PROGRESS REPORT

IPF
INSTITUTE OF PUBLIC FINANCE

2025

HALF YEAR REPORT
JANUARY TO JUNE

Introduction

The Institute of Public Finance (IPF) is an independent, non-partisan, and non-profit think tank established in 2013 to advance the principles and practice of public finance management. Based out of Nairobi, Kenya, IPF provides policy research and advocacy, technical assistance, and capacity strengthening for various stakeholders such as public sector leaders both at the county and national level, development partners, civil society organizations, and oversight agencies.

Our mandate is to enhance the efficiency, responsiveness and sustainability of public financial systems across countries, counties, institutions and citizens. Over the years, IPF has evolved from a national entity into a globally recognized Center of Excellence in fiscal governance. While our roots are in Kenya, which forms our foundational work, our expertise and partnerships extend to other African countries as well as regions in Europe, Asia, North America and South America.

IPF's approach combines research with proactive policy engagement and inclusive stakeholder collaboration to support both state and non-state institutions in shaping public finance systems that are equitable, transparent and results driven both locally and internationally. We made notable progress across our programmatic portfolio during the first six months of 2025. This progress report provides a comprehensive review of performance from implementation of programmes and projects. It highlights achievements, tracks performance, identifies challenges, captures learning & lessons and proposes strategic actions for the future.

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

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OUR APPROACH COMBINES RESEARCH WITH PROACTIVE POLICY ENGAGEMENT WITH DIVERSE STAKEHOLDERS BOTH LOCALLY AND INTERNATIONALLY.

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KEY ACHIEVEMENTS

1. 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

IPF and Mzalendo Trust 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 tax laws introduced in Parliament in December 2024, following the withdrawal of the Finance Bill 2024., 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. Finance Bill 2025, focused heavily on administrative issues improving compliance processes, and enhancing accountability in public expenditure. A pivotal take away was the proposal to reconsider the annual tax laws amendments 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.

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

Travel guides

2. LAUNCH OF THE MACRO FISCAL ANALYTIC SNAPSHOT (MFAS) 2025

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.

3. MAINSTREAMING PARTICIPATION ACCELERATOR (MPA)

We partnered with People Powered and the Open Government Partnership (OGP) to implement a two-part program aimed at mainstreaming democratic innovations such as participatory budgeting and citizens' assemblies. To date, we have successfully developed and launched a comprehensive learning curriculum that synthesizes the best global practices in participatory and deliberative democracy (PDD). The curriculum has been piloted with a pioneering cohort of 23 government and civil society leaders from diverse regions, who have undergone intensive training and mentorship. These participants are now actively developing and piloting reform action plans within their respective governance systems, applying tools such as the Participation Playbook and incorporating peer feedback and mentorship into their processes.

This initiative has significantly advanced IPF's global presence and influence in participatory governance. Key achievements include co-organizing a high-level session at the OGP Global Summit in Vitoria, Spain, in collaboration with People Powered and the Government of Finland. We have also gained valuable insights from international case studies, which have deepened our understanding of the global PDD ecosystem and informed our strategy going forward. Furthermore, the program has strengthened our strategic partnerships with People Powered and OGP, positioning IPF as a key player in global democratic innovation efforts.

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GOVERNMENT AND CIVIL SOCIETY LEADERS FROM DIVERSE REGIONS

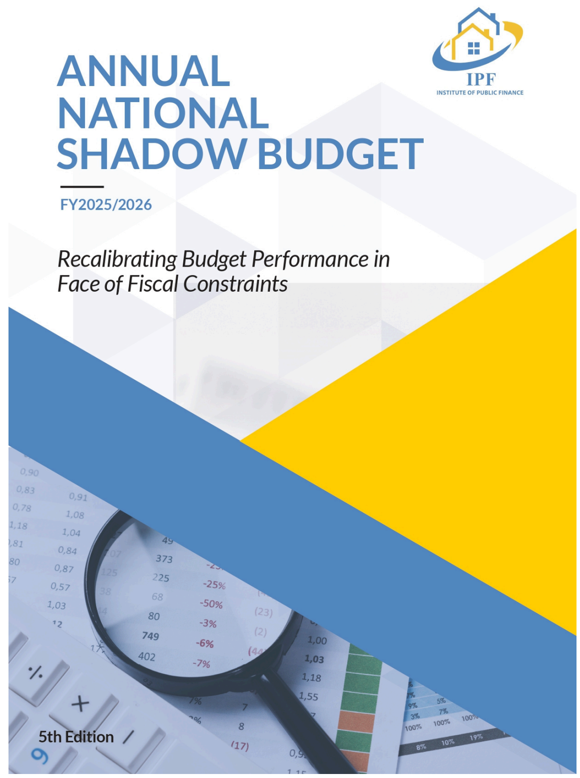
4. DISSEMINATION OF THE 2025 MEDIUM-TERM DEBT MANAGEMENT STRATEGY (MTDS)

