PROGRESS REPORT

IPF
INSTITUTE OF PUBLIC FINANCE

HALF YEAR REPORT JANUARY TO JUNE 2025

Introduction

The Institute of Public Finance (IPF) made notable progress across its programmatic portfolio during the first six months of 2025. This progress report provides a comprehensive review of performamance from implementation of IPFwork. This report highlights achievements, tracks performance, identifies challenges, captures learning & lessons and proposes strategic actions for the future. Methodology for data collection and analysis.

The report is based on quantitative and qualitative data gathered from project implementation teams, partner organizations and field-level activities. The tools used include activity tracker, indicator performance sheets, activity reports and digital media analytics. The analysis compares performance on planned activities versus achieved targets, highlights variances, and provides insights into performance drivers and implementation gaps.

IPF has strengthened its position to be a leading think tank in Public Financial Management (PFM)

WE HAVE WORKED IN 15 COUNTIES AND STILL ON TRACK TO DELIVER IMPACT

KEY ACHIEVEMENTS

POST-TAX LAWS AMENDMENTS FORUM

Why finance experts support scrapping of annual Finance Bill

New KRA chairman Ndiritu Muriithi and Kepsa's tax director say the move will enhance tax predictability for businesses to thrive

BUSINESS GROWTH

- Participants at a a panel discussion organised by the Institute of Public Finance (IPF) agreed that adoption of tax predictability and compliance framework will allow businesses grow while at the same time creating an environment for a wider tax base.

Through a strategic partnership approach, IPF and Mzalendo held a discussion on the tax amendment laws passed in December of 2024. The forum's theme was "Strengthening Fiscal Policy for Economic Resilience and Equity"with an objective to evaluate the recent tax changes, their socio-economic impact and recommend policy adjustments for improved fiscal governance. Discussions centered on issues cutting across predictability and fairness of Kenya's tax system, the need for integrating the informal sector into the tax base, and the importance of early and meaningful public participation. The Post-Tax Laws Amendment Forum brought together key stakeholders—including policymakers, private sector actors, civil society representatives, and tax administrators. Stakeholders emphasized digitizing tax administration, improving compliance processes, and enhancing accountability in public expenditure. A pivotal takeaway was the proposal to reconsider the annual Finance Bill model to ensure policy coherence and long-term planning. The forum successfully amplified critical voices in tax policy reform and laid the groundwork for actionable recommendations geared toward equity, efficiency, and sustainable economic growth.

LAUNCH OF THE MACRO FISCAL ANALYTIC SNAPSHOT (MFAS) 2025

Report paints a grim picture of Kenya's public expenditure, projects hurdles ahead

Travel guides

As a premier think tank in fiscal policy, IPF launched the 2025 edition of the Macro Fiscal Analytic Snapshot (MFAS). The launch provided a platform to disseminate key macroeconomic and fiscal insights for Kenya. The MFAS fostered dialogue among policymakers, development partners, civil society and the media on Kenya's fiscal trajectory.

Key messages outlined in the 2025 MFAS are:

- Although Kenya debt default fear have subsided, the country still is still at high risk of debt distress.
- The social sectors in Kenya have experienced a "lost decade" of stagnating public spendingdue to fiscal consolidation.
- Kenya's revenue growth efforts are underperforming and this limits the government's capacity to expand public spending.
- Universal Health Coverage (UHC) by 2030 now faces barriers with reduced donor support and Kenya's decline on per capita health spending.

LAUNCH OF THE ANNUAL NATIONAL SHADOW BUDGET FY 2025/26

In alignment with Kenya's national budget cycle, IPF launched the Annual National Shadow Budget (ANSB) FY 2025/26. This year's shadow budget with the theme "From Allocations to Outcomes: Recalibrating Budget Performance in the Face of Fiscal Constraint," it provided highlights on the persistent gap between budget allocations and actual outcomes. Specically, the shadow budget draws attention to issues such as poor budget absorption, rising pending bills (now Ksh. 706 billion), debt fragility, and inefficiencies in government functions. IPF also flagged concerns over the reduction of the revenue target (from Ksh. 3 trillion to Ksh. 2.8 trillion) without a matching cut in expenditure, which undermines fiscal credibility and widens the deficit.

