nile Basin Initiative has ten member states: Burundi, the Democratic Republic of the Congo, Egypt, Ethiopia, Kenya, Rwanda, South Sudan, Sudan, Tanzania and Uganda. Eritrea is an observer.

Relations with Neighbouring Countries

South Sudan. South Sudan remains a country with special links to Kenya premised on cultural, social, political, economic and other strategic factors. Culturally, the border communities share languages and traditions. Kenya hosted many of South Sudan's refugees during its struggle for independence. However, when South Sudan achieved independence in 2005, some of the refugees returned to South Sudan. The foregoing factors have contributed to the close relations both between the governments and the people of the two countries.

Kenya also helped the negotiation processes between South Sudan and Sudan leading to the creation of South Sudan. This process included the signing of the Comprehensive Peace Agreement in Nairobi in January 2005. Following the independence of South Sudan, the two countries agreed on several initiatives aimed at strengthening and formalising relations. As a priority area, Kenya supported South Sudan in establishing its new government system. Kenya also strongly supports the AU process led by the High Level Implementation Panel aimed at securing permanent and conclusive solutions to the pending issues between Sudan and South Sudan including resolution over the disputed area of Abyei and the border dispute between South Sudan and Sudan.

Kenya continues to support South Sudan's development. For example, a new 1,800-kilometre railway and a road and pipeline under the LAPSSET project are expected to be built from Lamu, Kenya to South Sudan, which also will have a connection to Ethiopia, and mobilisation of funds are underway. See "*The Economy – Major Infrastructure Projects – the Lamu Port-Southern Sudan-Ethiopia Transport Corridor*".

Sudan. Kenya maintains diplomatic relations with Sudan and, as a COMESA member state, Kenya maintains an ordinary course trading relationship with Sudan and expects to continue to do so. However, tensions have also increased between Kenya and its neighbour Sudan over the ongoing conflict in Sudan. See "*Risk Factors – Risks Relating to the Republic of Kenya* —Impact of Global Conflicts" for further information. In January 2024, Sudan recalled its ambassador to Kenya due to allegations of Kenyan interference in Sudanese internal affairs and threatening Sudanese sovereignty.

Somalia. Although Kenya has sought to maintain good relations with the Federal Republic of Somalia, the current relationship has been subject to a number of challenges. The launch of the Joint Commission of Cooperation in June 2013 aims to boost bilateral ties as well as provide a platform for the economic and technical cooperation between Kenya and Somalia. Following the conflict in Somalia in October 2011, Kenya intervened to help create stability and promote peace and reconciliation in the war-torn country, which has contributed to good bilateral relations between the two countries. In addition, Kenya is involved in regional peace initiatives in Somalia and has contributed troops to the AMISOM peacekeeping forces in Somalia. The relationship was recently strained as Somalia severed diplomatic ties with Kenya in December 2020 after accusing Kenya of meddling in internal affairs before an election. Relations have since normalised in May 2021 and both committed to seek mutual benefit and growth. Since 2014, Kenya was involved in a maritime boundary dispute with Somalia that heard by the ICJ, and hearings proceeded in March 2021 without Kenya making oral arguments. The court rendered its judgement on 12 October 2021. In its judgment, the court rejected the claim made by Somalia, alleging that Kenya, by its conduct in the disputed area, had violated its international obligations. See "—*Border Disputes*" for more information.

Uganda. Kenya has good relations with Uganda, Kenya's largest export destination. Exports to Uganda totalled US$627 million in 2019, US$671.2 million in 2020, US$814.7 million in 2021, US$789.9 million in 2022 and US$902.7 million in 2023. There is a large population of Kenyan students in Uganda.

On 1 March 2016, Uganda and Tanzania agreed to construct a pipeline for the transportation of crude oil from Hoima, Uganda to Tanga, Tanzania on the grounds that this route would be shorter and more secure than a pipeline routed from Hoima through Lokichar to Lamu, in the process traversing territory with higher rates of attack by Islamist militants. The Hoima-Tanga East Africa oil pipeline commenced construction on 11 November 2017. The construction of this pipeline may make the completion of the LAPSSET project more uncertain.

Similarly, there have been delays in discussions with Uganda with respect to the SGR. While it is believed that construction will continue as discussed, in the event Uganda decides to instead build a central railway through Tanzania, maximum economic returns from the SGR may not be realised.

Kenya was involved in a territorial dispute with Uganda over Migingo Island in 2008. The two countries have since taken steps to make delineation of the boundary of the lake more precise and to petrol the disputed island. In 2019, Kenya signed a memorandum of understanding with the Ugandan authorities to enable fishermen and other Lake Victoria users to access either side of Lake Victoria's boundary. However, this memorandum of understanding may be threatened by any future territorial disputes between Kenya and Uganda

Ethiopia. Kenya has good relations with Ethiopia. Kenya plans to import electricity from Ethiopia under the Eastern Electricity Highway Project, a project that aims to connect Ethiopia's electrical grid with Kenya's and allow Ethiopia to sell its surplus power to Kenya. Kenya and Ethiopia signed a Special Status Agreement, which aims to promote economic activity between the two countries, on 21 November 2012. In addition, the new railway, road and pipeline under the LAPSSET project expected to be built from Lamu, Kenya to South Sudan are also expected to have a connection to Ethiopia. The Government has secured financing and the projects are ongoing. See "*The Economy—Major Infrastructure Projects—The Lamu Port-Southern Sudan-Ethiopia Transport Corridor*".

Tanzania. Kenya has good relations with Tanzania. Kenya and Tanzania have agreed to revive the Joint Commission of Cooperation with an aim to deepening economic and political cooperation. Exports to Tanzania totalled US$274.5 million in 2019, US$295.8 million in 2020, US$406.8 million in 2021, US$466.4 million in 2022 and US$495.1 million in 2023. Imports from Tanzania totalled US$331 million in 2019, US$259.1 million in 2020, US$486.4 million in 2021, US$437.6 million in 2022 and US$312.2 million in 2023. In May 2021, Kenya and Tanzania agreed to build a liquefied natural gas pipeline from Dar-es-Salaam to Mombasa. The bilateral agreement has been finalized and the agreement has been executed. The project is expected to boost electricity generation in Kenya. The construction of the pipeline is awaiting confirmation.

Other international relations

The Kenyan army plays a pivotal role in both regional and international security efforts. It maintains relationships with NATO, participates actively in local peace operations such as the African Union Mission in Somalia (AUSSOM), and contributes to international peacekeeping missions, including in Haiti (see "- *United Nations*" for more information). In addition, the Kenyan military engages in extensive cooperation with other countries, fostering strategic alliances and enhancing its capabilities through joint training exercises and shared expertise.

THE ECONOMY

Background and Economic History

Kenya is the largest economy in East Africa and is a regional financial and transportation hub. After independence, Kenya promoted rapid economic growth through public investment, encouraged smallholder agricultural production and provided incentives for private (often foreign) industrial investment.

Kenya has experienced continued growth in GDP over the last few years. Real GDP experienced a contraction of 0.3% in 2020. However, it rebounded with a significant growth of 7.6% in 2021, followed by an increase of 4.9% in 2022. The upward trend continued with a growth of 5.6% in 2023 and a slightly lower growth rate of 4.6% in 2024. The Government attributes the decline to reduced growth in several sectors of the economy and the peak in 2021 to the significantly high growths that signified recovery from the economic downturn in 2020. Real GDP grew by 4.0% in the third quarter of 2024, compared to 6.0% in the corresponding quarter. Kenya's economy is expected to remain resilient, supported by a robust performance in the services and agriculture sectors. Leading indicators in the third quarter of 2024 point to strong activities in agriculture, forestry and fishing, transportation and storage activities, financial and insurance activities, real estate activities, wholesale and retail activities and accommodation and food service activities.

Real GDP grew by 7.6% in 2021, 4.9% in 2022, 5.6% in 2023 and 4.6% in 2024.

Vision 2030

In 2007, the Government announced Vision 2030 as its long-term plan for attaining middle-income status as a nation by 2030. In line with Vision 2030, the Government prepares successive MTPs that outline the policies, programmes and projects that the Government intends to implement over a five-year period. The first MTP covered the period from 2008 to 2012, with the second MTP covering the 2013 to 2017 period. The third MTP, covered the 2018 to 2022 period and the MTP IV, covers the 2023 to 2027 period. There can be no assurance that the Vision 2030 targets will be met. See "*Risk Factors—Risks Relating to the Republic of Kenya— Kenya may be unable to meet its economic growth and reform objectives and policies which may adversely affect the performance of the Kenyan economy*" for further information.

The First MTP

In the initial year of the first MTP, a number of projects aimed at national healing and reconciliation following the post-election violence were implemented. Repair of damaged infrastructure, assistance to affected small-scale businesses and resettlement of internally displaced persons were all undertaken in order to raise GDP growth (which fell to 1.5% in 2008) and to promote national reconciliation.

Up to the year 2012, progress recorded under the first MTP included the following:

- enrolment in early childhood education increased by 40% from 1.72 million in 2008 to 2.4 million;
- transition rate from primary to secondary education increased from 64% in 2008 to 77%;
- the number of students enrolled in university education increased by 103% from 118,239 in 2008 to 240,551;
- a total of 2,200 km of roads were constructed exceeding the MTP target of 1,500 km;
- three undersea submarine fibre optic networks linking Kenya to the global internet networks were completed including 5,500 km of terrestrial fibre optic network;
- total installed capacity for generation of electricity increased by 22%. In the MTP period (2008-2021); and
- enactment of the Constitution.

The Second MTP

The Government announced the second MTP of Vision 2030 in October 2013. The second MTP gave priority to devolution as specified in the Constitution and to more rapid socio-economic development with equity as a tool for building national unity. The second MTP also aimed to build on the successes of the first MTP, particularly in increasing the scale and pace of economic transformation through infrastructure development, and placed strategic emphasis on priority sectors under the economic and social pillars of Vision 2030. Under the second MTP, transformation of the economy focused on rapid economic growth in a stable macro-economic environment, modernisation of infrastructure, diversification and commercialisation of agriculture, food security, a higher contribution of manufacturing to GDP, wider access to African and global markets, wider access for Kenyans to better quality education and health care, job creation targeting unemployed youth, provision of better housing and provision of improved water sources and sanitation to Kenyan households.

The economic pillar in the second MTP focused on six priority sectors: tourism; agriculture, livestock and fisheries; trade; manufacturing; financial; information technology; and a recently added seventh priority sector: oil and other minerals.

The key aims under each of the priority sectors of second MTP included:

- *Tourism*: to turn Kenya into a top 10 long haul tourist destination in the world, by marketing new high-end tourist segments like business, cultural and ecological tourism, constructing new coastal and upcountry resort cities and opening more five-star hotels to improve the standards of tourist accommodation and facilities;
- *Agriculture, livestock and fisheries*: to increase irrigation in order to reduce the country's dependence on rain fed agriculture, mechanise agricultural production, revive cooperatives and farmers unions and subsidise farm inputs to raise productivity;
- *Trade*: to reinforce regional and international economic partnerships;
- *Manufacturing*: to increase the sector's contribution to Kenya's nominal GDP and foreign exchange earnings by establishing three special economic zones targeting manufacturing in Mombasa, Kisumu and Lamu, building clusters for meat and leather products, strengthening the dairy sector and developing industrial and SME parks that once completed are expected to provide linkages to other sectors such as agriculture and services;
- *Financial*: to enhance access, efficiency, and stability to financial markets to create a globally competitive financial sector that once completed are expected to create jobs and promote high levels of savings to finance Kenya's overall investment needs;
- *Information technology*: to enable universal access to ICT, develop digital content, promote e-Government services and encourage the establishment of more ICT based industries; and
- *Oil and other minerals*: to develop the policy and the legal and institutional framework for the exploitation and management of Kenya's natural resources, enact legislation for transparency and fair sharing of the revenue generated and erect safeguards to protect the environment.

Other key achievements under the second MTP include:

- total installed capacity for generation of electric power increased by 38%, from 1,690 MW in 2012 to 2,340 MW in 2017 to 2,712 MW in 2018. This was mainly due to the injection of 310 MW and 50 MW wind and solar capacity in the main grid respectively, from Lake Turkana Wind Power Plant and Garissa Solar Power Plant;
- significant progress on infrastructure projects, with the first phase of the SGR from Mombasa to Nairobi and the second container terminal at the port of Mombasa completed, as well as a total 1,304 km of new roads built. The rail is expected to improve rail freight traffic;
- internet users increased by 125% from 16 million users in December 2012 to an estimated 36 million users in December 2015;
- achievements in the health sector, including improved access to safe drinking water from approximately 53% of the population in 2013/14 to 58% in 2015/16 and a decline in the infant mortality rate, from 52 to 39 deaths per 1,000 births;

- fibre optic cables that will enable 30 out of 42 counties to have internet access as such services are rolled out; and

- a total of 74 oil exploration wells were drilled by 2015 under the second MTP, and 36 blocks were licensed to 18 international oil companies. In addition, the national petroleum data centre was established to enable archiving and retrieval of exploration and production data;

The Third MTP

The Government announced the third MTP of Vision 2030 in March 2017. The third MTP aims to carry forward and complete the programmes and projects initiated during the second MTP. It also aims to achieve high inclusive and broad based economic growth. A key objective of the third MTP is to include policies, programmes and projects aimed at meeting the Sustainable Development Goals, which replaced the Millennium Development Goals from January 2016.

Key priorities of the third MTP include:

- to develop infrastructure and enable the environment to support the country's oil and gas and other mineral resources sector by means of investment in research and technology development and development of relevant local content policy and regulations;

- to develop the maritime sector by enhancing technical cooperation, maritime spatial planning and integrated coastal zone management, protecting and regulating the marine ecosystem, enhancing the sustainable exploitation of agriculture-based marine resources and developing fishing ports and associated infrastructure;

- to irrigate 1.3 million acres of land (increasing the area of irrigated arable land from 355,000 acres to 484,000 acres by 2016) and increase value addition of agricultural products through the Galana-Kulalu Food Security Project, National Expanded Irrigation Program, and Community Based Smallholder and Irrigation Projects;

- to build domestic capacity and capabilities, especially in engineering and construction, through local and overseas training and cooperation and joint ventures with leading foreign construction and technology firms;

- to progressively achieve universal access to water and sanitation, by building approximately 200,000 additional water connections and 350,000 new sewer connections annually;

- to create sustainable employment opportunities and green jobs, build a skilled, adaptive and enterprising labour force, improve labour market efficiency through strengthening the labour administration system and promoting public-private partnerships in employment creation, as well as establishing more youth polytechnics and technical and vocational education and training institutions to impart the requisite technical skills; and

- to prevent corruption, improve governance and accountability, deepen public sector reforms, strengthen the capacity of county governments and coordination between national and county governments.

The Bottom-up Economic Transformation Agenda and the Fourth MTP

In September 2022, the Kenyan Kwanza Administration came into office with a commitment to transform the economy through the Bottom-Up Economic Transformation Agenda ("**BETA**"). The BETA has been designed to address the current challenges facing the economy, stimulate economic recovery and bolster resilience. The BETA places emphasis on reduction to the cost of living, eradication of hunger, creation of jobs, achievement of more equitable distribution of income and inclusive growth, enhancement of social security, expansion of the tax base and an increase of foreign exchange earnings. These priorities are to be achieved through targeted investments in five core pillars: Agriculture; Micro, Small and Medium Enterprises ("**MSME**") Economy; Housing and Settlement; Healthcare; and Digital Superhighway and Creative Economy.

Agriculture

Under the agricultural transformation pillar, the government has established a fertilizer subsidies program, progressively reduced the cost of fertilizer and implemented an e-voucher system through which farmers received their fertilizer consignments for planting and top-dressing of maize, tea, coffee, rice, potatoes, cotton and edible oil crops. Additionally, the Government has made adequate arrangements, including investment in necessary infrastructure, to facilitate post-harvest management and prevent losses. For MSMEs, the Government established the Financial Inclusion Fund (commonly referred to as the "Hustlers Fund") in November 2022 which has disbursed KES 44.7billion as of 14 January 2024. Viewed as a core pillar in BETA, for housing reform, the Government has established the Affordable Housing Programme across the country with a total of 746,795 housing units in the pipeline, undergoing various stages of design. To deliver Universal Health Coverage and strengthen the legal basis for health financing and service provision, four new health laws have been enacted and the Government has reformed the National Health Insurance Fund. In order to entrench the digital economy, the Government, as part of their Digital Superhighway Project, is currently rolling out the last mile 100,000 km of fibre optic infrastructure throughout the country and concurrently setting up 25,000 WiFi hotspots.

Agricultural Transformation and Inclusive Growth Pillar is aimed at addressing the cost, quality and availability of inputs; reducing the cost of food and cost of living in general; reducing food insecurity; raising productivity of key food value chains; increasing access to affordable credit and agricultural extension services; creating direct and indirect jobs, increasing average daily income of farmers and exchange earnings and tackling underperforming and collapsed export crops while expanding emerging crops. The Government rolled out a fertilizer subsidy programme that made available 5.5 million bags of fertilizers to farmers across Kenya. The Government has also progressively reduced the cost of fertilizer from KES. 6,500 to KES. 2,500, increased maize acreage under production by an extra 200,000 acres and enhanced maize production by an additional 18 million bags.

To achieve efficiency, transparency and accuracy in fertilizer distribution, the Government rolled out a countrywide farmer registration programme, which enrolled farmers on a digital register, with accurate details of the location and acreage of their agricultural landholding. The database enabled the Government to implement an e-voucher system through which farmers received their fertilizer consignments for planting and top-dressing of maize, tea, coffee, rice, potatoes, cotton and edible oil crops.

On the other hand, the Government granted a duty waiver on importation of key food products such as white maize, rice, yellow maize, soya beans, soya bean meal, assorted protein concentrates, and feed additives to tackle the food stocks deficit as well as lower and stabilise food prices.

Additionally, the Government has made investments in infrastructure to facilitate post-harvest management and prevent losses. This includes 17 certified warehouses, jointly managed by the National Cereals and Produce Board and private sector owners, with a combined capacity of 365,000 metric tonnes in the maize growing areas. Further, the Government has mainstreamed nine priority value chains including crops that impact on the cost of living (maize), crops that can be exported and increase overall exports (tea, dairy, leather) and methods to reduce food imports (rice, edible oils, blue economy).

Transforming the Micro, Small and Medium Enterprises (MSME) Economy

The Micro, Small and Medium Enterprise (MSME) Economy provides enormous opportunities for Kenya's socio-economic transformation, particularly by providing income opportunities for youth, women, persons with disabilities and low-skilled persons, who experience disproportionately high unemployment. In order to support individuals and MSMEs, the Government established the Financial Inclusion Fund (also known as the "Hustlers Fund") in November 2022 to cushion the MSMEs against high cost of credit.

As of the date of this Offering Circular, the Fund had disbursed KES 63.2 billion, with repayments totaling KES 50.75 billion and realized savings of KES 2.95 billion. This has benefited 25.31 million customers, including 8.82 million repeat borrowers, with an overall repayment rate of 73%. Voluntary deposits amounted to KES 363.68 million, while long-term and short-term savings were KES 2.95 billion and KES 465.18 million, respectively.

The top borrower of the Fund has accessed a total of KES 6.2 million across 1,316 transactions, and the top voluntary saver has saved KES 631,491.

During the intervening period, the Hustler Fund launched a group product, which has attracted 58,626 active groups to the platform. These groups have received KES 196.05 million and realised group savings of KES 9.80 million.

Additionally, the Bridge Loan product has attracted 197,425 customers, who have received KES 1.55 billion and realised savings of KES 77.54 million.

Housing and Settlement

As a core pillar in BETA, the Government is committed to ensuring that the constitutional right to accessible and adequate housing to all citizens is achieved. There is an estimated shortfall of 200,000 urban housing units a year, has led to high cost for poor-quality housing. In order to bridge the housing gap, the Government has established the Affordable Housing Programme across the country. The construction of 46,792 units in various parts of the country is already underway, while another 40,000 units to be constructed. A total of 746,795 housing units are in the pipeline, undergoing various stages of design.

The Government is also implementing policy and administrative reforms to lower the cost of construction and improve access to affordable housing finance. In this regard, the Government is structuring affordable long-term housing finance schemes, including a National Housing Fund and Cooperative Social Housing Schemes, that will guarantee off-take of houses from developers. As part of the process, the Housing Levy that was enacted in Finance Act 2023 is providing an off-take fund that will de-risk investors and offer affordable finance to home-owners.

The Affordable Housing Programme is systematic job creation mechanism with the creation of jobs in the construction sector and indirectly throughout other value chains in the housing development ecosystem. These jobs are also provide entrepreneurial opportunities to all Kenyans especially the youths and employed graduates from technical colleges and universities. 120,000 Kenyans, who were previously unemployed, are now engaged directly or indirectly, in various parts of the country in the programme, and the numbers are expected to significantly increase as the rest of the projects move into the next phases.

The housing scheme also indirectly supports the formal and informal manufacturing of materials, fixtures, fittings and accessories required in the construction. The Government has continued to upgrade and support the Jua Kali sector capacity to produce high quality construction material by linking it with technical and vocational education institutions.

Healthcare

The Constitution guarantees Kenyans the right to the highest standards of health and hence the Government identified healthcare delivery as one of the core pillars of the BETA. Health insurance coverage in Kenya has generally been low at 36% in 2017, with those at the bottom of the economic pyramid having the least coverage of less than 5%. Many Kenyans have incurred catastrophic expenditures from out-of-pocket healthcare payments, while many more do not seek care when they fall ill.

In this regard, the Government has embarked on various interventions in order to deliver Universal Health Coverage. Notably, to strengthen the legal basis for health financing, health service provision and achievement of UHC, four new health laws have been enacted. See "*The Republic of Kenya—Public Health*" for further information.

The Government has reformed the National Health Insurance Fund to meet the urgent needs of Kenyans at the bottom of the socioeconomic structure by actualizing its purpose as a social medical insurance facility. The new Social Health Insurance Act 2023 creates a Social Health Authority and will repeal the current National Health Insurance Fund Act 1998. The new Act establishes, among other things, the publicly financed Primary Health Fund, a fully publicly financed chronic, emergency and critical illness fund and the Social Health Insurance Fund. Access to healthcare will be based on the health needs of every Kenyan. The Government will be implementing a per-household payment system, where a flat rate applies to everyone, regardless of their income.

To increase the availability of human capital in public health sector, the Government has scaled up investment in healthcare workforce. Approximately 20,000 new healthcare workers have been employed, 8,429 workers whose contracts had lapsed deployed and 3,394 interns enrolled across the country. Additionally, the Government has collaborated with all the County Governments to recruit and deploy 100,000 community health promoters (CHP) throughout the country. Each community health promoter is allocated 100 homes within their neighbourhoods countrywide.

To better deliver universal health coverage, the Government has leveraged the digital health agenda starting from the community level. In this regard, the electronic community health information systems (e-CHIS)is being used by the community health promoters across the country to collect real-time accurate household data, initiate planning for health service delivery and provide linkage to health facilities. Along with the CHP kits, the Government has provided 110,000 smartphones for use by the promoters and Community Health Assistants. This will provide quality community health data that is essential for the planning, resource allocation and monitoring of progress towards Universal Health Coverage.

Digital Superhighway and Creative Economy

The Government recognises that digital economy is the emerging frontier of opportunity, productivity and competitiveness. In order to entrench Kenya's lead in digital economy, the Government under the BETA has onboarded 15,000 services and with a target of onboarding all services by the end of the year. This has increased efficiency in service delivery, revenue collection and enhanced accountability.

Working with the private sector, the Government launched the local assembly of affordable smartphones in November 2023 in Athi River. In particular, the Government has prioritised digital registration in order to promote reliable identification and authentication system for all citizens and reduce fraud linked to identity theft. A reliable and centralised identification system will also support better management of social programmes, delivery of essential services, transparency and accountability in Government operations.

The Government is currently rolling out the last mile 100,000 km of fibre optic infrastructure throughout the country to improve internet connectivity in health facilities, schools, judiciary offices, and other public institutions. The Government is also concurrently setting up 25,000 Wi-Fi hotspots targeting fresh produce markets, bus parks and other public spaces.

Further, the Government is working with Members of Parliament to provide to 1,450 ICT Hubs in every ward in the country, 8 remote working centres and other online enterprises to enable the youth to find opportunities. Teaching and learning of digital skills, including coding, has also been prioritised to prepare children for the economy of the future. The education curriculum will continuously be reviewed to make sure they are in line with global technological changes. The initiatives are expected to spur e-commerce, the creative arts and the digital economy; the frontier of BETA.

The Fourth MTP

The Fourth Medium Term Plan 2023-2027 ("**MTP IV**") is intended to implement the BETA which is geared towards economic turn-around and inclusive growth through a value chain approach. The MTP IV for Kenya aims to address the challenges facing the economy through targeted interventions across key sectors. By focusing on enhancing productivity, infrastructure development, social welfare, environmental sustainability, and governance, MTP IV seeks to drive inclusive, broad-based, and sustainable economic growth. The plan emphasises the importance of coordinated efforts and strategic investments to create a resilient and prosperous economy for all Kenyans.

The MTP IV macroeconomic framework acknowledges three primary challenges the Kenyan economy currently faces which are external shocks due to geopolitical disruptions, fiscal distress caused by high levels of expenditure, low revenue collection, low exports, and high costs of servicing debt and structural weaknesses, including a large portfolio of public investment projects characterised by cost escalation, delays, and stalled projects. The MTP IV framework aims to strengthen economic resilience, driving inclusive, broad-based, and sustainable economic growth. During the MTP IV period, the focus will be on reducing the cost of living, eradicating hunger, creating jobs, expanding the tax revenue base, improving foreign exchange balances, and promoting inclusive growth.

Macroeconomic Framework

Economic transformation will be realised through targeted interventions in the MTP IV sectors and corresponding BETA pillars. The overall real GDP growth is projected to increase from 4.9% in 2022 to 7.2% in 2027. This growth is expected to be driven by:

- Raising agricultural productivity through investments in BETA priority value chains in crops and livestock, including leather products, dairy, tea, edible oils, rice, and textile and apparel. The Government aims to provide adequate and affordable working capital to all farmers through cooperative societies and deploy modern agricultural risk management instruments that ensure farming is profitable and income is predictable. In addition, it aims to transform poor farmers from food deficit to surplus producers through input finance, subsidies, and intensive agricultural extension support; raise the productivity of key food value chains; reduce dependence on basic food imports by 30%; revamp underperforming/collapsed export crops and expand emerging ones; and boos tea value chain (blending and branding). Some of the specific objectives of the Government include:

  (i) **leather and leather products value chain:** the Government intends to boost productivity along the leather value chain; and increase income from leather to KES 120 billion;

  (ii) **dairy value chain:** the Government intends to double dairy productivity through appropriate feeding, enhancement of export to one (1) billion litres of milk, increase farm gate price to at least KES 40 per litre; create 500,000 jobs and increase farmers monthly income to an average of KES 6,000 per cow;

  (iii) **tea value chain:** the project entails mobilisation of tea farmers into cooperatives, provision of 155,400 MT of subsidised fertiliser to tea growers through tea factories and the provision of processing equipment to tea cooperatives; promotion of tea cottage industries; diversification to specialty teas; construction of tea research and development factory; establishment of tea value addition hubs and warehouses; development and implementation of incentives for tea value addition; establishment of common user facility within Dongo Kundu SEZ; and the establishment of 10 orthodox tea manufacturing lines in smallholder tea factories.

  (iv) **Edible oil value chains**: the project aims to enhance local production and processing of edible oils. It entails supporting 20,000 farmers to access 300 MT certified oil crops seeds (canola, sunflower and soya bean) and seedlings; support the production of 2,500,000 oil palm seedlings; availing 4,940 MT of sunflower seeds to farmers under the food security and crop diversification project; supporting the counties to mobilise and register farmers into cooperatives and groups; sensitisation of farmers on opportunities available in the edible oil value chain; establishment of central registry and guarantee scheme funds to enhance access to credit and financial products and prioritisation of financial inclusion for edible value chains;

  (v) **Textile and apparel value chains**: the Government aims to enhance local production of cotton, which involves mobilisation of cotton growers into cooperatives, distribution of 70 MT of certified cotton seeds (Bio Technology cotton and hybrid) to farmers through existing and established cooperatives; availing 1,320 MT of seed cotton through food security and crop diversification project; increasing acreage under cotton from 26,000 acres to 200,000 acres through distribution of Bio Technology cotton in the 24 cotton growing counties; promote the use of alternative fibre (natural and artificial); sensitisation and mobilisation of MSMEs within cotton catchment areas; supply of subsidised fertiliser to farmer; establishment of aggregation centres in CIDCs within the catchment areas; and prioritization of financial inclusion funds for textile and apparels value chain

- Transforming the MSME economy by providing KES 50 billion Hustler Fund annually for affordable finance, capacity building, and market linkages. Further, Government intends to support the MSME by business and investment in climate reforms; mobilisation and aggregation of MSMEs into cooperatives around specific value chains; investment promotion; industrial infrastructure development; and improving productivity and sustainability of MSMEs. Further, the sector will prioritise financial inclusion through interventions such as Hustler Fund; market access and product market diversification; and promotion of fair-trade practices.

- Increasing investment in housing and settlements through the construction of 200,000 housing units annually, enabling low-cost mortgages, and strengthening the Jua Kali industry. 60,000 units will be financed through Government support while 140,000 units will be financed through the National Housing Development Fund. Further, it seeks to increase the number of low-cost mortgages from 30,000 to one (1) million.

- Strengthening healthcare by delivering Universal Health Coverage (UHC) through fully public-funded primary healthcare, implementing a universal seamless health insurance system, establishing a national fund for chronic and catastrophic illnesses, and scaling up manufacturing of essential medical supplies. In addition, the Government aims to prioritise employment of healthcare workers; setting up of an emergency medical treatment fund, ringfence funds for healthcare for facility improvement; and integrate information communication systems to enhance telemedicine and health management information systems;

- Investing in the digital superhighway and the creative economy to enhance productivity and competitiveness by laying an additional 100,000 km of the National Optic Fibre Backbone Infrastructure network, establishing an Africa Regional Hub, promoting software development for export, and developing arts and culture infrastructure. In addition, the Government aims to enhance government service delivery through digitisation and automation of all Government critical processes and make available 80% of government services online. The Government intends to expand and mainstream culture and arts infrastructure, build capacities and other support required to scale up the cultural production and creative economy.

Sectoral Contributions to GDP Growth

The agriculture sector growth is projected to improve from a contraction of 1.6% in 2022 to 5.2% in 2027. Over the same period, the industry sector is projected to grow from 3.9% to 5.9%, and the services sector from 7.0% to 8.0%. The finance and production sector is projected to grow from 3.4% in 2022 to 8.2% in 2027, supported by increased productivity in crops and livestock value chains, revamping export crops, promoting agro-processing, establishing Special Economic Zones and industrial parks, and increasing credit to MSMEs.

Climate change efforts

Amongst the emerging challenges, climate change impacts continue to exert negative effects on key sectors of the economy and may stunt long-term economic growth prospects as well as the ability to meet the targets set in Vision 2030. In September 2023, Kenya hosted the Africa Climate week in Nairobi – positioning Kenya as a regional climate leader. Priority will be given to effectively mainstream and integrate climate change measures in the MTP IV. The Government has already taken steps towards developing key policy documents and legislation including the Climate Change Act (2016), the National Climate Change Framework Policy, the National Climate Change Action Plan and the National Climate Change Response Strategy. Under the National Climate Change Action Plan II, Kenya developed National Long Term Low Emission Development Strategy for 2050 and achieved increased forest cover from 6.99% in 2010 to 8.83% in 2021, construction of 11 seed centres and submitted Kenya's Nationally Determined Contributions targeting to reduce greenhouse emissions by 32% by 2030. Kenya also achieved a 87% reduction of banned single-use plastic and via the Jaza-miti app launched monitoring of tree growing.

Kenya's environmental legislation and policies include the National Climate Change Action Plan III (2023-2027). The action plan has identified priority climate actions for both mitigation and adaptation for implementing the Nationally Determined Contributions (NDC) in the short to medium term. Such priorities include strengthening environmental, forestry and climate change governance, a focus on sustainable development, protection of wetlands, forests and water resources, enhancing waste management and coordinating national climate action and reporting and capacities for meteorological services. The plan also aims to develop agroforestry and commercial forestry and sustainable financing for the environment, climate change and forestry conservation.

Recently, Kenya has introduced the Climate Change (Carbon Markets) Regulations, 2024, to guide the implementation of carbon projects and support the country's Nationally Determined Contribution (NDC) under the Paris Agreement. These Regulations apply to voluntary and compliance carbon markets, ensuring emission reductions, proper documentation, and environmental integrity. A Designated National Authority will oversee carbon market transactions, ensure compliance, and prevent double counting of emissions reductions. This Authority, supported by the Climate Change Directorate and a multi-sectoral committee, will guide project eligibility and maintain a list of recognized carbon standards.

The National Carbon Registry, managed by the National Registrar, will maintain sector-specific registers of carbon projects. Each project must comply with specific standards, undergo independent certification, and demonstrate contributions to national policies and community involvement.

Incentives include potential fiscal benefits, such as a reduced corporate income tax rate for certified carbon-market exchanges. The Regulations also require social contributions from carbon projects, with land-based projects allocating 40% of earnings to community development and non-land-based projects contributing 25% to both community development and the Climate Change Fund.

2021 Rebase of GDP

In September 2021, Kenya National Bureau of Statistics rebased its national accounts, changing the base year from 2009 to 2016, and revised the annual and quarterly national accounts statistics for the period 2009 to 2016. Kenya National Bureau of Statistics applied the System of National Accounts 2008 and the International Standard Industrial Classification revision 4 system ("**ISIC**") to compile the rebased GDP estimates. The System of National Accounts is the internationally agreed standard set of recommendations on how to compile measures of economic activity, and ISIC is the international standard for the classification of productive economic activities. This revision is the seventh time that Kenya has revised the national account statistics. The first revision was carried out in 1957 and subsequent revisions were carried out in 1957, 1967, 1976, 1985, 2005, 2014 and 2021. The UN Statistical Commission recommends that countries rebase every five years.

Rebasing enables economic estimates to better understand the current structure of the economy and sectoral growth drivers, and to better reflect the performance of the most important parts of the economy. For example, the rebasing in 2021 allowed the Government to account for changes in production structure, relative product prices and products. These measures have led to changes in the size of GDP, growth rates, contributions by sector and related indicators that use GDP.

GDP

The nominal GDP was KES 10,237.7 billion for FY 2019/20, KES 10,715.1 billion for FY 2020/21, KES 12,027.7 billion for FY 2021/22, KES 13,489.64 billion for FY 2022/23, KES 15,108.8 billion for FY 2023/24 and KES 12,128.3 billion for the first three quarters of 2024.

The following table sets out Kenya's nominal GDP by economic sector for the periods presented.

	Year ended 31 December					Nine months ended 30 September
	2019	**2020**	**2021**	**2022**	**2023**	**2024**(1)
			(KES millions)			
Industry						
Agriculture, forestry and fishing	2,135,709	2,432,613	2,583,190	2,837,707	3,295,224	2,760,675
Mining and quarrying	72,769	76,402	92,045	120,116	102,660	77,372
Manufacturing	809,253	814,328	885,633	1,044,191	1,148,863	863,764
Electricity supply	161,716	163,320	172,640	181,568	226,547	224,342
Water supply; sewerage, waste management.	58,912	60,250	63,342	64,742	65,019	N/A
Construction.	630,653	750,153	849,377	953,773	1,003,964	760,617
Wholesale and retail trade, repairs	837,918	867,574	952,902	1,042,444	1,134,253	969,002
Transport and storage	1,202,830	1,156,921	1,391,614	1,774,470	2,058,336	1,631,269
Accommodation and food service activities	119,581	77,843	133,678	145,853	190,779	158,180
Information communication technology	257,419	274,820	291,437	315,733	334,130	260,202
Financial and insurance activities	667,702	723,059	860,626	1,000,605	1,180,407	931,351
Real estate.	946,732	996,203	1,076,597	1,148,722	1,265,366	1,015,843
Professional, scientific and technical activities	175,882	159,505	179,258	188,529	206,100	296,017
Administrative and support service activities	108,875	92,732	105,657	130,618	154,634	N/A
Public administration and defence	541,367	592,623	634,986	675,754	726,041	571,996
Education	431,876	413,090	521,945	545,098	577,568	445,545
Human health and social work activities.	197,9693	212,966	238,544	242,349	259,111	203,301
Arts, entertainment and recreation	27,056	19,941	23,511	28,300	32,193	N/A
Other service activities	144,894	124,379	143,824	157,339	168,097	225,782
Activities of households as employers	68,917	72,064	75,242	79,420	85,605	N/A
Financial services indirectly measured.	(226,631)	(218,639)	(244,592)	(259,642)	(323,771)	(255,560)
All industries	**9,371,398**	**9,862,147**	**11,031,456**	**12,417,686**	**13,891,146**	**11,139,698**
Taxes less subsidies on products	866,330	852,923	996,206	1,071,956	1,217,660	988,567
GDP at market prices	**10,237,727**	**10,715,070**	**12,027,662**	**13,489,642**	**15,108,806**	**12,128,265**

Source: Kenya National Bureau of Statistics.

(1) As of the date of this Offering Circular, the 2024 data is not yet available for all line items. Where data is unavailable, it has been flagged as "N/A".

The following table sets out each economic sector's contribution to Kenya's nominal GDP for the periods presented.

	Year ended 31 December					Nine months ended 30 September
	2019	**2020**	**2021**	**2022**	**2023**	**2024(1)**
			(%)			
Industry						
Agriculture, forestry and fishing	20.9	22.7	21.5	21.2	21.8	22.8
Mining and quarrying	0.7	0.7	0.8	0.9	0.7	0.6
Manufacturing	7.9	7.6	7.4	7.8	7.6	7.1
Electricity supply	1.6	1.5	1.4	1.3	1.5	1.8
Water supply; sewerage, waste management	0.6	0.6	0.5	0.5	0.4	
Construction	6.2	7.0	7.1	7.1	6.6	6.3
Wholesale and retail trade, repairs	8.2	8.1	7.9	7.8	7.5	8.0
Transport and storage.	11.7	10.8	11.6	12.4	13.6	13.5
Accommodation and food service activities.	1.2	0.7	1.1	1.1	1.3	1.3
Information communication technology.	2.5	2.6	2.4	2.4	2.2	2.1
Financial and insurance activities.	6.5	6.7	7.2	7.6	7.8	7.7
Real estate	9.2	9.3	9.0	8.6	8.4	8.4
Professional, scientific and technical activities.	1.7	1.5	1.5	1.4	1.4	2.4
Administrative and support service activities.	1.1	0.9	0.9	1.0	1.0	N/A
Public administration and defence	5.3	5.5	5.3	5.0	4.8	4.7
Education	4.2	3.9	4.3	4.1	3.8	3.7
Human health and social work activities.	1.9	2.0	2.0	1.8	1.7	1.7
Arts, entertainment and recreation	0.3	0.2	0.2	0.2	0.2	
Other service activities.	1.4	1.2	1.2	1.2	1.1	1.9
Activities of households as employers.	0.7	0.7	0.6	0.6	0.6	
Financial services indirectly measured.	(2.2)	(2.0)	(2.0)	(2.0)	(2.1)	(2.1)
All industries at basic prices	**91.5**	**92.0**	**91.7**	**91.9**	**91.9**	**91.8**
Taxes less subsidies on products	8.5	8.0	8.3	8.1	8.1	8.2
GDP at market prices.	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Kenya National Bureau of Statistics.

(1) As of the date of this Offering Circular, the 2024 data is not yet available for all line items. Where data is unavailable, it has been flagged as "N/A".

The following table sets out Kenya's real GDP by economic sector for the periods presented at constant 2016 prices.

	Year ended 31 December					Nine months ended 30 September
	2019	**2024**	**2021**	**2022**	**2023**	**2024**(1)
			(KES millions)			
Industry						
Agriculture, forestry and fishing	1,630,607	1,705,985	1,699,959	1,672,085	1,783,299	1,436,727
Mining and quarrying	83,386	87,968	103,842	113,458	106,074	73,138
Manufacturing	757,794	755,608	810,827	833,052	848,461	642,296
Electricity supply	159,673	158,927	167,339	175,525	182,008	189,681
Water supply; sewerage, waste management	58,473	60,591	64,420	67,626	69,327	N/A
Construction	470,526	517,977	552,764	575,215	592,396	436,388
Wholesale and retail trade, repairs	730,922	727,726	786,202	815,937	836,317	643,254
Transport and storage	902,898	830,249	891,983	941,947	1,002,221	776,647
Accommodation and food service activities	101,584	53,114	81,037	102,286	137,204	119,060
Information communication technology	257,959	273,440	290,224	319,056	345,722	269,740
Financial and insurance activities	680,556	720,435	802,964	905,490	990,632	765,350
Real estate	856,588	891,574	951,093	993,623	1,066,229	843,649
Professional, scientific and technical activities	171,268	151,534	163,485	171,873	186,894	230,203
Administrative and support service activities	92,729	76,386	80,663	95,224	105,797	N/A
Public administration and defence	498,143	532,781	564,957	590,386	621,244	487,110
Education	414,661	376,307	462,227	484,217	501,330	380,288
Human health and social work activities	185,702	196,120	213,529	223,105	231,547	177,534
Arts, entertainment and recreation	23,857	17,112	19,239	22,688	25,970	N/A
Other service activities	124,449	100,205	119,100	125,989	132,066	170,250
Activities of households as employers	57,649	58,513	59,391	60,282	61,186	N/A
Financial services indirectly measured	(278,418)	(273,375)	(287,975)	(292,296)	(296,486)	219,601
All industries at basic prices	**7,981,005**	**8,019,178**	**8,597,270**	**8,996,769**	**9,529,438**	**7,121,712**
Taxes less subsidies on products	775,941	713,883	798,672	854,561	870,543	661,768
GDP at market prices	**8,756,946**	**8,733,060**	**9,395,942**	**9,851,329**	**10,399,980**	**5,452,036**

Source: Kenya National Bureau of Statistics.

(1) As of the date of this Offering Circular, the 2024 data is not yet available for all line items. Where data is unavailable, it has been flagged as "N/A".

The following table sets out Kenya's real GDP growth by economic sector for the periods presented.

	Year ended 31 December					Nine months ended 30 September
	2019	2020	2021	2022	2023	2024[(1)]
			(%)			
Industry						
Agriculture, forestry and fishing	2.7	4.6	(0.4)	(1.6)	6.5	4.2
Mining and quarrying	4.3	5.5	18.0	9.3	(6.5)	(11.1)
Manufacturing	2.6	(0.3)	7.3	2.7	2.0	2.3
Electricity supply	1.9	(0.5)	5.3	4.9	2.9	N/A
Water supply; sewerage, waste management	1.3	3.6	6.3	5.0	2.5	N/A
Construction	7.2	10.1	6.7	4.1	3.0	(2.0)
Wholesale and retail trade, repairs	5.3	(0.4)	8.0	3.8	2.7	4.8
Transport and storage	6.3	(8.0)	7.4	5.6	6.2	5.2
Accommodation and food service activities	14.3	(47.7)	52.6	26.2	33.6	13.7
Information communication technology	7.0	6.0	6.1	9.9	9.3	6.1
Financial and insurance activities	8.1	5.9	11.5	12.8	10.1	4.7
Real estate	6.7	4.1	6.7	4.5	7.3	5.5
Professional, scientific and technical activities	6.8	(11.5)	7.9	5.1	8.6	N/A
Administrative and support service activities	6.8	(17.6)	5.6	18.1	11.1	N/A
Public administration and defence	8.4	7.0	6.0	4.5	4.6	5.4
Education	5.7	(9.2)	22.8	4.8	3.1	3.8
Human health and social work activities	5.5	5.6	8.9	4.5	4.9	4.4
Arts, entertainment and recreation	8.0	(28.3)	12.4	17.9	14.0	N/A
Other service activities	4.9	(19.5)	(18.9)	5.8	3.6	2.8
Activities of households as employers;	1.5	1.5	1.5	1.5	1.5	N/A
Financial services indirectly measured	9.5	(1.8)	5.3	1.5	2.7	5.1
All industries at basic prices	**5.2**	**0.5**	**7.2**	**4.6**	**5.9**	4.1
Taxes less subsidies on products	3.9	(8.0)	11.9	7.0	2.2	**3.4**
GDP at market prices	**5.1**	**(0.3)**	**7.6**	**4.9**	**5.6**	**4.0**

Source: Kenya National Bureau of Statistics.

(1) As of the date of this Offering Circular, the 2024 data is not yet available for all line items. Where data is unavailable, it has been flagged as "N/A".

In 2024, the Kenyan economy grew at a similar pace as 2023, but slower than the historical (2000-2019) annual average of 3.8%. This is on account of restrictive monetary policies, withdrawal of fiscal support, low underlying productivity growth, as well as escalating geopolitical fragmentations that could result in higher commodity prices despite a projected decline in global headline and core inflation. See "*Risk Factors- Impact of global and regional conflicts could have an adverse effect on the Kenyan economy and political stability*".

Principal Sectors of the Economy

Agriculture

Kenya's agricultural sector has demonstrated remarkable resilience and steady growth, playing a critical role in the country's economic recovery. After facing setbacks in previous years due to prolonged drought, the sector rebounded in 2023, recording an impressive 7.0% real GDP growth. This recovery was driven by favorable weather conditions, government interventions, and improved access to agricultural inputs, which helped boost productivity across various agricultural activities.

The positive trend continued into 2024, with the sector expanding by 6.1% in the first quarter, according to the Kenya National Bureau of Statistics (KNBS). This growth was largely attributed to adequate rainfall, which supported higher yields in both crop and livestock production. In the second quarter, agricultural growth moderated to 4.8%, contributing to an overall GDP expansion of 4.6% (KNBS, 2024). Despite a slight slowdown, the sector remained a key driver of economic stability. By the third quarter, the sector grew by 4.2%, aligning with the broader economic trend, as reported by Focus Economics.

Over the past five years, agriculture has consistently accounted for a significant portion of Kenya's nominal GDP, highlighting its importance to the economy. According to the Central Bank of Kenya, the sector contributed 20.9% in 2019, 22.7% in 2020, 21.5% in 2021, 21.2% in 2022, and 21.8% in 2023. Preliminary estimates for 2024 suggest that agriculture has maintained its strong position, contributing approximately 20% of GDP.

Several factors have fueled this sustained growth, including increased investment in irrigation, the adoption of climate-smart agricultural practices, and government initiatives aimed at enhancing food security and market access. While some challenges, such as economic disruptions and sectoral declines in related industries, have posed risks, the overall outlook for agriculture remains positive.

With continued policy support, infrastructure improvements, and advancements in agricultural technology, Kenya's agricultural sector is well-positioned to drive long-term economic transformation and ensure food security for future generations.

The following table sets out the agriculture sector's output and input values at current and constant prices for the periods presented.

	Year ended 31 December				
	2019	2020	2021	2022	2023
			(KES millions)		
Production at Current Prices					
Output at basic prices	2,337,922	2,672,546	2,838,170	3,133,710	3,641,865
Intermediate consumption	416,390	476,067	534,718	606,621	713,452
Value added at basic prices, gross	1,921,532	2,196,480	2,303,453	2,527,089	2,928,412
Production Constant Prices					
Output	1,845,314	1,950,802	1,964,020	1,943,762	2,084,668
Intermediate consumption	354,775	383,327	401,197	410,719	451,483
Gross Value Added	1,490,539	1,567,475	1,562,823	1,533,043	1,633,186

Source: Kenya National Bureau of Statistics.

The following table sets out the value of recorded marketed production at current prices in the agricultural sector for the periods indicated.

	Year ended 31 December				
	2019	2020	2021	2022	2023
			(KES millions)		
Cereals					
Maize	10,681.2	8,232.5	6,858.1	5,938.4	11,340.3
Wheat	13,373.4	10,281.5	10,396.6	10,863.4	14,735.0
Others	11,104.4	11,106.7	10,450.2	15,710.0	23,086.6
Total	**35,159.0**	**29,620.7**	**27,704.9**	**32,511.8**	**49,161.9**
Horticulture(1)					
Cut flowers	104,141.8	107,508.6	110,849.3	103,558.5	107,600.0
Vegetables	27,247.8	24,228.4	28,460.7	22,999.0	23,800.0
Fruits	13,189.0	18,426.9	18,382.9	19,570.3	22,300.0
Total	**144,578.6**	**150,163.9**	**157,692.9**	**146,127.8**	**153,700.0**
Temporary industrial crops					
Sugar-cane	17,576.9	25,207.3	28,386.3	39,350.4	29,630.5
Pyrethrum	68.5	57.0	106.7	221.5	512.4
Others	1,223.2	1,591.7	1,275.6	2,103.3	2,741.1
Total	**18,868.6**	**26,856.0**	**29,768.6**	**41,675.2**	**32,884.0**
Permanent crops					
Coffee	10,164.8	10,817.4	18,551.3	27,322.4	19,888.8
Tea	104,072.6	122,161.6	126,091.7	156,714.2	176,330.5
Sisal	4,379.6	4,981.1	5,596.2	6,532.8	6,062.0
Total	**118,617.1**	**137,960.1**	**150,239.2**	**190,569.4**	**202,281.3**
Total crops	**317,223.3**	**344,600.8**	**365,405.6**	**410,884.2**	**438,027.2**
Livestock and products					
Cattle and calves	107,352.6	117,144.0	103,500.2	84,725.2	112,675.1
Goats and sheep	7,591.4	7,403.6	10,592.8	15,428.3	14,129.3
Milk	20,576.2	22,721.5	33,680.3	36,887.5	40,997.4
Chickens and eggs	9,227.8	9,478.8	9,690.7	10,870.2	8,722.0
Others	3,661.3	3,957.7	4,155.7	5,839.0	13,953.4
Total	**148,409.3**	**160,705.7**	**161,619.6**	**153,750.2**	**190,477.3**
Total	**465,632.5**	**505,306.5**	**527,025.2**	**564,634.4**	**628,504.5**

(1) Projection
(2) Data refers to fresh horticultural exports only.
Source: Kenya National Bureau of Statistics.

Output at current prices increased by 17.1% from KES 3,111.3 billion in 2022 to KES 3,641.9 billion in 2023. Intermediate consumption at current prices increased by 18.7% from KES 600.9 billion in 2022 to KES 713.5 billion in 2023. This resulted in agriculture value added growth of 16.6% at current prices to KES 2,928.4 billion in 2023. Output at constant prices increased by 7.8% from KES 1,934.4 billion in 2022 to KES 2,084.7 billion in 2023. Intermediate consumption at constant prices grew by 10.7% from KES 408.0 billion in 2022 to KES 251.5 billion in 2023. Consequently, Agriculture value added at constant prices grew by 7.0% from KES 1,526.4 billion to KES 1,633.2 billion in 2023.

The value of marketed agricultural production increased by 10.7% from KES 567.6 billion in 2022 to KES 628.5 billion in 2023. Earnings from cereals increased by 42.5% to KES 49.1 billion in 2023. Similarly, earnings from horticulture recorded an upward trend from KES 147.1 billion in 2022 to KES 153.7 billion during the year under review, attributed to the high volume of horticulture exported to the international market. The earnings from permanent crops recorded a 6.1% increase to KES 202.3 billion in 2023. However, temporary industrial crops' earnings declined from KES 41.7 billion in 2022 to KES 32.9 billion in 2023.

Earnings from tea increased by 12.5% from KES 156.7 billion in 2022 to KES 176.3 billion in 2023. Earnings from sugar cane declined by 24.7% from KES 39.4 billion in 2022 to KES 29.6 billion in 2023. Earnings from dry pyrethrum flowers more than doubled from KES 236.0 million in 2022 to KES 512.4 million in 2023, attributed to higher production and higher prices for pyrethrum flowers. The value of marketed maize increased from KES 7.9 billion in 2022 to KES 11.3 billion in 2023. However, earnings from coffee declined from KES 27.3 billion in 2022 to KES 19.9 billion in 2023. The value of marketed wheat increased by 35.6% from KES 10.9 billion in 2022 to KES 14.7 billion in 2023. Livestock and products' earnings rose to KES 190.5 billion in 2023 from KES 153.8 billion in 2022. The value of marketed milk increased by 11.1% from KES 36.9 billion in 2022 to KES 41.0 billion in 2023.

Manufacturing

The manufacturing sector was the fifth largest contributor to the economy in 2023. The sector grew by 2.0% in 2023, despite challenges such as high production costs, inflationary pressures and exchange rate fluctuations. In terms of employment generation, the Government estimates that the sector employed approximately 362.3 thousand persons in 2023, an increase of 2.7% from 2022, and accounting for 11.5% of total employment in the formal sector. Despite the increase, there was an 6.6% decrease in employment in the export processing zone in 2023.

Real GDP in the manufacturing sector grew by 2.7% to KES 831,900 million in 2022 and grew by 2% to KES 848,461 in 2023. The decelerated growth was partly attributed to low agricultural production especially food crops that are the main inputs to agro-processing.

The manufacturing sector accounted for 7.9%, 7.6%, 7.4%, 7.7% and 7.6% of nominal GDP in 2019, 2020, 2021, 2022 and 2023, respectively.

The following table sets out the quantum index of manufacturing production using 2017 as the base year (Base 2017 = 100).

	Year ended 31 December				
	2019	**2020**	**2021**	**2022**	**2023**
Meat and meat products	117.1	87.1	98.5	99.8	109.8
Processing and preserving of fish	100.9	93.4	99.3	114.8	118.0
Prepared and preserved fruits and vegetables	86.1	81.7	70.7	74.4	83.1
Animal and vegetable fats and oils	115.2	116.3	113.0	98.5	105.5
Dairy products	127.2	118.6	132.9	123.8	144.1
Grain mill products	109.7	122.5	132.4	128.9	132.3
Bakery products	113.3	109.5	119.8	118.7	129.1
Sugar	117.2	160.5	186.2	211.8	125.7
Cocoa, chocolate and sugar confectionery	106.6	108.8	108.8	97.1	96.7
Food products n.e.s.	105.7	110.6	104.2	177.7	123.6
Total food products	**109.9**	**116.1**	**120.0**	**122.1**	**123.0**
Beverages	113.6	92.8	99.8	102.3	104.8
Tobacco products	114.7	98.3	89.5	80.9	93.1
Beverages and tobacco	**113.8**	**93.7**	**98.1**	**98.8**	**102.8**
Textiles	116.1	105.1	108.1	104.5	111.2
Wearing apparel	98.5	91.7	98.3	98.8	96.9
Leather and related products	124.9	106.4	123.0	125.9	153.3
Wood and products of wood	117.1	140.1	157.6	246.7	238.5
Paper and paper products	95.8	85.5	108.1	97.2	93.1
Printing and production of recorded media	135.8	105.9	122.4	122.9	126.9
Refined petroleum products	110.4	103.6	104.5	99.7	104.8
Chemical and chemical products	108.5	110.4	116.2	120.7	124.2
Pharmaceutical products	113.2	115.2	114.4	116.2	116.1
Plastic products	118.0	116.8	121.0	124.2	144.3
Other non-metallic mineral products	97.6	117.1	144.4	152.8	150.6
Basic metals	109.5	103.7	108.0	123.5	135.9
Structural Metal Products	93.3	86.9	95.7	106.8	120.7
Fabricated metal products	102.9	113.2	122.1	124.1	143.1
Electrical equipment	84.3	74.8	74.8	75.4	77.2
Machinery and equipment n.e.s	110.1	108.5	112.7	125.7	133.1
Motor vehicle, trailers and semi-trailers.	139.1	128.0	155.9	196.1	190.8
Motorcycles	100.0	100.0	100.0	100.0	100.0
Manufacture of furniture	108.0	104.3	100.6	101.4	107.0
Other manufacturing n.e.s	102.2	106.0	106.3	107.5	108.9
Repair and installation of machinery and equipment	109.2	122.4	130.3	132.2	136.8
Total manufacturing	**110.0**	**110.2**	**117.5**	**121.8**	**125.2**

Source: Kenya National Bureau of Statistics.

According to the Kenya National Bureau of Statistics, Economic Survey 2024, the value added at current prices of the manufacturing sector grew by 10.0% in 2023 compared to 17.9% recorded in the previous year. The volume of output expanded by 2.8% in the year under review compared to a growth of 3.7% in 2022. The contribution of the manufacturing sector to GDP was 7.6% in the same period. The sectors that registered major growth in volume of output in 2023 were dairy products; meat and meat products; prepared and preserved fruits and vegetables; bakery products; leather and related products; plastic products and structural metal products reported growths. On the other hand, sugar; cocoa, chocolate, and sugar confectionery; wood and products of wood; paper and paper products; and motor vehicle, trailers and semi-trailers recorded declines in the year under review.

The volume of output in the manufacturing sector expanded by 2.8% in 2023, which was a slower growth compared to a 3.7% growth recorded in 2022.

The quantity of manufactured food products registered a growth of 0.7% in 2023 compared to a growth of 1.7% in 2022. The growth was primarily driven by increased production of dairy products; prepared and preserved fruits and vegetables; animal and vegetable fats and oils; and bakery products.

In 2023, the production of meat and meat products registered a growth of 10.0%. Animal and vegetable fats and oils registered an increase of 7.1% in production The quantity of processed and preserved fish grew by 2.8% in 2023 from 15.6% in 2022, while that of prepared and preserved fruits and vegetables increased by 11.6%.

During the year under review, a growth of 16.4% was realized in the dairy products subsector which was an improvement from a contraction of 6.8% in 2022. The growth was mainly attributed to a 19.2% increase in production of processed milk to 552.9 million litres in 2023. Similarly, the grain milling subsector recorded a growth of 1.7% in 2023, mainly due to a 5.2% rise in wheat flour production from 1,421.4 thousand tonnes in 2022 to 1,495.7 thousand tonnes in 2023.

Production of bakery products recorded a growth of 8.8% in 2023 which was a recovery from a 0.9% contraction in 2022. However, production in the sugar subsector decreased by 40.7% in 2023, a shift from a 13.8% growth in 2022. Additionally, production of cocoa, chocolate, and sugar confectionery contracted by 0.4% in 2023. During the period under review, tea production increased to 570.3 thousand tonnes in 2023 from 533.3 thousand tonnes in 2022. However, production of coffee-milled declined to 27.5 thousand tonnes in 2023 from 37.9 thousand tonnes recorded in 2022. The Beverages and Tobacco sub-sector increased by 4.1% in the year under review. Production volumes of Tobacco Products expanded by 15.0% in 2023 while production of soft drinks (sodas) increased from 579.5 million litres in 2022 to 580.5 million litres in the year under review.

As of 2024, Kenya's manufacturing sector remains a significant component of the economy. In the first quarter of 2024, the sector experienced a modest growth of 1.3%, slightly below the 1.7% growth recorded in the same period of 2023. This performance was influenced by notable increases in tea and dairy processing, with tea production rising by 42.9% to 168.8 thousand metric tonnes, and milk deliveries to processors increasing by 30.1%. However, declines in soft drink and cement production posed challenges to the sector's overall growth.

In the second quarter of 2024, the manufacturing sector showed improved performance, recording a growth rate of 3.2%, up from 1.5% in the corresponding quarter of 2023. While specific rankings of sectors for the entirety of 2024 are not yet available, the manufacturing sector continues to be a key contributor to Kenya's GDP. Its performance is closely monitored alongside other major sectors such as agriculture, real estate, financial services, and information and communication.

Wholesale and Retail Trade

Kenya's wholesale and retail trade sector has demonstrated resilience and steady growth over the years, playing a crucial role in the country’s economic landscape. In 2019, the sector's real GDP expanded by 5.3% to reach KES 730,922 million. However, in 2020, it faced a slight contraction of 0.4%, bringing the total to KES 727,726 million. This decline was primarily attributed to the adverse effects of the COVID-19 pandemic, which disrupted supply chains and reduced consumer spending. The sector rebounded strongly in 2021, growing by 8.0% to KES 786,202 million. Growth continued in 2022, albeit at a slower pace, with a 3.8% increase to KES 813,958 million. In 2023, the sector maintained its upward trajectory with a 2.75% growth, reaching KES 836,317 million.

In 2024, the wholesale and retail trade sector continued to expand, recording a 4.9% growth in the first quarter, followed by a 4.4% increase in the second quarter and a further 4.8% expansion in the third quarter. The sector’s growth was driven by increased consumer spending and a revival in business activities, particularly following disruptions caused by anti-government protests in mid-2024. The Stanbic Bank Kenya Purchasing Managers' Index (PMI) reflected this recovery, indicating an expansion in wholesale and retail trade during the second half of the year.

Despite the sector's continued growth, its contribution to nominal GDP has seen a gradual decline over the years. In 2019, wholesale and retail trade accounted for 8.2% of Kenya's GDP. This figure slightly decreased to 8.1% in 2020, followed by 7.9% in 2021, 7.8% in 2022, and 7.5% in 2023. In 2024, the sector's share of GDP remained relatively stable, reflecting its ongoing importance to Kenya's economy.

The positive performance of the sector in 2024 was largely supported by increased economic activity and rising consumer demand. However, challenges such as inflationary pressures and disruptions in global supply chains continue to pose risks to its sustained growth. Nonetheless, the sector remains a vital contributor to Kenya's economic performance, highlighting its resilience in the face of economic and political challenges.

Transport and Storage

The transport and storage sector comprises land transport, air transport including support services and all other transport including postal and courier activities.

Real GDP in the transport and storage sector grew by 6.3% to KES 902,898 million in 2019, contracted by 8.0% in 2020 to KES 830,249 million, grew by 7.4% in 2021 to KES 891,983 million, grew by 5.6% in 2022 to KES 943,944 million and grew by 6.1% to KES 1,002,221 million in 2023. The contraction in 2020 was principally a result of the impact of the Covid-19 Pandemic. The transport and storage sector accounted for 11.7%, 10.8%, 11.6%, 13.2% and 13.6% of nominal GDP in 2019, 2020, 2021, 2022, and 2023 respectively.

The following table sets out the value of output for various transport and storage sub-sectors for the periods presented.

	Year ended 31 December				
	2019	**2020**	**2021**	**2022**	**2023**
Road transport	1,531,990	1,537,403	1,789,928	2,226,222	2,563,459
Railway transport	14,828	12,553	15,731	16,695	19,821
Water transport	54,868	54,649	55,915	54,792	61,627
Air transport	216,3762	111,010	144,524	225,569	324,386
Services incidental to transport	211,248	204,133	254,125	300,000	353,605
Pipeline transport	31,879	26,667	28,007	29,809	33,782
Postal and courier services	20,982	18,734	19,486	19,819	27,075
Total	**2,082,170**	**1,965,149**	**2,307,716**	**2,872,977**	**3,383,754**

Source: Kenya National Bureau of Statistics.

There was a 17.6% rise in the total value of output by the sector from KES 2,878.3 billion in 2022 to KES 3,383 billion in 2023. The highest improvement was experienced in the air transport sector that improved by 43.0% from KES 225.6 billion in 2022 to KES 324.4 billion in 2023. Postal and courier services rose by 36.1% from KES 19.8 billion in 2022 to KES 27.1 billion in 2023. The proportion of road to total value of output declined from 77.3% in 2022 to 75.8% in 2023.

The transportation and storage sector grew by 5.2% in the third quarter of 2024 compared to 5.1% growth in the corresponding quarter of 2023. The sector growth was evidenced by increase in consumption of light diesel and port throughput. Consumption of light diesel, a key input for land transportation, increased by 2.7% from 557.6 thousand metric tonnes in the third quarter of 2023 to 572.8 thousand metric tonnes in the period under review. On average, the prices of diesel declined by 8.1% from KES 187.5 per litre in the third quarter of 2023 to KES 172.3 per litre in the period under review, offering some cost relief to transport operators. Port throughput rose by 14.1% from 8,942.9 thousand metric tonnes in third quarter of 2023 to 10,204.4 thousand metric tonnes in the review period.

Financial and Insurance Activities

The financial intermediation sector comprises institutions that carry out banking and similar activities, insurance and pension funds and auxiliary financial activities. The financial and insurance sector expanded by 10.1% in 2023 compared to a growth of 12.0% in 2022. The CBK adopted a tight monetary policy stance by raising the Central Bank Rate ("**CBR**") from 8.75% in December 2022 to 12.5% as at December 2023. This was necessitated by the need to address inflationary pressures occasioned by depreciation of the Kenyan Shilling against major currencies and high global prices during the review period. Consequently, overall interest rates increased during the review period. The 91-Day Treasury bill interest rate increased to 15.70% in December 2023 from 9.33% in December 2022. The Inter-bank rate increased to 11.65% in December 2023 from 5.39%. Average commercial banks interest rate for loans and advances increased to 14.63% in December 2023 from 12.67% as at December 2022.

The CBK has been reviewing the outcomes of its previous decisions and measures aimed at anchoring inflation expectations and maintaining rate stability, including the tightening of monetary policies. In light of an improved global economic outlook, characterised by prospects for growth and lower inflation, the CBK's MPC has been gradually reducing the CBR. On 5 December 2024, the Committee lowered the CBR from 12% to 11.25%. However, the Committee noted that while short-term rates on government securities had declined sharply in response to the CBR adjustment, commercial banks had yet to proportionately lower their lending rates. On 5 February 2025, the MPC further reduced the CBR by 50 basis points, lowering it from 11.25% to 10.75%. This move reinforces the Committee's continued easing of monetary policy during the year under review.

Broad money supply (M3) recorded a growth of 19.9% to KES 6,044.5 billion as at 31 December 2023 compared to a growth of 7.5% in 2022. The real value of commercial banks' deposit liabilities also declined to KES 3,674.6 billion as at December 2023. On the other hand, the real value of total commercial bank credit increased to KES 4,425.9 billion as at the end of December 2023 and the real value of total liabilities to the banking system increased by 12.9% to KES 5,362.6 billion as at end of December 2023. Further, the net foreign assets registered a significant increase of KES 509.0 billion as at December 2023 compared to a decrease of KES 305.9 billion as at December 2022.

