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THEME

From budget allocations to Public Outcomes: Closing Kenya's fiscal and delivery gaps.











7th Edition



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Preface

Welcome to the seventh edition of the Annual National Shadow Budget (ANSB) by the Institute of Public Finance (IPF). As Kenya prepares for the FY 2027/28 budget cycle, the country continues to face significant fiscal pressures, including persistent revenue shortfalls, rising debt-service costs, constrained fiscal space for development expenditure and weaknesses in the implementation of public investments. These challenges, compounded by uncertainties surrounding the 2027 general elections, underscore the importance of credible budget planning, prudent resource allocation and effective public financial management.

This iteration of the Annual National Shadow Budget (ANSB) covers six thematic areas. The Macro and Fiscal Context chapter identifies over-optimistic growth and revenue projections, rising debt-service costs, recurrent spending that crowds out development expenditure and persistent weaknesses in public investment implementation. The health financing chapter finds that low contribution collection, especially from the informal sector, is straining the Social Health Insurance scheme. The education chapter highlights persistent capitation shortfalls as allocations fail to keep pace with inflation and the higher costs of learners' progression through the education system. The capitation system as currently designed is not sufficiently equitable as it does not account for historical underdevelopment in poorer counties as well as the differentiated costs of education services across the country. The social protection chapter observes that insufficient and volatile financing for *Inua Jamii* is slowing progress towards planned coverage and medium-term expansion targets

Our analysis of resourcing of the Women Enterprise Fund (WEF) under the Economic Empowerment Chapter demonstrated that financing for the fund remains below projected requirements, while inconsistent beneficiary reach, gaps in the legal and institutional framework and limited disaggregated data hinder accountability and assessment of the Fund's effectiveness. Finally, the climate adaptation financing chapter finds that allocations to the State Department for Environment, Climate Change and Forestry and the State Department for Water and Sanitation within the EPWNR sector remain below identified needs and that the budget as presented does not necessarily reflect prioritization of climate adaptation interventions.

Our vision for the Annual National Shadow Budget remains unchanged: to generate independent evidence that informs public debate, strengthens oversight and drives better public financial management in Kenya. By identifying the gaps between budget commitments, resource allocations and actual implementation, we aim to help build a budget process that responds to citizens' needs and delivers real development outcomes. We hope this analysis offers credible, independent evidence for a wide range of readers: those engaging the National Treasury, Parliament and county governments during the formulation and approval of the FY 2027/28 budget; researchers, academics and think tanks studying Kenya's public finances; development partners shaping their support; and the media and citizens who follow how public resources are raised and used. Above all, we hope it enriches public discourse on Kenya's public finance management.

As with all IPF publications, the views expressed here are those of the Institute alone and are independent of our funders.

Daniel Ndirangu
Chief Executive Officer
Institute of Public Finance.

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Executive Summary

The FY 2027/28 budget is being prepared from a position of some strength, but its credibility in an election year is the central risk. The economy grew by an average of about 5.0 per cent a year between 2022 and 2025, above the averages for Sub-Saharan Africa (4.1 per cent) and the world (3.4 per cent). Tax revenue has risen every year since FY 2022/23, the Government has rolled out the Social Health Insurance scheme, financed the transition to Junior Secondary School and expanded the Older Persons Cash Transfer to about 1.25 million beneficiaries. The FY 2027/28 budget guidelines (Treasury Circular No. 10/2026) also require ongoing projects to be prioritised and climate risks to be considered. The question this edition asks is whether the budget framework is credible enough to protect these gains.

The FY 2027/28 budget is being drawn in the election year and is based on macroeconomic and fiscal projections which are optimistic when reviewed against past performance and independent forecasts. The government projects that the economy will grow by 5.1 percent and that it will collect KSh 4.0 trillion in revenues. However, past election-year trends, the revenue track record, and a record of deficit outturns above target suggest that there is considerable uncertainty in these projections. The main risk is a repeat of the pattern in which optimistic revenue targets lead to deficits above target, additional borrowing and higher debt service, which in turn squeeze spending on services.

In this iteration of the Annual National Shadow Budget (ANSB), we provide an independent analysis of the sustainability of the Social Health Insurance Scheme, funding for basic education, the National Safety Net Programme, and the Women Enterprise Fund (WEF), and the prioritization of climate adaptation in the budget.

Our analysis finds that:

i. Growth and revenue projections are overly optimistic

At the macro level, the FY 2027/28 budget is based on assumptions that are above historical trends and independent forecasts. The government's growth projection of 5.1 percent is 0.7 percentage points above the World Bank's projection of 4.4 percent and 0.4 percentage points above the African Development Bank's projection of 4.7 percent. Similarly, a total revenue projection of KSh 4.0 trillion is ambitious for an election year. If tax revenue grows at its ten-year average rate, total revenue would be about KSh 3,770 billion, roughly KSh 235 billion below target.

The implications of persistent over-optimism in revenue projections are far-reaching. Recurrent revenue shortfalls have contributed to wider-than-targeted fiscal deficits, which in turn have driven the rapid accumulation of public debt, reaching 70.4 per cent of GDP at the end of FY 2025/26. Sustained borrowing has raised the cost of debt service, with domestic debt service alone absorbing more than 40 per cent of ordinary revenue and crowding out spending on development and social spending. Debt service is projected to persist, with interest payments alone projected at KSh 1,457.4 billion in FY 2027/28, equivalent to about 45 per cent of projected ordinary revenue.

Our analysis further points to continuing shortcomings in public investment management. This is despite some progress: the World Bank reported that stalled projects fell from 522 in FY 2018/19 to 327 in 2024 following the roll-out of the Public Investment Management Information System. The Auditor-General's reports indicate that the number of stalled or incomplete national government projects rose from 188 (contract value KSh 240.5 billion) in FY 2023/24 to 219 (KSh 291.2 billion) in FY 2024/25, in addition to 77 delayed projects worth KSh 136.8 billion. These projects not only hold up much-needed services and infrastructure for the public but also raise the risk of cost overruns and avoidable interest costs (for example, KSh 569 million on the Thwake dam) and reflect weaknesses in project appraisal and budgeting. The ANSB recommends that the most important step toward restoration of fiscal credibility is to make sure that viable projects in progress are completed before going back to the drawing board for new projects and to ensure that legal requirements are met before initiating new projects.

ii. Sustainability, equity and accountability issues in health financing reforms are significant

In health financing, Kenya's Social Health Insurance framework is under-resourced and lacks transparency. While contribution collections under the Social Health Insurance Fund (SHIF) continue to fall short of financing requirements, the tax-funded Primary Health Care Fund and Emergency, Critical and Chronic Illnesses Fund receive only a fraction of their estimated needs. Allocations to the Health Insurance Subsidy Programme (HISP), which pays premiums for poor and vulnerable households, have fallen sharply; the FY 2025/26 allocation of about KSh 310 million is less than 1 per cent of the estimated KSh 37-39 billion needed to cover all poor households. This leaves universal and equitable health coverage in jeopardy and questions the sustainability and inclusiveness of the existing reform agenda.

iii. Inadequate, unpredictable and inequitable capitation is shifting education costs to households and widening disparities

Funding for basic education remains a subject of concern due to capitation gaps, erosion in real value and inequitable allocation of funds. Higher enrolment and transition to Junior Secondary School has not been matched with higher allocation to basic education. In addition, per-learner allocation has not been adjusted for inflation, leading to erosion of its real value. The Free Primary Education rate of KSh 1,420 would need to rise to about KSh 1,833 by FY 2027/28 to restore its FY 2022/23 value. Meanwhile, irregular disbursements, incomplete student and school data undermine predictability and equity of resource allocation. This leads to greater strain on households, especially in ASAL counties, and to growing inequities in access and educational results. We therefore recommend adjusting per-learner capitation for inflation, cleaning up student and school data, and, to ensure equity, basing per-capita allocation on need.

iv. Social Protection Financing continues to be uncertain, and coverage gaps continue to be high.

Our analysis finds that social protection benefits provided under the National Safety Net Programme (NSNP) are at risk due to declining and volatile financing. NSNP financing supported a major expansion of coverage, from about 1.1 million beneficiaries in FY 2022/23 to about 1.8 million in FY 2024/25, with budget absorption of 99 per cent. However, NSNP allocations fell from KSh 42.7 billion in FY 2024/25 to KSh 29.2 billion in FY 2026/27 and are projected at KSh 27.9 billion in FY 2027/28, even as planned

coverage is maintained. Our analysis makes the case for the need for a predictable, costed and well-funded social protection policy in Kenya that protects vulnerable groups and promotes economic inclusion.

v. Financing, performance and accountability issues are all facing the Women Enterprise Fund.

Our review of the Women Enterprise Fund revealed an important public policy takeaway: the Fund has fully used its budget and largely met its training targets (about 90 per cent of the cumulative financial literacy target), but the fact that budgets are absorbed does not mean they are effective. The Fund's allocation was fully absorbed in FY 2024/25, but it funded only 12,538 women against a target of 200,000 (6 per cent), and loan disbursement was only 17 per cent of the target, after the digital lending pilot was suspended because of high default rates. The Fund has also seen weak outcome monitoring, governance issues and continued accountability concerns, which constrain the Fund's ability to promote women's economic empowerment.

vi. Funding for climate adaptation is still quite low despite the recognised risks.

Climate adaptation financing remains one of the clearest examples of the disconnect between policy commitments and resource allocation. Fiscal and economic impacts of climate-related shocks, droughts and floods are now increasingly acknowledged in government policy documents. However, the financing of the Environment, Protection, Water and Natural Resources (EPWNR) Sector, which carries the mandate to address these shocks declined in relative terms: its final BPS ceiling fell by 16.6 per cent between FY 2024/25 and FY 2026/27. Despite clear evidence of increasing economic costs due to climate change and spending capacity, the sector proposal for FY 27/28 reflects less than 50% of the estimated needs, signalling limited funding for climate action.

Policy Recommendations

The FY 2027/28 budget continues to be based on optimistic assumptions and fails to adequately invest in programmes that advance vulnerable households, learning outcomes, health security, and climate resilience, and women's economic participation. The findings across all six thematic areas point to a common conclusion that Kenya's budget challenge is fundamentally a challenge of credibility, prioritization and accountability. The ANSB therefore calls on National Treasury and Parliament to focus on these four strategic actions during the budget process:

i. **Anchor the budget on a credible macro-fiscal framework:** The National Treasury should adopt realistic growth and revenue projections, reduce non-essential recurrent expenditure and prioritise completing viable ongoing projects before initiating new ones. Parliament and the Office of the Controller of Budget should strengthen oversight of development spending, project implementation and compliance with Public Investment Management Guidelines.

ii. **Improving Health, Education and Social Protection Financing:** The government should strengthen domestic financing for health funds, expand subsidies for vulnerable households and improve public reporting on claims and expenditure. Basic education capitation should be adequately funded, adjusted for inflation and allocated according to verified enrolment and regional needs. Social protection financing should be guided by a costed medium-term framework, supported by stronger beneficiary registration, coordination, grievance mechanisms and performance monitoring.

iii. **Strengthening Women's Economic Empowerment:** Parliament and the Women Enterprise Fund should align financing with realistic targets, subject to reconciled lending data, loan recovery, portfolio quality and regular performance reporting. The Fund should strengthen financial controls and track outcomes, including enterprise growth, business sustainability and women's incomes, to guide future allocations and assess impact.

iv. **Make the link between climate risk and financing explicit.** EPWNR should submit a risk-to-financing schedule linking each prioritised intervention to its ranking, justified annual cost, proposed allocation and expected output, and name what is unfunded or deferred. The National Treasury should explain in the draft and final BPS 2027 how climate risks, rankings, costs and performance shaped sector ceilings, add resources where justified costs show the ceiling cannot deliver priorities, and say which outputs and risks remain unaddressed, including any financing in other sectors. EPWNR agencies and the Treasury should state counterpart funding and disbursement conditions and address financing interruptions and implementation barriers separately. Parliament should require these explanations when it considers the final BPS 2027.

Abbreviations and acronyms

ANSB	Annual National Shadow Budget
ASAL	Arid and Semi-Arid Land
BETA	Bottom-Up Economic Transformation Agenda
BPS	Budget Policy Statement
CBC	Competency Based Curriculum
CCPTMIS	Consolidated Cash Transfer Programme Management Information System
CD-MIS	Community Development Management Information Systems
CT-OVC	Cash Transfer for Orphans and Vulnerable Children
ECCIF	Emergency, Critical and Chronic Illnesses Fund
EIICT	Energy, Infrastructure & Information Communication Technology
EIP	Economic Inclusion Programme
EPWNR	Environment Protection, Water and Natural Resources
ESR	Enhanced Single Registry
FDSE	Free Day Secondary Education
FPE	Free Primary Education
FY	Financial Year
GoK	Government of Kenya
HISP	Health Insurance Subsidy Program
HSNP	Hunger Safety Net Programme
HSWG	Health Sector Working Group
ICT	Information, Communication Technology
IEC	Information, Education, and Communication
IMF	International Monetary Fund
JSS	Junior Secondary School
KEMIS	Kenya Education Management Information System
KNEC	Kenya National Examinations Council
KPI	Key Performance Indicator
MDAs	Ministries, Departments and Agencies
MIS	Management Information System
MTP IV	Fourth Medium Term Plan
NAP	National Adaptation Plan
NDC	Nationally Determined Contributions
NDMA	National Drought Management Authority
NEMIS	National Education Management Information System
NGAAF	National Government Affirmative Action Fund
NG-CDF	National Government Constituencies Development Fund
NHIF	National Health Insurance Fund
NICHE-MIS	Nutrition Improvement through Cash and Health Education Management Information Systems
NPWEE	National Policy on Women's Economic Empowerment
NSNP	National Safety Net Programme
OPCT	Older Persons Cash Transfer
OPPSD	Older Persons and Persons with Severe Disabilities
OVCs	Orphans and Vulnerable Children
PFM	Public Finance Management
PHCF	Primary Health Care Fund
PWDs	Persons with Disabilities
PWSD-CT	Cash Transfer for Persons with Severe Disabilities
SHA	Social Health Authority
SHI	Social Health Insurance
SHIF	Social Health Insurance Fund
SPCR	Social Protection, Culture and Recreation
SWG	Sector Working Group
TSC	Teacher's Service Commission
VSLAs	Village Savings and Loans Associations
WEE	Women's Economic Empowerment
WEF	Women Enterprise Fund