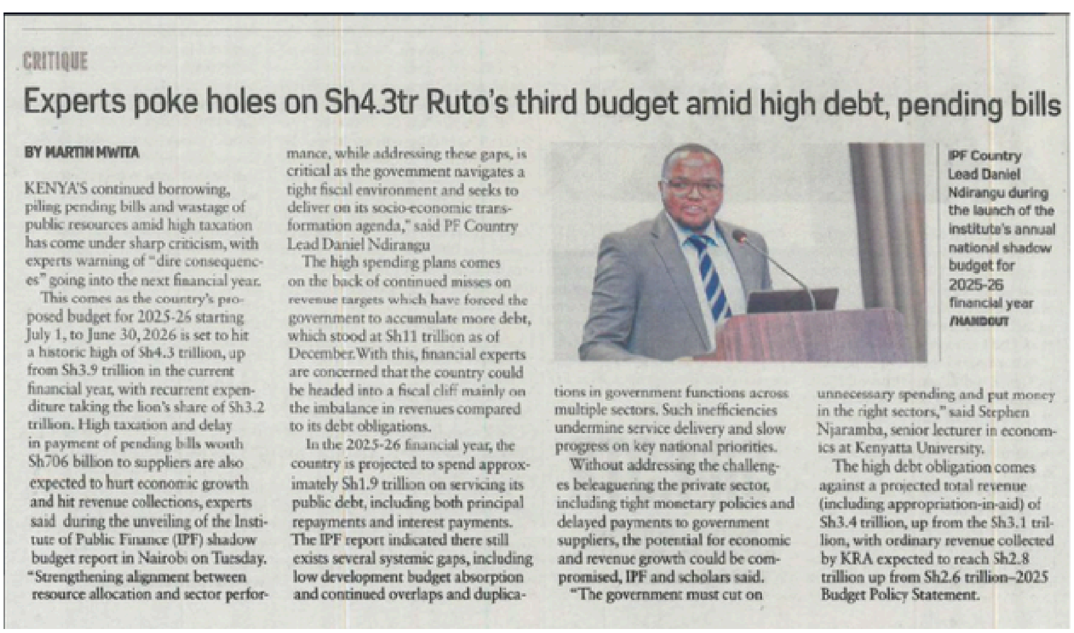
IPF collaborated with the National Treasury and Economic Planning to disseminate the 2025 MTDS. This strategy, anchored under the Public Finance Management Act, provides a framework to guide Kenya's borrowing policy over 2025–2028. The strategy will ensure a sustainable, cost-effective, and risk-managed debt portfolio. The dissemination forum brought together high-level government officials, development partners, civil society, the private sector and the media. Speakers included the Cabinet Secretary and Principal Secretary of the National Treasury who emphasized the importance of debt sustainability, fiscal consolidation and inclusive public engagement. Insights were shared on recent developments including Kenya's Eurobond buyback, the Gen-Z protests' impact on budget planning, and efforts to stabilize the Kenyan shilling. A citizen-friendly version of the MTDS was launched to support transparency and accessibility.

The event highlighted the importance of public participation, clear communication of debt strategies, and continuous stakeholder engagement. IPF and the Public Debt Management Office (PDMO) committed to further collaboration, including hosting a Macro Fiscal and Public Debt Conference to advance dialogue on responsible debt management in Kenya.

5. 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. Specifically, 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

6. STRENGTHENING INCLUSIVE GOVERNANCE IN KENYA'S MINING SECTOR

The Power of Voices Partnership has transformed community engagement in Kenya's extractives sector by challenging power imbalances and vested interests. The End of Year 4 Evaluation Report for the Power of Voices Partnership project found that the initiative significantly enhanced governance, transparency, and inclusivity in Kenya's mining sector across Turkana, Kwale, and Taita Taveta Counties. The project successfully strengthened the capacity of 59 miners including 37 women , to engage in governance processes, enabling them to participate in public forums and submit budget priorities focused on miner safety, training, and market access. 92% of the respondents reported participation in any policy discussions or consultations related to mining governance.