Total assets of pension funds increased by 9.5% during the review period to KES 1,725.4 billion as at December 2022, with assets held in government securities growing by 13.4% to KES 818.9 billion as at December 2023. In the insurance sub-sector, total assets of the life insurance business grew by 11.2% to KES 710.8 billion while total assets of the general insurance business increased slightly by 3.9% to KES 232.5 billion during the year under review. Gross premium income for life insurance business grew by 16.9% to KES 164.8 billion while gross premium income for General insurers grew by 13.0% as at the end of December 2023.

Capital markets reported subdued performance during the review period. The total value of shares traded declined by KES 6.1 billion to KES 88.2 billion in 2023. The Nairobi Securities Exchange 20 Share Index further declined during the review period to 1,501 points down from 1,676 points in 2022. Total value of market capitalisation declined from KES 1,986.1 billion in 2022 to KES 1,439.0 billion in 2023. During the review period bond turnover declined to KES 644.0 billion from KES 741.9 billion.

Money supply (M1) grew by 4.0% to KES 2,024.5 billion as at 31 December 2023 compared to a growth of 7.0% recorded as at 31 December 2022. Further, Broad Money supply (M3) grew by 19.9% as at 31 December 2023 to KES 6,044.5 billion, compared to a growth of 7.5% as at 31 December 2022. The net foreign assets registered a significant increase of KES 509.0 billion as at 31 December 2023 compared to a decrease of KES 305.9 billion as at December 2022. During the year under review, credit to private sector increased by 13.9%; and the National Government declined by 3.6% to KES 1,720.3 as at 31 December 2023.

Real GDP in the financial and insurance activities sector grew by 8.1% to KES 680,556 million in 2019, grew by 5.9% in 2020 to KES 720,435 million, grew by 11.5% in 2021 to KES 802,964 million, grew by 12.8% in 2022 to KES 899,695million and grew by 10.1% to KES 990,632 in 2023. The financial and insurance activities sector accounted for 6.5%, 6.7%, 7.2%, 7.4% and 7.8% of nominal GDP in 2019, 2020, 2021, 2022, and 2023 respectively.

Construction

The construction sector comprises the roads and public/private housing subsectors. Real GDP in the construction sector grew by 7.2% to KES 470,526 in 2019, grew by 10.1% in 2020 to KES 517,977 million, grew by 6.7% in 2021 to KES 552,764 million, grew by 4.1% in 2022 to KES 575,215 million and grew up 3.0% to KES 592,396 in 2023. The decelerated growth was evidenced by declines in key inputs in the construction industry such as cement consumption and volume of imported iron and steel, cement clinkers and non-ferrous metals. The construction sector accounted for 6.2%, 7.0%, 7.1%, 7.1% and 6.6% of nominal GDP in 2019, 2020, 2021, 2022, and 2023 respectively.

In the third quarter of 2024, the construction sector recorded a 2.0% contraction, compared to 4.0% growth in the third quarter of 2023. The contraction was reflected by trends in key industry indicators. For instance, cement consumption declined by 10.0% to stand at 2,196.7 thousand tonnes in the third quarter of 2024, from 2,439.7 thousand tonnes consumed in a similar quarter of 2023. The quantity of imported bitumen decreased by 40.9% to 18,353.0 tonnes in the third quarter of 2024 from 31,053.5 tonnes imported in the third quarter of 2023. Similarly, the production of galvanised sheets declined by 4.2% to stand at 68,719.5 metric tonnes in the quarter under review. On the other hand, import of iron and steel products rose by 11.5% to 220.8 thousand tonnes in the third quarter of 2024 up from 198.1 thousand tonnes imported during the corresponding period of 2023. Credit extended to enterprises in the construction sector declined by 13.6% to stand at KES 129.2 billion in September 2024 from KES 149.6 billion advanced in the same period in 2023.

Electricity and water supply; sewerage and waste management

Real GDP in the electricity and water supply sector grew a 3.2% in 2019 to KES 218,146 million, 3.1% in 2020 to KES 219,518, 11.6% in 2021 to KES 231,759 million, 9.9% to KES 244,552 million in 2022 and 2.7% to 251,335 million in 2023. The electricity and water supply sector accounted for 2.2%, 2.1%, 1.9%, 1.8% and 1.9% of nominal GDP in 2019, 2020, 2021, 2022, and 2023 respectively.

Electricity and Water supply activities gross value-added growth decelerated to 0.9% during the third quarter of 2024 compared to 3.3% growth in a similar period of 2023. Growth of the sector was supported by increase in generation of hydro power and decrease in generation of electricity from thermal sources. Generation of electricity from hydro increased by 21.0% to 950.1 million KWh during the review period. Thermal electricity generation declined by 10.2%, marking a positive shift given its reliance on costly inputs. Overall, total electricity generation declined by 1.4%, from 3,287.6 million KWh in the third quarter of 2023 to 3,240.6 million KWh in the similar period of 2024. Electricity generated from geothermal, wind and solar declined during the period under review. Electricity generated from geothermal sources decreased by 7.8% to stand at 1,410.4 million KWh in the review period compared to 1,529.6 KWh in a similar quarter of 2023. Wind power generation declined by 8.2% to 483.4 KWh while solar power generation contracted by 13.4% to 102.2 KWh in the third quarter of 2024.

The following tables set out installed capacity and generation of electricity by producers for the periods indicated.

Installed Capacity MW(1)

Year	Hydro	Thermal Oil	Geo thermal	Wind	Co-generation	Solar	Ethiopia HVDC	Total
2019	826.2	749.3	828.4	336.1	28.0	51.0	-	**2,818.9**
2020	834.0	749.1	863.1	336.1	2.0	52.5	-	**2,836.7**
2021	838.1	677.8	863.1	436.1	2.0	172.5	-	**2,989.6**
2022	838.9	681.9	950.0	436.1	2.0	212.5	200.0	**3,321.3**
2023	839.3	613.8	940.0	436.1	2.0	212.5	200.0	**3,112.7**

(1) 1 megawatt = million watts = 1,000 kilowatts.
Source: Kenya Power & Lighting Company Ltd./Kenya Electricity Generation Company Ltd.

Generation GWh(1)(2)

	Thermal oil									
	Hydro	KenGen	IPPs and Off-Grid	Total	Geo thermal	Co-generation	Wind	Solar	Imports	Total
2019	3,205.3	668.9	644.3	1,313.3	5,234.7	0.3	1,562.7	92.3	212.0	**11,620.7**
2020	4,232.7	120.6	633.9	754.5	5,059.8	0.2	1,331.4	88.4	136.7	**11,603.6**
2021	3,675.0	434.3	760.0	1,262.0	5,037.0	0.5	1,984.8	167.4	288.0	**12,414.7**
2022	3,039.9	494.9	1,090.0	1,584.9	5,517.5	0.3	2,143.0	383.7	316.0	**12,985.4**
2023	2,666.7	353.5	952.2	1,305.7	6,032.1	0.2	2,008.1	491.5	919.3	**13,423.6**

IPP: Independent Power Producers
EPP: Emergency Power Producers
(1) Includes generation for industrial establishment with generation capacity of over 100KVA plus emergency supply of 99 MW by contract.
(2) 1 gigawatt hour = 1,000,000 kilowatt hours.
Source: Kenya Power & Lighting Company Ltd./Kenya Electricity Generation Company Ltd.

Electricity installed capacity decreased from 3,321.3 MW in 2022 to 3,112.7 while solar capacity remained unchanged at 212.5 MW. Hydroelectric power capacity increased slightly by 0.4 MW to 839.3 MW in 2023, while thermal oil electricity installed capacity decreased from 681.8 MW in 2022 to 613.8 MW in 2023.

Total effective capacity of electricity decreased by 1.7% to 3,112.7 MW during the review period. In 2023, the effective solar capacity remained constant at 212.2 MW. On the other hand, thermal oil electricity effective capacity decreased by 9.1% to 586.6 MW in 2023. In addition, geothermal effective capacity increased by 5.0 MW to 876.1 MW in 2023, while that of cogeneration remained constant at 2.0 MW in the review period.

Total electricity generation increased by 3.4% to 13,423.6 GWh in 2023. In the review period, wind electricity generation decreased by 134.9 GWh to 2,008.1 GWh. The amount of geothermal electricity generated rose by 9.3% to 6,032.1 GWh in 2023. However, hydroelectric power generation declined by 12.3% to 2,666.7 GWh. Imports of electricity almost tripled to 919.3 GWh in 2023 on account of full operationalisation of the High Volante Direct Current (HVDC) Power plant in Ethiopia.

Total domestic demand for electricity increased by 3.1% to 10,320.6 GWh in 2023. During the review period, demand for electricity increased in all categories except domestic and small commercial and rural electrification which declined by 0.9% to 4,252.4 GWh and 0.7% to 659.3 GWh, respectively. Local electricity generation decreased by 1.3% to 12,504.3 GWh in 2023, while imports of electricity increased by 190.9% to 919.3 GWh, in the same period.

The country stock of transmission lines as at 31st December, 2023 was 9,246 cKm (circuit length kilometers) with voltages of 132kV, 220kV, 400kV and 500kV HVDC to the Ethiopian border. In addition, there were 305,958 cKm of transmission and distribution lines of between 400/230v and 66kv in the same period. In 2023, 400/220/132kV Turkwel – Ortum – Kitale 220kV transmission line was completed with a circuit length of 68km. In addition, the Turkwel – Ortum – Kitale 220kV sub-station was completed in the review period. The country has ambitious plans to increase transmission lines further by 669 km of circuit length in 2024. The following table sets out demand and supply of electricity for the periods indicated.

	Year ended 31 December				
	2019	**2020**	**2021**	**2022**	**2023**
			(MW)		
Demand					
Domestic and Small Commercial	3,780.1	3,829.1	4,088.6	4,291.5	4,252.4
Large Medium (Commercial and Industrial)	4,441.0	4,281.0	4,728.4	4,958.2	5,299.8
Off-peak	-3	-3	-3	-3	-3
Street Lighting	63.9	74.5	99.6	94.2	109.1
Rural Electrification	569.0	611.9	648.8	664.5	659.3
Total Domestic Demand	**8,854.0**	**8,796.4**	**9,565.4**	**10,008.4**	**10,320.6**
Exports to Uganda and Tanzania	16.2	16.5	18.2	21.3	33.8
Transmission and Distribution losses(1)	2,750.5	2,790.7	2,831.0	2,955.7	3,069.2
Total Demand = Total Supply(2)	**11,620.7**	**11,603.6**	**12,414.7**	**12,985.4**	**13,423.6**
less imports from Uganda and Ethiopia	212.0	136.7	288.0	316.0	919.3
Net generation	**11,408.6**	**11,466.9**	**12,126.7**	**12,669.4**	**12,504.3**

(1) Voltage losses in power transmission lines.
(2) Total supply equals total generation.
(3) Data for off-peak is not available as at the date of this Offering Circular
Source: Kenya National Bureau of Statistics

Information and Communication

The information and communications sector comprises telecommunications, publishing, broadcasting and other IT and information activities.

Real GDP in the information and communications sector grew by 7.0% to KES 257,959 million in 2019, grew by 6.0% to KES 273,440 million in 2020, grew by 6.1% to KES 290,224 million in 2021, grew by 9.9% to KES 316,437 million in 2022, and grew by 9.3% to KES 345,722 in 2023. The information and communications sector accounted for 2.5%, 2.6%, 2.4%, 2.4% and 2.3% of nominal GDP in 2018, 2019, 2020, 2021, 2022, and 2023 respectively.

The following table sets out information regarding landline and portable phone connections, international call traffic and mobile connections as at the dates indicated.

	As at 31 December				
	2019	**2020**	**2021**	**2022**	**2023**
			(millions)		
Fixed line and Portable Phone Telephony......					
Fixed line Capacity..	120	121	121	121	121
Fixed line and Portable Phone Connection					
Wireline Connections..	20,588	16,003	13,626	10,676	9,027
Wireless Connections..	1,012	1,066	1,174	1,287	1,457
Total Connections..	**21,600**	**17,069**	**14,800**	**11,963**	**10,484**
International Outgoing Traffic (Minutes)[(1)].............	14,921	10,496	5,358	6,232	4,413
International Incoming Traffic (Minutes)[(1)]............	24,585	19,328	16,098	12,676	15,977
Mobile Telephony..					
Mobile Telephone Capacity	88,700	96,700	96,030	98,072	98,072
Mobile Telephone Connections.........................	54,556	61,409	65,085	65,737	66,745
Mobile Money Transfer Service Subscribers	28,976	32,460	35,209	38,646	38,003

(1) Landlines.

Source: *Communications Commission of Kenya and Kenya National Bureau of Statistics*

Information and Communication Technologies ("**ICT**") in Kenya have continually evolved to meet the increasing demand for connectivity, engaging social platforms, dynamic e-commerce, flexible remote work solutions, accessible online education and meetings, and seamless financial services. The growing reliance on digital technologies and the internet has led service providers to focus on expanding network infrastructure, transitioning from voice to data services and launching of rural tower expansion, fifth Generation (5G) networks and expansion of fibre rollouts. The government's commitment to improving digital connectivity was demonstrated by the launching of the Digital Masterplan 2022-2032 in 2022 to support the growth of the digital economy.

In 2023, ICT output value saw a 5.8% growth, from KES 608.1 billion in 2022 to KES 640.2 billion in 2023. Intermediate consumption increased from KES 289.1 billion in 2022 to KES 306.1 billion in 2023 while ICT value added increased by 5.8% from KES 315.7 billion in 2022 to KES 334.1 billion in 2023. Mobile subscriptions rose to 66.7 million in 2023 from 65.7 million in 2022. The fixed broadband exhibited growth in 2022, with total subscriptions rising by 22.5% to 1,026,937. A key driver of this growth was the 33.18% increase in Fibre to the Home (FttH) subscriptions to 754,983 in 2023, accounting for 73.5% of total fixed broadband subscriptions. The expansion reflects the country's commitment to enhancing digital connectivity and infrastructure. In the Network Readiness Index 2024, which measures a country's ability to exploit opportunities offered by ICT, Kenya ranked 73rd out of 133 economies included (*Source*: Kenya Performance Overview, Network Readiness Index).

Wireless internet subscriptions increased from 48.8 million in 2022 to 52.3 million in 2023, with terrestrial wireless data recording a growth of 42%. The 4G transceivers increased by 62.2% from 57,489 in 2022 to 93,240 in 2023 indicating a rising demand for faster internet connectivity. In the period under review, the number of Fifth Generation transceivers rose from 102 in 2022 to 2,796 in 2023, signifying continuous growth in high-speed connectivity.

Fixed telephony capacity has remained constant for the last three years, whereas fixed connections have consistently declined culminating in a 12.4% reduction to 10,500 in 2023. This trend is mainly attributed to the continuous adoption of mobile technology, as many people continue abandoning fixed telephony in preference of mobile services. The number of fixed Voice over Internet Protocol (VoIP) subscribers grew by 12.1% to 57,400 in 2023 from 51,144 in 2022. The growth was mainly attributed to a reduction in costs associated with VoIP services, particularly for international calls.

The capacity of mobile telephony remained the same % from 98.1 million Erlangs in 2022. The International Mobile Telecommunications (IMT) spectrum expanded from 560 Megahertz (MHz) in 2021 to 1,121 MHz in 2023, out of which operators utilised 1,121 MHz in 2023, compared to the 740 MHz used in 2022. Mobile subscriptions slightly increased to 66.7 million in 2023, from 65.7 million in 2022.

The number of mobile money transfer agents and transactions recorded steady growth over the past five years. In 2023, the number of mobile money subscribers decreased by 1.7% from 38.6 million in 2022 to 38.0 million in 2023. Despite the reduction in subscribers, the total amount of mobile money transferred between the subscribers increased by 19.6% to KES 5.5 trillion in 2023. The value of mobile commerce transactions grew by 1.97% from KES 20.3 trillion in 2022 to KES 20.7 trillion in 2023.

The CBK regulates all mobile phone-based banking products offered by banks, pursuant to the National Payment System Act 2011 (Cap. 493E) and the National Payment System Regulations 2014, to ensure that effective, transparent and adequate governance arrangements and anti-money laundering protections are in place.

The Government recognises ICT as a foundation for economic development and as a means of reducing the cost of doing business, creating job opportunities and enhancing efficiency in service delivery. In light of this, over the last four years, the Government has implemented a number of initiatives to enhance the use of ICT including the expansion of National Optic Fibre Backbone ("**NOFBI**") infrastructure, which was expected to enable internet connectivity across 30 out of 42 counties in order to facilitate internet connectivity, recruiting and training ICT graduates under the Presidential Digital Talent Programme aimed at improving ICT skills amongst the youths to enhance their employability. Furthermore, the Government utilises the Integrated Financial Management Information System ("**IFMIS**"), an automated system used for public financial management that enhances budget planning, procurement process, financial data recording, tracking and information management. The Government has also introduced the 2019 and 2020 Digital Economy Blueprints that seek to ensure every citizen, enterprise, and organization has digital access and the capacity to participate in the digital economy. As at the date of this Offering Circular, approximately 96% of the population is covered by 4G.

Going forward, the Government aims to build on the progress made so far to improve ICT infrastructure and increase ICT skills and innovation in order to drive the attainment of The Big Four Agenda. The strategy has focus on expanding ICT infrastructure connectivity by further roll out of NOFBI, connecting all state departments to a unified Government communications system and digitising Government records, managing and improving cyber security and increasing youth ICT training and facilitating their absorption to the job market.

The Data Protection Act, No. 24 of 2019 was assented to on 8 November 2019 and came into force on 25 November 2019. In November 2020, the first Data Commissioner was appointed and mandated with the administration and enforcement of the Data Protection Act. The Data Protection (General) Regulations, 2021, the Data Protection (Complaints, Handling and Enforcement Procedures) Regulations, 2021 and the Data Protection (Registration of Data Controllers and Data Processors) Regulations 2021 were gazetted on 14 January 2022. The National Information Communications and Technology (ICT) Policy Guidelines 2020 was gazetted on 7 August 2020 (the "**ICT Policy**"). In March 2021, the Ministry of Information Communication and Technology published amendments to the ICT Policy which amended the equity participation requirement amongst others. The Government is also establishing an integrated identity management system with biometric records of all citizens and foreigners, National Integrated Identity Management System ("**NIIMS**"). In the first two weeks of the project, 10.2 million Kenyans were registered and had their biometrics taken. In total, the NIIMS project will entail registering over 40 million Kenyans.

One of the major projects commenced under the second MTP is the development of the Konza Technology City that aims to position Kenya as the ICT hub of Africa. The Government expects to develop the project in phases and the first phase includes construction of a BPO park, a science park, residential buildings, a data centre and part of the central business district. The first phase of implementation of Konza Technology City is underway with development of basic infrastructure including water supply, installation of electricity to the site and ongoing construction of two sub-stations to guarantee adequate and stable power. The project is projected to generate approximately 17,000 jobs and provide homes for approximately 30,000 residents. The Government estimates the development of on-site infrastructure and sales pavilion, including roads, power, sewerage and railway to cost approximately US$760 million over five years, of which it expects 10% to be funded by the national budget and the balance, through public-private partnerships.

In 2024, Kenya has made significant strides in strengthening its ICT sector, positioning itself as a key player in Africa's digital transformation. The government, through the ICT Authority, has unveiled an ambitious strategic plan for 2024-2027, with an estimated budget of KES 304.37 billion (approximately U.S.$2.35 billion). This plan focuses on expanding broadband infrastructure, improving cybersecurity, enhancing digital literacy, and implementing e-government services to make public services more accessible to citizens.

To reinforce regulatory oversight in the ICT sector, the government introduced the ICT Authority Bill 2024 in May. This legislation seeks to formalize ICT operations by requiring service providers to obtain operational licenses, ensuring higher standards of service delivery, security, and efficiency.

Infrastructure development has also been a key priority, with the government launching a nationwide initiative to construct 1,450 ICT hubs across all wards in the country. These hubs are designed to provide digital literacy training, support creative industries such as film production, and facilitate public access to government services, thereby promoting grassroots digital inclusion.

In a bid to attract global talent and boost the local economy, Kenya has introduced a digital nomad visa, allowing remote workers to live and work in the country while enjoying its diverse cultural and natural attractions. This initiative aligns with Kenya's broader vision of integrating itself into the global digital economy.

Kenya has also strengthened its position as a regional technology hub through international collaborations. In May 2024, the country secured U.S.$250 million in funding from the U.S. International Development Finance Corporation to enhance digital connectivity and support its growing e-mobility sector. Furthermore, partnerships with global technology firms continue to drive innovation and infrastructure development in the country.

Under the MTP IV, Kenya continues to prioritise technology and innovation commercialisation as a cornerstone for economic growth. The government has laid out a clear roadmap to foster a robust innovation ecosystem that can harness the potential of modern science and technology to drive social and economic development.

A key initiative is the development of Science and Technology Innovation Parks at Dedan Kimathi University of Technology and Konza Technopolis. These innovation hubs are designed to provide the necessary infrastructure, resources, and support to facilitate research and development, foster collaboration between academia and industry, and promote the commercialisation of innovations. The parks will serve as incubators for start-ups and small-to-medium enterprises, allowing them to access critical technology, funding, and market networks to scale their solutions.

In addition, the government is establishing a National Centre for Innovation Technology Transfer and Commercialization. This center will play a pivotal role in facilitating the transfer of new technologies from research institutions and universities to the market. It will bridge the gap between scientific research and its practical application, ensuring that innovations can be effectively commercialised and contribute to the country's industrialisation goals.

By focusing on these initiatives, the government aims to strengthen Kenya's position as a regional leader in technology and innovation, enhance its global competitiveness, and create new employment opportunities in the tech sector. The development of these projects under the Fourth Medium Term Plan aligns with the broader vision of transforming Kenya into a knowledge-based economy that fosters innovation-driven growth.

Tourism

Tourism is an important contributor to the economy, accounting for over 10% of the GDP in 2023. The sector is estimated to employ an average of 5.5% of the labour force in the formal sector. In 2023, tourism accounted for 1 in 13 jobs across Kenya representing 7.7% of the labour work force.

The following table sets out annual departing tourists by country of residence for the periods indicated.

	Year ended 31 December				
	2019	2020	2021	2022	2023
			(thousands)		
Country of Residence					
Germany	61.8	8.4	19.2	32.1	52.1
United Kingdom	155.8	18.8	38.5	84.0	114.6
Switzerland	12.0	1.8	4.8	5.8	8.9
Italy	43.3	6.4	8.2	18.4	43.4
France	46.0	5.9	13.8	21.8	33.2
Scandinavia	47.8	7.8	15.2	18.0	30.6
Other Europe	152.0	15.5	51.2	68.4	104.2
Total Europe	**518.6**	**64.5**	**150.9**	**248.6**	**386.9**
United States	209.2	24.5	98.5	132.5	180.3
Canada	35.1	4.5	9.8	15.7	27.1
Total North America	**244.3**	**29.0**	**108.3**	**147.8**	**207.4**
Uganda	129.5	16.6	49.0	77.0	111.8
Tanzania	129.6	14.5	46.6	31.4	89.0
Burundi	22.3	2.9	8.5	0.6	15.0
Rwanda	32.5	5.7	18.3	27.3	31.7
South Sudan	19.1	3.4	12.7	34.8	24.1
Other Africa	255.0	31.0	113.9	142.5	477.1
Total Africa	**587.9**	**74.2**	**249.1**	**313.6**	**477.1**
India	102.6	10.1	32.0	52.4	79.9
Japan	11.7	1.3	1.5	3.0	0.8
Israel	4.4	0.5	1.9	2.6	3.7
Other Asia	125.3	13.2	56.1	39.3	84.3
Total Asia	**244.1**	**25.2**	**91.4**	**97.2**	**168.6**
Australia and New Zealand	27.7	2.6	2.7	8.2	17.4
All other countries	20.3	1.8	5.2	62.5	31.1
Total	**1,642.9**	**197.2**	**607.5**	**877.9**	**1,288.5**

Source: Kenya National Bureau of Statistics.

The tourism sector contributes to the hospitality and restaurant activities, wholesale and retail trade and transport and storage sectors. Real GDP in the hospitality and restaurant sector increased by 14.3% to KES 101,584 million in 2019, contracted by 47.7% to KES 53,114 million in 2020, grew by 52.6% to KES 81,037 million in 2021, grew by 26.2% to KES 102,286 million in 2022 and increased by 33.5% to KES 137,204 million in 2023. The hospitality and restaurant sector accounted for 1.2%, 0.7%, 1.1%, 1.1% and 1.3% of nominal GDP in 2019, 2020, 2021, 2022, and 2023, respectively.

The sector recorded an improved performance in 2023 driven by an increase in international visitors. The increase was mainly on account of continued relaxation of Covid-19 Pandemic-related travel restrictions in 2022. The number of international visitor arrivals increased by 35.4% to 2,086,600 in 2023 surpassing the 2019 levels reaching a recovery rate of 102.5%. The improvement was mainly attributed to growth in the aviation sector and the hosting of prominent conferences in the country. In 2024, Kenya experienced a notable increase in international tourist arrivals, welcoming 2,394,376 visitors compared to 2,089,259 in 2023. This represents a growth of 14.6%. The inbound tourism earnings increased to KES 452.20 billion in the year 2024 compared to KES 377.49 billion in 2023 translating to a growth of 19.79%. In 2023, there was an increase in international tourist arrivals by 34.0 per cent according to United Nations World Tourism Organization (UNWTO) Barometer compared to 2022, representing a resilient post COVID-19 recovery. During the year under review, hotel bed-nights occupancy rose by 23.2% to 8,632.8 thousand from 7009.08 thousand in 2022, of which 53.5% were occupied by Kenyan residents, pointing to a growing domestic tourism. Visitors to national parks and game reserves increased by 43.0% to 3,637.3 thousand in 2023. The number of visitors to select museums, snake parks and historical sites grew by 27.9% to 1,078.8 thousand in 2023. The number of international conferences increased by 9% to 977 while that of local conferences grew by 11.0% to 10,725 in 2023. This was partly attributed to high profile international conferences and meetings such as the Africa Climate Summit 2023 and EU-Kenya Business Forum leading to Nairobi City being honoured as the top city in the world in the "*Best in Travel 2024*" by United-States based travel agency, Lonely Plant.

The Government has taken various measures to mitigate the effects of terrorism and national security threats and promote tourism in Kenya. These include the promotion of local tourism, exemption of value added taxes to all travel agents, scrapping landing charges in Mombasa and Malindi as the main tourist destinations and providing budgetary reallocations to promote domestic tourism. In the recent past, terrorist activities and violent extremism have continued to have a negative impact upon the tourism sector. Travel advisories, including travel bans to Kenya from the main sources of tourists such as the United States and Europe, have significantly affected tourist arrivals and tourism earnings in Kenya. However, the Government has undertaken recent security measures, investments and public campaigns to counter terrorism and criminal activities. See "*Risk Factors—Risks Relating to the Republic of Kenya—Kenya continues to be challenged by internal security issues as well as unfavourable media coverage which has had and may continue to have a negative impact on the economy, including the tourism industry.*"

The Government has developed the "New Vision for Kenya Tourism" to accelerate recovery of the tourism industry in Kenya, with plans around brand positioning Kenya as an upmarket destination and increasing investment into parks, reserves and coastal beaches. Tourism is projected to contribute US$12.38 billion to the country's GDP by 2027.

Oil and Gas

Between 2012 and 2014, several oil and gas discoveries were made by oil corporations in Kenya, including at the Sunbird 1, Sala 1 and Mbawa 1 exploration wells. On 15 January 2014, Tullow Oil plc announced oil discoveries at the Amosing-1 and Ewoi-1 exploration wells in Block 10BB onshore northern Kenya. As a result of these discoveries and prior discoveries at Ekales-1 and Agete-1, Tullow Oil plc updated its estimate of discovered resources in this basin to over 600 million barrels of oil.

By 2024, over 94 oil exploration wells were drilled and 17 new exploration blocks were created. An estimate of over 4 billion barrels of crude oil reserves have been encountered in the Lokichar sub-basin by Tullow Plc and its partners, with recovery oil estimated to be 750 million barrels. The Early Oil Pilot Scheme at Ngamia and Amosi fields, commissioned in June 2018, continued to register improved production with daily transportation increasing from 600 bbl./day to 2,000bbl./day. The initial 200,000bbl capacity of crude oil was achieved and the first consignment flagged off by the President on 26 August 2019. The transported crude oil is stored at the Kenya Petroleum Refineries Storage tanks prior to export.

Seeking prospects, exploring for and developing oil reserves involves a high degree of operational and financial risk. The actual costs of seeking prospects, drilling, completing and operating wells may exceed Tullow Oil plc's budgeted costs and can increase significantly when drilling costs rise due to a tightening in the supply of various types of oil field equipment and related services. Prospects may be unsuccessful for many reasons, including geological conditions, weather, cost overruns, equipment shortages and mechanical difficulties. Exploratory wells bear a much greater risk of loss than development wells. Moreover, the successful drilling of an oil well does not necessarily result in a profit on investment. A variety of factors, both geological and market-related, can cause a well to become uneconomic or only marginally economic. Initial costs associated with identifying prospects and drilling wells require significant additional exploration and development, regulatory approval and commitments of resources prior to commercial development.

Kenya stopped its licensing of new open blocks of petroleum exploration to allow time for the ongoing review of the legal and regulatory framework of oil and gas operations in the country. The Government plans to propose a different licensing process under new energy legislation that would be more competitive and use bidding rounds instead of a first-come, first-serve approach under the current framework. In order to facilitate development of the oil and gas sector, the Petroleum Act 2019 was enacted into law on 12 March 2019. In addition, the Mining Act 2016 has replaced the old mining legislation and is aligned with the provisions of the Constitution and with the industry international best practices. To complement private investment exploration and in a bid to de-risk investments in mining, the government mooted and implemented a National Airborne Geophysical Survey (NAGS) between January 2019 and June 2022. The objective of the exercise was to collect geophysical magnetics and radiometric datasets all over Kenya and its exclusive economic zone. The collected datasets aided in mapping the mineralized ore environment followed by identifying the mineralized zones. Following completion of the survey, the sector has recorded increased attention from investors across the globe with over 400 applications for various mineral rights. The government is committed to the promotion of the mining sector as a new frontier of economic growth and revenue diversification. In this regard, the government is committed to promoting and provide the necessary incentives to enhance exploration and in-country mineral value addition. The government is also investing in strengthening mining sector institutions such as the Geological Survey and the Directorate of Mines as well as the National Mining Corporation to position them to better respond to emerging issues in mining. In December 2024, Base Titanium, the largest mineral exporter in

Kenya concluded its operations. The decision was attributable to the exhaustion of commercially viable mineral deposits in the specific mining areas.

Global oil prices fell in the first quarter of 2020 and global demand fell due to the Covid-19 Pandemic. Kenya benefited from the sharp drop in international oil prices in 2020 due to reduced global demand attributed to the Covid-19 Pandemic. In terms of value, Kenya's imports of petroleum products reduced from KES 316.6 billion in 2019 to KES 209.1 billion in 2020, KES 348.3 billion in 2021 further, to KES 628.3 billion in 2022 and to KES 626.3 billion in 2023. The increase in 2022 was principally a result of the sharp increase of oil prices following the outbreak of the Russia and Ukraine conflict.

Renewable energy

Electricity in Kenya is mainly generated from renewable sources. As at June 2024, 41.7% of electricity generated in Kenya is from geothermal sources, 24.7% from hydro, 13.1% from wind, 3.5% from solar and 8.2% from thermal power plants. Electricity demand is forecasted to grow to 8,920 MW by 2041. There are planned expansions of Kenya's generation capacity to meet this demand. The Government plans for renewable energy to account for about 94% of the energy dispatched in the country.

As at June 2024, geothermal energy accounts for the largest portion of Kenya's installed capacity at 26.37% with hydro and thermal power following at 24.38% and 17.78% respectively. Solar photovoltaic systems and wind generation contribute 12.38% and 12.19% to the total installed capacity.

Due to the expiration of the Power Purchase Agreement for the Kipevu 1 power plant, Kenya's interconnected capacity decreased by 73.5 MW, bringing the total to 3,199.9 MW. However, the Sossian geothermal power plant began full commercial operations in October 2023 strengthening power supply and improving reliability in the Central Rift region. Captive power capacity as at June 2024 was 532.6 MW, making up 14.88% of the country's installed capacity. Captive power generation remains attractive to commercial and industrial consumers due to its cost-effectiveness, ease of setup, and supportive government policies. Captive solar PV and bioenergy capacities increased to 229.2 MW and 161.8 MW, respectively

In 2018, the Government adopted the Energy Policy 2018, which sets out the Government's role in promoting the use of renewable energy in Kenya, such as:

- *investments*: designing incentive packages to promote the utilisation and exploitation of emerging renewable energy technologies, supporting public private partnership arrangements to accelerate investment in cogeneration developments;
- *geothermal energy*: supporting for geothermal energy development by managing geothermal exploration risk, attracting investors, streamlining the licensing and allocation process of geothermal blocks;
- *hydroelectricity*: financing conservation of hydro power water catchment areas, incentivising public private partnerships into small hydro developments;
- *frameworks*: providing a framework for connecting solar and wind generated electricity to national and isolated grids through direct sale or net metering;
- *policy*: developing and implementing a plan for renewable energy, partner with relevant institutions to support green energy certification schemes, develop and regularly review model power purchase agreements; formulate and implement an information dissemination strategy to investors on matters such as licensing, taxation and Feed-In-Tariff policy;
- *wind*: providing incentives for wind energy development, investment in transmission lines to facilitate transmission of power from areas with high wind generation potential to major load centres;
- *waste*: providing incentives for conversion of municipal waste into energy; and
- *Feed-In-Tariff Policy* ("***FiT Policy***"): encouraging the private sector to develop sites to generate electricity for their own consumption and for export of any surplus to the national grid.

The FiT Policy was adopted to help Kenya meet its targets to reduce reliance on fossil fuels. The FiT Policy promotes the generation of electricity from renewable energy sources by enabling power producers to sell electricity generated at a pre-determined tariff for a given period. Tariffs are available for energy generated from wind power, biomass, small-hydro, solar, biogas and resources. The tariff is calculated based on the following factors:

- Investment costs for the plant (including the costs of feasibility studies, site development, construction costs etc.).
- Operation and maintenance costs.
- Fuel costs (where applicable).
- Financing costs.
- Estimated lifetime of the power plant.
- Amount of electricity to be generated.

Under the FiT Policy, the Off-taker (defined as Buyer of electrical energy for the purpose of selling the electricity to customers connected to the national grid or off-grid (mini-grid) systems) guarantees priority purchase, transmission and distribution of all electricity supplied by small renewable energy projects (capacity up to 10 MW). The purchase, transmission and distribution of electricity supplied by large renewable energy projects (capacity exceeding 10 MW) is subject to the terms of the negotiated power purchase agreements (PPA) between the sellers and the Off-taker. Off-takers shall recover from electricity consumers 70% of the portion of the Feed-In-Tariff except for solar plants connected to off-grid systems, where the Off-taker shall recover 85%, or as may be directed by the national Energy Regulatory Commission at the time of approval of the PPA or review thereafter. The pass through costs shall enable the Off-taker to remain revenue neutral after contracting a Feed-in-Tariff power plant.

In 2021, the Government restructured the FiT Policy so that small renewable energy sources are now classed as capacities not exceeding 20 MW. Cumulative contracted capacity contribution by FIT projects of up to 20 MW shall not exceed 10% of System wide generation capacity. PPAs will be energy based and there will be no capacity payment. Deemed Generated Energy payments shall be paid if the grid availability falls below the guaranteed levels as specified under the PPA at a rate equivalent to 75% of the applicable tariff values. All projects approved for implementation shall not require any form of security or guarantee from the Government. Through the FiT Policy, there are a total of 299 projects in various stages of development, with a total capacity of 5,044 MW.

As part of changes to the FiT Policy, the Government also plans to set up a Renewable Energy Auction Policy, an energy auction system for all the solar and wind energy capabilities and for other renewable energy projects larger than 20MW. The renewable energy auction policy proposes to transition all solar and wind projects that do not have a PPA to the energy auction in order to have a competitive tariff. Successful bidders will sign PPAs with the Off-taker. The aim is to promote competitive bidding and lead to cost effective renewable energy programmes in Kenya. The Ministry of Energy will appoint a Renewable Energy Auction Committee to be responsible for the implementation of the Renewable Energy Auction Policy. The transition is part of the recommendations listed in the Updated LCPDP for the study period 2017-2037.

LCPDPs

Energy generation and transmission system planning is based on medium term and 20-year long-term rolling LCPDPs. The LCPDP 2022 –2041 estimates that energy demand will increase from 12,416 GWh in 2021 to 34,321 GWh in 2041 with the corresponding peak demand estimated to increase from 1,972MW in 2020 to 5,526MW in 2040. Under the plan, energy demand will be supplied by energy generated from geothermal, hydro, solar and wind by private and public development. See "*The Republic of Kenya—Energy*" for further information.

The renewable energy sector is subject to various risks that may affect, among other things, power generation and transmission continuity. See "*Risk Factors—Risks Relating to the Republic of Kenya—Failure to* *significantly improve Kenya's infrastructure could adversely affect Kenya's economy, competitive ranking and growth prospects, including its ability to meet GDP growth targets.*" for further information.

Role of the State in the Economy; Privatisation

General

State corporations comprise both commercial and non-commercial entities. Amongst commercial state corporations are corporations that have a "public goods" mandate, such as the Kenya Broadcasting Corporation and Kenya Ferry Services Limited, for which the Government is required to meet full cost using budgetary resources approved by the National Assembly. Non-commercial state corporations are specialised agencies that act as implementing agencies of the Government that deliver public projects and programmes, including Vision 2030 flagship projects. Commercial state corporations do not, in general, depend on Central Government funds to meet their operations, except in cases where: (i) the corporation is required to carry out social (non-commercial) programmes/activities on behalf of the Government or (ii) the corporation is unable to sustain itself on account of persistent poor performance. Some commercial state corporations are key implementing agencies for purposes of major governmental infrastructure projects and therefore receive Central Government budgetary resources for these projects. The Government from time to time also provides guarantees on their behalf for purposes of raising funds to finance projects of national importance.

The state-owned companies that have undergone partial privatization include the Kenya Electricity Generating Company, Kenya Power and Lighting Company, Kenya Reinsurance Corporation and East African Portland Cement Company. The specific state-owned companies to be privatised in the medium to long term will be determined based on the recommendations of the Privatization Commission in accordance with the Privatization Act 2023. State corporations such as Kenya Ports Authority, Kenya Railways Corporation and Kenya Airports Authority have been established under specific Acts of Parliament to carry out specific mandates on commercial principles. For such strategic state-owned entities, the immediate (ongoing) strategy is to strengthen the corporate governance practices and both financial and non-financial performance of the entities.

To meet their recurrent and development budgetary requirements, non-commercial state corporations rely on internally generated revenue and/or Central Government funding. In any given year, however, these corporations post surpluses or deficits. The corporations either retain these surpluses or remit whole, or part of it, to the Central Government. According to the State Corporations Act and the PFMA, state corporations may contract commercial debts on the strength of their balance sheets with the approval of the Cabinet Secretaries of the relevant line ministry and with the approval of the National Treasury. In accordance with the PFMA, the Government may provide guarantees to borrow provided that the proceeds of the loan are utilised for capital expenditure, the guarantee is approved by the National Assembly and the loan is accommodated within the approved national debt ceiling.

In September 2024, the High Court declared the Privatization Act 2023 unconstitutional due to insufficient public participation, disrupting President William Ruto's privatization plans and the sale of 11 state-owned entities. The ruling emphasized the need for genuine public engagement in legislative processes, echoing past legal precedents. The court's decision blocked the planned sale of companies such as the National Oil Corporation of Kenya.

In January 2025, the Government approved a series of recommendations aimed at reforming state corporations in line with its commitment to streamline government operations. The directive would result in the merger of 42 state-owned entities, reducing their number to 20.

The following table sets out information regarding the mandate and summary financial information of major commercial state-owned entities.

		As at and for the year ended 30 June 2024[(1)]		
Name	Mandate	Assets	Liabilities	Profits/ (Losses)
			(in KES millions)	
Kenya Electricity Generating Company	Power generation and sale of electricity	491,292	213,131	278,161

Name	Mandate	As at and for the year ended 30 June 2024[1]		
		Assets	Liabilities	Profits/ (Losses)
			(in KES millions)	
Kenya Pipeline Company	To provide efficient, reliable, safe and cost- effective means of transporting petroleum products from Mombasa to the hinterland and to market, process, treat, deal in petroleum products and other products and goods.	120,630	31,546	89,083
Geothermal Development Company	To fast-track development of geothermal resource, which is indigenous, abundant, affordable, reliable, and environmentally- friendly source of electricity.	117,708	116,635.1	1,073.3
National Housing Corporation	To play a principal role in the implementation of the government's Housing Policies and Programmes and provision of affordable housing.	22,572.1	1,773.0	20,799.1
Kenya Airports Authority	To construct, operate and maintain aerodromes and other related facilities.	1,056,584.5	28,235.4	1,028,349.1
Kenya Ports Authority	To maintain, operate, improve and regulate all scheduled seaports situated along Kenya's coastline.	350,890.7	129,374.1	221,516.7
Kenya Railways Corporation	Provide effective railway services and promote, facilitate and participate in railway networks developments	788,484.5	904,065.4	(115,580.8)

(1) For the Consolidated Bank of Kenya and Kenya Reinsurance Corporation Limited, figures are as at and for the year ended 31 December 2023. For the National Housing Corporation, figures are as at and for the year ended 30 June 2024.

Source: *Department of Government Investments & Public Enterprises.*

Recent Developments in relation to Certain State-Owned Enterprises

Unbundling of Kenya Railways Corporation

In January 2024, the Railways Amendment Bill 2024 was approved by the Cabinet. The Bill proposes to unbundle Kenya Railways into three entities to enhance efficiency of the Kenyan railway system and improve regional competitive. Kenya Railways will be unbundled into three segments that will in turn be separately responsible for: (a) the commercial business, (b) asset management, and (c) regulation. In particular, the Bill will enable private investors and county governments to lead rail development projects (as opposed to the Government), and Kenya Railways would function as a regulator in respect of such developments.

Restructuring of Kenya Power and Lighting Company

The COVID-19 Pandemic caused both supply and demand shocks across the sector and has put existing energy systems under pressure. Electricity consumption declined by about 15.4% in the first three months of the pandemic and the sector revenue shortfall continued as a result of lower sales into the first half of FY 2020/21. Kenya Power has also struggled with less-than-expected demand as a result of the slow shift to electricity usage in rural regions and a reduction in tariff by 15% which eroded gains that the business had met in terms of ensuring financial turnaround. Kenya Power also has large foreign exchange exposure with 65% of PPP projects denominated in foreign currency and 90% of its loan book denominated in foreign currency, The National Treasury chaired a Kenya Power Financial Stability Task Force to review the financial status of the Energy Sector, with particular focus on Kenya Power. The Task Force recommended a government granted moratorium for payment of principal & interest on on-lent loans which was approved for two years for KETRACO and one year for Kenya Power and KenGen. Kenya Power also requested for the extension of the moratorium for another one year which was approved and extended to June 2024. As of December 2024, Kenya Power was anticipating to capitalize on lifting of the moratorium to increase electricity sales as peak demands increase. To manage foreign exchange exposure, Kenya Power has also sought approvals for refinancing of foreign debt into KES. A key project initiated by the Government was a proposed transfer of Kenya Power transmission assets to KETRACO to strengthen its balance sheet. This was aimed to harness efficiencies with KETRACO already having a large proportion of transmission length and address foreign exchange challenges, annual debt service and improving the working capital of the business. Currently, identification of assets for transfer is on-going for the valuation process and Kenya Power expects completion by June 2025.

As the effects of the pandemic dissipate, Kenya Power has recorded positive business performance. The Company announced a KES 9.97 billion profit-after-tax for the half year ended in December 2024. This was driven by a 5% increase in sale of electricity attributed to improved network reliability, improved outage resolution timelines and connectivity to new customers. Moving into 2025, Kenya Power aims to increase efficiencies in power supply and diversify its revenue streams. The Company is advancing the transformer metering project to improve energy balance and system efficiency. Kenya Power has also commenced the Government Digital Superhighway Project which involves rolling out the last mile fibre optic cable connectivity to approximately 6000 government institutions nationwide. It plans to economic productivity in the Eastern Africa region by launching and promoting a Regional Power Market. The rationale is to integrate shared physical infrastructure with mechanisms for trading low-cost energy including renewable energy sources. This moves aims to establish Kenya Power as a regional power supply and distribution giant which will positively contribute to its balance sheets.

Kenya Airways

As of November 2023, the Government had not provided any new direct budget support to Kenya Airways in the preceding year. Kenya Airways reported operational profits in the first six months of 2023, but incurred losses due to exchange rate depreciation. In 2024, Kenya Airways has demonstrated a strong performance turnaround, marking its first profit since 2013, a significant milestone driven by its Project Kifaru strategy. This plan emphasizes operational excellence, financial discipline, and an enhanced customer experience. For the first half of the year ending June 2024, the airline reported a net profit of KES513 million, a major improvement from the KES21.7 billion loss reported during the same period last year. The novation of Kenya Airways' guaranteed external debt, for which the Government took up the servicing obligations last year following a call on the guarantee, has also been completed. The authorities agree to continue with the least-cost approach to the exchequer in providing any support to the SOEs.

State-Owned Financial Institutions

The Government owns a substantial majority of the capital stock of several financial institutions such as the Development Bank of Kenya and the Consolidated Bank of Kenya, although it intends to decrease its participation in the financial system over the medium term, providing assistance only to specific sectors of the Kenyan economy.

Following an acquisition in 2019, the National Bank of Kenya ("**NBK**") is currently a wholly-owned subsidiary of KCB; the National Treasury and the National Social Security Fund ("**NSSF**") do not own shares in NBK. The Government does not expect to participate in a recapitalisation of the NBK in view of the fact that it is currently not a beneficial owner of the bank, and also in accordance with the policy of privatisation and divestiture in entities that have a purely commercial mandate. In the long term, the privatisation policy is expected to enable full divestiture of Government ownership in commercial banks.

Under the parastatal reform programme, ten parastatals were transferred to the Agriculture and Food Authority ("**AFA**"), following the enactment of the AFA Act 2013. The AFA now performs the functions of the ten parastatals, and during the transition in order to enable the transfer of the functions, assets, and liabilities of those institutions their accounts have been frozen.

The Government is currently reviewing the parastatal sector for reforms, which could include privatisation of state-owned corporations and mergers of certain state corporations. The Government is considering classifying state corporations as commercial and non-commercial, separate institutions overseeing each class of corporations. A proposal provides that the Government establish a Government investment corporation to serve as a holding company for commercial state corporations.

Major Infrastructure Projects

Kenya enjoys an extensive, transportation network that remains superior to that of its neighbours. Kenya is the transportation and logistics hub for Eastern and Central Africa, and Nairobi is the largest city between Cairo and Johannesburg. The Port of Mombasa is a major gateway for the region, serving over 200 million people in northern Tanzania, Uganda, Rwanda, Burundi, and the Democratic Republic of Congo (DRC).

In order to ensure every Kenyan enjoys the benefits of an expanded road network, the Government has been scaling up the construction of modern highways as well as urban and rural roads in every part of the country. This will continue to open up many areas to economic activities and spur growth in other sectors of the economy. Kenya has an estimated 246,757 Km of total road network. This comprises national trunk roads, which are maintained, rehabilitated, and developed by the national road agencies, and county roads which are developed and maintained by the respective county governments. In respect to key national trunk roads, the construction of the Nairobi Expressway Project, a US$3.5 billion initiative involving the construction of a 419km, 4-lane expressway in Nairobi, and Africa's largest Public-Private Partnership funded project (the Nairobi-Mau-Summit Express Way) will have significant positive impact on the economy by decongesting Nairobi's gateways on the part of the Expressway Project and by opening up the economies of and increasing connectivity in Western, Rift Valley and Central Kenya on the part of the Nairobi-Mau-Summit Project.

In recent years, Kenya has focused on the development of faster and cheaper means of transport, which it views as critical for the expansion of economic for employment and the competitiveness of the economy. It has, amongst other things, expanded and modernised the Kisumu International Airport and selected airstrips countrywide and began such process on the Jomo Kenyatta International Airport ("**JKIA**"). There has been expansion and modernisation of Mombasa Port and development of Berth No.19. The commuter rail core system has been upgraded with the completion of JKIA Commuter Rail Phase I and the construction of a railway station at Syokimau. The second phase of construction of the SGR from Mombasa to Nairobi, and construction of the SGR from Nairobi to Naivasha has been completed. the Government is continuing to construct new roads and rehabilitate and reconstruct existing roads. As of 30 June 2023, roadworks spanning 23,024 kilometers and costing an estimated KES 197.5 billion for the FY 2023/24 were under construction.

Kipevu Container Terminal

The development of the new container terminal at the port of Mombasa on an area of 100 hectares at the western side of the existing Kipevu Oil Terminal is complete and operational. It has a yard capacity of 4,135 ground slots, 1,090 and 3,045 slots for yard 20 and 21, respectively. The new terminal is composed of two berths of Panamax and Post-Panamax container vessels of 20,000 tons and 60,000 tons, respectively. The whole project is divided into three phases with phases 1 and 2 completed and handed over to the Kenya Port Authority (KPA). . The Terminal will create an additional capacity of 1.2 million TEU (or more depending on the cargo dwell times). . It involves reclamation of the sea to create a terminal with three berths measuring 15 metres, 12 metres and 11 metres deep. Phase 1 of the project was completed and handed to in March 2016. Phase 2 involved construction of berth 22 which is 320 metres long and 15 metres deep and was completed in May 2022. Phase 3 will be development of berth 23 which will be 230 metres in length, 12 metres deep and a side berth of 4.5 metres deep and 80 metres long. There will also be construction of additional stacking yards, procurement of equipment and dredging works.

Expansion of Railway Transport

The railway design and its current state of repair limits its capacity and delivery speed and cannot therefore meet future demand for rail transport in the country and the region. To facilitate trade and industrial development within the East Africa Region, the Government believes that Uganda and the Democratic Republic of the Congo need a fast and dependable means of access to the part of Mombasa that can facilitate trade and industrial development. In view of expected local and international demand for reliable transport, the Government has commenced the development of the Standard Gauge Railway ("**SGR**") between Mombasa through Nairobi to Malaba with connectivity to Kisumu, Uganda, Rwanda and the Democratic Republic of the Congo. With the construction of the SGR from Mombasa to Malaba, the Government expects rail transport to handle 50% of the freight cargo throughput, thus easing the pressure on roads, lowering the cost of doing business and enhancing trade and regional integration in East Africa.

The Government commenced construction of the new railway in three phases. Phase I, which involved the construction of a 495-km line from Mombasa to Nairobi, was completed and commissioned on 31 May 2017, Kenya Electricity Transmission Company signed a contract with China Electric Power Equipment and Technology Company for the electrification of this section of the railway. Phase II involves the construction of the Nairobi to Malaba to Kisumu line which is divided into three sub-phases as follows, phase 2A (120 km)

Nairobi to Naivasha, Phase 2B (262 km) Naivasha to Narok to Bomet to Nyamira (which includes a new Kisumu Port) and Phase 2C (107 km) Kisumu to Yala to Mumias to Malaba. Construction of phase 2A has now been completed and operationalized while feasibility studies for construction of Phase 2B (262Km) from Naivasha – Kisumu and Phase 2C from Kisumu - Malaba (107Km) were finalized and the SGR line runs from Mombasa, through Nairobi's Inland Container Depot, to Naivasha – a total distance of 592km. The commercial contract in relation to phase 2B has been signed and is awaiting funding. Phase III of the project involves the construction of the Malaba to Kampala, Uganda to Kigali, Rwanda line for which feasibility and preliminary designs are also being undertaken. The Government expects the remaining phases of the project to be completed in the medium, at a cost of approximately US$13 billion. In addition, in December 2017 President Kenyatta launched the Inland Container Terminal in Nairobi to support the SGR. The Nairobi Inland Container Depot (ICD) was modernized and expanded to a capacity of 405,000 TEUs including construction of access roads linking the ICD to Eastern bypass and Southern bypass and installation of freight handling equipment. An additional ICD was also established in Naivasha with a capacity of 4,500 TEUs. To date, the Mombasa – Nairobi SGR section totals 472 km and the expansion and modernisation of the Nairobi Inland Container Depot (NICD) was financed at a total cost of KES 350 billion by Exim Bank of China (85%) and the Government (15%). Civil works and facilities/locomotives operations have been completed and is operational transporting on average 8 million tons of freight and 500,000 passengers per annual. The Nairobi-Naivasha SGR was completed at a cost of US$ 1,482,745,029.43 and is now operational and expected serve the Naivasha Industrial Park. The Naivasha - Kisumu SGR Section, which has a length totalling 262.3 Km, and the 106 km Kisumu - Malaba SGR, is yet to start. Investment for the next section will include SGR civil works, 35 locomotives, 724 wagons and 64 passenger coaches.

The Government also upgraded the existing Meter Gauge Railway ("**MGR**") network and associated infrastructure to improve its operational efficiency, reliability and safety. This was achieved through rehabilitating sections of the mainline (Mombasa - Konza, Nairobi-Konza Longonot–Malaba and Nairobi-Kikuyu) and branch lines including: Thika–Nanyuki (177Km), Nakuru–Kisumu (217Km), Kisumu–Butere (69 Km), GilgilNyahururu (78 Km) and Leseru–Kitale (65Km) and the Nairobi Commuter Rail (NCR) network of 165 Km. An MGR rail-link of 23.5km has been constructed from Mai-Mahiu to connect with the Malaba MGR from Longonot Suswa MGR station The Longonot Suswa – Malaba MGR is also being upgraded to provide a better network to Kampala, Uganda. In addition, Nakuru-Kisumu MGR and Nairobi-Nanyuki lines have been upgraded, the Nakuru-Kisumu line will support the newly upgraded inland water route in Kisumu to provide short accessible routes to Uganda, Burundi, Tanzania and Democratic Republic of the Congo. This project is funded through Government funds. The SGR also has a new 43 Km MGR link from Suswa-Longonot to Maai Mahiu SGR to connect with the Rehabilitated Longonot-Malaba Metre Gauge Railway to provide seamless railway transport awaiting completion of the SGR to Kisumu and Malaba. Other MGR associated infrastructure recently implemented include: a) Revitalization of Kisumu Port with rehabilitation of MV Uhuru and MV Peeda; link-span rehabilitation; Rehabilitation of the 5.5km railway line from the Port to the National Cereals and Produce Board (NCPB) and Reinstatement of track line within the Port and Yard area. MV Uhuru commenced operations between Kisumu – Port Bell in Uganda in 2020; b) Establishment of Kenya Railways Transit Shed (KRTS) which is a National Deconsolidation Centre in Nairobi. The Centre is a bonded customs facility aimed at decongesting ICD Nairobi and lowering the cost of transporting cargo for SMEs within Nairobi and its environs; c) Upgrade of learning facilities at the Railway Training Institute (RTI) main campus and operationalization of the Kisumu Campus for Marine Safety and Training in which two standard, one executive hostel blocks and marine safety training facilities were constructed; and d) Establishment of a cargo handling facility at Malaba to facilitate intermodal connectivity for transit freight.

The Lamu Port-Southern Sudan Ethiopia Transport Corridor.

The LAPSSET corridor project is another major transport and infrastructure project of the Government. The LAPSSET Corridor Program is instrumental in promoting regional integration and is anticipated to enhance economic interdependence among participating countries, thereby fostering a sense of unity and cooperation. This increased integration is critical for Africa's ambition to establish a Continental Free Trade Area (AfCFTA), as it directly supports the free movement of goods, people, and services across borders.

LAPSSET is intricately linked to the Programme for Infrastructure Development in Africa Priority Action Plan 2 (PIDA PAP 2) for the period 2021-2030. PIDA PAP 2 is a strategic continental initiative, developed under the auspices of the African Union Commission (AUC), the NEPAD Agency, the African Development Bank (AfDB), and the United Nations Economic Commission for Africa (UNECA). The objective of the project is to open up access to northern Kenya, provide a reliable transport corridor for Ethiopia and Southern Sudan, promote trade between regions and enhance socio economic activity along the corridor and open up new tourist destinations by initiating development of resort cities. In January 2015, the project was awarded the status of a high-impact development project regionally under the Presidential Infrastructure Championship Initiative of the AU. The project includes the following components:

- a standard gauge railway line;
- a new road network;
- an oil pipeline, crude oil pipeline and refined oil pipeline from Lamu to Juba and Ethiopia;
- an oil refinery at Lamu with capacity of 120,000 barrels per day;
- a modern oil terminal at Lamu port to facilitate tanker loading and offloading;
- a refined petroleum products pipeline from Lamu connecting to the existing Mombasa Kampala pipeline;
- international airports at Lamu, Isiolo and Lokichoggio;
- a free port at Lamu (Manda Bay) including a total of 32 berths to handle container, conventional and bulk cargo vessels;
- Lamu port management building, Lamu port police station and staff housing, as well as a dispensary and club house;
- three resort cities in Lamu (at Manda Bay), Isiolo and on the shores of Lake Turkana; and
- 1,420km 220 kV double circuit electricity transmission line along the LAPSSET corridor.

Construction of the first three berths at Lamu commenced in October 2016. The three berths are currently completed. The first berth opened in October 2019. The second and third berths were completed in 2020 with only yard construction pending. The second and third berths were opened in December 2021.

Major auxiliary facilities are in place, with the Port Headquarters and the Lamu Port police station, Port Management Housing Scheme and port workshop completed. Currently the Port Management Houses are occupied by port security/police officers. Electric power has been delivered from Rabai to Lamu via a 220 kV line to power the infrastructure. The water reticulation network to the port has been undertaken. The Government has awarded consultancy services contracts for construction of roads from Lamu to Garissa and Garissa to Isiolo. Construction of a 505 km road from Marsabit and from Moyale was completed in 2016. The Garsen-Witu-Lamu (110 Km) road, part of the LAPSSET Corridor alternative routes that connects the 10 km Lamu Port Access Road to Garissa County was commissioned while the construction of the Lamu-Garissa-Isiolo (Phase 1) road, a major LAPSSET Corridor Highway is underway.

Fundraising efforts are underway for the construction of the 1,800km Lamu South Sudan and Ethiopia Railway and the Lamu and Lake Turkana airports. The Government expects the cost of the projects to reach KES 1.6 trillion (US$18.1 billion). The Government anticipates that funding for the various components is expected to be made through a public-private partnership of government and one or more private sector companies.

With respect to the crude oil pipeline, in 11 November 2017 Uganda and Tanzania commenced construction of an oil pipeline from Hoima, Uganda to Tanga, Tanzania on the grounds that this route would be shorter and more secure than a pipeline routed from Hoima through Lokichar to Lamu. The construction of this pipeline may make the completion of the LAPSSET project more uncertain. For more information, see "*The Republic of Kenya—Regional Relations—Uganda*."

Improvement of Shipping and Maritime Facilities.

The Government hopes to implement a programme to build port capacity of 50 million tonnes and transform Kenya into a maritime hub by facilitating trans-shipment of cargo at the port of Mombasa. In order to achieve this goal, the Government plans to improve port efficiency, construct a second container terminal at the

Mombasa port, provide new handling facilities at the Mombasa port, develop Dongo Kundu Free Trade Port and modernise ferry services to increase passenger capacity per year.

Phase I of the program to develop the Mombasa port was completed in February 2016 and the terminal became fully operational in April 2016. The second terminal with a capacity of 1.2 million twenty foot equivalent units has been completed and is fully operational. The KES 38.0 billion (US$350 million) project was funded by a JPY 26.7 billion loan from the Japan International Cooperation Agency. In the last three years, Phase II of the Mombasa port development was completed, increasing container capacity by 450,000 TEUs to 2.1 million TEUs. Operationalization of first three berths of the Lamu Port was completed in June 2022 and construction of the New Kipevu Oil Terminal (KOT) was also completed at the Mombasa port in February 2022, enabling handling of at least four post-Panamax vessels. Nairobi's ICD capacity has also been improved from 450,000 designed TEUs to 628,000.

Amongst other port development and construction projects, plans are underway to purchase a second wagon ferry from Kenya Shipyard Ltd to improve inland water transport across Lake Victoria. In this regard, Kenya marked a milestone in its ambitions to increase trade and expand its capabilities in shipbuilding and repair. The country celebrated the commissioning of its first domestically-built ship, the *Uhuru II* which will operate on Lake Victoria transporting dry cargo and fuel. To further increase the capacity, the government has earmarked the development of several port projects in the next five years including development of Dongo Kundu Berth 1 and 2 and channel dredging for the Mombasa port. Kenya is implementing the Mombasa Special Economic Zone (MSEZ) at Dongo Kundu with the government of Japan committed to financing the basic infrastructure of Phase 1 of the MSEZ through a concessional loan of US$ 210.8 million (JPY 37,090 million) and grant assistance of US$ 58.9 million. The loan component will support the development of Berth 1, the port access road and power transmission. The grant component covers water supply and drainage around the port. The government will provide the necessary infrastructure for MSEZ and invite the private sector to develop and operate industries on the 3,000 acres of land owned by the government. The tender for civil works (port and link road) has been concluded, and KPA is awaiting the signature of the government of Japan's to the contract.

Increasing Electricity Availability through Power Generation.

The Government plans to improve the energy infrastructure network and promote development and use of renewable energy sources to create a reliable, adequate and cost-effective energy supply regime to support industrial take off for economic growth. One of the key projects prioritised for implementation is the development of an additional 3,085 MW of geothermal energy at Olkaria, Menengai and Silali Bogoria. The Government expects the cost of the project to reach KES 753.9 billion (US$8.7 billion). The Government anticipates that funding will be made through a public–private partnership of Government, development partners and one or more private sector companies. Construction of the Olkaria V Geothermal plant, which has a capacity of 165.4 MW of geothermal energy, and the Garissa solar plant, which has a capacity of 50 MW of solar energy, is complete. In July 2022 the Government officially commissioned Olkaria I Additional Unit (AU) 6 Geothermal Power Plant, injects an additional 86MW into the national grid. The Government has also launched the construction of a 310 MW power plant in Lake Turkana.

Other key projects are the development of multi-purpose dams such as the High Grand Falls dam (700 MW), the Magwagwa dam (120 MW) and the Nandi Forest dam (50 MW). In October 2023, Kenya's National Irrigation Authority signed a project development agreement (PDA) with UK construction firm GBM Limited to undertake final project studies and designs for the implementation of the High Grand Falls dam. The Nandi Forest dam Project comprises the construction of a dam with a design total plant output of 50 MW and a reservoir to supply water to Kaimosi in Vihiga Counties and also provide water for irrigation. The Government anticipates that funding will be made through a public–private partnership.

The Government also plans to upgrade and expand the national power transmission and distribution network to improve supply and reliability, reduce losses and connect two million new customers. The Government aims to connect 6,304 public facilities, including electrifying 2,600 main public facilities (trading centres, secondary schools, health centres and dispensaries) and other facilities such as primary schools, tea buying centres, water supply systems and places of worship, amongst others. Kenya achieved an electricity access rate of 76% in 2022 with over 8.9 million customers were connected to electricity as of 30 June 2022. The amount increased from approximately 8.2 million in 2021.

There are also several regional interconnectors under implementation, to increase and facilitate the regional power trade. The lines are the 400kV Kenya to Tanzania interconnector, the 400kV Kenya to Uganda interconnector and the 500kV HVDC Kenya to Ethiopia interconnector.

Replacement of the Mombasa Nairobi Pipeline

In March 2014, the Kenyan Pipeline Company Ltd. ("**KPC**") began the procurement process for the replacement of the Mombasa to Nairobi multi product pipeline, due to extensive corrosion damage and metal loss throughout the entire pipeline, making it no longer economical to repair. The total value of the project is US$ 400 million. In July 2014, KPC signed a contract for the replacement of the pipeline with Zakhem International Construction Co. Ltd.

The construction of the pipeline was completed in July 2018. The new pipeline is 20-inches in diameter, features four new pump stations, a current installed flow rate of 1,000m^3/hr and provision for further enhancement of the flow rate to 1,863m^3/hr by 2023 and 2,638m^3/hr by 2024.

Airport Expansion

Jomo Kenyatta International Airport is Kenya's largest aviation facility, and the busiest airport in east and central Africa. It serves as a transit hub for major airlines as well as the gateway for visitors to other airports in Africa. The airport also serves as a major cargo centre for both inbound and outbound goods.

JKIA has recently been expanded by the addition of two terminal buildings and the refurbishment and expansion of existing terminal buildings. Passenger capacity has increased significantly, and recently, JKIA achieved category one status, which now enables direct flights to operate between Nairobi and the United States. Kenya Airways launched direct flights from Nairobi to New York in October 2018.

The Government has also announced the planned construction of a 4.9-km second runway informed by the JKIA Master Plan of 2010, including connecting taxiways, additional parking stands for aircraft, and an air rescue firefighting unit. The second runway will support more air traffic and facilitate increased tourism and business travel and expedite a two-way cargo traffic, as well as achieving the strategic objective of making the airport a regional hub. The development objective of the proposed project is to enhance regional integration and expand international trade via improved regional and international air connectivity by improving reliability of air transport to and from JKIA by reducing aircraft delays at peak hours and costly flight diversions arising from incidences on existing runway, and abiding constraining configuration of the existing single runway facility that undermines its usability and overall operational efficiency of the airport; and expand airfield capacity for the new generation (long-haul) aircrafts that would be attracted to JKIA after the airport attained in 2017, category I status. It is expected that the new runway will increase the existing annual service volume by approximately 13%.

The Government continues to develop several airstrips to enhance connectivity within Kenya and its neighbouring countries, including the rehabilitation and expansion of Lokichoggio Airport, Ikanga Voi Airstrip, Kabunde Airport, Suneka Airstrip, Wajir Airport, Manda Airport and Nanyuki Airstrip.