Contents

PREFACE 3

ACKNOWLEDGEMENT 4

EXECUTIVE SUMMARY 5

ABBREVIATIONS AND ACRONYMS 9

LIST OF TABLES 12

LIST OF FIGURES 13

1 MACRO AND FISCAL CONTEXT 14

1.1 Macro analysis 17

1.2 Credibility of revenue, expenditure and fiscal deficit targets 19

1.3 Scale, distribution and drivers of stalled public projects in Kenya 24

1.4 Conclusion and recommendations 28

2 HEALTH FINANCING CHAPTER: SUSTAINABILITY, EQUITY AND TRANSPARENCY OF KENYA'S SOCIAL HEALTH INSURANCE (SHI) SCHEME 30

2.1 PHCF, SHIF and ECCIF revenue fell short of the estimated resource requirements 32

2.2 Equity in Kenya's SHI Scheme 35

2.3 Transparency and Accountability in the Management of Kenya's SHI Scheme 38

2.4 Conclusion and Recommendations 42

3 EDUCATION CHAPTER: ADEQUACY AND SUSTAINABILITY OF BASIC EDUCATION CAPITATION 44

3.1 Adequacy and predictability of budget allocations for basic education 46

3.2 Capitation per learner has not kept pace with inflation and enrolment numbers and mix 50

3.3 Equity gaps in Capitation Coverage and Education Financing 52

3.4 Conclusion and Recommendations 53

4 SOCIAL PROTECTION CHAPTER: FUNDING FOR THE NATIONAL SAFETY NET PROGRAMME 56

4.1 Prioritization, coverage and funding for the National Safety Net Programme 59

4.2 Adequacy and Coverage of Inua Jamii 61

4.3 Deep dive review of coverage and financing for OPCT, CT-OVC, PWSD CT 65

4.4 Economic Inclusion Programme (EIP) complementarity with the Inua Jamii Programme 69

4.5 Conclusion and Policy Recommendations 71

5 ECONOMIC EMPOWERMENT: RESOURCING AND EFFECTIVENESS OF THE WOMEN ENTERPRISE FUND (WEF) 76

5.1 WEF budget allocations, expenditure, resource adequacy and performance trends **78**

5.2 WEF Legal Framework: Implications for Transparency and Accountability **81**

5.3 Conclusion and recommendations **84**

6 CLIMATE FINANCE CHAPTER: FROM CLIMATE RISK RECOGNITION TO FINANCED PRIORITIES 86

6.1 National policy identifies adaptation responsibilities across government **88**

6.2 Climate risks create an explicit case for preventive financing **89**

6.3 EPWNR loses relative priority across the BPS years **90**

6.4 Ceiling transitions show reductions in two years and a modest increase in FY2026/27 **92**

6.5 FY2027/28 proposals provide a direct test of Treasury's allocation framework **93**

6.6 Financing composition affects continuity and delivery **93**

6.7 Climate priorities receive uneven financing in budget proposals **94**

6.8 Execution demonstrates capacity to absorb and utilise increased budget allocations **96**

6.9 Delivery supports targeted financing and action on constraints **97**

6.10 Conclusion and recommendations **98**

REFERENCES 101

List of tables

Table 1	There are marginal changes in budget shares	**21**
Table 2	Distribution of stalled/incomplete projects across sectors	**25**
Table 3	Distribution of abandoned projects across sectors	**26**
Table 4	Distribution of delayed projects across sectors	**27**
Table 5	SHIF, PHCF and ECCIF Financing Requirements vs Allocations	**32**
Table 6	SHIF, PHCF and ECCIF Payouts FY 2024/25	**33**
Table 7	Estimated cost of covering vulnerable populations under HISP	**38**
Table 8	Assessment of SHI funds reporting requirements versus publicly available information	**39**
Table 9	Assessment of publicly available information for oversight of SHI funds	**40**
Table 10	Approved Budget and Actual Expenditure by Programme, State Department for Basic Education, FY2022/23–FY2025/26 (KSh million)	**47**
Table 11	Capitation Funding by Education Level FY2020/21–FY2023/24	**48**
Table 12	Over- and underfunded schools by level, FY 2020/21- FY 2023/24 (sampled schools)	**49**
Table 13	Allocations to the NSNP and its beneficiaries peaked in FY 2024/25	**61**
Table 14	Allocations, disbursements and beneficiary coverage vary across the interventions over the years (KSh million)	**62**
Table 15	Disbursement of Funds to Older Persons, 2021/22 - 2025/26	**65**
Table 16	Distribution of older persons in Kenya per the 2019 census	**66**
Table 17	Disbursement of Funds to Orphans and Vulnerable Children, 2021/22 - 2025/26	**67**
Table 18	Disbursement of Funds to Persons with Severe Disabilities, 2021/22 - 2025/26	**68**
Table 19	Selected protection, rehabilitation and economic empowerment interventions	**70**
Table 20	Projected and Approved Allocations to the Women Enterprise Fund, FY 2022/23–2026/27, against the WEF Strategic Plan 2023–2027	**79**
Table 21	WEF Approved Budget, Expenditure and Variance, FY 2022/23–2025/26 (KSh Million)	**80**
Table 22	Table Performance against selected WEF targets	**80**
Table 23	WEF's Legal History (2007-2022)	**83**
Table 24	Auditor General findings, WEF FY 2023/24	**83**
Table 25	Policy-identified climate vulnerabilities and relevant national functions	**89**
Table 26	Climate risk recognition in fiscal documents and financing implications	**89**
Table 27	Final BPS sector ceilings FY2024/25 to FY2026/27	**91**
Table 28	EPWNR historical transition from provisional to final BPS ceilings	**92**
Table 29	EPWNR FY2027/28 provisional ceiling and sector proposal	**93**
Table 30	Composition of EPWNR FY2027/28 proposed financing	**93**
Table 31	FY2027/28 proposed financing of selected climate risk responses (Ksh billion)	**95**
Table 32	EPWNR approved allocations actual expenditure and absorption	**96**
Table 33	Selected delivery results for drought floods and water insecurity	**97**

List of figures

Figure 1	Real GDP growth has consistently lagged government projections but aligned with MPO estimates	**17**
Figure 2	Real GDP growth has historically dipped in election years	**18**
Figure 3	Using Kenya's average tax revenue the tax projection should be lower	**19**
Figure 4	Revenue growth has declined during election years	**20**
Figure 5	Expenditure trends reveal a persistent dominance of recurrent spending	**21**
Figure 6	Domestic debt service accounts for the largest share of total debt service.	**22**
Figure 7	Kenya has predominantly undertaken upward revisions to its expenditure estimates.	**23**
Figure 8	Trends in Allocations towards HISP	**36**
Figure 9	Termly disbursement against the 50:30:20 benchmark for each stream and year	**49**
Figure 10	Inflation-Adjusted Free Primary Education (FPE) Capitation Rate Required	**50**
Figure 11	Capitation Need and Expenditure for Junior (JSS) and Senior Secondary (FDSE), FY2022/23–FY2026/27 (KSh million)	**51**
Figure 12	Poverty rates by county and the national average	**52**
Figure 13	Inua Jamii Coverage has improved but progress varies across beneficiary groups	**64**



CHAPTER 1

MACRO AND FISCAL CONTEXT

Kenya is entering the FY2027/28 budget cycle amid moderating growth, persistent revenue shortfalls, rising debt-service pressures and weaknesses in management of public investments. Notably, the medium-term outlook is also exposed to downside risks from the 2027 elections, external price shocks and climate-related shocks, which could further constrain economic activity and revenue mobilisation. In particular, the FY2027/28 growth projection of 5.1% is overly optimistic given election-related uncertainty, exceeding the World Bank's and the African Development Bank's projections for 2027. Similarly, the revenue targets are ambitious relative to historical performance. Additionally, recurrent expenditure continues to account for a large share of total spending, thus limiting fiscal space for development spending and growth. Further, the growing stock of stalled and underperforming projects highlights weaknesses in project planning, financing and budget implementation.

There is also much to build on. Growth averaged about 5.0 per cent a year between 2022 and 2025, above the global (3.4 per cent) and Sub-Saharan African (4.1 per cent) averages. Tax revenue has grown every year since FY 2022/23, reaching about KSh 2.47 trillion in FY 2025/26, and the World Bank reports that the number of stalled projects fell from 522 in FY 2018/19 to 327 in 2024 after the Public Investment Management Information System was introduced. The concern this chapter raises is therefore about the credibility of targets: projections that are repeatedly missed turn into larger deficits, more borrowing and rising debt service, which crowd out the development and social spending the budget is meant to deliver.

5.1%
Projected real GDP growth in 2027 (2026 BROP)

KSh 4.0 trillion
Projected total revenue, FY 2027/28

KSh 5.4 trillion
Projected total expenditure, FY 2027/28

219
Stalled or incomplete projects worth KSh 291.2 billion

KEY FINDINGS AND RECOMMENDATIONS

Our review finds that:

i. **The FY2027/28 growth projection is optimistic in the face of election-related uncertainty.** It is 0.7 percentage points above the World Bank's 4.4% projection for 2027 and 0.4 percentage points above the African Development Bank's 4.7% projection. Historical election-year slowdowns reinforce the risk that actual growth will fall short of the government's baseline.

ii. **Based on historical trends, the projected total revenue of KSh 4.0 trillion is overly optimistic**. Accounting for average tax revenue growth of about 8.5% over the ten years to FY 2025/26, a more realistic tax revenue target would be KSh 2,904 billion, KSh 235 billion below the projected KSh 3,139 billion. Consequently, total revenue would more realistically stand at KSh 3,770 billion.

iii. **The expenditure side leans heavily towards recurrent spending, constraining development expenditure.** Recurrent spending continues to take up over 70% of total expenditure, a continued departure from the fiscal responsibility principle in section 15(2)(a) of the Public Finance Management (PFM) Act, which requires at least 30% of the national budget to go to development over the medium term. In FY 2027/28, development spending of KSh 915.8 billion is about 18.5% of national government expenditure excluding transfers to counties, and interest payments alone (KSh 1,457.4 billion) take more than a third of recurrent spending.

iv. **Repeated deficit overruns are driving up debt service and reducing fiscal space.** The FY 2025/26 deficit reached about 6.9% of GDP against an original target of 5.0%. Public debt reached KSh 13,013 billion (about 70.4% of GDP) by June 2026, domestic debt service absorbed about 41% of ordinary revenue in FY 2025/26, and about 21% of the KSh 983.7 billion borrowed in FY 2025/26 financed recurrent rather than development spending.

v. **Stalled, incomplete and delayed projects tie up significant public resources without delivering services.** The Auditor-General identified 219 stalled or incomplete projects with a contract value of KSh 291.2 billion in FY 2024/25, up from 188 projects worth KSh 240.5 billion a year earlier, plus 77 delayed projects worth KSh 136.8 billion. Delayed payments to contractors, weak contract management and approval of new projects before ongoing ones are funded are the main drivers.

WE THEREFORE RECOMMEND:

i. **Revise economic growth projections and revenue targets.** Revise the projected 5.1% growth rate downwards to account for election-related economic uncertainties and risks, and align tax revenue projections with historical collection trends.

ii. **Contain in-year deficit slippage.** The National Treasury should present in the BPS 2027 a deficit path with explicit contingency measures, setting out which expenditure will be deferred if revenue underperforms, and should limit upward expenditure revisions through supplementary budgets to genuine emergencies. Parliament should require a revenue-shortfall contingency plan before approving the FY 2027/28 estimates.

iii. **Strengthen the link between borrowing and development spending.** The National Assembly and the Office of the Controller of Budget should enhance oversight to ensure borrowed funds finance development expenditure as required by law. Fiscal space for development should also be created by reducing non-essential recurrent and administrative spending.

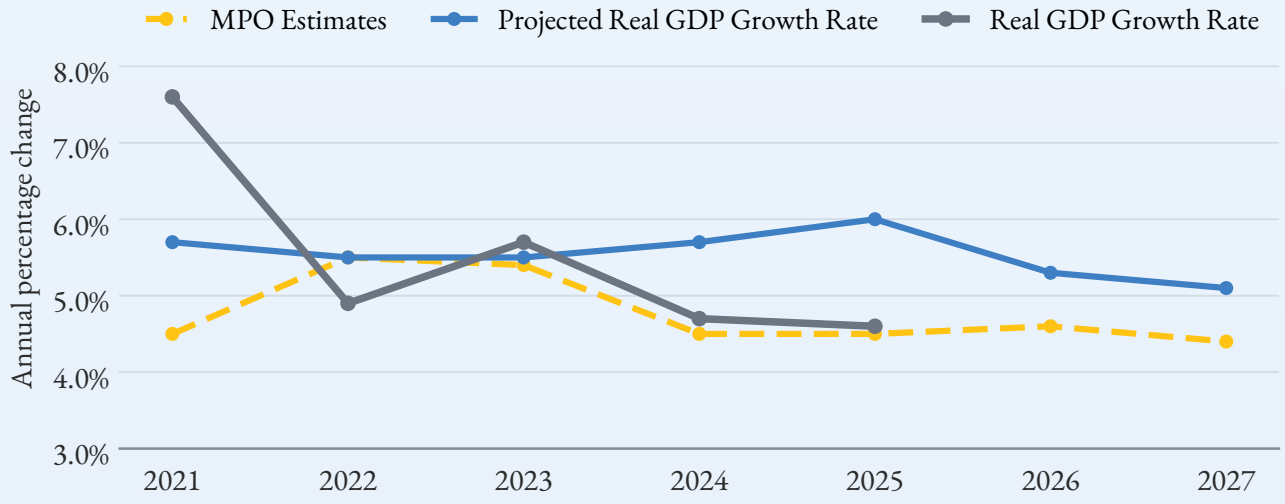
iv. **Develop and enforce a comprehensive strategy for completing stalled, incomplete and delayed projects.** The National Treasury should enforce Public Investment Management Guidelines and budget circulars requiring Ministries, Departments and Agencies (MDAs) to prioritise viable ongoing projects over new ones. Sector Working Groups should assess stalled projects based on their implementation status, outstanding financing needs, contractual obligations and implementation bottlenecks, prioritising those that can be completed and operationalised. New projects should only be included in the budget if there is adequate financing for ongoing projects. In addition, projects should be budgeted for once credible implementation plans have been approved.

1.1 Macro analysis

1.1.1 FY2027/28 Growth Projections are Optimistic Amid Election Risks and Persistent Forecast Shortfalls

The Kenyan economy has maintained comparatively stronger growth at an average of 5.0% between 2022 and 2025, compared with an average global growth of 3.4% and 4.1% in Sub-Saharan Africa. This has been supported primarily by growth in agriculture, recovery in industry, and continued expansion of the services sector. The 2026 Budget Review and Outlook Paper (BROP) projects real GDP growth of 5.1% in 2027, similar to the 5.1% growth in Q1 of 2026.[1] However, this projection faces downside risks, particularly from the 2027 general elections. Also worth noting is that actual growth has persistently been lower than government projections and has been closer to the World Bank's MPO projections (Figure 1).