The project fostered stronger dialogue between miners and county officials through feedback forums and policy dialogues, although there was limited evidence that miners' priorities influenced actual budget allocations. While awareness of governance and accountability improved, systemic challenges like weak policy enforcement, limited institutional support, and inadequate revenue tracking mechanisms hindered full participation and transparency. The report recommends devolving mining functions, strengthening revenue tracking, supporting women miners through gender-responsive policies, and leveraging digital tools for enhanced oversight and citizen engagement to sustain the project's impact and foster more inclusive governance in the mining sector.

7. ADOPTION OF IPF'S RECOMMENDATIONS ON THE FINANCE BILL 2025

Kenya's policy making process provides avenues for public actors to present views. In 2024, Kenya experienced public dissent because of the Finance Bill 2024 which was approved by parliament but failed to get presidential ascent. Organizations working in public finance like IPF therefore have an obligation to review policy proposals including Bills before parliament and present expert technical views that would improve effectiveness and promote transparency. During this period IPF presented submissions on the Finance Bill 2025. IPFs objective was to promote a fair, transparent, and accountable tax system in Kenya.

Through collaboration with KEWOPA and engagement with journalists, IPF submitted evidence-based recommendations to Parliament and amplified public awareness. Collaboration saw media articles published, and media appearances scheduled. Rescent research by IPF on taxation, through the NORAD project, provided critical evidence to support our recommendations.

As a result of this coordinated effort, 36% of IPF's recommendations were adopted by the Finance and Planning Committee. Key wins include the protection of citizens' data privacy, retention of VAT zero-rating on essential goods, preservation of taxpayer rights in dispute resolution, and flexibility in carrying forward business losses. These changes benefit taxpayers, particularly low-income groups and small businesses, by reducing compliance burdens, enhancing predictability, and ensuring that tax incentives are more targeted and justifiable.

8. ADOPTION OF IPF'S RECOMMENDATIONS ON THE 2025 BUDGET POLICY STATEMENT (BPS)

The Budget Policy Statement (BPS) outlines key priorities and policy directions that help shape how both the national and county governments plan and allocate their budgets for the next financial year and the years that follow. Following a joint submission by the Institute of Public Finance (IPF) and the Kenya Women Parliamentary Association (KEWOPA) to the National Treasury, 71% of the recommendations were incorporated into the final 2025 Budget Policy Statement (BPS), which has since been approved by the National Assembly. This outcome demonstrates the effectiveness of collaborative, evidence-based advocacy in shaping national fiscal policy. Key wins include the revision of the ordinary revenue target from Ksh 3 trillion to Ksh 2.8 trillion to enhance fiscal credibility, commitment to full disclosure of pending bills disaggregated by sector and state corporation, and a substantial increase in the education sector budget to Ksh 723.9 billion to support the rollout of junior secondary education.

Additionally, the designation of county transfers as a first charge will reduce operational disruptions at the county level, while the recognition of the IGTRC report and a call for expedited costing of functions marks a critical step toward the full realization of devolution.

"......A SUBSTANTIAL INCREASE IN THE EDUCATION SECTOR BUDGET TO KSH 723.9 BILLION TO SUPPORT THE ROLLOUT OF JUNIOR SECONDARY EDUCATION......"

9. MEDIA AMPLIFIES PUBLIC DEBATE ON FINANCE BILL 2025 THROUGH EVIDENCE-BASED REPORTING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PEOPLE DAILY / Friday, July 4, 2025

Mbadi: State committed to stronger domestic resource mobilisation

by Nicholas Waitathu
@PeopleDailyKe

External accounts under strain as remittances fall

KNBS says overall balance of payments swung to a deficit of Sh77b, a sharp turn from Sh36b surplus in first quarter of 2024

by Noel Wandera

Diaspora remittances, Kenya's largest source of foreign exchange fell 11 per cent year-on-year to Sh161 billion.

