



Kenya's PBO Regulations, 2026

What They Mean for NGOs, Compliance, and Growth

The gazettelement of the Public Benefit Organizations (PBO) Regulations, 2026 marks a defining moment for Kenya's non-profit sector. For the first time in over a decade, the sector now operates under a fully implemented legal and regulatory framework, moving decisively away from the repealed NGO regime.

For NGOs, foundations, and development partners, the focus has shifted. The question is no longer what is coming — it is now how to respond effectively.

A Fully Operational Regulatory Framework

The Regulations operationalize the Public Benefit Organizations Act, 2013, providing detailed procedures for registration, governance, reporting, and oversight. What was previously fragmented or unclear is now formalised:

- Defined registration pathways (including national and international PBOs)
- Clear documentation and eligibility requirements
- Statutory timelines for approvals and regulatory decisions
- Structured processes for suspension, reinstatement, and deregistration

Applications for registration or PBO status must now be determined within 60 days, introducing a level of predictability that was previously lacking.



Transition from the NGO Regime

A critical implication of the new framework is the transition of existing NGOs. With the repeal of the NGO Coordination Regulations:

- Previously registered NGOs are required to align with the PBO framework
- Updated documentation must be submitted to the regulator
- New certificates or permits will be issued under the PBO regime

This is not merely administrative; it is a substantive compliance exercise that may require governance, constitutional, and operational adjustments.

Impact of the 2025 High Court Ruling



The transition process must be understood in light of a 2025 High Court decision that declared key provisions unconstitutional. The Court held that:

- Existing NGOs cannot be required to re-register afresh
- NGOs under previous regime are automatically recognised within PBO framework
- Certain mandatory disclosure provisions must respect constitutional rights

While re-registration is not required, organisations must still align governance structures, meet reporting requirements, and comply with operational and regulatory standards.



Organisations that misinterpret the ruling as removing compliance obligations risk falling behind in a regulatory environment that is becoming more structured and actively enforced.

Governance is No Longer Optional

The Regulations place governance at the centre of compliance. Organisations must demonstrate:

- Properly constituted and functional boards
- Clear separation between governance and management
- Timely reporting of changes in leadership
- Adherence to minimum governance standards

This signals a shift from informal or founder-driven structures toward accountable, transparent, and well-documented governance frameworks. Organisations that fail to meet these expectations will face increasing regulatory scrutiny.

The Public Benefit Test — Now Enforceable

The concept of "public benefit" is no longer theoretical. Organisations must continuously demonstrate that:

- Their activities serve a genuine public interest
- Benefits are not directed toward private individuals
- Operations align with their stated objectives

This introduces a substance-over-form test, where regulators will assess not just what is written in governing documents, but what is actually being implemented.

Stronger Oversight — and Real Consequences

The regulator now has clearer and more enforceable powers. Importantly, suspension has immediate operational consequences.

Regulator Powers

- Request information and conduct inquiries
- Enforce corrective actions
- Suspend or deregister non-compliant organisations

Suspension Consequences

- Accessing or withdrawing funds restricted
- Undertaking projects or activities halted
- Financial or contractual commitments frozen



Suspension effectively places the organisation in an operational freeze, making compliance a business-critical function.

Key Compliance Deadlines You Should Not Miss

The Regulations introduce strict timelines that organisations must actively manage:

Requirement	Timeline
Registration decisions	Within 60 days
Name reservation validity	60 days (extendable)
Board changes notification	Within 30 days
Other material changes	Within 60 days
Appeals against regulatory decisions	Within 30 days
Reinstatement/restoration decisions	Within 14 days
Voluntary dissolution notice	Within 14 days

It is important that organisations adopt structured compliance tracking and internal controls.

Financial Discipline and the Cost of Compliance

The Regulations reinforce financial accountability through mandatory record-keeping and annual reporting, submission of audited financial statements where applicable, and standardised reporting requirements.

- Registration fees
- Annual filing fees
- Fees for reporting changes
- Regulatory application fees

Organisations should treat compliance as a planned operational cost, not an afterthought.

Income-Generating Activities: Opportunity with Conditions

Under the new PBO Act, organisations are permitted to engage in economic activities — but only under clearly defined conditions. This opens a significant window for mission-aligned revenue generation.

Opportunities

- Diversifying revenue streams
- Reducing reliance on donor funding
- Building long-term sustainability

Conditions

- Activities must support public benefit purpose
- Proper licenses must be obtained
- Proceeds must be reinvested into mission



Tax Implications: What Organisations Need to Understand

- Income related to core activities may qualify for exemption
- Unrelated business income may be subject to corporate tax
- VAT obligations may arise depending on activities
- PAYE and statutory deductions remain applicable

! PBO status does not automatically confer tax exemption. Organisations must seek approval from KRA.

What This Means in Practice

- Compliance is now a core organisational function
- Governance quality will define credibility
- Weak structures will face regulatory pressure
- Well-prepared organisations gain trust faster

Opportunities Under the New Framework

While the Regulations introduce stricter requirements, they also create meaningful opportunities for organisations that respond strategically.

- Enhanced credibility with donors, regulators, and stakeholders
- Stronger positioning for funding and partnerships
- Improved internal systems and decision-making
- Alignment with international best practices

The Regulations provide a framework for building more resilient, transparent, and sustainable organisations.



How MGK Consulting Can Support You

Navigating the PBO framework requires more than ticking compliance boxes. It requires a clear regulatory strategy, strong governance structures, and practical implementation.

Our Services

- PBO readiness and compliance assessments
- Governance and structural advisory
- Financial reporting and audit readiness
- AML/CFT and regulatory compliance training
- Tax and structuring advisory for sustainability
- Risk identification and practical solutions

Get in Touch

The transition to the PBO regime is already underway. Organisations that act early will be better positioned to adapt, comply, and grow. If your organisation is preparing to align with the PBO Regulations, now is the time to act.

Reach out to MGK Consulting
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Contact Us