Crude Oil Pipeline

In 2017, Kenya signed an agreement with a consortium comprising of Tullow Oil, Africa Oil and A.P. Moller-Maersk for a feasibility study on a proposed pipeline to transport crude oil from the country's oilfields to Lamu. Kenya discovered commercial oil reserves in its Lokichar basin in the country's northwest in 2012.

The pipeline is expected to run 820 km between Lokichar and Lamu on Kenya's coast. The consortium has indicated that survey work on the pipeline was already being carried out and the consortium would likely make a final investment decision on its Kenya project. In June 2023, Tullow Oil took up the sole ownership of the Turkana operation following the exit of its joint venture partners.

Proven commercial discoveries of oil and natural gas in the South Lokichar basin, Rift Valley resulted in Tullow Oil and its partners submitting a draft South Lokichar field development plan, which is under the review by the Government and environmental and social impact assessment studies are being reviewed by the National Environment Management Authority. The South Lokichar Development (Phase 1) plan was in the appraisal stage and was expected to start commercial production in 2026, once the field development plan was approved.

Final investment decision (FID) of the project was to be approved in 2024. The development cost was expected to be U.S.$ 3.4 billion. Tullow had then presented to the Government a revised Field Development Plan with respect to the development of the oil field. The Energy and Petroleum Regulatory Authority has engaged consultants to review Tullow's commercialization plan for the oil fields pushing the date for the final decision on the project to first quarter of 2025.

Employment and Wages

The total jobs created in the economy increased by 848.2 thousand in 2023 compared to 816.6 thousand in 2022, representing a 3.73% growth rate. The informal sector contributed 85% to the new jobs created representing 720.9 thousand jobs in the year under review.

The total number of people employed in the modern and informal sectors, outside small-scale agriculture and pastoralist activities, increased from 19.1 million persons in 2019 to 20.0 million persons in 2023.

Wage employment in the modern sector increased by 4.1% from 3.0 million persons in 2022 to 3.13 million persons in 2023. Further, the total number of self-employed and unpaid family workers within the modern sector was estimated to have grown from 168.1 thousand persons in 2022 to 172.4 thousand persons in 2023.

The nominal wage bill rose by 7.3% from KES 2,610.1 billion in 2022 to KES 2,798.6 billion in 2023. The private sector wage bill went up by 8.2% to stand at KES 1,965.9 billion in 2023, while the public sector wage bill rose by 5.3%. The contribution of the public sector to the total wage bill in the modern sector reduced from 30.3% in 2022 to 29.8% in 2023.

The following table sets out recent employment data trends per sector over a five-year period (2019 – 2023):

	As at 30 June				
	2019	**2020**	**2021**	**2022**	**2023**
			(in thousands)		
Modern Establishments Urban and Rural Areas					
Wage employees	2,928.4	2,742.6	2,906.1	3,015.4	3,138.3
Self-employed and unpaid family workers	162.7	156.1	163.7	168.1	172.4
Informal sector[1]	15,051.6	14,508.0	15,261.8	15,964.7	16,685.6
Total	**18,142.7**	**17,406.7**	**18,331.6**	**19,148.2**	**19,996.3**

(1) Estimated

Source: Kenya National Bureau of Statistics.

The following table sets out wage employment in the formal sector by industry for the periods presented.

	As at 30 June				
	2019	2020	2021	2022	2023
			(in thousands)		
Agriculture, forestry and fishing	296.7	280.6	295.3	299.7	302.4
Mining and quarrying	15.2	13.7	14.0	14.3	14.5
Manufacturing	329.0	293.8	313.5	329.6	340.6
Electricity, gas, steam and air conditioning supply	5.3	5.0	5.1	5.1	5.2
Water supply; sewerage, waste management and remediation activities	5.9	5.5	5.7	6.2	6.7
Construction	212.7	212.4	217.3	222.2	226.3
Wholesale and retail trade; repair of motor vehicles and motorcycles	267.7	249.7	256.3	265.7	270.7
Transportation and storage	73.9	58.0	63.0	65.8	66.9
Accommodation and food service activities	81.2	49.8	61.7	75.9	97.0
Information and communication	130.4	117.2	132.1	140.5	145.6
Financial and insurance activities	65.9	66.5	66.8	70.0	71.9
Real estate activities	4.4	3.7	4.1	4.3	4.3
Professional, scientific and technical activities	64.3	57.0	63.2	66.5	68.4
Administrative and support service activities	6.4	4.8	5.8	6.4	6.7
Public administration and defence; compulsory social security	-	-	-	-	-
Education	228.7	181.1	210.6	227.3	234.6
Human health and social work activities	114.6	103.6	106.7	112.5	115.5
Arts, entertainment and recreation	5.1	4.4	5.1	5.4	5.6
Other service activities	38.0	32.8	37.4	40.1	41.8
Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	116.4	117.0	117.9	118.6	119.3
Activities of extraterritorial organisations and bodies	1.4	1.4	1.4	1.4	1.5
Total private sector	**2,063.2**	**1,858.0**	**1,983.0**	**2,077.5**	**2,145.5**
Agriculture, forestry and fishing	41.9	41.7	41.9	41.9	41.9
Mining and quarrying	0.7	0.7	0.7	0.7	0.7
Manufacturing	24.1	23.0	23.3	23.0	21.7
Electricity, gas, steam and air conditioning supply	18.5	17.5	17.0	16.4	16.1
Water supply; sewerage, waste management and remediation activities	9.5	9.1	19.4	10.0	10.2
Construction	8.8	9.1	9.2	9.5	9.7
Wholesale and retail trade; repair of motor vehicles and motorcycles	2.0	2.2	2.2	2.2	2.1
Transportation and storage	18.8	19.1	19.9	22.4	23.1
Accommodation and food service activities	1.7	1.7	1.7	1.7	1.7
Information and communication	1.9	1.9	1.9	2.0	2.0
Financial and insurance activities	12.0	11.1	11.0	11.2	11.3
Real estate activities	-	-	-	-	-
Professional, scientific and technical activities	6.5	6.7	6.7	6.8	7.0
Administrative and support service activities	-	-	-	-	-
Public administration and defence; compulsory social security	304.6	311.3	329.8	334.9	343.9
Education	369.1	381.9	398.6	401.8	445.4
Human health and social work activities	42.8	45.2	47.4	50.9	53.5
Arts, entertainment and recreation	2.3	2.4	2.4	2.5	2.5
Other service activities	-	-	-	-	-
Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	-	-	-	-	-
Activities of extraterritorial organisations and bodies	-	-	-	-	-
Total public sector	**865.2**	**884.6**	**923.1**	**937.9**	**992.8**
Total wage employment	**2,928.4**	**2,742.6**	**2,906.1**	**3,015.4**	**3,138.3**

Source: Kenya National Bureau of Statistics.

Private Sector

During the review period, the share of the private sector employment to the total employment in the modern sector stood at 64.8% compared to 65.3% recorded in 2022. Overall, the private sector created 68,000 jobs in 2023 compared to 94,5000 jobs created in 2022.

In 2023, the leading industries providing wage employment in the private sector were manufacturing, agriculture, forestry and fishing, and wholesale and retail trade and repair of motor vehicles accounting for 15.9, 14.1 and 12.6% of the total private sector employment, respectively. Accommodation and food service activities recorded the highest growth in employment at 27.8%. Other industries that recorded marked growths were Water supply; sewerage, waste management and remediation activities; and Activities of extraterritorial organizations and bodies at 8.1% and 7.1%, respectively in 2023.

Public Sector

Employment in the public sector registered growth of 5.9% in 2023, 1.6% in 2022, 4.4% in 2021, 2.6% in 2020, and 2.6% in 2019.

During the year under review, education recorded the highest growth of 10.9% mainly attributable to the large number of teachers hired by the Teachers Service Commission (TSC). This was followed by Human, health and social work activities which registered a growth of 5.1%. Employment in Manufacturing; Wholesale and retail trade; repair of motor vehicles and motorcycles; and Electricity, gas, steam, and air conditioning supply declined by 5.6%, 3.1% and 1.9%, respectively in 2023. The leading industries with highest employment levels in the public sector were education, public administration, and defence; compulsory social security which accounted for 44.9% and 34.6% of total employment in the sector, respectively.

Informal Sector

The informal sector represents an important part of the economy and plays a major role in employment creation, production and income generation. The Kenyan informal sector covers mainly small-scale activities that are typically semi-organised, unregulated and use simple technologies. With shrinking job creation in the formal sector, the majority of youth who exit from learning institutions and individuals who leave formal employment can still join the informal sector. The majority of the small businesses such as retailers, street vendors and other service providers fall in the informal sector. The sector has also expanded to cover areas such as manufacturing and information and communications. The informal sector plays a central role in the economy as a source of employment opportunities for persons exiting from the formal sector of the economy. The sector also plays a vital role in the economic development of the country by increasing competition and fostering innovation, besides generating employment. The inter-linkages between the informal sector and the formal sector including Government are also crucial in fostering growth in the sector. The Government expects to build on the current tax and revenue reform movement to seal tax loopholes, broaden the tax base to ensure equity in the tax system, review and modernise existing tax legislation, and enhance the capacity of tax administration including widening the tax brackets to include the informal sector.

The informal sector has registered steady growth in employment over the last five years. In 2023, the number of persons estimated to have been engaged in the informal sector went up by 5.0% to 16.7 million compared to the 15.9 million registered in 2022. In the year under review, the number of persons engaged in the informal sector grew by 4.5%.

The following table sets out the estimated distribution of the informal sector by industry for the periods presented.

	Year ended 31 December				
	2019	2020	2021	2022	2023
			(in thousands)		
Manufacturing	3,044.9	2,874.2	3,067.1	3,181.0	3,399.1
Construction	385.2	406.6	416.0	419.7	460.9
Wholesale and Retail Trade, Hotels and Restaurants	9,005.6	8,879.3	9,114.5	9,320.9	9,712.7
Transport and Communications[1]	470.2	390.1	431.9	444.9	486.4
Community, Social and Personal Services	1,462.5	1,334.3	1,521.6	1,846.4	1,997.4
Others	683.2	623.3	710.8	751.8	763.8
Total	**15,051.6**	**14,508.2**	**15,261.8**	**15,964.7**	**16,685.6**

(1) Includes mainly support services to transport activity.
Source: Kenya National Bureau of Statistics

Minimum Wage

The Salaries and Remuneration Commission ("**SRC**") is established by the Constitution and its functions, powers, governance, and procedures are provided by the Salaries & Remuneration Commission Act 2011. The mandate of the SRC is to set and regularly review the remuneration and benefits of state officers and realign and restore harmony and equity in the public service remuneration structure and banding system. In performing its functions, the SRC is expected to ensure that the total public compensation bill is fiscally sustainable, but that public services are able to attract and retain the persons and skills required, recognise productivity and performance, and transparency and fairness.

The Government has had an active minimum wage setting policy since Kenya's independence in 1963. Minimum wages apply to all salaried employees who are at least 18 and work in the formal sector. However, the minimum wages do not apply to the skilled and professional personnel.

On average, the monthly basic minimum wage for the agricultural industry was KES 9,014 in 2019, KES 9,014 in 2020, KES 9,014 in 2021, KES 10,107 in 2022 and remained at KES 10,107 in 2023. As of the date of this Offering Circular, there has been no new minimum wage gazetted.

The following table sets out the average monthly basic minimum wage for the agricultural sector.

	Year ended 31 December				
	2019	2020	2021	2022	2023
			(KES)		
Type of Employee					
Unskilled employees	6,736	6,736	6,736	7,545	7,545
Stockman, herdsman and watchman	7,779	7,779	7,779	8,713	8,713
Skilled and Semi-Skilled Employees:					
House servant or cook	7,585	7,585	7,585	8,613	8,613
Farm foreman	12,152	12,152	12,152	13,611	13,611
Farm clerk	12,152	12,152	12,152	13,611	13,611
Section foreman	7,867	7,867	7,867	8,811	8,811
Farm artisan	8,051	8,051	8,051	9,018	9,018
Tractor driver	8,538	8,538	8,538	9,563	9,563
Combine harvester driver	9,406	9,406	9,406	10,535	10,535
Lorry driver or car driver	9,871	9,871	9,871	11,055	11,055
Average	**9,014**	**9,014**	**9,014**	**10,107**	**10,107**

Source: Ministry of Labour & Human Resource Development

The following tables sets out the average monthly basic minimum wages in the urban areas indicated for the periods presented.

Nairobi, Mombasa & Kisumu Cities

	Year ended 30 June				
	2019	**2020**	**2021**	**2022**	**2023**
Occupation			*(KES)*		
General labourer	13,573	13,573	13,573	15,202	15,202
Miner, stone cutter, turnboy, waiter, cook	14,659	14,659	14,659	16,418	16,418
Night watchman	15,142	15,142	15,142	16,959	16,959
Machine attendant	15,383	15,383	15,382	17,230	17,230
Machinist	17,561	17,561	17,561	19,668	19,668
Plywood machine operator	18,320	18,320	18,320	20,518	20,518
Pattern designer	20,905	20,905	20,905	23,414	23,414
Tailor, driver (medium vehicle)	23,039	23,039	23,039	25,804	25,804
Dyer, crawler, tractor driver, salesman	25,435	25,435	25,435	28,487	28,487
Saw doctor, caretaker (building)	28,148	28,148	28,148	31,525	31,525
Cashier, driver (heavy commercial)	30,627	30,627	30,627	34,303	34,303
Artisan (ungraded)	18,320	18,320	18,320	20,518	20,518
Artisan Grade III	23,039	23,039	23,039	25,804	25,804
Artisan Grade II	24,884	24,884	24,884	27,870	27,870
Artisan Grade I	30,627	30,627	30,627	34,303	34,303
Average	**21,311**	**21,311**	**21,311**	**23,868**	**23,868**

(1) Excludes housing allowance.
Source: Ministry of Labour & Human Resource Development

All former Municipalities and Town Councils of Mavoko, Ruiru & Limuru Town Councils

	Year ended 30 June				
	2019	**2020**	**2021**	**2022**	**2023**
			(KES)		
Occupation					
General labourer	12,523	12,523	12,523	14,025	14,025
Miner, stone cutter, turnboy, waiter, cook	13,006	13,006	13,006	14,566	14,566
Night watchman	14,038	14,038	14,038	15,723	15,723
Machine attendant	14,315	14,315	14,315	16,033	16,033
Machinist	16,428	16,428	16,428	18,400	18,400
Plywood machine operator	16,908	16,908	16,908	18,937	18,937
Pattern designer	19,112	19,112	19,112	21,406	21,406
Tailor, driver (medium vehicle)	21,175	21,175	21,175	23,716	23,716
Dyer, crawler, tractor driver, salesman	23,732	23,732	23,732	26,580	26,580
Saw doctor, caretaker (building)	26,283	26,283	26,283	29,437	29,437
Cashier, driver (heavy commercial)	28,822	28,822	28,822	32,281	32,281
Artisan (ungraded)	16,908	16,908	16,908	18,937	18,937
Artisan Grade III	21,175	21,175	21,175	23,716	23,716
Artisan Grade II	23,732	23,732	23,732	26,580	26,580
Artisan Grade I	28,822	28,822	28,822	32,281	32,281
Average	**19,799**	**19,799**	**19,799**	**22,174**	**22,174**

(1) Excludes housing allowance.
Source: Ministry of Labour & Human Resource Development

	All other towns				
	Year ended 30 June				
	2019	**2020**	**2021**	**2022**	**2023**
			(KES)		
Occupation					
General labourer	7,241	7,241	7,241	8,110	8,110
Miner, stone cutter, turnboy, waiter, cook	8,366	8,366	8,366	9,370	9,370
Night watchman	8,636	8,636	8,636	9,673	9,673
Machine attendant	11,603	11,603	11,603	12,995	12,995
Machinist	13,431	13,431	13,431	15,043	15,043
Plywood machine operator	13,975	13,975	13,975	15,652	15,652
Pattern designer	16,296	16,296	16,296	18,252	18,252
Tailor, driver (medium vehicle)	18,881	18,881	18,881	21,147	21,147
Dyer, crawler, tractor driver, salesman	21,418	21,418	21,418	23,989	23,989
Saw doctor, caretaker (building)	24,485	24,485	24,485	27,423	27,423
Cashier, driver (heavy commercial)	27,024	27,024	27,024	30,267	30,267
Artisan (ungraded)	13,975	13,975	13,975	15,653	15,653
Artisan Grade III	18,846	18,846	18,846	21,107	21,107
Artisan Grade II	21,418	21,418	21,418	23,989	23,989
Artisan Grade I	27,024	27,024	27,024	30,267	30,267
Average	**16,841**	**16,841**	**16,841**	**18,862**	**18,862**

(1) Excludes housing allowance.
Source: Ministry of Labour & Human Resource Development

Social Security

The NSSF provides social security protection to workers in the formal and informal sectors and in the private and Government sectors. Both the number of registered employers and employees have increased in line with general employment rates.

In December 2013, the National Social Security Fund Act 2013 (the "**NSSF Act**") transformed the NSSF from a provident fund, which fund a limited number of lump sum benefits, into a social security scheme paying retirement pensions as well as additional benefits such as invalidity and funeral grants. The NSSF Act also increased contribution rates by members and employers significantly from the prior capped amount of KES 400.0 to a total of 12.0% of a member's pensionable earnings. In June 2014, certain trade unions brought legal action against NSSF alleging that certain provisions of the NSSF Act, including those related to mandatory contributions to NSSF are inconsistent with the Constitution. The NSSF Act was declared unconstitutional by the Employment and Labour Relations Court ("**ELRC**") on 19 September 2022. The matter was appealed, and the Court of Appeal overturned the decision of the ELRC and declared that the NSSF Act was constitutionally enacted rendering the NSSF Act effective. The NSSF issued a notice on 9 February 2023 informing employers that the rates were effective immediately.

The NSSF Act divides a member's contributions into Tier I and Tier II. Tier I is based on emoluments up to the average minimum wage, while Tier II is based on emoluments above this level. Tier I contributions must be paid into the NSSF, whereas an employer can 'opt out' of the NSSF and make Tier II contributions to another retirement benefits scheme, subject to fulfilling certain requirements. In determining pensionable earnings, the NSSF Act sets an upper limit at the average national wage in the first year but rising to four times the average national wage in the fifth year. Annual contributions increased by 7.9% in 2019, (2.5)% in 2020, 6.5% in 2021, 7.5% in 2022 and 157.5% in 2023 and benefits increased by 0.8% in 2019, (10.2)% in 2020, 33.0% in 2021, (7.9)% in 2022 and 22.9% in 2023.

The following table sets out details of registered employers, registered employees, annual contributions and benefits to members of the NSSF.

	As at 30 June				
	2019	2020	2021	2022	2023
			(in thousands)		
Details					
Registered Employers ‘000	28,080	82,261	32,252	36,991	24,768
Male	120,071	108,106	152,916	252,278	247,863
Female	82,515	68,006	116,148	210,241	147,698
Total	**202,586**	**176,112**	**269,064**	**462,515**	**395,561**
Annual contribution (KES million)	15,102.4	14,732.6	15,685.3	16,865.7	43,412.1
Annual benefits paid (KES million)	4,939.1	4,433.5	5,896.2	5,430.4	6,675.2

Source: National Social Security Fund

The Social Protection Fund was established to minimise vulnerability across gender lines, reduce excessive inequality and disparities between social strata and to mitigate against any distinction and exclusion. The funds allocated to older persons increased from KES 17,170.0 million in 2019/20, KES 18,343.5 million in 2020/21, KES 17,543.6 million in 2021/22 and to KES 19,561.7 million in 2023/24. Direct cash disbursement increased from KES 18,201.2 million in 2018/19, to KES 18,367.0 million in 2019/20, KES 18,325.3 in 2020/21, KES 18,169.5 million in 2021/22, KES 17,811.4 in 2022/23 and to KES 19,561.7 in 2023/24.

The Social Protection Fund for orphans and vulnerable children (“**OVC**”) started in 2004 in response to the strong need to protect and assist the highly vulnerable children and also to strengthen the capacity of the households to protect and care for OVC within their families and communities. The fund is currently directed to poor households taking care of OVC through the department of children’s services. The increased allocation and direct cash disbursements were attributed to increased capital transfers and an increase in the number of targeted households. The funding allocated for OVC increased from KES 7,257.4 million in 2018/19, to KES 7,065.1 in 2019/20, KES 7,063.2 million in 2020/21 KES 7,930.7 million in 2021/22 and remained the same for the periods 2022/23 and 2023/24. The amount disbursed reduced from KES 7.3 billion in 2018/19, KES 7.1 billion in 2019/20, KES 7.1 billion in 2020/21, KES 6.7 billion in 2021/22, KES 6.5 billion in 2022/23 and to KES 6.4 billion in 2023/24.

The following table sets out the funds allocated for social protection by the National Government.

	Social Protection Fund for Older Persons		Social Protection Fund for OVC	
	Allocation	Direct Cash Disbursement	Allocation	Direct Cash Disbursement
		(KES millions)		
2019/20	17,170.0	18,357.0	7,257.4	7,065.5
2020/21	18,343.5	18,325.3	7,063.2	7,064.0
2021/22	17,543.6	18,169.5	7,930.7	6,666.5
2022/23	17,534.6	17,811.4	7,930.7	6,564.5
2023/24	19,561.7	19,561.7	7,930.7	6,477.1

Source: Department of Gender and Social Development/Ministry of Labour and EAC Affairs

Social Protection Financing is undertaken pursuant to the Kenya National Social Protection Investment Plan, the Kenya National Social Protection Strategy and the Proposal for Sustainable Financing for Social Protection. The Government is currently undertaking a review of the Social Assistance Act, 2013, National Social Protection Policy and the Children Act, 2001. Pursuant to this legislation, the Government aims to strengthen and develop its information systems for the management of social protection as well as its monitoring and evaluation frameworks.

BALANCE OF PAYMENTS AND FOREIGN TRADE

Balance of Payments

The balance of payments records the value of the transactions carried out between a country's residents and the rest of the world. The balance of payments is composed of:

- The current account, which includes:
- net exports of goods and services (the difference in value of exports minus imports);
- net financial and investment income;
- net transfers; and
- The capital and financial accounts, which comprise the difference between financial capital inflows and financial capital outflows.

The following table sets forth Kenya's balance of payments for the periods indicated

	As at 31 December				
(*KES million*)	**2019**	**2020**	**2021**	**2022**	**2023**
Current Account.......................	**(536,306)**	**(397,116)**	**(613,602)**	**(694,162)**	**(603,727)**
Goods: exports (fob).................	598,764	644,206	744,332	874,438	1,009,716
Goods: imports (fob)................	1,688,325	1,531,835	1,957,457	2,253,934	2,411,359
Services: credit.........................	571,202	388,769	551,549	758,538	755,914
Services: debit..........................	393,155	353,583	437,864	622,172	671,740
Balance on goods and services...	(911,513)	(852,443)	(1,099,439)	(1,243,131)	(1,317,468)
Primary income: credit.............	22,174	5,643	6,751	4,648	28,848
Primary income: debit..............	185,850	190,387	207,903	209,838	292,702
Balance on goods, services, and primary income.	(1,075,189)	(1,037,187)	(1,300,591)	(1,448,320)	(1,581,323)
Secondary income: credit.........	544,457	535,311	686,238	774,317	990,052
Secondary income [(1)]: debit........	5,575	8,203	15,415	5,557	12,457
Capital Account.......................	**21,146**	**14,023**	**21,451**	**16,508**	**17,264**
Financial Account.....................	**(491,954)**	**(286,476)**	**(644,073)**	**(494,868)**	**(384,703)**
Overall Balance	**(111,404)**	**152,484**	**(90,141)**	**251,492**	**134,830**

Source: *Kenya National Bureau of Statistics*

The following table sets forth a breakdown of Kenya's current account balance for the periods indicated and the percentage change.

Item	FY 2022-2023(1)	FY 2023-2024(2)	FY 2023-2024	
	(US$ million)	*(US$ million)*	*(Change)*	*(% Change)*
Current Account	**(4,841)**	**(4,091)**	**750**	**(15.5)**
Goods	**(10,849)**	**(9,888)**	**961**	**(8.9)**
Exports (fob)	**7,295**	**7,660**	**365**	**(5.0)**
Of which:				
Coffee	296	247	(49)	(16.6)
Tea	1,351	1,413	(62)	(4.6)
Manufactured Goods	684	635	(49)	(7.1)
Chemicals and Related Products	628	601	(27)	(4.3)
Miscellaneous Man. Articles	653	630	(23)	(3.5)
Re-exports	694	1,086	392	56.5
Other	3,289	3,048	241	7.3
Imports (fob)	**18,144**	**17,548**	**(596)**	**(3.3)**
Of which:				
Chemicals	3,138	2,881	(257)	(8.2)
Manufactured Goods	3,000	2,548	(452)	(15.1)
Machinery	2,211	2,467	255	(11.5)
Transport equipment	1,071	1,207	(136)	(12.7)
Other	8,724	8,445	279	3.2
Of which:				
Food	2,094	2,370	276.0	13.2
Services	**1,090**	**516**	**(573)**	**(52.6)**
Transport Services (Net)	404	277	(127)	(31.5)
Travel Services (Net)	1,046	778	(268)	(25.6)
Other Services (Net)	(360)	(539)	(179)	(49.6)
Primary Income	**(1,881)**	**(1,908)**	**(28)**	**1.5**
Secondary Income	**6,799**	**7,189**	**390**	**5.7**

(1) Revised
(2) Provisional; fob - free on board
Source: *Central Bank of Kenya-CBK reports and FS-Annual report 2023/2024*

Current Account

In 2019, the current account deficit increased to KES 566.9 million (5.8% of nominal 2019 GDP). The widening of the current account deficit reflected a decline in the value of exports.

In 2020, the current account deficit improved to KES 486.5 million (4.7% of nominal 2020 GDP) mainly reflecting reduced imports despite lower receipts from services and secondary income transfers.

In 2021, the current account deficit widened to KES 629.8 million (5.2% of nominal 2021 GDP) mainly reflecting increased expenditure on imports and payment for services.

In 2022, the current account deficit further widened to KES 679.6 million (5.1% of nominal 2022 GDP) mainly reflecting an increase in imports.

In 2023, the current account deficit improved to US$4841 million (4.2% of nominal 2023 GDP). The narrowing of the current account deficit reflected lower imports of energy and all goods with the exception of food, attributed to relatively lower international oil prices and completion of major infrastructure projects, respectively, despite the reduction in exports of goods and services. The value of imports decreased by 10.9% from US$19 billion in 2022 to US$17 billion in 2023. The value of exports decreased by 2.2% from US$7.4 billion to US$7.3 billion in the same period attributed to reduced earnings from raw materials, miscellaneous manufactured articles and re-exports. Total receipts from services were lower in 2023 compared to 2022, primarily due to a decline in receipts from transport and other services (Telecommunications and Government services).

The narrowing of the current account deficit in 2024 was also supported by a resilient performance of the secondary income account. Remittance inflows reached an all-time high US$ 4,190 million in 2023 compared to US$ 4,028 million in 2022, an increase of 4.0%. Remittance inflows reached an all-time high of US$ 4,945 million in 2024, compared to US$ 4,190 million in 2023 and US$ 4,028 million in 2022.

In 2024, the current account narrowed further to a recorded deficit of US$4,091 million (3.7% of projected GDP). The narrowing of the current account deficit reflected an improvement in the goods balance and secondary income balance, which jointly offset the services balance and primary income balance. Improvement in goods exports and remittance inflows also contributed to the current account development.

In 2025, it is expected that the current account deficit will continue to widen to 3.9% of nominal 2025 GDP, due to imported capital consumer goods demand. However, the pressure on the Kenyan shilling will be limited given that the deficit is not expected to meet an all-time high recorded average of 5.9% between 2014 and 2023. The current account deficit is projected to average 3.1% of GDP between 2024 and 2033.

Balance of Trade

The following table sets out information on the balance of trade for the periods presented.

	As at 31 December				
	2019	**2020**	**2021**	**2022**	**2023**
			(KES million)		
Exports (f.o.b):					
Domestic Exports	520,787.4	567,370.4	666,738.7	779,608	906,323.3
Re-exports	75,889.3	76,335.8	76,932.4	93,536.6	101,596
Total	**596,676.6**	**643,706.2**	**743,671.1**	**873,144.5**	**1,007,919.3**
Imports (c.i.f):					
Commercial	1,758,963.8	1,590,249.1	2,062,260.6	2,426,562.8	2,549,523.6
Government	47,370.8	53,310.9	57,098.6	64,211.9	62,453.4
Total	**1,806,334.6**	**1,643,560.1**	**2,119,359.1**	**2,490,774.8**	**2,611,977**
Balance of Trade	**(1,209,658.0)**	**(999,853.9)**	**(1,375,688.0)**	**(1,617,630.2)**	**1,604,057.7**
Total Trade	**2,403,011.2**	**2,287,266.2**	**2,863,030.2**	**3,363,919.3**	**3,619,896.3**
Cover Ratio(1) (in percentage)	**33.0**	**39.2**	**35.1**	**35.1**	**38.6**

(1) Cover ratio is the ratio of exports to imports.

Source: *Kenya National Bureau of Statistics Economic Survey 2024*

In 2019, exports declined by 2.9% to KES 596.7 billion in 2019 from KES 614.3 billion in 2018. This was a result of a 4.1% decrease in the value of domestic exports to KES 520.8 billion. Import expenditure increased by 2.4% to KES 1,806.3 billion in 2019. This resulted in worsening of the trade balance from a deficit of KES 1,150.2 billion in 2018 to a deficit of KES 1,209.7 billion in 2019. The total value of trade flows rose by 1.0% to KES 2,403.0 billion in 2019. The export/import cover ratio declined from 34.8% in 2018 to 33.0% in 2019.

In 2020, exports increased by 7.8% to KES 643.7 billion in 2020 from KES 596.7 billion in 2019. This was a result of improved exports. The export/import cover ratio increased from 33.0% in 2019 to 39.2% in 2020.

In 2021, exports increased by 15.5% to KES 743.7 billion in 2021 from KES 643.7 billion in 2020. This was a result of increase in total export. The export/import cover ratio declined from 39.2% in 2020 to 35.1% in 2021.

In 2022, exports further increased by 17.4% to KES 873.1 billion in 2022 from KES 743.7 billion in 2021. This was a result of further increase in total export. The export/import cover ratio remained unchanged at 35.1%.

In 2023, exports increased by 15.4% to KES 1,008 billion in 2023 from KES 873.1 billion in 2022. This was a result of increased revenues from horticultural products and tea as well as the increase in total imports to KES 2,612.0 billion in 2023. The export/import cover ratio increased from 35.1% in 2022 to 38.6% in 2023. The total trade balance deficit reduced to KES 1,604.1 in 2023 from KES 1,617.6 in 2022.

Diaspora remittances, along with tourism, tea and horticulture are amongst Kenya's leading foreign exchange earners. The United States of America remains the main country contributing to more than half of the total remittances flowing into Kenya.

Directions of Foreign Trade

Exports

Other African countries collectively remain the largest export destination for Kenyan trade, accounting for 37.6%, 38.2%, 41.6%, 41.0% and 43% of total exports in 2019, 2020, 2021, 2022, and 2023. respectively. Within Africa, Uganda is Kenya's predominant trade partner, accounting for 28.6%, 29.3%, 29.6%, 27.2% and 29.5% of total African exports in 2019, 2020, 2021, 2022 and 2023 respectively. Exports to Africa increased by 3.1% in 2019, and by 9.8%, 25.6% and 15.7% in 2020, 2021 and 2022 respectively. In 2023, Kenya's exports to Africa increased by 20.8%. Several factors drove the increase including emerging markets such as the Democratic Republic of Congo. Total exports to the EAC expanded by KES 96.5 billion to KES 226.5 billion in 2022 (accounting for 25.9% of the total exports) and to KES 305.9 billion in 2023 (making up 29.1% of total exports during the 2023/2024 financial year). The value of exports to Tanzania, Rwanda and Uganda increased by 20.71.%, 5.33% and 29.4%to KES 69.3 million, KES 42.3 million and KES 126.3 million respectively, mainly attributed to an increase in manufactured good exports to the regional markets. The value of exports to Somalia declined from KES 13.5 million in 2021 to KES 15.3 billion in 2022 but increased to KES 21.6 million in 2023.

Exports to Europe accounted for 25.4%, 26.6%, 25.8%, 23.3% and 23.3% of total exports value in, 2019, 2020, 2021, 2022 and 2023 respectively. Exports to Europe decreased by 0.9% in 2019, and increased by 13.4%, 11.6%, 6.1%, 12.7% in 2020, 2021, 2022 and 2023, respectively. Within Europe, the Netherlands and the United Kingdom were the main destinations accounting for 31.7% and 26.5% respectively in 2019, 28.4% and 29.1% respectively in 2020, 32.2% and 25.8% respectively in 2021, 34.3% and 21.9% respectively in 2022 and 35.3% and 25.4% respectively in 2023. Foreign export earnings for the United Kingdom increased from KES 44.6 billion in 2022 to KES 54.7 billion in 2023, due to an increase in exports of tea and cut flowers.

Exports to Asia accounted for 26.1%, 24.5%, 23.1%, 24.9% and 25.9% of total exports value in 2019, 2020, 2021, 2022 and 2023, respectively. In 2021, total exports to Asia increased by 8.8% with exports to the Middle East increasing by 0.3%, and exports to the Far East increasing by 14.0%. In 2022, the value of exports to Asia increased by 26.9% to an overall KES 217.6 billion. The value of exports to the Middle East rose by 42.4% to KES 85 billion in 2022 and by 21% to KES 102.7 billion, attributed to emerging markets for fruits and vegetables. Exports to the Far East increased by 18.6% and 5.5% to KES 132.6 billion and KES 139.9 billion in 2022 and 2023, respectively. The value of exports to China (mainland) went up by 25.9% and 5.1% in 2022 and 2023, respectively, due to increases in the value of exports of titanium ores and concentrates. Export earnings from Asia increased by 19.3% from KES 217.6 billion in 2022 to KES 259.7 billion in 2023, with Pakistan, the United Arab Emirates and Saudi Arabia being the top export destinations contributing to this increase. Exports to Saudi Arabia recorded an increase of 46.3%, due to a spike in domestic exports of tea and goat meat, while exports to Pakistan and the United Arab Emirates increased by 23.1% and 27%. Exports to Asia increased to KES 79.3 billion in the third quarter of 2024, from KES 70.2 billion during the third quarter of 2023, due to increased re-exports of Kerosene type jet fuel to the United Arab Emirates and domestic exports of pigeon peas to India. The following table sets out the value of total exports by destination for the periods presented.

	Year ended 31 December					As at 30 September	
	2019	2020	2021	2022	2023	2023	2024
Europe				(*KES million*)			
European Union							
Belgium..	7,369	6,856	7,923	8,728	7,679	1,905	3,379
Finland	811	984	1,094	1,041	984	103	251
France...	7,864	9,151	9,722	10,090	15,553	4,650	3,890
Germany...	11,306	14,533	14,268	15,946	15,974	3,995	5,244
Italy	3,480	3,589	3,260	4,695	6,674	1,344	3,264
Netherlands.....................................	48,005	48,738	61,666	69,651	76,263	18,492	13,419
Spain...	4,437	5,373	6,263	7,463	8,851	3,277	3,425
Sweden	1,975	2,253	2,820	3,396	4,089	1,705	1,062
United Kingdom	40,082						
Poland...	2,653	2,375	2,402	2,923	3,418	838	1,346
Other...	5,414	5,435	6,393	9,245	10,596	2,539	2,679
Total European Union...............................	**133,395**	**99,286**	**115,811**	**133,177**	**150,081**	**38,847**	**37,958**
United Kingdom[1].......................................		49,921	49,400	44,564	54,685	13,107	13,776
Other Western Europe	7,027	9,224	10,297	10,838	12,104	2,482	2,159
Total Western Europe...............................	**140,422**	**158,432**	**175,508**	**188,579**	**216,870**	**54,437**	**53,894**
Eastern Europe:							
Russia Federation	6,348	8,009	10,466	7,636	4,772	1,114	1,085
Kazakhstan	3,227	3,783	3,796	5,487	8,403	1,869	2,204
Other...	1,313	1,295	1,729	1,432	2,039	529	553
Total Eastern Europe................................	**10,888**	**13,087**	**15,991**	**14,555**	**15,213**	**3,512**	**3,841**
Total Europe..	**151,311**	**171,519**	**191,499**	**203,134**	**232,083**	**57,949**	**57,735**
America:...							
United States of America................	51,922	49,378	59,562	79,932	64,264	16,686	24,611
Canada..	2,926	1,244	2,195	2,208	2,344	533	524
Other...	1,228	1,678	1,867	3,319	2,301	654	1,096
Total America..	**56,076**	**52,300**	**63,624**	**85,459**	**68,910**	**17,873**	**26,231**
Africa							
EAC...							
Uganda	64,106	72,220	91,653	97,161	126,251	34,528	34,314
Tanzania	33,865	31,833	45,560	57,372	69,255	19,489	17,465
South Sudan....................................	12,575	23,195	17,154	23,466	31,970	8,144	5,908
Rwanda...	23,175	25,211	30,520	40,173	42,313	11,684	12,462
Burundi...	6,726	5,879	7,531	8,309	9,639	2,965	1,872
Democratic Republic of the Congo.	13,466	14,298	24,455	17,809	26,447	7,623	8,147
Total EAC	**153,913**	**172,636**	**216,873**	**244,290**	**305,875**	**76,810**	**72,021**
Rest of Africa							
South Africa.	3,312	3,481	3,957	6,851	7,454	2,270	1,284
Egypt.	18,927	18,983	21,176	26,770	31,217	8,504	5,733
Somalia.	11,842	11,394	13,452	15,333	21,647	5,318	5,036
Ethiopia	7,104	9,404	13,891	17,827	18,813	4,002	4,808
Sudan..	5,824	8,270	7,234	7,793	6,748	1,823	2,996
Zambia	4,364	4,440	8,015	7,421	9,733	2,611	2,229
Other	18,961	17,523	24,657	31,367	33,467	9,098	9,705
Total Rest of Africa..................................	**70,334**	**73,495**	**92,382**	**113,362**	**129,079**	**41,249**	**39,938**
Total Africa..	**224,247**	**246,130**	**309,255**	**357,651**	**434,954**	**118,059**	**111,959**
Asia..							
Middle East							
Iran.	2,124	1,626	2,174	5,868	6,726	497	1,529
Israel...	592	624	889	979	882	307	153
Jordan	1,339	2,702	1,145	2,105	3,578	814	801
Saudi Arabia	8,903	8,150	7,700	12,390	18,129	5,039	3,560
United Arab Emirates.	38,685	34,435	34,559	44,022	55,925	16,860	27,4223
Yemen Arab Republic	4,978	4,692	4,985	7,143	8,867	2,131	2,276
Other.	9,367	7,231	8,216	12,455	12,493	2,930	4,380
Total Middle East......................................	**65,988**	**59,460**	**59,667**	**84,962**	**106,600**	**28,579**	**40,120**
Far East..							
China (Mainland)	15,160	14,795	21,886	27,547	28,957	4,908	4,873
India	5,404	7,686	10,408	8,056	10,536	3,141	8,173
Indonesia	1,084	861	912	1,142	571	161	67
Japan.	5,478	4,790	6,717	5,986	8,766	2,217	1,625
Korea Republic (South Korea)	2,351	2,359	3,915	6,132	5,007	1,477	946
Pakistan.	45,240	54,657	53,173	64,118	78,929	23,607	20,487
Singapore..	1,962	665	651	2,478	1,127	292	105
Afghanistan.	3,609	2,302	606	3,092	4,615	1,565	371
Thailand..	2,771	2,083	2,310	3,757	4,004	1,348	608
Other...	6,917	7,967	11,284	10,321	10,563	2,940	1,959
Total Far East.	**89,976**	**98,165**	**111,862**	**132,628**	**153,075**	**41,656**	**39,212**
Total Asia..	**155,964**	**157,625**	**171,529**	**217,590**	**259,675**	**70,235**	**79,332**
Australia & Oceania							
Australia	2,412	2,352	2,574	3,495	3,596	824	810

	Year ended 31 December					As at 30 September	
	2019	2020	2021	2022	2023	2023	2024
Europe				(*KES million*)			
Other	3,036	261	454	390	269	31	138
Total Australia & Oceania	**5,448**	**2,613**	**3,028**	**3,885**	**3,865**	**854**	**948**
All Other Countries	1,585	874	1,657	2,530	4,623	961	1,245
Aircraft and Ships Stores	2,047	12,648	3,081	2,896	3,811	1,803	4,964
Total All Other Countries n.e.s	**3,632**	**13,522**	**4,738**	**5,426**	**8,433**	**2,763**	**6,210**
Total Exports	**596,677**	**643,706**	**743,671**	**873,145**	**1,007,919**	**267,733**	**282,414**

(1) United Kingdom exited the EU February 2020

Source: *Kenya National Bureau of Statistics*

Imports

Kenya is largely dependent on external imports, particularly for capital goods and fuel. The majority of Kenya's imports originate from Asia. Imports from the Far East and the Middle East accounted for 45.9% and 17.8% respectively in 2019, for 51.5% and 12.0% respectively in 2020, for 48.4% and 16.8% respectively in 2021, for 44.6% and 24.6% respectively in 2022, for 42.1% and 23.5% respectively in 2023.

Within Asia, India and China accounted for 15.5% and 32.7% respectively in 2019, for 18.1% and 34.7% respectively in 2020, for 16.7% and 32.0% respectively in 2021 and for 14.5% and 26.3% respectively in 2022 and for 14.9% and 25.4% respectively in 2023.

In 2023, total imports from Asia recorded an increase of 0.9% amounting to KES 1,737.2 billion, while imports from South Korea and Taiwan declined by KES 30.4 billion between 2019 and 2023. The value of imports from Singapore, Indonesia, Saudi Arabia, and India amounted to 87.1%, 51.9%, 18.9% and 7.6% respectively.

The value of imports from Europe accounted for 17.0% in 2019, 18.8% in 2020, 16.8% in 2021, 13.0% in 2022, and 26.1% in 2023. Europe made up 15.6% of the total import expenditure in 2023 at KES 407.8 billion. This represented an increase of 26.1% in comparison to 2022, when total import expenditure in Europe made up KES 323,350 billion. In 2019, imports from the United Kingdom increased by 11.8% and imports from the Netherlands increased by 64.9%. In 2020, imports from the United Kingdom decreased by 17.2% and imports from the Netherlands increased by 31.2%. In 2021, imports from the United Kingdom increased by 15.1% and imports from the Netherlands increased by 11.8%. In 2022, imports from the United Kingdom increased by 3.4% and imports from the Netherlands decreased by 31.5%. In 2023, imports from the United Kingdom increased by 17.7%, imports from the Netherlands increased by 36.2% and imports from France increased by 73.7%. The imported commodities from these countries that largely contributed to the growth consisted of food supplements, motor spirit (gasoline) premium and aeroplanes and other aircrafts.

African countries accounted for 13.0% in 2019, 11.3% in 2020, 10.9% in 2021 and 11.0% in 2022 and 10.3% in 2023. In 2019, the value of imports from Africa increased by 11.4%, with the value of imports from South Africa increasing by 14.4%. In 2020, the value of imports from Africa decreased by 20.9%, with the value of imports from South Africa decreasing by 38.2%. In 2021, the value of imports from Africa increased by 24.6%, with the value of imports from South Africa decreasing by 3.7%. In 2022, the value of imports from Africa increased by 18.5%, with the value of imports from South Africa increasing by 38.5%. In 2023, the value of imports from Africa declined by 2.1%, with the value of imports from South Africa increasing by 25.8%.

The value of imports from the United States increased by 16.9% in 2019, decreased by 9.6% in 2020, increased by 49.6% in 2021, increased by 10.8% in 2022 and increased by 19.4% in 2023. The import bill increased to KES 173 billion in 2023 from KES 144.9 billion in 2022. The imported commodities was attributable mainly to the United States of America, Brazil and Canada and consisted of wheat, sugar and helicopters respectively in 2023.

In 2024, Kenya's import landscape continued to be dominated by trade with Asian countries, particularly China and the United Arab Emirates. As of March 2024, imports from China were valued at approximately KES 36.0 billion, while those from the United Arab Emirates stood at around KES 21.6 billion. The key import categories included non-food industrial supplies, which accounted for 34.8% of total imports, followed by fuel and lubricants at 24.6%, and food and beverages at 14.3%. Trade with Europe also remained strong, with imports from the United Kingdom increasing by 17.7%, from the Netherlands by 36.2%, and from France by a significant 73.7%. The main commodities driving this growth included food supplements, motor spirit (gasoline) premium, and aircraft.

Kenya’s trade with African nations experienced a slight decline in 2024, with the continent accounting for 10.3% of total imports, a decrease from previous years. However, imports from South Africa increased by 25.8%, signaling a strengthening trade relationship. The overall import trends in 2024 reflected Kenya’s continued reliance on external sources for essential commodities such as fuel, industrial supplies, and food products, while also highlighting the shifting dynamics in regional and global trade partnerships. The following table sets out the value of total imports by country of origin for the periods presented.

	Year ended 31 December					As at 30 September	
	2019	2020	2021	2022	2023	2023	2024
Europe				(*KES million*)			
Europe							
European Union							
Belgium	14,587	18,580	24,087	22,885	17,207	3,634	3,105
Finland	3,979	5,235	6,771	6,128	5,956	1,425	1,983
France	24,691	23,283	22,491	21,267	36,937	11,531	7,587
Germany	46,439	40,206	42,994	34,355	39,915	8,857	13,555
Italy	21,125	23,587	24,712	24,707	21,893	5,911	5,974
Netherlands	31,926	41,885	46,815	32,066	43,667	5,326	7,751
Spain	11,476	10,079	14,145	11,025	10,393	3,110	2,634
Sweden	5,972	6,286	6,263	6,001	7,322	2,467	1,777
United Kingdom	35,266						
Denmark	4,083	3,955	3,929	3,777	4,441	948	982.5
Ireland	10,134	4,045	4,534	4,055	5,149	1,135	1,641
Czech Republic	2,551	3,588	3,323	4,434	5,586	1,322	1,291
Austria	4,711	2,787	2,361	2,882	5,434	2,415	1,588
Poland	5,375	5,422	6,060	6,585	5,363	1,479	1,839
Hungary	2,481	996	1,267	1,079	1,603	377	463
Other	10,631	14,212	18,240	20,974	12,252	2,438	2,471
Total European Union	**235,428**	**204,146**	**227,993**	**202,221**	**223,119**	**52,374**	**54,641**
United Kingdom(1)		29,190	33,594	34,748	40,909	8,786	10,365
Other Western Europe	30,167	29,571	36,083	42,052	40,337	8,013	8,501
Total Western Europe	**265,595**	**262,907**	**297,670**	**279,021**	**304,864**	**69,173**	**73,507**
Eastern Europe							
Russian Federation	33,733	37,996	37,660	36,837	82,736	16,225	18,635
Ukraine	6,961	7,473	19,294	5,321	10,156	2,198	280
Other	1,078	1,024	483	2,170	10,014.5	66.3	203
Total Eastern Europe	**41,780**	**46,494**	**57,437**	**44,329**	**102,906**	**18,489**	**19,117**
Total Europe	**307,360**	**309,401**	**355,106**	**323,350**	**407,770**	**87,661**	**92,624**
America							
United States of America	62,272	56,306	84,247	93,370	112,761	32,365	32,593
Canada	13,892	10,436	8,699	8,189	18,222	5,014	4,056
Brazil	5,202	5,849	7,226	9,287	31,617	7,744	2,767
Mexico(2)	2,190	5,039	3,466	3,443	3,242	-	-
Argentina(2)	15,019	16,432	14,960	26,470	4,094	-	-
Other	8,099	2,561	5,074	4,119	3,091	2,120	2,779
Total America	**106,673**	**96,623**	**123,672**	**144,878**	**173,027**	**47,243**	**42,195**
Africa							
South Africa	74,040	45,779	64,734	74,040	45,779	18,876	13,747
Tanzania	27,700	27,881	18,012	27,700	27,881	13,550	15,156
Uganda	38,478	25,900	52,586	38,478	25,900	10,684	9,408
Swaziland	12,557	8,662	8,628	12,557	8,662	2,183	3,205
Mauritius	7,876	4,748	6,100	7,876	4,748	1,011	2,008
Rwanda	1,404	2,041	1,186	1,404	2,041	2,299	846
Zambia	6,685	3,617	6,885	6,685	3,617	3,359	1,758
Other(1)	65,456	66,650	6,638	5,220	5,631	21,727	20,269
Total Africa	**234,198**	**185,278**	**210,198**	**234,198**	**185,278**	**73,688**	**66,395**
Asia							
Middle East							
Iran	6,089	4,847	10,419	6,089	4,847	1,350	699
Israel	5,061	4,453	6,302	5,061	4,453	1,472	2,008
Jordan	1,150	619	924	1,227	849	207	200
Saudi Arabia	127,165	69,002	172,703	127,165	69,002	35,376	9,217
United Arab Emirates	167,877	92,283	147,417	167,877	92,283	123,157	88,817
Bahrain	1,076	4,198	5,409	1,076	4,197	219	327
Oman	9,295	10,029	22,019	37,194	31,864	1,935	11,619
Other	4,306	11,046	28,319	28,463	10,887	3,775	29,196
Total Middle East	**322,019**	**196,477**	**355,716**	**322,019**	**196,476**	**167,489**	**142,083**
Far East							
China	376,726	361,367	370,826	376,726	361,367	119,700	170,151
India	178,873	188,588	185,252	178,873	188,588	55,551	64,548
Indonesia	50,630	62,693	44,415	27,135	41,207	12,066	7,485
Japan	99,433	87,594	99,823	99,433	87,594	25,402	26,596
Korea South	14,813	20,436	22,345	50,196	28,214	4,421	5,540
Pakistan	24,848	21,449	21,455	24,848	21,449	6,938	7,515
Singapore	6,891	8,884	10,556	11,945	22,353	1,336	1,641
Taiwan	15,040	14,475	16,214	20,545	12,159	2,592	3,159
Malaysia	25,651	45,563	21,483	25,651	45,563	27,722	27,066
Thailand	19,339	15,370	19,720	23,432	19,507	4,567	7,831
Other	17,417	19,660	28,763	29,601	20,365	6,836	6,760
Total Far East	**829,662**	**846,080**	**792,627**	**868,385**	**848,366**	**267,132**	**328,290**
Total Asia	**1,151,681**	**1,042,557**	**1,381,280**	**1,722,030**	**1,804,379**	**434,621**	**470,373**
Australia & Oceania							
Australia	5,387	7,018	25,897	20,750	14,039	4,057	3,299

	Year ended 31 December					As at 30 September	
	2019	2020	2021	2022	2023	2023	2024
Europe				(*KES million*)			
Other	755	497	1,415	317	298	56	93
Total Australia & Oceania	**6,141**	**7,515**	**27,313**	**21,067**	**14,338**	**4,114**	**3,392**
All Other Countries n.e.s.	281	2,186	1,158	5,843	2,594	-	-
Total All Other Counties n.e.s	**281**	**2,186**	**1,158**	**5,843**	**2,594**	-	-
Total Imports	**1,806,335**	**1,643,560**	**2,119,359**	**2,490,775**	**2,611,977**	**647,735**	**675,808**

(1) United Kingdom exited the EU in February 2020
(2) The National Bureau of Statistics no longer provides a breakdown for Mexico and Argentina.
Source: Kenya National Bureau of Statistics and Kenya Revenue Authority

Content of Foreign Trade

The primary contributors to foreign exchange are as follows: (a) exports (tea, coffee, horticulture produce, manufactured goods, etc.), (b) tourism, (c) international organisation/aid agencies, (d) foreign investments (foreign direct investment, portfolio investments, etc.), (e) loans and grants, and (f) remittances.

Kenya's horticulture exports were the leading contributor to foreign exchange in 2023 and accounted for 23.6%, 24.0%, 24.8%, 19.5% and 20.7% of total export earnings in, 2019, 2020, 2021, 2022, and 2023 respectively. Export earnings from horticulture decreased by 1.1% to KES 122.9 billion in 2019, and subsequently increased by 10.6% to KES 136.0 billion in 2020 and further increased by 21.8% to KES 165.7 billion in 2021 before decreasing by 8.1% to KES 152.3 billion in 2022. They increased further by 23% to KES 187.4 billion in 2023.

The volume of exported horticulture increased by 8.7% in 2018 to 497,417 tonnes due to increased rainfall and decreased by 6.0% in 2019 to 467,603 tonnes. The volume of horticultural exports continued to increase by 9.9%, from 391.5 thousand tonnes in 2022 to 430.2 thousand tonnes in 2023.

Tea exports accounted for 21.8%.23.0%, 19.6%, 20.9% and 20.9% of total export earnings in 2019,2020, 2021, 2022 and 2023 respectively. Export earnings from tea decreased by 18.2% to KES 113.5 billion in 2019 and increased by 14.8% in 2020 to KES 130.4 billion, increased by 0.4 % to KES 130.9 billion in 2021 and further increased by 24.7% to KES 163.3 billion in 2022. Tea exports increased by 15.3 % to KES 188.7 billion in 2023.

The volume of exported tea decreased by 5.2% in 2019 to 475,502 tonnes, increased by 21.1% in 2020 to 576,053 tonnes, decreased by 3.2% in 2021 to 557,351 tonnes, further decreased by 1.0 % to 551,804 tonnes in 2022 and increased by 2.3% to 564,546 tonnes in 2023.

Petroleum products and industrial machinery are Kenya's principal imports, collectively accounting for 31.3%, 26.3%, 27.8%, 36.4% and 36.8% of the total import value in 2019, 2020, 2021, 2022 and 2023 respectively.

The value of imported petroleum products was recorded at KES 316.6 million in 2019, decreased by 34% to KES 209.1million in 2020 and increased by 66.6% to KES 348.3 million in 2021, increased by 80.4% to KES 628.4 million in 2022 and decreased marginally by 0.3% to KES 626.4 million in 2023. The value of imported industrial machinery increased by 2.0% to KES 257.6 million in 2019, decreased by 10.0% to KES 231.9 million in 2020, and increased by 9.6% to KES 254.9 million in 2021, increased by 21.4% to KES 308.5 million in 2022 and decreased by 6.1% to KES 289.8 million in 2023.

The following tables set out the value of principal exports and imports for the periods presented.

	Year ended 31 December				
	2019	2020	2021	2022	2023
			(KES millions)		
Exports					
Fish and fish preparations..................................	3,413	2,739	3,431	5,612	6,695
Maize (unmilled, excluding sweet corn)	509	1,148	643	321	677
Meals and flours of wheat	94	151	166	194	2,076
Horticulture	122,916	135,960	165,655	152,270	187,409
Sugar confectionery...	4,885	5,721	6,878	8,160	8,413
Coffee, unroasted	20,310	22,243	26,141	37,132	34,613
Tea..	113,551	130,353	130,897	163,278	188,738
Margarine and shortening..................................	3,492	3,803	4,604	5,279	6,582
Edible products and preparations, n.e.s.	6,740	7,511	9,679	10,084	17,651
Beer made from malt...	1,695	1,573	1,953	2,764	3,688
Tobacco and tobacco manufactures...................	13,024	16,334	13,653	14,146	13,749
Hides and skins (undressed)	152	56	123	292	355
Sisal..	3,887	4,571	5,487	6,526	5,692
Stone, sand and gravel.......................................	770	855	1,056	1,043	1,318
Fluorspar	0	0	0	0	0
Salt	3,871	4,806	4,203	4,503	5,784
Soda ash	6,113	5,198	6,479	11,882	10,281
Titanium ores and concentrates	13,853	16,688	21,095	29,398	20,356
Metal scrap	3,389	3,082	5,989	4,480	8,670
Animal and vegetable oils	6,517	10,347	15,241	26,948	23,052
Alcohols, phenols, phenol-alcohols, and their halogens	109	132	221	396	369
Pigments, paints, varnishes and related materials	2,197	2,248	2,623	2,901	3,558
Medicinal and pharmaceutical products	10,327	10,965	11,116	12,211	17,684
Essential oils..	13,391	15,812	18,978	21,836	27,130
Plates, sheets, film, foil and strip, of plastics......	2,005	2,022	2,573	2,963	3,128
Insecticides and fungicides................................	1,871	2,663	2,468	2,260	2,391
Leather	2,948	2,086	1,904	1,991	2,191
Wood manufactures n.e.s	148	121	121	196	221
Paper and paperboard	4,716	4,265	3,535	5,081	6,818
Textile yarn	835	1,052	1,013	900	1,049
Made-up articles, wholly or chiefly of textile materials, n.e.s..	2,192	2,506	2,197	2,556	2,945
Glassware	1,069	1,246	1,331	1,762	2,083
Cement	679	1,148	1,656	4,056	5,988
Iron and steel	15,698	14,889	19,138	27,532	32,279
Metal containers	669	769	1,056	1,302	2,341
Wire products: nails screws, nuts, etc...............	525	539	1,306	3,093	2,774
Household equipment of base metal, n.e.s.	1,084	1,273	1,734	939	2,111
Manufactures of base metal, n.e.s......................	2,813	2,195	2,199	4,273	3,070
Automatic data processing machines and units thereof;	299	359	307	328	569
Electrical machinery and apparatus, n.e.s...........	2,115	2,474	2,956	3,057	3,227
Trailers and semi-trailers; other vehicles	1,122	950	1,201	1,479	1,330
Furniture and parts thereof; bedding, mattresses	1,294	1,095	1,190	1,604	2,034
Footwear...	3,826	4,210	3,713	2,904	2,989
Printed matter	3,241	5,579	5,322	6,790	3,752
Articles of plastics..	6,760	7,582	8,597	9,015	11,989
Articles of apparel and clothing accessories.......	34,768	32,918	42,701	47,311	45,500
All other items...	74,907	73,132	102,209	126,561	171,009
Total	**520,787**	**567,370**	**666,739**	**779,608**	**906,323**

Source: Kenya National Bureau of Statistics 2024 Economic Survey; Kenya Revenue Authority

	Year ended 31 December				
	2019	2020	2021	2022	2023
			(KES million)		
Imports					
Wheat, unmilled	51,347	48,934	62,403	78,083	93,759
Rice	25,063	26,336	31,148	34,408	54,766
Maize (unmilled, excluding sweet corn)	6,297	7,460	13,749	24,704	23,208
Wheat flour..	44	214	35	50	63
Sugars, molasses and honey	33,257	26,921	28,856	27,996	58,053
Edible products and preparations, n.e.s	13,061	16,394	16,272	20,431	36,001
Textile fibres and their waste	6,585	6,585	8,035	8,452	8,331
Second-hand clothing	17,770	12,242	18,964	19,991	26,271
Petroleum products..	307,469	201,142	335,338	597,654	605,994
Residual petroleum products, n.e.s and related materials	7,914	8,970	8,999	10,842	10,386
Liquefied propane and butane	16,042	15,385	25980	29,189	33,549
Animal/vegetable fats and oils	59,892	94,105	120,829	145,771	139,124
Organic & inorganic chemicals	26,486	27,956	35,307	49,121	49,158
Pigments, paints, varnishes and related materials	8,565	8,952	10,510	12,572	11,494
Medicinal & pharmaceutical products...............	65,758	75,919	88,443	92,896	90,557
Essential oils and perfumes	24,229	21,125	26,341	27,175	31,868
Chemical fertilizers	27,011	27,414	38,809	49,179	63,049
Plastics in primary & non-primary forms...........	66,498	69,233	98,231	101,290	99,230
Insecticides and fungicides................................	11,256	16,538	23,626	15,653	17,207
Miscellaneous chemical products, n.e.s.	15,024	17,770	8,315	23,011	24,797
Rubber tyres and inner tubes, for wheels of all kinds	16,118	15,585	18,650	16,234	16,854
Paper and paperboard	34,708	29,064	38,964	49,334	45,022
Textile yarn	4,660	3,706	5,539	6,807	5,971
Cement clinkers...	8,378	8,646	6,676	5,070	1,121
Iron and steel	104,112	105,101	155,539	150,634	120,790
Non-ferrous metals	14,015	16,010	18,731	20,936	22,098
Structures and parts of structures, n.e.s., of iron, steel or aluminium	9,399	10,095	18,322	10,192	5,510
Hand and machine tools	2,931	3,257	3,504	3,670	4,174
Manufactures of base metal, n.e.s......................	9,351	9,622	11,336	11,692	12,785
Industrial machinery..	257,635	231,854	254,222	308,508	289,819
Agricultural machinery and tractors	7,006	9,188	11,349	10,757	9,647
Automatic data processing machines and units thereof	17,956	14,012	14,084	16,329	19,103
Telecommunications equipment, n.e.s., and parts, n.e.s...	26,055	25,912	22,924	23,797	30,966
Parts, n.e.s and accessories of the motor vehicles	11,130	11,999	14,114	11,739	13,926
Motorcycles and cycles fitted with an auxiliary motor	13,273	13,631	20,767	13,767	6,452
Bicycles, assembled or partly assembled............	600	662	882	657	611
Road motor vehicles..	92,141	81,181	99,463	84,983	89,654
Aircraft and associated equipment	22,146	9,094	17,895	15,139	24,892
Prefabricated buildings......................................	2,705	3,447	4,017	4,138	3,896
Furniture and parts thereof	8,403	7,219	8,814	9,381	11,911
Quality control instruments and apparatus, n.e.s	11,393	8,788	10,202	8,432	11,959
Printed matter	8,185	4,950	7,566	12,373	9,548
Articles, n.e.s., of plastics..................................	8,575	7,997	9,345	12,959	13,391
All other commodities	325,893	282,946	345,665	314,783	365,013
Total	**1,806,335**	**1,643,560**	**2,119,359**	**2,490,775**	**2,611,977**

Source: *Kenya National Bureau of Statistics Economic Survey; Kenya Revenue Authority*

The following tables set out the quantities of principal exports and imports for the periods presented.

	Year ended 31 December				
	2019	2020	2021	2022	2023
	(In tonnes, unless otherwise stated)				
Exports					
Fish and fish preparations	8,844	8,418	10,875	13,624	10,800
Maize (unmilled, excluding sweet corn)	3,129	6,641	5,128	3,825	3,937
Meals and flours of wheat	2,032	2,749	2,867	2,559	27,209
Horticulture	467,603	592,068	682,279	603,800	772,661
Sugar confectionery	34,801	49,902	64670	71,514	69,539
Coffee, unroasted	48,735	43,407	37,504	48,302	48,859
Tea	475,503	576,053	557,351	551,804	564,546
Margarine and shortening	20,795	20,863	21,654	18,579	20,189
Edible products and preparations, n.e.s.	32,117	35,494	43,108	39,114	53,141
Beer made from malt (*000's litres*)	21,739	18,583	21,953	24,133	23,583
Tobacco and tobacco manufactures	20,295	24,082	19,984	16,238	11,842
Hides and skins	1,662	1,083	2,496	5,565	5,723
Sisal	24134	27,655	31,152	32,372	23,804
Stone, sand and gravel	159,663	163,997	183,779	216,820	212,119
Fluorspar	0	0	0	0	0
Salt	266,402	264,615	265,788	329,508	403,621
Soda Ash	254,714	228,200	302,536	284,739	216,207
Titanium ores and concentrates(1)	425,502	399,743	444,620	424,916	293,104
Metal scrap	12,727	12,462	17,875	12,723	20,246
Animal and vegetable oils	85,936	99,506	96,610	122,060	120,187
Alcohols and derivatives thereof	1,124	1,190	1,462	3,245	2,575
Pigments, paints, varnishes and related materials	13,514	14,964	15,978	21,508	22,525
Medicinal and pharmaceutical products	12,577	13,258	11,864	12,485	18,809
Essential oils	124,861	143,252	149,593	124,578	145,494
Plates, sheets, film, foil and strip, of plastics	5,212	5,697	6,582	6,007	6,037
Insecticides and fungicides	2,660	3,698	4,335	2,542	2,772
Leather	15,775	8,626	8,634	9,084	8,152
Wood manufactures n.e.s.	416	375	582	510	459
Paper and paperboard	27,019	22,695	20,713	25,152	28,939
Textile yarn	1,916	2,048	1,902	1,480	1,539
Made-up articles, wholly or chiefly of textile materials, n.e.s.	8,286	8,895	8,085	6,764	31,997
Glassware	16,572	18,519	19,675	21,331	20,693
Cement	61,658	120,024	172,523	326,530	454,354
Iron and steel	149,325	151,053	140,324	164,957	196,043
Metal containers	3,120	3,939	5,341	5,041	7,370
Wire products: nails screws, nuts, etc.	4,083	4,551	11,523	18,338	20,001
Household equipment of base metal, n.e.s.	3,742	3,677	5,438	2838	4,417
Manufactures of base metal, n.e.s.	11,956	10,224	8,227	10,275	8,789
Automatic data processing machines and units thereof	23,335	14,724	7,047	5,294	18,764
Footwear (*000's pairs*)	39,269	35,519	29,368	25,105	24,053
Printed matter	4,544	5,173	7,002	5,904	5,018
Articles of plastic	43,564	47,750	57,303	55,980	63,038

Source: *Kenya National Bureau of Statistics and Kenya Revenue Authority*

	Year ended 31 December				
	2019	**2020**	**2021**	**2022**	**2023**
	(in tonnes, unless otherwise stated)				
Imports					
Wheat, unmilled	1,998,852	1,882,451	1,889,922	1,676,624	2,037,036
Rice	608,602	605,148	630,911	678,088	937,099
Maize (unmilled, excluding sweet corn)	228,784	273,472	486,525	793,752	507,933
Wheat flour	988	4,943	611	689	828
Sugars, molasses and honey	627,168	482,070	468,785	364,461	644,003
Edible products and preparations, n.e.s.	102,742	89,959	85,989	82,038	105,196
Textile fibres and their waste	24,345	26,867	29,468	28,847	27,310
Second-hand clothing	184,555	121,778	183,830	177,664	198,084
Petroleum products (*MM litres*)	6,235	5,514	6,149	5,618	4,922
Residual petroleum products, n.e.s. and related materials	150,111	198,442	152,675	151,058	117,299
Liquefied propane and butane	304,408	321,184	373,865	323,718	403,672
Animal/vegetable fats and oils	1,006,481	1,208,219	926,435	686,603	971,614
Organic and inorganic chemicals	342,367	360,441	346,409	363,202	401,647
Pigments, paints, varnishes and related materials	44,342	49,432	52,159	58,582	57,928
Medicinal and pharmaceutical products	32,378	39,389	30,182	34,825	37,079
Essential oils and perfumes	72,427	73,134	85,820	84,459	87,347
Chemical fertilizers	768,825	836,072	758,457	561,986	915,752
Plastics in primary and non-primary forms	501,451	569,396	576,189	525,317	561,579
Insecticides and fungicide	15,606	25,810	19,159	17,393	20,456
Miscellaneous chemical products, n.e.s.	49,389	54,013	55,810	53,690	51,304
Rubber tyres and inner tubes, for wheels of all kinds (*number*)	10,182	10,985	11,339	4,279	3,670
Paper and paperboard	359,151	317,842	362,718	351,915	333,998
Textile yarn	21,828	18,874	23,436	21,841	19,184
Cement clinkers	1,813,898	2,008,427	1,065,709	656,499	148,019
Iron and steel	1,594,244	1,737,983	1,711,277	1,406,637	1,208,077
Non-ferrous metals	40,226	48,470	44,110	37,914	37,852
Structures and parts of structures of iron, steel or aluminium	45,920	47,972	62,566	32,886	21,909
Hand and machine tools	12,732	14,439	12,591	10,109	13,123
Manufactures of base metal, n.e.s.	42,730	45,064	43,106	38,878	38,972
Industrial machinery(1)	-	-	-	-	-
Agricultural machinery and tractors(1)	-	-	-	-	-
Automatic data processing machines and units thereof (*number*)	1,089	938	1,241	298	213
Telecommunications equipment, n.e.s., and parts, n.e.s.(1)	-	-	-	-	-
Parts, n.e.s. and accessories of the motor vehicles(1)	-	-	-	-	-
Motorcycles and cycles fitted with an auxiliary motor (*number*)	231	233	342	193	73
Bicycles, assembled or partly assembled (*number*)	199	211	257	105	111
Road motor vehicles (*number*)	109,933	94,569	103,859	87,648	78,127
Aircraft and associated equipment(1)	-	-	-	-	-
Prefabricated buildings	9,404	9,205	10,753	11,036	9,608
Furniture and parts thereof(1)	-	-	-	-	-
Quality control instruments and apparatus, n.e.s.(1)	-	-	-	-	-
Printed matter	13,836	6,299	8,789	11,869	9,576
Articles, n.e.s., of plastics	38,541	37,570	36,027	36,851	42,687

Source: *Kenya National Bureau of Statistics and Kenya Revenue Authority*

Capital and Financial Account

The capital account recorded surpluses of KES 21.1 billion, KES 14.0 billion, KES 21.5 billion, KES 16.5 billion and KES 17.3 billion in 2019, 2020, 2021, 2022 and 2023, respectively. These surpluses were mainly due to an increase in project grants.