ACCOUNT DEFICIT

Dividend payments

Think tank wants National Assembly given oversight powers on public borrowing

by Victor Mukabi
@PeopleDailyKe

Working with the media provides IPF with a strategic platform to amplify its reserach findings and contribute to national topical issues. IPF organized an engagement with journalists and PFM Boot Camp participants during the National Finance Bill 2025 analysis. This engagement contributed to increased public awareness and discourse on the Finance Bill 2025. Key results saw the publication of two impactful articles analyzing the implications of the proposed tax reforms, specifically highlighting concerns around the tech sector and the need to reassess tax expenditures (Article 1, Article 2).

These publications contributed to shaping public understanding and debate on the Finance Bill, reflecting the success of IPF's approach to fostering evidence-based reporting and informed civic engagement among key influencers in the fiscal policy space.

10. INCREASED OWN SOURCE REVENUE MOBILIZATION

Following the provision of technical assistance to Laikipia County in drafting its Revenue Enhancement Strategy (RES), the county cabinet formally adopted and approved the strategy. Our support included conducting technical workshops, facilitating stakeholder consultations, and supporting the drafting of the policy. Since adoption, the county has been actively implementing the RES.

This has led to notable improvements in Own Source Revenue (OSR) collection, with early evidence of revenue growth partly attributable to the RES implementation and the development of a draft Tariffs and Pricing Policy. These developments reflect a positive policy shift toward more sustainable and structured revenue mobilization in the county.

Laikipia County Revenue Board
14 May ·

For the third consecutive year, Laikipia County has surpassed the 1 Billion mark in Own Source Revenue, a remarkable achievement under the visionary leadership of H.E. Governor Joshua Irungu, EGH. We extend our heartfelt gratitude to the people of Laikipia for their commitment to progress by faithfully paying their taxes. Together, we are building a stronger, self-reliant county.

#tulipeushurutujengelaikipia
#1BillionMarkOSR
#FY2024/2025

— with **Nicky Astaji** and **Institute of Public Finance**.

PARTNERSHIPS & COLLABORATIONS

Partnerships have been central to IPF's work, driving the achievement of key results. Our commitment to co-creating initiatives, enhancing collaboration within the ecosystem and promoting mutual accountability is reflected in the strong alliances we have built with diverse stakeholders. We have deepened our engagement with significant public institutions, such as National Treasury, Kenya Revenue Authority, State Departments of Arid and Semi-Arid Lands (ASAL) and Regional Development ,State Department of Gender, Kenya School of Government, Kenya Women Parliamentarians (KEWOPA) as well as oversight bodies such as the Office of the Auditor General, County Assemblies, and Parliament. These partnerships have played a significant role in advancing our priorities in advocacy, fiscal decentralization, participatory governance, and gender equality.

Our core mandate has been realized through these strategic partnerships, which have enabled impactful policy research and advocacy, meaningful dialogues, and community engagement initiatives. This progress is made possible by the generous support of various partners who share our vision. We gratefully acknowledge contributions from Oxfam , Kenya Community Development Foundation (KCDF), Ford Foundation, Hewlett Foundation, Open Society Foundation, Gates Foundation, National Endowment for Democracy (NED), Friends of Lake Turkana (FOLT), Japan International Corporation Agency (JICA), Christian Aid Kenya, USAID Strathmore University Program, Norwegian Agency for Development Corporation (NORAD), Westminster Foundation for Democracy (WFD), African Forum and Network on Debt and Development AFRODAD, and Agriculture Sector Network (ASNET), Center for International Private Enterprise, CIPE, END fund, International Budget Partnerships, Inspire Action , Horn Economic and Social Policy Institute (HESPI),

In the global front, we have expanded our reach and impact through partnerships with Addis Ababa University and the Horn Economic and Social Policy Institute (HESPI) in Ethiopia, alongside collaborations with People Powered, Open Government Partnership (OGP), and Mainstreaming Participation Accelerator partners including IODP Africa, Fundación Ciudadano Inteligente, Open Mosaic D.O.O, and Kotakita. Together, these alliances span 15 countries, strengthening our efforts in participatory democracy and governance. As the leading PFM think tank, convener and bridge-builder, IPF continues to actively contribute to regional learning platforms by hosting forums on significant topics such as debt management, climate finance, tax justice, and health budgeting. These forums bring together public officials, researchers, and community leaders to co-create innovative solutions to pressing fiscal challenges.

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