www.ipfglobal.or.ke

**PRESS RELEASE**
**NAIROBI, April 28th, 2026**

## Shadow Budget 2026/27: National budget should support growth, equity and resilience

Kenya's capacity to effectively deliver on its core development priorities is increasingly constrained by an overly optimistic macro-fiscal framework, highlighting growing inconsistencies between policy ambition and fiscal reality, raising concerns about the sustainability, efficiency, and impact of public spending across key sectors.

The 2026 Annual National Shadow Budget (ANSB) released today by the Institute of Public Finance (IPF) notes that Kenya's budget credibility is weakening, driven by growing reliance on use of Article 223 that undermines planning, oversight and accountability.

At the same time, critical sectors face mounting risks: health financing remains overly dependent on declining donor support, threatening Universal Health Coverage; social protection programmes are fragmented and underfunded; funding for Women's Economic Empowerment (WEE) continues to lag behind policy commitments; and domestic climate adaptation financing remains far below National Adaptation Plan (NAP) commitments. The ANSB 2026 warns that overly optimistic revenue projections, rising debt-service obligations and weak expenditure discipline are constraining the Government's ability to finance its development agenda.

IPF calls on the Government to use the FY 2026/27 budget to restore fiscal discipline and refocus spending on high-impact priorities by adopting realistic revenue projections, enforcing hard spending ceilings and limiting use of supplementary budgets. The Institute further urges increased domestic health financing with a clear post-donor transition plan, stronger and more coordinated social protection systems, institutionalized gender-responsive budgeting, and the mainstreaming of climate adaptation financing across sector budgets, alongside enhanced transparency and parliamentary oversight.

> *"In social protection, for example, we have multiple bursary schemes operating in parallel, leading to duplication, leakages, and inequitable access."* said Daniel Ndirangu, CEO of the Institute of Public Finance.

Notably, a narrow tax base, a largely untaxed agricultural sector, election cycle risks and growing exposure to emerging external shocks like the ongoing Middle-East crisis are emphasizing the need for stronger fiscal discipline, improved debt transparency, and credible consolidation strategies to cushion the country against economic instability.

> *"Kenya's challenge today is not a lack of policy ambition, but a growing disconnect between what we plan and what we can realistically finance."* Mr. Ndirangu noted.

The highlights that despite strong policy commitments across key sectors such as healthcare, social protection, climate resilience, and economic inclusion, current fiscal structures are failing to provide the coherence, discipline, and prioritization required to translate these ambitions into tangible outcomes.

In 2026 Annual National Shadow Budget (ANSB) the expenditure side, rigid obligations like debt servicing, public wages, and intergovernmental transfers now absorb more than half of total spending. This has significantly reduced fiscal space for development investment as the recurrent use of supplementary budgets has further weakened budget credibility and parliamentary oversight, while overlapping mandates across sectors continue to drive inefficiencies and duplication.

Key sector highlights are:

- **Health:** Core programmes like HIV/AIDS, malaria, and RMNCAH have historically relied on external financing. In FY 2023/24 donor funds accounted for approximately 73% of the total expenditure for these programmes. With external support declining recent bilateral funding estimated to be about 20% lower than previous averages, and a significant financing gap is emerging, threatening essential services and Universal Health Coverage.
- **Women's Economic Empowerment (WEE):** Despite high budget absorption rates (often above 90%), allocations remain relatively low and poorly tracked, limiting the ability to measure real economic outcomes for women. These underscore a broader pattern where ambitious policy frameworks are not backed by adequate, predictable, or well-coordinated financing.
- **Social Protection:** Programmes such as the Hunger Safety Net Programme currently reach only 22.5% of households in need, while fragmented bursary schemes continue to result in duplication, inefficiencies, and unspent funds despite rising demand for education financing.
- **Climate Adaptation**: Funding has declined sharply from KSh. 11.6 billion in FY 2020/21 to KSh. 4.3 billion in FY 2024/25, far below the estimated KSh. 570 billion annual requirements under the Nationally Determined Contribution (NDC) and National Adaptation Plan (NAP). The current allocations below KSh. 7 billion per year represents less than 2% of the required financing.

IPF asks Parliament to reprioritize public expenditure toward high-impact programmes that deliver tangible outcomes for citizens. This will require reducing inefficiencies caused by fragmentation and duplication across sectors, while ensuring that limited fiscal resources are directed to areas with the greatest social and economic returns.

**#Ends#**

*For more information or media appearances, contact Meshack Acholla, Senior Communications & Advocacy Officer, Institute of Public Finance Email: macholla@ipfglobal.or.ke*