

# Concept Note



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## Balancing Kenya's 2025 Finance Bill Against Geoeconomic Complexities

Villa Rosa Kempinski, Nairobi, Kenya

Thursday 5<sup>th</sup> June 2025

7:30am

**GLOCEPS Hybrid Breakfast Meeting**

**Register Here:** <https://us06web.zoom.us/meeting/register/dc7AJZgxTTmiXGdbAu5ggA>

### Overview

Kenya's 2025 Finance Bill reflects the country's efforts to navigate domestic fiscal pressures and shifting geo-economic dynamics. The Bill underscores Kenya's high public debt at 68% of GDP, recurrent budgetary deficits projected at 4.5% of GDP for the 2025/26 financial year, and complex tax reforms. It proposes amendments to redefine key areas like income tax, value-added tax (VAT), and excise duty, and introduces new rules to streamline tax compliance and administration. Proposed measures include reclassifying VAT-zero-rated goods like solar batteries and animal feeds to exempt status. Meanwhile, the proposed five-year cap on tax-loss carry-forwards and reduced corporate tax rates for Nairobi International Financial Centre (NIFC) entities aims to attract investments. These reforms reflect Kenya's attempt to align with OECD tax standards on minimum tax while addressing Kenya's 14.1% tax-to-GDP ratio, which is below the 20% target.

Equally, Kenya's budget faces pressure from reduced Official Development Assistance (ODA) in critical economic sectors like education, health, and agriculture. The United Kingdom and the European Union are redirecting ODAs toward Ukraine. The United States implemented the closure of the US Agency for International Development (USAID). Equally, the U.S. and EU have prioritized protectionist policies seen through Trump-era tariffs and trade wars. This will impact Kenya's export revenues.

Likewise, the IMF's lending conditions and overbearing influence on Kenya's budgeting process have seen the National Treasury seek to diversify its foreign currency debt sources. Kenya is increasingly pivoting towards financing from China, the Middle East, and the World Bank. Similar to other developing economies, Kenya may explore membership in BRICS and its New Development Bank for concessional loans. However, reliance on non-Western creditors potentially introduces new conditionalities and currency risks. This may complicate public debt sustainability.

Kenya's 2025 Finance Bill incorporates gender-responsive budgeting (GRB) to address systemic inequities, aligning with Global South priorities and donor frameworks. UN Women advocates for integrating gender audits, care economy considerations, and targeted funding for rural women, as seen in agricultural subsidies,

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land rights and inheritance reforms. Despite Kenya's affirmative action pledges, like the Women Fund, Hustler Fund and two-third in representation, implementation gaps persist. Strengthening GRB requires binding legal frameworks, budgetary commitments and deeper collaboration with international actors to ensure fiscal policies advance gender equality beyond tokenistic allocations.

Equally, the country's uptake of AfCFTA as an alternative to the expiring AGOA trade agreement remains slow. Structural reforms and multilateral collaborations to enhance manufacturing competitiveness, accelerate AfCFTA integration, and attract ethical investment are critical to reducing import dependency and creating jobs. Diplomatic engagements to secure AGOA extensions or bilateral trade pacts with the U.S. could mitigate tariff impacts.

The Global Center for Policy and Strategy will conduct a webinar, involving foreign policy experts, economists, and research scholars from academia and civil society to analyze how Kenya's 2025 fiscal framework balances austerity, growth, and geoeconomic resilience. By dissecting these interlinked challenges, GLOCEPS aims to foster actionable insights for sustainable economic governance in an era of uncertainty.

## Objectives

- a) Analyze the implications of shifting global aid, trade policies, and protection measures on Kenya's 2025 fiscal strategy.
- b) Evaluate the efficacy of the Finance Bill's public debt measures amidst geoeconomic realities.
- c) Explore Kenya's alternative financing options and geopolitical realignments.
- d) Assess strategies to strengthen intra-African trade under AfCFTA.
- e) Assess the integration of gender-responsive budgeting (GRB) in national fiscal framework.

## Outcomes

- a) Policy recommendations on Kenya's Finance Bill 2025 and geo-economics dynamics.
- b) Securing stakeholder engagement and consensus for actionable policy strategies and framework.

## Format

Three presenters will each be allocated 10 minutes to speak on cross-cutting thematic topics on Kenya's finance legislation and emerging geo-economic dynamics.

## Discussion Areas

### Session 1: Kenya's Budget and Decreasing ODA

- a) Impact of Reduced Western ODA on Fiscal Stability.
- b) Shifts to Middle Eastern & Chinese Financing: Risks vs. Opportunities.
- c) Budgeting in a Multipolar World: Balancing BRICS & Western Alliances.

### Session 2: Global Tariff Wars and AfCFTA

- a) AGOA Expiry & U.S. Protectionist Tariff Policies: Threats to Kenyan Exports.
- b) Barriers to AfCFTA Implementation: Infrastructure & Regulatory Hurdles.
- c) Diversifying Export Markets Beyond Traditional Partners.

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## Session 3: Unlocking International Trade Through the Indo-Pacific and EPA

- a) Japan's Infrastructure-Led Diplomacy: Aligning Kenya's Debt Sustainability Goals with Export-Driven Growth.
- b) EU-Kenya Economic Partnership Agreement: Balancing Trade & Investment Opportunities in Post-ODA Fiscal Realignment.
- c) India-Kenya Collaboration in Digital Infrastructure Development and Manufacturing Competitiveness as a Buffer Against Global Protectionism.

## Session 4: Public Debt & Non-IMF Financing

- a) BRICS & New Development Bank: Geopolitical Implications.
- b) Sovereignty Risks in Chinese and Middle East Debt Contracts.
- c) Green Bonds & Climate Finance as Alternatives.

## Session 5: Gender Responsive Budgeting and Global South Perspectives

- a) Gender Responsive Budgeting in Kenya: Aligning Fiscal Measures with UN Priorities.
- b) Gender Responsive Budgeting : Lessons from Developing and Emerging Economies.
- c) Legal and Policy Pathways to Gender-based Access to Affordable Loans: Aligning with International Actors and Donors.



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