The following table sets out the balance on the capital and financial account for the periods indicated.

	2019	2020	2021	2022	2023
			(KES millions)		
Credit	21,146	14,023	21,451	16,508	17,264
Debit	-	-	-	-	-
Capital Account	**21,146**	**14,023**	**21,451**	**16,508**	**17,264**
Direct investment:					
Assets.	3,797	40,638	88,076	63,787	69,991
Liabilities	47,930	(575)	46,017	93,301	101,915
Portfolio investment					
Assets	87,442	110,688	114,140	56,342	68,873
Liabilities	134,177	(29,109)	92,267	(26,952)	(21,400)
Other investment					
Assets.	57,834	108,690	11,500	(61,606)	410,475
Liabilities	458,183	487,782	682,382	478,099	865,554
Financial Account	**(491,954)**	**(199,377))**	**(604,482)**	**(488,436)**	**(384,703)**

Source: Kenya National Bureau of Statistics and Kenya Revenue Authority

The following table sets out information on foreign investor net cash inflow activity in the equity market according to the Nairobi Securities Exchange for the periods indicated.

	Year ended 31 December					
	2019	**2020**	**2021**	**2022**	**2023**	**2024**
			(KES millions)			
January	(1,357)	530	621	(423)	(2,855)	(107)
February	216	(2,655)	(621)	187	(382)	(918)
March	1,742	(9,058)	(976)	(1,451)	(10,692)	(1,203)
April	93	(4,098)	(31)	(1,653)	(283)	1,063
May	2,166	(4,462)	(782)	(4,207)	(1,312)	1,495
June	(900)	(1,690)	(1,196)	(5,036)	113	419
July	(2,073)	(5,339)	1,555	(2,972)	(3,019)	(655)
August	1,509	10	1,721	(1,656)	672	(2)
September	827	802	(942)	(2,337)	(1,193)	29
October	(1,361)	(1,129)	(1,021)	(2,319)	(571)	(570)
November	(730)	(1,186)	(4,294)	(887)	(480)	(668)
December	1,247	(354)	(2,874)	(1,664)	(1,286)	(15,401)
Net Cash Inflow	**1,378**	**(28,629)**	**(10,239)**	**(24,417)**	**(21,288)**	**(16,517)**

Source: *Capital Markets Authority-CMA statistical bulletin Quarter ended 31 December 2024*

The Government plans to implement the following objectives in order to increase foreign investment in Kenya:

- expand energy sources to provide reliable energy to industries at competitive rates;
- improve Kenya's investment climate by simplifying processes;
- finalise commercial laws aimed at increasing efficiency in business and investment in the country;
- improve investor facilitation by creating "one-stop shops" for information;
- prioritise and effectively carry out the necessary institutional reforms to improve governance;
- maintain and expand existing infrastructure; and

- enhance internal security.

Through its Industrial Transformation initiative, the Government has sought to increase connectivity through affordable rail and road networks and ports, re-engineer processes and reduce costs through a broad range of business-related measures. In addition, the Government's multi-institutional Business Environment Delivery Unit and the Department of Business Reforms and Transformation in collaboration with the private sector coordinated implementation of the reforms required to make Kenya competitive locally and internationally. To this end, Kenya's ranking in the World Bank Doing Business Indicators has improved, reflecting reforms undertaken in the areas of starting businesses, construction permits, getting credit, payment of taxes, protecting minority investors, and resolving insolvency. In addition, Kenya maintains a flexible exchange rate regime and a fully liberalised capital account.

Foreign direct investment is largely in the form of equity and retained earnings. The main sources of investment are Europe (United Kingdom, France and Netherlands), and Africa (South Africa and Mauritius). These investments are largely in finance and insurance, wholesale and retail trade, information and communication, and manufacturing activities.

Foreign Reserves

Foreign reserves increased to US$9.1 billion (5.5 months of imports) as at 31 December 2019 but decreased to US$8.3 billion (5.1 months of imports) as at 31 December 2020. Foreign reserves increased to US$9.5 billion (5.7 months of imports) as at 31 December 2021 but decreased to US$8.0 billion (4.5 months of imports) as at 31 December 2022. As at 31 December 2023, foreign reserves slightly decreased to US$7.3 billion, sufficient to cover 3.9 months of imports. As at 31 December 2024, foreign reserves increased to US$10.1 billion equivalent to 5.2 months of import cover. The statutory requirement for import cover is to endeavour to maintain at least 4 months of import cover.

As of December 2024, Kenya's usable foreign exchange reserves stood at US$9.2 billion, providing 4.7 months of import cover. This level meets the CBK's statutory requirement to maintain at least 4 months of import cover. This represents an increase from 31 December 2023, when reserves were US$7.3 billion, covering 3.9 months of imports. The rise in reserves throughout 2024 indicates an improvement in Kenya's foreign exchange position. For context, in October 2024, the reserves were reported at US$9.2 billion, equating to 4.7 months of import cover. Overall, the data suggests that Kenya's foreign exchange reserves have increased in 2024, maintaining levels above the statutory requirement for import cover.

The following tables sets out foreign reserves held by the CBK and the Central Government as at the dates indicated (in US dollars and KES).

As at end of	Central Bank of Kenya			Central Government		
	SDR	Foreign Exchange (Cash + gold)	Total	Reserve Position in IMF	Total International Reserves	Months of Import cover
			US$ Millions			
2019						
January	19	8,183	8,203	19	8,221	5.3
February	9	8,525	8,535	19	8,553	5.5
March	83	8,346	8,429	19	8,448	5.4
April	53	7,999	8,052	19	8,070	5.1
May	52	10,032	10,084	18	10,102	6.4
June	10	9,627	9,637	19	9,656	6.0
July	121	9,502	9,623	18	9,642	6.0
August	111	9,447	9,558	18	9,576	5.9
September	111	9,313	9,423	18	9,442	5.8
October	92	9,238	9,330	18	9,348	5.7
November	81	9,052	9,133	18	9,152	5.6
December	59	9,038	9,097	19	9,115	5.5
2020						
January	53	8,809	8,861	18	8,880	5.3
February	43	8,692	8,735	18	8,753	5.3
March	43	8,573	8,616	18	8,634	5.2
April	14	8,324	8,338	18	8,356	5.0
May	14	9,706	9,719	18	9,738	5.9
June	31	9,691	9,721	18	9,739	6.0
July	25	9,595	9,620	19	9,639	5.9
August	16	9,161	9,177	19	9,197	5.7
September	79	8,667	8,746	19	8,765	5.4
October	49	8,295	8,344	19	8,362	5.2
November	50	8,127	8,176	19	8,195	5.1
December	26	8,251	8,277	19	8,297	5.1
2021						
January	20	7,969	7,989	19	8,008	5.0
February	11	7,772	7,782	19	7,802	4.8
March	10	7,711	7,722	19	7,741	4.8
April	42	7,780	7,822	19	7,841	4.8
May	43	7,809	7,852	19	7,871	4.9
June	20	9,917	9,938	19	9,957	6.1
July	14	9,618	9,632	19	9,651	5.9
August	754	8,378	9,132	19	9,151	5.6
September	746	8,867	9,613	19	9,632	5.9
October	729	8,701	9,430	19	9,449	5.8
November	710	8,577	9,287	19	9,306	5.7
December	686	8,786	9,472	19	9,490	5.7
2022						
January	682	8,212	8,894	19	8,912	5.3
February	682	7,967	8,650	19	8,668	5.2
March	676	7,737	8,413	19	8,432	5.0
April	626	8,389	9,015	18	9,033	5.3
May	628	8,141	8,769	18	8,787	5.1
June	608	7,868	8,477	18	8,494	4.9
July	602	7,648	8,250	18	8,267	4.8
August	592	7,261	7,852	17	7,870	4.5
September	582	7,188	7,770	17	7,787	4.4
October	574	7,158	7,732	17	7,749	4.4
November	583	6,947	7,531	18	7,548	4.3
December	568	7,383	7,951	18	7,969	4.5
2023						
January	575	6,901	7,476	18	7,494	4.2
February	555	6,603	7,158	18	7,176	4.0
March	562	6,382	6,943	18	6,961	3.9
April	552	6,509	7,061	18	7,079	3.9
May	529	6,679	7,208	18	7,226	3.9
June	521	7,498	8,018	18	8,036	4.4
July	525	7,376	7,901	18	7,919	4.3
August	502	7,132	7,634	18	7,651	4.1
September	496	7,022	7,517	18	7,535	4.0
October	496	6,982	7,478	18	7,495	4.0
November	480	6,899	7,379	18	7,397	3.9

As at end of	Central Bank of Kenya			Central Government		
	SDR	Foreign Exchange (Cash + gold)	Total	Reserve Position in IMF	Total International Reserves	Months of Import cover
			US$ Millions			
December	474	6,849	7,322	18	7,340	3.9
2024...						
January	468	7,323	7,790	18	7,808	4.1
February	443	7,209	7,652	18	7,670	4.0
March	442	7,354	7,795	18	7,813	4.1
April	438	7,377	7,814	18	7,832	4.1
May	408	7,257	7,665	18	7,683	4.0
June	406	8,039	8,445	18	8,463	4.4
July..	410	7,596	8,006	18	8,024	4.1
August.....................................	383	7,571	7,954	18	7,972	4.1
September................................	386	8,198	8,584	18	8,603	4.4
October....................................	379	8,787	9,166	18	9,184	4.7
November................................	348	9,213	9,560	18	9,578	4.9
December	341	9,732	10,073	18	10,091	5.2

Source: *Central Bank of Kenya*

As at end of	Central Bank of Kenya			Central Government			Total International Reserves [1]
	SDRs	Foreign Exchange (cash + gold)	Total	Reserve Position in IMF	Deposits with Crown Agents	Total	
				(*KES millions*)			
2019							
January	1,953	841,171	843,124	1,893	110	2,003	**845,127**
February	939	841,304	842,243	1,874	109	1,983	**844,227**
March	8,343	837,697	846,040	1,874	110	1,984	**848,024**
April	6,346	830,833	837,180	1,882	109	1,991	**839,171**
May	5,230	1,036,089	1,041,319	1,871	107	1,977	**1,043,297**
June	1,008	1,029,833	1,030,841	1,905	119	2,024	**1,032,864**
July	12736	1,000,217	1,012,954	1,920	100	2,020	**1,014,974**
August	11489	961,288	972,776	1,898	105	2,004	**974,780**
September	11479	943,223	954,701	1,897	107	2,004	**956,705**
October	9,465	936,180	945,646	1,907	111	2,018	**947,664**
November	8,312	910,615	918,927	1,891	111	2,002	**920,929**
December	5,975	911,428	917,402	1,877	111	1,988	**919,391**
2020							
January	5,300	870,553	875,853	1,855	110	1,965	**877,819**
February	4,342	865,758	870,100	1,858	109	1,966	**872,066**
March	4,541	872,947	877,488	1,914	108	2,023	**879,510**
April	2,529	863,500	866,028	1,964	111	2,075	**868,103**
May	1,449	997,753	999,202	1,966	110	2,075	**1,001,277**
June	3,256	1,065,543	1,068,799	1,963	110	2,073	**1,070,871**
July	2,703	1,031,050	1,033,752	2,039	117	2,155	**1,035,908**
August	1,732	993,633	995,365	2,057	120	2,177	**997,542**
September	8,588	946,247	954,834	2,046	116	2,162	**956,996**
October	6,430	906,505	912,935	2,058	118	2,176	**915,110**
November	5,434	906,294	911,727	2,108	123	2,231	**913,958**
December	2,868	882,037	884,904	2,106	124	2,230	**887,135**
2021							
January	2,207.7	876,888.3	879,096	2,125.9	-[2]	2,125.9	**881,221.9**
February	1,160.8	852,576.3	853,737.1	2,117.0	-[2]	2,117.0	**855,854.1**
March	1,140.0	843,692.2	844,832.2	2,079.1	-[2]	2,079.1	**846,911.3**
April	4,577.5	838,181.2	842,758.7	2,074.5	-[2]	2,074.5	**844,833.2**
May	4,573.1	839,409.9	843,983.0	2,082.2	-[2]	2,082.2	**846,065.2**
June	2,202.7	1,068,594.5	1,070,797.2	2,060.8	-[2]	2,060.8	**1,072,858.0**
July	1,548.0	1,043,533.6	1,045,081.6	2,078.7	-[2]	2,078.7	**1,047,160.3**
August	82,876.7	919,585.1	1,002,461.8	2,096.3	-[2]	2,096.3	**1,004,558.1**
September	82,439.4	978,619.5	1,060,721.9	2,085.2	-[2]	2,085.2	**1,062,807.1**
October	81,102.4	954,947.9	1,036,050.3	2,108.7	-[2]	2,108.7	**1,038,159.0**
November	79,906.5	963,765.9	1,043,672.4	2,110.8	-[2]	2,110.8	**1,045,783.2**
December	77,625.5	993,050.5	1,070,676	2,121.3	-[2]	2,121.3	**1,072,797.3**
2022							
January	77,487.3	931,686.8	1,009,174.1	2,117.5	-[2]	2,117.5	**1,011,344.8**
February	77,658.6	906,054.2	983,712.8	2,127.1	-[2]	2,127.1	**985,893.3**
March	77,719.4	888,538.0	966,257.4	2,128.7	-[2]	2,128.7	**968,439.7**
April	72,458.1	970,265.8	1,042,723.9	2,078.1	-[2]	2,078.1	**1,044,854.6**
May	73,332.5	949,414.8	1,022747.3	2,110.7	-[2]	2,110.7	**1,024,911.0**
June	71,692.4	926,266.7	997,959.1	2,095.9	-[2]	2,095.9	**1,000,107.9**
July	71,523.5	907,721.2	997,790.2	2,093.2	-[2]	2,093.2	**981,390.6**
August	71,023.1	870,546.0	841,569.1	2,092.1	-[2]	2,092.1	**943,714.0**
September	70,270.4	867,016.0	937,286.4	2,070.0	-[2]	2,070.0	**939,408.3**
October	69,688.0	867,671.3	937,359.3	2,085.8	-[2]	2,085.8	**939,497.6**
November	71,393.7	849,887.7	921,281.4	2,156.7	-[2]	2,156.7	**923,492.4**
December	70,071.1	910,070.7	980,141.8	2,199.4	-[2]	2,199.4	**982,396.5**
2023							
January	71,593.4	857,702.6	929,296	2,247.2	-[2]	2,247.2	**931,599.8**
February	70,392.86	836,923.7	907,316.6	2,258.0	-[2]	2,258.0	**909,631.2**
March	74,342.01	843,769.6	918,111.6	2,384.7	-[2]	2,384.7	**920,556.3**
April	75,034.71	883,925	958,959.7	2,452.4	-[2]	2,452.4	**961,474**
May	73,278.98	924,288.1	997,567.1	2,462.7	-[2]	2,462.7	**1,000,091.9**
June	73,156.29	1,052,796	1,125,952.3	2,503.8	-[2]	2,503.8	**1,128,519.2**
July	74,671.37	1,049,282	1,123,953.4	2,561.1	-[2]	2,561.1	**1,126,579.3**
August	72,929.06	1,036,218	1,109,147.1	2,590.5	-[2]	2,590.5	**1,111,802.8**
September	73,444.76	1,039,134	1,112,578.8	2,608.8	-[2]	2,608.8	**1,115,252.8**
October	74,616.4	1,050,418.7	1,125,035.1	2,650.4	-[2]	2,650.4	**1,127,752.1**
November	73,583.5	1,055,813.7	1,129,397.2	2,735.3	-[2]	2,735.3	**1,132,201.5**
December	74,137.4	1,068,371.1	1,143,508.5	2,812.1	-[2]	2,812.1	**1,145,391.2**
2024							
January	75,143.3	1,177,139.6	1,252,282.8	2,863.8	-[2]	2,863.8	**1,255,146.6**
February	63,569.0	1,035,179.8	1,098,748.8	2,553.6	-[2]	2,553.6	**1,101,302.4**
March	58,195.7	969,218.8	1,027,414.5	2,337.7	-[2]	2,337.7	**1,029,752.2**
April	58,316.0	983,184.7	1,041,500.7	2,353.0	-[2]	2,353.0	**1,043,853.7**
May	53,183.8	945,098.0	998,281.8	2,309.0	-[2]	2,309.0	**1,000,590.8**
June	52,567.6	1,041,295.7	1,093,863.4	2,282.3	-[2]	2,282.3	**1,096,145.7**
July	53,252.5	986,941.4	1,040,193.9	2,312.0	-[2]	2,312.0	**1,042,506.0**
August	49,502.8	977,950.1	1,027,452.8	2,330.2	-[2]	2,330.2	**1,029,783.0**
September	49,869.6	1,059,202.3	1,109,071.9	2,347.5	-[2]	2,347.5	**1,111,419.4**
October	48,998.2	1,135,273.4	1,184,271.6	2,304.7	-[2]	2,304.7	**1,186,576.3**
November	45,079.2	1,194,642.9	1,239,722.1	2,309.7	-[2]	2,309.7	**1,242,031.8**
December	44,084.5	1,255,195.2	1,299,279.7	2,258.7	-[2]	2,258.7	**1,301,538.5**

(1) International reserves are a subset of foreign assets which are readily available for meeting external financial needs
(2) As of January 2021, the Central Bank of Kenya stopped publishing this data

Source: *Central Bank of Kenya*

Foreign Exchange

Kenya has a flexible exchange rate regime where the value of the Kenya shilling is determined by the market according to the demand and supply of foreign exchange, with the Central Bank intervening only to prevent excess volatility in the currency's trading level. In 2019, the shilling depreciated by 0.7% against the dollar, 2.0% against the Japanese Yen and appreciated by 3.7 % against the pound sterling and 4.6% against the Euro. In 2020, the shilling depreciated by 4.4% against the dollar, 5.0 % against the pound sterling, 6.6% against the Japanese Yen and by 6.5% against the Euro, mainly due to Covid-19 related concerns. In 2021, the shilling depreciated by 3.0% against the dollar, 10.4% against the pound sterling, 0.2% against the Japanese Yen and by 6.8% against the Euro. In 2022, the shilling depreciated by 7.5% against the dollar, appreciated by 3.3% against the pound sterling, appreciated 9.8% against the Japanese Yen and appreciated by 4.3% against the Euro. In 2023, the shilling depreciated by 18.7% against the dollar, 19.3% against the pound sterling, 26.3% against the Japanese Yen and by 21.8% against the Euro. In 2024, the shilling appreciated by 17.6% against the dollar, 18.8% against the pound sterling, 25.7% against the Japanese Yen and by 22.4% against the Euro.

The table below sets out selected mean exchange rates for the Kenyan shilling, computed as a simple average of the daily average buying and selling rates.

	As at 31 December					
	2019	**2020**	**2021**	**2022**	**2023**	**2024**
1 euro	114.18	121.65	129.76	124.19	151.25	134.72
1 US dollar	101.99	106.47	109.65	117.87	139.85	134.86
1 Pound Sterling	130.18	136.73	150.85	145.80	174.01	162.20
100 Japanese Yen	93.59	99.80	99.94	90.15	99.48	82.48

Source: *Central Bank of Kenya, Economic Survey 2024*

The table below sets out the fiscal year average exchange rates for the Kenyan shilling against the US$.

	FY2018/19	**FY2019/20**	**FY2020/21**	**FY2021/22**	**FY2022/23**	**FY2023/24**
1 US dollar	101.99	106.47	109.65	117.87	139.85	134.86

Source: *Central Bank of Kenya*

Trade Policy

Kenya is a signatory to a number of multilateral and bilateral trade agreements and is also a beneficiary to trade enhancing schemes, including: the EU and African, Caribbean and Pacific countries (the "**ACP EU Trade Agreement**"); African Continental Free Trade Area (the "**AfCFTA**"); the United States' AGOA; the COMESA; the EAC; the economic partnership agreement between the EAC and the EU (the "**EAC-EU EPA**"); and the Generalised System of Preferences (the "**GSP**"), which, together, provide Kenyan exports with preferential access to a range of African and world marks. Kenya is also a member of the WTO, which grants Kenya's export products "most favoured nation" treatment in more than 90% of world markets.

Regional Agreements

Kenya's membership of several regional agreements provides a strong multilateral basis for Kenya to engage in intra-African trade. As a member of the EAC, Kenya enjoys preferential tariff, duty, and customs trade with neighbouring Tanzania, Uganda, Burundi, Rwanda and South Sudan. Through the COMESA, Kenya further benefits from reduced tariff and non-tariff barriers and the elimination of customs duties with the 21 COMESA states. The AfCFTA launched on 1 January 2021 after being delayed by the Covid-19 Pandemic and aims to work towards creating a single liberalised market across the 54 participating African States. Currently, the AfCFTA is in Phase 1 and provides for reductions on tariffs for 90% of goods as well as other trade facilitation and liberalisation measures.

Under the ACP EU Trade Agreement, exports from Kenya entering the EU are entitled to duty reductions and freedom from all quota restrictions. Trade preferences include duty free entry of all industrial products as well as a wide range of agricultural products including beef, fish, dairy products, cereals, fresh and processed fruits and vegetables. Once in force, the EAC-EU EPA will provide for duty and quota-free access for Kenyan exports to the EU, customs facilitative-provisions, and protections for key Kenyan industries.

Under the AGOA, many Kenyan exports qualify for duty-free access to the US market including textiles, apparels and handicrafts. The AGOA is set to expire in 2025 although the USA is currently developing a new initiative called 'Prosper Africa' which has the goal to substantially increase two-way trade and investment between the United States and Africa.

Under the GSP, a wide range of Kenya's manufactured products are entitled to preferential duty treatment in the United States, the United Kingdom, Japan, Canada, New Zealand, Australia, Switzerland, Norway, Sweden, Finland, Austria and other European countries. In addition, no quantitative restrictions are applicable to Kenyan exports on any of the 3,000 plus items currently eligible for GSP treatment.

Bilateral Trade Agreements

Kenya has also signed bilateral trade agreements, including sectoral agreements, with several countries around the world. In December 2020, Kenya signed a trade agreement with the United Kingdom.

Kenya has also negotiated and signed Avoidance of Double Taxation Agreements with the United Arab Emirates, the United Kingdom, Germany, India, Canada, Norway, Sweden, Denmark, Zambia, the Republic of Korea, the State of Qatar, the Republic of Iran, France and South Africa, and is currently negotiating a number of others with various countries such as Portugal, Turkey, and Botswana. Kenya has also concluded Investment Promotion and Protection Agreements with France, Finland, Germany, Italy, Netherlands, Switzerland, China, Libya, Iran, Burundi and the United Kingdom, amongst others. Kenya has diplomatic relations with Cuba and trade relations as demonstrated by Kenya's participation in trade fairs.

In 2024, Kenya actively pursued and formalised several bilateral trade agreements to enhance its economic partnerships. In February 2024, Kenya concluded a Comprehensive Economic Partnership Agreement with the United Arab Emirates. This agreement aims to advance trade, investment, and economic cooperation between the two nations. Notably, the UAE has become Kenya's sixth-largest export market and second-largest source of imports. The partnership includes favorable credit terms for oil supplies from UAE companies, contributing to the stabilization of Kenya's currency and reduction of fuel prices for consumers.

On 1 July 2024, the Economic Partnership Agreement "(**EPA**") between the EU and Kenya entered into force. This agreement represents a significant milestone in the EU-Kenya Strategic Partnership, as it reciprocally applies benefits to both parties. Under the EPA, the EU fully liberalises access to its market from day one, allowing all goods from Kenya, primarily agricultural products such as vegetables, cut flowers, fruits, tea, and coffee, to enter the EU market without tariffs and quotas.

Export Promotion Council

The Export Promotion Council ("**EPC**") supports producers and exporters of goods and services through enhancing market access, value addition and dissemination of trade information. The EPC exposes the beneficiary firms to the opportunities available through enhanced international visibility for their products and ease of transacting business.

Under the trade facilitation policy, the EPC advocates a trade policy environment that aids growth and development of Kenya's export sector. This was achieved through participation and contribution in several bilateral and multilateral trade negotiations policy forums, including the EAC-EU EPA, the EAC/COMESA/SADC tripartite negotiations, the AGOA, the COMESA, and the EAC common market negotiations amongst others.

The EPC assists in identifying and expanding export opportunities for Kenya through market research and trade statistical analyses and organises and facilitates participation of Kenya's exhibitors in international trade fairs and exhibitions, as well as providing training to enhance exporters' skills and knowledge.

Kenya-USA Strategic Trade and Investment Partnership

In 2022, Kenya and the United States of America (USA) agreed to commence negotiations under the framework of the Strategic Trade and Investment Partnership ("**STIP**"), and throughout 2024, Kenya engaged in these negotiations with the USA. Multiple negotiating rounds were held, including sessions in Nairobi and Washington, D.C., focusing on areas such as agriculture, customs, trade facilitation, environment, and workers' rights. While a final agreement was not concluded within the year, both nations expressed optimism about finalising the partnership in the near future. These initiatives reflect Kenya's strategic efforts in 2024 to strengthen its economic ties and enhance trade opportunities with key global partners.

MONETARY AND FINANCIAL SYSTEM

Central Bank of Kenya

The Central Bank of Kenya Act (Cap. 491) established the Central Bank of Kenya. The establishment of the CBK was a direct result of three East African states' desire to have independent monetary and financial policies. This led to the collapse of the East Africa Currency Board in the mid-1960s. Following the promulgation of the Constitution on 27 August 2010, the CBK was established as an autonomous institution under Article 231 of the Constitution. Under this Article, the CBK has the responsibility to formulate monetary policy, promote price stability, issue currency and perform any other functions conferred on it by an act of Parliament. The Central Bank of Kenya Act (Cap. 491) limits the CBK's lending to the Government to 5% of the latest Government's audited revenue. The Kenyan banking industry has experienced transformation through digitalisation and modernisation of the banking sector. See "*Risk Factors—Risks relating to the Republic of Kenya—The Kenyan banking sector is subject to operational risks relating to the introduction of and reliance on information technology systems including cybersecurity and privacy risks*" for further information regarding operational risk in the banking sector.

The functions and powers of the CBK are the following:

- to formulate and implement monetary policy directed to achieving and maintaining stability in the general level of prices;
- to foster the liquidity, solvency and proper functioning of a stable market-based financial system;
- subject to the above, the CBK shall support the economic policy of the Government, including its objectives for growth and employment;
- to formulate and implement foreign exchange policy;
- to hold and manage its foreign exchange reserves;
- to licence and supervise authorised dealers;
- to formulate and implement such policies as best promote the establishment, regulation and supervision of efficient and effective payment, clearing and settlement systems;
- to act as banker and adviser to, and as fiscal agent of the Government;
- to issue currency notes and coins; and
- to licence to supervise mortgage refinance companies.

Under the Central Bank of Kenya Act (Cap. 491), the responsibility for determining the policy of the CBK, other than the formulation of monetary policy, is given to the Board of Directors. The board comprises 11 members consisting of the Chairperson, the Governor, the Principal Secretary to the National Treasury or his representative who must be a non-voting member, and eight other non-executive directors. The chairperson and directors are appointed by the President with the approval of Parliament and hold office for a period of four years but are eligible for re-appointment for one additional term of four years. Persons eligible to be appointed to the board must be citizens of Kenya who are knowledgeable or experienced in monetary, financial, banking and economic matters or other disciplines relevant to the functions of the CBK.

The CBK operates from its head office in Nairobi and has branch offices in Mombasa, Kisumu and Eldoret. The CBK also runs currency centres in Nyeri, Nakuru Meru and Kisii. The CBK Institute of Monetary Studies, which is headed by a director, is answerable to the Governor of the CBK.

As part of strengthening the banks' corporate governance, board capabilities and best practises in line with international financial institutions, CBK developed and issued the Kenyan Banking Sector Charter through Banking Circular No. 1 of 2019 on 28 February 28. The objective was to ensure a responsible and disciplined banking sector. The Charter applies to institutions carrying on banking business, financial business, mortgage finance business and micro-financing business.

The following table sets out the financial position of the CBK as at the dates indicated.

	As at 30 June					
	2019	2020	2021	2022	2023	2024
	(*KES millions*)					
Assets						
Balances due from banking institutions................................	542,849	369,505	430,968	295,836	421,469	484,312
Funds held with IMF................	1,008	3,255	2,201	71,639	73,275	52,550
Securities and advances to banks	66,909	55,561	59,540	71,829	82,469	239,847
Loans and advances..................	3,363	3,274	3,131	3,726	3,694	3,627
Financial assets at fair value through profit or loss................	504,533	724,892	664,991	636,651	640,530	564,824
Investments in securities	9	10	10	10	12	11
Other assets	5,684	5,595	5,541	8,559	7,997	7,117
Gold holdings...........................	81	106	106	120	150	169
Right-of-use assets	—	222	114	90	79	64
Retirement benefit asset	4,328	6,537	7,639	7,081	4,994	5,861
Property and equipment	30,001	31,618	33,105	31,910	29,710	29,583
Intangible assets	837	1,224	1,784	310	1,998	2,666
IMF on-lent to Government of Kenya		79,702	160,638	192,924	326,865	409,375
Due from Government of Kenya	79,556	68,933	79,288	118,263	189,967	160,311
Total assets..............................	**1,239,158**	**1,350,434**	**1,449,056**	**1,438,948**	**1,783,209**	**1,960,317**
Liabilities.................................						
Currency in circulation.............	249,509	257,792	277,129	305,350	315,967	333,795
Investments by banks	—	6,997	—	—	—	—
Deposits from banks and Government..............................	741,000	732,187	728,001	539,610	572,975	647,035
IMF	83,653	151,841	221,174	325,145	477,899	573,412
Other liabilities..........................	6,521	5,602	6,258	4,463	6,291	6,117
Total liabilities........................	**1,080,683**	**1,154,419**	**1,232,562**	**1,174,568**	**1,373,132**	**1,560,359**
Equity and reserves................						
Share capital.............................	20,000	35,000	35,000	35,000	38,000	50,000
General reserve fund	109,608	128,199	155,368	226,986	366,730	300,725
Asset revaluation reserve...........	17,801	17,801	21,680	21,680	21,680	21,680
Fair Value reserve	7,066	12,515	(1,054)	(23,286)	(21,333)	(2,447)
Consolidated fund	4,000	2,500	5,500	4,000	5,000	30,000
Total liabilities and equity	**1,239,158**	**1,350,434**	**1,449,056**	**1,438,948**	**1,783,209**	**1,960,317**

Source: *Central Bank of Kenya*

Structure and Development of the Kenyan Banking System

Commercial Banks and Mortgage Finance Institutions

Commercial banks and mortgage finance institutions are licenced and regulated pursuant to the provisions of the Banking Act (Cap. 488) and the Regulations and Prudential Guidelines issued thereunder. They are the dominant institutions in the Kenyan banking system. As at the date of this Offering Circular, there is a moratorium on licencing of new banks as part of efforts to strengthen the banking sector. The moratorium does not however apply to cases relating to resolution, amalgamation and acquisition of banks and institutions that were granted an "approval in principle" before the moratorium was declared.

As at the date of this Offering Circular, there are 38 licenced commercial banks and 1 mortgage finance company. Out of the 39 institutions, 22 are locally owned and 17 are foreign owned. The locally owned financial institutions are comprised of 2 commercial banks whose majority shareholding are held by the Government, namely the Consolidated Bank of Kenya (77.8% Government owned), the Development Bank of Kenya (89.3% Government owned), 19 privately owned commercial banks and 1 mortgage finance institution. Over the last three years, 3 commercial banks in the small peer group have been acquired by 3 foreign banks. In January 2023, CBK announced the acquisition of assets and liabilities of Spire Bank by Equity Bank Kenya Limited effective from 31 January 2023. This was following a period in 2022/2023 when Spire Bank was in distress.

Over the last six years, CBK has focused on strengthening the banking sector by strengthening business models to enhance resilience through capital and liquidity buffers. CBK has also entrenched the Internal Capital Adequacy Assessment Process (ICAAP) by banks. ICAAP ensures that banks maintain adequate capital in relation to their risk profile and market niche.

In a bid to strengthen their business models, banks have pursued various options including mergers and acquisitions. Over the last four years, there were a number of mergers and acquisitions including: the acquisition of Transnational Bank by Access Bank of Nigeria, the acquisition of a majority stake in Mayfair Bank by CIB Bank of Egypt, the acquisition of Jamii Bora Bank by Co-operative Bank of Kenya, the acquisition of assets and labilities of Spire Bank by Equity Bank Kenya, the acquisition of First Community Bank by Premier Bank of Somalia, and acquisition of 20% in Credit Bank by Shorecap III, LP of Mauritius.

The current minimum capital requirement is KES 1 billion. However, effective as of 27 December 2024, the requirement was increased progressively to KES 10 billion by December 2029. The minimum core capital and total capital ratios to risk weighted assets are set at 10.5% and 14.5%, respectively, under the Central Bank of Kenya's Prudential Guideline on Capital Adequacy. To ensure adherence with the Basel II Accord (International Convergence of Capital Measurement and Capital Standards; Basel Committee on Banking Supervision), capital charges for operational and market risk came into force on 1 January 2014. Similarly, a capital conversation buffer of 2.5% was introduced effective January 2015 in line with Basel III. Banks are required to set aside specific capital charges for credit, market, and operational risks.

The major risks affecting the Kenyan banking sector are credit risk, operational risk particularly cyber risk, market risk and liquidity risk. Credit risk is the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the bank or if an obligor otherwise fails to perform as agreed. The rise in credit risk in the Kenyan banking sector can be seen in the increase in its non-performing loan ratio from 14.5% in December 2020 to 16.7% in August 2024. However, there was a slight decrease to 16.5% in October 2024, which was due to a decrease in non-performing loans ("**NPL**") in the real estate, manufacturing, trade and building, agriculture and transport and communication sectors. Banks have continued to make adequate provisions for the NPLs. Credit risk has recently increased mainly due to a challenging business and operating environment. CBK is addressing the deterioration in asset quality by enhancing provisioning measures for NPLs as well as strengthening the banking sector's credit underwriting standards. Cyber risk is the risk of financial loss, disruption, or damage to the reputation of an organisation from a failure of its information technology systems. The rollout of digital service platforms has made banks and other financial service providers vulnerable to cyber-threats and attacks. In recognition of these enhanced risks, the CBK issued a guidance note to banking institutions in August 2017 and to payment service providers in July 2019 on the management of cyber risks. Market risk has increased due to exchange rate volatility and rising interest rates following tightening of monetary policy. To mitigate the increased market risk, banks have set aside sufficient capital. CBK is closely monitoring market risk management by banks. Liquidity risk is the risk that a bank may be unable to meet short-term financial demands. The average liquidity position in the Kenyan banking sector reached 55.7% in December 2024, against a regulatory minimum of 20%. Liquidity is currently evenly distributed in the banking sector.

Microfinance Banks

The Microfinance Act and the Microfinance Regulations issued thereunder set out the legal, regulatory, and supervisory framework for the microfinance industry in Kenya. The Microfinance Act took effect in 2008. As at the date of this Offering Circular, there were 14 licenced microfinance banks in Kenya. The Microfinance Bill 2021 was approved by Cabinet in May 2022, for tabling in the National Assembly. In August 2024, the National Treasury forwarded the draft Microfinance Bill 2021 to the Solicitor General for tabling in Parliament. In addition, the Central Bank of Kenya (Digital Credit Providers) Regulations 2022 were gazetted and operationalised on 18 March 2022. The Business Laws (Amendment) Act 2024 amended the Microfinance Act and introduced substantial changes to the regulatory framework for Digital Credit Providers ("**DCPs**") and non-deposit-taking microfinance institutions in Kenya. Digital lenders are now classified as Non-Deposit Taking Credit Providers ("**NDTCs**"), expanding the oversight authority of the CBK. This reclassification subjects digital lenders to the same regulatory framework as traditional microfinance institutions, imposing stricter regulatory requirements. Consequently, there is an increased need for compliance with the regulations governing NDTCs, including licensing, reporting obligations, and governance standards.

The amendments to the Microfinance Act also significantly impact non-deposit-taking microfinance institutions. These institutions must apply for a license from the CBK within six months of the act's commencement, by 27 June 2025. Additionally, these institutions must adhere to the provisions of the Microfinance Act, including standards for capital adequacy, governance, and reporting obligations. As at 31 December 2024, CBK had licensed 85 DCPs to conduct DCP business.

Business Laws (Amendment) Act, 2024

On 11 December 2024, the President of Kenya signed into law the Business Laws (Amendment) Bill, 2024, which subsequently became the Business Laws (Amendment) Act, 2024. This Act, which took effect on 27 December 2024, introduced significant amendments to several key business-related legislations, including the Banking Act (Cap. 488) Laws of Kenya (the "**Banking Act**"), the Central Bank of Kenya Act (Cap 491) Laws of Kenya (the "**Central Bank of Kenya Act**"), and the Microfinance Act. (Cap. 493C) Laws of Kenya (the "**Microfinance Act**"). Some of the key amendments are highlighted below.

Banking Act

The amendments to the Banking Act increased penalties for noncompliance for both financial institutions and individuals. The maximum penalty for institutions was raised from KES 5 million to KES 20 million or three times the gross gain or loss avoided, whichever is higher. Individual penalties increased from KES 200,000 to KES 1 million, while corporate entities face penalties up to KES 3 million. The Act also allows the CBK to impose daily penalties for continued noncompliance, raising the daily amount from KES 20,000 to KES 100,000. Additionally, banks and mortgage finance companies will be required to increase their core capital significantly from KES 1 billion to KES 10 billion by 31 December 2029, with a staggered increase as follows: KES 3 billion by 31 December 2025, KES 5 billion by 31 December 2026, KES 6 billion by 31 December 2027, KES 8 billion by 31 December 2028, and KES 10 billion by 31 December 2029.

Central Bank of Kenya Act

The Central Bank of Kenya Act was amended to broaden the scope of regulated businesses to include all non-deposit-taking credit providers. This includes services such as buy now pay later, peer-to-peer lending, and asset financing. These entities must now obtain licenses from CBK and comply with its regulations, including credit pricing models. The act also introduced regulations for credit guarantee businesses, mandating registration, and compliance with CBK guidelines. Penalties for noncompliance include fines and imprisonment terms.

Microfinance Act

The Microfinance Act saw updates to the definition of non-deposit-taking microfinance businesses, specifying that they involve credit secured by physical collateral. A new operational requirement section was included for these businesses, which must now register and obtain licenses from CBK. Existing businesses have six months to comply, and noncompliance carries penalties including fines and imprisonment. The act also empowers the cabinet secretary to exempt certain businesses from the act's application, provided their annual revenues do not exceed KES 500,000. Consumer protection measures were also established to prevent harassment during debt collection.

Forex Bureaus and Money Remittance Providers

Forex bureaus were established and first licenced in January 1995 to foster competition in the foreign exchange market and to narrow the exchange rate spread in the market. As authorised dealers, forex bureaus conduct business and are regulated and supervised by the Central Bank of Kenya Act, and guidelines issued thereunder. As at the date of this Offering Circular, there are 83 licenced forex bureaus across the country.

Money remittance providers were first licenced as standalone entities in 2013 to facilitate regulation of international remittances in Kenya. As at the date of this Offering Circular, there are 27 licenced money remittance providers in Kenya.

Credit Reference Bureaus

Credit reference bureaus complement the central role played by banks and other financial institutions in extending financial services within an economy. Credit reference bureaus help lenders make faster and more accurate credit decisions. They collect, manage and disseminate customer information to lenders within the framework of the Credit Reference Bureau Regulations 2020 which governs the licencing, operation and supervision of Credit Reference Bureaus by the CBK. CBK is currently working with stakeholders to strengthen the credit information sharing mechanism. This is to among others support risk based credit pricing in the banking sector and expand data sources.

As at the date of this Offering Circular, there are three licenced credit reference bureaus in Kenya.

Capital Adequacy Ratios

The table below sets out the two main capital adequacy ratios for the Kenyan banking sector.

	At 31 December					At June	
	2019	**2020**	**2021**	**2022**	**2023**	**2023**	**2024**
				(%)			
CAR Ratio[(1)(2)]							
Core Capital (tier 1) to Risk Weighted Assets..	16.6	16.6	16.6	16.0	15.4	15.4	16.6
Total (Regulatory) Capital to Risk Weighted Assets....................................	18.8	19.0	19.5	18.9	18.6	18.6	19.1

Source: Central Bank of Kenya

(1) Ratios are based on Basel I and relevant aspects of Basel II and III Capital Accords.

(2) The current minimum core capital requirement is KES 1 billion with the minimum core capital and total capital ratios to risk weighted assets at 10.5% and 14.5%, respectively.

The East African Central Banks have adopted a common position on Basel III and CBK has implemented some aspects of Basel III. The East African Central Banks are currently harmonising regulatory frameworks which, once complete, will result in implementation of relevant provisions of Basel II and III.

Following the adoption of Internal Capital Adequacy Assessment Process in 2017, all banks are required to maintain sufficient capital aligned to their size, risk profile and complexity. This to take into account the evolving risk profiles and to enable the sector support large transformational projects in the economy. The minimum core capital proposal has been articulated in the 2024 Budget Policy Statement and measures are being taken for public participation (as reform may entail amendment of banking legislation). This reform to capital requirements is a result of an increase in the asset base and increased risks to the banking sector, for example, due to cybersecurity and climate change. Separately, stress tests conducted by the Central Bank of Kenya in September 2023 showed capital shortfalls at some banks in scenarios with large interest rate increases or significant FX depreciation. According to the IMF, the CBK is monitoring the implementation of the banks' capital restoration plans and encouraging adequate provisioning for loan losses.

Non-Performing Loans

The CBK classifies credit exposures of commercial banks in five categories according to their performance at a given point in time. These five categories are:

- Normal: loans performing in accordance with the contractual terms and which are up to date on repayments, and expected to continue in this condition.
- Watch: Loans which are generally past due by between 30 and 90 days.
- Substandard: Loans which are generally past due for more than 90 but less than 180 days.
- Doubtful: Loans which are generally past due for more than 180 but less than 360 days.
- Loss: Loans which are generally past due for 360 days or more.

Loans classified as sub-standard, doubtful and loss are considered as NPLs.

The slightly elevated NPL ratio is due to a higher government spending bill as well as the economic slowdown. NPLs increased in Personal and Household, and Trade sectors and decreased in Transport and Communications sectors, as at 30 September 2024.

The table below sets out the gross loans, NPLs and returns as at the dates indicated

	As at 31 December					As at 30 June	
	2019	2020	2021	2022	2023	2023	2024
				(*KES billions*)			
Gross loans	2,690.9	3,006.1	3,248.7	3,677.3	4,199.5	4,066.1	4,041.3
Gross NPLs	336.9	436.1	426.8	487.7	621.3	683.4	657.6
Return on Assets (%)	2.6	1.7	2.6	3.0	2.3	3.0	2.9
Return on Equity (%)	21.8	13.9	21.6	25.2	22.9	23.2	26.0
Net profit after tax	110.1	87.1	143.3	175.5	172.9	N/A[(1)]	N/A[(1)]

Source: *Central Bank of Kenya*
(1) CBK confirmed that the net profit after tax for period ended June is not available.
** - Based on unaudited financial statements.*

Monetary Policy Framework

The CBK's principal objective is the formulation and implementation of monetary policy directed at achieving and maintaining stability in the general level of prices (i.e., overall inflation) and the value of the Kenyan shilling against the major currencies. As at January 2025, the CBK targets overall inflation at 5% with an allowable margin of 2.5% on either side, as prescribed by the National Treasury at the beginning of the financial year.

Monetary policy is the main tool used in the preservation of the value of the currency in an economy. It involves the control of liquidity circulating in an economy to levels consistent with growth and price objectives set by the Government. The volume of liquidity in circulation influences the levels of interest rates, inflation and the relative value of the local currency against other currencies. To enhance monetary policy transmission, the MPC adopted a new monetary policy implementation framework in August 2023. The framework is based on inflation targeting and on interest rate corridor around the CBR. Consistent with the new framework monetary policy operations are aimed at ensuring the interbank rate as an operating target closely targets the CBR. It is the responsibility of the MPC to formulate the monetary policy of the CBK.

The membership of the MPC is as follows:

- the Governor, who is the chairman;
- the Deputy Governor, who is the deputy chairman;
- two members appointed by the Governor from the CBK, one being a person with executive responsibility within the CBK for monetary policy analysis and the other is a person with responsibility within the CBK for monetary policy operations;
- four external members who have knowledge, experience and expertise in matters relating to finance, banking, fiscal and monetary policy, who are appointed by the Cabinet Secretary for the National Treasury; and
- the Principal Secretary, National Treasury, or his designated alternate as representing the National Treasury. The National Treasury representative is a non-voting member of the committee.

Each external member of the MPC serves for a term of three years, which is renewable once. The MPC meets at least once every two months.

The CBK pursues its monetary policy objectives using the following instruments:

- The CBR is reviewed and announced by the MPC at least every two months. Movements in the CBR, both in direction and magnitude, signal the monetary policy stance. To enhance clarity and certainty in monetary policy implementation, the CBR is the base for all monetary policy operations. To enhance monetary policy transmission the MPC adopted a new monetary policy implementation framework in August 2023. The framework is based on inflation targeting and on interest rate corridor around the CBR currently at 150 basis points. Consistent with the new framework monetary policy operations are aimed at ensuring the interbank rate as an operating target closely targets the CBR. The efficiency in the Repo and interbank markets is crucial for the transmission of monetary policy decisions. The CBK monitors the overnight interbank money market. It responds to the tightness or slackness in the interbank market liquidity through OMO.

- Open Market Operations ("**OMO**"): This refers to actions by the CBK involving purchases and sales of eligible securities to regulate the money supply and the credit conditions in the economy. OMO can also be used to stabilise short-term interest rates. When the Central Bank buys securities on the open market, it increases the reserves of commercial banks, making it possible for them to expand their loans and hence increase the money supply. To achieve the desired level of money supply, OMO is conducted using:

  - Repurchase Agreements ("**Repos**"): A repo is a collateralised loan involving a contractual arrangement between two parties, in which one party sells a security at a specified price with a commitment to buy the security back at a later date. Both parties therefore, meet their investment goals of secured funding and liquidity. CBK Repos are conducted through auctions with tenors of three and seven days and are for mopping up liquidity from the market. The Late Repo, sold in the afternoon, has a four-day tenor and is issued at 100 basis points below the repo rate of the day. Reverse Repos, on the other hand, are for liquidity injections and involve purchase of securities from commercial banks. The current tenors for Reverse Repos are 7, 14, 21, 28 and 91 days;

  - TAD: The TAD is used when the securities held by the CBK for Repo purposes are exhausted or when CBK considers it desirable to offer longer dated tenors. TAD is essentially not backed by collateral and is conducted through an auction, similar to Repos. Currently, the tenors for such deposits at CBK are 14, 21, 28 or 91 days and upon maturity of TAD, the CBK credits the respective commercial bank with the deposit and interest; and

  - Horizontal Repos: Horizontal Repos are modes of improving liquidity distribution between commercial banks, and are conducted under CBK supervision. They are transacted between commercial banks on the basis of signed agreements using Government securities as collateral, and have negotiated tenors and yields. Commercial banks, short of deposits at the CBK, borrow from banks with excess deposits on the security of an appropriate asset, normally a Government security. Horizontal Repos also help banks overcome the problem of limits to lines of credit, thus promoting more efficient management of interbank liquidity.

- Standing Facilities: The CBK does not have automatic standing facilities with respect to overnight lending. The CBK, as lender of last resort, provides secured loans to commercial banks on an overnight basis at a penal rate that is over the CBR. This facility is referred to as the Discount Window. Access to the Window is governed by rules and guidelines which are reviewed from time to time by the CBK. Banks making use of this facility more than twice in a week are scrutinised closely, and supervisory action taken.

- The Cash Reserves Ratio ("**CRR**"): In accordance with the law, the CRR is the proportion of a commercial bank's total deposit liabilities which must be held as deposits at CBK. These deposits are held in the CRR Account at no interest. The ratio is currently 3.25% of the total of a bank's domestic and foreign currency deposit liabilities. To facilitate commercial banks' liquidity management, commercial banks are currently required to maintain their CRR based on a daily average level from the 15th of the previous month to the 14th of the current month and not to fall below a CRR of 2% on any day. An increase in reserve requirements restricts commercial banks' ability to expand bank credit and the reverse is regarded as credit easing. Changes to the CRR have rarely been utilised by the MPC as an instrument of monetary policy.

- Monetary policy communication: The increasing use of communication media ensures a wider dissemination of monetary policy decisions and background data thereby increasing the efficiency of information transmission and managing expectations. The regular interaction between the MPC and the Chief Executive Officers of banks has ensured that monetary policy decisions are transmitted to the banking sector. The regular Governor's Press Conferences have also enhanced the media understanding of monetary policy decisions. The CBK website is an important source of up-to-date data on all aspects of the financial market including interest rates, exchange rates, results of auctions of Government securities, and the MPC releases.

The following monetary policy reforms have been implemented by the CBK:

- The core and non-core measures of inflation for Kenya, jointly developed by the Kenya National Bureau of Statistics and the CBK, were launched in January 2025. Core inflation excludes products whose prices are highly volatile or transient, and therefore provides a more comprehensive measure of the underlying trend of inflation. The introduction of core and non-core inflation measures also aligns with the EAC guidelines on computation of harmonised CPI in the region. The total core CPI basket constitutes items with a total weight of 81.1% in the overall CPI and is therefore a more representative basket and closely tracks overall inflation.

- The MPC published a White Paper on Modernization of the Monetary Policy Framework and Operations in July 2021, which outlines the reforms that would enhance the effectiveness of monetary policy and support anchoring of inflation expectations. These reforms entail: refining macroeconomic modelling and forecasting frameworks in line with changing structure of the economy, improving the functioning of the interbank market in order to strengthen monetary policy transmission and operations, and continued improvement of communication of monetary policy decisions.

- The CBK implemented the DhowCSD on 31 July 2023, which has improved the functioning of the interbank market by facilitating collateralised lending amongst commercial banks and reducing segmentation in the interbank market.

- To enhance monetary policy transmission, the CBK adopted a new monetary policy implementation framework in August 2023. The new framework is based on inflation targeting and introduces an interest rate corridor around the CBR set at CBR± 250 basis points and was reviewed to ±150 basis points in June 2024. Consequently, monetary policy operations aim at ensuring the interbank rate, as an operating target, closely tracks the CBR.

- To improve access to the Discount (Overnight) Window, the CBK adopted changes to the terms and conditions for the facility. The applicable interest rate on the facility was reviewed from 600 basis points above the CBR to 400 basis points above the CBR in August 2023, and further to 300 basis points above the CBR in June 2024. The improved access to the facility is designed to enhance monetary policy transmission and complement the effectiveness of the interest rate corridor. The repeal of interest rate caps in November 2019 restored the clarity of monetary policy decisions and is expected to strengthen the transmission of monetary policy.

Other CBK reforms relating to enhancing the efficiency of the foreign exchange market were as follows:

- In March 2023, CBK issued the Kenya Foreign Exchange Code (the FX Code) to commercial banks. The FX Code sets out standards for commercial banks and aims to strengthen and promote the integrity and effective functioning of the wholesale foreign exchange (FX) market in Kenya. It will facilitate better functioning of the market, reinforcing Kenya's flexible exchange rate regime for greater resilience of the economy. It borrows heavily from the FX Global Code and best practices adapted in leading jurisdictions. The FX Code focuses on six leading principles to be adhered to by institutions: ethics; government; execution; information sharing; risk management and compliance; and confirmation and settlement processes.

- Changes to the Interbank Foreign Exchange Market: to streamline and improve operations in the FX interbank market:

- Introduced Electronic Matching System (EMS) in the FX interbank market to increase efficiency, accountability and transparency in a market that was trading manually before.

- CBK issued circulars to review the following:

    - Indicative spread of 0.20 cents in the interbank market.

- Reduce swap limits for foreign counterparties from 1-year to 6-months to increase liquidity in the foreign exchange market. No tenor limits for resident counterparties. Counterparties operating withing the EAC will be treated as local counterparties.

- Minimum amount that can be traded in the interbank market reviewed from USD 500,000 to USD 100,000. Banks wishing to trade amounts smaller than the set minimum can do so on a market taker basis and such trades will not be considered as interbank.

Inflation and Interest Rates

During the MPC meetings in July, September and November 2020 as well as in January, March and May 2021, the Committee retained the CBR at 7.0%, observing that the package of policy measures adopted since March 2020 were having the intended effect on the economy, and that these measures would be augmented by the announced fiscal measures for 2020/21.

Overall inflation remained well anchored within the Government's medium-term target range in 2019 through to May 2022, reflecting stable food prices, lower fuel and electricity prices. Non-Food-Non-fuel inflation remained below 5.0% during the period, indicating muted demand pressures arising from appropriate monetary policy stance. However, overall inflation increased to above the target range in June 2022, to a peak of 9.6% in October 2022, following a surge in global prices of key commodities particularly fuel, wheat, and edible oils due to supply disruptions exacerbated by the Russia–Ukraine war. Prices of maize grain and flour increased sharply due to reduced supply following poor harvests in 2021 attributed to unfavourable weather conditions. To anchor inflation expectations, the MPC tightened the monetary policy stance from May 2022. The MPC cumulatively raised the CBR by 550 basis points between May 2022 and December 2023 to mitigate the potential impact of the sustained inflationary pressures and the elevated global risks. The CBR was increased by 50 basis points in May 2022, 75 basis points in September 2022, 50 basis points in November 2022, 75 basis points in March, and the most decisive actions being the 100 basis points and 200 basis points increases in the CBR in June and December 2023, respectively. In February 2024, the CBR was raised to 13.00%. from 12.50% at the end of 2023. While headline inflation in this period was largely driven by supply side factors, CBK actions were aimed at addressing the pressures in the exchange rate, mitigating the second-round effects, and ensuring inflation expectations are well anchored.

Following the decline of inflation and restoration of exchange rate stability, the MPC commenced easing of the tight monetary policy stance in August 2024. The MPC meeting on 5 February 2025, lowered the CBR to 10.75% from 11.25%. In addition, the MPC reduced Cash Reserve Ratio (CRR) by 100 basis points to 3.25% from 4.25%, to complement the lowering of the CBR, and support lowering of lending rates. The CBR has been lowered cumulatively by 225 basis points since August 2024.

Overall inflation remained within the target range from December 2023 to January 2025, mainly on account of low food and fuel prices. It declined to 3.0% in December 2024 from 6.6% in December 2023. Food inflation declined to 6.1% in January 2025 from 7.7% in December 2023 mainly on account of significant decreases in prices of select non-vegetable items reflecting seasonal patterns and developments in international food prices. Fuel inflation declined to 1.0% in December 2024 from 13.7% in December 2023, mainly driven by lower electricity prices and stable domestic pump prices.

The core and non-core measures of inflation for Kenya, jointly developed by the Kenya National Bureau of Statistics and the CBK, were launched in January 2025. Core inflation excludes products whose prices are highly volatile or transient, from the overall Consumer Price Index (CPI) and therefore provides a more comprehensive measure of the underlying trend of inflation.

Core inflation declined to 2.0% in January 2025 from 2.2% in December 2024, reflecting muted demand pressures in the economy. The decline in core inflation was mainly on account of lower prices of processed food items, particularly sugar, maize and wheat products. Non-core inflation rose to 7.1% in January 2025 from 5.2% in December 2024, reflecting higher prices of food crops and related items, particularly vegetables, on account of seasonal factors.

The capping of bank interest rates was repealed through the enactment of the Finance Act 2019. Interest on commercial bank loans and advances reduced to 12.02% as at December 2020 from 12.24% as at December 2019. Interest rates on commercial loans increased slightly to 12.16% as at December 2021. The 91-day

Treasury Bills rate was 7.26% as at December 2021, 6.90% as at December 2020, and 7,17% as at December 2019. The loans-deposits interest rate spread decreased to 5.66% as at 31 December 2021 from 5.73% as at December 2020. The cost of borrowing between banks as indicated by the inter-bank rate was 2.98% as at June 2019 and rose to 6.03% as at 31 December 2019. The inter-bank rate then fell to 5.3% as at 31 December 2020 and stayed relatively stable around that range through June 2022.

Interest rates increased for most of 2024, reflecting a tightened monetary policy stance and liquidity conditions in the money markets. The interbank interest rate rose from 5.06% in June 2022 to 5.39% in December 2022, 12.36% in September 2023, and 13.14% in June 2024, up from 11.65% in December 2023, remaining within the prescribed interest rate corridor around the Central Bank Rate (CBR). The interbank rate then declined to 11.15% in December 2024, reflecting an easing of monetary policy.

Similarly, the 91-day Treasury bill rate increased from 7.90% in June 2022 to 9.33% in December 2022, 14.38% in September 2023, and 15.97% in June 2024, compared to 15.70% in December 2023. The average 182-day Treasury bill rate rose to 16.67% from 15.80% during the same period. Both the 91-day and 182-day Treasury bill rates declined to 10.32% and 10.39% respectively in December 2024.

Interest on commercial bank loans increased from 12.27% in June 2022 to 12.67% in December 2022, 13.62% in September 2023, and peaked at 17.22% in November 2024, before declining slightly to 16.89% in December 2024. The loan-deposit interest rate spread decreased to 5.33% in September 2023 from 5.51% in December 2022 and 5.66% in December 2021, but then increased to 6.44% in December 2024 from 4.53% in December 2023.

	2019		2020		2021		2022		2023			2024		
	June	Dec	June	Dec	June	Dec	June	Dec	June	Sept	Dec	June	Sept	Dec
91-day Treasury Bills Rate	6.94	7.17	7.14	6.90	7.03	7.26	7.90	9.33	11.49	14.38	15.70	15.97	15.75	10.32
CBR	9.0	8.50	7.00	7.00	7.00	7.00	7.50	8.75	10.50	10.50	12.50	13.00	12.75	11.25
Repo rate	4.23	7.45	3.50	6.81	5.37	5.31	6.80	—	—	—	—	—	—	—
Inter-bank rate	2.98	6.03	3.27	5.29	4.63	5.10	5.06	5.39	9.48	12.36	11.65	13.14	12.67	11.45
Commercial banks(1)														
Average deposits	7.19	7.11	6.86	6.30	6.37	6.50	6.62	7.17	7.80	8.64	10.10	11.48	11.24	10.45
Savings deposits	4.77	4.02	4.15	2.70	2.55	2.55	2.50	3.56	3.91	4.00	4.23	5.11	3.57	4.25
Loan and advances	12.47	12.24	11.89	12.02	12.02	12.16	12.27	12.67	13.31	13.98	14.64	16.85	16.91	16.89
Overdraft	12.12	11.67	11.24	11.51	11.18	11.45	11.86	12.22	12.83	13.62	14.65	16.78	16.83	15.75

Source: Central Bank of Kenya
(1) Weighted average commercial bank interest rates.

Average headline inflation rose from 4.7% in 2018 to 6.6% in 2023, before declining to 3.0% in 2024 largely on account of supply factors associated with developments in food and energy prices. However, the global headline inflation is expected to fall to 5.7% and 4.2% in 2024 and 2025, respectively.

Inflation developments in the period 2020-2022 were exacerbated by supply chain disruptions associated with the Covid-19 Pandemic and the Russia-Ukraine war. Food inflation averaged 8.5% in 2021, 13.1% in 2022 and 9.7% in 2023. However, food inflation declined to 4.8% in December 2024 from 7.7% in December 2023 mainly on account of significant decreases in prices of select non-vegetable items reflecting improved supply attributed to favourable weather conditions and lower international food prices.

Fuel inflation declined to 8.8% and 7.9% in 2019 and 2020, respectively, reflecting lower international oil prices on account of low global demand following the Covid-19 Pandemic. However, the pick-up in global demand coupled with supply chain constraints, resulted in a significant increase in international oil prices between 2021 and 2022. As a result, fuel inflation increased to average 12.1% in 2021 and 13.9% in 2023. Fuel inflation further declined to 1.0% in December 2024 from 13.7% in December 2023, mainly driven by lower electricity prices and stable domestic pump prices.

For the month of January 2025, the headline inflation rate in Kenya was 3.3%.

The following table sets out the headline inflation rates for the periods indicated.

	Year ended 31 December					
	2019	**2020**	**2021**	**2022**	**2023**	**2024**
January	4.7	7.4	5.7	5.4	9.0	6.9
February	4.1	7.2	5.8	5.1	9.2	6.3
March	4.3	5.8	5.9	5.6	9.2	5.7
April	3.7	6.0	5.8	6.5	7.9	5.0
May	3.5	5.3	5.9	7.1	8.0	5.1
June	4.8	4.6	6.3	7.9	7.9	6.2
July	6.1	4.4	6.5	8.3	7.3	4.3
August	6.0	4.4	6.6	8.5	6.7	4.4
September	5.1	4.2	6.9	9.2	6.8	3.6
October	6.3	4.8	6.5	9.6	6.9	2.7
November	7.1	5.3	5.8	9.5	6.8	2.8
December	7.2	5.6	5.7	9.1	6.6	3.0
Average Inflation (%)	5.2	5.4	6.1	7.7	6.6	3.0

Source: Kenya National Bureau of Statistics

Liquidity and Credit Aggregates

The following table sets out the deposit liabilities and liquid assets of commercial banks as at the end of each month indicated.

		Deposit Liabilities(1)	**Liquid Assets(2)**	**Overall Liquidity Ratio(3)**
		(*KES millions*)		(%)
2019	December	3,634,996	1,911,337	52.6
2020	December	4,100,921	2,315,961	56.5
2021	December	4,418,326	2,668,905	60.4
2022	December	4,710,272	2,714,636	57.6
2023	December	5,784,237	3,285,947	56.8
2024	December	5,663,852	3,310,145	58.4

(1) Total deposits net of balances due to banks, NBFIs, building societies and mortgage finance companies.
(2) Includes cash in till, deposits with local and foreign banks, and local and foreign securities held.
(3) Commercial banks' liquid assets as a percentage of deposit liabilities.
Source: Central Bank of Kenya

Net foreign assets in the banking system was KES 804.5 billion as at 31 December 2019, and a decreased by 7.1% to KES 746.9 billion in 2020. Net foreign assets in the banking system further decreased by 21.0% to KES 590.1 billion as at 31 December 2021 and further decreased 51.9% to KES 283.9 billion as at 31 December 2022. Net foreign assets in the banking system increased by 179.5% to KES 793.6 billion as at 31 December 2023 compared with similar period in 2022. As at 31 December 2024, the net foreign assets in the banking system was KES 841.7 billion, an increase of 6.1% from KES 793.6 billion in 31 December 2023.

Domestic credit within the banking system increased by 7.3% as at 31 December 2019, and an increase of 17.0% as at 31 December 2020, and an increase of 14.9% as at 31 December 2021, and an increase of 11.5% as at 31 December 2022 and an increase of 14.9% as at 31 December 2023. As at 31 December 2024, the domestic credit within the banking system increased by 3.3%. Domestic credit growth to the private sector increased by 7.1% as at 31 December 2019, and increased by 8.4% to KES 2,811 billion as at 31 December 2020, and increased by 8.6% to KES 3,053 billion as at 31 December 2021, and increased by 12.5% to KES 3,434 billion as at 31 December 2022 and increased by 13.9% to KES 3,911 billion as at 31 December 2023. As at 31 December 2024, the domestic credit growth in the private sector was KES 3,857.7 billion, a decline of 1.4% compared with December 2023. At 31 December 2024, lending to the private sector accounted for 63.5% of total lending, while lending to the Central Government accounted for 35.4% of total lending.