FIGURE 1 **Real GDP growth has consistently lagged government projections but aligned with MPO estimates**

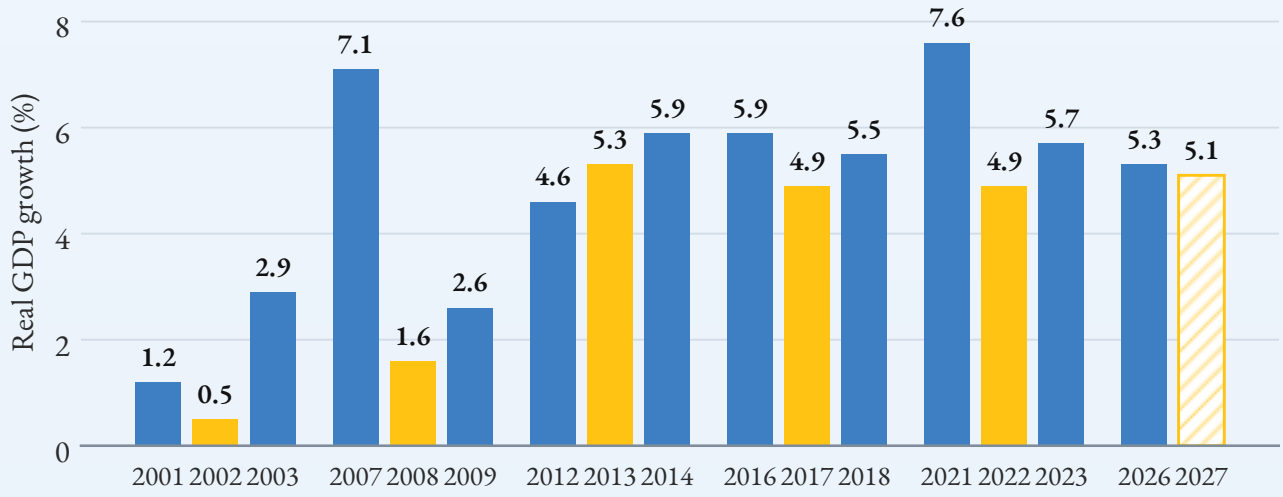


Data Source: Various BROPS and Various MPO projections

Kenya's previous election cycles have shown that political uncertainty contributes to weaker economic growth. For example, in 2021, the real GDP growth rate was 7.6%, but it dropped to 4.9% in 2022, which was the election year. While post-COVID-19 recovery partly explains the high growth in 2022, similar dips in growth are observed in 2002, 2008 and 2017 (Figure *2*). While the 2026 BROP acknowledges risks associated with the elections, it is silent on how these risks were factored into the growth projections. The National Treasury also recognises that the slowdown was because of a "wait and see" scenario that may have been adopted by investors because of uncertainties caused by the general election that was held in August 2022.[2]

The World Bank, in its projections, recognises political uncertainty surrounding elections as a factor that can induce firms and investors to halt investments until there is greater clarity regarding the post-election policy and political environment. [3] Accounting for the election risk, the MPO projects a real GDP growth of 4.4 in 2027, which is 0.7 percentage points lower than the BROP's 5.1% projection. [4] Similarly, by factoring in political uncertainty, the African Development Bank in its 2026 Kenya Economic Outlook projects real GDP growth for Kenya at 4.6% in 2026 and 4.7% in 2027, much lower than the government's projection.[5]

FIGURE 2 **Real GDP growth has historically dipped in election years**



Data Source: Various Economic Surveys and 2026 BROP

The effects of political uncertainty are not limited to the private sector; election-related uncertainty can also affect government revenue mobilisation and expenditure, thus creating risks to fiscal consolidation. In FY 2022/23, for example, the National Treasury attributed the below-target revenue performance partly to the uncertain operating environment associated with the general elections; additionally, the Parliamentary Budget Office had also identified election-related spending pressures and tax exemptions as risks to achieving the government's medium-term fiscal consolidation objective.[6] Therefore, election periods may place pressure on both sides of the fiscal balance; that is, weaker economic activity and delayed private investment can constrain the tax base and revenue collection, while pressure for election-related expenditure and competing spending priorities can increase expenditure or limit the scope for expenditure rationalisation. This could widen the fiscal deficit relative to the government's target, increasing borrowing requirements and complicating efforts to reduce debt vulnerabilities.

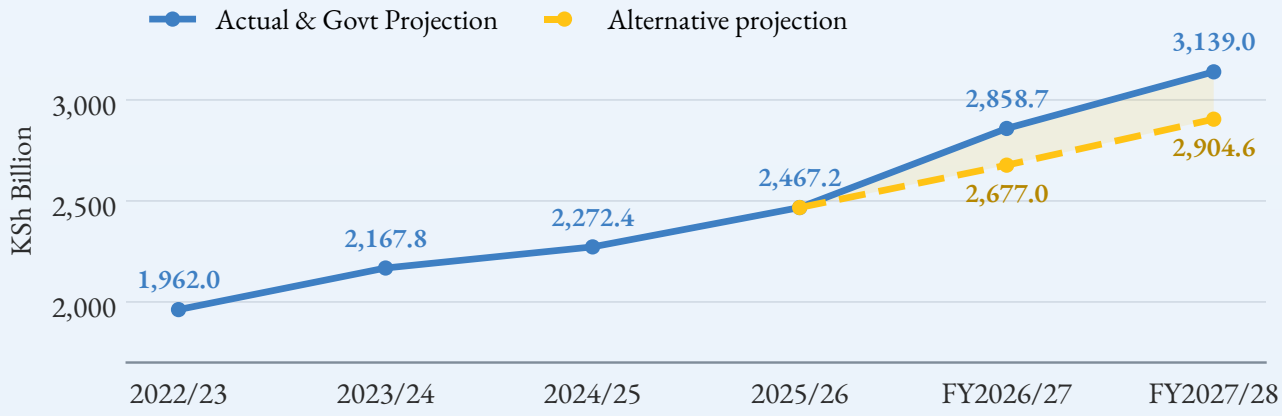
Therefore, given that FY 2027/28 will coincide with the 2027 election cycle, the 5.1% growth assumption is overly optimistic. It is therefore important for the government to revise the growth target downwards by accounting for election-related uncertainty, which could temporarily weaken investment and economic activity.

1.2 Credibility of revenue, expenditure and fiscal deficit targets

1.2.1 The FY2027/28 revenue target is ambitious relative to recent collection performance and election-related risks

Consistent with past optimism bias, the National Treasury's revenue target for FY 2027/28 will be difficult to achieve. The government projects total revenue at KSh 4.0 trillion in FY 2027/28, an increase from the FY 2026/27 target of KSh 3.6 trillion. Ordinary revenues are projected to increase to KSh 3.2 trillion, comprising KSh 3.1 trillion in tax revenue and KSh 110.2 billion in non-tax revenue. Ministerial Appropriations in Aid (A-i-A) is also projected to increase to KSh 754.5 billion. However, average tax revenue growth for the last ten years leading to FY 2025/26 is 9%, and based on this, a lower target of KSh 2,904.6 billion in tax revenue would be more realistic, which is KSh 235 billion below the target. Consequently, a more realistic total revenue should be KSh 3,770 billion.

FIGURE 3 **Using Kenya's average tax revenue the tax projection should be lower**



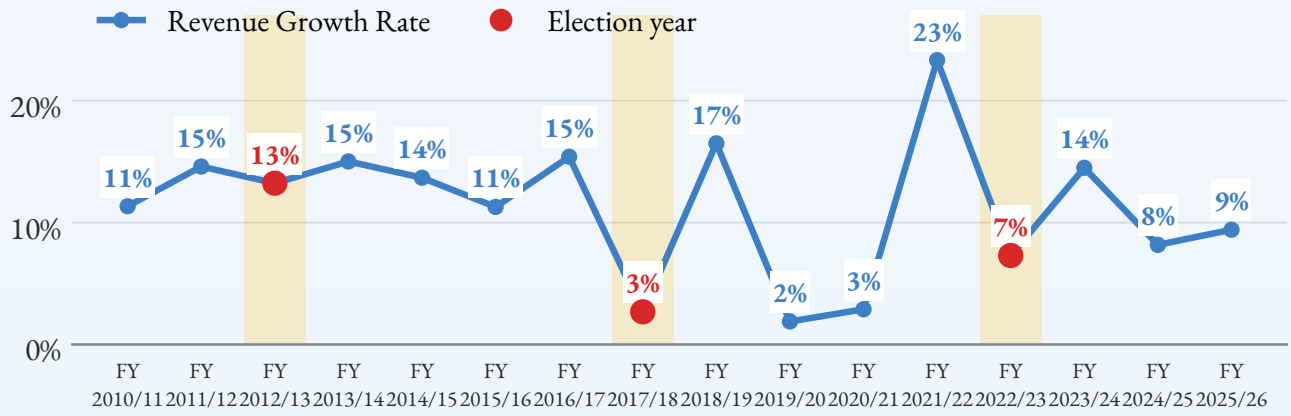
Data Source: Various BROPS

The risk associated with the 2027 election cycle is also relevant when considering historical revenue growth. Ordinary revenue growth slowed from 23 % in FY2021/22 to to 7 % in FY2022/23, the election year, before recovering to 14 % in FY2023/24 (Figure 4). This suggests that revenue growth was considerably weaker during the election year than in the preceding and subsequent years. This pattern indicates that election-related uncertainty poses a downside risk to revenue mobilization. The FY2027/28 target should therefore be revised downwards to better account for election risk.

This pattern indicates that election-related uncertainty poses a downside risk to revenue mobilization. The FY2027/28 target should therefore be revised downwards to better account for election risk.Revenue shortfalls reflect both structural and cyclical factors. In an election year, these constraints are reinforced as firms and households defer investment and consumption. When revenue falls short, the gap has mainly been closed through additional borrowing and in-year cuts to developm-

ent budgets rather than through lower recurrent commitments. A revenue target anchored on realised collection trends would avert higher-than-target borrowing and give spending agencies more predictable budgets.

FIGURE 4 **Revenue growth has declined during election years**



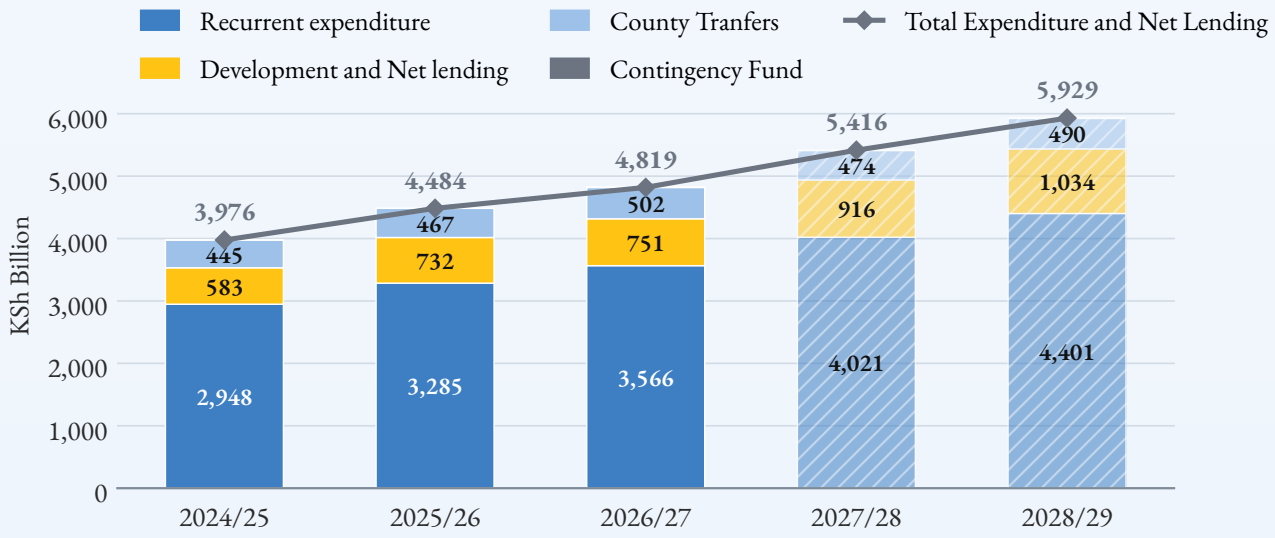
Data Source: Various BROPS

1.2.2 The FY2027/28 expenditure framework remains dominated by recurrent spending and constrained development spending

Total expenditure is projected to increase to KSh 5,415.5 billion, an increase of 12 % from KSh 4,819.4 billion in FY 2026/27. Of this, KSh 4,021.1 billion is recurrent expenditure; out of which KSh 1,457.4 billion is interest spending, KSh 915.8 billion is development expenditure, KSh 473.5 billion is transfers to counties (of which KSh 440.9 billion is equitable share) and KSh 5.0 billion is for the Contingency Fund. This expenditure composition raises a key concern: the continued dominance of recurrent spending over development expenditure (Figure 5). From FY 2024/25 to FY 2026/27, recurrent expenditure averaged more than 70 % of total spending, leaving development expenditure below the 30 % medium-term minimum set by section 15(2)(a) of the PFM Act



FIGURE 5 Expenditure trends reveal a persistent dominance of recurrent spending



Source: Various BROPs

Similarly, ministerial expenditure in FY 2027/28 is projected to increase to KSh 3,271 billion from KSh 2,922.7 billion in FY 2026/27, representing an increase of 12 %. Notably, the budget shares allocated to most sectors will remain broadly stable, with only marginal increases or declines.

TABLE 1 There are marginal changes in budget shares

Sectors	% share					
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Education	27%	28%	29%	26%	27%	26%
EIICT	16%	19%	18%	21%	18%	20%
PAIR	16%	13%	13%	13%	12%	13%
GJLO	12%	10%	11%	11%	12%	12%
National Security	8%	9%	10%	10%	11%	11%
Health	6%	6%	6%	6%	6%	6%
EPWNR	5%	5%	4%	4%	4%	4%
ARUD	4%	4%	3%	4%	4%	3%
SPCR	4%	3%	4%	3%	3%	3%
GECA	1%	3%	3%	3%	2%	2%

Source: Various BROPs

The Education Sector is expected to receive the largest share of the budget at 26%, although this is a reduction from 27% share in FY 2026/27. Energy, Infrastructure and ICT sector budget share is projected to increase to 20%, after a decline from 21 % to 18 % between FY 2024/25 and FY 2025/26.

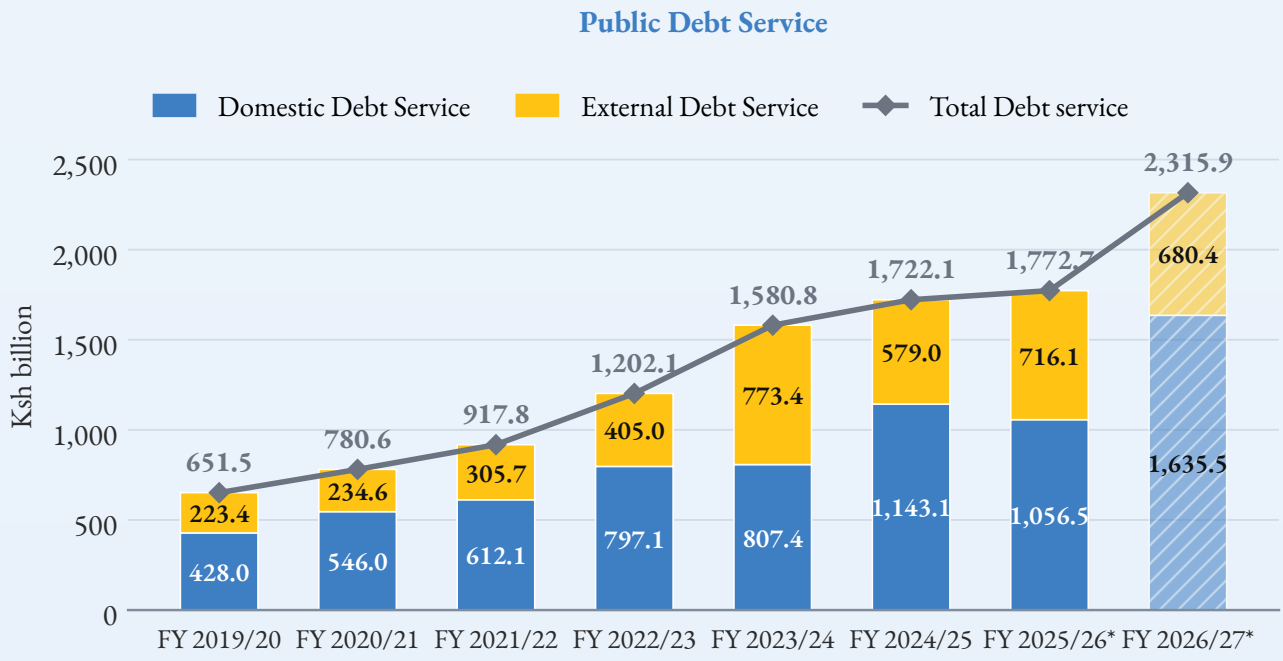
While the increase is welcome, the sector has often been subjected to in-year cuts despite the sector's role in supporting BETA through the provision of cost-effective public utilities and essential services that underpin socio-economic transformation. The sector also plays a critical role in expanding access to clean, sustainable and affordable energy, which is an important enabler of growth and economic transformation.

