

KENYA



COUNTRY ASSESSMENTS

HIGHLIGHTS

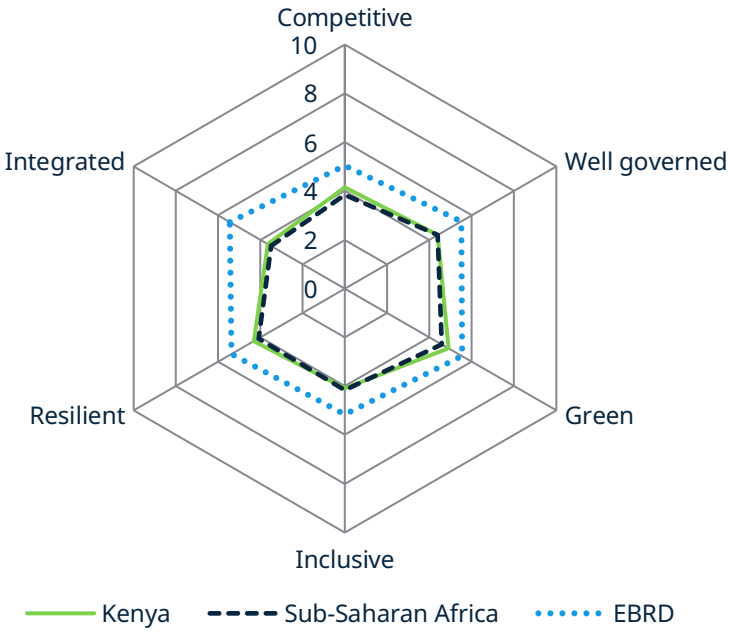
- **Kenya's economy has come under pressure in 2026.** Real gross domestic product (GDP) growth strengthened to 5.3 per cent year on year in the first quarter of 2026, before the conflict in the Middle East raised fuel import costs and fertiliser supply risks, driving up inflation to 6.6 per cent in August 2026. Fiscal pressures have persisted, with public debt at 70 per cent of GDP and the fiscal deficit at 6.1 per cent of GDP in FY 2025/26. Moreover, no successor arrangement has been agreed for the International Monetary Fund (IMF) programme that lapsed in April 2025.
- **The authorities have advanced privatisation to ease fiscal pressure, but early results are mixed**. The Kenya Pipeline Company initial public offering (IPO) raised funds for the National Infrastructure Fund, but the sale of a 15 per cent stake in Safaricom was nullified by the High Court in September 2026, creating uncertainty over its fiscal benefits pending appeal. The public-private partnership (PPP) pipeline has delivered below its headline value.
- **Kenya has sought to diversify sovereign financing and expand access to sustainable finance**, publishing a Sovereign Sustainability-Linked Financing Framework in 2026 to support sustainability-linked borrowing and improve financing terms.

For more information about country macroeconomic developments, please consult our latest Regional Economic Prospects report.

KEY PRIORITIES FOR 2027

- **Restore fiscal credibility without undermining inclusion.** Following revenue shortfalls and the withdrawal of the 2024 Finance Bill, consolidation should focus on improving tax administration, introducing greater fiscal transparency, reducing exemptions and delivering more efficient spending, while protecting targeted social support.
- **Use competition and privatisation reforms to unlock more inclusive private-sector growth and formal jobs.** Building on the Kenya Pipeline Company IPO and planned state-asset divestments, reforms should strengthen competition and reduce key costs for firms, while improving opportunities for small and medium-sized enterprises, young people and women to participate in the formal economy.
- **Increase agricultural productivity, resilience and rural inclusion.** Greater investment in irrigation, agricultural value chains and rural infrastructure would help raise smallholder productivity and incomes while strengthening resilience to droughts, floods and El Niño-related risks.

ASSESSMENT OF TRANSITION QUALITIES (1-10)



For more on reforms and transition qualities, see Chapter 5 of the Transition Report 2026-27.

KEY REFORMS AND POLICY DEVELOPMENTS[1]

Sovereign Wealth Fund and National Infrastructure Fund

- In 2026 Kenya established two investment vehicles: the Sovereign Wealth Fund, financed by ring-fenced mineral and petroleum revenue, and the National Infrastructure Fund, an equity-only vehicle barred from raising debt and seeded with KES 55 billion (€370 million) from four state energy companies.

1 From the fourth quarter of 2025 to October 2026.

- Both funds face credibility questions: three of the Sovereign Wealth Fund's seven board seats are held by political appointees; the revenue base is small (mining royalties were 0.15 per cent of government revenue in 2024/25); and the National Infrastructure Fund's legal status remains disputed.

Privatisation of state-owned enterprises

- The government has advanced privatisations, targeting up to KES 600 billion (€4 billion) in state-asset sales. The October 2025 Privatisation Act centralised sales under the National Treasury and ring-fenced proceeds for infrastructure.
- Early results are mixed. The oversubscribed Kenya Pipeline Company IPO raised KES 106.3 billion (€710 million) for the National Infrastructure Fund. The reduction in the state's stake in Safaricom from 35 per cent to 20 per cent raised KES 245 billion (€1.63 billion) but gave Vodacom a 55 per cent controlling stake. However, the High Court nullified the transaction in September 2026 and ordered the shares restored to state ownership. The ruling remains in force pending appeal, creating uncertainty over the transaction's fiscal implications.

Kenya Vision 2030 and the PPP pipeline

- The PPP pipeline under Kenya Vision 2030 grew from 36 to 51 projects in 2026, worth about KES 1.7 trillion (€11 billion), or 10 per cent of GDP.
- However, only one project reached financial close during the year – a KES 12.5 billion (€83 million) irrigation scheme – and the total funded value was just 1 per cent of GDP. The largest PPP – a KES 192.6 billion (€1.28 billion) highway – proceeded only after being split and re-tendered. Two housing and hospital projects faced bidding or financing delays.

National Sanitation Management Policy

- In February 2026 Kenya launched its first National Sanitation Management Policy, setting minimum service standards and targeting "safely managed sanitation for all" by 2030. Although around 92 per cent of Kenyans have basic sanitation access, non-sewered systems, such as pit latrines and septic tanks, remain poorly regulated and monitored outside major cities.

Sovereign Sustainability-Linked Financing Framework

- In June 2026 Kenya published its Sovereign Sustainability-Linked Financing Framework, an instrument backed by the World Bank that ties government borrowing to two climate targets: reducing deforestation and expanding rural electricity access. Under the framework, Kenya plans to raise US$ 500 million (€430 million) through its first sovereign sustainability-linked bond.

National Carbon Registry and Article 6 trading

- On 17 February 2026 Kenya launched its National Carbon Registry, managed by the National Environmental Management Authority, to track carbon projects, verify emissions reductions and authorise transfers, including credits under Article 6 of the Paris Agreement.
- The registry addresses double-counting risks and strengthens sovereign oversight. It builds on the Climate Change (Amendment) Act 2023 and 2024 Climate Change (Carbon Markets) Regulations, which require 25 per cent of carbon-credit proceeds to go directly to local community projects.

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