As at 31 December 2019, broad money supply increased by 5.4% to KES 2,904.4 billion. As at 31 December 2020, broad money supply increased by 11.9% to KES 3,250.2 billion. As at 31 December 2021, broad money supply increased by 5.6% to KES 3,431.6 billion. As at 31 December 2022, broad money supply increased by 5.4% to KES 3,617.4 billion. As at 31 December 2023, broad money supply increased by 9.3% to KES 3,952 billion compared with similar period in 2022. As at 31 December 2024, the broad money supply increased by 7.1% to KES 4,231.3 billion, compared with 31 December 2023.

Extended broad money supply (M3) grew to KES 3,524.0 billion as at December 2019, and grew to KES 3,990.9 billion as at 31 December 2020. Extended broad money supply (M3) further grew to KES 4,235.2 billion as at 31 December 2021, KES 4,538.5 as at 31 December 2022 and KES 5,489.6 billion as at 31 December 2023. Total domestic credit grew by 3.3% to KES 6,458.5 billion in 2024 compared to a growth of 14.9% to KES 6,252.0 billion in 2023 and a growth of 11.5% in 2022. Overall liquidity of the banking system grew by 5.7%% to KES 8,662.0 billion in 2024. The currency outside banks increased to KES 292.8 billion in December 2024 from KES 282.1 billion in December 2023. As at 31 December 2024, extended broad money supply (M3) was KES 5,488.7, a decrease of 0.2% compared to compared to December 2023.

The following table sets out monetary and liquidity indicators for Kenya as at the dates indicated.

	As at 31 December					
	2019	**2020**	**2021**	**2022**	**2023**	**2024**
Assets			(*KES millions*)			
Net Foreign Assets	**804.5**	**746.9**	**590.1**	**283.9**	**793.6**	**841.7**
CBK / Government	833.3	738.5	700.6	537.8	486.9	610.1
Commercial Banks	(28.9)	8.5	(110.5)	(253.9)	306.7	231.5
Domestic Credit	**3628.1**	**4245.8**	**4876.9**	**5439.7**	**6252.0**	**6,458.5**
Private (excl Interest in Suspense)	2594.6	2811.3	3053.2	3433.5	3911.2	3,857.7
Government	941.2	1343.3	1723.6	1924.3	2239.5	2,533.7
Other Public (net)	92.3	91.2	100.1	81.9	101.3	67.1
Other items (net)	(908.5)	(1001.8)	(1231.8)	(1185.2)	(1547.0)	(1,811.4)
Net Domestic Assets	**2719.6**	**3244.0**	**3645.1**	**4254.6**	**4705.0**	**4,647.1**
Liabilities						
Overall Liquidity (L)	**4831.5**	**5665.2**	**6202.3**	**6896.9**	**8197.8**	**8,662.0**
Extended broad money	**3524.0**	**3990.9**	**4235.2**	**4538.5**	**5498.6**	**5,488.7**
Foreign Currency Deposits	619.7	740.7	803.7	921.1	1546.3	1,257.4
Broad Money (M2)	2904.4	3250.2	3431.6	3617.5	3952.3	3,898.2
Money (M1)	**1525.2**	**1720.1**	**1848.1**	**1971.1**	**2044.1**	**2,121.4**
Money (M0)	**198.6**	**233.7**	**253.5**	**260.8**	**282.1**	**292.8**
Currency in circulation	258.9	290.5	310.3	325.9	351.3	371.7
Cash in tills	60.3	56.9	56.8	65.1	69.2	78.9
Quasi Money	**1379.1**	**1530.1**	**1583.5**	**1646.4**	**1908.3**	**2,109.9**

Source: Central Bank of Kenya

Narrow money supply (M1) increased by 3.2% to KES 1,525 billion as at 31 December 2019, increased by 12.8% to KES 1,720 billion as at 31 December 2020, increased by 7.4% to KES 1,848 billion as at 31 December 2021, increased by 6.7% to KES 1,971 billion as at 31 December 2022 and increased by 3.7% to KES 2,044 billion as at 31 December 2023. As at 31 December 2024, narrow money supply (M1) increased by 3.8% to KES 2,121.4 billion, compared to 31 December 2023.

The overall liquidity increased by 8.3% to KES 4,831 billion as at 31 December 2019, increased by 17.3% to 5,665 billion as at 31 December 2020, increased by 9.5% to KES 6,202 billion as at 31 December 2021, increased by 11.2% to KES 6,897 billion as at 31 December 2022 and increased by 18.9% to KES 8,198 billion as at 31 December 2023. As at 31 December 2024, the overall liquidity increased by 5.7% to KES 5,662.0 billion, compared to 31 December 2023.

Securities Markets

Kenya has one stock exchange, the Nairobi Securities Exchange, which was established in 1954 and currently has 61 listed companies. The Capital Markets Authority of Kenya (the "**Capital Markets Authority**") is the

Government regulator charged with licencing and regulating the capital markets in Kenya with the prime responsibility of supervising, licensing and monitoring the activities of market intermediaries, including the Securities Exchange and the Central Depository and Settlement Corporation (CDSC). It also approves public offers and listings of securities traded at the Nairobi Securities Exchange. The Capital Markets Authority was established in 1989 and approved the demutualisation of the Nairobi Securities Exchange and the initial public offering of its shares and subsequent listing of its shares on the Nairobi Securities Exchange in June 2014. The Government and the CMA Investor Compensation Fund each hold a 5.1% interest in the Nairobi Securities Exchange. In September 2014, the Nairobi Securities Exchange announced the conclusion of the initial public offering. The number of investment banks was 16 in 2024, while the number of stockbrokers and fund managers was 10 and 34, respectively. The number of custodians was 223 in 2024. Kenya has also established a new Central Securities Depository to provide a settlement and clearing services.

The following table sets out information on various capital market indicators for the periods indicated.

	Year ended 31 December					
	2019	**2020**	**2021**	**2022**	**2023**	**2024**
Equities:						
Total No. of Shares Traded (millions)	4,832	5,264	4,051.1	3,081.0	3,745.18	5,231.82
Total No. of Transactions	247,815	263,907	277,611	272,936.0	272,481	311,870
Total Value of Shares Traded (KES billions)	154	149	137	94	88.23	106.0
NSE 20 Share Index (Base Jan 1966=100)	2,654	1,868	1,903	1,676	1,501.2	2,010.7
End-Period Market Capitalisation (KES billions)	2,540	2,337	2,593	1,986	1,439	1,939.7
Fixed Income:						
Total Bond Turnover (KES` billions)	652	692	957	742	644.0	1,544.4

Source: Kenya National Bureau of Statistics / Nairobi Securities Exchange

PUBLIC FINANCE

Budget Process

The Constitution provides that the National Government must share all revenue that it raises equitably amongst the national and county governments. For every financial year, the revenue allocated to the county governments shall not be less than 15% of the total revenue that the National Government collects. This amount is calculated on the basis of the most recent audited accounts of revenue received, as approved by the National Assembly. County governments may however be given additional allocations from the National Government's share of the revenue either conditionally or unconditionally. In line with this requirement, the equitable share allocation to counties has averaged 20.3% of the shareable revenues and 22.1% of the four taxes (Excise, import duties, income taxes and VAT) since the inception of Kenyan devolution in FY 2013/14 to the FY 2024/25. In addition to equitable share allocation, the Government has continued to transfer conditional allocations to the counties to address critical policy objectives at the grass roots. These conditional allocations have risen from KES 3.4 billion in FY 2013/14 to KES 42.0 billion in FY 2024/25. For the FY 2024/25, a total of KES 35.7 billion has been proposed for the transfer to the county governments as conditional additional allocations, financed from proceeds of loans and grants from Development Partners.

At least two months before the end of each financial year, a Division of Revenue Bill is introduced in Parliament to divide revenue raised nationally between the National Government and the county governments. Similarly, a County Allocation of Revenue Bill is introduced in Parliament that divides amongst the counties the revenue allocated to the county governments. Both these bills must be passed by the National Assembly and the Senate. The National Assembly, however, has power under the Constitution to amend or veto the County Allocation of Revenue Bill passed by the Senate by a resolution supported by two-thirds of the members of the National Assembly.

On 15 May 2020, the Supreme Court of Kenya issued an advisory opinion on the 2019 Division of Revenue Bill following a delay by Parliament in enacting the 2019 Division of Revenue Bill, without which the county governments could not prepare and adopt their annual budgets and appropriation laws. The Supreme Court advised that the National Assembly should authorise counties to withdraw money from the Consolidated Fund if there is an impasse over the Division of Revenue Bill. Any delay in disbursement of funds to the county governments must be justified and explained to the county governments. Parliament cannot enact an Appropriation of Revenue Act before enacting the Division of Revenue Act. The estimates of revenue and expenditure which the Cabinet Secretary to the Treasury submits to the National Assembly should be based on the National Government's share of revenue as provided for in the Division of Revenue Act.

The Division of Revenue Bill and the County Allocation of Revenue Bill are submitted to Parliament by 15 February of each year.

The revenue allocated to the National Government must be dealt with through a process involving the introduction of budget estimates (proposals as to how the money should be spent) and then the annual Appropriation Bill (which authorises the executive to spend).

Three separate sets of "budget estimates" are submitted to the National Assembly. They are:

- the expenditure of the National Government prepared by the National Treasury and submitted by the Cabinet Secretary for the National Treasury;
- the expenditure by the parliamentary service submitted by the Parliamentary Service Commission; and
- the expenditure by the judiciary submitted by the Chief Registrar of the Judiciary.

The budget estimates prepared by the National Treasury incorporates estimates of the projects and programs provided for in the MTP.

The Constitution does not require estimates for the parliamentary service or the judiciary to be considered by the National Treasury before they are submitted to Parliament.

Before the National Assembly considers the estimates of revenue and expenditure, a committee of the National Assembly discusses and reviews the estimates and makes recommendations to the National Assembly. In discussing and reviewing the estimates, the committee must seek representations from the public which are taken into account when the committee makes its recommendations to the National Assembly.

When the estimates of the National Government expenditure and the estimates of expenditure for the Judiciary and the Parliament have been approved by the National Assembly, they are included in an Appropriation Bill which is introduced to the National Assembly. The Appropriation Bill authorises the withdrawal, from the Consolidated Fund, of the money needed for the expenditure and appropriation of that money for purposes mentioned in the Appropriation Bill. The budget estimates and Appropriation Bill are submitted to the National Assembly by 30 April of each year.

On the basis of the Division of Revenue Act passed by Parliament, each county government prepares and adopts its own budget and appropriation bill based on the revenue they raise themselves as well as their share of the revenue raised nationally that is divided amongst the counties in a County Allocation of Revenue Act.

In line with the Constitution, Section 15 of the PFMA sets out fiscal responsibility principles to ensure prudency and transparency in the management of public resources. The law provides that:

- over the medium term, a minimum of 30% of the national budget shall be allocated to development expenditure;
- the National Government's expenditure on wages and benefits for its public officers must not exceed 35% of total National Government revenue;
- over the medium term, the National Government's borrowings should be used only for the purpose of financing development expenditure and not for recurrent expenditure;
- the public debt should be maintained at a sustainable level;
- fiscal risks should be managed prudently; and
- a reasonable degree of predictability with respect to the level of tax rates and tax bases should be maintained, taking into account any tax reforms that may be made in the future.

In order to control the flow of cash between treasury and spending units and reduce the procedural delays encountered in the actual execution of budgets, the PFMA provides for the establishment of single treasury accounts for the National Government and county governments through which payments of money should be made.

Following the promulgation of the Constitution and the introduction of devolution, county governments now play a greater role in the budget process. The Constitution also establishes and continues to provide the basis for a coherent public financial management legal framework. Under the Constitution, the controller of budget shall oversee the implementation of the budgets of the national and county governments by authorising withdrawals from public funds. In addition, the PFMA also provides that the County Fiscal Strategy Paper must align with the national objectives in the BPS.

The County Fiscal Strategy Paper contains the broad strategic priorities and policy goals that is intended to guide the county governments in their budgeting process. County governments rely on allocations from the National Government to finance their budgets, with Government allocations accounting for approximately 78.1% in 2019/20, 72.5% in 2020/21, 74.7% in 2021/22, 79.4% in 2022/23 and 88.0% in 2023/24. In the 2025 Budget Policy Statement, the National Treasury proposed that in the FY 2025/26, KES 12.9 billion out of the National Government's share of revenue should be allocated to the county governments. The county governments are responsible for their own budgets and are expected to prepare balanced budgets, with no deficit. If there are any such deficits, these are not subsumed by the National Government and consequently do not impact the national debt obligation.

In addition, intergovernmental fora, (such as the Intergovernmental Budget and Economic Council, the Intergovernmental Relations Summit and the Council of county governors) have been established to facilitate closer cooperation between the national and county governments. The Intergovernmental Budget and Economic Council is a forum for consultation on economic and financial matters. Moreover, the National Government, in accordance with the requirements of the Constitution, has been supporting county governments by building their capacity in the management of public finances. The Government is also working closely with the SRC, which is mandated to set and advise on salary policy in the public sector.

In February 2025, Kenya's 2025 Budget Policy Statement was published. It highlighted the Government's broad strategic priorities and policy goals to guide the National Government and the County Governments in preparing their budgets for FY 2025/26 and over the medium term. This performance was underpinned by robust growth in the agriculture sector and the resilience of the services sector. All economic sub-sectors, except mining and construction, recorded positive growth rates in the first three quarters of 2024, although the magnitudes varied across different activities. The diversified structure of the economy remains a key source of resilience for Kenya, helping it withstand both domestic and external shocks.

Taxation Policy

Overview of Taxation Legislation

Taxation policy in Kenya is primarily set out under Article 209 of the Constitution of Kenya, which grants the National Government the authority to levy various taxes such as Income Tax, Value-Added Tax (VAT), Excise Duty, Customs Duties, and other duties on imports and exports. This authority extends to any other tax established by an Act of Parliament or County Assembly. Additionally, County Governments have the power to impose property rates, entertainment taxes, and other taxes as sanctioned by Parliament.

Additionally, Article 210 of the Constitution stipulates that the imposition, waiver, or alteration of taxes must be done through an Act of Parliament. Complementing this, Article 201 of the Constitution mandates the fair distribution of the tax burden and equitable sharing of nationally raised revenue between the National and County Governments. Article 201 delineates the principles of public finance, which are foundational to tax laws, administrative processes, and procedures. The PFMA further outlines fiscal responsibility principles, including the need for predictability in tax rates and tax base. In addition to the Constitution and the PFMA, there are specific tax laws and administration laws overseen by the National Government.

The key tax laws include:

- **The Income Tax Act (Cap. 470)**, governs the determination, assessment, and collection of income tax;
- **The Value Added Tax Act, (Cap. 476)**, which imposes VAT on goods and services produced or imported into Kenya;
- **The Excise Duty Act, (Cap 472)**, outlining the charge, assessment, and collection of Excise Duty on excisable goods and services;
- **The Tax Procedures Act, (Cap 469B)**, standardizing and consolidating the procedural rules for administering tax laws in Kenya;
- **The East African Community Customs Management Act, 2004**, managing Customs-related issues within the EAC;
- **The Miscellaneous Fees and Levies Act, (Cap 469C)**, imposing fees and levies on imported goods for Kenyan consumption and export duties to promote value addition;
- **The Tax Appeals Tribunal Act, (Cap 469A)**, establishing a tribunal for tax appeal management and administration; and
- **The Kenya Revenue Authority Act (Cap. 469)**, which establishes the Kenya Revenue Authority, responsible for revenue assessment and collection, and enforcing revenue laws.

Generally, the overall aim of Kenya's tax policy is to move towards expenditure-based taxes that cover all sectors, including the informal sector and away from direct taxes. Over the years, incremental improvements have been made to the country's taxation regime.

For instance, the Government, through the Tax Laws (Amendment) Act 2018, and the Finance Act 2018, amended the Income Tax Act, Excise Duty Act, VAT Act and the Tax Procedures Act and introduced several other policy and administrative reforms to bolster tax revenue from 2018/19 onward. These reforms aimed to improve domestic revenue collection and were collectively estimated to achieve a revenue yield of 0.9% of GDP in 2018/19.

Further reforms on business taxes were introduced in the Finance Acts in the years 2019 and 2020, including: a turnover tax at the rate of 3% of gross receipts, which seeks to effectively tax the informal sector; a minimum turnover tax at the rate of 1% of total turnover, which sought to ensure that all companies contribute to development and infrastructure; and a Digital Service Tax at the rate of 1.5% of the gross value of digital transactions.

When the Covid-19 Pandemic struck the Kenyan economy in March 2020, the Government moved swiftly and implemented tax reliefs (tax cuts) to businesses and people to mitigate the effects of the Covid-19 Pandemic. These tax measures were introduced through Tax (Amendment) (No. 1) Act, 2020. They included removing PAYE for those earning KES 24,000 and below; reducing corporate and personal income tax rate from 30% to 25%; reducing the VAT rate from 16% to 14%; and reducing turnover tax rate from 3% to 1%. Together, these tax reliefs led to a loss of an estimated KES 172 billion (approximately US$1.5 billion) per year.

The aforementioned tax reliefs were then reversed through the Tax (Amendment) (No. 2) Act, 2020. The reversal was made effective 1 January 2021 and was due to the declining revenue yields and rising expenditure needs as a result of the adverse effects of Covid-19.

By the end of 2023/24, Kenya's tax base constituted 45.6% income tax, 28.2% Value Added Tax (both domestic and import), 12.1% Excise Duty, 5.9% Import Duty and 8.3% Other Taxes. Other taxes include stamp duty, capital gain tax, traffic revenue, land revenue, fines and forfeitures, import declaration fees (IDF), tax on property, reimbursement and Anti Adulteration Levy.

Challenges to the Income Tax Act

In *Nairobi HC Petition E280 OF 2021 Eliud Karanja Matindi Vs Cabinet Secretary, The National Treasury & Planning; The Attorney General; The National Assembly & The Commissioner General, Kenya Revenue Authority,* the Petition was lodged in the High Court against the decision to exempt income accrued in or derived from Kenya by Japanese companies, consultants and employees involved in the projects under the Financing Agreements specified in legal notice No. 15 of 2021 from the provisions of the Income Tax Act. The Petitioner contended that this amounted to discrimination against Kenyan Citizens who were already facing steep taxation.

The High Court determined the matter by a judgement delivered on 17 February 2023, finding that the Petition had merit and the exemption from payment of income tax by the Japanese companies, consultants and employees involved in the projects under the Financing Agreements specified in legal notice No. 15 of 2021 was deemed to be in violation of the provisions of Article 27 of the Constitution, as it was discriminating on the grounds of race. Additionally, the court declared that Section 13(2) of the Income Tax Act was unconstitutional to the extent that it authorised an income tax waiver through a gazette notice rather than legislation. Consequently, the court directed the Kenya Revenue Authority (the "**KRA**") to commence tax collection from the previously exempted individuals as of the judgment date.

However, on 30 December 2024, the Court of Appeal overturned the High Court's judgment. Addressing the claim that the legal notice failed to comply with Article 210 of the Constitution and was discriminatory, the Court of Appeal referred to Article 94(5) of the Constitution, emphasizing that while legislative authority is primarily vested in Parliament, it can be delegated to other entities with the express authority of the Constitution or legislation. The Court of Appeal found that the Cabinet Secretary for the Treasury exercised their powers in accordance with Article 94(5) of the Constitution and Section 13(2) of the Income Tax Act. Furthermore, the Court of Appeal noted that the Legal Notice was issued following negotiations between the Governments of Kenya and Japan and applied to other countries with financing agreements with the Government of Japan, not just Kenya. Regarding the constitutionality of Section 13(2) of the Income Tax Act, the Court of Appeal ruled that the issue was neither pleaded nor requested in the petition before the High Court. Consequently, the High Court erred in making such a determination without being prompted by any of the parties.

Following the Court of Appeal's judgment declaring section 13(2) of the Income Act and Legal Notice 15 of 21 constitutional, all legal notices based on Section 13(2) of the Income Tax Act, including Legal Notice 86 of 2014 (exempting tax on interest payable on a bond issued outside of Kenya by Government of Kenya) (the "**Interest Exemption"**) Legal Notice 87 of 2014 (exempting from tax gains made on the transfer of any bond issued outside Kenya) (the "**Capital Gains Exemption"**), Legal Notice, Legal Notice No. 46 of 2014 (exempting the Interest Exemption and Capital Gains Exemption from expiry, Legal Notice 91 of 2015 (granting waivers on withholding tax on foreign-sourced loans for investment in energy, water, and related sectors) and Legal Notice 165 of 2015 (exempting withholding tax on payments for services rendered by non-residents under a power purchase agreement), remain effective as of the date of this Offering Circular. However, this position would need to be reassessed should there be a different finding at the Supreme Court or should there be a change in legislation.

Enactment of Finance Act 2023

On 26 June 2023, the Kenyan Parliament introduced significant changes to taxation with the enactment of the Finance Act 2023, which reflected the government's efforts to enhance revenue collection and address fiscal challenges to meet the expansive KES 3.6 trillion budget. The Finance Act 2023 introduced pivotal changes across various tax structures, aiming to augment national revenue while considering the socio-economic impacts on individuals and businesses. Some of the key tax amendments are as follows:

- Introduction of the Housing Levy. Both employers and employees were required to contribute 1.5% to the National Housing Development Fund. This levy, initially proposed to be refundable or applicable for house purchases, has been legislated as a non-refundable contribution, symbolizing the government's effort to address housing needs. The High Court declared the housing levy unconstitutional in Petition No. E181 of 2023, however the Affordable Housing Act, 2024 was assented to on 19 March 2024 curing the defects that the Court had declared. Accordingly, the imposition of the levy remains at 15% by both employees and employers pursuant to Sections 4 and 5 thereof.

- The Finance Act, 2023 brought a progressive change in the PAYE tax structure. It incorporated new tax bands of 32.5% for incomes ranging between KES 500,000 and KES 800,000 and 35% for those exceeding KES 800,000. This adjustment is expected to have a noteworthy impact on tax collections from high-income earners.

- Further, the Finance Act, 2023 has increased the VAT on petroleum products from 8% to 16%, excluding liquefied petroleum gas. This increment reflects the government's approach to balance revenue generation with the economic realities of Kenyans. More on VAT reforms seeking to align with global norms, the Finance Act 2023 introduced a 0% tax rate on services exported from Kenya, a strategic move to encourage international trade and service exportation.

- It has introduced a more a stringent requirement for withholding tax remittance which should now be to the KRA within five days post-deduction. This measure was aimed at enhancing the efficiency of tax collection. Marking a significant shift, the Finance Act 2023 imposed a 15% tax on repatriated income for non-residents with a permanent establishment in Kenya, alongside a reduction in their Corporate Income Tax rate from 37.5% to 30%. Equally, to promote domestic vaccine production, the corporate tax for companies manufacturing human vaccines has been reduced from 30% to 10%. The Act further adjusts the turnover tax by reducing the upper threshold to KES 25 million from KES 50 million and increasing the rate from 1% to 3%. This change targeted the broader inclusion of businesses within the tax net.

- The Finance Act 2023 introduced a tax on income derived from digital assets, including cryptocurrencies, at a rate of 3%, acknowledging the evolving digital economy.

- Other changes include Mortgage Interest Deduction, where individuals are now entitled to claim deductions on mortgage interest expenses up to KES 300,000 annually for loans obtained from cooperative societies. There is a Rental Income Tax Reduction with the Residential Rental Income Tax reduced from 10% to 7.5%, a measure likely to have a positive impact on the real estate sector.

The Finance Act 2023 amendments exemplify Kenya's strategic approach to fiscal policy, balancing the need for revenue generation with the economic welfare.

Challenges to the Finance Act 2023

During 2023, various petitions were filed in the High Constitutional Court Division , namely Petition No. E181 of 2023, which was consolidated with Petitions No. E211, 217, 219, 221, 227, 228, 232, 234, 237 and 254 of

2023. These petitions challenged the constitutionality and legislative process that led to the enactment of Finance Act 2023. On 28 November 2023, the Court delivered its judgment finding that the legislative process and the entire Act were unconstitutional. In particular, the Court found the following:

(a) Sections 76 and 78 of the Finance Act 2023 amending Section 7 of the Kenya Roads Act 1999; Section 87 of the Finance Act 2023 amending Section 28 of the Unclaimed Assets Act 2011 and 88 and 89 of the Finance Act 2023 which repeals Section 21 of the Statutory Instruments Act were all unconstitutional, null and void.

(b) Section 84 of Finance Act 2023 violates Article 10 (2) (b) and (c) and 201 of the Constitution and were therefore unconstitutional, null and void.

(c) Order of prohibition was issued prohibiting the Respondents from charging, levying or in any way collecting tax, otherwise known as the 'Affordable Housing Levy' on the basis of the aforesaid Section 84 of Finance Act 2023.

The Executive, along with the National Assembly, being dissatisfied with part of the judgment, filed applications for a stay in the Court of Appeal, specifically Civil Application Nos. E581 of 2023 and E577 of 2023. They sought a stay of execution and/or conservatory orders to suspend the effect of the judgment declaring Sections 76, 78, 84, 87, 88, and 89 of the Finance Act, 2023 unconstitutional, pending the hearing and determination of the intended appeal. On 26 January 2023, the Court of Appeal declined to grant the stay, holding that public interest weighed against granting the requested stay or suspension. The Court directed that the appeal be heard expeditiously. In its judgment delivered on 31^{s} July 2024, the Court of Appeal declared the entire Act unconstitutional. In addition, the Court of Appeal declined an invitation to exercise its discretion to set aside the High Court's declaration on unconstitutionality of Section 89 of the Finance Act, 2023 (which was intended to repeal Section 21 of the Statutory Instruments Act, thus doing away with expiry of legal notices) on the basis of the doctrine of mootness. The Court of Appeal noted that a Bill has been tabled by the appellants which sought to address the shortcomings identified by the High Court nullifying Sections 88 and 89 of the Finance Act, 2023 and in so doing, they had taken decisive steps in complying with the High Court's decision.

On 29 October 2024, Kenya's Supreme Court overturned the Court of Appeal's decision, issuing final orders that set aside the Court of Appeal's declaration of the entire Act as unconstitutional. The Supreme Court upheld the Court of Appeal's determination regarding the mootness of the affordable housing issue, as well as on the unconstitutionality of Section 89 of the Finance Act, 2023. Additionally, the Supreme Court found Sections 76 and 78 of the Act, which amend Section 7 of the Kenya Roads Act 1999, and Section 87 of the Act, which amends Section 28 of the Unclaimed Financial Assets Act 2011, to be unconstitutional, as they were neither incidental to nor directly connected to a money bill.

Except for these sections, the Supreme Court upheld the constitutionality of the Finance Act 2023. Consequently, the amendments introduced by the Act to various tax statutes are now in effect and constitute the applicable law.

KRA Initiatives

The KRA has implemented several new initiatives and reforms to enhance tax collection and administration. These initiatives are part of a broader strategy to increase efficiency, compliance, and broaden the tax base.

Amongst these initiatives are several measures intended to combat tax evasion and fraud through the use of intelligence and risk-based forward-looking enforcement. Some of the specific reforms undertaken include the: (i) roll out of the Integrated Customs Management System ("**ICMS**") to improve the efficient clearance of goods and prevent undervaluation, mis-declarations and falsifications of import documents; (ii) implementation of the Regional Electronic Cargo Tracking ("**RECTS**") to tackle transit diversion; (iii) enhancement of scanning activities to detect concealment; (iv) scaling-up of ongoing and routine activities such as Pre-Verification of Conformity ("**PVOC**"), benchmarking and auctions; (v) data matching and use of third-party data to enhance compliance; (vi) integration of iTax with IFMIS to ensure timely collection of withholding VAT and other withholding taxes; (vii) expansion of the tax base by targeting the informal sector, betting, lotteries and gaming; (viii) pursuit of non-filers and an increased focus on the taxation of international transactions and transfer pricing; and (ix) enhancement of investigations and intelligence capacity to support revenue collection.

Kenya has also signed and ratified international conventions on tax such as the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting.

Above this, the Kenyan government has proposed various economic and tax reforms for the fiscal year 2023/2024 as outlined in the 2023 Budget Policy Statement (BPS). These reforms include the development of the National Tax Policy and the Medium-Term Revenue Strategy (MTRS) for the period FY 2023/24-2026/27. The focus of these reforms is to reduce tax gaps, enhance revenue per unit, and increase tax compliance rates. The reforms are crucial for financing the government's economic plan, which focuses on agriculture, MSME economy, housing and settlement, healthcare, digital superhighway and creative economy, and environment and climate change. The National Tax Policy provides broad guidelines for governing tax administration and the tax system in Kenya. More specifically, the policy provides a set of guidelines for taxation of income, goods and services and forms the basis for review of tax legislation, development and administration. The overall objective of the policy is to guide the development of a progressive tax system that enhances revenue mobilization by the Tax administration, promotes investment and fosters a flexible fiscal space. The aim is to ensure that tax rates do not affect the demand of the product and the tax structure do not distort markets and to ensure that taxes do not affect investment.

In response to missing its revenue targets, KRA has also initiated several changes to improve tax collection. These include halting payment for tax reliefs to audit and enhance tax relief processes, implementing new regulations for hunting tax evaders with overseas accounts, and strengthening the domestic taxes enforcement division. Kenya's Treasury has also signed regulations to allow KRA access to information on bank accounts held by Kenyans in various countries, aiming to step up efforts against tax evasion. These initiatives represent a comprehensive approach by the Kenyan government and KRA to enhance the country's tax system's efficiency and effectiveness.

However, challenges remain. One of the primary challenges is the low level of tax compliance. This is partly due to a large informal sector that is not fully captured in the tax net. The lack of compliance is also attributed to the complexity of the tax system, which can discourage voluntary compliance. Further, the Kenyan tax base is relatively narrow, with a heavy reliance on a small number of taxpayers. This puts a disproportionate tax burden on formal sector employees and compliant businesses, while a significant portion of the economy operates outside the tax system. Equally, economic factors such as inflation, unemployment, and fluctuating economic growth also impact tax revenue collection. Lastly, globalization and the digital economy present new challenges for tax collection, such as the difficulty in taxing international transactions and transfer pricing issues.

In September 2023, the MTRS was approved by Cabinet for implementation. The MTRS is aligned to the National Tax Policy and will guide tax administration to improve efficiency in the administration of tax laws, close loopholes for tax evasion, and enhance voluntary tax compliance. The additional resources raised from the MTRS will facilitate the implementation of the Government's BETA geared towards economic turn-around and inclusive growth through the MTP IV of the Vision 2030, as well as the MTEF.

The objectives of the Medium-Term Revenue Strategy (MTRS) are to: (i) improve efficiency in revenue administration; (ii) ensure equity and fairness in the tax regime; (iii) enhance tax-payer compliance with tax obligations; (iv) expand the tax base; (v) create certainty in the tax regime to attract investment; and (vi) promote investment across various sectors by removing market distortions. The implementation of MTRS is expected to among others: (i) raise revenue to GDP ratio from 13.5% in FY 2022/23 to 20.0% by end of the FY 2026/27; (ii) increase tax compliance rate from 70% in FY 2022/23 to 90% by FY 2026/27; (iii) promote investment through removing market distortions through rationalisation tax expenditures and review of tax rate; and (iv) align tax policy with government priorities. The MTRS is to be implemented within a three-year period from FY 2024/25 to FY 2026/27. The implementation of administrative measures under MTRS began in 2024 while the policy measures will be implemented through the Tax Laws (Amendment) Act, 2024, and the Tax Procedures (Amendment) Act, 2024.

Finance Bill, 2024, the Tax Laws (Amendment) Bill, 2024, and the Tax Procedures (Amendment) Bill, 2024

Tax policy reforms were expected to be implemented through the Finance Acts and Regulations, beginning with the Finance Bill, 2024. Notable among these tax proposals was (i) the introduction of a contentious motor vehicle tax set at a rate of 2.5% of the value of the vehicle, with a floor of KES 5,000 and ceiling of KES 100,000, (ii) extending the timeframe for the KRA to issue decisions from 60 to 90 days, and (iii) to increase the VAT registration threshold for taxpayers making taxable supplies from KES 5 million to KES 8 million.

On 26 June 2024, the President declined to assent to the Finance Bill, 2024. In referring the Bill for reconsideration by the National Assembly, the President took note of the widespread expression of dissatisfaction by members of the public on the contents of the Bill.

The Finance Bill, 2024, sought to implement significant changes; however, its lack of assent highlighted the necessity for further review and dialogue. Consequently, the new proposals aim to refine the earlier suggestions and introduce new measures to align with Kenya's broader economic priorities, such as expanding the tax base, promoting business investment, and addressing challenges posed by the evolving global economic landscape.

Key proposed changes include:

- the introduction of a 30% Significant Economic Presence (SEP) Tax to replace the Digital Service Tax, which will impact non-residents conducting business over digital marketplaces. Additionally, the bill proposes a 5% withholding tax on interest earned from infrastructure and social bonds.
- Regarding VAT, several changes to the First Schedule of the VAT Act are proposed, including the exemption of agricultural pest control products and fertilizers, which are currently zero-rated.
- For personal income taxes, there is a proposal to remove the affordable housing levy and post-retirement medical fund relief, while allowing deductions of these payments when computing taxable income.
- On employment benefits, the Bill proposes to increase the tax-exempt non-cash employment benefits from KES 36,000 per year to KES 60,000 and raise the value of tax-free meals provided by employers from KES 48,000 to KES 60,000.

The Bill also includes proposals for tax exemptions on pension benefits upon retirement and extends the exemption period for withdrawals from 15 years to 20 years.

In November 2024, the Tax Laws (Amendment) Bill, 2024, and the Tax Procedures (Amendment) Bill, 2024, were introduced following the rejection of the Finance Bill, 2024. These new bills provide the Government with an opportunity to revisit some of the provisions that were previously proposed in the Finance Bill, 2024, and which the public had rejected. The President of the Republic of Kenya signed these bills into law on 11 December 2024 and the Tax Laws (Amendment) Act 2024 and the Tax Procedures (Amendment) Act, 2024 became effective on 27 December 2024, and are currently under the implementation stages.

Some of the key reforms among others include:

- Imposing of withholding tax on income deemed to have accrued in or derived from a digital marketplace made to resident and non-resident persons at the rate of 5% or 20% for resident persons and non-resident persons, respectively;
- Introduction of withholding tax on supply of goods to a public entity at a rate of 0.5% for resident persons and 5% for non-resident persons;
- Replacement of digital services tax with a significant economic presence (SEP) tax, imposing a 30% tax on deemed taxable profits for non-resident business without a permanent establishment;
- Introduction of a minimum top-up tax payable by a covered person if the combined effective tax rate in respect of that person for a year if income is less than 15%; and
- Under the Tax Procedures (Amendment) Act, 2024, extension of the tax amnesty period from 30 June 2024 to 30 June 2025.

Revenues and Expenditures

In FY 2019/20, the fiscal deficit including grants amounted to KES 738.2 billion (estimated to be 7.0% of GDP) from a deficit of KES 709.6 billion (7.3% of GDP) in 2018/19. The higher deficit was on account of revenue shortfalls and rising expenditure pressures. In particular, the revenue shortfalls in the fourth quarter of 2019/20 was largely due to the severe disruptions on economic activities from the containment measures put in place to contain the spread of the Covid-19 Pandemic and the tax reliefs implemented by the Government to cushion Kenyans. In particular, import-related taxes such as import duty, VAT on imports, import declaration fees and railway development were negatively affected due to lower imports and reduction of trade amongst countries. Further, other domestic taxes were severely affected by declining incomes and depressed consumption.

In FY 2020/21, the fiscal deficit including grants amounted to KES 929.3 billion (estimated to be 8.2% of GDP) from the 7.3% of GDP deficit in FY 2019/20. The higher deficit is largely due to increased spending pressures for containing the spread of COVID-19 Pandemic and implementation of containment measures including review of tax rate to increase disposable income that worsened revenue performance. In particular, severe disruptions on economic activities in the first half of the FY 2020/21 arising from the COVID-19 Pandemic containment measures coupled with tax reliefs implemented by Government in April 2020 to cushion Kenyans majorly explain the subdued revenue performance which led to an increase in the fiscal deficit.

In FY 2021/22, the fiscal deficit improved to amount to KES 785.1 billion (estimated to be 6.2% of GDP) from the deficit of 8.2% of GDP in FY 2020/21. This was largely attributed to improved operating business environment following the recovery of the economy from the adverse impact of COVID-19 Pandemic resulting to above target performance of total revenue mainly on account of surplus collection of ordinary revenue. This good performance was however overshadowed by the effects of the Russia-Ukraine conflict which put pressure on fuel and commodity prices prompting the Government to increase spending in order to cushion citizens. This coupled with the unfavourable conditions in the sovereign bond market which resulted to below target performance in foreign financed resources and shortfalls in domestic market affected expenditure performance during the reporting period.

In FY 2022/23, the fiscal deficit amounted to KES 800.4 billion (estimated to be 5.6% of GDP) from the deficit of 6.2% of GDP in FY 2021/22. The implementation of the FY2022/23 budget marked the transition from the previous Regime to the current Administration. The first half of the FY 2022/23 was marked by slow implementation of programmes and projects due to inadequate resources. In part, revenue performance was affected by the general slowdown of economic activities occasioned by the adverse impact of shocks that hit the country including the uncertain operating environment related to the general elections and the negative impact of the geo-politics that led to global economic slowdown and supply chain disruptions. There were also constraints in raising resources from the domestic market due to tight liquidity conditions and short-term instruments becoming saturated. Given the realities, the Government embarked on reprioritization and cost-cutting measures to ensure smooth implementation of priority programmes for the remainder of the financial year.

The following tables sets forth the fiscal accounts of the Government for the periods indicated.

	2019/2020		2020/2021	
	Actual	**Target**	**Actual**	**Target**
		(KES millions)		
Total Revenue and Grants	**1,815,485**	**1,899,849**	**1,834,856**	**1,921,044**
Revenue	**1,795,665**	**1,864,823**	**1,803,536**	**1,848,026**
Ordinary Revenue	1,573,418	1,615,378	1,562,015	1,594,009
Import duty	98,022	95,942	108,375	96,291
Excise duty	195,270	201,205	216,325	208,786
Income tax	706,936	720,268	694,053	733,000
VAT	383,713	400,129	410,758	395,185
Investment Income – Others	116,146	121,791	37,607	32,568
Others	73,331	76,043	94,897	128,179
Appropriation-in-Aid	224,247	249,445	241,521	254,017
Grants	**19,820**	**35,026**	**31,320**	**73,017**
AMISOM Receipts	4,639	11,698	8,943	7,404
Projects Grants (Revenue)	9,623	15,309	9,378	17,857
Projects Grants (AIA)	5,558	8,019	12,999	23,827
Italian Debt Swap	0	0	0	0
County Health Facilities – DANIDA	0	0	0	0
Total Expenditure and Net Lending	**2,565,444**	**2,817,808**	**2,769,254**	**2,891,955**
Recurrent Expenditure	**1,645,222**	**1,776,959**	**1,813,271**	**1,835,059**
Domestic Interest	315,362	301,812	388,830	339,993
Foreign Interest due	121,840	131,868	106,312	118,748
Pensions, salaries, allowances, and miscellaneous services.	89,605	90,989	112,872	115,310
Wages & Salaries	449,927	457,155	493,029	493,914
Defence and NSIS	138,018	142,072	157,673	152,024
O&M/Others	530,469	653,063	531,753	431,219
Development and Net Lending	**594,944**	**678,466**	**556,990**	**652,971**
Equalisation Fund/1400	0	0	0	6,788
County Governments' Allocation	325,278	362,383	398,993	398,924
Contingencies Fund	0	0	0	5000
Deficit Excluding Grant (Commitment Basis)	**(769,779)**	**(952,985)**	**(965,717)**	**(1,043,928)**
Deficit Incl. Grants (Commitment Basis)	**(749,959)**	**(917,959)**	**(934,384)**	**(970,911)**
Adjustment to cash basis	11,801	0	5,098	0
Deficit Including Grants (Cash Basis)	**(738,158)**	**(917,959)**	**(929,286)**	**(970,911)**
Financing	**790,804**	**917,959**	**950,235**	**970,911**
Net Foreign Financing	**340,431**	**324,009**	**323,310**	**426,991**
Disbursements	442,031	445,486	451,587	784,155
Commercial Financing	5,870	6,209	114,292	350,493
Project Loans AIA	104,525	113,896	104,787	151,953
Project Loans Revenue	47,798	56,361	52,351	90,278
Project Loans SGR AIA	44,812	51,090	11,514	11,921
Programme Loans	239,026	217,930	168,644	179,510
Debt Repayment – Principal	(101,600)	(121,477)	(128,278)	(357,164)
Other Domestic Financing	2,599	4,323	0	0
Net Domestic Financing	**450,373**	**593,950**	**626,926**	**531,999**
Nominal GDP Estimate	**10,620,841**	**10,196,618**	**11,256,082**	**11,168,511**
Primary Balance Inclusive of Grants (Cash Basis)	**(300,956)**	**(484,279)**	**(434,144)**	**(512,170)**

Source: National Treasury

The following tables sets forth the fiscal accounts of the Government for the periods indicated.

	2021/2022		2022/2023	
	Actual	**Target**	**Actual**	**Target**
		(KES millions)		
Total Revenue and Grants	**2,230,839**	**2,254,871**	**2,383,593**	**2,520,338**
Revenue	**2,199,808**	**2,191,953**	**2,360,510**	**2,478,622**
Ordinary Revenue	1,917,911	1,851,510	2,041,119	2,145,399
Import duty	118,280	115,869	130,123	142,676
Excise duty	252,094	255,890	264,509	293,973
Income tax	876,707	836,691	941,576	982,140
VAT	523,098	514,107	550,440	580,616
Investment Income – Others	38,160	32,209	37,301	31,496
Others	109,571	96,743	128,179	72,336
Appropriation-in-Aid	281,897	340,443	319,391	333,222
Grants	**31,031**	**62,918**	**23,083**	**41,717**
AMISOM Receipts	3,603	3,000	6,982	6,982
Projects Grants (Revenue)	5,903	15,496	7,524	16,703
Projects Grants (AIA)	12,435	24,072	8,577	18,031
Italian Debt Swap	0	0	0	0
County Health Facilities – DANIDA	0	0	0	0
Total Expenditure and Net Lending	**3,027,836**	**3,286,077**	**3,221,001**	**3,366,561**
Recurrent Expenditure	**2,135,305**	**2,227,325**	**2,311,564**	**2,367,671**
Domestic Interest	456,849	479,223	533,098	527,928
Foreign Interest due	121,130	126,059	154,223	154,937
Pensions, salaries, allowances, and miscellaneous services	122,432	125,346	120,425	144,676
Wages & Salaries	525,122	525,122	539,552	539,552
Defence and NSIS	175,798	157,123	172,209	172,209
O&M/Others	510,074	548,913	522,318	557,051
Development and Net Lending	**540,117**	**657,515**	**493,663**	**560,545**
Equalisation Fund/1400	0	6825	0	13,893
County Governments' Allocation	352,414	401,237	415,774	436,345
Contingencies Fund	0	0	0	2000
Deficit Excluding Grant (Commitment Basis)	**(828,028)**	**(1,094,124)**	**(860,491)**	**(887,940)**
Deficit Incl. Grants (Commitment Basis)	**(796,997)**	**(1,031,206)**	**(837,408)**	**(846,223)**
Adjustment to cash basis	11868	0	37031	0
Deficit Including Grants (Cash Basis)	**(785,129)**	**(1,031,206)**	**(800,377)**	**(846,223)**
Financing	**747,825**	**1,031,206**	**770,307**	**846,223**
Net Foreign Financing	**142,524**	**343,085**	**310,759**	**362,665**
Disbursements	327,059	545,151	548,171	597,178
Commercial Financing	0	124,318	102,218	104,819
Project Loans AIA	92,619	134,382	74,245	105,158
Project Loans Revenue	58,601	81,074	61,975	83,091
Project Loans SGR AIA	0	0	0	0
Programme Loans	135,019	163,196	266,885	256,825
Debt Repayment – Principal	(184,536)	(202,066)	(237,412)	(234,513)
Other Domestic Financing	0	0	0	0
Net Domestic Financing	**605,301**	**688,121**	**459,548**	**483,558**
Nominal GDP Estimate	**12,698,001**	**12,646,197**	**14,274,419**	**14,521,624**
Primary Balance Inclusive of Grants (Cash Basis)	**(207,150)**	**(425,924)**	**(82,985)**	**(163,358)**

Source: National Treasury

The FY 2023/24 budget targeted a fiscal deficit of KES 718.9 billion (estimated to be 4.4% of GDP). During the implementation process, movement in interest rates and exchange rate coupled with constraints in resource mobilization have impacted on fiscal space. As such, the fiscal deficit was revised in Supplementary Estimates 1 to amount to KES 886.6 billion (estimated at 5.5% of GDP). In order to maintain the primary balance consistent with the fiscal consolidation path, expenditures have been maintained at the levels approved in printed estimates. By the end of June 2024, fiscal deficit (including grants, on a cash basis) amounted to KES 835.1 billion (5.2% of GDP) against a target of KES 925.0 billion (5.3% of GDP).

In FY 2024/25, the fiscal deficit is projected to widen to KES 862.7 billion (4.9% of GDP), up from KES 768.6 billion (4.3% of GDP) in the approved Supplementary Estimates No. I. This increase is primarily attributed to a reduction in anticipated revenue collection, due to the withdrawal of the Finance Bill 2024 which was expected to raise an additional revenue amounting to KES 344.3 billion.

The following tables sets forth the fiscal accounts of the Government for the periods indicated.

	2023/2024		2024/2025	
	Budget Estimate	**Prel Actual**	**Budget Estimate**	**Tabled Supply No.2**
	(KES billions)			
Total Revenue and Grants	**3,027.7**	**2,730.7**	**3,395.0**	**3,115.5**
Revenue	**2,985.6**	**2,702.7**	**3,343.2**	**3,065.2**
Ordinary Revenue	2,571.2	2,288.9	2,917.2	2,580.9
Import duty	173.3	133.9	187.4	152.5
Excise duty	352.7	276.7	429.6	315.0
Income tax	1,198.5	1,043.1	1,230.2	1,165.2
VAT	703.3	645.5	812.2	694.3
Other Tax Revenue	143.3	190.0	257.8	253.9
Appropriation-in-Aid	414.4	413.7	426.0	484.3
Grants	**42.2**	**22.0**	**51.8**	**50.3**
AMISOM Receipts	0	0	0	2.2
Projects Grants (Revenue)	14.3	13.5	20.5	20.2
Projects Grants (AIA)	27.9	8.5	31.3	28.0
Italian Debt Swap	0	0	0	0
County Health Facilities – DANIDA	0	0	0	0
Total Expenditure and Net Lending	**3,746.6**	**3,605.2**	**3,992.0**	**3,978.3**
Recurrent Expenditure	**2,536.2**	**2,678.4**	**2,841.9**	**2,946.3**
Domestic Interest	628.3	622.5	750.0	767.2
Foreign Interest due	146.9	218.2	259.9	228.5
Pensions, salaries, allowances, and miscellaneous services	165.4	178.1	203.6	227.4
Wages & Salaries	584.6	575.3	613.6	650.0
Defence and NSIS	183.3	205.4	212.5	223.9
O&M/Others	982.5	878.9	802.4	849.4
Development and Net Lending	**777.8**	**546.4**	**701.5**	**586.3**
Equalisation Fund/1400	7.9	0	8.0	2.5
County Governments' Allocation	429.7	380.4	444.5	445.6
Contingencies Fund	2.8	-	4.0	0
Deficit Excluding Grant (Commitment Basis)	**(761.0)**	**(902.5)**	**(648.8)**	**(913.1)**
Deficit Incl. Grants (Commitment Basis)	**(718.8)**	**(880.5)**	**(597.0)**	**(862.7)**
Adjustment to cash basis	-	45.4	-	-
Deficit Including Grants (Cash Basis)	**(718.8)**	**(835.1)**	**(597.0)**	**(862.7)**
Financing	**718.9**	**818.3**	**597.0**	**862.7**
Net Foreign Financing	**131.5**	**222.7**	**333.8**	**280.1**
Disbursements	607.1	760.5	664.5	581.7
Commercial Financing	270.0	286.9	168.8	130.0
Project Loans AIA	149.1	68.3	113.8	71.6
Project Loans Revenue	122.5	87.4	112.1	79.6
Project Loans SGR AIA	0	0	0	0
Programme Loans	65.4	317.8	269.8	292.0
Debt Repayment – Principal	(475.6)	(537.8)	(330.7)	(301.6)
Other Domestic Financing	0	0	0	0
Net Domestic Financing	**587.4**	**595.6**	**263.2**	**582.7**
Nominal GDP Estimate	**16,290**	**15,826.4**	**18,054**	**17,434.5**
Primary Balance Inclusive of Grants (Cash Basis)	**56.3**	**22.4**	**412.9**	**133.0**

Source: Parliamentary Budget Office

Kenya believes it has access to adequate concessional and non-concessional financing and reserves buffer to finance both fiscal and balance of payments gaps, while a robust domestic securities market provides further flexibility. The Government is committed to implement the 2024 Medium Term Debt Strategy which envisages maximization of concessional and semi concessional external debt while proposing liability management operations in the domestic and international capital markets.

In 2024/25, the fiscal policy and the medium term budget seeks to support the Government's BETA, through continued implementation of a growth responsive fiscal consolidation plan designed towards slowing down public debt without compromising service delivery. The fiscal policy endeavours to strike an appropriate balance while recognizing the difficult trade off exerted by Kenya's limited fiscal space that has been exacerbated by continued financing constraints. This will be achieved through broadening the revenue base and containing non-priority expenditures while enhancing social safety nets. Additionally, the present value of the debt to GDP ratio is projected to progressively reduce towards a debt anchor of 55% by 2028. The improvement in debt levels is anchored on fiscal consolidation tied to implementation of fiscal reforms under the IMF Extended Credit Facility program.

Similarly, in the FY 2025/26 and the medium term budget, the Government will continue to implement a fiscal consolidation plan designed towards slowing down growth of public debt without compromising economic growth. This will be supported by enhanced domestic revenue mobilization as well as expenditure rationalisation and prioritisation while safeguarding priority Government programmes and social spending. In line with the fiscal consolidation plan, the overall fiscal deficit is projected to gradually decline from 4.3 percent of GDP in the FY 2024/25 to 3.8 percent of GDP in the FY 2025/26 and further to 3.4 percent of GDP in the FY 2026/27.

Revenue and Grants

Actual revenue in 2019/20 was KES 1,737.0 billion, or 6.9%, less than the target revenue included in the budget for the fiscal year. The shortfall was primarily a result of underperformance ordinary revenue collection amounting to KES 42.0 billion with tax revenues falling below target in all broad categories. The Appropriation in Aid ("**A-i-A**") was also below target by KES 89.2 billion.

Actual revenue in 2020/21 was KES 1,803.5 billion, or 2.4%, less than the target revenue included in the budget for the fiscal year. The shortfall was primarily a result of underperformance in both ordinary revenues and the A-i-A revenues by KES 32.0 billion and KES 12.5 billion, respectively.

The following table sets forth information regarding the composition of fiscal revenues as a percentage of total revenues and grants, for the periods indicated.

	2019/20		2020/21	
	Actual	Target	Actual	Target
		(%)		
Revenue	**98.9**	**98.2**	**98.3**	**96.2**
Ordinary Revenue	89.6	85.0	85.1	83.0
Import duty	5.6	5.0	5.9	5.0
Excise duty	11.1	10.6	11.8	10.9
Income tax	40.2	37.9	37.8	38.2
VAT	21.8	21.1	22.4	20.6
Investment Income – Others	6.6	6.4	2.0	1.7
Others	4.2	4.0	5.2	6.7
Appropriation-in-Aid	9.3	13.1	13.2	13.2
Grants	**1.1**	**1.8**	**1.7**	**3.8**
AMISOM Receipts	0.3	0.6	0.5	0.4
Project Grants (Revenue)	0.5	0.8	0.5	0.9
Project Grants (AIA)	0.3	0.4	0.7	1.2
Italian Debt Swap	0.0	0.0	0.0	0.0
County Health Facilities – DANIDA	0.0	0.0	**98.3**	**96.2**

Source: National Treasury

Actual revenue in 2021/22 was KES 2,199.8 billion, or 0.4%, more than the targeted revenue included in the budget for the fiscal year. The above target collection was primarily as a result of surplus ordinary revenue collection amounting to KES 66.4 billion with tax revenues above target in all broad categories except excise duty. Performance of ministerial A-i-A was below target by KES 58.5 billion on account of shortfalls recorded in both recurrent and development A-i-A.

Actual revenue in 2022/23 was KES 2,360.5 billion, or 4.8%, less than the target revenue included in the budget for the fiscal year. The shortfall was primarily a result of underperformance in both ordinary revenues and the A-i-A revenues by KES 104.3 billion and KES 13.8 billion, respectively. Tax revenue from the broad tax categories were below their respective targets in the period under review with Excise duty recording the highest shortfall of KES 29.5 billion. The shortfall in excise duty is explained by the decline in oil volumes, motor vehicle imports and deliveries of domestic excisable goods such as cosmetics, beer and spirits.

The following table sets forth information regarding the composition of fiscal revenues as a percentage of total revenues and grants, for the periods indicated.

	2021/22		2022/23	
	Actual	Target	Actual	Target
	(%)			
Revenue	**98.6**	**97.2**	**99.0**	**98.3**
Ordinary Revenue	86.0	82.1	85.6	85.1
Import duty	5.3	5.1	5.5	5.7
Excise duty	11.3	11.3	11.1	11.7
Income tax	39.3	37.1	39.5	39.0
VAT	23.4	22.8	23.1	23.0
Investment Income – Others	1.7	1.4	1.6	1.2
Others	4.9	4.3	5.4	2.9
Appropriation-in-Aid	12.6	15.1	13.4	13.2
Grants	**1.4**	**2.8**	**1.0**	**1.7**
AMISOM Receipts	0.2	0.1	0.3	0.3
Project Grants (Revenue)	0.3	0.7	0.3	0.7
Project Grants (AIA)	0.6	1.1	0.4	0.7
Italian Debt Swap	0.0	0.0	0.0	0.0
County Health Facilities – DANIDA	0.0	0.0	0.0	0.0

Source: National Treasury

In the FY 2023/24, total revenue collected including A-i-A amounted to KES 2,702.7 billion (17.1% of GDP) against a target of KES 2,907.5 billion (18.0% of GDP). The shortfall of KES 204.9 billion was on account of below target ordinary revenue collection by KES 172.1 billion while the collection of the ministerial A-i-A was also below target by KES 32.8 billion. This revenue performance represented an improved growth of 14.5% compared to a growth of 7.3% recorded in the similar period in the FY 2022/23.

In the FY 2024/25, total revenue including A-i-A is projected at KES 3,065.2 billion (17.6% of GDP), comprising ordinary revenues of KES 2,580.9 billion (14.8% of GDP) and Ministerial A-i-A of KES 481.3 billion (2.8% of GDP).

The following table sets forth information regarding the composition of fiscal revenues as a percentage of total revenues and grants, for the periods indicated.

	2023/24		2024/25	
	Actual*	Target	Budget Estimate	Revised Budget 1
	(KES Million)			
Revenue	**99.2**	**98.7**	**98.5**	**98.4**
Ordinary Revenue	84.0	83.5	85.9	82.8
Import duty	4.9	4.8	5.5	4.9
Excise duty	10.2	9.8	12.7	10.1
Income tax	38.3	37.1	36.2	37.4
VAT	23.7	22.2	23.9	22.3
Investment Income – Others	0.2	1.1	1.9	3.1
Others	7.0	9.5	5.7	5.0
Appropriation-in-Aid	15.2	15.2	12.5	15.5
Grants	**0.8**	**1.3**	**1.5**	**1.6**
AMISOM Receipts	0.0	0.0	0	0.0
Project Grants (Revenue)	0.5	0.7	0.6	0.6
Project Grants (AIA)	0.3	0.6	0.9	0.9
Italian Debt Swap	0.0	0.0	0.0	0.0
County Health Facilities – DANIDA	0.0	0.0	0.0	0.0

Source: National Treasury

Expenditure and Net Lending

Total expenditure and net lending in 2019/20 was KES 2,565.4 billion against a revised target of KES 2,817.8 billion, representing an under spend of KES 252.4 billion (or 9.0% deviation from the revised budget). This shortfall was attributed to lower absorption in both recurrent and development expenditures by the National Government.

Total expenditure and net lending in 2020/21 recorded an under spend of KES 122.7 billion (or 4.2% deviation from budget). This shortfall was attributed to lower absorption in both recurrent and development expenditures by the National Government.

The following table sets forth information regarding the composition of fiscal expenditures as a percentage of total expenditures and net lending for the periods indicated.

	2019/20		2020/21	
	Actual	Target	Actual	Target
		(%)		
% Total Expenditure and Net Lending				
Recurrent Expenditure	**64.1**	**63.1**	**65.5**	**63.5**
Domestic Interest	12.3	10.7	14.0	11.8
Foreign Interest due	4.7	4.7	3.8	4.1
Pensions, salaries, allowances, and miscellaneous services	3.5	3.2	4.1	4.0
Wages & Salaries	17.5	16.2	17.8	17.1
Defence and NSIS	5.4	5.0	5.7	5.3
O&M/Others(1)	20.7	23.2	19.2	14.9
Development and Net Lending	**23.2**	**24.1**	**20.1**	**22.6**
Equalisation Fund/1400	0.0	0.0	0.0	0.2
County Governments' Allocation	12.7	12.9	14.4	13.8
Contingencies Fund	0.00	0.00	0	0.2

(1) Other expenditures consist of personal emoluments, utilities for use of goods and services, current and capital transfers which includes subscriptions.

Source: National Treasury

Total expenditure and net lending in the FY 2021/22 amounted to KES 3,027.8 billion against a revised target of KES 3,286.1 billion, representing an under spending of KES 258.2 billion (7.9% deviation from the revised budget). The shortfall in spending was attributed to low A-i-A related spending on account of reduced collections, lower than targeted spending on interest payments and low absorption of both externally and domestically funded development projects.

Total expenditure and net lending in the FY 2022/23 amounted to KES 3,221.0 billion against a revised target of KES 3,366.6 billion, representing an under spending of KES 145.6 billion (4.4% deviation from the revised budget). The shortfall was attributed to low spending on both recurrent and development expenditure items. There was delayed disbursement of project funds and a shortfall in domestic borrowing resulting in unfunded expenditures items.

The following table sets forth information regarding the composition of fiscal expenditures as a percentage of total expenditures and net lending for the periods indicated.

	2021/22		2022/23	
	Actual	Target	Actual	Target
		(%)		
% Total Expenditure and Net Lending				
Recurrent Expenditure	**70.5**	**67.8**	**71.8**	**70.3**
Domestic Interest	15.1	14.6	16.6	15.7
Foreign Interest due	4.0	3.8	4.8	4.6
Pensions, salaries, allowances, and miscellaneous services.	4.0	3.8	3.7	4.3
Wages & Salaries	17.3	16.0	16.8	16.0
Defence and NSIS	5.8	4.8	5.3	5.1
O&M/Others(1)	16.8	16.7	16.2	16.5
Development and Net Lending	**17.8**	**20.0**	**15.3**	**16.7**
Equalisation Fund/1400	0.0	0.2	0.0	0.4
County Governments' Allocation	11.6	12.2	12.9	13.0
Contingencies Fund	0.0	0.00	0	0.1

(1) Other expenditures consist of personal emoluments, utilities for use of goods and services, current and capital transfers which includes subscriptions.

Source: National Treasury

The total expenditure and net lending in FY 2023/24 amounted to KES 3,605.2 billion, against a target of KES 3,871.0 billion. The resultant under expenditure of KES 265.8 billion is attributed to lower absorption recorded in recurrent and development expenditures by the National Government and below target equitable share transfers to the County Governments.

In the FY 2024/25, total expenditures is projected at KES 3,978.3 billion (22.8% of GDP) from the budgeted KES 3,992.0 billion (22.1% of GDP).

	2023/24		2023/24	
	Actual	**Target**	**Budget Estimate**	**Revised Budget**
		(%)		
% Total Expenditure and Net Lending				
Recurrent Expenditure	**67.7**	**70.2**	**71.2**	**74.1**
Domestic Interest	16.8	16.2	18.8	19.3
Foreign Interest due	3.9	6.8	6.5	5.7
Pensions, salaries, allowances, and miscellaneous services.	4.9	4.4	5.1	5.7
Wages & Salaries	15.6	14.8	15.4	16.3
Defence and NSIS	4.9	4.8	5.3	5.6
O&M/Others(1)	24.4	26.2	20.1	21.4
Development and Net Lending	**21.2**	**20.4**	**17.6**	**14.7**
Equalisation Fund/1400	0.2	0.3	0.2	0.1
County Governments' Allocation	11.5	10.6	11.1	11.2
Contingencies Fund	0.1	0.03	0.1	0.0

(1) Other expenditures consist of personal emoluments, utilities for use of goods and services, current and capital transfers which includes subscriptions.

Source: National Treasury

The following tables sets forth information regarding the composition of ministerial expenditures as a percentage of total expenditures, for the periods indicated.