1.2.3 Persistent fiscal deficits and rising reliance on domestic borrowing are increasing debt pressures and constraining fiscal space

The fiscal deficit is projected at KSh 1,352.9 billion in FY 2027/28 (5.9 percent of GDP), which is expected to be financed through KSh 929.1 billion in domestic borrowing and KSh 423.8 billion in external financing. This additional borrowing is expected to push the public debt stock to approximately 71% of GDP. Since June 2022, the stock of public debt has increased by approximately 52 % (from about KSh 8.6 trillion to KSh 13.0 trillion by the end of FY2025/26, with domestic debt accounting for the largest share.

In FY2024/25, domestic borrowing accounted for approximately 83 % of gross borrowing against a target of 55 %, while the 2026 Medium-Term Debt Management Strategy (MTDS) proposes that 82 % of gross borrowing to be sourced domestically and only 18 % externally over the medium term. This greater reliance on domestic financing partly reflects the changing availability and terms of external financing, including limited access to concessional borrowing and reduced access to external borrowing. However, these outcomes raise fiscal sustainability concerns because domestic debt carries a higher cost due to comparatively higher interest rates and shorter maturities. To illustrate, domestic debt service accounted for approximately 47 % of ordinary revenue in FY2024/25 and 41 % in FY2025/26, leaving fewer resources available for development and social spending.

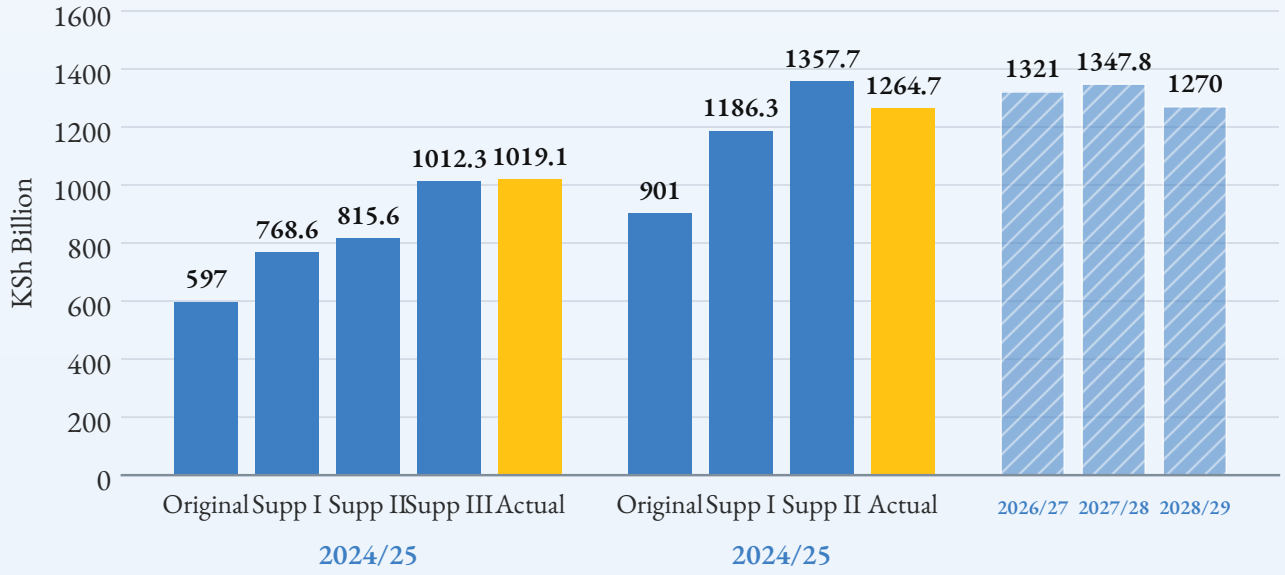
FIGURE 6 **Domestic debt service accounts for the largest share of total debt service.**



Data Source: Various BROP

The observed debt outcomes are a direct consequence of the repeated divergence between planned and realised fiscal deficits. Revenue shortfalls, combined with upward revisions of expenditure, have resulted in fiscal deficits substantially above the levels envisaged in the original budgets. In FY2024/25, for example, the original budget projected a deficit of 3.6 % of GDP, compared with an outturn of 5.8 %, while in FY2025/26 the deficit was initially projected at 5.0 % of GDP but increased to approximately 6.9 % of GDP at the end of the year. This pattern matters because each additional %age point of deficit translates into additional financing requirements, increasing the debt stock and, in turn, future debt-service obligations.

FIGURE 7 **Kenya has predominantly undertaken upward revisions to its expenditure estimates.**



Data Source: Various BROPs

The level of borrowing in FY2025/26 also raises a more fundamental concern regarding the use of borrowed resources. According to the 2026 Budget Review and Outlook Paper, the Government borrowed approximately KSh 983.7 billion, of which 79 % went to development expenditure, meaning 21 % supported recurrent requirements. This is significant because it departs from the fiscal responsibility principle in Section 15(2)(c) of the Public Finance Management Act, which provides that, over the medium term, national government borrowing should be used only to finance development expenditure and not recurrent expenditure. The FY2025/26 outturn therefore indicates a continued departure from this fiscal responsibility principle, despite the Government's stated commitment to comply with it over the medium term.

Additionally, Treasury's debt sustainability analysis continues to classify Kenya as being at high risk of debt distress, with the present value of public debt projected to remain above the 55 % benchmark until 2029. The 2026 MTDS projects the PV of public debt at approximately 65.6 % of GDP in FY2026/27, compared with the 55 % benchmark, while debt-service and external vulnerability indicators remain above the debt sustainability indicators. These indicators point to a constrained fiscal environment in which a growing share of future revenues will go to servicing and refinancing existing obligations, limiting the resources available for development expenditure and reducing the Government's ability to respond to future shocks.

What this means for FY 2027/28. Interest payments are projected at KSh 1,457.4 billion in FY 2027/28, equivalent to about 45% of projected ordinary revenue. Each shilling of revenue shortfall that is financed by borrowing adds to future interest costs; hence, revenue over-optimism today reduces what is available for health, education, social protection and climate adaptation tomorrow. Development spending is usually the first item cut in-year, which helps explain the stock of stalled projects. If the FY 2027/28 targets are not revised, the most likely outcome is another deficit overrun, more expensive domestic borrowing and further pressure on service delivery after the election

1.3 Scale, distribution and drivers of stalled public projects in Kenya

1.3.1 Declining stalled projects mask persistent implementation challenges and significant fiscal and service-delivery risks

According to the World Bank, the number of stalled projects reduced from 522 projects valued at KSh 1.1 trillion in FY 2018/19 to 327 projects valued at KSh 153.5 billion in 2024. The World Bank attributed this to the implementation of the Public Investment Management Information System (PIMIS) in monitoring project execution. [7] The International Monetary Fund (IMF) in 2024 reported that Kenya had a total of 437 stalled projects or underperforming projects valued at KSh 600 billion. As part of the IMF Programme, the government had committed to review all stalled or underperforming projects and recommend their suspension or cancellation by the end of December 2024.[8] Different numbers by both are noteworthy, as they reveal both a transparency and auditing weakness.

Our review of the Auditor-General's Report on National Government for FY 2024/25 identified a total of 219 stalled or incomplete projects spread across various sectors with an estimated value of KSh 291.2 billion (Table 2).[9] This was an increase from 188 stalled projects worth KSh 240 billion in the office 2023/24 report. In terms of value, the National Security Sector, Environment Protection, Water and Natural Resources (EPWNR), and Energy, Infrastructure and ICT(EIICT) account for approximately 90 % of the total value of stalled/incomplete projects. However, these sectors account for the lowest number of stalled projects, pointing to the need to focus on both value and number of projects. For example, although the National Security sector has only three stalled projects, it has the highest value at KSh 106.6 billion, while, by contrast, the Agriculture, Rural and Urban Development sector had 42 stalled projects, with a combined value of KSh 5.6 billion (Table 2).

The National Security sector has the highest value of stalled projects. One such project is the construction of a Level Six referral hospital, valued at approximately KSh 18 billion, which had reached only 20% completion by the end of FY 2024/25. The facility is intended to provide specialized healthcare services to military and security personnel, as well as to members of the public on a referral basis.

The health sector also has stalled projects valued at KSh 10.3 billion, bringing the cumulative value of stalled health-related investments across the two sectors to approximately KSh 29.2 billion. This concentration of stalled investment in healthcare infrastructure represents a substantial commitment of public resources without the corresponding service-delivery capacity being realized. It also raises concerns about the opportunity cost of implementation delays, particularly when incomplete facilities postpone access to specialized medical services and potentially require continued reliance on existing facilities.

Similarly, Energy, Infrastructure and ICT (EIICT) recorded 45 stalled projects, the second-highest number across sectors, with the third-highest value, and the substantial concentration of this is in the State Department for Roads. This pattern is concerning, particularly because delay postpone improvements in road connectivity and increase the risk of further costs associated with prolonged implementation.

TABLE 2 Distribution of stalled/incomplete projects across sectors[i]

	Number of Stalled / Incomplete Project		Sum of Contract / Project Value (KSh Billion)		Sum of Amount Paid / Spent (KSh Billions)	
	FY 2023/24	FY 2024/25	FY 2023/24	FY 2024/25	FY 2023/24	FY 2024/25
National Security	3	3	21.9	106.6	3.2	6.4
EPWNR	64	66	72.3	79.5	40.1	22.3
EIICT	39	45	108.5	76.7	82.3	31.6
Health	7	8	3.1	10	4.2	2.7
ARUD	23	42	9.1	5.6	1.6	2.1
PAIR	6	5	11.2	4.7	1.4	1.1
GJLO	24	35	2.2	4.2	1.2	1.9
Education	20	10	11.6	3.3	5.7	1.2
SPCR	2	3	0.6	0.6	0.5	0.3
GECA		2		-		-
Grand Total	188	219	240.5	291.2	139.9	69.7

Data Source: Auditor-General's Report on National Government for FY 2023/24 and 2024/25

Stalled projects not only point to gaps in budgeting and the inefficient use of public resources but also clearly indicate ineffective project planning. Prolonged delays in completing these investments risk postponing the intended benefits to communities and undermining the timely delivery of essential environmental and water-related services under the EPWNR. For example, stalled and incomplete projects under the sector include the development of water and sanitation infrastructure, irrigation infrastructure, and green zones, some of which are intended to support climate resilience. The Thwake Multipurpose Dam, for instance, is debt-funded and has reached a high completion rate of 94 %. The OAG reports that the project's costs have been revised upward by 32 % and that avoidable interest costs of Ksh 569 million was accrued, while citizens continue to wait to benefit from its objectives of increasing water supply, generating hydropower, and developing irrigation. Project details published by the African Development Bank Group indicate that the project would benefit 1.3 million people in Lower Eastern counties, generate approximately 20 MW of hydropower, and support irrigation on up to 40,000 hectares

i. Audit reports were cross-checked page by page to identify stalled projects, incomplete projects past their scheduled completion dates, and projects classified as delayed by the OAG.

of farmland. Given that agriculture is among the government's top priorities, it remains unclear why the project has not been prioritized for completion.[10]

Beyond stalled projects, the Auditor-General's reporting distinguishes between abandoned and delayed projects, revealing additional dimensions of implementation failure. As at FY 2024/25, 18 projects valued at KSh 1.9 billion had been abandoned. Although the aggregate number of abandoned projects declined from 20 in FY 2023/24, the trend was uneven across departments. ARUD recorded a particularly concerning increase, with abandoned projects rising from four to ten over the period. This suggests that the overall decline masks deterioration in project implementation within specific departments. The increase warrants scrutiny of the underlying causes, including possible weaknesses in project preparation, procurement, financing and implementation oversight. Abandoned projects are especially concerning because the resources already committed will not generate any of the intended public benefits, while the government may face additional costs if the projects are to be revived or replaced (Table 3).

TABLE 3 Distribution of abandoned projects across sectors

Sector	Number of Projects		Sum of Contract / Project Value (KSh Billion)		Sum of Amount Paid / Spent (KSh Billions)	
	FY 2023/24	FY 2024/25	FY 2023/24	FY 2024/25	FY 2023/24	FY 2024/25
ARUD	4	10	0.8	0.2	0.4	0.1
Education	2		0.3		0.2	
EIICT	3	1	2.3	-	0.2	-
EPWNR	5	5	1.1	1.7	0.4	0.6
GJLO	6	2	0.2	0.0	0.0	
Grand Total	**20**	**18**	**4.6**	**1.9**	**1.2**	**0.6**

Source: Auditor-General's Report on National Government for FY 2023/24 and 2024/25

Our review of the OAG audit reports also revealed that there were 77 delayed projects at the end of the FY 2024/25, with a combined value of KSh 136.8 billion. EPWNR accounted for the highest number and value at 39 projects at KSh 60.9 billion, while EIICT recorded 20 delayed projects valued at KSh 64.5 billion. This represents approximately 77% of all delayed projects by number and 92% by value, indicating a pronounced concentration of delayed investment in these sectors (Table 4). Prolonged delays can defer the realisation of expected economic and social returns, postpone access to essential infrastructure and services, and expose projects to additional costs arising from extended implementation periods.

Worth noting, EPWNR exhibits significant project implementation challenges, recording the second-highest value of stalled/incomplete projects and the highest values of both abandoned and delayed projects, indicating persistent weaknesses in project execution in the sector.

TABLE 4 Distribution of delayed projects across sectors

Sector	Number of Projects		Sum of Contract / Project Value (KSh Billion)		Sum of Amount Paid / Spent (KSh Billions)	
	FY 2023/24	FY 2024/25	FY 2023/24	FY 2024/25	FY 2023/24	FY 2024/25
ARUD	9	8	2.9	1.9	0.8	0.8
Education	6	3	8.4	0.4	4.8	0.2
EIICT	31	20	86.2	60.9	80.6	18.2
EPWNR	46	39	68.9	64.5	39.6	20.6
GJLO	1		0.0		0.0	
Health	4	4	0.1	4.5	3.1	2.4
PAIR	4	3	10.2	4.6	1.0	1.0
Grand Total	101	77	176.7	136.8	130.0	43.2

Source: Auditor-General's Report on National Government for FY 2023/24 and 2024/25

1.3.2 Delayed payments and implementation weaknesses are contributing to stalled projects and foregone public services.

The Auditor-General notes that stalled projects are due to a combination of factors, including delayed payments. Delayed payments for certified works have contributed significantly; for example, on the roads in Isiolo, Meru and Tharaka Nithi, contractors abandoned projects because of delayed payments of certified Interim Payment Certificates (IPCs). Other areas with stalled projects owing to delayed payments include those falling under the State Department for Public Works and the Judiciary. However, some projects stalled despite adequate disbursements of funds. For example, under the State Department for Medical Services, 20 equalisation fund projects intended for marginalised areas, valued at KSh 484 million, stalled despite KSh 333 million having been disbursed. This indicates that some stalled projects reflect weaknesses in implementation rather than simply a lack of financial resources.