CRITIQUE

Experts poke holes on Sh4.3tr Ruto's third budget amid high debt, pending bills

BY MARTIN MWITA

KENYA'S continued borrowing, piling pending bills and wastage of public resources amid high taxation has come under sharp criticism, with experts warning of "dire consequences" going into the next financial year.

This comes as the country's proposed budget for 2025-26 starting July 1, to June 30, 2026 is set to hit a historic high of Sh4.3 trillion, up from Sh3.9 trillion in the current financial year, with recurrent expenditure taking the lion's share of Sh3.2 trillion. High taxation and delay in payment of pending bills worth Sh706 billion to suppliers are also expected to hurt economic growth and hit revenue collections, experts said during the unveiling of the Institute of Public Finance (IPF) shadow budget report in Nairobi on Tuesday.

"Strengthening alignment between resource allocation and sector performance, while addressing these gaps, is critical as the government navigates a tight fiscal environment and seeks to deliver on its socio-economic transformation agenda," said PF Country Lead Daniel Ndirangu

The high spending plans comes on the back of continued misses on revenue targets which have forced the government to accumulate more debt, which stood at Sh11 trillion as of December. With this, financial experts are concerned that the country could be headed into a fiscal cliff mainly on the imbalance in revenues compared to its debt obligations.

In the 2025-26 financial year, the country is projected to spend approximately Sh1.9 trillion on servicing its public debt, including both principal repayments and interest payments. The IPF report indicated there still exists several systemic gaps, including low development budget absorption and continued overlaps and duplications in government functions across multiple sectors. Such inefficiencies undermine service delivery and slow progress on key national priorities.

Without addressing the challenges beleaguering the private sector, including tight monetary policies and delayed payments to government suppliers, the potential for economic and revenue growth could be compromised, IPF and scholars said.

"The government must cut on unnecessary spending and put money in the right sectors," said Stephen Njaramba, senior lecturer in economics at Kenyatta University.

The high debt obligation comes against a projected total revenue (including appropriation-in-aid) of Sh3.4 trillion, up from the Sh3.1 trillion, with ordinary revenue collected by KRA expected to reach Sh2.8 trillion up from Sh2.6 trillion–2025 Budget Policy Statement.

IPF Country Lead Daniel Ndirangu during the launch of the institute's annual national shadow budget for 2025-26 financial year /HANDOUT

LESSONS WE HAVE LEARNT

Adaptability is Key to Program Continuity

The ability to adapt swiftly to external disruptions—such as budget constraints, stop-work directives, and stakeholder scheduling conflicts—was essential in sustaining implementation momentum during the quarter. Affected programs strategically shifted focus toward desk-based research, documentation, and planning activities. This proactive pivot not only ensured continuity of work despite limitations on field-based engagements but also enhanced preparedness for implementation once conditions stabilized. The experience underscored the importance of embedding adaptive planning and flexible workstreams into program design to strengthen resilience against operational uncertainties.

Demand for Evidence-Driven Policy Dialogues Remains High

Participation in events such as the Women's Conference by KSG, Taita Policy Dialogue 2025 and 2025 MTDS dissemination meeting affirmed the value of IPF's work in translating complex fiscal issues into accessible insights for public discourse and policy dialogue.

Evidence matters

Timely, well-researched, and data-driven submissions are more likely to influence policy.

Collaboration amplifies impact

Partnerships with legislators, coalitions, and media create synergy and expand access to decision-making spaces.

RECOMMENDATIONS FOR IPF & NEXT STEPS

Based on the insights and performance from Q1, the following strategic actions are proposed for Q2:

1. **Establish structured stakeholder engagement protocols with county governments to promote sustained collaboration, timely communication, and coordinated implementation of program activities.**

This includes adopting a rolling engagement calendar for sustained and continuous engagement and proactively securing buy-in through formal mechanisms such as MOUs, letters of commitment, and joint work plans. Regular check-ins, joint review sessions, and designated focal points at both the county and program levels will further institutionalize engagement, enhance accountability, and ensure that interventions remain responsive to local priorities and evolving contexts.

PREPARED BY:

INSTITUTE OF PUBLIC FINANCE
P.0 BOX 21753-00100, Nairobi, Kenya
Tel: +254758728882 Email: info@ipfglobal.or.ke
www.ipfglobal.or.ke