Ministry/Department / Commissions	Jun-21 Recurrent		Variance	Jun-21 Development		Variance	Jun-21 Total		Variance	% of total expenditure to target
	Actual*	Target		Actual*	Target		Actual*	Target		
Executive Office of the President	29,545	26,897	2,647	11,759	14,040	(2,281)	41,304	40,937	366	100.9
State Department for Interior and Citizen Services	120,876	129,398	(8,522)	3,983	4,027	(44)	124,859	133,425	(8,566)	93.6
State Department for Correctional Services	22,777	26,867	(4,090)	45	258	(212)	22,822	27,125	(4,302)	84.1
State Department for Devolution	1,021	1,029	(9)	5,320	8,161	(2,840)	6,341	9,190	(2,849)	69.0
State Department for Development of the ASAL.......	945	971	(26)	3,897	7,765	(3,868)	4,842	8,736	(3,894)	55.4
Ministry of Defence	112,512	112,519	(7)	9,670	9,743	(73)	122,183	122,262	(79)	99.9
Ministry of Foreign Affairs	10,329	16,203	(5,874)	411	1,129	(719)	10,739	17,332	(6,593)	62.0
State Department for Vocational and Technical Training	18,278	18,392	(114)	5,334	6,294	(960)	23,613	24,686	(1,073)	95.7
State Department for University Education................................	75,552	87,836	(12,284)	3,968	4,363	(394)	79,520	92,198	(12,678)	86.2
State Department for Early Learning & Basic Education	88,324	88,224	99	5,905	8,930	(3,026)	94,228	97,155	(2,926)	97.0
State Department for Post Training and Skills Development...........................	124	126	(2)	-	-	-	124	126	(2)	98.4
The National Treasury...............	52,268	55,746	(3,479)	47,812	58,780	(10,967)	100,080	114,526	(14,446)	87.4
State Department for Planning....	3,178	3,244	(65)	55,750	55,929	(179)	58,928	59,173	(245)	99.6
Ministry of Health.....................	66,452	68,034	(1,582)	40,051	52,865	(12,814)	106,503	120,899	(14,396)	88.1
State Department for Infrastructure	73,989	67,159	6,831	129,750	133,372	(3,622)	203,739	200,531	3,208	101.6
State Department for Transport ..	4,028	7,260	(3,232)	66,267	66,981	(714)	70,295	74,241	(3,946)	94.7
State Department for Shipping and Maritime	2,101	1,647	454	-	565	(565)	2,101	2,212	(111)	95.0
State Department for Housing & Urban Development................	981	992	(11)	25,637	27,245	(1,608)	26,618	28,237	(1,618)	94.3
State Department for Public Works.....................................	2,318	2,269	49	724	827	(103)	3,042	3,096	(54)	98.3
Ministry of Environment and Forestry	9,900	10,222	(321)	2,637	3,753	(1,116)	12,537	13,974	(1,437)	89.7
Ministry of Water & Sanitation and Irrigation	3,775	6,077	(2,302)	62,904	75,724	(12,820)	66,679	81,801	(15,122)	81.5
Ministry of Lands and Physical Planning..................................	2,639	2,829	(190)	3,246	3,299	(53)	5,885	6,128	(243)	96.0
State Department for Information Communication Technology &Innovation	1,595	1,641	(46)	16,328	19,449	(3,121)	17,923	21,090	(3,167)	85.0
State Department for Broadcasting & Telecommunications................	6,870	7,759	(889)	283	282	1	7,153	8,042	(889)	89.0
State Department for Sports	1,461	1,397	64	3,078	7,381	(4,303)	4,539	8,778	(4,239)	51.7
State Department for Culture and Heritage..................................	2,328	2,457	(129)	32	32	(0)	2,361	2,490	(129)	94.8
Ministry of Energy....................	2,388	6,343	(3,954)	52,844	72,822	(19,978)	55,233	79,164	(23,932)	69.8
State Department for Livestock. .	2,114	2,310	(196)	1,563	2,167	(604)	3,678	4,477	(800)	82.1
State Department for Fisheries, Aquaculture & the Blue Economy.................................	2,210	2,436	(226)	1,566	2,896	(1,330)	3,776	5,332	(1,556)	70.8

Ministry/Department / Commissions	Jun-21 Recurrent Actual*	Jun-21 Recurrent Target	Variance	Jun-21 Development Actual*	Jun-21 Development Target	Variance	Jun-21 Total Actual*	Jun-21 Total Target	Variance	% of total expenditure to target
State Department for Crop Development & Agricultural Research	21,072	23,354	(2,282)	13,731	26,687	(12,957)	34,803	50,042	(15,239)	69.5
State Department for Cooperatives	905	922	(17)	761	762	(1)	1,665	1,684	(18)	98.9
State Department for Trade and Enterprise Development	2,025	2,165	(139)	1,261	1,286	(24)	3,287	3,450	(164)	95.3
State Department for Industrialization	2,091	2,987	(896)	2,336	3,640	(1,303)	4,427	6,627	(2,199)	66.8
State Department for Labour	1,486	2,635	(1,150)	808	1,232	(424)	2,293	3,867	(1,574)	59.3
State Department for Social Protection, Pensions & Senior Citizens Affairs	29,987	30,455	(468)	1,222	2,280	(1,058)	31,208	32,735	(1,526)	95.3
State Department for Mining	415	548	(133)	76	81	(4)	492	629	(137)	78.2
State Department for Petroleum	1,831	1,840	(9)	2,650	3,177	(527)	4,481	5,017	(536)	89.3
State Department for Tourism	2,508	6,091	(3,583)	3,413	3,464	(51)	5,921	9,555	(3,635)	62.0
State Department for Wildlife	9,085	9,105	(20)	453	650	(197)	9,538	9,755	(217)	97.8
State Department for Gender	929	1,084	(155)	2,246	2,258	(12)	3,175	3,342	(167)	95.0
State Department for Public Service	13,445	14,625	(1,180)	1,022	998	24	14,467	15,623	(1,156)	92.6
State Department for Youth Affairs	1,300	1,305	(5)	1,896	2,098	(202)	3,196	3,403	(207)	93.9
State Department for East African Community	483	511	(28)	-	-	-	483	511	(28)	94.5
State Department for Regional and Northern Corridor Development	2,050	2,357	(307)	1,083	1,258	(175)	3,133	3,615	(482)	86.7
State Law Office and Department of Justice	4,476	4,811	(335)	71	80	(9)	4,547	4,891	(344)	93.0
The Judiciary	13,787	14,575	(789)	1,601	2,558	(958)	15,387	17,133	(1,746)	89.8
Ethics and Anti-Corruption Commission	3,225	3,272	(47)	13	41	(28)	3,238	3,313	(75)	97.7
National Intelligence Service	45,160	45,551	(391)	-	-	-	45,160	45,551	(391)	99.1
Office of the Director of Public Prosecutions	3,035	3,282	(247)	40	49	(9)	3,075	3,331	(256)	92.3
Office of the Registrar of Political Parties	1,295	1,306	(11)	-	-	-	1,295	1,306	(11)	99.2
Witness Protection Agency	372	462	(91)	-	-	-	372	462	(91)	80.4
Kenya National Commission on Human Rights	365	374	(8)	-	-	-	365	374	(8)	97.8
National Land Commission	1,110	1,112	(3)	-	-	-	1,110	1,112	(3)	99.8
Independent Electoral and Boundaries Commission	4,926	5,309	(383)	71	75	(4)	4,997	5,384	(387)	92.8
Parliamentary Service Commission	5,357	6,272	(914)	-	-	-	5,357	6,272	(914)	85.4
National Assembly	19,134	21,615	(2,482)	-	-	-	19,134	21,615	(2,482)	88.5
Parliamentary Joint Services	4,699	5,598	(899)	2,512	2,866	(354)	7,211	8,464	(1,253)	85.2
Judicial Service Commission	503	531	(28)	-	-	-	503	531	(28)	94.7
The Commission on Revenue Allocation	314	319	(5)	-	-	-	314	319	(5)	98.4
Public Service Commission	2,136	2,177	(40)	19	19	(0)	2,156	2,196	(40)	98.2
Salaries and Remuneration Commission	437	460	(23)	-	-	-	437	460	(23)	95.0
Teachers Service Commission	274,794	274,950	(156)	97	240	(143)	274,891	275,190	(299)	99.9
National Police Service Commission	624	645	(21)	-	-	-	624	645	(21)	96.8
Auditor General	5,017	5,328	(311)	197	197	(0)	5,214	5,525	(311)	94.4
Office of the Controller of Budget	541	566	(25)	-	-	-	541	566	(25)	95.5
The Commission on Administrative Justice	459	474	(15)	-	-	-	459	474	(15)	96.8
National Gender and Equality Commission	354	372	(18)	-	3	(3)	354	375	(20)	94.5
Independent Policing Oversight Authority	619	803	(183)	-	-	-	619	803	(183)	77.2
Total	**1,203,233**	**1,258,434**	**(55,201)**	**598,341**	**705,076**	**(106,735)**	**1,801,575**	**1,963,510**	**(161,935)**	**91.8**

Source: National Treasury

Ministry/Department/ Commissions	Jun-22 Recurrent Actual*	Jun-22 Recurrent Target	Variance	Jun-22 Development Actual*	Jun-22 Development Target	Variance	Jun-22 Total Actual*	Jun-22 Total Target	Variance	% of total expenditure to target
Executive Office of the President	29,233	30,710	(1,477)	10,648	11,669	(1,021)	39,881	42,378	(2,498)	94.1
State Department for Interior and Citizen Services	127,019	134,359	(7,340)	5,514	8,504	(2,990)	132,533	142,863	(10,330)	92.8
State Department for Correctional Services	23,744	28,521	(4,777)	519	630	(111)	24,263	29,151	(4,888)	83.2
State Department for Devolution	3,142	3,564	(422)	1,116	1,239	(122)	4,258	4,802	(545)	88.7
State Department for Development of the ASAL	1,045	1,074	(29)	6,155	9,880	(3,726)	7,200	10,955	(3,755)	65.7
Ministry of Defence	128,597	130,609	(2,011)	6,080	6,150	(70)	134,677	136,758	(2,081)	98.5
Ministry of Foreign Affairs	15,341	18,695	(3,354)	295	1,296	(1,001)	15,636	19,991	(4,355)	78.2
State Department for Vocational and Technical Training	19,302	19,045	257	2,146	4,008	(1,863)	21,447	23,053	(1,606)	93.0
State Department for University Education	95,713	101,365	(5,652)	3,744	4,353	(609)	99,456	105,717	(6,261)	94.1
State Department for Early Learning & Basic Education	94,155	93,259	895	6,867	14,100	(7,233)	101,021	107,359	(6,338)	94.1
State Department for Post Training and Skills Development	225	232	(7)	-	-	-	225	232	(7)	96.9

Ministry/Department/ Commissions	Jun-22 Recurrent		Variance	Jun-22 Development		Variance	Jun-22 Total		Variance	% of total expenditure to target
	Actual*	Target		Actual*	Target		Actual*	Target		
State Department for Implementation of Curriculum Reforms........	88	88	0	-	-	-	88	88	0	100.0
The National Treasury.........	56,599	59,099	(2,501)	66,594	111,008	(44,414)	123,193	170,107	(46,915)	72.4
State Department for Planning..........................	3,834	3,982	(148)	47,510	47,652	(142)	51,344	51,634	(290)	99.4
Ministry of Health...............	68,714	66,661	2,054	48,183	63,809	(15,625)	116,898	130,469	(13,572)	89.6
State Department for Infrastructure..................	73,883	4,055	(172)	128,649	156,534	(27,884)	202,532	230,589	(28,057)	87.8
State Department for Transport.........................	5,597	10,369	(4,772)	420	985	(565)	6,017	11,353	(5,337)	53.0
State Department for Shipping and Maritime	2,090	2,099	(10)	10	580	(570)	2,100	2,680	(580)	78.4
State Department for Housing & Urban Development	1,403	1,392	11	13,451	14,125	(674)	14,854	15,517	(663)	95.7
State Department for Public Works.............................	2,998	3,093	(94)	840	1,028	(188)	3,839	4,120	(282)	93.2
Ministry of Environment and Forestry...........................	9,904	10,525	(621)	3,084	4,082	(998)	12,988	14,607	(1,618)	88.9
Ministry of Water & Sanitation and Irrigation ..	4,899	6,292	(1,393)	58,227	71,577	(13,351)	63,126	77,869	(14,743)	81.1
Ministry of Lands and Physical Planning	3,015	3,170	(155)	2,250	2,291	(41)	5,266	5,461	(195)	96.4
State Department for Information Communication Technology & Innovation	1,938	1,796	142	16,670	18,374	(1,704)	18,608	20,170	(1,562)	92.3
State Department for Broadcasting & Telecommunications........	6,037	7,647	(1,610)	352	397	(45)	6,388	8,044	(1,655)	79.4
State Department for Sports .	1,766	1,307	458	13,153	15,168	(2,015)	14,918	16,475	(1,557)	90.6
State Department for Culture and Heritage	2,886	3,089	(203)	65	66	(1)	2,951	3,155	(203)	93.6
Ministry of Energy..............	13,634	16,403	(2,769)	35,940	49,201	(13,261)	49,574	65,604	(16,030)	75.6
State Department for Livestock........................	2,591	3,615	(1,024)	1,988	2,861	(873)	4,579	6,476	(1,897)	70.7
State Department for Fisheries, Aquaculture & the Blue Economy	2,219	2,239	(20)	3,512	5,993	(2,481)	5,731	8,232	(2,501)	69.6
State Department for Crop Development & Agricultural Research......	9,219	13,361	(4,142)	25,206	31,715	(6,509)	34,425	45,076	(10,651)	76.4
State Department for Cooperatives...................	461	1,495	(1,034)	372	433	(61)	833	1,928	(1,095)	43.2
State Department for Trade and Enterprise Development	2,285	2,550	(265)	2,387	2,387	(0)	4,671	4,937	(265)	94.6
State Department for Industrialization..............	3,184	3,305	(121)	1,875	2,988	(1,113)	5,059	6,293	(1,234)	80.4
State Department for Labour	1,692	2,744	(1,052)	499	867	(368)	2,191	3,611	(1,420)	60.7
State Department for Social Protection, Pensions & Senior Citizens Affairs	33,116	33,904	(788)	2,406	3,306	(901)	35,522	37,211	(1,689)	95.5
Ministry of Petroleum and Mining............................	82,788	81,951	837	2,292	2,464	(172)	85,080	84,415	665	100.8
State Department for Tourism..........................	7,598	7,740	(142)	474	475	(1)	8,072	8,215	(142)	98.3
State Department for Wildlife..........................	6,810	8,824	(2,013)	769	820	(51)	7,579	9,643	(2,064)	78.6
State Department for Gender	1,164	1,140	25	2,358	2,481	(124)	3,522	3,621	(99)	97.3
State Department for Public Service	18,708	19,491	(783)	482	668	(186)	19,190	20,159	(969)	95.2
State Department for Youth Affairs............................	1,379	1,419	(40)	3,221	3,977	(756)	4,599	5,395	(796)	85.2
State Department for East African Community.........	602	609	(7)	-	-	-	602	609	(7)	98.8
State Department for Regional and Northern Corridor Development.....	2,930	2,956	(26)	2,240	2,549	(308)	5,170	5,505	(335)	93.9
State Law Office and Department of Justice	4,722	5,112	(389)	137	138	(1)	4,860	5,250	(390)	92.6
The Judiciary	15,584	15,968	(385)	1,997	2,592	(595)	17,581	18,561	(980)	94.7
Ethics and Anti-Corruption Commission	3,489	,519	(30)	9	67	(9)	3,548	3,586	(38)	98.9
National Intelligence Service	47,201	47,201	-	-	-	-	47,201	47,201	-	100.0
Office of the Director of Public Prosecutions	3,129	3,326	(197)	117	150	(33)	3,246	3,476	(230)	93.4
Office of the Registrar of Political Parties...............	3,228	3,315	(87)	-	-	-	3,228	3,315	(87)	97.4
Witness Protection Agency ..	490	490	(0)	-	-	-	490	490	(0)	100.0
Kenya National Commission on Human Rights............	399	400	(1)	-	-	-	399	400	(1)	99.8
National Land Commission..	1,693	1,687	6	39	39	(0)	1,732	1,726	6	100.4
Independent Electoral and Boundaries Commission..	20,132	23,041	(2,909)	117	125	(8)	20,249	23,166	(2,917)	87.4
Parliamentary Service Commission	6,557	6,962	(404)	-	-	-	6,557	6,962	(404)	94.2
National Assembly..............	21,033	23,372	(2,339)	-	-	-	21,033	23,372	(2,339)	90.0
Parliamentary Joint Services	5,061	5,673	(611)	1,810	2,404	(594)	6,872	8,077	(1,205)	5.1
Judicial Service Commission	577	619	(42)	-	-	-	577	619	(42)	93.2
The Commission on Revenue Allocation	435	446	(11)	-	-	-	435	446	(11)	97.5
Public Service Commission..	2,356	2,372	(16)	7	19	(13)	2,363	2,391	(29)	98.8
Salaries and Remuneration Commission	592	21	(29)	-	-	-	592	621	(29)	95.3
Teachers Service Commission	289,407	290,319	(912)	358	515	(157)	289,766	290,834	(1,069)	99.6
National Police Service Commission	826	864	(38)	-	-	-	826	864	(38)	95.6

Ministry/Department/ Commissions	Jun-22 Recurrent Actual*	Jun-22 Recurrent Target	Variance	Jun-22 Development Actual*	Jun-22 Development Target	Variance	Jun-22 Total Actual*	Jun-22 Total Target	Variance	% of total expenditure to target
Auditor General	5,514	6,077	(563)	2	6	(4)	5,516	6,083	(568)	90.7
Office of the Controller of Budget............................	621	650	(29)	-	-	-	621	650	(29)	95.5
The Commission on Administrative Justice	605	625	(20)	-	-	-	605	625	(20)	96.8
National Gender and Equality Commission	434	440	(6)	-	10	(10)	434	450	(16)	96.5
Independent Policing Oversight Authority.........	888	929	(42)	-	-	-	888	929	(42)	95.5
Total...................................	**1,408,518**	**1,463,867**	**(55,349)**	**533,204**	**688,752**	**(155,548)**	**1,941,722**	**2,152,619**	**(210,897)**	**90.2**

Source: National Treasury

Ministry/Department/ Commissions	Jun-23 Recurrent Actual*	Jun-23 Recurrent Target	Variance	Jun-23 Development Actual'	Jun-23 Development Target	Variance	Jun-23 Total Actual*	Jun-23 Total Target	Variance	% of Total Exp.
Office of the President..............	23,802	27,229	(3,426)	3,686	7,815	(4,129)	27,489	35,044	(7,556)	78.4
Office of the Deputy President ..	863	1,017	(154)	-	-	-	863	1,017	(154)	84.8
Office of the Prime Cabinet Secretary..................................	678	853	(176)	-	-	-	678	853	(176)	79.4
State Department for Interior and Citizen Services	102,695	106,467	(3,773)	3,840	3,897	(57)	106,535	110,365	(3,830)	96.5
State Department for Correctional Services	26,308	31,566	(5,258)	492	505	(14)	26,800	32,072	(5,272)	83.6
State Department for Immigration and Citizen Services	1,827	1,907	(81)	125	107	18	1,952	2,014	(62)	96.9
National Police Service	24,594	25,180	(586)	-	-	-	24,594	25,180	(586)	97.7
State Department for Internal Security & National Administration	7,862	8,846	(984)	-	-	-	7,862	8,846	(984)	88.9
State Department for Devolution	1,535	1,580	(45)	100	227	(128)	1,635	1,808	(173)	90.4
State Department for Development of the ASAL........	6,224	6,377	(153)	11,279	14,428	(3,149)	17,503	20,805	(3,302)	84.1
Ministry of Defence	127,430	135,615	(8,186)	-	3,365	(3,365)	127,430	138,981	(11,551)	91.7
Ministry of Foreign Affairs	12,096	14,476	(2,380)	1,087	1,096	(9)	13,184	15,572	(2,388)	84.7
State Department for Foreign Affairs......................................	1,904	5,196	(3,293)	-	-	-	1,904	5,196	(3,293)	36.6
State Department for Diaspora Affairs......................................	472	658	(186)	-	-	-	472	658	(186)	71.7
State Department for Technical Vocational Education and Training	20,093	20,318	(225)	2,167	4,098	(1,931)	22,260	24,416	(2,156)	91.2
State Department for Higher Education and Research	101,616	103,830	(2,214)	3,545	4,621	(1,075)	105,161	108,450	(3,289)	97.0
State Department for Basic Education.................................	111,384	110,600	784	18,171	24,222	(6,051)	129,555	134,822	(5,267)	96.1
State Department for Post Training and Skills Development	129	129	(0)	-	-	-	129	129	(0)	100.0
State Department for Implementation of Curriculum Reforms	189	205	(16)	-	-	-	189	205	(16)	92.4
The National Treasury..............	59,420	61,605	(2,184)	73,044	85,958	(12,914)	132,465	147,563	(15,099)	89.8
State Department for Economic Planning...................................	3,760	3,810	(51)	45,285	47,572	(2,287)	49,045	51,382	(2,338)	95.5
Ministry of Health....................	76,772	69,199	7,573	41,019	41,987	(967)	117,791	111,185	6,606	105.9
State Department for Public Health and Professional Standards	840	2,875	(2,035)	2,388	2,337	50	3,228	5,213	(1,985)	61.9
State Department for Roads.......	74,914	69,017	5,896	90,838	101,778	(10,940)	165,752	170,795	(5,043)	97.0
State Department for Transport .	10,478	9,831	647	2,642	2,662	(19)	13,120	12,492	628	105.0
State Department for Shipping and Maritime Affairs................	3,141	2,181	960	1	690	(689)	3,142	2,871	271	109.4
State Department for Housing & Urban Development	1,216	1,243	(27)	9,351	10,526	(1,175)	10,567	11,769	(1,202)	89.8
State Department for Public Works	3,129	3,072	56	485	436	49	3,614	3,508	106	103.0
State Department for Irrigation..	106	193	(87)	2,090	2,389	(299)	2,196	2,582	(386)	85.1
Ministry of Environment and Forestry....................................	9,996	9,338	658	3,777	4,367	(590)	13,773	13,705	68	100.5
State Department for Water & Sanitation.................................	6,943	6,348	595	45,120	59,395	(14,275)	52,063	65,744	(13,680)	79.2
State Department for Lands and Physical Planning.....................	2,859	3,022	(163)	1,349	1,272	77	4,208	4,293	(86)	98.0
State Department for Information Communication Technology & Digital Economy	2,246	2,815	(569)	9,053	11,670	(2,618)	11,299	14,485	(3,187)	78.0
State Department for Broadcasting & Telecommunications	4,502	6,278	(1,776)	267	266	0	4,769	6,544	(1,776)	72.9
State Department for Sports	1,894	1,898	(4)	10,111	12,021	(1,910)	12,005	13,919	(1,914)	86.3
State Department for Culture and Heritage	2,607	2,971	(363)	63	328	(265)	2,670	3,298	(628)	81.0
State Department for Energy	11,411	11,686	(276)	31,035	43,118	(12,083)	42,446	54,805	(12,359)	77.4
State Department for Livestock Development............................	2,870	4,407	(1,537)	2,610	4,370	(1,760)	5,480	8,777	(3,297)	62.4
State Department for the Blue Economy and Fisheries	2,283	2,314	(32)	3,526	4,915	(1,389)	5,809	7,229	(1,421)	80.3
State Department for Crop Development............................	21,801	14,189	7,612	29,336	35,230	(5,894)	51,137	49,419	1,718	103.5
State Department for Cooperatives	3,497	2,138	1,359	12,803	20,823	(8,020)	16,300	22,960	(6,661)	71.0
State Department for Trade	2,035	2,953	(918)	795	1,265	(471)	2,829	4,218	(1,389)	67.1
State Department for Industry ...	3,241	2,672	569	1,005	1,279	(274)	4,246	3,951	295	107.5
State Department for Micro, Small and Medium Enterprises Development............................	344	588	(243)	46	46	-	390	634	(243)	61.6

Ministry/Department/ Commissions	Jun-23 Recurrent Actual*	Jun-23 Recurrent Target	Jun-23 Recurrent Variance	Jun-23 Development Actual'	Jun-23 Development Target	Jun-23 Development Variance	Jun-23 Total Actual*	Jun-23 Total Target	Jun-23 Total Variance	% of Total Exp.
State Department for Investment Promotion	448	976	(528)	1,238	1,238	-	1,686	2,214	(528)	76.1
State Department for Labour and Skills Development	2,866	2,934	(68)	278	423	(144)	3,144	3,357	(212)	93.7
State Department for Social Protection and Senior Citizens Affairs......................................	33,369	35,197	(1,828)	2,177	3,049	(872)	35,546	38,246	(2,700)	92.9
State Department for Mining.....	205	238	(33)	122	131	(9)	327	369	(42)	88.6
Ministry of Petroleum and Mining	63,347	63,991	(644)	2,357	2,501	(144)	65,704	66,492	(788)	98.8
State Department for Tourism ...	6,686	10,055	(3,369)	13	59	(46)	6,699	10,114	(3,415)	66.2
State Department for Wildlife ...	9,324	9,364	(40)	172	369	(196)	9,496	9,732	(236)	97.6
State Department for Gender and Affirmative Action	995	1,193	(198)	2,418	2,753	(335)	3,412	3,946	(533)	86.5
State Department for Public Service	20,665	22,640	(1,975)	301	303	(1)	20,966	22,943	(1,977)	91.4
State Department for Youth Affairs......................................	1,360	1,374	(15)	942	1,163	(222)	2,301	2,538	(236)	90.7
State Department for East African Community	780	776	4		-	-	780	776	4	100.5
State Department for Regional and Northern Corridor Development............................	3,426	3,336	90	3,638	3,838	(200)	7,064	7,174	(110)	98.5
The State Law Office	5,289	5,718	(429)	68	97	(29)	5,357	5,815	(458)	92.1
The Judiciary	18,925	19,232	(307)	1,310	1,900	(590)	20,235	21,132	(897)	95.8
Ethics and Anti-Corruption Commission	3,357	3,521	(164)	47	47	-	3,403	3,567	(164)	95.4
National Intelligence Service.....	35,985	37,628	(1,643)	-	-	-	35,985	37,628	(1,643)	95.6
Office of the Director of Public Prosecutions.............................	3,449	3,670	(221)	21	12	9	3,470	3,682	(212)	94.2
Office of the Registrar of Political Parties	1,453	1,530	(77)	-	-	-	1,453	1,530	(77)	95.0
Witness Protection Agency	532	632	(100)	-	-	-	532	632	(100)	84.2
State Department for Forestry ...	2,151	2,392	(240)	602	617	(16)	2,753	3,009	(256)	91.5
Kenya National Commission on Human Rights	450	451	(1)	-	-	-	450	451	(1)	99.7
National Land Commission	1,478	1,482	(5)	-	-	-	1,478	1,482	(5)	99.7
Independent Electoral and Boundaries Commission...........	20,333	20,639	(306)	-	-	-	20,333	20,639	(306)	98.5
Parliamentary Service Commission	7,849	8,950	(1,101)	-	-	-	7,849	8,950	(1,101)	87.7
National Assembly	27,282	31,849	(4,567)	-	-	-	27,282	31,849	(4,567)	85.7
Parliamentary Joint Services	6,056	6,235	(179)	2,250	2,465	(215)	8,306	,700	(394)	95.5
Judicial Service Commission.....	830	887	(57)	-	-	-	830	887	(57)	93.6
The Commission on Revenue Allocation	537	541	(4)	-	-	-	537	541	(4)	99.3
Public Service Commission.......	2,427	2,452	(26)	26	26	(0)	2,453	2,479	(26)	99.0
Salaries and Remuneration Commission	499	505	(6)	-	-	-	499	505	(6)	98.8
Teachers Service Commission...	298,553	299,119	(567)	820	1,076	(256)	299,372	300,195	(823)	99.7
National Police Service Commission	958	1,007	(49)	-	-	-	958	1,007	(49)	95.2
Auditor General	5,893	6,504	(611)	2	29	(26)	5,895	6,533	(637)	90.2
Office of the Controller of Budget	601	620	(19)	-	-	-	601	620	(19)	96.9
The Commission on Administrative Justice...............	572	578	(6)	-	-	-	572	578	(6)	99.0
National Gender and Equality Commission	397	398	(1)	6	10	(4)	403	408	(5)	98.8
Independent Policing Oversight Authority..................................	913	927	(14)	-	-	-	913	927	(14)	98.5
Total...	**1,474,244**	**1,508,235**	**(33,991)**	**481,336**	**583,186**	**(101,850)**	**1,955,580**	**2,091,422**	**(135,841)**	**93.5**

Source: National Treasury

Ministry/Department/ Commissions	Jun-24 Recurrent Actual*	Jun-24 Recurrent Target	Jun-24 Recurrent Variance	Jun-24 Development Actual'	Jun-24 Development Target	Jun-24 Development Variance	Jun-24 Total Actual*	Jun-24 Total Target	Jun-24 Total Variance	% of Total Exp. Actual*
Executive Office of the President	4,011	4,524	(513)	687	697	(10)	4,698	5,221	(523)	90.0
Office of the Deputy President ..	4,364	4,361	3	377	400	(23)	4,741	4,762	(20)	99.6
Office of the Prime Cabinet Secretary..................................	1,271	1,417	(146)			-	1,271	1,417	(146)	89.7
State Department for Parliamentary Affairs	361	388	(27)			-	361	388	(27)	93.1
State Department for Performance and Delivery Management	319	338	(20)			-	319	338	(20)	94.2
State Department for Cabinet Affairs......................................	493	522	(29)			-	493	522	(29)	94.5
State House	9,810	10,029	(219)	1,313	1,310	3	11,123	11,339	(216)	98.1
State Department for Correctional Services	29,602	34,575	(4,973)	451	795	(344)	30,053	35,370	(5,317)	85.0
State Department for Immigration and Citizen Services	9,657	9,819	(161)	4,168	4,387	(219)	13,825	14,206	(381)	97.3
National Police Service	108,987	111,001	(2,014)	2,273	2,292	(19)	111,260	113,293	(2,033)	982
State Department for Internal Security & National	30,534	33,750	(3,216)	6,528	7,479	(951)	37,062	41,229	(4,167)	89.9
State Department for Devolution	2,176	2,174	2	105	204	(99)	2,282	2,378	(96)	95.9
State Department for the ASALs and Regional Development............................	19,266	19,846	(579)	4,558	9,600	(5,042)	23,824	29,446	(5,621)	80.9
Ministry of Defence	152,885	155,831	(2,946)	2,276	3,254	(978)	155,162	159,085	(3,923)	97.5
State Department for Foreign Affairs......................................	16,139	22,064	(5,924)	329	1,171	(842)	16,468	23,235	(6,766)	70.9
State Department for Diaspora Affairs......................................	1,107	1,188	(81)			-	1,107	1,188	(81)	93.2

Ministry/Department/ Commissions	Jun-24 Recurrent			Jun-24 Development			Jun-24 Total			% of Total Exp.
	Actual*	Target	Variance	Actual'	Target	Variance	Actual*	Target	Variance	Actual*
State Department for Vocational and Technical Training.............	25,224	26,602	(1,378)	6,540	7,005	(465)	31,764	33,607	(1,843)	94.5
State Department for Higher Education and Research	90,986	155,944	(64,958)	3,428	3,743	(315)	94,415	159,687	(65,273)	59.1
State Department for Basic Education.................................	121.569	134.727	(13.158)	18.807	20.631	(1.824)	140.376	155.358	(14.982)	90.4
The National Treasury...............	66,058	75,337	(9,280)	36,539	56,654	(20,114)	102,597	131,991	(29,394)	77.7
State Department for Economic Planning...................................	4,170	4,390	(219)	45,801	59,715	(13,914)	49,971	64,105	(14,133)	78.0
State Department for Medical Services	44,619	66,214	(21,595)	39,116	39,435	(319)	83,735	105,650	(21,914)	79.3
State Department for Public Health and Professional Standards	15,168	22,612	(7,445)	6,007	6,502	(495)	21,175	29,114	(7,939)	72.7
State Department for Roads.......	59,311	70,307	(10,996)	87,360	107,753	(20,392)	146,671	178,060	(31,389)	82.4
State Department for Transport .	3,283	16,473	(13,190)	41,993	43,250	(1,257)	45,275	59,722	(14,447)	75.8
State Department for Shipping and Maritime Affairs................	625	2,472	(1,847)	207	750	(543)	832	3,222	(2,390)	25.8
State Department for Housing & Urban Development	1,359	1,368	(9)	27,888	76,816	(48,927)	29,247	78,183	(48,936)	37.4
State Department for Public Works	2.419	3,382	(962)	422	829	(407)	2,841	4,211	(1,370)	67.5
State Department for Irrigation..	1,153	1,554	(400)	18,248	20,604	(2,356)	19,402	22,158	(2,756)	87.6
State Department for Water & Sanitation.................................	3,394	6,816	(3,421)	37,155	44,683	(7,528)	40,549	51,499	(10,950)	78.7
State Department for lands and Physical Planning......................	3,589	4,000	(411)	5,141	5,230	(89)	8,730	9,230	(500)	94.6
State Department for Information Communication Technology & Digital Economy	2,540	3,985	(1,446)	12,030	15,393	(3,363)	14,570	19,379	(4,809)	75.2
State Department for Broadcasting & Telecommunications	4,969	6,925	(1,956)	489	526	(37)	5,457	7,451	(1,994)	73.2
State Department for Sports	1,293	1,533	(241)	14,509	16,079	(1,570)	15,801	17,613	(1,811)	89.7
State Department for Culture and Heritage.............................	2,197	2,632	(435)	III	153	(42)	2,307	2,785	(478)	82.9
State Department for Youth Affairs and the Arts...................	3.014	3,128	(114)	790	1,085	(294)	3,804	4,212	(408)	90.3
State Department for Energy	2,177	9,998	(7,821)	25,662	46,374	(20,713)	27,839	56,372	(28,534)	49.4
State Department for Livestock Development............................	3,153	5,935	(2,782)	5,105	5,694	(589)	8,258	11,629	(3,371)	71.0
State Department for the Blue Economy and Fisheries	2,646	2,821	(175)	7,894	7,936	(42)	10,540	10,757	(217)	98.0
State Department for Crop Development............................	12,020	19,816	(7,796)	38,917	42,909	(3,992)	50,937	62,725	(11,788)	81.2
State Department for Cooperatives	746	1,883	(1,137)	3,433	5,650	(2,216)	4,179	7,533	(3,354)	55.5
State Department for Trade	1,814	3,503	(1,689)	50	50	-	1,864	3,553	(1,689)	52.5
State Department for Industry ...	2,485	3,280	(795)	3,073	5,743	(2,670)	5,558	6,353	(795)	87.5
State Department for Micro, Small and Medium Enterprises..	1,674	2,104	(430)	5,924	5,929	(5)	7,599	8,033	(435)	94.6
State Department for Investment Promotion	983	1,679	(695)	3,886	5,517	(1,631)	4,869	7,1%	(2,327)	67.7
State Department for Labour and Skills Development	2,195	4,872	(2,677)	630	792	(163)	2,825	5,664	(2,840)	49.9
State Department for Social Protection and Senior Citizens...	32,305	32,741	(436)	2,860	4,092	(1,233)	35,165	36,834	(1,669)	95.5
State Department for Mining.....	1,533	1,924	(391)	550	886	(335)	2,083	2,810	(726)	74.1
State Department for Petroleum	47,653	54,571	(6,918)	2,438	2,363	75	50,091	56,934	(6,843)	88.0
State Department for Tourism ...	1,155	12,758	(11,603)	137	142	(5)	1,291	12,900	(11,609)	10.0
State Department for Wildlife ...	4,598	13,863	(9,266)	916	1,107	(191)	5,514	14,970	(9,457)	36.8
State Department for Gender and Affirmative Action	2,058	2,186	(128)	3,428	3,554	(126)	5,485	5,740	(254)	95.6
State Department for Public Service.....................................	22,686	25,293	(2,607)	1,016	1,086	(70)	23,702	26,379	(2,677)	89.9
State Department for East African Community	961	983	(22)			-	961	983	(22)	97.8
State Law Office	5,735	6,492	(758)	176	176	0	5,910	6,668	(757)	88.6
The Judiciary	20,633	21,027	(394)	930	1,400	(470)	21,563	22,427	(864)	96.1
Ethics and Anti-Corruption Commission	3,775	3,916	(141)	60	68	(9)	3,834	3,984	(150)	96.2
National Intelligence Service.....	52,499	52,551	(52)			-	52,499	52,551	(52)	99.9
Office of the Director of Public Prosecutions.............................	3,855	4,107	(252)	55	56	(I)	3,910	4,163	(253)	93.9
Office of the Registrar of Political Parties	1,432	1,460	(28)			-	1,432	1,460	(28)	98.1
Witness Protection Agency	635	791	(156)			-	635	791	(156)	80.3
State Department for Environment &Climate Change.	3,536	4,739	(1,202)	1,919	2,258	(340)	5,455	6,997	(1,542)	78.0
State Department for Forestry ...	8,917	10,119	(1,203)	2,951	3,408	(458)	11,867	13,528	(1,660)	87.7
Kenya National Commission on Human Rights	525	540	(15)			-	525	540	(IS)	97.2
National Land Commission	1,483	1,483	-	271	271	(0)	1,754	1,754	(0)	100.0
Independent Electoral and Boundaries Commission...........	4,620	4,699	(79)	70	77	(7)	4,690	4,776	(86)	98.2
Parliamentary Service Commission	1,020	1,097	(78)			-	1,020	1,097	(78)	92.9
National Assembly...................	23,871	24,936	(1,065)			-	23,871	24,936	(1,065)	95.7
Parliamentary Joint Services	6,232	6,390	(158)	1.563	1,565	(2)	7,795	7,955	(160)	98.0
Senate	7,153	7,404	(251)			-	7,153	7,404	(251)	96.6
Judicial Service Commission.....	896	897	(0)			-	896	897	(0)	100.0
Commission on Revenue Allocation	487	517	(30)			-	487	517	(30)	94.3
Public Service Commission.......	3,390	3,540	(150)	45	45	(0)	3,435	3,586	(150)	95.8
Salaries and Remuneration Commission	538	549	(11)			-	538	549	(11)	97.9
Teachers Service Commission...	339,782	339,550	232	735	1,202	(467)	340,517	340,752	(235)	99.9
National Police Service Commission	1,170	1,183	(13)			-	1,170	1,183	(13)	98.9
Auditor General	7,246	8,049	(803)	39	70	(31)	7,285	8,119	(834)	89.7

Ministry/Department/ Commissions	Jun-24 Recurrent			Jun-24 Development			Jun-24 Total			% of Total Exp.
	Actual*	Target	Variance	Actual’	Target	Variance	Actual*	Target	Variance	Actual*
Controller of Budget	670	724	(54)			-	670	724	(54)	92.6
Commission on Administrative Justice	743	730	13			-	743	730	13	101.8
National Gender and Equality Commission	440	447	(7)	5	5	-	444	452	(7)	98.4
Independent Policing Oversight Authority..................................	1,043	1,054	(12)			-	1,043	1.054	(12)	98.9
Total..	**1.493.091**	**1.731.428**	**(238.337)**	**540380**	**708.849**	**(168,469)**	**2,033,471**	**2.437.607**	**(404.136)**	**83.4**

Source: National Treasury

The 2019/20 Budget

The 2020 BPS assumed a normal operating environment having set on a conscious journey of fiscal consolidation, targeting a lower fiscal deficit of 6.3% of GDP in 2019/20, 4.9% of GDP in 2020/21, and ultimately 3.0% of GDP over the medium term. This plan was premised on strong revenue growth, the reduction of non-core expenditures and a gradual slowdown in the growth of public debt.

However, this path was interrupted by the disruptions of economic activities caused by the containment and fiscal measures undertaken to reduce the spread of the Covid-19 Pandemic and to cushion Kenyans against the negative impacts of the Covid-19 Pandemic. The Covid-19 Pandemic negatively affected revenue performance in 2019/20 and also affected revenue performance in 2020/21. In particular, import-related taxes such as import duty, VAT on imports, import declaration fees and the railway development levy have been affected by lower imports and reduction of trade amongst countries. Further, other domestic taxes have been severely affected by declining incomes and depressed consumption.

Even before the first Covid-19 case was reported in Kenya, measures instituted internationally to curb the spread of the disease such as the cancellation of international flights and total/partial lockdowns by some countries were having an adverse impact on import-related taxes and sectors such as tourism and hospitality. The emergence of the Covid-19 Pandemic in Kenya in early March 2020 complicated the situation and negatively affected both the domestic and import related revenues especially in the fourth quarter of 2019/20.

As a result of the challenging operating environment, total cumulative revenue (including A-i-A) for 2019/20 amounted to KES 1,737.0 billion against a revised target of KES 1,864.8 billion. This represented a revenue shortfall of KES 131.2 billion. Ordinary revenue collection amounted to KES 1,573.4 billion against a target of KES 1,615.4 billion with tax revenues falling below target in all broad categories. The A-i-A shortfall of KES 89.2 billion is attributed to a difficult operating environment owed to the prevalence of Covid-19 Pandemic especially in the fourth quarter. Closure of learning institutions significantly affected A-i-A revenue collection especially in the universities and other institutions of higher learning such as TVETs and Kenya Medical Training Colleges (KMTCs).

Total expenditure and net lending in 2019/20 was KES 2,565.4 billion against a revised target of KES 2,817.8 billion, representing an under-spending of KES 252.4 billion (9.0% deviation from the revised budget). This shortfall was attributed to lower absorption in both recurrent and development expenditures by the National Government. The National Government’s recurrent expenditure amounted to KES 1,645.2 billion (excluding KES 41.2 billion by Parliament and Judiciary) against a target of KES 1777.0 billion, representing an under-spending of KES 125.3 billion. The under expenditure in recurrent category was mainly due to below target expenditure on operation and maintenance attributed to scaled down operations of the National Government in the last half of 2019/20 due to the Covid-19 Pandemic. Expenditure on domestic interest payments was above target by KES 13.5 billion while foreign interest payments were below target by KES 10.0 billion. Over the same period, a huge shortfall in operation and maintenance resulted to an under-spending of KES 69.2 billion in recurrent ministerial A-i-A. Development expenditures were below target by KES 83.5 billion on account of lower than programmed absorption by MDAs of domestically financed programmes by KES 53.0 billion and lower than programmed execution of externally funded programmes by KES 30.5 billion. The Government earmarked KES 40.0 billion for expenditures related to mitigating the impact of the Covid-19 Pandemic.

In line with the performance in expenditure and reduced revenues as a result of the Covid-19 Pandemic, the fiscal deficit (excluding grants) amounted to KES 790.8 billion (7.8% of GDP). This deficit was lower than the projected deficit of KES 917.9 billion (9.0% of GDP). Including grants, the fiscal deficit (on commitment basis) amounted to KES 828.5 billion (8.1% of GDP) against a target of KES 918.0 billion (9.0% of GDP). The fiscal deficit was financed through net external financing equivalent to KES 340.4 billion and net domestic financing amounting to KES 450.4 billion.

The following table sets forth the 2019/20 actual budget as provided in the 2020 BPS.

	2019/20		
	Actual Budget	**Revised Budget**	**Deviation**
		(KES millions)	
Total Revenue and Grants	**1,756,802**	**1,899,849**	**(143,047)**
Revenue	**1,736,982**	**1,864,823**	**(127,841)**
Ordinary Revenue	1,573,418	1,615,378	(41,960)
Import duty	98,022	95,942	2,080
Excise duty	195,270	201,205	(5,935)
Income tax	706,936	720,268	(13,332)
VAT	383,713	400,129	(16,416)
Investment Income – Others	116,146	121,791	(5,645)
Others	73,331	76,043	(2,712)
Appropriation-in-Aid	163,564	249,445	(85,881)
Grants	**19,820**	**35,026**	**(15,206)**
AMISOM Receipts	4,639	11,698	(7,059)
Projects Grants (Revenue)	9,623	15,309	(5,686)
Projects Grants (AIA)	5,558	8,019	(2,462)
Italian Debt Swap	0	0	0
County Health Facilities – DANIDA	0	0	0
Total Expenditure and Net Lending	**2,565,444**	**2,817,808**	**(252,365)**
Recurrent Expenditure	**1,645,222**	**1,776,959**	**(131,737)**
Domestic Interest	315,362	301,812	13,550
Foreign Interest due	121,840	131,868	(10,028)
Pensions, salaries, allowances, and miscellaneous services.	89,605	90,989	(1,384)
Wages & Salaries	449,927	457,155	(7,228)
Defence and NSIS	138,018	142,072	(4,053)
O&M/Others	530,469	653,063	(122,594)
Development and Net Lending	594,944	678,466	(83,523)
Equalisation Fund/1400	0	0	0
County Governments' Allocation	325,278	362,383	(37,105)
Contingencies Fund	0	0	0
Deficit Incl. Grant (Commitment Basis)	(828,461)	(952,985)	124,524
Deficit Excluding Grants (Commitment Basis)	(808,642)	(917,959)	109,317
Adjustment to cash basis	11,801	0	11,801
Deficit Including Grants (Cash Basis)	(796,841)	(917,959)	121,118
Financing	790,804	917,959	(127,155)
Net Foreign Financing	**340,431**	**324,009**	**16,423**
Disbursements	442,031	445,486	(3,455)
Commercial Financing	5,870	6,209	(338)
Project Loans AIA	104,525	113,896	(9,371)
Project Loans Revenue	47,798	56,361	(8,563)
Project Loans SGR AIA	44,812	51,090	(6,278)
Programme Loans	239,026	217,930	21,096
Debt Repayment – Principal	(101,600)	(121,477)	19,878
Other Domestic Financing	2,599	4,323	(1,724)
Net Domestic Financing	**450,373**	**593,950**	**(143,577)**
Nominal GDP Estimate	10,175,226	10,196,618	(21,393)

Source: National Treasury

The 2020/21 Budget

The fiscal performance in the FY 2020/21 was satisfactory despite the slight underperformance in revenue and elevated expenditures associated with the adverse impact of COVID-19 Pandemic. In particular, severe disruptions on economic activities in the first half of the FY 2020/21 arising from the COVID-19 Pandemic containment measures coupled with tax reliefs implemented by Government in April 2020 to cushion Kenyans majorly explain the subdued revenue performance. However, revenue performance gradually picked up beginning November 2020 following the reopening of the economy and the reversal of tax relief measures that was implemented in January 2021.

Total cumulative revenue including Appropriation in Aid for FY 2020/21 amounted to KES 1,803.5 billion against a revised target of KES 1,837.8 billion, indicating a shortfall of KES 34.3 billion. Ordinary revenue collection amounted to KES 1,562.0 billion against a target of KES 1,578.8 billion. Collections from the main tax categories were broadly on target with Value Added Tax and Import Duty above the revised target by KES 7.7 billion and KES 6.0 billion, respectively. The good performance in the main tax categories was however dampened by poor collection from the 'Other revenues' category which was below target by KES 25.8 billion. This was due to lower than anticipated mop up of idle cash from state corporations, accounting for KES 30.8 billion of the shortfall in this category.

Total expenditure and net lending in the FY 2020/21 amounted to KES 2,769.3 billion against a revised target of KES 2,886.9 billion, representing an under spending of KES 117.7 billion (4.1% deviation from the revised budget). The shortfall in spending was attributed to low A-i-A related spending on account of reduced collections and low absorption of both externally and domestically funded development projects.

In line with the performance in expenditure and revenues, the fiscal deficit (including grants) amounted to KES 929.3 billion (8.3% of GDP) against a target of KES 976.2 billion (8.7% of GDP). The fiscal deficit was financed through net external financing amounting to KES 323.3 billion (2.9% of GDP) and net domestic financing of KES 626.9 billion (5.6% of GDP).

The following table sets forth figures available from the 2020/21 Budget

	2020/21		
	Actual Budget	**Revised Budget**	**Deviation**
		(KES millions)	
Total Revenue and Grants	**1,834,870**	1,910,632	(75,762)
Revenue	**1,803,536**	1,837,835	(34,299)
Ordinary Revenue	1,562,015	1,578,787	(16,772)
Import duty	108,375	102,418	5,957
Excise duty	216,325	217,984	(1,659)
Income tax	694,053	697,010	(2,957)
VAT	410,758	403,099	7,659
Investment Income – Others	37,607	32,568	5,039
Others	94,897	125,708	(30,811)
Appropriation-in-Aid	241,521	259,048	(17,527)
Grants	**31,334**	**72,797**	**(41,463)**
AMISOM Receipts	8,943	8,736	207
Projects Grants (Revenue)	9,378	16,304	(6,926)
Projects Grants (AIA)	12,999	0	12,999
Italian Debt Swap	0	0	0
County Health Facilities – DANIDA	0	0	0
Total Expenditure and Net Lending	**2,769,254**	**2,886,934**	**(117,680)**
Recurrent Expenditure	**1,813,271**	**1,819,107**	**(5,836)**
Domestic Interest	388,830	353,139	35,691
Foreign Interest due	106,312	107,737	(1,425)
Pensions, salaries, allowances, and miscellaneous services.	112,872	115,310	(2,438)
Wages & Salaries	493,029	493,914	(885)
Defence and NSIS	157,673	0	0
O&M/Others	554,555	749,007	(194,452)
Development and Net Lending	556,990	668,242	(111,252)
Equalisation Fund/1400	0	0	0
County Governments' Allocation	398,993	399,585	(592)
Contingencies Fund	0	0	0
Deficit Incl. Grant (Commitment Basis)	(934,384)	(976,302)	41,918
Deficit Excluding Grants (Commitment Basis)	(965,717)	(1,049,099)	83,382
Adjustment to cash basis	5,098	0	5,098
Deficit Including Grants (Cash Basis)	(929,286)	(976,302)	47,016
Financing	950,235	976,302	(26,067)
Net Foreign Financing	**323,310**	**417,553**	**(94,243)**
Disbursements	451,587	769,570	(317,983)
Commercial Financing	114,292	350,493	(236,201)
Project Loans AIA	104,787	131,136	(26,349)
Project Loans Revenue	52,351	90,712	(38,361)
Project Loans SGR AIA	11,514	11,921	(407)

	2020/21		
	Actual Budget	Revised Budget	Deviation
Programme Loans	168,644	185,307	(16,663)
Debt Repayment – Principal	(128,278)	(352,017)	223,739
Net Domestic Financing	**626,926**	**558,749**	**68,177**
Nominal GDP Estimate	11,256,082	11,168,511	87,571

Source: National Treasury

The 2021/22 Budget

The fiscal performance in the FY 2021/22 was satisfactory, largely attributed to improved operating business environment following the recovery of the economy from the adverse impact of COVID-19 Pandemic. Revenue performance recorded a growth of 22.0% compared to a marginal growth of 0.3% in FY 2020/21. The growth in revenue collection was recorded in all broad tax categories in the period under review. This good performance was however overshadowed by the effects of the Russia-Ukraine conflict which put pressure on fuel and commodity prices prompting the Government to increase spending in order to cushion citizens. This coupled with the unfavourable conditions in the sovereign bond market which resulted to below target performance in foreign financed resources and shortfalls in domestic market affected expenditure performance during the reporting period.

Total revenue including A-i-A for FY 2021/22 was KES 2,199.8 billion against a revised target of KES 2,192.0 billion, recording a surplus of KES 7.9 billion. Ordinary revenue collection was KES 1,917.9 billion against a target of KES 1,851.5 billion. Collections from the broad tax categories were above target except Excise Duty which was slightly below target by KES 3.8 billion. Performance of ministerial A-i-A was below target by KES 58.5 billion on account of shortfalls recorded in both recurrent and development A-i-A of KES 44.9 billion and KES 13.7 billion, respectively.

Total expenditure and net lending in the FY 2021/22 amounted to KES 3,027.8 billion against a revised target of KES 3,286.1 billion, representing an under spending of KES 258.2 billion (7.9% deviation from the revised budget). The shortfall in spending was attributed to low A-i-A related spending on account of reduced collections, lower than targeted spending on interest payments and low absorption of both externally and domestically funded development projects. The underspending of KES 258.2 billion was also partly attributed to below target transfers to County Governments and lower disbursement of Governments contribution to civil servant superannuation pension scheme.

In line with the performance in expenditure and revenues, the fiscal deficit (including grants), amounted to KES 785.1 billion (6.2% of GDP) against a target of KES 1,031.2 billion (8.2% of GDP). The fiscal deficit was financed through net external financing amounting to KES 142.5 billion (1.1% of GDP) and net domestic financing of KES 605.3 billion (4.8% of GDP).

The following table sets forth figures available from the 2021/22 Budget

	2021/22		
	Actual Budget	Revised Budget	Deviation
		(KES millions)	
Total Revenue and Grants	**2,230,839**	**2,254,871**	**(24,032)**
Revenue	**2,199,808**	**2,191,953**	**7,855**
Ordinary Revenue	1,917,911	1,851,510	66,401
Import duty	118,280	115,869	2,411
Excise duty	252,094	255,890	(3,796)
Income tax	876,707	836,691	40,017
VAT	523,098	514,107	8,990
Investment Income – Others	38,160	32,209	5,951
Others	109,571	96,743	12,828
Appropriation-in-Aid	281,897	340,443	(58,546)
Grants	**31,031**	**62,918**	(31,887)
AMISOM Receipts	3,603	3,000	603
Projects Grants (Revenue)	5,903	15,496	(9,593)
Projects Grants (AIA)	12,435	24,072	(11,637)
Italian Debt Swap	0	0	0

County Health Facilities – DANIDA	0	0	0
Total Expenditure and Net Lending	**3,027,836**	**3,286,077**	**(258,241)**
Recurrent Expenditure	**2,135,305**	**2,227,325**	**(92,021)**
Domestic Interest	456,849	479,223	(22,374)
Foreign Interest due	121,130	126,059	(4,930)
Pensions, salaries, allowances, and miscellaneous services.	122,432	125,346	(2,915)
Wages & Salaries	525,122	525,122	0
Defence and NSIS	175,798	157,123	18,676
O&M/Others	733,974	814,452	(80,478)
Development and Net Lending	540,117	657,515	**(117,398)**
Equalisation Fund/1400	0	6,825	(6,825)
County Governments' Allocation	352,414	401,237	(48,823)
Contingencies Fund	0	0	0
Deficit Incl. Grant (Commitment Basis)	(796,997)	(1,031,206)	**234,077**
Deficit Excluding Grants (Commitment Basis)	(828,028)	(1,094,124)	**266,096**
Adjustment to cash basis	11,868	0	**11,868**
Deficit Including Grants (Cash Basis)	(785,129)	(1,031,206)	246,077
Financing	747,825	1,031,206	**(283,381)**
Net Foreign Financing	**142,524**	**343,085**	**(200,561)**
Disbursements	327,059	545,151	(218,092)
Commercial Financing	0	124,318	(124,318)
Project Loans AIA	92,619	134,382	(41,764)
Project Loans Revenue	58,601	81,074	(22,473)
Project Loans SGR AIA	0	0	0
Programme Loans	135,019	163,196	(28,177)
Debt Repayment – Principal	(184,536)	(202,066)	17,530
Net Domestic Financing	**605,301**	**688,121**	**(82,820)**
Nominal GDP Estimate	12,698,001	12.646,197	51,804

Source: National Treasury

The 2022/23 Budget

The implementation of the FY2022/23 budget marked the transition from the previous Regime to the current Administration. The first half of the FY 2022/23 was marked by slow implementation of programmes and projects due to inadequate resources. In part, revenue performance was affected by the general slowdown of economic activities occasioned by the adverse impact of shocks that hit the country including uncertain operating environment related to the general elections and the negative impact of the geo-politics that led to global economic slowdown and supply chain disruptions. Additionally, there were liquidity constraints in raising resources from the domestic market. Given the realities, the Government embarked on reprioritization and cost-cutting measures to ensure smooth implementation of priority programmes for the remainder of the financial year. This demonstrated the Government's strong commitment to manage the expenditures, create fiscal space and signal fiscal consolidation and public debt sustainability.

Total revenue including external grants was KES 2,383.6 billion against a revised target of KES 2,520.3 billion recording a shortfall of KES 136.7 billion. Revenue performance, including Appropriation in Aid (A-i-A), was KES 2,360.5 billion in FY 2022/23 from KES 2199.8 billion in FY 2021/22, a growth of 7.3%. The growth in revenue collection was recorded in all the broad tax categories. However, the performance fell short of the target with ordinary revenue collection amounting to KES 2,041.1 billion against a target of KES 2,145.4 billion representing a shortfall of KES 104.3 billion.

Tax revenue from the broad tax categories were below their respective targets in the period under review. Excise duty recorded the highest shortfall of KES 29.5 billion, followed by VAT on domestic goods and services and other income tax of KES 24.5 billion and KES 24.4 billion respectively. The shortfall in excise duty is explained by the decline in oil volumes, motor vehicle imports and deliveries of domestic excisable goods such as cosmetics, beer and spirits. Domestic VAT collection was mainly affected by subdued growth in the construction, transport and manufacturing sectors owing to the high cost of inputs and increasing inflationary pressures. The performance of ministerial A-i-A was KES 319.4 billion against a target of KES 333.2 billion. The shortfall of KES 13.8 billion was on account of shortfalls recorded in both recurrent and development A-i-A of KES 9.3 billion and KES 4.5 billion, respectively.

Total expenditure and net lending in the FY 2022/23 amounted to KES 3,221.0 billion against a revised target of KES 3,366.6 billion, representing an under spending of KES 145.6 billion (4.4% deviation from the revised budget). The shortfall was attributed to low spending on both recurrent and development expenditure items. There was delayed disbursement of project funds and a shortfall in domestic borrowing resulting in unfunded expenditures items. This led to a carryover of KES 77.5 billion during the period under review.

In line with the performance in expenditure and revenues, the fiscal deficit (including grants, on a cash basis), amounted to KES 800.4 billion (5.6% of GDP) against a target of KES 846.2 billion (5.8% of GDP). The fiscal deficit was financed through net external financing amounting to KES 310.8 billion (2.1% of GDP) and net domestic financing of KES 459.5 billion (3.2% of GDP).

	2022/23		
	Actual Budget	Revised Budget	Deviation
		(KES millions)	
Total Revenue and Grants	**2,383,593**	**2,520,338**	**(136,745)**
Revenue	**2,360,510**	**2,478,622**	**(118,112)**
Ordinary Revenue	2,041,119	2,145,399	**(104,280)**
Import duty	130,123	142,676	**(12,553)**
Excise duty	264,509	293,973	**(29,465)**
Income tax	941,576	982,140	**(40,565)**
VAT	550,440	580,616	**(30,176)**
Investment Income – Others	41,301	35,496	**5,806**
Others	113,171	110,498	**2,673**
Appropriation-in-Aid	319,391	333,222	**(13,832)**
Grants	**23,083**	**41,717**	**(18,633)**
AMISOM Receipts	6,982	6,982	**0**
Projects Grants (Revenue)	7,524	16,703	**(9,179)**
Projects Grants (AIA)	8,577	18,031	**(9,455)**
Italian Debt Swap	0	0	**0**
County Health Facilities – DANIDA	0	0	**0**
Total Expenditure and Net Lending	**3,221,001**	**3,366,561**	**(145,561)**
Recurrent Expenditure	**2,311,564**	**2,367,671**	**(56,107)**
Domestic Interest	533,098	527,928	5,171
Foreign Interest due	154,223	154,937	(714)
Pensions, salaries, allowances, and miscellaneous services.	120,425	144,676	(24,250)
Wages & Salaries	539,552	539,552	7,604
Defence and NSIS	172,209	172,209	0
O&M/Others	784,452	828,369	**(43,918)**
Development and Net Lending	**493,663**	**560,545**	**(66,882)**
Equalisation Fund/1400	0	13,893	(13,893)
County Governments' Allocation	415,774	436,345	(20,571)
Contingencies Fund	0	2,000	(2,000)
Deficit Incl. Grant (Commitment Basis)	**(837,408)**	**(846,223)**	**45,847**
Deficit Excluding Grants (Commitment Basis)	**(860,491)**	**(887,940)**	**27,449**
Adjustment to cash basis	37,031	37,031	37,031
Deficit Including Grants (Cash Basis)	**(800,377)**	**(846,233)**	**45,847**
Financing	**770,307**	**846,223**	**(75,916)**
Net Foreign Financing	**310,759**	**362,665**	**(51,906)**
Disbursements	548,171	597,178	(49,007)
Commercial Financing	102,218	104,819	(2,601)
Project Loans AIA	74,245	105,158	(30,913)
Project Loans Revenue	61,975	83,091	(21,116)
Project Loans SGR AIA	0	0	0
Programme Loans	266,885	256,825	10,061
Debt Repayment – Principal	(237,412)	(234,513)	(2,899)
Net Domestic Financing	**459,548**	**483,558**	**(24,010)**
Nominal GDP Estimate	14,274,419	14,521,624	(247,204)

Source: National Treasury

The 2023/2024 Budget

Budget implementation during the first half of FY 2023/24 has progressed well despite emerging challenges. There are expenditure pressures arising from FY 2022/23 carryovers amounting to KES 77.5 billion; elevated domestic interest rates and a weaker exchange rate has pushed our estimated interest payments to about KES 918.9 billion from KES 775.1 billion approved in June 2023. This is an upward adjustment of KES 143.8 billion or 0.9% of GDP; and the Government received requests from the MDAs amounting to over KES 300.0 billion to cover for salaries operations and maintenance, Government funded development projects and Development partners funded projects.

To finance these additional expenditures and to align the budget to the revised revenue forecast, budget rationalization was undertaken in the context of Supplementary Estimates No. 1 taking into consideration the following:

- Need to maintain the primary balance consistent with the fiscal consolidation path by accommodating additional requests within the approved budget ceilings;
- Absorption rates of the FY 2023/24 budget;
- Core mandate of the MDAs;
- Removal of non-core items in the budget; and
- Ring-fencing of BETA priorities, social spending and projects targeted for completion in the FY 2023/24.

Given these developments, total revenues for the FY 2023/24 are projected at KES 3,047.6 billion (18.9% GDP) while total revenues inclusive of grants are projected as KES 3,094.9 billion. Ordinary revenues are projected at KES 2,576.7 billion (16.0% of GDP). Total expenditures are projected at KES 3,981.5 billion (24.7% of GDP) with recurrent expenditures projected at KES 2,793.8 billion (17.3% of GDP), development expenditures are projected at KES 762.6 billion (4.7% of GDP) and an allocation of KES 1.2 billion to Contingency Fund. Transfer to County Governments is projected at KES 423.9 billion (2.6% of GDP) with equitable share amounting to KES 385.4 billion (2.4% of GDP). The resulting fiscal deficit inclusive of grants of KES 818.3 billion (5.3% of GDP) were financed by a net external financing of KES 222.7 billion (1.4% of GDP) and a net domestic financing of KES 595.6 billion (3.8% of GDP).

	2023/24		
	Actual*	**Target**	**Deviation**
A. TOTAL REVENUE AND GRANTS	**2,724,699**	**2,946,007**	**(221,308)**
1. Revenue	**2,702,662**	**2,907,515**	**(204,854)**
Ordinary Revenue	2,288,921	2,4.61,020	(172,099)
Import Duty	133,929	142,373	(8,444)
Excise Duty	276,722	290,083	(13,361)
Income tax	1,042,756	1,093,645	(50,889)
VAT	645,489	654,788	(9,299)
Investment Revenue	47,778	80,439	(32,661)
Others	142,248	199,692	(57,445)
Appropriation-in-Aid	413,740	446,495	(32,754)
2. **Grants**	**22,037**	**38,492**	**(16,455)**
AMISOM Receipts	86	86.2	-
Revenue	13,463	19,515	(6,052)
Appropriation-in-Aid	8,488	18,891	(10,402)
B.EXPENDITURE AND NET LENDING	**3,605,210**	**3,871,022**	**(265,813)**
1. Recurrent	**2,678,437**	**2,776,640**	**(98,204)**
Domestic Interest	622,544	629,367	(6,823)
Foreign Interest	218,188	224,302	(6,114)
Pension & Other CFS	143,940	158,596	(14,656)
Contribution to Civil Servants' Pension	34,172	33,055	1,117
Wages and Salaries	575,269	583,410	(8,141)
O&M Others	1,084,324	1,147,910	(63,586)
2. Development and Net Lending	**546,385**	**669,303**	**(122,918)**
O/W Domestically financed	377,009	463,207	(86,198)
Foreign financed	151,941	196,019	(44,078)
3.Net Lending	**17,436**	**-**	**17,436**
4. Equalization Fund	**-**	**10,077.4**	**(10,077)**
5. County Governments	**380,388**	**423,879**	**(43,491)**
5. CF		**1,200**	**(1,200)**
C. DEFICIT EXCL.GRANT (Commitment basis)	**(902,548)**	**(963,507)**	**60,959**
D. DEFICIT 1NCL.GRA.NTS (Commitment basis)	**(880,511)**	**(925,015)**	**44,504**
E. ADJUSTMENT TO CASH BASIS	**45,374**		**45,374**
F. DEFICIT INCL.GRANTS (Cash basis)	**(835,136)**	**(925,015)**	**89,879**
Discrepancy	*(16,815)*	-	*(16,815)*
G. FINANCING	**818,321**	**925,015**	**(106,694)**
1. Net Foreign financing	**222,749**	**259,329**	**(36,580)**
Disbursements	**760,500**	**815,816**	**(55,316)**
Programme Loans	317,837	338,135	(20,298)
Project Cash Loans	87,444	102,960	**(15,516)**
Project Loans AIA	68,343	87,845	(19,502)
Use of IMF SDR Allocation	-	-	-
Commercial Financing	286,875	286,875	-
Debt repayment – Principal	(537,751)	(556,487)	18,736
2. Net Domestic Financing	**595,572**	**665,686**	**(70,114)**
Government Securities	596,560	662,419	(65,859)
Government Overdraft & Others	(28,168)	-	(28,168)
Movement in Government Deposits	8,715	-	8,715
Domestic Loan Repayments (Net Receipts)	1,429	4,377	(2,949)
Domestic Loan Repayment	(555)	(1,110)	555
Other Accounts Payable	17,591	-	-
GDP ESTIMATE	**16,106,042**	**16,131,502**	**(25,460)**

Source: National Treasury

The 2024/2025 Budget and Supplementary Estimates No. I and No. II

The FY 2024/25 budget was developed against a backdrop of improved global economic outlook and the chosen theme for the budget was 'Sustaining BETA, Fiscal Consolidation and Investing in Climate Change Mitigation and Adaptation for Improved Livelihoods'. The budget and medium term framework were focused on the implementation of the BETA as prioritised in the Medium Term Plan IV. The agenda was geared towards economic turnaround and inclusive growth, and aimed to increase investments in the five core pillars envisaged to have the largest impact to the economy as well as on household welfare. These include Agricultural Transformation and Inclusive Growth; Micro, Small and Medium Enterprises (MSME); Housing and Settlement; Healthcare; and Digital Superhighway and Creative Economy.

However, the implementation of FY 2024/25 budget has been impeded by the withdrawal of Finance Bill, 2024, which was expected to raise an additional revenue amounting to KES 344.3 billion. To ensure seamless implementation of the FY 2024/25 budget and safeguard the fiscal consolidation plan, the National Treasury initiated several expenditure rationalization measures. These include eliminating non-priority expenditures, retiring costly and unsustainable consumption subsidies, scaling up the use of Public-Private Partnerships (PPPs) for commercially viable projects, and implementing the Superannuation Scheme to ease future pension burdens. Additionally, the Treasury is rolling out an end-to-end e-procurement system and adhering to fiscal responsibility principles, including a maximum of 35% of expenditures spent on wages and employee benefits.

By the end of December 2024, revenue collection amounted to KES 1,334.7 billion against a target of KES 1,442.3 billion resulting to an underperformance of KES 107.6 billion. Ministerial A-i-A amounted to KES 176.9 billion in December 2024 against a target of KES 191.3 billion recording a shortfall of KES 14.3 billion. Total revenues grew by 1.6 percent by end December 2024 compared with a growth of 14.5 percent by end December 2023.

The revenue performance as of December 2024 indicates that meeting the overall revenue target for the financial year 2024/25 remains challenging. In response, the Budget for FY 2024/25 has been revised under Supplementary Estimates No. 2 to accommodate changes and align the budget with emerging developments. Key assumptions in the supplementary estimates include net foreign financing projected at 1.6% of GDP, net domestic financing at 3.3% of GDP, and total revenue projected to increase from 16.9% to 17.6% of GDP. Additionally, total expenditure and net lending have been revised from 21.5% to 22.8% of GDP, while grants are projected at 0.3% of GDP. The Supplementary Estimates No. 2 estimates show that approximately KES 68 billion has been allocated for ministerial expenditure, with approximately KES 24.7 billion set aside for recurrent costs and approximately KES 43 billion for development projects. These adjustments aim to ensure the seamless implementation of the FY 2024/25 budget and safeguard the fiscal consolidation plan.