Another notable reason given is contractual and contractor-related problems. Examples of this include the Kitui-Matuu and Sanitation Project, Ruiru Wastewater Treatment Plant, New Progressive Farmers' Cooperative Society Drying and Storage Facility, and Tumbura Market Borehole. The persistence of these cases points to weaknesses in project and contract management, including the ability to ensure contractor performance and resolve implementation bottlenecks in a timely manner. There is, therefore, a need to address the issue of stalled projects, as it contributes to challenges such as denial of public services that would have accrued from completed projects. This could entail the development of a detailed strategy of completing the stalled projects. A credible strategy should first establish the status, financing requirements, contractual obligations and implementation constraints of existing projects and prioritise those that can be completed and brought into use.

Additionally, the inclusion of new projects into the budget should be more closely linked to the availability of resources for projects already under implementation. Further, any new projects should only be prioritised where existing projects with contractual commitments and credible implementation arrangements have adequate financing. This would help limit the continued accumulation of incomplete projects and strengthen the link between budget allocations, project implementation and the timely delivery of public services. This requires more stringent compliance with zero-based budgeting as well as the National's Treasury's requirement for prioritization of ongoing projects before new ones are introduced. [11]

1.4 Conclusion and recommendations

Overall, Kenya's FY2027/28 fiscal outlook remains constrained by optimistic growth and revenue assumptions, rising debt-service costs, limited fiscal space for development spending, and persistent weaknesses in public investment execution. These pressures are compounded by election-related risks that could further weaken economic activity and revenue mobilisation.

Based on the observed gaps, we recommend that the National Treasury:

i. Owing to election-related risks, the National Treasury should revise its 5.1 per cent growth projection downwards, towards the 4.4-4.7 per cent range projected by the World Bank and the African Development Bank Considering the country's average tax revenue growth rate, the National Treasury should adopt a more credible tax revenue target; accounting for average growth in tax revenue of 9 % over the past ten years years, KSh 2.9 trillion is a more credible tax revenue target.

ii. The National Assembly and the Office of the Controller of Budget should strengthen controls to ensure that borrowed resources are used to finance development spending as required by law. Additionally, it should create fiscal space for development by cutting non-essential recurrent and administrative expenditure.

iii. Sector Working Groups need to develop and implement a comprehensive strategy for completing stalled projects. This ought to be based on an assessment of each project's implementation status, outstanding financing requirements, contractual obligations and key implementation constraints, with priority given to projects that can be completed and brought into use.

iv. The National Treasury to enforce its budget guidelines to ensure MDAs prioritise completion of viable ongoing projects before initiating new projects in line with its guidelines to sectors on the FY 2027/28 budget.

v. The National Treasury to ensure full compliance with Public Investment Management Guidelines by all National Government Entities. This should include ensuring that new projects are included in the budget after demonstrating that ongoing projects with contractual commitments and credible implementation arrangements have adequate financing.





CHAPTER 2

HEALTH FINANCING CHAPTER: SUSTAINABILITY, EQUITY AND TRANSPARENCY OF KENYA'S SOCIAL HEALTH INSURANCE (SHI) SCHEME

This iteration of the ANSB examines Kenya's Social Health Insurance (SHI) scheme, with a focus on three key aspects: the sustainability of the scheme, equity in access to and financing of the Health Insurance Subsidy Program (HISP), and transparency and accountability in the management of the Social Health Insurance Fund (SHIF), Primary Health Care Fund (PHCF) and the Emergency, Critical and Chronic Illnesses Fund (ECCIF).

In the context of our analysis, the sustainability of the SHI scheme refers to its ability to mobilise sufficient and predictable resources to meet the funds' financing needs, ensure timely payment of healthcare provider claims, and maintain equitable access to healthcare services over time. To assess this, we compare the resource requirements of SHIF, PHCF and ECCIF with actual collections and government allocations. We also examine fund payouts relative to available resources and contribution compliance among formal and informal sector contributors.

82%
Decline in HISP allocations between FY 2023/24 and FY 2025/26

5%
Cap on SHA administrative costs under Section 40 of the SHI Act

3
Funds under the SHI scheme: SHIF, PHCF and ECCIF

KEY FINDINGS AND RECOMMENDATIONS

i. The SHIF scheme faces significant financing pressures, driven by low contribution collection, particularly from the informal sector, and inadequate government allocations to the PHCF and ECCIF.

ii. HISP financing has also declined substantially over the years, with limited progress in expanding coverage among poor and vulnerable populations. In FY 2024/25, SHIF benefit claims exceeded contributions by 59%, while ECCIF received only 4% of its estimated requirement in FY 2025/26.

iii. Moreover, gaps in the availability, disaggregation and regularity of information provided by the Social Health Authority (SHA) limit effective oversight of the SHI scheme resources.

iv. The financing gap is being passed on to health facilities and, ultimately, to patients. Only 63% of approved county-hospital claims were settled in FY 2024/25, and by the third quarter only 27% of private and 36% of faith-based facility claims had been paid. Unpaid claims weaken facilities' cash flow and raise the risk that patients, particularly poor households, are asked to pay out of pocket

v. Moreover, gaps in the availability, disaggregation and regularity of information provided by the Social Health Authority (SHA) limit effective oversight of the SHI scheme resources.

vi. To address these challenges, this analysis recommends strengthening financing for PHCF and ECCIF, improving contribution compliance among informal-sector workers, increasing and effectively tracking HISP financing, and enhancing transparency and accountability in the use of the scheme's funds.

2.1 PHCF, SHIF and ECCIF revenue fell short of the estimated resource requirements

Revenue across the three funds managed by the Social Health Authority (SHA) fell short of the estimated resource requirements in the last financial year. In FY 2025/26, SHIF collected 86 % of its projected revenues, while PHCF and ECCIF received 31 % and 4 %, respectively, of their financing requirements.[12] These shortfalls raise concerns about the financial sustainability of both the contributory and government-funded schemes in meeting their respective financing needs. The underperformance in the contributory scheme's (SHIF) revenue collection has largely been attributed to poor contribution compliance among the informal sector workers. Enforcement for this sector is often difficult as premium contributions cannot be automatically enforced through payroll deductions, as they are for the formal sector.

TABLE 5 SHIF, PHCF and ECCIF Financing Requirements vs Allocations[ii]

	SHIF (Contributors collection)		PHCF (Government allocation)		ECCIF (Government allocation)	
	FY 2024/25	FY 2025/26	FY 2024/25	FY 2025/26	FY 2024/25	FY 2025/26
Financing Requirement (Ksh. Billion)	-	101	58	61.1	46	107.2
Actual contributors' collection and government allocation (Ksh. Billion)	82	86	7.1	19	5	4
Actual contributors' collection and government funding allocation as a % of financing requirement	-	85%	12%	31%	11%	4%

Data Source: Regulatory Impact Statement for The Social Health Insurance (General) Regulations, 2024, Health sector report and Programme Based Budget Supplementary estimates

At the same time, allocations to PHCF and ECCIF remain inadequate, potentially due to limited fiscal space. This is particularly concerning for ECCIF, whose allocations have remained relatively low and declined over the past two years since its establishment, despite its mandate to cover critical and

ii. *Note: SHIF's financing requirement for FY 2024/25 is not publicly available, limiting the assessment of actual contributors' collection as a %age of its financing requirement for that financial year. For consistency, this assessment therefore focuses on FY 2025/26.*

chronic illness care, most of which require expensive and often prolonged treatment. The launch of the National Ambulance Dispatch Centre and the announcement of inspections of cancer management hospitals this year signal that emergency and chronic care are policy priorities.[13,14] However, this prioritization is not reflected in the resources allocated to ECCIF, which fell from KSh 5 billion in FY 2024/25 to KSh 4 billion in FY 2025/26 (Table 4).

2.1.1 Long-run sustainability of the PHCF, ECCIF and SHIF

High payout ratios and outstanding eligible claims that remain unpaid raise concerns about the long-run sustainability of the PHCF, ECCIF and SHIF. The PHCF and ECCIF recorded payout ratios of 95.5% and 95.2%, respectively, in FY 2024/25, while the Social Health Insurance Fund (SHIF) recorded a payout ratio of 158.6%. These high ratios indicate that the value of benefits claimed under the PHCF and ECCIF was almost equivalent to the government allocation, while, in the case of SHIF, the value of benefits claimed exceeded contributions collected by 59%. Notably, these payout ratios exclude a significant volume of eligible claims that remained pending at the end of the financial year. For instance, in FY 2024/25, approved claims submitted by county government hospitals amounted to KSh 19.9 billion, of which SHA settled KSh 12.5 billion (63%). By the end of the third quarter of FY 2024/25, only 27% of SHIF claims submitted by private facilities and 36 % of those submitted by FBO facilities had been settled by SHA.[15,16] The ratios therefore do not reflect the full extent of financial obligations arising from eligible but unpaid claims, suggesting that the funds may be facing greater financing pressures than the payout ratios alone indicate (Table 5).

TABLE 6 **SHIF, PHCF and ECCIF Payouts FY 2024/25**

	Tax Funded		Member Contributions
Category	PHCF	ECCIF	SHIF
Premiums (Ksh. Million)	10,243.4	1,320.1	57,707.8
Benefit Utilization (Ksh. Million)	9,781.7	1,257.2	91,535.9
Payout Ratio/Loss Ratio (%)[iii]	95.5	95.2	158.6

Data Source: Economic Survey, 2026

SHA has maintained administrative costs within the limit set by Section 40 of the Social Health Insurance Act, which caps administrative costs at 5 % of the Authority's total expenditure and requires at least 95 % to be used to settle claims, but this does not resolve its broader financing shortfall. In FY 2024/25, KSh 122.8 billion, equivalent to approximately 95 % of total actual expenditure, was spent on member benefits and other expenses, while administrative costs accounted for about 5 %.[17,18] While this is commendable, keeping administrative costs within the statutory threshold alone does not guarantee the Authority's financial sustainability. The Authority's long-term financial sustainability

iii. The payout ratio (also referred to as the loss ratio) is the proportion of pooled resources used to cover healthcare benefits over a given period, expressed as a %age.

will depend on its ability to generate sufficient and predictable collections to meet its obligations, including by expanding and maintaining contributions from the informal sector.

Without corrective action, the gap between obligations and resources will accumulate as pending claims. When claims exceed contributions and tax-funded allocations, the difference builds up as unpaid bills to health facilities. Facilities then face cash-flow pressure, may ration services or ask patients to pay out of pocket, and some private providers may withdraw from the scheme. This would undermine the financial protection the reform is designed to provide. The FY 2027/28 budget should therefore be judged not only on the size of PHCF and ECCIF allocations but also on whether it provides for clearing verified pending claims and for predictable monthly releases to SHA.

2.1.2 Low informal sector contributions undermine the fund's long-term sustainability

SHIF's low contribution from the informal sector undermines the fund's long-term sustainability. In FY 2024/25, the Social Health Insurance Fund collected Ksh 57.7 billion in contributions, with about 90 % contributed by the formal sector. This highlights a heavy reliance on the formal sector, which constitutes only about 17 % of total employment in Kenya.[19] Estimates suggest that if at least a quarter of informal sector workers enrolled and each contributed the minimum Ksh. 300 per month, total annual contributions from the formal and informal sectors could reach Ksh 86 billion.[20] With full enrolment and contributions at the same rate, collections could rise to Ksh 129 billion. These estimates highlight the potential for greater contribution compliance among informal sector workers to expand the fund's revenue base and strengthen risk pooling.

The Social Health Authority's current approach to improving contribution compliance appears to place considerable emphasis on penalties for non-payment, which is not always effective. This is reflected in SHA notice dated 1st August 2026, which reminds informal sector contributors of the penalties applicable to defaulting on contributions.[21] Under the SHI Act, 2023, any person who defaults is liable to a penalty equivalent to 2 % of the amount due for each period that the contribution remains unpaid, in addition to the outstanding annual contributions.[4] The underlying logic is that increasing the cost of default will deter non-payment and encourage contributors to pay on time. However, international evidence and Kenya's experience with the National Health Insurance Fund (NHIF) suggest that penalties alone may not be sufficient to sustain regular contributions.

In Indonesia, for example, the proportion of inactive members of the National Health Insurance scheme increased from 6 % to 19 % in 2022, despite a relatively stringent penalty regime. [22] Members who failed to pay premiums for more than 13 months were required to pay 12 months of outstanding contributions, an additional one-month premium, and a hospital service penalty equivalent to 2.5 % of treatment costs. Similarly, Kenya's NHIF recorded an attrition rate of 77 % despite the existence of penalties for non-payment.[23] This suggests that poor compliance may not always reflect unwillingness to contribute, but rather an inability to pay due to low and irregular incomes, transaction costs, inflexible payment arrangements, limited knowledge of payment channels and low trust in health insurance schemes.[24]

The effectiveness of compliance measures therefore largely depends on the design of the benefit package and whether the contribution system itself is designed around households' ability to pay. Currently, contributions from the informal sector households are determined through a means-testing process intended to assess their ability to pay and determine an appropriate contribution amount. At the same time, the design of the benefit package determines the services covered and the extent of financial protection households receive when they seek healthcare. Households may have limited incentive to contribute if they perceive that the services covered or the level of financial protection provided do not justify the required contribution. This may be particularly relevant for higher-income segments of the informal sector that have the capacity to purchase private health insurance.

The government should therefore assess the utility of the means-testing process, including assessing whether it accurately captures households' ability to pay and whether the resulting contribution amounts are affordable and realistic for informal-sector households. Additionally, the government should continuously review and effectively communicate the benefit package to citizens, to ensure that it is perceived accurately by beneficiaries as one able to provide sufficient financial protection and value to encourage participation. Where households are unable to contribute, expanding the subsidy programme to cover the most vulnerable could reduce the contribution burden and support broader participation in SHIF.

2.2 Equity in Kenya's SHI Scheme

Equity of the social health insurance scheme means that contributions reflect people's ability to pay, with those who cannot afford to contribute receive government support to access health coverage. In principle, poor and vulnerable households should not be excluded from health insurance because of their inability to pay, as this leaves them exposed to healthcare costs that may deepen poverty or prevent them from seeking needed care. In this analysis, we assess equity by focusing on Kenya's Health Insurance Subsidy Program (HISP), which supports indigent and vulnerable populations through two components: HISP-OVC, targeting orphans and vulnerable children and HISP-OPPSD, targeting older persons and persons with severe disabilities. We examine trends in programme allocations and coverage to determine whether government support is reaching those least able to pay and keeping pace with the need for subsidized health insurance.