	2024/25	
	Budget Estimates	**Suppl. 2 Budget**
Total Revenue	**3,343.2**	**3,065.2**
Ordinary Revenue	2,917.2	2,580.9
Income Tax	1,230.2	1,165.2
Import duty (net)	187.4	152.5
Excise duty	429.6	315.0
Value Added Tax	812.2	694.3
Investment income	65.0	96.3
Other	192.8	157.1
Ministerial Appropriation in Aid	426.0	484.3
Expenditure and Net Lending	**3,992.0**	**3,978.3**
Recurrent expenditure	2,841.9	2,946.3
Interest payments	1,009.9	995.8
Domestic interest	750.0	767.2
Foreign Interest	259.9	228.5
Pensions & Other CFS	169.2	190.3
Pensions	165.0	186.2
Other CFS	4.2	4.1
Contribution to Civil Service Pension Fund	34.4	37.0
Net Issues/Net Expenditure	1,344.8	1,394.3
0/W: Wages & Salaries	613.6	650.0
Free Secondary education	67.1	67.1
Free Primary, Education	11.1	11.1

	2024/25	
	Budget Estimates	**Suppl. 2 Budget**
Junior Secondary School – Capitation	31.0	31.0
IEBC	1.1	1.2
Defense and NIS	212.5	223.9
Others	417.1	410.8
Ministerial Recurrent AIA	283.6	317.5
Development and Net lending	**701.5**	**586.3**
Domestically financed (Gross)	451.4	385.0
0/W Domestically Financed (Net)/NMS	309.0	218.2
Ministerial Development ALA	77.5	100.5
Foreign financed	242.2	179.1
Net lending	0.0	19.7
Equalization Fund	8.0	2.5
County Transfers	**444.5**	**445.6**
Equitable Share	400.1	418.3
Conditional Allocation	44.4	27.4
Contingency Fund	**4.0**	**0.0**
Fiscal Balance (commitment basis excl. grants)	**(648.8)**	**(913.1)**
Grants	**51.8**	**50.3**
Fiscal Balance (incl. grants)	**(597.0)**	**(862.7)**
Adjustment to Cash Basis	0.0	0.0
Fiscal Balance (incl. grants) Cash Basis	**(597.0)**	**(862.7)**
Statistical discrepancy	0.0	0.0
Total Financing	**597.0**	**862.7**
Net Foreign Financing	**333.8**	**280.1**
Disbursements	**664.5**	**581.7**
Commercial Financing	168.8	130.0
Sovereign Bond & Other Commercial Financing	168.75	130.0
Total Project loans (A1A + Revenue)	226.0	151.3
o/w: Project loans (A1A)	113.8	71.6
Project Loans Revenue	112.1	79.6
Programme Loans	269.8	292.0
Debt repayment- Principal	(330.7)	(301.6)
Net Domestic Financing	**263.2**	**582.7**
Memo items		
Gross Debt (Stock)	11,158.1	11,423.9
External Debt	5,484.7	5,430.9
Domestic Debt (gross)	5,673.5	5,993.0
Domestic Debt (net)	5,147.2	5,466.7
Financing gap	0.0	0.0
Nominal GDP	**18,0543**	**17,435**

Source: National Treasury

Funding the Fiscal Deficit

Kenya believes it has access to adequate concessional and non-concessional financing and reserves buffer to finance both fiscal and balance of payments gaps, while a robust domestic securities market provides further flexibility. The table below sets out the sources of financing for the FY 2023/2024 fiscal deficit, as well as the potential sources of financing for the FY 2024/2025 fiscal deficit.

	FY 2023/2024[(1)]	FY 2024/25 Budget[(2)]	Cumulative Disbursements as at 30 September 2024
		(in US$ million)	
Sources of Funding	**7,461**	**5,912**	**1,264**
Net Foreign Financing	**4,248**	**2,734**	**(433)**
Capital Markets and Commercial Loan Financing	2,645[(3)]	1,298[(3)]	-[(4)]
Project Loans	1,783	1,772	278
Program Loans	3,657	2,298	7
African Development Bank	99	200	-
IMF	1,582	1,064	-
World Bank	1,976	750	-
Debt Repayment – Principal	(3,836)	(2,544)	(718)
Net Domestic Financing	**3,212**	**3,178**	**1,697**

(1) Conversion from Kenyan shilling to US dollar made using the December 2024 end of period exchange rate as released by the Central Bank of Kenya

(2) Conversion from Kenyan shilling to US dollar made using the December 2024 end of period exchange rate as released by the Central Bank of Kenya

(3) Excludes proceeds of US$1,457,925,000 from the offering of the Notes hereby

(4) The Government may have access to funding beyond what is presented in the table above. This table reflects disbursements as of 30 September 2024, and additional disbursements have been made since that date, which are not captured here.

Source: National Treasury

PUBLIC DEBT

Overview

Government debt comprises external and domestic debt. Domestic debt is reported on a gross basis and excludes Government deposits in commercial banks, CBK and National Treasury advances to parastatals. It consists of Government securities and loans and advances from the banking system. All domestic debt is in local currency; there is no foreign currency domestic debt. External debt consists of public and publicly guaranteed debt from outside the country contracted in foreign currency. As at the end of June 2024, the stock of external debt accounted to 32.11% of GDP at KES 5,171.7 billion (US$39.93 billion) decreasing by 5.1% from KES 5,446.6 as at the end of June 2023. The domestic debt stock accounted for 33.59% of GDP at KES 5,410.3 billion (US$41.77 billion), amounting to a 12% increase from KES 4,832.3 as at the end of June 2023. The stock of domestic and external debt combined made up 51.1% and 48.9% of the total debt stock respectively. The majority of external debt is long-term whilst majority of the stock of domestic debt consists of Treasury bonds (medium to long-term).

Public debt management is governed by a legislative and regulatory framework including the Constitution and the PFMA. Subject to the provisions of the Constitution and the PFMA, the Government (through the Cabinet Secretary) may borrow or raise money from any reputable source for purposes of economic management and development of the country. The Cabinet Secretary may guarantee or raise a loan on behalf of Government or any other public institution, authority or person as authorised by or under an Act of Parliament. The decision to borrow on behalf of the Government rests with the Cabinet Secretary and is guided by, amongst others, (i) the Constitution, (ii) the PFMA, (iii) the BPS and Medium-Term Debt Strategy (MTDS), and (iv) Annual Budget Estimates approved by the National Assembly.

The PFMA underwent amendments under Section 50 (2A) and (2B) whereby the debt ceiling was changed from a debt ceiling of KES 10 trillion to a debt threshold of 55% of the Gross Domestic Product (GDP) in present value terms. As of the date of this Offering Circular the Government's debt exceeds the debt ceiling. As at 30 June 2024, Kenya's present value of public debt declined to 63.0% from 68.7% as at the end of December 2023. However, section 50 (2B) of the PFMA provides that such threshold may be exceeded by not more than 5% in exceptional circumstances. Section 50 (2C) of the PFMA provides that the Cabinet Secretary shall, not later than five years from the date of the coming into force of subsections (2A) and (2B), on 1 November 2023, take measures to ensure that borrowing by the national government complies with the threshold prescribed in subsection (2A). The Cabinet Secretary shall from 1 November 2028 (being five years after the date of the coming into effect of Section 50 (2A) and 50 (2B) of the PFMA) submit to Parliament, a report on the breach of the debt threshold, if any, indicating the circumstances provided for in subsection (2B).

Under the Constitution, the Government may guarantee borrowings of SOEs, county governments and any other borrower as the Constitution provides. The Government has taken a conservative approach in providing borrowing guarantees to entities and total outstanding guarantees are less than 2% of total outstanding debt.

As at 30 June 2024, the total outstanding public debt was KES 10,581.98 billion (US$ 81,686 million) of which foreign debt was KES 5,171.70 billion (US$ 39,928 million) and the total outstanding internal debt was KES 5,410.28 billion (US$ 41,765 million). As at 30 June 2023, the total outstanding public debt was marginally less at KES 10,278.7 billion (US$ 72,980 million), of which foreign debt was KES 5,446.6 billion (US$ 38,904 million) and the total outstanding internal debt was KES 4,832.1 billion (US$34,826 million).

The proportion of the public's external debt to total debt decreased to 52.0% as at 30 June 2021, and decreased further to 49.9% as at 30 June 2022 and thereafter increased to 53.0% as at 30 June 2023 and decreased further to 48.9% as at 30 June 2024. The following table sets out a summary of the public debt and publicly guaranteed debt disaggregated into foreign and domestic debt as at the dates indicated.

	External			Internal			Total		
As at 30 June	**(KES millions)**	**(US$ millions)[(1)]**	**As % of GDP**	**(KES millions)**	**(US$ millions)[(1)]**	**As % of GDP**	**(KES millions)**	**(US$ millions)[(1)]**	**Total debt as % of GDP**
2019	3,023,139	29,552	32.3	2,785,483	27,229	29.7	5,808,621	56,781	62.0
2020	3,515,812	33,025	34.6	3,177,526	29,976	31.2	6,693,338	62,889	65.8
2021	3,999,541	37,078	35.0	3,697,093	34,069	32.7	7,696,634	71,303	68.1
2022	4,305,835	36,489	33.8	4,329,074	36,797	33.9	8,634,909	72,745	67.7
2023	5,446,561	38,904	38.2	4,832,318	34,826	33.9	10,278,879	72,980	72.0
2024	5,171,704	39.928	32.1	5,410,284	41,765	33.6	10,581,988	81,686	65.7

(1) Conversion from Kenyan shilling to US dollar made using the applicable end of period mean exchange rate as released by the Central Bank of Kenya.
Source: National Treasury / Central Bank of Kenya

The following table sets out key debt sustainability indicators for from 2022 to 2026, along with their respective thresholds.

As at October 2024	**2022**	**2023**	**2024**	**2025**	**2026**	**Threshold**
PV of Public Debt/GDP …………………………………………	63.9%	68.7%	62.9%	64.0%	63.7%	<55%
PV of PPG External Debt/GDP ……………………………………..	29.0%	32.1%	29.8%	30.4%	31.0%	<40%
PV PPG Debt service/Revenues ………………………………........	15.4%	18.8%	25.2%	20.6%	20.4%	<18%
Gross External Financing Needs (USD millions) ……………………	28,949	27,855	31,173	30,994	31,939	N/A

The following table sets out a summary of Public debt and publicly guaranteed debt disaggregated into fixed rate debt and floating rate debt as at the dates indicated.

	FY2018/19	**FY2019/20**	**FY2020/21**	**FY2021/22**	**FY2022/23**	**FY2023/24**
Debt Maturing in one year (% of GDP)..	11.1	11.0	10.2	8.4	9.3	7.7
Floating rate debt....................................	13	23.3	23	23.1	27.3	13.8
Fixed rate debt..	87	76.7	77	76.9	72.7	86.2
Total	**100**	**100**	**100**	**100.0**	**100.0**	**100.0**

Source: National Treasury / Central Bank of Kenya

As at 30 June 2024, total external debt was made up of 22.5% bilateral debt, 53.9% multilateral debt, 23.3% commercial debt and 0.3% supplier's credit.

The total multilateral debt increased by 4.9% to KES 2,774.4 million as at June 2024 from KES 2,654,934.3 million as at June 2023 from KES 1,923,444.2 million as at June 2022, while the total bilateral debt increased by 38.0% to KES 1,257,497.5 million as at June 2023 from KES 1,105,737.1 million as at June 2022. The increase was a result of was as a result of the Government contracting concessional loans. The increased borrowing was to meet to finance the projects and programs in the budget under the Development Policy Operation (DPO).

Between January and April 2019, Kenya entered into five new loans, totalling US$1.8 billion in value, three of which were bilateral loans each with a maturity of 10 years and two of which were commercial loans each with a maturity of 10 years.

In 2020, Kenya entered into four new loans totalling US$187 million through various bilateral and multilateral loan agreements aimed at curbing the impact of the Covid-19 Pandemic and providing necessary support to the Kenyan health system. The loans were to support transformation of health care systems for universal care, specifically: (i) improving quality of care; (ii) strengthening monitoring and evaluation and civil registration and vital statistics; (iii) supporting health financing reforms towards universal health coverage and (iv) purchasing medical equipment.

On 10 June 2021, the World Bank approved a US$750 million loan in development policy financing to Kenya to generally support the Government's Post-Covid-19 Economic Recovery Strategy and to support reforms in sectors significantly impacted by the Covid-19 Pandemic, such as healthcare, education and energy. This loan will have a concessional annual interest rate of 3.1%.

In the FY 2021/22 the Development Policy Operations (DPO) program supported by World Bank secured to support institutional reforms and Post COVID Recovery initiatives which amounted to US$ 945.03 million, while Program for Results (PforR) secured support of US$ 37.32 million. In addition, the Government of Kenya secured budget support of US$269.56 million under the 38-month IMF Extended Credit Facility (ECF) and Extended Fund Facility (EFF) Program.

In the FY 2022/23 The Government contracted eighteen (18) new external loans equivalent to US$ 2,461.45 million out of which, eight (8) were from multilateral lenders, six (6) from bilateral lenders and four (4) from commercial banks to finance the budget deficit. In January 2024, the Trade and Development Bank disbursed a loan to Kenya in an aggregate principal amount of US$ 385 million.

On 16 February 2024, Kenya issued a US$1.5 billion Eurobond comprising a 7-year tranche due 16 February 2031. The proceeds from the 2031 Eurobonds partially funded the redemption of Kenya's existing US$2 billion Eurobonds maturing in June 2024, via a tender offer.

On 27 January 2025, Kenya announced the commissioning of the 300MW Bogoria-Silale geothermal power project to settle a €60 million (KES 8 billion) loan that Kenya owes Germany in Kenya's first debt-for-climate swap following bilateral agreement with Germany's Federal Ministry of Economic Cooperation and Development.

Currently, Kenya has not entered into any derivatives transactions. As at 30 June 2024, the total external debt as a percentage of GDP stood at 32.1% while it was at 38.2% as at 30 June 2023 and 33.8% as at 30 June 2022. Kenya's external debt is well-diversified in terms of currency and creditor exposures, which enables hedging against exchange rate risks. Efforts are being made to further diversify and sustain Kenya's debt currency mix. The Government's strategy is to manage the currency exposures by seeking to match currency of external liabilities with the currency composition of Kenya's foreign exchange inflows, foreign reserves, and cost of borrowing in each currency.

The following tables set out the total public and publicly guaranteed external and internal debt by source as at the dates indicated.

			As at 30 June		
	2020	**2021**	**2022**	**2023**	**2024**
External Debt:	(*US$ millions*)				
Lending Countries:					
Germany	333	297.02	296.03	318.45	345.08
Japan	1,424	808.94	709.38	705.34	1,158.65
France	748	851.83	764.63	780.81	746.50
United States	15	13.14	10.69	8.53	310.41
Netherlands	1	-	-	-	-
Denmark	6	4.39	3.88	3.07	1.97
Finland	13	11.31	7.50	5.17	2.54
China	6,753	7,056.92	6,830.10	6,280.39	5,696.97
Belgium	112	117.61	109.81	182.15	177.87
Austria	13	13.33	11.04	13.75	12.77
Canada	-	-	-	-	-
Italy	350	371.85	328.79	343.70	254.10
United Kingdom	-	-	-	-	-
Other	1,065	1,028.80	885.26	890.87	277.46
Total Lending Countries	10,085	10,575.2	9,957.11	9,532.23	8,984.34
International Organisations:					
ADB/ADF	2,476	2,988.35	3,269.82	3,685.50	3,925.83
IDA/IFAD	8,649	10,146.7	10,470.1	11,424.85	12,108.42
EEC/EIB	158	215.38	176.12	207.53	190.43
IMF	1,038	1,652.44	1,751.40	2,388.16	3,251.72
Others	86	383.48	656.15	1,187.13	2,039.95
Total International Organisations	12,407.1	15,386.3	16,323.6	18,893.17	21,516.35
Commercial debts:					
Commercial Banks	10,348.0	3,903.51	3,058.22	3,128.01	5,219.85
International Sovereign Bond	6,100.00	7,106.58	7,100.00	7,100.00	6,600.00
Export Credit	165.51	112.77	103.14	105.66	104.51
Total commercial debts	16,613.51	11,122.86	10,261.36	10,333.67	12,149.32
Total External	39,853.51	37,084.35	36,542.06	38,759.07	42,650.02

As at 30 June 2024, the total external lending was US$ 42,650.02 million, comprised primarily of lending by countries of US$ 8,984.34 million; by international organisations of US$ 21,516.35 million, by commercial banks of US$ 5,219.85 million, and international sovereign bonds of US$ 6,600.00 million.

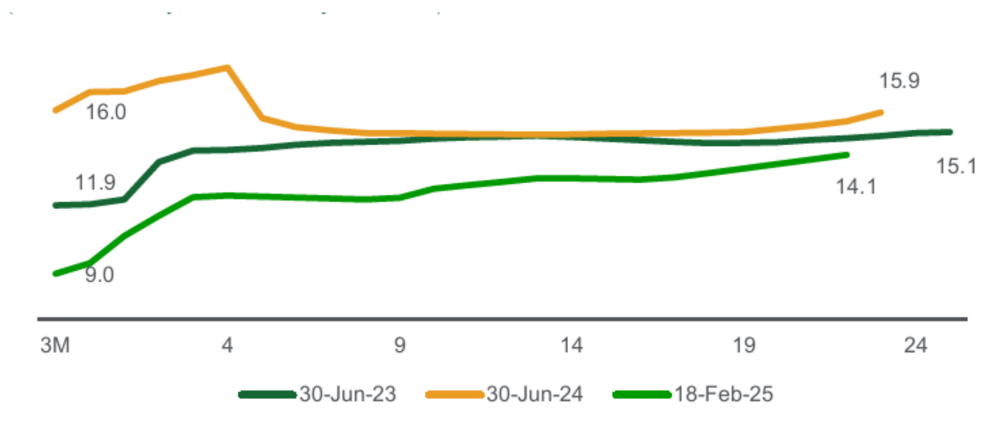
	FY 2019/20	FY2020/21	FY 2021/22	FY 2022/23	FY 2023/24
			(*KES millions*)		
Internal Debt:					
Treasury Bills.......................................	887,142	765,375	628,754	614,726	615,890
Treasury Bonds	2,219,444	2,849,935	3,569,092	4,013,891	4,627,123
Non-Interest bearing debt.....................	21,674	20,009	18,899	17,789	17,234
Others (includes stocks)	49,267	61,774	112,354	185,912	150,038
Less Government deposits & on-lending..	(503,310)	(556,430)	(418,285)	(484,584)	-
Total Internal (net)............................	**3,177,527**	**3,697,093**	**4,329,099**	**4,832,318**	**5,410,284**

(1) Excludes repo bills.
(2) Others consist of Central Bank of Kenya overdraft to the Government of Kenya, cleared items awaiting transfer to PMG, commercial bank advances and tax reserve certificates.

Source: National Treasury; Central Bank of Kenya

The Government undertakes Treasury bond auctions every month. The Treasury bonds auction results for the FY 2024/25 have been performing relatively well, with the exception of July when nationwide protests were ongoing. In July 2024, the Government advertised bonds worth KES 20.0 billion and only received bids amounting to KES 487.5 million. In August 2024, the Government issued bonds worth KES 50.0 billion and received an oversubscription of 2.5x, raising a total of KES 126.3 billion in that auction. In September 2024, the Government issued bonds worth KES 15.0 billion and received a subscription of 2.4x, realizing a total of KES 35.2 billion in that auction. In October 2024, the Government issued bonds worth KES 15.0 billion and received an oversubscription of 1.1x, raising a total of KES 16.3 billion in that auction. In November 2024, the Government issued bonds worth KES 20.0 billion and received an oversubscription of 2.8x, raising a total of KES 55.6 billion in that auction. In December 2024, the Government issued bonds worth KES 20.0 billion and received an oversubscription of 2.7x, raising a total of KES 53.6 billion from that auction.

As of 18 February 2025, the domestic yield curve extends beyond 20 years, supporting the Government's funding strategy.



Source: Nairobi Securities Exchange (NSE)

As at 30 June 2024, the National Government guaranteed approximately KES 100,165 million of the indebtedness of the non-financial public sector.

The table below sets out information on publicly guaranteed debt of the non-financial public sector at the dates indicated.

	Publicly Guaranteed Debt							
			Loan Balance At 30 June					
	Contracted	Creditor	2019	2020	2021	2022	2023	2024
			(*KES millions*)					
Kenya Broadcasting Corporation	1989	Japan	357		-	-	-	-
Telkom Kenya Ltd	1990	Canada	-	-	-	-	-	-
Tana and Athi River Development Authority	1990	Japan	279	-	-	-	-	-
East African Portland Cement	1990	Japan	346	-	-	-	-	-
KenGen Ltd	1995	Japan	2,421	2,108	1,867	1,652	825	343
KenGen Ltd	1997	Japan	2,727	2,515	1,979	1,751	1,148	819
KenGen Ltd	2004	Japan	8,207	8,233	7,932	6,720	7,049	5,589
KenGen Ltd	2007	Japan	3,760	3,789	3,590	3,177	3,227	2,630
KenGen Ltd	2010	Japan	19,389	19,549	18,533	16,397	14,938	15,528
KenGen Ltd	2010	Germany	2,607	1,879	1,505	1,455	947	-
KenGen Ltd	2011	Germany	3,924	3,113	2,947	2,848	1,916	1,449
KenGen Ltd	2021	Japan	-	-	-	-	1,413	-
Kenya Ports Authority	2007	Japan	23,903	23,185	21,970	19,439	19,755	-
Kenya Railways	2008	IDA	4,603	4,793	-	-	-	-
Kenya Ports Authority	2015	Japan	-	-	13,739	14,094	27,048	23,271
Kenya Ports Authority	2015	Japan	-	-	2,191	-	3,739	2,574
Kenya Ports Authority	2016	Japan	10,158	16,189	-	-	-	-
Kenya Airways	2017	Afrexim	76,724	79,893	80,963	77,824	88,224	29,139
Total			**159,405**	**165,248**	**157,220**	**151,244**	**170,229**	**100,165**

Source: National Treasury

The Central Government's net external debt servicing declined by 41.8% to US$ 2,098 million in 2019/2020. Net external debt servicing charges increased by 2.8% to US$ 2,157.6 million in 2020/21, and thereafter increased by 19.5% to US$ 2,578.1 million in 2021/22, by 11.4% to US$ 2,872 million in 2022/23 and increased by 125.6% to US$ 6,478 million in 2023/24.

Net internal debt servicing charges decreased by 14.7% from US$ 4,679 million in 2018/19 to US$ 3,994 million in 2019/20, but increased by 25.4% to US$5,001 million in 2020/21, by 2.9% to US$ 5,152 million in 2021/22, by 9.7% to US$ 5,652 million in 2022/23 and increased by 39.7% to US$ 7,895 in 2023/24.

The following table sets out a summary of Central Government debt service as at the dates indicated.

Year Ended 30 June	Annual Debt Servicing Charges(1)			Interest and Loan Repayment Receipts			Net Servicing Charges		
	External	Internal	Total	External	Internal	Total	External	Internal	Total
					(*US$ millions*)				
2019	3,602	4,708	8,310	-	28.1	28.1	3,602.0	4,679.9	8,281.9
2020	2,098	4,018	6,116	-	24.4	24.4	2,098.0	3,993.6	6,091.6
2021	2,177	5,066	7,243	19.44	58.07	77.51	2,157.5	5,007.9	7,165.5
2022	2,594	5,195	7,789	15.86	43.25	59.1	2,578.1	5,151.7	7,729.9
2023	2,875	5,672	8,547	2.96	20.31	23.3	2,872.0	5,651.7	8,523.7
2024	6,478	7,928	14,407	-	33.20	33.20	6,478.0	7,894.8	14,372.8

(1) Annual debt servicing charges = Central Government and guaranteed debt redemption + interest.

(2) Conversion from Kenyan shilling to US dollar made using the applicable end of period mean exchange rate as released by the Central Bank of Kenya.

Source: National Treasury

Medium Term Debt Strategy

The following is an overview of the Government's debt management strategies from 2020 to 2024. These strategies were designed to ensure sustainable financing of the Government's needs while minimising costs and risks associated with public debt. Each year, the strategies were adjusted to respond to changing economic conditions, market dynamics, and the Government's fiscal objectives, with a strong emphasis on optimizing the balance between domestic and external borrowing.

The 2020 MTDS execution involved a borrowing plan that considered government cash flow requirements and prevailing market conditions. It targeted 72% of total gross domestic borrowing from domestic sources and 28%

from external sources. In practice, domestic financing accounted for 78.6% of total borrowing, while gross external borrowing, mostly concessional and semi-concessional, was 21.1%.

The Government implemented the 2021 Medium Term Debt Strategy with a focus on maximising concessional and semi-concessional external debt while managing liabilities in both domestic and international markets. This strategy highlighted the need for comprehensive reforms to enhance the depth and diversification of the domestic debt market, thereby increasing its role in meeting the government's financing needs. Additionally, the 2021 strategy aimed to minimise the costs and risks associated with public debt, proposing a net borrowing ratio of 57% external to 43% domestic. Planned gross borrowing was 27% external and 73% domestic, with actual figures for FY2020/21 showing 18.7% external and 81.3% domestic. The strategy sought to reduce reliance on high-interest domestic debt, facilitate gradual repayment of treasury bills, and manage part of the commercial external debt through liability operations, balancing cost and risk while diversifying funding sources.

The 2022 strategy further encouraged the use of concessional funding from international sources, reducing commercial international borrowing to lower overall debt costs. It aimed to reduce domestic refinancing risk by issuing medium-to-long-term instruments. The net borrowing assumption was 68% domestic and 32% external, with gross borrowing split at 75% domestic and 25% external. Actual borrowing for FY2021/22 was 85% domestic and 15% external, sourced from concessional and semi-concessional loans.

The 2023 strategy sought to balance net financing equally between external and domestic sources, aiming to minimize costs and risks. It emphasized maximising concessional borrowing and reducing commercial borrowing to lower debt service costs. Actual borrowing was 22% external and 78% domestic. The strategy aimed to reduce refinancing risk by maintaining the current stock of treasury bills and issuing medium-to-long-term debt securities.

The 2024 strategy aimed to gradually reduce the stock of treasury bills, focusing on medium-to-long-term Treasury bonds for domestic financing and concessional borrowing for external financing. The net financing assumption was 45% domestic and 55% external, with the outcomes to be assessed in June 2025.

Key outcomes of these strategies included reducing debt costs in terms of interest payments as a percentage of GDP, minimizing the present value of debt to GDP, and reducing refinancing risk by lengthening the portfolio's Average Time to Maturity (ATM). The strategies also aimed to minimize interest rate risk through average time to re-fixing and deepen the domestic bond market by issuing more medium-to-long-term instruments as the main source of domestic financing.

Medium Term Debt Strategy 2025

The 2025 Medium-Term Management Strategy (MTDS 2025) has been prepared in accordance with Section 33(2) of the Public Finance Management (PFM) Act, 2012. It serves as a comprehensive roadmap for managing the country’s public debt from FY 2025/26 to 2027/28, outlining strategies and initiatives aimed at minimising costs and managing risks associated with debt over the medium term.

As of June 2024, the public and publicly guaranteed debt stock increased to KES 10,581.91 billion, up from KES 10,278.88 billion in June 2023. This includes an external debt stock of KES 5,171.70 billion and a domestic debt stock of KES 5,410.28 billion.

The MTDS 2025 has been formulated in an environment of improved domestic macroeconomic conditions but uncertain global financial markets. Kenya’s economic performance is projected to remain stable over the medium term, driven primarily by broad-based private sector activities and ongoing government interventions and strategies under the BETA program.

The MTDS 2025 aims to gradually reduce the stock of treasury bills over the medium term while extending the maturity of public debt instruments and deepening the domestic debt market through the issuance of medium to long-term debt securities, accompanied by debt market reforms. On the external front, the strategy targets a mix of concessional and commercial borrowing.

The strategy outlines a gross borrowing target of 25% from external sources and 75% from domestic sources over the medium term. Net borrowing to finance fiscal deficits is structured at 65% from external sources and 35% from domestic sources over the same period.

Objectives of the MTDS include:

- Reducing refinancing risks: By decreasing short-maturity debt and extending the Average Time to Maturity (ATM) of the debt portfolio through the issuance of more medium to long-term instruments in the domestic bond market.
- Reducing interest rate risk: By increasing the Average Time to Refixing and lowering the proportion of debt with variable interest rates.
- Mitigating foreign exchange risk: Through currency diversification.
- Promoting intergenerational equity.

The MTDS 2025 analysis considers the outstanding public debt, projected borrowing, and debt servicing within the context of the current and future macroeconomic environment, as well as conditions in international and domestic capital markets. Excluded from the proposed debt management strategies are performing guaranteed debt and other local debts and overdrafts, amounting to KES 263.74 billion. This includes KES 100.17 billion in uncalled guaranteed debts, KES 61.03 billion in government overdrafts at CBK, KES 13.54 billion in supplier credits, KES 83.54 billion in IMF SDR Allocations, and KES 5.47 billion in bank advances. The government's plan in the fiscal year 2024/25 and over the medium-term is to implement priority economic policies, structural reforms, fiscal consolidation plan and sectoral expenditure programs outlined in the 2024 BPS, through a Bottom-Up approach for a socioeconomic transformation, economic turnaround, and inclusive growth. Special focus will be placed on increased employment, more equitable distribution of income, social security while also expanding the tax revenue base, and increased foreign exchange earnings.

The strategy is aligned to 2024 Budget Policy Statement (BPS) whose aim is to support economic recovery through a growth friendly fiscal consolidation plan aimed at slowing the public debt accumulation without compromising service delivery to citizens. The debt service to revenue ratio is expected to increase from 17.3% in 2023 to 19.8% in 2025 and further to 19.6% in 2026. A series of planned liability management operation aims to reduce these ratios in the near term.

As part of its strategy, the Government plans for actively undertaking debt management operations to lower the cost of debt and refinancing risk by seeking to refinance some outstanding borrowings with longer-dated debt instruments; the aim is to lower the cost of debt and to improve on the sustainability indicators.

The Government continues to pursue growth responsive fiscal consolidation measures aimed at reducing the fiscal deficits and lower debt service costs and release resources for priority programs. In this regard, the deficit is projected to decline to 4.4% of GDP in the FY 2023/24 and 3.6% of GDP over the medium-term.

In terms of net financing, the option assumes 45% domestic and 55% external borrowing. In gross borrowing terms, external and domestic financing accounts for 37% and 63%, respectively. Gross external financing would be composed of 16% concessional, 6% semi-concessional and 15% commercial borrowing. The Government strategy favours the issuance of long-term instruments, with more borrowing through medium term to long term treasury bonds and less borrowing through treasury bills.

Optimising the composition of domestic debt sources and foreign debt sources is expected to help to reduce risks to the cost of Kenya's public external debt posed by export volume shocks without crowding out private sector debt in the form of domestic bank credit. Another element of the Government's overall strategy is to extend debt maturities by improving the average time to maturity of Kenya's overall debt profile.

As a result of borrowing projections, total nominal public debt is expected to increase from KES 10,428.71 billion as at June 2023 to KES 12,544.60 billion as at June 2027. As share of GDP, the total public debt is projected to decline from 70.6% as at 30 June 2023 to 56.9% as at 30 June 2027, which is in line with the Government's strategy on fiscal consolidation.

The MTDS assumes that reducing the fiscal deficit over the medium term, restricting borrowing to only finance projects with high social and economic returns, and lengthening the maturity of non-concessional borrowing will help limit and eventually reduce public debt ratios, consequently reducing refinancing risks. In addition, the Government is committed to pursuing a fiscal consolidation path aimed at ensuring a slower growth of fiscal deficit enhancing revenue collection and is expected to be implemented through measures which entails reduction of the pace of debt accumulation and the risk of elevated debt distress. Revenue enhancement measures are expected to include broadening tax base to raise revenues and curtailing overall spending while prioritizing high-impact social and investment expenditure.

The table below shows the Government's debt service payments for the next five financial years.

	Revised 2024/2025	2025/2026	2026/2027	2027/2028
External Debt				
Interest..	259,907	263,757	245,635	254,286
Principal	330,711	500,204	487,374	627,761
Total External Debt Service (TEDS).........	590,618	763,961	733,009	882,047
Domestic Debt				
Domestic Treasury Bond Redemption	358,783	448,367	549,208	633,334
Domestic debt Interest..............................	749,970	763,492	788,415	825,626
Total Domestic Debt Service....................	1,108,753	1,211,859	1,337,6231	1,458,960
Total debt service	**1,699,371**	**1,975,820**	**2,070,633**	**2,341,008**

Source: National Treasury

Debt service to revenue is expected to decrease from 68.0% in 2023/24 to 45.3% by 2026/27. This is due to the fiscal consolidation and planned liability management efforts that are being implemented from 2022/23 to the medium term. The proposed liability management will involve replacement of expensive short to medium term debts in the debt portfolio with less expensive debts through refinancing operations and at the same time lengthen maturity profile of those debts.

Guarantees and Contingent Liabilities

The Government has guaranteed debt for parastatals, primarily in the Energy and Transport sectors. These are guarantees on debt to Kenya Electricity Generating Company, Kenya Ports Authority and Kenya Airways. Guarantees processed by the National Treasury are to SOEs that have strong balance sheets and where their financial performance is able to accommodate debt service obligations. Guarantees are normally processed by the National Treasury and submitted to Parliament for approval. As of 30 June 2024, the Government had a total of KES 100.17 billion in guaranteed debt for parastatals

Relations with the IMF

In February 2015, the IMF approved a blended Stand-By Arrangement and Standby Credit Facility (the "**SBA-SCF 1**") for a combined amount of SDR 488.52 million (approximately US$688 million), with SDR 379.96 million made available immediately, and the remainder in two equal tranches upon completion of semi-annual programme reviews. The first review was completed in September 2015, where the Executive Board made available an additional SDR54.38 million (approximately US$76.3 million).

In March 2016, the IMF approved the SBA-SCF 2, comprised of a new SDR 709.259 million (approximately US$989.8 million) 24-month Stand-By Arrangement and a SDR 354.629 million (approximately US$494.9 million) 24-month Standby Credit Facility for a combined SDR 1.06 billion (approximately US$1.5 billion) for Kenya and SDR 542.8 million (approximately US$$757.5 million) was immediately made available. The first review of the SBA-SCF 2 was completed by the IMF in January 2017 and following completion of this review an additional SDR 56.994 million (approximately US$77.4 million) under the facility was made available to Kenya.

However, the second and third reviews of the IMF programme due in June 2017 and December 2017 could not be completed on time due to the prolonged election period. Following the conclusion of the general election, the IMF was in Nairobi in April 2018 to conduct a review under the SBA-SCF2 and for consultations on whether to extend the existing SBA-SCF or to agree on a new programme. However this review did not conclude with the agreement of a new programme and accordingly no funds are currently available under an IMF standby arrangement facility, as the SBA-SCF 2 facility expired in September 2018.

On 2 April 2021, the Executive Board of the IMF approved 38-month arrangements under the ECF and the EFF for Kenya in an amount equivalent to SDR 1.655 billion (305% of quota or about US$2.34 billion) to support the next phase of the Covid-19 response, address the urgent need to reduce debt vulnerabilities and for safeguarding resources to protect vulnerable groups. On 17 May 2021, the Government and the IMF concluded the first review of the IMF Programme and agreed that Kenya will receive access to approximately US$ 410 million in IMF financing when the full review is formally completed.

The International Monetary Fund (IMF) completed the Fourth reviews of the 38-month arrangements under the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF) arrangements on December 2022. The approval enabled the immediate disbursement of SDR336.54 million (about US$447.39 million) usable for budget support, including an augmentation under the ECF arrangement of SDR162.34 million (30% of quota, about US$215.81 million). This brought Kenya's cumulative disbursements under the EFF/ECF arrangements to about US$1.655.59 million. With the augmentation, the total amount under the EFF/ECF arrangements rises to SDR 1.818 billion (335% of quota or about US$2.416 billion)

On 17 July 2023, the Executive Board of the International Monetary Fund (IMF) completed the fifth reviews under the Extended Fund Facility (EFF) and the Extended Credit Facility (ECF) arrangements for Kenya. The Board also approved an extension of the EFF/ECF arrangements from the 38 months to 48 months (through 1 April 2025) to allow sufficient time to implement the authorities' reform agenda and realise the program's key objective and an augmentation of access amounting to 75% of quota (SDR407.1 million) over the extended program duration for balance of payments support. The decision allowed for an immediate disbursement of SDR306.7 million (about US$415.4 million), bringing total disbursements under the arrangements to SDR1.51 billion (about US$2.04 billion). In completing the review, the Executive Board also approved modification of program conditionalities, waivers of non observance of the continuous performance criteria on accumulation of external arrears and end-June 2023 tax revenue target in light of corrective measures taken by the authorities and waiver of applicability for all other end-June 2023 and continuous quantitative performance criteria. The Executive Board also approved Kenya's request for an arrangement under the Resilience and Sustainability Facility (RSF) of SDR407.1 million (75% of quota; about US$551.4 million) to support Kenya's ambitious efforts to build resilience to climate change. The quantitative targets of the fifth review were met with the exceptions of the end-June 2023 target on tax collections and the continuous performance criterion on no new external payment arrears. Six out of the seven June—October 2023 structural benchmarks were implemented with delays. The structural benchmarks and reforms to be achieved include a governance structure for state co-operation, a review of fuel pricing mechanism and progressive elimination of fuel subsidy and a comprehensive time bound strategy to address public debt management.

An IMF mission team undertook the sixth review of Kenya's program under the Extended Fund Facility (EFF)/ Extended Credit Facility (ECF) as well as the first review under the Resilient Sustainability Facility (RSF). This mission, conducted from 30 October to 15 November 2023 concluded successfully. The mission and the Government reached an agreement with the IMF on economic policies and reforms to conclude the sixth review of Kenya's program under the EFF/ECF as well as the first review of the RSF. In addition, an agreement was also reached on augmentation of access under the EFF/ECF of SDR 707.3 million (about US$941.2 million). The executive board approved the augmentation, the total IMF commitment under these arrangements over the duration of the program would be SDR3.34 billion (about US$4.43 billion). Through the anchoring of policies to support economic growth and ensure debt sustainability, the program has helped mitigate the negative impact of global shocks associated with drought, inflation, unpredictable international commodity prices, and tighter external financing conditions. The Government remains committed to the implementation of the IMF-supported economic program. The program remains broadly on track, which the Government considers crucial for maintaining macroeconomic stability and achieving high and sustainable growth rates.

On 30 October 2024, the executive board of the IMF completed the seventh and eighth reviews under the Extended Fund Facility (EFF) and Extended Credit Facility (ECF) and review under the Resilience and Sustainability Facility Arrangement with Kenya. The Executive Board's decision enabled a combined disbursement of approximately US$606 million under the EFF/ECF arrangements and SDR90.47 million (approximately US$120.3 million) under the RSF arrangement, supporting the Kenyan authorities' efforts to rebuild fiscal and external buffers including resilience to climate related changes. Under the EEF/ECF arrangements, total IMF financial commitment stands at about US$3.61 billion, of which about US$ 3.12 billion has been approved for disbursement. Under the RSF arrangement, the corresponding amounts are about US$541.3 million and about US$ 180.4 million, respectively. The Board also approved the reduction of the total access under the EFF/ECF arrangements from exceptional access to within normal access limits, thereby adjusting Kenya's interest payments to the IMF.

History of Debt Restructuring

Paris Club. Kenya has approached the Paris Club of creditors three times since 1990 to seek debt relief and a rescheduling of its external debt. The first debt rescheduling agreement was reached in January 1994 and granted debt relief with respect to US$535 million of indebtedness to bilateral creditors on non-concessional terms with an eight-year repayment period, including a one-year grace period. The amount covered by the first rescheduling agreement has been fully repaid. While the first rescheduling agreement was "flow" rescheduling, which limited the rescheduling to the debt servicing (principal plus interest) falling due within a specified period (consolidation period), the second rescheduling agreement received "stock" treatment, which takes into account the entire outstanding stock (principal plus accumulated arrears) and re-profiles it over an extended period of time. The second debt rescheduling agreement was signed in November 2000 and granted debt relief with respect to US$301 million of indebtedness to bilateral creditors, with maturities due from 1 July 2000 to 30 June 2001 (including the debt service payments in arrear as of 1 July 2000). As part of this rescheduling, Kenya received an extension of repayment of Official Development Assistance ("**ODA**") of 20 years and an extension of repayment of non-ODA credits of 18 years, with a three-year grace period.

The third rescheduling agreement was signed in January 2004. Approximately US$353 million of debt owed to bilateral creditors was rescheduled and the Republic received an extension of repayment of ODA credits of 20 years, with a ten-year grace period, and an extension of repayment of non-ODA credits of 15 years, with a five-year grace period. The total stock of bilateral debt eligible under the agreement covered maturities falling due from 1 January 2004 to 31 December 2006 (including the debt service payments in arrear as of 31 December 2003).

London Club. Kenya has also received debt relief from the London Club creditors. In 1998, the London Club creditors rescheduled Kenya's debts amounting to US$70 million over ten years, including a three-year grace period, at prevailing market interest rates. In 2003/04, approximately US$23 million of debt owed to London Club creditors was rescheduled over two years at prevailing market interest rates.

Bilateral Debts. Kenya has also received bilateral debt cancellations from Finland, Netherlands and China. In 2006, Kenya entered into a debt-for-development swap agreement with the Italian government amounting to US$44 million. In January 2021, Kenya secured a debt suspension from China until June 2021. Under the terms of the debt suspension, which falls under the G20 DSSI framework, the deferred amount of US$ 378 million, which Kenya owes to China, will be repaid over a five-year period after a debt suspension period of one year. The loans under the debt suspension include a loan by Eximbank to fund Kenya's SGR. The suspended amounts are to be paid in ten equal, successive and semi-annual instalments over a five-year repayment period after a one year grace period at the same rate as the rate of interest in the original loan agreement.

To mitigate debt-risks, the Government is committed to:

- Fiscal consolidation under the IMF programme, including continued efforts to improve tax revenues, strengthen exports and continued reliance on concessional financing;
- Limiting use of commercial borrowing to the amounts allowed under the IMF Debt Limits Policy;
- Actively undertaking debt management operations to lower the cost of debt and refinancing risk by seeking to refinance syndicated loans and other outstanding commercial debts with long-dated debt instruments; and
- Implementing reforms to strengthen the domestic debt markets to enhance efficiency in the secondary market and lower the cost of Government securities across the yield curve.

The 2021 debt strategy was formed amid the Covid-19 Pandemic, which affected Kenya's economic growth and the country`s capacity to raise revenue leading to expenditure pressures. This adversely impacted its ability to service its public debts. Under the strategy, Kenya has modest exposure levels to foreign exchange rate risk which is consistent with the Government's debt management plan. The envisaged borrowing will be used to maximise concessional and semi-concessional debt from the external sources. The Strategy also envisages debt sourcing from the international capital market.

The National Treasury plans to implement reforms to develop the domestic debt market and position Kenya as the regional financial hub in Africa. Strategic reforms include:

Enhancement of market infrastructure such as automation of processes at both primary and secondary markets.

A new Central Securities Depository to reduced time for primary market auction cycle, efficient payment and settlement processes, greater and convenient access to Government securities by both institutional and retail investors.

Restructuring of the interbank repo to provide for transfer of ownership of securities provided as collateral.

The issuance of fewer but large size benchmark bonds at the primary market to create better market liquidity and the development of the benchmark yield curve.

To establish over-the-counter trading to complement the exchange trading platform (Nairobi Securities Exchange).

The National Treasury will continue to explore diversification of Government securities to include non-plain vanilla instruments as well as undertake liability management operations such as bond exchanges, as part of a market-based debt restructuring approach.

The table below summarises the current status of the rescheduled debts.

Rescheduling year	**Amount rescheduled**	**Outstanding amount**
	As at 30 June 2024	
	(*US$ millions*)	
Paris Club		
1994	535	0.0
2000	301	0.0
2004	353	33.8
London Club		
1998	70	0.0
2003	23	0.0

Source: National Treasury

Debt Management

The DSSI was established on 1 May 2020 by the World Bank and the International Monetary Fund in response to the Covid-19 Pandemic. Under the DSSI, bilateral creditors, for a limited period of time, suspended debt service payments from 73 low-and lower middle-income countries that request the suspension on their debt obligations. Kenya secured debt suspension relief from eight out of its 10 Paris Club member creditors, and China with a view to free up liquidity for Covid-19 Pandemic-related expenditures.

The first phase of the deferral agreements was completed in June 2021, after which the Government sought suspension of eligible debt service payments between July and December 2021. The first phase of the DSSI freed up approximately KES 46.2 billion, while the second phase 1 deferred approximately KES 9.5 billion of debt service payments between July and December 2021.

The Government is not planning to restructure any of its debts, although plans are under way to conduct liability management operations on selected commercial debts with an aim to lengthen the maturity structure and refinance those debts at lower interest rates. Even without the liability management operations, the Government still expects to refinance selected commercial debts as and when they mature.

The Common Framework for Debt Treatments beyond the DSSI (the "**Common Framework**") is an agreement of the G20 and Paris Club countries to coordinate and cooperate on debt treatments for up to 73 countries that are eligible for the DSSI, and extends beyond bilateral agreements. Kenya does not currently plan to participate in the Common Framework. See "*Risk Factors—Risks Relating to the Republic of Kenya—High levels of indebtedness could have a material adverse effect on Kenya's economy, its sovereign credit ratings and its ability to service its debt, including the Notes*."

TERMS AND CONDITIONS OF THE NOTES

The US$1,500,000,000 9.500% Amortising Notes due 2036 (the "**Notes**", which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 15 and forming a single series with the Notes) issued by the Republic of Kenya (the "**Issuer**") are issued subject to and with the benefit of an agency agreement dated 5 March 2025 (such agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") made between the Issuer, Citibank Europe plc, Germany Branch as registrar (the "**Registrar**"), Citibank, N.A., London Branch as fiscal agent and principal paying agent (the "**Fiscal Agent**"), Citibank, N.A., London Branch as transfer agent (the "**Transfer Agent**") and the other initial paying agents named in the Agency Agreement (together with the Fiscal Agent, the "**Paying Agents**") and the other agents named in it (together with the Fiscal Agent, the Registrar, the Transfer Agent and the other Paying Agents, the "**Agents**"). The Notes also have the benefit of a deed of covenant dated 5 March 2025 (the "**Deed of Covenant**") executed by the Issuer in relation to the Notes.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions contained in the Agency Agreement. Copies of the Agency Agreement and the Deed of Covenant (i) are available for inspection during normal business hours by the holders of the Notes (the "Noteholders") at the Specified Office (as defined in the Agency Agreement) of each of the Paying Agents, or (ii) may be provided by email to a Noteholder following their prior written request to any Paying Agent and provision of proof of holding and identity (in a form satisfactory to the relevant Paying Agent). The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. References in these Conditions to the Fiscal Agent, the Transfer Agent, the Registrar, the Paying Agents and the Agents shall include any successor appointed under the Agency Agreement.

1. Form, Denomination and Title

(a) *Form and Denomination:* The Notes are issued in registered form in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof (each, an "**Authorised Denomination**"). A registered note certificate (each, a "**Certificate**") will be issued to each Noteholder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders (the "**Register**") which the Issuer will procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement.

(b) *Title:* Title to the Notes passes only by registration in the Register. The holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions "**Noteholder**", and in relation to a Note, "**holder**" means the person in whose name a Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**holders**" shall be construed accordingly.

2. Transfers of Notes and Issue of Certificates

(a) *Transfers:* Subject to Condition 2(d) and Condition 2(e), a Note may be transferred by depositing the Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the Specified Office of the Registrar or any of the Transfer Agents together with such evidence as the Registrar or Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided however, that a Note may not be transferred unless the nominal amount of the Notes transferred and (where not all of the Notes held by a Noteholder are being transferred) the nominal amount of the Notes not transferred, are Authorised Denominations.

(b) *Delivery of new Certificates:* Each new Certificate to be issued upon transfer or exchange of Notes will, within five business days of receipt by the Registrar or the Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note to the address specified in the form of transfer. For the purposes of this Condition 2(b), "**business day**" shall mean a day on which commercial banks are open for business in the city in which the Specified Office of the Registrar or the Transfer Agent with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Notes in respect of which a Certificate is issued are to be transferred a new Certificate in respect of the Notes not so transferred will, within five business days of receipt by the Registrar or the Transfer Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred to the address of such holder appearing on the Register or as specified in the form of transfer.

(c) *Formalities free of charge*: Registration of transfer of Notes will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but upon payment by the Noteholder (or the giving of such indemnity as the Registrar or any Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

(d) *Closed Periods*: No Noteholder may require the transfer of a Note to be registered during the period of 15 calendar days ending on (and including) the due date for any payment of principal or interest on that Note.

(e) *Regulations*: All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder upon request.

3. Status

The Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank, and will rank, *pari passu* and without any preference among themselves, and at least *pari passu* with all other present and future unsubordinated and (subject as provided in Condition 4) unsecured obligations of the Issuer, save only for such obligations as may be preferred by mandatory provisions of applicable law, **provided, further, that** the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other obligations and, in particular, shall have no obligation to pay such other obligations at the same time or as a condition of paying sums due on the Notes and *vice versa*. The Notes are backed by the full faith and credit of the Issuer.

4. Negative Pledge

(a) *Negative Pledge*: So long as any Note remains outstanding (as defined in the Agency Agreement) the Issuer will not, save for the exceptions set out below in Condition 4(c) create, incur, assume or permit to subsist any Security upon the whole or any part of its present or future assets or revenues to secure (i) any of its Public External Indebtedness, (ii) any Guarantees in respect of Public External Indebtedness or (iii) the Public External Indebtedness of any other person, without at the same time or prior thereto securing the Notes equally and rateably therewith or providing such other arrangement (whether or not comprising Security) as shall be approved by an Extraordinary Resolution of Noteholders or by a Written Resolution (as defined in Condition 13.1). For the avoidance of doubt, any such approval shall not constitute a Reserved Matter (as defined in Condition 13.5).

(b) *Interpretation*: In these *Conditions*:

(i) "**Guarantee**" means any obligation of a person to pay the Indebtedness of another person including, without limitation: an obligation to pay or purchase such Indebtedness, an obligation to lend money or to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness, an indemnity against the consequences of a default in the payment of such Indebtedness or any other agreement to be responsible for such Indebtedness;

(ii) "**Extraordinary Resolution**" means a resolution passed at a meeting of Noteholders (whether originally convened or resumed following an adjournment) duly convened and held in accordance with Schedule 7 *(Provisions for Meetings of the Noteholders)* to the Agency Agreement by a majority of not less than three quarters of the votes cast;

(iii) "**Indebtedness**" means any obligation (whether present or future) for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing);

(iv) "**person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, trust or other juridical entity, state or agency of a state or other entity, whether or not having a separate legal personality;

(v) "**Public External Indebtedness**" means any Indebtedness which (i) is expressed, denominated or payable, or at the option of the relevant creditor may be payable, in any currency other than the lawful currency from time to time of the Republic of Kenya, and (ii) is in the form of, or is represented by, bonds, notes or other securities with a stated maturity of more than one year from the date of issue which are, or are capable of being, quoted, listed or ordinarily purchased or sold, dealt in or traded on any stock exchange, automated trading system, over-the-counter or other securities market; and

(vi) "**Security**" means any mortgage, pledge, lien, hypothecation, security interest or other charge or encumbrance including, without limitation, anything analogous to the foregoing under the laws of any jurisdiction.

(c) *Exceptions:* The following exceptions apply to the Issuer's obligations under Condition 4(a):

(i) any Security upon property to secure Public External Indebtedness of the Issuer or any Guarantee by the Issuer of Public External Indebtedness of any other person incurred for the purpose of financing the acquisition or construction of such property and any renewal and extension of such Security which is limited to the original property covered thereby and which (in either case) secures any renewal or extension of the original secured financing; and

(ii) any Security securing Public External Indebtedness of the Issuer or any Guarantee by the Issuer of Public External Indebtedness of any other person incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project; provided that (A) the holders of such Public External Indebtedness or Guarantee expressly agree to limit their recourse to the assets and revenues of such project or the proceeds of insurance thereon as the principal source of repayments of such Public External Indebtedness and (B) the property over which such Security is granted consists solely of such assets and revenues.

5. Interest

(a) *Interest Rate and Interest Payment Dates:* The Notes bear interest on their outstanding principal amount from time to time (as determined in accordance with Condition 7) from and including 5 March 2025 (the "**Issue Date**") to but excluding the Maturity Date (as defined in Condition 7(a)) at the rate of 9.500% per annum (the "**Rate of Interest**"), payable semi-annually in arrear on 16 February and 16 August in each year (each, an "**Interest Payment Date**"), subject as provided in Condition 6(d). Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called, an "**Interest Period**".

(b) *Interest Accrual:* Each Note will cease to bear interest from and including its due date for redemption unless, upon surrender of the Certificate representing such Note, payment of the principal in respect of the Note is improperly *withheld* or refused or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue at the rate referred to in Condition 5.1(a) (both before and after judgment) until whichever is the earlier of:

(i) the date on which all amounts due in respect of such Note up to that date have been received by or on behalf of the relevant Noteholder; and

(ii) the day which is seven days after the date on which the full amount of the moneys payable in respect of such Notes has been received by the Fiscal Agent and notice to that effect has been given to the Noteholders in accordance with Condition 12 (except to the extent that there is any subsequent default in payment to the relevant Noteholders).

(c) *Calculation of Interest*: The amount of interest payable in respect of each Note for any Interest Period shall be calculated by applying the Rate of Interest to the then outstanding principal amount of such Note (as determined in accordance *with* Condition 7), dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). If interest is required to be calculated for any period other than an Interest Period, it will be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed.

6. Payments

(a) *Payments in respect of Notes:* Payment of principal and interest will be made by transfer to the registered account of the Noteholder or by a cheque in US dollars drawn on a bank that processes payments in US dollars mailed to the registered address of the Noteholder if it does not have a registered account. Payment of principal will only be made against surrender of the relevant Certificate at the Specified Office of any of the Paying Agents. Interest on Notes due on an Interest Payment Date will be paid to the Noteholder shown on the Register at the close of business on the date (the "**record date**") being the fifteenth day before the due date for the payment of interest.

For the purposes of this Condition 6(a), a Noteholder's "**registered account**" means the US dollar account maintained by or on its behalf with a bank that processes payments in US dollars, the details of which appear on the Register at the close of business, in the case of principal, on the second Business Day (as defined below) before the due date for payment and, in the case of interest, on the relevant record date, and a Noteholder's "**registered address**" means its address appearing on the Register at that time.

(b) *Payments subject to Applicable Laws:* Payments in respect of principal and interest on the Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8.

(c) *No commissions*: No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition 6.

(d) *Payment on Business Days*: Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day (as defined below), for value the first following day which is a Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed, on the due date for payment or, in the case of a payment of principal, if later, on the Business Day on which the relevant Certificate is surrendered at the Specified Office of an Agent. If any date for payment in respect of a Note is not a Business Day, the Noteholder shall not be entitled to payment until the next following Business Day.

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the Noteholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition 6(d) arrives after the due date for payment.

In this Condition 6, "**Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business in London, New York City and, in the case of surrender of a Certificate, in the place in which the Certificate is surrendered.

(e) *Partial Payments*: If the amount of principal or interest which is due on the Notes is not paid in full, the Registrar will annotate the Register with a record of the amount of principal or interest in fact paid.

(f) *Agents*: The names of the initial Agents and their initial Specified Offices are set out in the Agency Agreement. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents; **provided that**, there will at all times be: (i) Fiscal Agent, (ii) such other agents as may be required by any stock exchange on which the Notes may be listed, (iii) a Registrar, and (iv) Transfer Agent.

Notice of any termination or appointment and of any changes in Specified Offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 12.

(g) In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

7. Redemption and Purchase

(a) *Redemption by Amortisation and Final Redemption:* Unless previously purchased and cancelled as provided below, the Issuer will redeem the Notes in three equal instalments on each amortisation date specified in column A below (each, an "**Amortisation Date**") at the related amortisation amount specified in column B below (each, an "**Amortisation Amount**") payable as provided in Condition 6 (*Payments*). The outstanding principal amount of the Notes shall be reduced by the Amortisation Amount so paid by the Issuer on the relevant Amortisation Date for all purposes with effect from such relevant Amortisation Date such that the outstanding aggregate principal amount of the Notes following such payment shall be as specified in column C below. If payment of the relevant Amortisation Amount is improperly withheld or refused in respect of a Note, the relevant principal amount of such Note will remain outstanding until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day have been paid and (ii) the Business Day after the Fiscal Agent has given notice to the Noteholders that it has received all sums due in respect of such Notes up to that Business Day (except to the extent that there is any subsequent default in payment in accordance with these Conditions). The Notes shall be finally redeemed at their final Amortisation Amount payable on 5 March 2036 (the "**Maturity Date**").

Amortisation Date (A)	**Amortisation Amount (B)** *(US$)*	**Outstanding Aggregate Principal Amount of the Notes (C)** *(US$)*
Interest Payment Date falling on 5 March 2034	500,000,000	1,000,000,000
Interest Payment Date falling on 5 March 2035	500,000,000	500,000,000
Maturity Date	500,000,000	0

In these Conditions, references to "**principal**" shall, unless the context requires otherwise, be deemed to include any Amortisation Amount and references to the "**due date**" for payment shall, unless the context requires otherwise, be deemed to include any Amortisation Date.

In the event of any purchase and cancellation of the Notes as provided in Condition 7(b) (*Purchases and Cancellation*) below, there shall be a corresponding pro rata reduction in the remaining Amortisation Amounts payable in respect of the Notes to reflect the reduction in the outstanding aggregate principal amount of the Notes following such purchase and cancellation, as the case may be, and to provide for the redemption of the remaining Notes in corresponding instalments on each remaining Amortisation Date.

(b) *Purchases and Cancellation*: The Issuer may at any time purchase Notes in the open market or otherwise at any price and for any consideration. All Notes so purchased may be cancelled or resold. Any Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder of the Notes to vote at any meeting of Noteholders and shall not be deemed outstanding for the purpose of such meetings. Any Notes cancelled shall not be reissued.

8. Taxation

(a) *Payment without Withholding:* All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction, except that no additional amounts shall be payable in relation to any payment in respect of any Note:

(i) held by or on behalf of a Noteholder who is liable to the Taxes in respect of such Note by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Note; or

(ii) in respect of which the Certificate representing it is surrendered for payment more than 30 days after the Relevant Date (as defined below), except to the extent that the relevant Noteholder would have been entitled to such additional amounts on surrendering the Certificate representing such Note for payment on the last day of such period of 30 days assuming, whether or not such is in fact the case, that day to have been a Business Day (as defined in Condition 6).

(b) *Interpretation:* In these Conditions:

(i) "**Relevant Date**" in respect of any Note means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Fiscal Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 12; and

(ii) "**Relevant Jurisdiction**" means the Republic of Kenya or any political subdivision or any authority thereof or therein having power to tax in respect of payments in respect of the Notes.

(c) *Additional Amounts:* Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 8.

9. Prescription

Claims against the Issuer for payment in respect of the Notes will be prescribed and become void unless made within six years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 8).

10. Events of Default

(a) *Events of Default:* If any of the following events ("**Events of Default**") shall have occurred and be continuing:

(i) *Non-payment:* (A) the Issuer fails to pay any principal on any of the Notes when due and payable and such failure continues for a period of 15 business days; or (B) the Issuer fails to pay any interest on any of the Notes or any amount due under Condition 8 when due and payable, and such failure continues for a period of 30 days; or

(ii) *Breach of Other Obligations*: the Issuer does not perform or comply with any one or more of its other obligations under the Notes, the Agency Agreement or the Deed of Covenant, which default is incapable of remedy or is not remedied within 45 days following the service by any Noteholder on the Issuer of notice requiring the same to be remedied; or

(iii) *Cross-default*: (A) the acceleration of the maturity (other than by optional or mandatory prepayment or redemption) of any External Indebtedness of the Issuer, or (B) any default in the payment of principal of any External Indebtedness of the Issuer shall occur when and as the same shall become due and payable if such default shall continue beyond the initial grace period, if any, applicable thereto or (C) any default in the payment when due and called upon (after the expiry of any originally applicable grace period) of any Guarantee of the Issuer in respect of any External Indebtedness of any other person; provided that, the aggregate amount of the relevant External Indebtedness in respect of which one or more of the events mentioned in this paragraph (iii) have occurred equals or exceeds US$25,000,000 or its equivalent in other currencies; or

(iv) *Moratorium*: a moratorium on the payment of principal of, or interest on, the External Indebtedness of the Issuer shall be declared by the Issuer; or

(v) *IMF Membership*: the Issuer shall cease to be a member of the International Monetary Fund ("**IMF**") or shall cease to be eligible to use the general resources of the IMF; or

(vi) *Validity*: (A) the validity of the Notes shall be contested by the Issuer, or (B) the Issuer shall deny any of its obligations under the Notes (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise) or (C) it shall be or become unlawful for the Issuer to perform or comply with all or any of its obligations set out in the Notes, including, without limitation, the payment of interest on the Notes, as a result of any change in law or regulation in the Republic of Kenya or any ruling of any court in the Republic of Kenya whose decision is final and unappealable or for any reason such obligations cease to be in full force and effect; or

(vii) *Consents:* if any authorisation, consent of, or filing or registration with, any governmental authority necessary for the performance of any payment obligation of the Issuer under the Notes, when due, ceases to be in full force and effect or remain valid and subsisting,

then the holders of at least 25% in aggregate principal amount of the Notes then outstanding may, by notice in writing to the Issuer (with a copy to the Fiscal Agent), declare all the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their outstanding principal amount (as determined in accordance with Condition 7) together with accrued interest without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders by the Issuer.

If the Issuer receives notice in writing from holders of at least 50% in aggregate principal amount of the Notes then outstanding to the effect that the Event of Default or Events of Default giving rise to any above mentioned declaration of acceleration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn, the Issuer shall give notice thereof to the Noteholders (with a copy to the Fiscal Agent), whereupon the relevant declaration shall be withdrawn and shall have no further effect but without prejudice to any rights or obligations which may have arisen before the Issuer gives such notice (whether pursuant to these Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto.

In this Condition 10, "**External Indebtedness**" means Indebtedness expressed or denominated or payable or which, at the option of the relevant creditor, may be payable in a currency other than the lawful currency from time to time in the Republic of Kenya.

11. Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the Specified Office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. Notices

All notices to the Noteholders will be valid if mailed to them at their respective addresses in the Register at the time of publication of such notice by pre-paid first class mail (or any other manner approved by the Registrar (or the Fiscal Agent on its behalf), which may be by electronic transmission). Any such notice shall be deemed to have been given on the fourth week day (being a day other than a Saturday or Sunday) after being so mailed. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules.

13. Meetings of Noteholders; Written Resolutions

13.1 Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions

(a) The Issuer may convene a meeting of the Noteholders at any time in respect of the Notes in accordance with the Agency Agreement. The Issuer will determine the time and place of the meeting (which need not be to a physical place and instead may be to the meeting held by way of conference call or by use of a videoconference platform). The Issuer will notify the Noteholders of the time, place and purpose of the meeting not less than 21 and not more than 45 days before the meeting. References to persons being "present" at or "attending" a meeting shall include being present at or attending by means of video or telephone conference facilities.

(b) The Issuer or the Fiscal Agent will convene a meeting of Noteholders if the holders of at least 10% in principal amount of the Notes then outstanding (as defined in the Agency Agreement and described in Condition 13.9 below) have delivered a written request to the Issuer or the Fiscal Agent (with a copy to the Issuer) setting out the purpose of the meeting. The Fiscal Agent will agree the time and place of the meeting with the Issuer promptly. The Issuer or the Fiscal Agent, as the case may be, will notify the Noteholders within 10 days of receipt of such written request of the time and place of the meeting, which shall take place not less than 21 and not more than 45 days after the date on which such notification is given.

(c) The Issuer (with the agreement of the Fiscal Agent) will set the procedures governing the conduct of any meeting in accordance with the Agency Agreement. If the Agency Agreement does not include such procedures, or additional procedures are required, the Issuer and the Fiscal Agent will agree such procedures as are customary in the market and in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter the Issuer proposes any modification to the terms and conditions of, or action with respect to, two or more series of debt securities issued by it.

(d) The notice convening any meeting will specify, *inter alia:*

(i) the date, time and location of the meeting;

(ii) the agenda and the text of any Extraordinary Resolution to be proposed for adoption at the meeting;

(iii) the record date for the meeting, which shall be no more than five business days before the date of the meeting;

(iv) the documentation required to be produced by a Noteholder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Noteholder's behalf at the meeting;

(v) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Notes are traded and/or held by Noteholders;

(vi) whether Condition 13.2, or Condition 13.3, or Condition 13.4 shall apply and, if relevant, in relation to which other series of debt securities it applies;

(vii) if the proposed modification or action relates to two or more series of debt securities issued by the Issuer and contemplates such series of debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group of debt securities;

(viii) such information that is required to be provided by the Issuer in accordance with Condition 13.6;

(ix) the identity of the Aggregation Agent and the Calculation Agent (each as defined in these Conditions), if any, for any proposed modification or action to be voted on at the meeting, and the details of any applicable methodology referred to in Condition 13.7; and

(x) any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of debt securities.

(e) All information to be provided pursuant to Condition 13.1(d) shall also be provided, *mutatis mutandis*, in respect of Written Resolutions and Electronic Consents (as defined in Condition 13.12).

(f) A "**record date**" in relation to any proposed modification or action means the date fixed by the Issuer for determining the Noteholders and, in the case of a multiple series aggregation, the holders of debt securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution.

(g) An "**Extraordinary Resolution**" means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.

(h) A "**Written Resolution**" means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.

(i) Any reference to "**debt securities**" means any notes (including the Notes), bonds, debentures or other debt securities issued by the Issuer in one or more series with an original stated maturity of more than one year.

(j) "**Debt Securities Capable of Aggregation**" means those debt securities which include or incorporate by reference this Condition 13 and Condition 14 or provisions substantially in these terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

13.2 Modification of this Series of Notes only

(a) Any modification of any provision of, or any action in respect of, the Notes, these Conditions, the Agency Agreement and/or the Deed of Covenant may be made or taken if approved by a Single Series Ordinary Resolution, a Single Series Extraordinary Resolution or a Single Series Written Resolution as set out below.

(b) For the purposes of a meeting of Noteholders convened in respect of this Series of Notes only and for the purposes of passing a Single Series Ordinary Resolution and/or a Single Series Extraordinary Resolution (each as defined below) (a "**Single Series Meeting**"), at any such Single Series Meeting any one or more persons present holding Notes or proxies or representatives and holding or representing in the aggregate not less than 50% in principal amount of the Notes for the time being outstanding (or, in the case of an adjourned meeting, one or more persons present holding Notes or being proxies or representatives (whatever the principal amount of Notes so held or represented)) shall (except for the purposes of passing a Single Series Extraordinary Resolution) form a quorum for the transaction of business and no business (other than the choosing of a chairman) shall be transacted at any such Single Series Meeting unless the requisite quorum be present at the commencement of business. The quorum at any such Single Series Meeting convened for the purpose of passing a Single Series Extraordinary Resolution shall be one or more persons present holding Notes or being proxies or representatives and holding or representing in the aggregate not less than 66.67% of the principal amount of the Notes for the time being outstanding, (or, in the case of an adjourned meeting, one or more persons so present holding Notes or being proxies or representatives and holding or representing in the aggregate not less than 33.34% in the principal amount of Notes for the time being outstanding).

(c) A "**Single Series Ordinary Resolution**" means a resolution passed at a Single Series Meeting duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Conditions 13.1 and 13.2(b) in respect of any matter other than a Reserved Matter, by a majority of at least 66.67% of the votes cast.

(d) A "**Single Series Extraordinary Resolution**" means a resolution passed at a Single Series Meeting duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Conditions 13.1 and 13.2(b) in respect of a Reserved Matter by a majority of at least 75% of the votes cast.

(e) A "**Single Series Written Resolution**" means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:

(i) in the case of a Reserved Matter, at least 75% of the aggregate principal amount of the Notes then outstanding; or

(ii) in the case of a matter other than a Reserved Matter, at least 66.67% of the aggregate principal amount of the Notes then outstanding.

Any Single Series Written Resolution may be contained in one document or several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders.

(f) Any Single Series Ordinary Resolution, Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Noteholders, whether or not they attended such Single Series Meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be.

13.3 Multiple Series Aggregation - Single limb voting

(a) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, **provided that** the Uniformly Applicable condition is satisfied.

(b) A "**Multiple Series Single Limb Extraordinary Resolution**" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 13.1, as supplemented if necessary, which is passed by a majority of at least 75% of the aggregate principal amount of the debt securities then outstanding of all affected series of Debt Securities Capable of Aggregation (taken in aggregate).

(c) A "**Multiple Series Single Limb Written Resolution**" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75% of the aggregate principal amount of the debt securities then outstanding of all affected series of Debt Securities Capable of Aggregation (taken in aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of debt securities.

(d) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be.

(e) The "**Uniformly Applicable**" condition will be satisfied if:

(i) the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (i) the same new instrument or other consideration or (ii) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or

(ii) the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to different currency of issuance).

(f) It is understood that a proposal under Condition 13.3(c) above will not be considered to satisfy the Uniformly Applicable condition if each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation (or, where a menu of instruments or other consideration is offered, each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation electing the same option from such menu of instruments).

(g) Any modification or action proposed under Condition 13.3(a) may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 13.3 may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

13.4 Multiple Series Aggregation - Two limb voting

(a) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.

(b) A "**Multiple Series Two Limb Extraordinary Resolution**" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 13.1, as supplemented if necessary, which is passed by a majority of:

(i) at least 66.67% of the aggregate principal amount of the debt securities then outstanding of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(ii) more than 50% of the aggregate principal amount of the debt securities then outstanding in each affected series of Debt Securities Capable of Aggregation (taken individually).

(c) A "**Multiple Series Two Limb Written Resolution**" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:

(i) at least 66.67% of the aggregate principal amount of the debt securities then outstanding of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(ii) more than 50% of the aggregate principal amount of the debt securities then outstanding in each affected series of Debt Securities Capable of Aggregation (taken individually).

Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

(d) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be.

(e) Any modification or action proposed under Condition 13.4(a) may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 13.4 may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

13.5 Reserved Matters

In these Conditions, "**Reserved Matter**" means any proposal:

(a) to change the dates, or the method of determining the dates, for payment of principal, interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Notes or to change the method of calculating the amount of principal, interest or any other amount payable in respect of the Notes on any date;

(b) to change the currency in which any amount due in respect of the Notes is payable or the place in which any payment is to be made;

(c) to change the majority or quorum required to pass a Single Series Ordinary Resolution, an Electronic Consent, an Extraordinary Resolution, a Written Resolution or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;

(d) to change this definition, or the definition of "Electronic Consent", "Extraordinary Resolution", "Single Series Ordinary Resolution", "Single Series Extraordinary Resolution", "Multiple Series Single Limb Extraordinary Resolution", "Multiple Series Two Limb Extraordinary Resolution", "Written Resolution", "Single Series Written Resolution", "Multiple Series Single Limb Written Resolution" or "Multiple Series Two Limb Written Resolution";

(e) to change the definition of "debt securities" or "Debt Securities Capable of Aggregation";

(f) to change the definition of "Uniformly Applicable";

(g) to change the definition of "outstanding" set out in the Agency Agreement or to modify the provisions of Condition 13.9;

(h) to change the legal ranking of the Notes;

(i) to change any provision of the Notes describing circumstances in which Notes may be declared due and payable prior to their scheduled maturity date, set out in Condition 10;

(j) to change the law governing the Notes, the arbitral tribunals to the jurisdiction of which the Issuer has submitted in the Notes, the Issuer's obligation to maintain an agent for service of process in England, any of the arrangements specified in the Notes to enable proceedings to be taken or the Issuer's waiver of immunity, in respect of actions or proceedings brought by any Noteholder, set out in Condition 16;

(k) to impose any condition on or otherwise change the Issuer's obligation to make payments of principal, interest or any other amount in respect of the Notes, including by way of the addition of a call option;

(l) to modify the provisions of this Condition 13.5;

(m) except as permitted by any related guarantee or security agreement, to release any agreement guaranteeing or securing payments under the Notes or to change the terms of any such guarantee or security; or

(n) to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Issuer or any other person, or to modify any provision of these Conditions in connection with any exchange or substitution of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Issuer or any other person, which would result in the Conditions as so modified being less favourable to the Noteholders which are subject to the Conditions as so modified than:

(i) the provisions of the other obligations or debt securities of the Issuer or any other person resulting from the relevant exchange or substitution or conversion; or

(ii) if more than one series of other obligations or debt securities results from the relevant exchange or substitution or conversion, the provisions of the resulting series of debt securities having the largest aggregate principal amount.

13.6 Information

Prior to or on the date that the Issuer proposes any Extraordinary Resolution or Written Resolution pursuant to Condition 13.2, Condition 13.3 or Condition 13.4, the Issuer shall publish in accordance with Condition 14, and provide the Fiscal Agent with the following information:

(a) a description of the Issuer's economic and financial circumstances which are, in the Issuer's opinion, relevant to the request for any potential modification or action, a description of the Issuer's existing debts and a description of its broad policy reform programme and provisional macroeconomic outlook;

(b) if the Issuer shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement;

(c) a description of the Issuer's proposed treatment of external debt securities that fall outside the scope of any multiple series aggregation and its intentions with respect to any other debt securities and its other major creditor groups; and

(d) if any proposed modification or action contemplates debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of the Noteholders in Condition 13.1(d)(vii).

13.7 Claims Valuation

For the purpose of calculating the par value of the Notes and any affected series of debt securities which are to be aggregated with the Notes in accordance with Condition 13.3 and Condition 13.4, the Issuer may appoint a calculation agent (the "**Calculation Agent**"). The Issuer shall, with the approval of the Aggregation Agent and any appointed Calculation Agent, promulgate the methodology in accordance with which the Calculation Agent will calculate the par value of the Notes and such affected series of debt securities. In any such case where a Calculation Agent is appointed, the same person will be appointed as the Calculation Agent for the Notes and each other affected series of debt securities for these purposes, and the same methodology will be promulgated for each affected series of debt securities.

13.8 Manifest error, etc.

The Notes, these Conditions and the provisions of the Agency Agreement may be amended by the Issuer and the Fiscal Agent without the consent of the Noteholders either (i) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein or (ii) in any other manner which is, in the sole opinion of the Issuer, not materially prejudicial to the interests of the Noteholders. Any such modification shall be binding on the Noteholders and shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 12.

13.9 Notes controlled by the Issuer

For the purposes of (a) determining the right to attend and vote at any meeting of Noteholders, the right to give an Electronic Consent, or the right to sign or confirm in writing, or authorise the signature of, any Written Resolution, (b) this Condition 12 and (c) Condition 10, any Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer shall be deemed not to remain outstanding, where:

(a) "**public sector instrumentality**" means the Central Bank of Kenya, any other department, ministry or agency of the government of the Republic of Kenya or any corporation, trust, financial institution or other entity owned or controlled by the government of the Republic of Kenya or any of the foregoing; and

(b) "**control**" means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

A Note will also be deemed to be not outstanding if the Note has previously been cancelled or delivered for cancellation or held for reissuance but not reissued, or, where relevant, the Note has previously been called for redemption in accordance with its terms or previously become due and payable at maturity or otherwise and the Issuer has previously satisfied its obligations to make all payments due in respect of the Note in accordance with its terms.

In advance of any meeting of Noteholders, or in connection with any Electronic Consent or Written Resolution, the Issuer shall provide to the Fiscal Agent a copy of the certificate prepared pursuant to Condition 14.5, which includes information on the total number of Notes which are for the time being held by any person (including but not limited to the Issuer) on behalf of the Issuer or by any public body owned or controlled, directly or indirectly, by the Issuer or by any public sector instrumentality of the Issuer and, as such, such Notes shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any meeting of Noteholders or the right to sign, or authorise the signature of, any Written Resolution in respect of any such meeting. The Fiscal Agent shall make any such certificate available for inspection during normal business hours at its Specified Office and, upon reasonable request, will allow copies of such certificate to be taken.

13.10 Publication

The Issuer shall publish all Extraordinary Resolutions, Electronic Consents and Written Resolutions which have been determined by the Aggregation Agent to have been duly passed in accordance with Condition 14.8.

13.11 Exchange and Conversion

Any Extraordinary Resolutions, Electronic Consents or Written Resolutions which have been duly passed and which modify any provision of, or action in respect of, the Conditions may be implemented at the Issuer's option by way of a mandatory exchange or conversion of the Notes and each other affected series of debt securities, as the case may be, into new debt securities containing the modified terms and conditions if the proposed mandatory exchange or conversion of the Notes is notified to Noteholders at the time notification is given to the Noteholders as to the proposed modification or action. Any such exchange or conversion shall be binding on all Noteholders.

13.12 Written Resolutions and Electronic Consents

A Written Resolution may be contained in one document or in several documents in like form, each signed by or on behalf of one or more of the Noteholders.

For so long as any Notes are in the form of a global Note held on behalf of one or more of Euroclear Bank SA/NV ("**Euroclear**"), Clearstream Banking S.A. ("**Clearstream, Luxembourg**"), The Depository Trust Company ("**DTC**") or any other clearing system (the "**relevant clearing system(s)**"), then:

(a) Approval of a resolution proposed by the Issuer given by way of electronic consent communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures (i) by or on behalf of all

Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders or (ii) (where such holders have been given at least 21 days' notice of such resolution) by or on behalf of:

(A) in respect of a proposal that falls within paragraphs (c), (d) and (e) of Condition 13.2, the persons holding at least 75% of the aggregate principal amount of the Notes then outstanding in the case of a Reserved Matter or at least 66.67% of the aggregate principal amount of the Notes then outstanding, in the case of a matter other than a Reserved Matter;

(B) in respect of a proposal that falls within paragraphs (b) and (c) of Condition 13.3, the persons holding at least 75% of the aggregate principal amount of the debt securities then outstanding of all affected series of Debt Securities Capable of Aggregation (taken in aggregate);

(C) in respect of a proposal that falls within paragraphs (b) and (c) of Condition 13.4, (x) the persons holding at least 66.67% of the aggregate principal amount of the debt securities then outstanding of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); and (y) the persons holding more than 50% of the aggregate principal amount of the debt securities then outstanding in each affected series of Debt Securities Capable of Aggregation (taken individually),

(in the case of (A), (B) and (C), each an "**Electronic Consent**") shall, for all purposes (including Reserved Matters) take effect as (i) a Single Series Extraordinary Resolution (in the case of (A) above), (ii) a Multiple Series Single Limb Extraordinary Resolution (in the case of (B) above) or (iii) a Multiple Series Two Limb Extraordinary Resolution (in the case of (C) above), as applicable.

The notice given to Noteholders shall specify, in sufficient detail to enable Noteholders (in the case of a proposal pursuant to Condition 13.2) or holders of each affected series of Debt Securities Capable of Aggregation (in the case of a proposal pursuant to Condition 13.3 or 13.4) to give their consents in relation to the proposed resolution, the method by which their consents may be given (including, where applicable, blocking of their accounts in the relevant clearing system(s)) and the time and date (the "**Relevant Date**") by which they must be received in order for such consents to be validly given, in each case subject to and in accordance with the operating rules and procedures of the relevant clearing system(s).

If, on the Relevant Date on which the consents in respect of an Electronic Consent are first counted, such consents do not represent the required proportion for approval, the resolution shall, if the party proposing such resolution (the "**Proposer**") so determines, be deemed to be defeated. Alternatively, the Proposer may give a further notice to Noteholders (in the case of a proposal pursuant to Condition 13.2) or holders of each affected series of Debt Securities Capable of Aggregation (in the case of a proposal pursuant to Condition 13.3 or 13.4) that the resolution will be proposed again on such date and for such period as shall be agreed with the Issuer (unless the Issuer is the Proposer). Such notice must inform Noteholders (in the case of a proposal pursuant to Condition 13.2) or holders of each affected series of Debt Securities Capable of Aggregation (in the case of a proposal pursuant to Condition 13.3 or 13.4) that insufficient consents were received in relation to the original resolution and the information specified in the previous paragraph. For the purpose of such further notice, references to "**Relevant Date**" shall be construed accordingly.

An Electronic Consent may only be used in relation to a resolution proposed by the Issuer which is not then the subject of a meeting that has been validly convened above, unless that meeting is or shall be cancelled or dissolved.

Where Electronic Consent has not been sought, for the purposes of determining whether a Written Resolution has been validly passed, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer (a) by accountholders in the relevant clearing system(s) with entitlements to any global Note and/or (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, the relevant clearing system(s) and, in the case of (b) above, the relevant clearing system(s) and the accountholder identified by the relevant clearing system(s). Any such certificate or other document (i) shall be conclusive and binding for all purposes and (ii) may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

All information to be provided pursuant to paragraph (d) of Condition 13.1 shall also be provided, *mutatis mutandis*, in respect of Written Resolutions and Electronic Consents.

A Written Resolution and/or Electronic Consent (i) shall take effect as an Extraordinary Resolution and (ii) will be binding on all Noteholders, whether or not they participated in such Written Resolution and/or Electronic Consent, even if the relevant consent or instruction proves to be defective.

14. Aggregation Agent; Aggregation Procedures

14.1 Appointment

The Issuer will appoint an aggregation agent (the "**Aggregation Agent**") to calculate whether a proposed modification or action has been approved by the required principal amount outstanding of Notes, and, in the case of a multiple series aggregation, by the required principal amount of debt securities then outstanding of each affected series of debt securities. In the case of a multiple series aggregation, the same person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Conditions or the Agency Agreement in respect of the Notes and in respect of the terms and conditions or bond documentation in respect of each other affected series of debt securities. The Aggregation Agent shall be independent of the Issuer.

14.2 Extraordinary Resolutions

If an Extraordinary Resolution has been proposed at a duly convened meeting of Noteholders to modify any provision of, or action in respect of, these Conditions and other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as practicable after the time the vote is cast, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have voted in favour of the Extraordinary Resolution such that the Extraordinary Resolution is passed. If so, the Aggregation Agent will determine that the Extraordinary Resolution has been duly passed.

14.3 Written Resolutions

If a Written Resolution has been proposed under the terms of these Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as reasonably practicable after the relevant Written Resolution has been signed or confirmed in writing, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have signed or confirmed in writing in favour of the Written Resolution such that the Written Resolution is passed. If so, the Aggregation Agent will determine that the Written Resolution has been duly passed.

14.4 Electronic Consents

If approval of a resolution proposed under the terms of these Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, is proposed to be given by way of Electronic Consent, the Aggregation Agent will, as soon as reasonably practicable after the relevant Electronic Consent has been given, calculate whether holders of a sufficient portion of the aggregate principal amount of the Notes then outstanding and, where relevant, each other affected series of debt securities, have consented to the resolution by way of Electronic Consent such that the resolution is approved. If so, the Aggregation Agent will determine that the resolution has been duly approved.

14.5 Certificate

For the purposes of Condition 14.2, 14.3 and Condition 14.4, the Issuer will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the meeting referred to in Condition 13.2, Condition 13.3 or Condition 13.4, as applicable, and, with respect to a Written Resolution, the date arranged for the signing of the Written Resolution and, with respect to an Electronic Consent, the date arranged for consenting to the Electronic Consent.

The certificate shall:

(a) list the total principal amount of Notes outstanding and, in the case of a multiple series aggregation, the total principal amount of each other affected series of debt securities outstanding on the record date; and

(b) clearly indicate the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities which shall be disregarded and deemed not to remain outstanding as a consequence of Condition 13.9 on the record date identifying the holders of the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities.

The Aggregation Agent may rely upon the terms of any certificate, notice, communication or other document believed by it to be genuine.

14.6 Notification

The Aggregation Agent will cause each determination made by it for the purposes of this Condition 14 to be notified to the Fiscal Agent and the Issuer as soon as practicable after such determination. Notice thereof shall also promptly be given to the Noteholders.

14.7 Binding nature of determinations; no liability

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 14 by the Aggregation Agent and any appointed Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Fiscal Agent and the Noteholders and (subject as aforesaid) no liability to any such person will attach to the Aggregation Agent or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

14.8 Manner of publication

The Issuer will publish all notices and other matters required to be published pursuant to this Condition 14, including any matters required to be published pursuant to Condition 10 and Condition 13:

(a) on the website of the National Treasury, acting on behalf of the Issuer: www.treasury.go.ke;

(b) through the systems of Clearstream, Luxembourg, Euroclear, DTC and/or any other international or domestic clearing system(s) through which the Notes are for the time being cleared and otherwise in accordance with Condition 12; and

(c) in such other places and in such other manner as may be required by applicable law or regulation.

15. Further Issues

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

16. Governing Law, Arbitration and Enforcement

(a) *Governing Law:* The Agency Agreement and the Notes (including any non-contractual obligations arising from or in connection with them) are governed by, and will be construed in accordance with, English law.

(b) *Arbitration*: Any dispute arising out of or in connection with the Notes (including any dispute as to (i) the existence of the Notes, (ii) the validity or termination of the Notes, (iii) any non-contractual obligation arising out of or in connection with the Notes, (iv) the consequences of the nullity of the Notes or (v) this Condition 16(b)) (each, a "**Dispute**") shall be exclusively referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration (the "**LCIA**") (the "**Rules**") as at present in force and as modified by this Condition 16(b), which Rules, as so modified, are deemed incorporated by reference into this Condition 16(b). The number of arbitrators shall be three, one of whom shall be appointed by the claimant(s), one by the respondent(s) and the third of whom, who shall act as chairman, shall be nominated by the two party-nominated arbitrators, provided that if the claimant(s) or respondents(s) fail to nominate an arbitrator within the time limits specified by the Rules or the party-nominated arbitrators fail to nominate a chairman within 30 days of the nomination of the second party-nominated arbitrator, such arbitrator shall be appointed promptly by the LCIA. The seat of Arbitration shall be London, England and the language of the arbitration shall be English. The parties exclude the jurisdiction of the courts under Sections 45 and 69 of the Arbitration Act 1996.

(c) *Appointment of Process Agent*: The Issuer has appointed the High Commissioner of the Republic of Kenya in London, presently located at 45 Portland Place, London W1B 1AS as its agent for service of process in relation to any proceedings ("**Proceedings**") before the English courts permitted by the Rules in connection with any arbitral proceedings pursuant to Condition 16(b), or in connection with the enforcement of any arbitral award rendered pursuant to Condition 16(b) and hereby undertakes that, in the event of the High Commissioner of the Republic of Kenya ceasing so to act or ceasing to be located in England, it will appoint another person as its agent for service of process in England for such purposes as soon as reasonably practicable thereafter. Nothing in these Conditions shall affect the right to serve Proceedings in any other manner permitted by law.

(d) *Consent to Enforcement and Waiver of Immunity:* Except as provided below in this Condition 16(d) and, without prejudice to the exclusivity of the remedies provided in Condition 16(b), to the extent the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, arbitral award, judgment, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process in respect of (i) any arbitration proceedings to resolve a Dispute under Condition 16(b) or (ii) any Proceedings, and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction (and consents generally for the purposes of the State Immunity Act 1978 to the giving of any relief or the issue of any process in connection with any such proceedings). The Issuer does not hereby waive such immunity from execution or attachment in respect of (a) property, including any bank account, used by a diplomatic or consular mission of the Issuer or its special missions or delegations to international organisations, (b) property of a military character or in use for military purposes and in each case under the control of a military authority or defence agency of the Issuer or (c) property located in the Republic of Kenya. The Issuer reserves the right to plead sovereign immunity under the US Foreign Sovereign Immunities Act of 1976 with respect to actions brought against it in any court of or in the United States of America under any United States federal or State securities law.

17. Rights of Third Parties

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18. Currency Indemnity

If any sum due from the Issuer in respect of the Notes or any arbitration award or any order or judgment given or made in relation thereto has to be converted from the currency (the "**First Currency**") in which the same is payable under these Conditions or such award, order or judgment into another currency (the "**Second Currency**") for the purpose of (i) making or filing a claim or proof against the Issuer, (ii) obtaining an award, order or judgment in any arbitral tribunal or court or (iii) enforcing any award, order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (x) the rate of exchange used for such purpose to convert the sum in question from the First Currency into the Second Currency and (y) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the First Currency with the Second Currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such award, order, judgment, claim or proof. This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

THE GLOBAL NOTES

The Global Notes contain the following provisions which apply to the Notes in respect of which they are issued while they are represented by the Global Notes, some of which modify the effect of the Terms and Conditions of the Notes. Terms defined in the Terms and Conditions of the Notes have the same meaning in paragraphs 1 to 6 below.

1. Accountholders

For so long as any of the Notes are represented by one or more Global Notes, each person (other than another clearing system) who is for the time being shown in the records of DTC or Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of a particular aggregate principal amount of such Notes (each an "**Accountholder**") (in which regard any certificate or other document issued by DTC or Euroclear or Clearstream, Luxembourg (as the case may be) as to the aggregate principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Notes (and the expression "Noteholders" and references to "holding of Notes" and to "holder of Notes" shall be construed accordingly) for all purposes other than with respect to payments on such Notes, the right to which shall be vested, as against Kenya, solely in the nominee for the relevant clearing system (the "**Relevant Nominee**") in accordance with and subject to the terms of the Global Notes. Each Accountholder must look solely to DTC or Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Relevant Nominee.

2. Cancellation

Cancellation of any Note following its purchase by Kenya will be effected by reduction in the aggregate principal amount of the Notes in the register of Noteholders.

3. Payments

Payments of principal and interest in respect of Notes represented by a Global Note will be made upon presentation or, in the case of payment of principal, against presentation and surrender of such Global Note to or to the order of the Fiscal Agent, or such other Agent as shall have been notified to the holders of one or more Global Note for such purpose.

Distributions of amounts with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Fiscal Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

Holders of book-entry interests in the Notes held through DTC will receive, to the extent received by the Fiscal Agent, all distributions of amounts with respect to book-entry interests in such Notes from the Fiscal Agent through DTC. Distributions in the United States will be subject to relevant US tax laws and regulations.

For the purposes of Condition 6.1 (*Payments in respect of Notes*), so long as the Notes as evidenced by a Global Note are held on behalf of Euroclear and/or Clearstream, Luxembourg, the record date in respect of the Notes shall be the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date.

A record of each payment made will be entered in the register of Noteholders by or on behalf of the Fiscal Agent and shall be *prima facie* evidence that payment has been made.

4. Notices

So long as the Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for notification as required by Condition 12 (*Notices*) as set forth herein, **provided that**, so long as the Notes are listed on any stock exchange notices shall also be published in accordance with the rules of such exchange. See "*Terms and Conditions of the Notes*". Any such notice shall be deemed to have been given to the Noteholders on the day after the day on which such notice is delivered to such clearing system.

While any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through the applicable clearing system's operational procedure approved for this purpose and otherwise in such manner as the Fiscal Agent and the applicable clearing system may approve for this purpose.

5. Registration of Title

The Global Note will be exchangeable (free of charge to the holder) in whole but not in part for Certificates only upon the occurrence of an Exchange Event. An Exchange Event means that:

(a) an Event of Default (as defined in Condition 10) has occurred and is continuing;

(b) in the case of Notes registered in the name of a Relevant Nominee for DTC, the Issuer has been notified by DTC that DTC is unwilling or unable to continue to act as depositary with respect to the Global Note and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the US Securities Exchange Act of 1934 (as amended, the "**Exchange Act**"); or

(c) in the case of Notes registered in the case of Notes registered in the name of a Relevant Nominee for a common depositary for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear or Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available.

The Issuer will promptly give notice to the Noteholders in accordance with Condition 12 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any Accountholder) may give notice to the Registrar requesting exchange. Any exchange shall occur no later than ten days after the date of receipt of the first relevant notice by the Registrar.

The Registrar will not register title to the Notes in a name other than that of the Relevant Nominee for a period of fifteen calendar days preceding the due date for any payment of principal or interest in respect of the Notes.

If only one of the Global Notes (the "**Exchanged Global Note**") becomes exchangeable for Certificates in accordance with the above paragraphs, transfers of Notes may not take place between, on the one hand, persons holding Certificates issued in exchange for beneficial interests in the Exchanged Global Note and, on the other hand, persons wishing to purchase beneficial interests in the other Global Note.

In the event that:

(d) the Notes as evidenced by the Global Note (or any part of it) have become due and repayable in accordance with the Conditions or that the maturity date of the Notes has occurred and, in either case, payment in full of the amount due has not been made to the Relevant Nominee; or

(e) following an Exchange Event, the Global Note is not duly exchanged for Certificates by the day provided in the Global Note, then from 8.00 p.m. (London time) on such day each Accountholder will become entitled to proceed directly against the Issuer on, and subject to, the terms of a deed of covenant dated 5 March 2025 (a "**Deed of Covenant**") executed by the Issuer in respect of the Notes and the Relevant Nominee will have no further rights under the Global Note (but without prejudice to the rights any person may have under a Deed of Covenant).

6. Transfers

Transfers of book-entry interests in the Notes will be effected through the records of Euroclear, Clearstream, Luxembourg and DTC and their respective participants in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg and DTC and their respective direct and indirect participants, as more fully described under “Clearing and Settlement Arrangements”.

CLEARING AND SETTLEMENT ARRANGEMENTS

Kenya has obtained the information in this section from sources it believes to be reliable, including from DTC, Euroclear and Clearstream, Luxembourg. Kenya confirms that it has accurately reproduced such information and that, so far as it is aware and is able to ascertain from information published by third parties, it has omitted no facts which would render the reproduced information inaccurate or misleading. Kenya takes no responsibility, however, for the accuracy of this information. Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the following procedures in order to facilitate transfers of interests in the Unrestricted Global Note and in the Restricted Global Note amongst participants of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither Kenya nor the Fiscal Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

DTC

DTC is a limited-purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participating organisations ("**DTC Participants**") and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entry changes in accounts of its DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include securities brokers and dealers, brokers, banks, trust companies and clearing corporations and may include certain other organisations, indirect access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly ("**Indirect DTC Participants**").

Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of Indirect DTC Participants and certain banks, the ability of a person having a beneficial interest in a note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate of such interest. The Rules applicable to DTC and its Participants are on file with the US Securities and Exchange Commission.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg hold securities for participating organisations, and facilitate the clearance and settlement of securities transactions between their respective participants, through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their participants, amongst other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg interface with domestic securities markets. Euroclear and Clearstream, Luxembourg participants are recognised financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organisations and include the Joint Bookrunners. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Book-Entry Ownership

Euroclear and Clearstream, Luxembourg

The Unrestricted Global Notes will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depositary on behalf of Euroclear and Clearstream, Luxembourg. The address of Euroclear is 1 Boulevard du Roi Albert II. B1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy. L-l855, Luxembourg.

DTC

The Restricted Global Notes will have a CUSIP number and will be deposited with a custodian (the "**Custodian**") for and registered in the name of Cede & Co., as nominee of DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC system. The address of the DTC is 55 Water Street, New York, New York 10041, USA.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a Note evidenced by a Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC (as the case may be) for his share of each payment made by Kenya to the holder of such Global Note and in relation to all other rights arising under the Global Note, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be). Kenya expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note, the common depositary by whom such Global Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or account holders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown on the records of the relevant clearing system or its nominee. Kenya also expects that payments by direct participants in any clearing system to owners of beneficial interests in any Global Note held through such direct participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against Kenya in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note and the obligations of Kenya will be discharged by payment to the registered holder of such Global Note in respect of each amount so paid. None of Kenya, the Fiscal Agent or any agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through direct participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the direct and indirect participants' records. Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participant through which such Beneficial Owner entered into the transaction. Transfers of ownership interests in Notes held within the clearing system will be effected by entries made on the books of participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note held within a clearing system are exchanged for interests evidenced by a definitive note certificate.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the direct participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note to such persons may be limited. Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of Indirect DTC Participants, the ability of a person having an interest in a Restricted Global Note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of physical certificate in respect of such interest.

Investors that hold their interests in the Notes through DTC will follow the settlement practices applicable to global bond issues. Investors' securities custody accounts will be credited with their holdings against payment in same-day funds on the settlement date.

Investors that hold their interests in the Notes through Clearstream, Luxembourg or Euroclear accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. The interests will be credited to the securities custody accounts on the settlement date against payment in same-day funds.

Secondary Market Trading

Since the purchaser determines the place of delivery, it is important to establish at the time of trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desire value date.

Trading between DTC Participants

Secondary market trading between DTC Participants will be settled using the procedures applicable to global bond issues in same-day funds.

Trading between Euroclear and/or Clearstream, Luxembourg participants

Secondary market trading between Euroclear participants and/or Clearstream, Luxembourg participants will be settled using the procedures applicable to conventional Eurobonds in same-day funds.

Trading between DTC seller and Euroclear or Clearstream, Luxembourg purchaser

When Notes are to be transferred from the account of a DTC Participant to the account of a Clearstream, Luxembourg or Euroclear participant, the purchaser will send instructions to Clearstream, Luxembourg or Euroclear through a Clearstream, Luxembourg or Euroclear participant, as the case may be, at least one business day prior to settlement. Clearstream, Luxembourg or the Euroclear operator will instruct its respective depositary to receive the Notes against payment. Payment will include interest accrued on such beneficial interest on the Note from and including the last interest payment date to and excluding the settlement date. Payment will then be made by the depositary to the DTC Participant's account against delivery of Notes. After settlement has been completed, the Notes will be credited to the respective clearing system, and by the clearing system, in accordance with its usual procedures, to the Clearstream, Luxembourg or Euroclear participant's account. The securities credit will appear the next day (European time) and the cash debit will be back-valued to, and the interest on the Note will accrue from, the value date (which would be the preceding day when settlement occurred in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the Clearstream, Luxembourg or Euroclear cash debit will be valued instead as of the actual settlement date.

Euroclear and Clearstream, Luxembourg participants will need to make available to the respective clearing system the funds necessary to process same-day funds settlement. The most direct means of doing so is to preposition funds for settlement, either from cash on-hand or existing lines of credit. Under this approach, participants may take on credit exposure to the Euroclear operator or Clearstream, Luxembourg until the interests in the Note are credited to their accounts one day later.

As an alternative, if Clearstream, Luxembourg or Euroclear has extended a line of credit to a Clearstream, Luxembourg or Euroclear participant, as the case may be, such participant may elect not to pre-position funds and may allow that credit line to be drawn upon to finance settlement. Under this procedure, Clearstream, Luxembourg participants or Euroclear participants purchasing interests in a Note would incur overdraft charges for one day, assuming they cleared the overdraft when the interest in the Note were credited to their accounts. However, interest on the Note would accrue from the value date. Therefore, in many cases, the investment income on the interest in the Note would accrue from the value date. Therefore, in many cases, the investment income on the interest in the Note earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's particular cost of funds.

Since the settlement is taking place during New York business hours, DTC Participants can employ their usual procedures for transferring interests in the Global Notes to the respective depositaries of Clearstream, Luxembourg or Euroclear for the benefit of Clearstream, Luxembourg participants or

Euroclear participants. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC Participants, a cross-market sale transaction will settle no differently than a trade between two DTC Participants.

Trading between Clearstream, Luxembourg or Euroclear Seller and DTC purchaser

Due to time zones differences in their favour, Clearstream, Luxembourg and Euroclear participants may employ their customary procedures for transactions in which interests in a Note are to be transferred by their respective clearing system, through its respective depositary, to a DTC Participant, as the case may be, at least one business day prior to settlement. In these cases, Clearstream, Luxembourg or Euroclear will instruct its respective depositary to deliver the interest in the Note to the DTC Participant's account against payment. Payment will include interest accrued on such beneficial interest in the Note from and including the interest payment date to and excluding the settlement date. The payment will then be reflected in the account of the Clearstream, Luxembourg participant or Euroclear participant the following day, and receipt of the cash proceeds in the Clearstream, Luxembourg or Euroclear participant's account would be back-valued at the value date (which would be the preceding day, when settlement occurred in New York). Should the Clearstream, Luxembourg or Euroclear participant have a line of credit in its respective clearing system and elect to be in debit in anticipation of receipt of the sale proceeds in its account, the back-valuation will extinguish any overdraft charges occurred over that one-day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Clearstream, Luxembourg or Euroclear participant's account would instead be valued as of the actual settlement date.

Finally, day traders that use Clearstream, Luxembourg or Euroclear to purchase interests in a Note from DTC Participants for delivery to Clearstream, Luxembourg participants or Euroclear participants should note that these trades will automatically fail on the sale side unless affirmative action is taken. At least three techniques should be readily available to eliminate this potential problem:

- borrowing through Clearstream, Luxembourg or Euroclear for one day (until the purchase side of the day trade is reflected in their Clearstream, Luxembourg or Euroclear accounts) in accordance with the clearing system's customary procedures;
- borrowing the interests in the United States from a DTC Participant no later than one day prior to settlement, which would give the interests sufficient time to be reflected in their Clearstream, Luxembourg or Euroclear account in order to settle the sale side of the trade; or
- staggering the value date for the buy and sell sides of the trade so that the value date for the purchase from the DTC Participant is at least one day prior to the value date for the sale to the Clearstream, Luxembourg participant or Euroclear participant.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes offered hereby.

The Notes have not been registered under the Securities Act, and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold (1) in the United States only to persons reasonably believed to be QIBs within the meaning of Rule 144A under the Securities Act and (2) outside the United States in offshore transactions pursuant to Regulation S under the Securities Act. Terms used herein that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein, as applicable.

General

Transfers will be subject to the transfer restrictions contained in the legend appearing on the face of such Note, as set out below.

The Restricted Global Notes will bear a legend substantially identical to that set out below, and neither a Restricted Global Note nor any beneficial interest in the Restricted Global Notes may be transferred except in compliance with the transfer restrictions set forth in such legend.

A beneficial interest in the Restricted Global Notes may be transferred to a person who wishes to take delivery of such beneficial interest through the Unrestricted Global Notes only upon receipt by the Registrar of a written certification from the transferor (in the form scheduled to the applicable Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act.

Any beneficial interest in either the Restricted Global Notes or the Unrestricted Global Notes that is transferred to a person who takes delivery in the form of a beneficial interest in the other Global Note will, upon transfer, cease to be a beneficial interest in such Global Note and become a beneficial interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Note for so long as such person retains such an interest.

Kenya is a foreign government as defined in Rule 405 under the Securities Act and is eligible to register securities on Schedule B of the Securities Act. Therefore Kenya is not subject to the information provision requirements of Rule 144A(d)(4)(i) under the Securities Act.

Restricted Notes

Each purchaser of Restricted Notes within the United States, by accepting delivery of this Offering Circular, will be deemed to have represented, agreed and acknowledged as follows:

1. the purchaser (i) is a QIB, (ii) is acquiring the Notes for its own account or for the account of a QIB and (iii) is meeting the requirements of Rule 144A whom the seller has notified, in each case, that the offer, resale, pledge or other transfer is being made in reliance on Rule 144A, (B) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (C) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (D) to Kenya; in each case in accordance with any applicable securities laws of any state of the United States, and (ii) no representation can be made as to the availability at any time of the exemption provided by Rule 144 for the resale of the Notes;

3. the purchaser agrees that it will deliver to each person to whom it transfers Notes notice of any restriction on transfer of such Notes;

4. the purchaser understands that the Restricted Notes offered hereby will bear a legend to the following effect, unless Kenya determines otherwise in accordance with applicable law:

   THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND,

ACCORDINGLY, THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) ("**QIB**"), PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBs; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO EXPIRATION OF THE APPLICABLE REQUIRED HOLDING PERIOD DETERMINED PURSUANT TO RULE 144 OF THE SECURITIES ACT FROM THE LATER OF THE ISSUE DATE AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QIB WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THE SECURITY.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).

UNLESS THIS GLOBAL NOTE IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("**DTC**"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY REGISTERED NOTE ISSUED IN EXCHANGE FOR THIS GLOBAL NOTE OR ANY PORTION HEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUIRED BY AN AUTHORISED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON OTHER THAN DTC OR A NOMINEE THEREOF IS WRONGFUL IN AS MUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS GLOBAL SECURITY MAY NOT BE EXCHANGED, IN WHOLE OR IN PART, FOR A SECURITY REGISTERED IN THE NAME OF ANY PERSON OTHER THAN THE DEPOSITORY TRUST COMPANY OR A NOMINEE THEREOF EXCEPT IN THE LIMITED CIRCUMSTANCES SET FORTH IN THIS GLOBAL SECURITY, AND MAY NOT BE TRANSFERRED, IN WHOLE

OR IN PART, EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THIS LEGEND. BENEFICIAL INTERESTS IN THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT IN ACCORDANCE WITH THIS LEGEND.

5. the purchaser understands that Notes offered in reliance on Rule 144A will be represented by a Restricted Global Note. Before any interest in a Note represented by a Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Note, it will be required to provide the Registrar with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws; and

6. it understands that the Issuer, the Registrar, the Joint Bookrunners, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements;

7. it acknowledges that neither the Issuer, the Joint Bookrunners nor any person representing the Issuer or the Joint Bookrunners, has made any representation to it with respect to the Issuer or the offer or sale of any of the Notes, other than (in the case of the Issuer) the information contained in this Offering Circular. It acknowledges that the Joint Bookrunners make no representation or warranty as to the accuracy or completeness of this Offering Circular.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Unrestricted Notes

Each purchaser of Notes outside the United States pursuant to Regulation S, by accepting delivery of this Offering Circular and the Unrestricted Notes, will be deemed to have represented, agreed and acknowledged as follows:

1. it is, or at the time Unrestricted Notes are purchased will be, the beneficial owner of such Unrestricted Notes; it is located outside the United States (within the meaning of Regulation S), and it is not an affiliate of Kenya or a person acting on behalf of such an affiliate;

2. such Unrestricted Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;

3. the Notes offered in reliance on Regulation S will be represented by the Unrestricted Global Notes;

4. the Notes, while represented by the Unrestricted Global Notes, or if issued in exchange for an interest in the Unrestricted Global Notes or for Note Certificates, will bear a legend to the following effect:

   THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT.

5. it understands that the Issuer, the Registrar, the Joint Bookrunners, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements; and

6. if it is acquiring any Notes for the account of one or more investor accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account;

7. it acknowledges that neither the Issuer, the Joint Bookrunners nor any person representing the Issuer or the Joint Bookrunners, has made any representation to it with respect to the Issuer or the offer or sale of any of the Notes, other than (in the case of the Issuer) the information contained in this Offering

Circular. It acknowledges that the Joint Bookrunners make no representation or warranty as to the accuracy or completeness of this Offering Circular.

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the Republic of Kenya of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.

The Republic of Kenya

Income tax in the Republic of Kenya is charged under the provisions of the Income Tax Act (Chapter 470, Laws of the Republic of Kenya) (the "**ITA**"). Pursuant to section 3 of the ITA, income tax is chargeable on all the income of a person, whether resident or non-resident, which accrued in or was derived from the Republic of Kenya. Interest payable on the Notes is exempted from income tax under section 13(2) of the ITA by virtue of the Legal Notice 86/2014 dated 18 June 2014, as amended by the Legal Notice 45/2018 dated 8 February 2018 (together, the "**Income Tax Exemption**"). The Income Tax Exemption was effected upon publication in the Kenya Gazette and was laid before Parliament in accordance with the Statutory Instruments Act, 2013.

The legality of Section 13(2) of the ITA had been impugned by the High Court on 17 February 2023, in the Constitutional Petition No. E280 of 2021, where the Court declared Section 13 (2) of the ITA as unconstitutional to the extent that it authorises income tax waivers through a notice in the Gazette. The Petition had challenged, among others, the constitutionality of the Cabinet Secretary's action to grant income tax exemption on income accrued in or derived from Kenya by foreign entities. The High Court was of the view that an exemption or waiver of income tax can only be granted by the National Assembly through national legislation that would require a public record of each waiver and the reason for the waiver and each waiver and the reason for it be reported to the Auditor General. The import of the judgment in Constitutional Petition No. E280 of 2021 was that the Cabinet Secretary could not grant tax exemptions through gazette notices, consequently rendering the exemptions potentially legally invalid.

However, the Court of Appeal in National Assembly & Another vs Eliud Karanja Matindi & 4 Others Civil Appeal No. E326 of 2023 (consolidated with Civil Appeal E330 of 2023 The Cabinet Secretary, Ministry of National Treasury & Planning & Another v Eliud Karanja Matinidi & 3 Others (Court of Appeal) (30 December 2024) reaffirmed the legality of the exemptions and restored the Cabinet Secretary's authority under Section 13 (2) of the Income Tax Act to grant income tax exemptions through legal notices. Accordingly, the prevailing jurisprudence is based on the Court of Appeal's decision wherein the enabling provision (as read together with the legal notices) is operational. This position would need to be reassessed should there be a different finding on appeal to the Supreme Court.

Notwithstanding whether the decision of the Court of Appeal is overturned by the Supreme Court, if the Income Tax Exemption is modified or revoked by Parliament or otherwise ceases to be in force for any reason, interest income earned on the Notes by a person, whether resident or non-resident, could become subject to income tax in the Republic of Kenya. In such circumstances, the Government would be obliged to deduct withholding tax at the rate then prevailing. The current rate applicable to interest income is 15% of the gross amount payable. Under the terms and conditions of the Notes, the Issuer is required to pay additional amounts so that the Noteholders will receive the full net amount which they would otherwise have received had there been no deduction of income tax.

Capital gains tax was reintroduced in the Republic of Kenya by the Finance Act, 2014, with effect from 1 January 2015. Chargeable gains or allowable losses may arise upon the transfer of Notes. The current applicable rate is 15% (as a final tax) of the chargeable gain. Capital gains that accrue on a transfer of the Notes have been exempted from capital gains tax under section 13(2) of the ITA by virtue of the Legal Notice 44/2018 dated 8 February 2018 (the "**Capital Gains Tax Exemption**" and together with the Income Tax Exemption, the "**Legal Notices**"). The Capital Gains Tax Exemption came into effect upon publication in the Kenya Gazette and has been laid before Parliament in accordance with the Statutory Instruments Act, 2013. Similar to the Income Tax Exemption, the prevailing jurisprudence is based on the Court of Appeal's decision wherein Section 13(2) of the ITA (as read together with the legal notices) is operational. This position would need to be reassessed should there be a different finding on appeal to the Supreme Court.

Finally, Section 89 of the Finance Act, 2023 proposed to repeal Section 21(1) of the Statutory Instruments Act, which until then provided that any statutory instrument would automatically be revoked after ten (10) years unless exempted from expiry under Section 21(2). However, Section 89 of the Finance Act 2023 was declared unconstitutional by the High Court under Petition Number E181 of 2023 on the basis the amendment is extraneous to a money bill. On appeal, the Court of Appeal relied on the doctrine of mootness in deciding the matter given that the introduction of the Statutory Instruments (Amendment) Bill, 2024, provided for the same amendments as Section 89 of the Finance Act, 2023. This position was upheld by the Supreme Court, which did not expressly reverse the decision of the High Court declaring Section 89 of the Finance Act No.4 of 2023 (repealing Section 21 of the Statutory Instruments Act) as unconstitutional.

The Statutory Instruments (Amendment) Act, 2024, which received presidential assent on 11 December 2024 and commenced on 27 December 2024, does not address the deletion of Section 21 of the Statutory Instruments Act. As a result, the applicable provisions on the expiry of statutory instruments, such as the Legal Notices, remain in place. Resultantly, whilst the Legal Notices remain in effect and are valid, they would still be subject to the automatic revocation provided for in the Statutory Instruments Act, (as amended by the Finance Act No. 22 of 2022) subject to the enactment of legislation stipulating otherwise, or gazettement of a new legal notice extending the period of application.

United States Federal Income Taxation

The following is a summary of certain US federal income tax consequences to original purchasers of the Notes of the purchase, ownership and disposition of the Notes by a US Holder (as defined below). This summary is based upon tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the "**Code**"), its legislative history, existing and proposed Treasury Regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect. No assurances can be given that any changes in these laws or authorities will not affect the accuracy of the discussions set forth in this summary.

This summary does not purport to discuss all aspects of US federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by a particular investor in light of that investor's individual circumstances, such as investors subject to special tax rules (e.g., financial institutions, insurance companies, dealers in securities or currencies, investors liable for the alternative minimum tax, US Holders whose functional currency is not the US dollar, US expatriates and former citizens or long-term residents of the United States, accrual method taxpayers that are required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements, individual retirement accounts and other tax deferred accounts, certain securities and currency traders, regulated investment companies, real estate investment trusts, pension plans, tax-exempt organisations, partnerships or other pass through entities for US federal income tax purposes or investors in such entities, and investors that hold Notes as a position in a "straddle," "conversion," "hedging," "integrated" or "constructive sale" transaction for US federal income tax purposes). In addition, this summary does not discuss any non US, state, or local tax considerations or non-income taxes (such as US estate and gift taxes), nor does it discuss the 3.8% US federal tax on net investment income. This summary only applies to investors that acquire Notes as part of the initial offering at their issue price (generally the first price at which a substantial amount of the Notes is sold for money to the public, not including purchases by bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers) and hold Notes as "capital assets" (generally, property held for investment) within the meaning of the Code. This summary does not address the tax consequences to a US Holder that also tenders 2027 Notes in the Tender Offer.

For purposes of this summary, the term "**US Holder**" means a beneficial owner of a Note who, for US federal income tax purposes, is an individual citizen or resident of the United States, a corporation created or organised in or under the laws of the United States, any state of the United States or the District of Columbia, an estate whose income is subject to US federal income tax regardless of its source or a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more "United States persons," as defined for US federal income tax purposes, have the authority to control all substantial decisions of the trust or the trust has a valid election in effect to be treated as a United States person.

If a partnership (or other entity or arrangement treated as a partnership for US federal income tax purposes) holds the Notes, the tax treatment of a partner in such partnership will generally depend upon the status of the partner and the activities of the partnership. Prospective purchasers that are treated as partnerships for US federal income tax purposes should consult their tax advisers concerning the US federal income tax consequences to them and to their partners of the acquisition, ownership and disposition of Notes by the partnership.

THE SUMMARY OF US FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING, AND DISPOSING OF THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-US AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Certain Additional Payments

In certain circumstances, the Issuer may be obligated to make certain contingent payments on the Notes. See "Terms and Conditions of the Notes — Redemption and Purchase." These potential payments may implicate the provisions of Treasury Regulations relating to "contingent payment debt instruments" ("**CPDIs**"), but the Issuer does not intend to treat the possibility of such contingent payments on the Notes as subjecting the Notes to the CDPI rules. The Issuer's determination that the Notes are not subject to the CDPI rules is binding on a US Holder, unless such US Holder discloses its contrary position in the manner required by applicable Treasury Regulations. The Issuer's determination, however, is not binding on the US Internal Revenue Service ("**IRS**") and if the IRS were to successfully challenge this determination, a US Holder may be required to accrue income on the Notes that such US Holder owns in excess of stated interest, and to treat as ordinary income rather than capital gain any income realised on the taxable disposition of such Notes before the resolution of the contingency. In the event that such contingency were to occur, it would affect the amount and timing of the income that a US Holder recognises. US Holders are urged to consult their tax advisors regarding the potential application to the Notes of the CPDI rules and the consequences thereof. This discussion assumes that the Notes will not be treated as CPDIs.

Payments of Interest and Additional Amounts

Payments of interest on a Note generally will be taxable to a US Holder as ordinary income at the time they are received or accrued, depending on the US Holder's regular method of tax accounting. In addition to interest on a Note, if withholding taxes are imposed on payments of interest, the Issuer may be required to pay additional amounts to US Holders so that US Holders receive the same amounts they would have received had no withholding taxes been imposed. If taxes are withheld from a payment of interest on the Notes, a US Holder will be required to include the amount of any such tax withheld as ordinary income, even though such holder did not in fact receive it, as well as any additional amounts paid in respect of such tax withheld.

Any Kenyan withholding tax paid in respect of a payment of interest to a US Holder on the Notes may be eligible for a foreign tax credit (or a deduction in lieu of such credit) for US federal income tax purposes. However, there are significant complex limitations on a US Holder's ability to claim such a credit or deduction. US Holders are urged to consult their tax advisors regarding the creditability or deductibility of any withholding taxes under their particular circumstances.

Original Issue Discount

The Notes will be issued with OID for US federal income tax purposes because the stated principal amount of the Notes will exceed their "issue price" by an amount equal to or more than a statutorily defined de minimis amount (generally, 0.0025 multiplied by the stated principal amount and the "weighted average maturity" of the Notes (as determined for US federal income tax purposes)). Accordingly, US Holders generally will be required to include such OID in gross income (as ordinary income) for US federal income tax purposes on an annual basis under a constant yield accrual method regardless of their regular method of accounting for US federal income tax purposes. As a result, US Holders will include any OID in income in advance of the receipt of cash attributable to such income.

The amount of OID includible in income by a US Holder is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year or portion thereof in which such US Holder holds such Note ("**accrued OID**"). A daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID that accrued in such period. The "accrual period" of a Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first or last day of an accrual period. The amount of OID that accrues with respect to any accrual period is the excess of (i) the product of the Note's "adjusted issue price" at the beginning of such accrual period and its "yield to maturity," determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of such period, over (ii) the amount of stated interest allocable to such accrual period. The adjusted issue price of a Note at the start of any accrual period generally is equal to its issue price, increased by the accrued OID for each prior accrual period. The yield to maturity of a Note is the discount rate that, when used in computing the present value of all principal and interest payments to be made under the Note, produces an amount equal to the issue price of the Note.

Sale, Exchange, Retirement or Other Taxable Disposition of a Note

A US Holder generally will recognise gain or loss upon the sale, exchange, retirement or other taxable disposition of a Note in an amount equal to the difference between the amount realised upon that sale, exchange, retirement or other taxable disposition (other than amounts representing accrued and unpaid interest and OID, which will be taxable as interest income to the extent not previously included in income) and the US Holder's adjusted tax basis in the Note. The amount realised is the sum of cash plus the fair market value of any property received upon the sale, exchange, retirement or other taxable disposition of a Note. A US Holder's adjusted tax basis in a Note generally will equal the US Holder's initial investment in the Note, increased by any previously accrued OID, and reduced by the amount of any payments (including repayments of principal) received by such US Holder other than payments of qualified stated interest. Gain or loss on the sale, exchange, retirement or other taxable disposition of a Note generally will be capital gain or loss, and will be long-term capital gain or loss if the Note is held by the US Holder for more than one year. Capital gains of certain non-corporate US Holders, including individuals, with respect to capital assets held for more than one year may be eligible for reduced rates of taxation. The deductibility of capital losses is subject to significant limitations.

Any capital gain or loss recognised on the sale, exchange, retirement or other taxable disposition of a Note by a US Holder generally will be treated as income or loss from sources within the United States for foreign tax credit limitation purposes. Therefore, US Holders may not be able to claim a credit for any Kenyan tax imposed upon a sale, exchange, retirement or other taxable disposition of a Note unless (subject to special limits) such holder has other income from foreign sources and certain other requirements are met. There are significant complex limitations on a US Holder's ability to claim such a credit or any deduction in lieu of such credit. US Holders are urged to consult their tax advisors regarding the creditability or deductibility of any Kenyan taxes imposed on the sale, exchange, retirement or other taxable disposition of a Note under their particular circumstances.

Further Issues

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes. See "Terms and Conditions of the Notes—Further Issues."

US Holders should note that additional securities that are treated as a single issuance or series for non-tax purposes may not necessarily be treated as part of the same "issue" for US federal income tax purposes. In such case, the new securities may be considered to have been issued with original issue discount, as defined in the Code, and the applicable Treasury Regulations issued thereunder, which may affect the market value of the Notes since such additional securities may not be distinguishable from the Notes.

Information with Respect to Foreign Financial Assets

US Holders that own "specified foreign financial assets," including debt of foreign entities, with an aggregate value in excess of $50,000 on the last day of the taxable year, or $75,000 at any time during the taxable year generally will be required to file information reports with respect to such assets with their US federal income tax returns. Depending on the US Holder's circumstances, higher threshold amounts may apply. "Specified foreign financial assets" include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by certain financial institutions: (i) stocks and securities issued by non-US persons, (ii) financial instruments and contracts held for investment that have non US issuers or counterparties and (iii) interests in non-US entities. The Notes may be treated as specified foreign financial assets and US Holders may be subject to this information reporting regime. Failure to file information reports may subject US Holders to penalties. US Holders should consult their own tax advisors regarding their obligation to file information reports with respect to the Notes.

US Backup Withholding and Information Reporting

In general, information reporting requirements will apply to payments of principal and interest (including the accrual of OID) and any additional amounts on the Notes to non-corporate US Holders, and to payments of proceeds on a sale, exchange, retirement or other taxable disposition of a Note, if such payments are made within the United States or by or through certain US-related intermediaries. Backup withholding will apply to such payments if such US Holder fails to provide an accurate taxpayer identification number or otherwise fails to establish an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a US Holder of a Note generally will be allowed as a refund or a credit against the US Holder's US federal income tax liability as long as the US Holder provides the required information to the IRS in a timely manner.

PLAN OF DISTRIBUTION

Each of the Joint Bookrunners has, pursuant to Subscription Agreement (the "**Subscription Agreement**") dated 3 March 2025 severally (but not jointly) agreed to subscribe or procure subscribers for the principal amount of Notes set out opposite its name in the table below at the issue price of 97.195% of the principal amount of the Notes, less a management and underwriting commission.

Joint Bookrunners	Principal Amount of Notes (US$)
Citigroup Global Markets Limited	750,000,000
The Standard Bank of South Africa Limited	750,000,000
Total	1,500,000,000

Kenya has been informed that the Joint Bookrunners propose to resell the Notes at the issue price set forth on the cover page of this Offering Circular within the United Sates to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A) in reliance upon Rule 144A, and to persons outside the United States in reliance upon Regulation S. See "*– United States*" and "*Transfer Restrictions*" below. The issue price at which the Notes are offered may be changed at any time without notice.

Kenya has agreed to indemnify the Joint Bookrunners against certain liabilities (including liabilities under the Securities Act) incurred in connection with the issue of the Notes. The Subscription Agreements may be terminated in certain circumstances prior to payment of the net subscription money in respect of the Notes to Kenya.

The Subscription Agreement provides that the obligations of the Joint Bookrunners to subscribe for Notes are subject to certain conditions precedent, including (amongst other things) receipt of legal opinions from legal counsel, and the Subscription Agreement may also be terminated in certain circumstances prior to payment of the issue price to the Issuer. The offering of the Notes by the Joint Bookrunners is subject to the Joint Bookrunners' right to reject any order in whole or in part.

Offers and sales of the Notes in the United States will be made by those Joint Bookrunners or their affiliates that are registered broker-dealers under the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), or in accordance with Rule 15a-6 thereunder.

Allocations of the Notes to potential investors in the offering will be made in accordance with customary allocation processes and procedures following the completion of the book-building process for the offering of the Notes and will be made at the sole discretion of the Issuer.

The Notes are a new issue of securities for which there currently is no market. The Issuer cannot provide assurance that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The Joint Bookrunners have advised the Issuer that following the completion of the offering of the Notes, they intend to make a market in the Notes. They are not obligated to do so, however, and any market-making activities with respect to the Notes may be discontinued at any time at their sole discretion without notice. In addition, such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, the Issuer cannot give any assurance as to the development of any market or the liquidity of any market for the Notes.

In connection with the offering of the Notes, the Joint Bookrunners may engage in over-allotment, stabilising transactions and syndicate covering transactions. Over-allotment involves sales in excess of the offering size, which creates a short position for the Joint Bookrunners. Stabilising transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Any of these activities may prevent a decline in the market price of the Notes, and may also cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. The Joint Bookrunners may conduct these transactions in the over-the-counter market or otherwise. If the Joint Bookrunners commence any of these transactions, they may discontinue them at any time.

The Issuer expects that delivery of interests in the Notes will be made against payment therefor on the Issue Date specified on the cover page of this Offering Circular, which will be the fifth Business Day following the date of pricing of the Notes (this settlement cycle being referred to as T+5). Under Rule 15c6-l of the Exchange Act, trades in the secondary market generally are required to settle in one New York business day, unless the parties to any such trade expressly agree otherwise. Accordingly, investors who wish to trade interests in the Notes on the date of pricing of the Notes or the next New York business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Investors in the Notes who wish to trade interests in the Notes on the date of pricing of the Notes or the next New York business day should consult their own adviser.

The Joint Bookrunners or their respective affiliates from time to time have provided in the past and may provide in the future investment banking, financial advisory, mergers and acquisitions and commercial banking services to us and our affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. Certain of the Joint Bookrunners and their affiliates have performed certain investment and commercial banking or financial advisory services for the Issuer and their affiliates from time-to-time, for which they have received customary fees and commissions, and they expect to provide these services to the Issuer and their affiliates in the future, for which they expect to receive customary fees and commissions. "Affiliates" as used in this Offering Circular is defined as under Rule 501(b) of Regulation D of the U.S. Securities Act. One or more of the Joint Bookrunners may purchase Notes offered hereby for their own account.

In addition, in the ordinary course of their business activities, the Joint Bookrunners and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. If the Joint Bookrunners or their affiliates have a lending relationship with the Issuer, they routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Joint Bookrunners and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Joint Bookrunners and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, each Joint Bookrunner has agreed, severally (but not jointly), to offer the Notes for resale in the United States initially only (1) to persons they reasonably believe to be QIBs purchasing for their own account or for the account of a QIB in reliance on Rule 144A, or (2) outside the United States in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the respective meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.

Each Joint Bookrunner has represented and agreed severally (but not jointly), that, except as permitted by the Subscription Agreement, it has not offered and sold, and will not offer and sell, the Notes by means of any general solicitation or advertising in the United States or otherwise in any manner involving a public offering within the meaning of Section 4(a)(2) of the Securities Act. Accordingly, neither such Joint Bookrunner nor its affiliates, nor any persons acting on its or their behalf, have engaged or will engage in any directed selling efforts (as defined in Regulation S) with respect to the Notes.

United Kingdom

Each Joint Bookrunner has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the United Kingdom Financial Services and Markets Act 2000, as amended (the "**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to Kenya; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA Retail Investors

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Hong Kong

Each Joint Bookrunner has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO

Republic of Italy

The offering of the Notes has not been registered with the Commissione Nazionale per le Società e la Borsa ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, each Joint Bookrunner has represented agreed that, save as set out below, it has not offered, sold, or delivered and will not offer, sell, or deliver any Notes in the Republic of Italy in a solicitation to the public and that sales of the Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Accordingly, each Joint Bookrunner has represented and agreed that it will not offer, sell or deliver any Notes or distribute copies of the Offering Circular and any other document relating to the Notes in the Republic of Italy except:

(i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") and any applicable provision of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and Italian CONSOB regulations; or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and the applicable Italian laws.

Any offer, sale or delivery of the Notes or distribution of copies of this Offering Circular or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must:

(a) be made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993 as amended (the "**Banking Act**"); and

(b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

The Republic of Kenya

This Offering Circular and the initial offering of Notes has not been and will not be approved by the Capital Markets Authority in the Republic of Kenya (the Capital Markets (Public Offers, Listings and Disclosures) Regulations, 2023 do not apply to the Notes) and the Notes will not be listed on the Nairobi Securities Exchange when they are issued. The Notes will not be issued, offered or sold in the Republic of Kenya, except in compliance with all laws and regulations in the Republic of Kenya.

South Africa

Each Joint Bookrunner has represented and agreed that it has not and will not offer for sale or subscription or sell any Notes, directly or indirectly, within the Republic of South Africa or to any person or corporate or other entity resident in the Republic of South Africa except (i) in accordance with the exchange control regulations of the Republic of South Africa and (ii) to any entity resident or within the Republic of South Africa in accordance with the Commercial Paper Regulations issued under Government Notice 2172 published in Government Gazette No. 16167 of 14 December 1994 pursuant to the Banks Act 1990 and the Companies Act 2008 and the Financial Advisory and Intermediary Services Act 2002.

Switzerland

Each Joint Bookrunner has represented and agreed that it will not publicly offer, as such term is defined or interpreted under the Swiss Code of Obligations, sell or advertise, directly or indirectly, the Notes in, into or from Switzerland and agrees and undertakes that it will not publicly distribute or otherwise make publicly available in Switzerland this Offering Circular or any other offering or marketing material relating to the Notes.

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, distributed, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Offering Circular nor any offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in article 5 of the Swiss Collective Investment Schemes Act, and neither this Offering Circular nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Singapore

Each Joint Bookrunner has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the "**MAS**"). Accordingly, each Joint Bookrunner has represented and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore as modified or amended from time to time (the "**SFA**") pursuant to Section 274 of the SFA, or (ii) an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Notification under Section 309B(1)(c) of the SFA

The Issuer has determined, and hereby notifies all relevant persons (as defined in section 309A(1) of the SFA) that the Notes are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and in the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

United Arab Emirates (excluding the Dubai International Financial Centre and the Abu Dhabi Global Market)

Each Joint Bookrunner has represented and agreed that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Joint Bookrunner has represented and agreed that it has not offered and will not offer the Notes to any person in the Dubai International Financial Centre unless such offer is:

(a) an "**Exempt Offer**" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the "**DFSA**") rulebook; and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA rulebook.

General

No action has been taken by Kenya or any of the Joint Bookrunners that would, or is intended to, permit a public offer of the Notes or possession or distribution of the Offering Circular or any other offering or publicity material relating to the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Bookrunner has undertaken that it will not, directly or indirectly, offer or sell any Notes or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

GENERAL INFORMATION

Contact Information

The address of the Issuer is: The National Treasury, Harambee Avenue, Nairobi, GPO 00100, Kenya and its telephone number is +254 20 225 2299.

Listing

An application has been made to the FCA for the Notes to be admitted to the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the London Stock Exchange's main market; however, no assurance can be given that such application will be accepted. It is expected that admission of the Notes to the Official List and to trading on the London Stock Exchange's main market will be granted on or around the Closing Date, subject only to the issue of the Notes.

The expenses in connection with the admission of the Notes to the Official List and to trading on the London Stock Exchange's main market are expected to amount to approximately £7,050.

Indication of Yield

As at the Closing Date and on the basis of the issue price of the Notes, the interest rate of the Notes, the redemption amount of the Notes and the tenor of the Notes, as calculated on the pricing date, the yield to maturity of the Notes is 9.950% per annum. This is not an indication of future yield.

Authorisations

Kenya has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Notes. The Government's power to borrow has been duly exercised in accordance with the PFMA.

Documents on Display

For so long as any Notes shall be outstanding, physical copies of: (i) Kenya's budget for the current fiscal year and each of the fiscal years ended 30 June 2024 and 30 June 2023, (ii) the Agency Agreement and (iii) the Deed of Covenant may be inspected during normal business hours at the specified offices of the Fiscal Agent.

Clearing Systems

The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC.

The Unrestricted Global Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the Common Code No. 301056176 and the ISIN XS3010561762 for the Unrestricted Global Note.

The Restricted Global Notes have been accepted for clearance through DTC. The CUSIP number is 491798 AN4, the ISIN is US491798AN42 and Common Code is 300955967 for the Restricted Global Note.

The address of Euroclear is 1 Boulevard du Roi Albert II, B. 1210 Brussels, Belgium, the address of Clearstream, Luxembourg is Avenue J.F. Kennedy, L-1855, Luxembourg and the address of DTC is 55 Water Street, New York, NY, 10041, USA.

Material Change

Since the end of the last fiscal year on 30 June 2024, except as otherwise disclosed in this Offering Circular there has been no significant change in Kenya's (a) tax and budgetary systems, (b) gross public debt or the maturity structure or currency of its outstanding debt and debt payment record (c) foreign trade and balance of payment figures (d) foreign exchange reserves including any potential encumbrances to such foreign exchange reserves as forward contracts or derivatives (e) financial position and resources including liquid deposits available in domestic currency and (f) income and expenditure figures.

Interest of Natural and Legal Persons

So far as the Issuer is aware, no person involved in the offer or the Notes has an interest material to the offer.

ISSUER

Republic of Kenya, acting through the National Treasury and Economic Planning
The National Treasury
P.O. Box 30007
GPO 00100
Harambee Avenue
Nairobi Kenya

JOINT BOOKRUNNERS

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

The Standard Bank of South Africa Limited
30 Baker Street
Rosebank
Johannesburg, 2196
South Africa

FISCAL, TRANSFER AND PAYING AGENT

Citibank, N.A., London Branch
Citigroup Centre
Canada Square
London E14 5LB
United Kingdom

REGISTRAR

Citibank Europe plc, Germany Branch
Boersenplatz 9
60313 Frankfurt am Main
Germany

LEGAL ADVISERS

To Kenya as to English law and US law
White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

To Kenya as to Kenyan law
G&A Advocates LLP
Avenue 5 Building, 4th Floor
Rose Avenue, Nairobi
Kenya

To the Joint Bookrunners as to English and US law
Herbert Smith Freehills LLP
Exchange House
Primrose Street
London EC2A 2EG
United Kingdom

To the Joint Bookrunners as to Kenyan law
NBMA Advocates LLP (ENSafrica)
15th Floor, One Africa Place
Waiyaki Way
Nairobi
Kenya