2.2.1 What have been the trends in allocations towards the health insurance subsidy program for indigents?

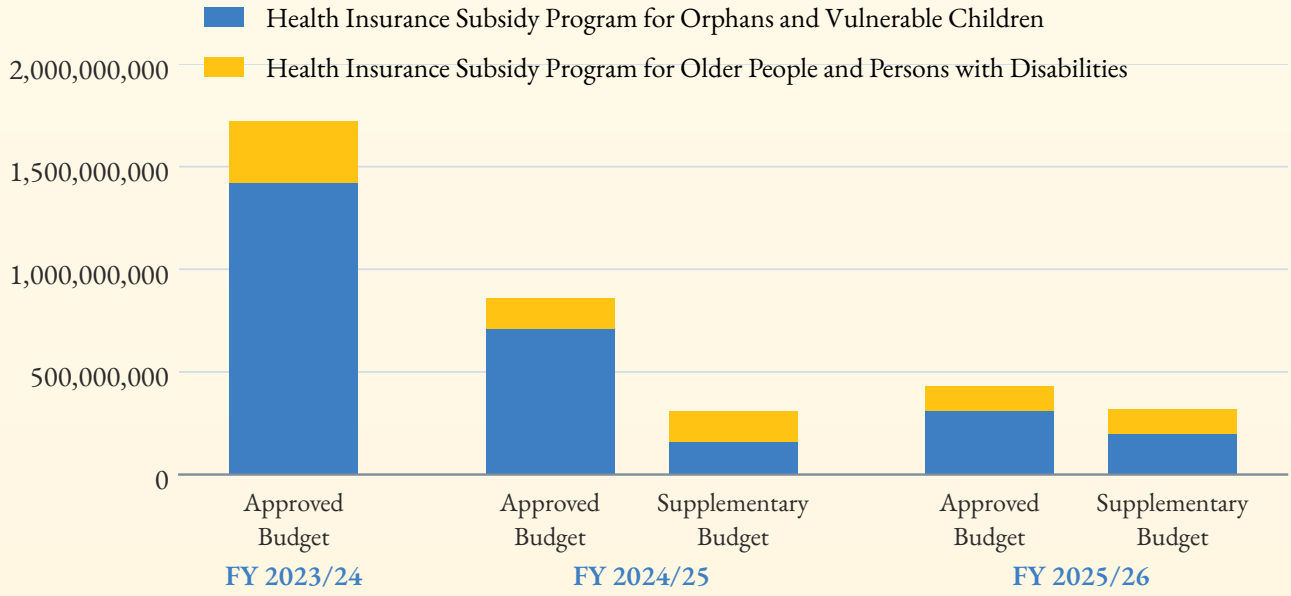
Budgetary allocations to Kenya's Health Insurance Subsidy Program (HISP), established to expand health insurance coverage among poor and vulnerable populations, have declined by 82% between FY 2023/24 and FY 2025/26.[iv] The programme has had lower initial budget allocations at the start of each financial year and has also been subject to significant in-year budget cuts over the years. Over the same period, allocations to the HISP sub-components, the Health Insurance Subsidy Program for Orphans and Vulnerable Children (HISP-OVC) and the component for Older Persons and Persons with

iv. The reduction is calculated based on the final allocations after in-year revisions.

Severe Disabilities (OPPSD), declined by 86% and 60%, respectively. This suggests a weakening commitment to protecting vulnerable groups from catastrophic and impoverishing health expenditures, despite increasing poverty rates (*Figure 7*).

The visibility of HISP allocations and targets is minimal in FY 2026/27 as HISP is no longer explicitly identified as a budget line under the Ministry of Health budget, making it difficult to track government financing for indigent health insurance coverage. Previously, HISP appeared as a stand-alone budget line, allowing allocations and coverage targets to be easily identified. In the FY 2026/27 budget, however, the only directly trackable indicator related to indigent health insurance coverage is now located under the Social Protection Secretariat in the State Department for Social Protection and Senior Citizen Affairs, where the number of indigents enrolled in SHA is listed as a key performance indicator. As the Secretariat performs several other functions, it is difficult to determine what share of its allocation is specifically intended for subsidizing SHA coverage for indigent populations.

FIGURE 8 **Trends in Allocations towards HISP**



Data Source: Programme Based Budgets FY 2023/24 - FY 2025/26

If HISP is now being managed under the social protection system, this could represent progress towards improving coordination across Kenya's social protection programs, provided the transition is implemented effectively. Fragmentation of social protection programmes has often resulted in weak coordination mechanisms, duplication of efforts and parallel implementation structures, creating missed opportunities to improve the efficiency of investments.[25] Greater coordination and oversight of social protection programmes under one entity could help address some of these challenges. However, individual programmes should remain sufficiently visible within the budget and performance framework to allow stakeholders to track their financing, implementation and progress against targets. Additionally, close coordination between the Ministry of Health and the social protection department will be essential. This should include clear information-sharing mechanisms on eligible indigent households and benefic-

iaries receiving subsidized SHA coverage, enabling the ministry to continue monitoring progress toward achieving universal and equitable coverage for all those in need.

In addition, more information is needed on how the potential shift of the programme to the social protection system is expected to work and what it would mean for beneficiaries and programme accountability. It remains unclear whether indigents would continue receiving dedicated health insurance subsidies or would be expected to use their financial receipts from the consolidated cash transfer programme, Inua Jamii, to pay their own SHA contributions. The latter arrangement could have significant implications for beneficiaries, who receive approximately KSh 2,000 per month, hence, using part of these transfers to finance health insurance could place additional demands on already limited resources. Clear communication is therefore essential to ensure that beneficiaries understand whether their subsidies remain in place or whether they are now expected to finance their own contributions from their cash transfers.

Progress in expanding health insurance coverage among vulnerable populations has also been limited, as reflected in the largely unchanged coverage numbers reported by the Ministry of Health. The target for the number of indigents accessing healthcare through HISP remained at 253,400 for each financial year between FY 2022/23 and FY 2024/25. A similar trend is observed for the KPI on households of elderly and persons with severe disabilities covered, where the target was set at 58,000 and was consistently achieved over the same period.[26] Although these targets were consistently met, the absence of upward adjustment suggests that allocations are used to maintain coverage for an already enrolled cohort, rather than to expand coverage to additional eligible beneficiaries.

2.2.2 How do the current allocations compare with the estimated need?

Current allocations to HISP fall short of the resources required to provide adequate financial protection for vulnerable populations in Kenya. If the government were to cover all poor households at a contribution of Ksh. 660 per household per month, the current government contribution rate for indigent households, the program would require approximately Ksh. 37 billion to Ksh 39 billion. By comparison, the final allocation to HISP in FY 2025/26 was only Ksh.310 million, equivalent to less than 1 % of the estimated need. Even under a narrower scenario in which coverage is limited to households in hardcore poverty, the required allocation would still be approximately 21 times higher than the current allocation.[v]

v. The hardcore poverty headcount rate measures the share of the population living in extreme poverty who cannot afford the minimum food consumption basket, even if they were to allocate all of their income to purchasing food.

TABLE 7 Estimated cost of covering vulnerable populations under HISP

	Scenario 1: Government covers all poor households		Scenario 2: Government covers only households in hardcore poverty	
Poverty estimate	*Calculated using the MPO 2026 estimated poverty rate of 42.5%*[27]	*Calculated using the KNBS 2022 poverty rate of 39.8%*[28]	*Calculated using the assumption that hardcore poverty grew at the same rate as overall poverty between 2022-2026*	*Calculated using the KNBS 2022 hardcore poverty rate*
Number of individuals[vi]	23,046,481	21,582,352	4,111,980	3,850,118
Number of households	4,988,416	4,671,505	862,050	807,152
Total allocations required (Ksh. Million)	39,508.25	36,998.32	6,827.44	6,392.64
Funding Gap (Ksh. Million)	39,188.90	36,678.97	6,508.09	6,073.29

Data Source: Author's calculation using poverty rates from the Macro Poverty Outlook for Kenya, April 2026 and Kenya Poverty Report 2022

2.3 Transparency and Accountability in the Management of Kenya's SHI Scheme

2.3.1 What transparency and reporting requirements apply to the Social Health Insurance funds and to what extent are they complied with?

While the SHI Act, 2023 establishes reporting requirements for the management of the 3 funds, limited public disclosure of information makes it difficult to independently assess compliance with these requirements. The Act provides for the preparation and submission of financial, non-financial and claims reports, and specifies the institutions to which these reports should be submitted and, in some cases, the frequency of reporting. However, as highlighted below, the Act does not explicitly require these reports to be published on the SHA website, making it difficult to directly assess compliance based on publicly available evidence. While it is not a statutory requirement, making the reports publicly available would be ideal as it would strengthen transparency and accountability.

A comparison of these requirements with information publicly available from SHA and other relevant institutions therefore provides an indication of the extent to which these requirements are being met, including gaps in coverage, timeliness and public disclosure reporting across the three (Table 8). Based on the strength of the

vi. The population figure of 54,227,015 used in the analysis is based on the Kenya National Bureau of Statistics (KNBS) mid-2026 population estimate, as published on the KNBS website.

available evidence, each statutory requirement could be grouped into one of three assessment categories: evidence of compliance, partial evidence of compliance and compliance cannot be determined.[vii]

TABLE 8 **Assessment of SHI funds reporting requirements versus publicly available information**

Reporting requirement	Legal basis	Assessment	Remarks
Quarterly financial and non-financial reports	Section 14 (h) of the SHI Act requires the administrator of the funds to prepare and submit financial and non-financial reports to the National Treasury with copies to the Controller of Budget and Commission on Revenue Allocation.	**Partial evidence of compliance**	The Controller of Budget (CoB) publishes quarterly reports providing national, county and facility level information on SHI revenues, allocation and expenditure, indicating that SHA submits quarterly reports to CoB.[29,30] However, publicly available information does not establish whether SHA submitted the required quarterly reports to NT and CRA.
Annual financial and non-financial reports	Section 14 (h) of the SHI Act requires the administrator of the funds to prepare and submit financial and non-financial reports to the National Treasury with copies to the Controller of Budget and Commission on Revenue Allocation.	**Partial evidence of compliance**	SHA does not publish these reports on its website. However, Health Sector Working Group (HSWG) reports provide resource requirements and allocations for SHIF, PHCF, ECCIF as well as selected non-financial indicators, including registration under the insurance scheme.[31] This points to SHA providing annual financial and non-financial information to the National Treasury (NT) for reporting. It is unclear whether NT publishes other reports on the 3 funds.
Quarterly claims reports[viii]	Section 35 (i) of the SHI Act requires the claims office to prepare quarterly claims reports for the Board and the Cabinet Secretary.	**Compliance cannot be determined**	The absence of clear public disclosure requirements for claims reports creates uncertainty about when SHA should publish claims information. While the Act specifies timelines for submitting claims reports to the Board and Cabinet Secretary, it does not specify whether or when these reports should be made available to the public. This uncertainty is reflected in the most recent SHIF and PHCF claims reports published on the SHA website, which cover different reporting periods and were published two months apart.[32,33]

vii. "*Evidence of compliance'* applies where the report or other required documentation is directly available; *partial evidence of compliance'* applies where compliance is indicated through secondary sources or related government reporting and *'compliance cannot be determined'* applies where the available information is insufficient to establish whether the requirement has been met.

viii. Claims include all healthcare provider entitlements under the 3 SHI funds, including PHCF payments.

Reporting requirement	Legal basis	Assessment	Remarks
Annual financial statements	Section 41 of the SHI Act requires the board to submit the Authority's annual accounts to the Auditor General, together with a statement of income and expenditure and a statement of assets and liabilities. The accounts should be audited in accordance with the PFM Act, 2012 and the Public Audit Act, 2015.	**Partial evidence of compliance**	This requirement is not fully met, as the OAG has published only one audit report covering SHIF for the 9-month period ended 30th June 2025, based on information received from SHA.[34] By contrast, audit reports for PHCF and ECCIF were not publicly available during the review period. It is unclear whether this reflects delays in the submission of information by SHA or in the audit and publication process.

Overall, the assessment indicates that although the SHI Act, 2023, establishes reporting requirements for the 3 funds, publicly available evidence does not demonstrate full compliance with these requirements. Gaps are evident in the availability of financial and non-financial reports, claims reports and audit reports. Similar transparency gaps were observed under NHIF, with limited information reported on the NHIF website and only partial information available from other government sources, including National Treasury, Kenya National Bureau of Statistics (KNBS) and OAG reports.[35] The findings suggest that gaps in public disclosure of information on public health insurance remain unresolved under SHI.

2.3.2 Is the publicly available financial information on SHI funds sufficiently detailed and disaggregated to support effective oversight and accountability?

Beyond the availability of information, the level of detail and disaggregation of information provided also determines the extent to which oversight institutions, the public and health facilities can effectively scrutinize the management of the SHI funds. Table 8 sets out the information required for effective oversight, based on good practices and compares it with the information publicly available, highlighting key gaps in disclosure.

TABLE 9 **Assessment of publicly available information for oversight of SHI funds**

Category of information	Information needed for effective oversight	Why is the information necessary for oversight?	Availability (✓ Yes, ✗ No)	Remarks
Claims	Submitted claims for each fund	Shows the volume and value of claims submitted and provides a baseline against which subsequent approval and payment can be tracked.	✗	Publicly available claims reports do not provide information on submitted claims, disaggregated by SHIF, PHCF and ECCIF.

Category of information	Information needed for effective oversight	Why is the information necessary for oversight?	Availability (✓ Yes, ✗ No)	Remarks
	Approved claims for each fund	Enables comparison of submitted and approved claims to establish level of rejected claims, which helps identify potential bottlenecks between submission and approval.	✗	Publicly available claims reports do not provide information on approved claims, disaggregated by SHIF, PHCF and ECCIF.
	Paid claims for each fund	Shows the value of claims that have actually been settled and enables comparison between approved and paid claims. This helps to assess whether approved claims are being paid in a timely manner and to monitor the accumulation of payment backlogs and obligations to health facilities.	✓	Publicly available claims reports provide information on paid claims for each fund.
	Outstanding claims for each fund	Shows the value of unpaid claims and provides a direct measure of claims payment backlogs and outstanding obligations to health facilities. This helps assess whether the reported expenditure and payment figures reflect the full extent of the funds' financial commitments.	✗	Publicly available claims reports do not provide information on outstanding claims, disaggregated by SHIF, PHCF and ECCIF.
Beneficiaries	Number of beneficiaries disaggregated by county	Enables oversight of the geographical distribution of coverage and whether resources are reaching populations in areas with different levels of poverty and need. It also allows national coverage figures to be assessed against county-level population and poverty patterns.	✗	Publicly available reports do not provide beneficiary information disaggregated by county.
	Number of beneficiaries from poor and vulnerable populations, disaggregated by category, such as Orphans and Vulnerable Children (OVC), and Older Persons and Persons with Severe Disabilities (OPPSD)	Enables assessment of whether HISP is reaching the specific population groups targeted by the programme.	✗	Publicly available reports do not provide beneficiary information disaggregated by major categories.

Category of information	Information needed for effective oversight	Why is the information necessary for oversight?	Availability (✓ Yes, ✗ No)	Remarks
Expenditure	Disbursements to SHA and expenditure on beneficiaries from poor and vulnerable populations	Enables comparison of resources disbursed to SHA with the amount spent on beneficiaries from poor and vulnerable populations, providing insight into the utilization of funds intended to support their coverage.	✗	Publicly available reports do not provide information on disbursements to SHA or expenditure on beneficiaries from poor and vulnerable populations.

The assessments undertaken point to important gaps in the transparency of SHA's reporting. If SHA is to strengthen its public reporting, attention should be given not only to the range and level of detail of information disclosed, but also to the frequency and regularity of reporting. Even where relevant information is made publicly available, reporting that is infrequent or provided only on an ad hoc basis and the public to monitor trends, identify emerging issues and assess whether corrective actions have been taken.

2.4 Conclusion and Recommendations

The sustainability of the Social Health Insurance three-fund architecture remains a concern with significant financing gaps. High payout ratios and low informal-sector contribution compliance are placing pressure on the funds' ability to meet current and future financing obligations. Equally, HISP continues to experience funding shortfalls, with limited improvement in coverage of poor and vulnerable populations. Financing and coverage challenges are further compounded by gaps in the availability, detail and disaggregation of publicly reported information of the 3 funds, limiting effective oversight of their management and utilization.

Several actions are needed to strengthen the implementation of the Social Health Insurance scheme.

To improve sustainability:

i. The government should strengthen financing for PHCF and ECCIF to progressively align allocations with estimated resource requirements, particularly for emergency, chronic, and critical care services. This can be supported by strengthening domestic resource mobilization and improving resource utilization through enhancing tax compliance, strengthening tax administration, reducing wastage, and ensuring efficient budget execution.

ii. The SHA should strengthen contribution compliance among informal-sector workers by enhancing the accuracy of means-testing and promoting awareness of existing flexible payment mechanisms to accommodate irregular income earners.

To improve equity:

i. The National Treasury should progressively increase financing for HISP to close the gap between current allocations and the resources required to cover eligible poor and vulnerable populations. The increased funding should support the expansion of health insurance coverage to additional eligible households, rather than limiting the programme to maintaining coverage among the existing beneficiary cohort.

ii. The National Treasury should ensure that HISP remains identifiable in the Programme-Based Budget, with clearly specified allocations and coverage targets, regardless of the state department responsible for its implementation. This would allow tracking of the programme's financial and non-financial performance over time.

To improve transparency and accountability:

i. The Social Health Authority should publish the financial, non-financial and claims reports required under the SHI Act in a timely and consistent manner, considering the applicable statutory reporting timelines. The reports should provide sufficient detail and disaggregation to support effective oversight. For example, claims reports should include submitted, approved, paid and outstanding claims for each of the 3 funds.

ii. The State Department for Social Protection and Senior Citizen Affairs, in collaboration with the Ministry of Health, should publish sufficiently detailed information on beneficiaries from poor and vulnerable populations. This includes the number of beneficiaries disaggregated by county and main beneficiary categories.

iii. The Office of the Auditor General should complete and publish audits of all the three funds in a timely manner to strengthen independent scrutiny of their financial management. In addition, OAG should ensure that the audits are tabled in Parliament within the stipulated six-month timeline after the close of each financial year, in accordance with the Constitution of Kenya, 2010.



CHAPTER 3

EDUCATION CHAPTER: ADEQUACY AND SUSTAINABILITY OF BASIC EDUCATION CAPITATION

Kenya's basic education capitation system provides a uniform per-learner allocation differentiated by education level; primary education, Junior Secondary School (JSS), and Senior Secondary education. The Ministry of Education determines resource needs across defined expenditure categories, or vote heads, based on the specific needs and activities to be financed, including learning materials, operations and examinations; the National Treasury then allocates the mapped resource needs in the budget.

Once the budget is approved, the Ministry of Education issues a circular on how funds will be disbursed under each vote head. Thus, within each education level, the core allocation is flat and undifferentiated, with learners receiving the same amount regardless of school size, location, or socio-economic context.[36] While this approach promotes consistency and predictability in the allocation of public resources, it fails to provide equitable financing where schools face different levels of need and costs.

This chapter assessed Kenya's capitation grants (per-learner funding to public schools) on three dimensions: adequacy (whether approved funding covers the cost of the per-learner rates), sustainability (whether funding keeps pace with inflation and growth in learner numbers) and equity (whether a uniform per-learner rate meets differing needs and costs). This analysis draws data from FY 2020/21 to FY 2025/26 and further uses data projections to FY 2027/28 from the latest Education sector working group report.

About 65%
Increase in capitation funding between 2020/21 and 2023/24

98%
Budget absorption rate in FY2025/26, up from 91% in FY2022/23

50:30:20
Termly release schedule not consistently followed

KEY FINDINGS AND RECOMMENDATIONS

The Government has sustained and expanded basic education financing through a major curriculum transition. Capitation funding rose by about 65% between FY 2020/21 and FY 2023/24 as Junior Secondary School was introduced, the State Department's budget absorption improved from 91% to 98% between FY 2022/23 and FY 2025/26. Nonetheless, our analysis further finds that Kenya's capitation system financing falls short on adequacy, sustainability and equity, and that much of the FY 2027/28 gap could be closed by redirecting existing bursary resources. Approved funding has been cut and has not kept pace with inflation; releases are unpredictable, and some funds have been paid on the basis of inaccurate school and enrolment records and a uniform rate does not reflect differences in need.

Our analysis finds that:

i. Budget cuts and inflation have weakened funding, while learners' progression into more expensive education levels raises costs even with broadly stable enrolment. Allocations are projected to cover only about three-quarters of estimated needs by FY 2027/28.

ii. Releases do not consistently follow the 50:30:20 schedule; some allocations never reach schools, and payments to closed or unrecorded schools indicate weaknesses in targeting and accountability.

iii. The uniform per capita allocation overlooks differences in school size, location and socio-economic circumstances, while weak compensatory funding mechanisms leave households in poorer counties carrying funding gaps.

iv. These gaps are shifted to households, and the poorest households are least able to absorb them**.** Households already finance an estimated 31% of education-sector spending. Where capitation is late or short, schools shift the cost to households, which weigh far more heavily in counties such as Turkana than others such as Nairobi. This affects completion rates, with only 10% of children from the poorest households completing secondary school, compared with 70% from the richest.

We therefore recommend that

i. Adjust per-learner rates for all levels annually for inflation and the changing distribution of learners across education levels

ii. Consolidate fragmented bursary resources into capitation to help close the basic education financing gap.

iii. Adhere to the 50:30:20 release schedule, reconcile allocations with actual school receipts, and strengthen enrolment verification while safeguarding data continuity during the transition from National Education Management Information System (NEMIS) to the Kenya Education Management Information System (KEMIS)

iv. Account for differing school costs and level of development in setting per-learner rates, and ensure that targeted support, including additional resources for schools in Arid and Semi-Arid Lands (ASAL) areas, is disbursed. Adequacy and predictability of budget allocations for basic education

3.1 Adequacy and predictability of budget allocations for basic education

Funding for basic education has declined since FY 2023/24, with the reductions concentrated in the Free Primary Education and Free Day Secondary Education sub-programmes. The State Department's approved budget fell from KSh 155.4 billion in 2023/24 to KSh 132.7 billion in 2025/26. Free Primary Education (FPE) and Free Day Secondary Education (FDSE) together lost KSh 32.4 billion, more than the department's overall reduction (Table 9).

The department's budget absorption rate rose from 91% in FY2022/23 to 98% in FY2025/26, driven largely by improvements in FPE spending. In FY2022/23, KSh 6.7 billion in approved FPE funds remained unspent, while FDSE consistently spent nearly all its approved allocation. High absorpt-

ion shows that the department is spending what is approved. Taken together with the rising cost of per-learner rates discussed below, this suggests that the binding constraint is the size of approved allocations rather than the capacity to spend (Table 10).

TABLE 10 **Approved Budget and Actual Expenditure by Programme, State Department for Basic Education, FY2022/23–FY2025/26 (KSh million)**

Programme (Ksh Million)	Approved Budget				Actual Expenditure			
	2022/23	2023/24	2024/25	2025/26	2022/23	2023/24	2024/25	2025/26
State Department for Basic Education	**134,822**	**155,357**	**136,764**	**132,672**	**122,337**	**145,916**	**133,851**	**129,964**
O/W Programme 1: Primary Education	**28,867**	**34,469**	**29,471**	**25,556**	**21,787**	**27,020**	**27,274**	**23,845**
SP.1.1 Free Primary Education	22,965	26,405	24,016	17,942	16,287	22,914	21,755	16,280
SP.1.2 Special Needs Education	982	1,530	781	1,047	974	1,166	824	1,046
SP.1.3 Early Child Development and Education	3	3	19	19	3	3	19	19
SP.1.4 Primary Teachers Training and In-Servicing	766	441	430	804	384	416	419	804
SP.1.5 Alternative Basic Adult & Continuing Education	64	57	55	59	52	54	54	57
SP.1.6 School Health, Nutrition and Meals	4,077	6,033	3,600	4,900	4,077	2,467	3,503	4,900
SP.1.7 Expanding Education Opportunities in ASALs			570	785			700	740
SP.1.8 ICT Capacity Development	10	-	-		10	-	-	
Programme 2: Secondary Education	**96,564**	**110,131**	**89,809**	**86,590**	**91,945**	**108,571**	**89,627**	**85,794**
SP.2.1 Secondary Bursary Management Services	-	-	-		-	-	-	
SP.2.2 Free Day Secondary Education	95,713	109,272	89,004	85,591	91,115	107,722	88,836	84,858
SP.2.3 Secondary Teacher Education Services	379	244	232	409	370	243	232	409
SP.2.4 Secondary Teachers In-Service	272	415	373	311	272	406	373	288
SP.2.5 Special Needs Education	200	200	200	280	188	200	186	240

Data Source: Education Sector Working Group Report 2026

Capitation funding increased by about 65 percent between 2020/21 and 2023/24, with the introduction of capitation for JSS driving most of the increase. JSS, introduced in 2022/23, accounted for about 60% of that increase, while primary capitation fell by nearly a 23% over the same period (Table 11). These shifts in capitation are in part explained by the transition from the 8-4-4 system to the Competency-Based Curriculum (CBC). However, increased allocations did not always translate into disbursements to schools. The Auditor-General established that the State Department for Basic Education did not disburse KSh 903.3 million in capitation funds 2020/21 and 2023/24, highlighting gaps between allocated resources and actual releases to schools.[38]

TABLE 11 Capitation Funding by Education Level FY2020/21–FY2023/24

KSh Billion	Secondary School Capitation	SNE Secondary	JSS Capitation	Primary Schools	Grand Total
2020/2021	70.0	0.5	-	12.8	83.3
2021/2022	74.5	0.5	-	12.4	87.4
2022/2023	81.1	0.5	19.1	12.6	113.4
2023/2024	94.6	0.1	32.6	9.9	137.2
Total	320.2	1.6	51.8	47.7	421.3

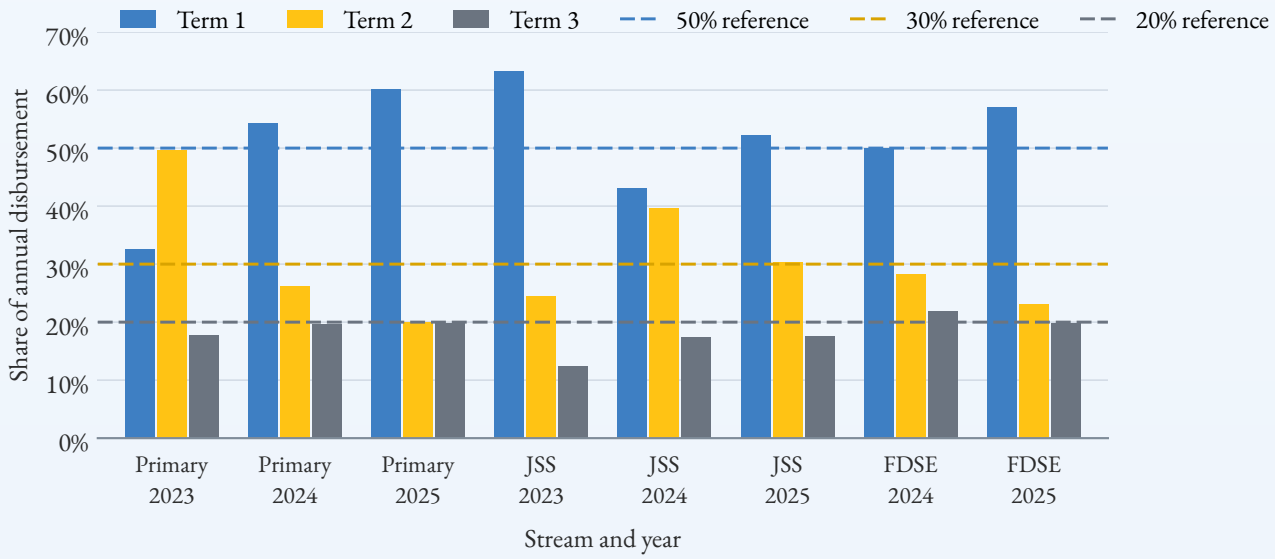
Data Source: OAG 2025 Audit

3.1.1 Inconsistent disbursements have affected predictability of funding to schools

Capitation disbursements have not consistently followed the prescribed 50:30:20 termly allocation, limiting predictability for schools. Actual releases vary substantially across programmes and years: Junior Secondary School (JSS) recorded 63:24:12 in 2023, Free Primary Education (FPE) 33:50:18, while Free Day Secondary Education (FDSE) was closer to the prescribed pattern at 50:28:22 in 2024 and 57:23:20 in 2025 (Figure 9). These inconsistencies suggest that releases may be driven more by available resources than by the planned schedule. This can constrain schools' ability to plan and meet expenditure needs when funds are required, highlighting the need for the Ministry of Education to adhere to its own disbursement timelines and for greater adherence to the approved disbursement schedule.

In addition to erratic disbursement, inaccurate data resulted in non-existent schools and learners receiving disbursements. The Office of the Auditor-General's 2025 special audit found that approximately KSh 83.8 million in capitation was disbursed to closed schools, schools unknown to county education offices, and institutions whose records did not match Teachers Service Commission (TSC) and Kenya National Examinations Council (KNEC) data, across primary, junior secondary and secondary schools combined**.** The audit also identified targeting errors, including KSh 30 million in textbooks supplied to hundreds of schools for subjects they did not offer.[38] In addition, some legitimate schools were funded using incorrect enrolment figures, resulting in over- or under-funding.Table 12). These gaps weaken the link between approved capitation and actual service delivery, highlighting the need to strengthen the verification and updating of NEMIS data before resources are allocated and disbursed.

FIGURE 9 **Termly disbursement against the 50:30:20 benchmark for each stream and year**



Data Source: National Assembly Hansard[37]

TABLE 12 **Over- and underfunded schools by level, FY 2020/21- FY 2023/24 (sampled schools)**

Category	Secondary	JSS	Primary	Total Schools	Total Amount (KSh)[ix]
Overfunded	354	99	270	723	3,702,886,203
Underfunded	334	244	230	808	2,145,001,872

Data Source: Special Audit-Report-on-Capitation-and-Infrastructure-Grants-in-Schools-2025

The overfunding figure is particularly telling: a school receiving capitation for more learners than it enrolls in is, by definition, being paid against "ghost" learners on its register; a distinct problem from underfunding, which more likely reflects allocations that have not caught up with real enrolment numbers. In each case, funds were disbursed and recorded as such, but weaknesses in school and enrolment records make it difficult to establish whether the resources supported instruction for the intended learners. The leakage gap therefore concerns not the size of the budget, but the reliability of the data used to allocate it: if the underlying register is inaccurate, recorded disbursements may not translate into resources reaching the schools and learners they are intended to support.

Both the National Education Management Information System (NEMIS) and capitation disbursement functions sit within the Ministry of Education's own mandate, which makes this a solvable administrative problem. Worth noting is that the Ministry is shifting to the Kenya Education Management Information System (KEMIS), which is intended to replace NEMIS. The transition is aimed at strengthening the management, integration and reliability of education data; however, system transitions can also create risks for data continuity and comparability where historical records are not fully migrated, reconciled or maintained consistently. It is therefore important to ensure that data from

ix. *Amounts are the cumulative value of over- and underfunding relative to enrolment in school registers, not the capitation allocated to the schools, across the schools sampled by the audit. A school can appear in both rows if it was over- and underfunded in different years*

NEMIS is adequately migrated into KEMIS, without transferring errors and inconsistencies in the current schools and student data.

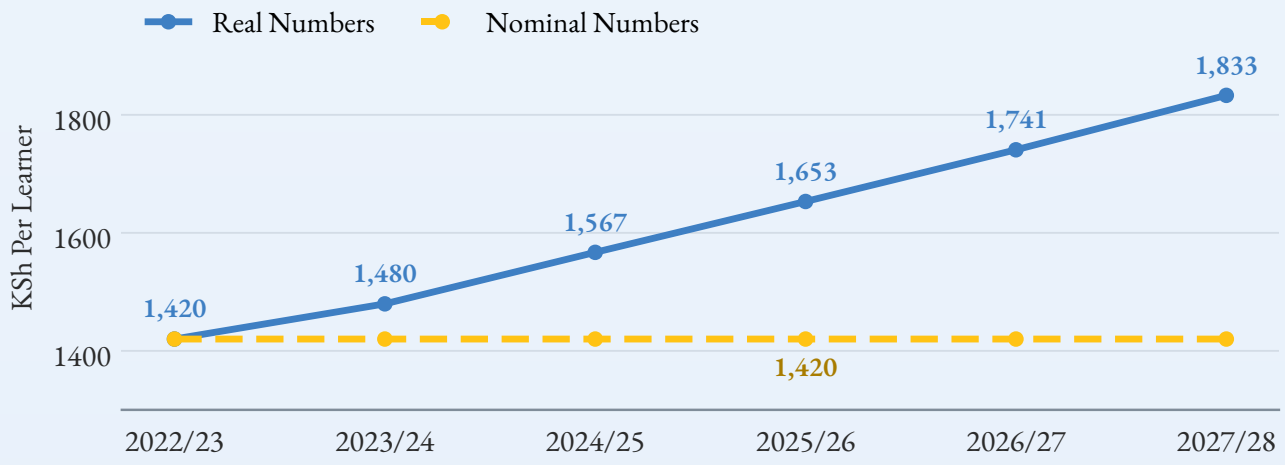
The Ministry has initiated enrolment verification outside NEMIS, but the Ministry-led exercise remains subject to questions about its legal mandate and systems framework. From the third term of 2025, public schools had to submit updated learner data before capitation was released, and the Ministry checked school registration, principal postings, bank accounts and learner identifiers against NEMIS and KNEC records.[39] For the latest disbursement, it used field-verified data rather than NEMIS data, since KEMIS is still being developed; however, the Public Accounts Committee raised questions about the legality of this shift.[40]

Two gaps remain; first, verification is Ministry-led, and the Auditor-General found no documentary evidence that sub-county officers had verified enrolment before funds were released in the year to June 2024. Independent verification is therefore needed to ensure accuracy of enrolment data. Second, it remains unclear whether the Auditor-General's recommendation for termly reconciliation of school registers against the national register has been institutionalized within KEMIS.

3.2 Capitation per learner has not kept pace with inflation and enrolment numbers and mix

Basic education capitation's real value has declined across all three streams. Using Kenya National Bureau of Statistics (KNBS) 's education-services CPI (2020), education costs increased by 10.7% between 2020 and 2025. [41] With FPE and FDSE rates unchanged over this period, their real purchasing power declined by approximately 9.6%, meaning the same allocation could only finance fewer education inputs in 2025 than in 2020. For Free Primary Education (Figure 9), inflation adjustments indicate that the current rate of KSh 1,420 per learner would need to increase by 29% to KSh 1,833 in FY 2027/28 , to maintain its FY 2022/23 value.

FIGURE 10 Inflation-Adjusted Free Primary Education (FPE) Capitation Rate Required



Data Source: Various BROPs

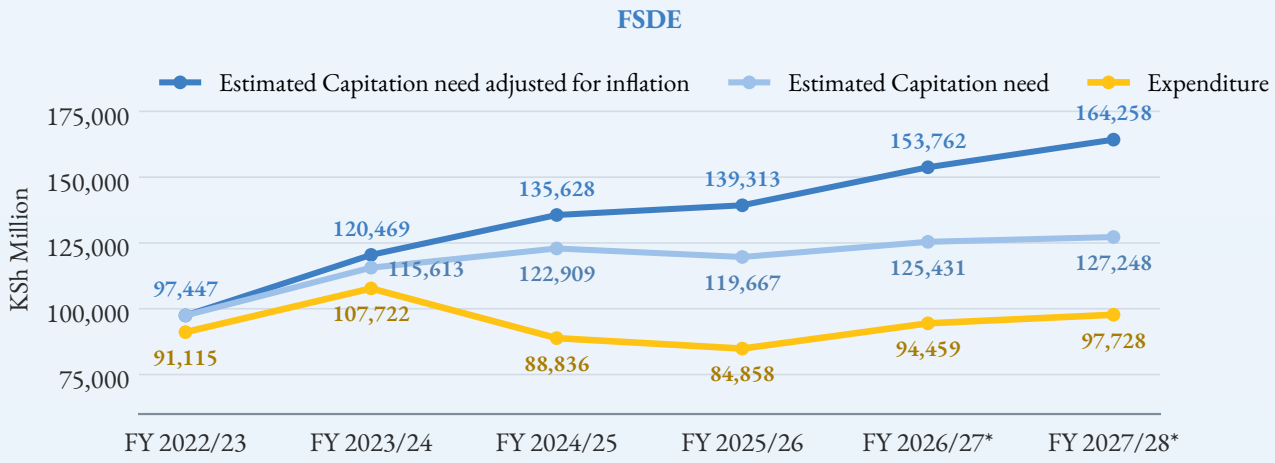
Spending on secondary education has fallen behind what the approved rates require, and the gap has widened sharply since 2024/25. In FY 2022/23, expenditure of KSh 91.1 billion met 94% of the

estimated funding requirement. By FY 2025/26, expenditure covered only 71% of the requirement, leaving a funding gap of KSh 34.8 billion (Figure 11). The gap widened because spending was cut while learner numbers rose from 4.8 million to 6.9 million over the same period**.** For instance, in 2024/25, expenditure fell by 17.5% while learner numbers rose by 14%, reducing spending per learner by about 28%.

Adjusting for inflation widens the capitation financing gap further. Had the rates kept pace with inflation since FY 2022/23, the financing need would have reached KSh 139.3 billion in FY 2025/26, meaning that the FY 2025/26 expenditure covered only 61% of the real capitation requirement. These findings suggest that inflation, alongside enrolment pressures, continues to widen the gap between capitation allocations and the resources required to sustain basic education provision.

School capitation resource requirements are rising because learners are moving into higher education levels with higher per-learner rates. Learners at junior and senior secondary rose from 4.7 million to 6.4 million between 2022/23 and 2025/26, while primary learners fell from 8.1 million to 6.1 million. As the Competency-Based Curriculum (CBC) cohorts move up, each learner attracts a rate more than ten times higher than at primary level. As a result, capitation needs therefore rise in line with the number of learners at each education level.

FIGURE 11 **Capitation Need and Expenditure for Junior (JSS) and Senior Secondary (FDSE), FY2022/23–FY2026/27 (KSh million)[x]**



Data Source: Author's Calculation, Data from Education Sector Working Group Report 2026

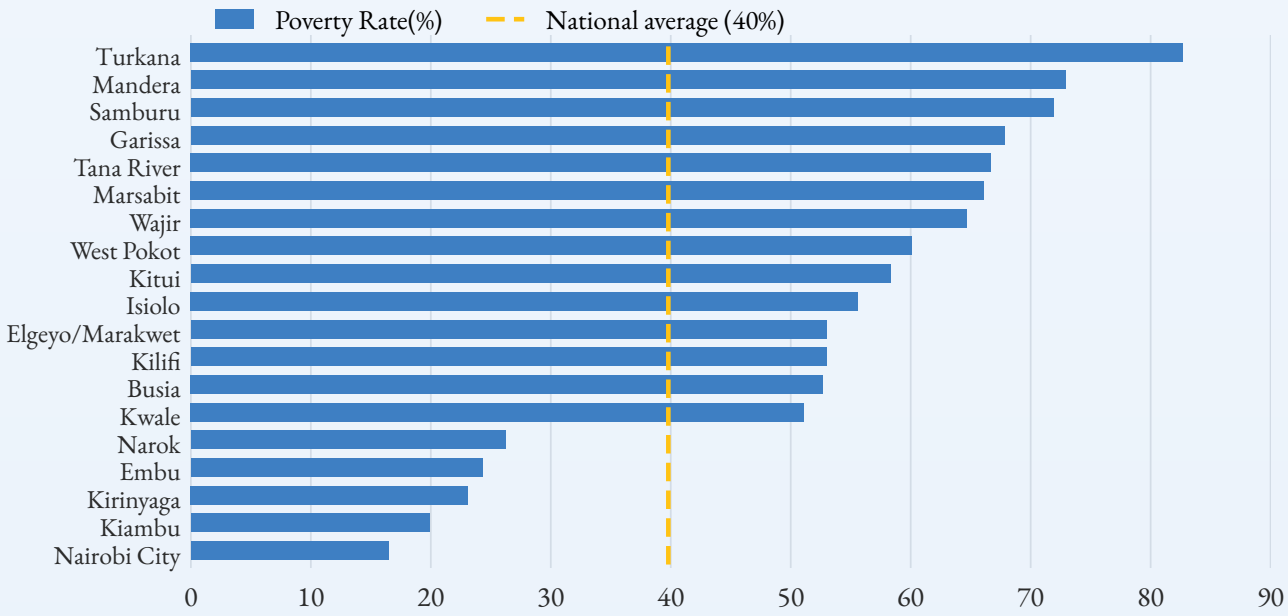
Moving from fragmented bursary schemes to a consolidated, rules-based framework, with these resources channeled to capitation, would give schools a more direct and predictable source of financing. The 2026 ANSB estimated that availing all bursary funds would release KSh 26.5 billion.[42] This is more than 91% of the KSh 29 billion needed to close the FY 2027/28 gap. However, bursaries currently target needy learners and often cover costs that capitation does not, such as boarding fees. Consolidation should therefore keep a needs-based element so that the poorest learners are not made worse off.

x. Real numbers are per capita numbers adjusted for inflation. Estimated capitation need is learner numbers multiplied by the rates set by the Ministry of Education for each education level. Expenditure is the actual spending for JSS and FDSE. FY 2026/27 and 2027/28 are budget estimates from the 2026 Education sector working group report.

3.3 Equity gaps in Capitation Coverage and Education Financing

The uniform per-learner capitation formula promotes equal allocations but may not achieve equitable financing where the needs and costs of delivering education differ substantially across counties. Kenya provides a standard capitation amount by school level: KSh 1,420 per learner in primary schools, KSh 15,042 in JSS and KSh 22,244 in senior secondary schools. Government-set school fees also vary by school type and location, with higher ceilings for National Schools and certain Extra-County boarding schools than for other boarding schools. [xi]This approach is inequitable because it does not consider other factors such as poverty levels and development needs of a school. Poverty rates range from 82.7% in Turkana to 16.5% in Nairobi, compared with a national rate of 39.8% (Figure 12), indicating substantial differences in the socio-economic needs of learners served.

FIGURE 12 Poverty rates by county and the national average



Data Source: KNBS Poverty Report

The poorest counties are predominantly in Arid and Semi-Arid Lands (ASAL), where schools may also face higher costs- from longer and more expensive supply routes for materials, and hardship allowances needed to attract and retain staff-arising from remoteness and service delivery constraints. Three mechanisms are commonly cited as compensating for these disparities: the Equalization Fund, the National Government Constituencies Development Fund (NG-CDF), and the budget allocation for development of schools in Arid and Semi-Arid Lands (ASALs). However, the Auditor-General found that no funds were disbursed under the ASAL schools' development allocation from FY 2020/21 to FY 2023/24. The audit also identified a lack of clear criteria for selecting beneficiary schools and equal allocations to schools without adequately accounting for differences in enrolment.

xi. Under the Ministry of Education's 2024 fee guidelines, the annual parental fee ceiling was KSh 53,554 for National Schools and Extra-County boarding schools in designated urban centers (Nairobi, Mombasa, Nakuru, Kisumu, Nyeri, Thika and Eldoret), and KSh 40,535 for other public boarding schools, including Extra-County, County and Sub-County schools.

The Equalization Fund's constitutional mandate under Article 204(2) is limited to water, roads, health facilities and electricity; it does not name education among the basic services it is required to fund, and any school infrastructure it has financed has been incidental rather than a defined mandate. NG-CDF does reach education directly: bursaries and school infrastructure are eligible uses; however, 75% of the fund is shared equally across all 290 constituencies regardless of poverty or need. Consequently, schools in counties with higher poverty rates and less developed infrastructure have less fiscal capacity to meet learner needs than schools receiving the same per-learner allocation in relatively better-off counties. Therefore, to promote equity, capitation should be guided by need and cost of services, rather than uniformity of the core capitation rate alone; this may warrant strengthening the extent to which poverty, remoteness and other measurable cost drivers inform basic education financing.

Gaps in capitation financing can shift part of the cost of education to households, but households' ability to absorb these costs varies substantially across counties. The Ministry of Education estimates that households finance 31% of total education-sector expenditure, compared with 53% from the national government and 6% from county governments. The rest of the funding came from the National Government Constituency Development Fund (NG-CDF) (2%), NGOs and religious bodies (1%), the private sector and companies (0.02%) and external loans and grants (2%). This indicates that households already make a significant contribution to basic education funding.[43] However, there are substantial differences in households' ability to meet education costs, with poverty rates ranging from 16.5% in Nairobi to 82.7% in Turkana. Consequently, where delays, leakages or declining per-capita purchasing power create funding gaps, better-off households may be more able to compensate through additional contributions; poorer households often cannot. The difference shows in completion rates: United Nations Educational, Scientific and Cultural Organization (UNESCO) 2018 report shows that only 10% of children from Kenya's poorest households complete secondary school, compared with 70% from the richest.[44]

A uniform per-learner rate therefore is not equitable. The mechanisms meant to offset differences in need, the Equalization Fund, NG-CDF, and the Arid and Semi-Arid Lands and Pockets of Poverty Grant, do not close the gap; therefore, schools in high-poverty and remote counties risk depending more on households that are least able to contribute. Equity in capitation coverage would require a formula that adjusts, for example, for poverty, level of development and the cost of delivery, through a weighted top-up for schools in the highest-need counties.

3.4 Conclusion and Recommendations

Kenya's basic education capitation system provides a predictable framework for allocating resources, but its adequacy is being weakened by irregular disbursements, weaknesses in beneficiary data, declining real allocations and a changing enrolment mix. Capitation releases do not consistently follow the 50:30:20 schedule, while the Auditor-General has identified payments and resources associated with inaccurate school and learner records. At the same time, inflation has reduced the real value of existing rates, while the shift of learners from primary to the higher-cost JSS level is increasing the fiscal cost of maintaining current rates. The estimated cost of maintaining current per learner rates against

actual enrolment rose from KSh 109.0 billion in FY2022/23 to KSh 145.3 billion in FY2024/25, indicating that stable enrolment does not imply stable financing requirements.

These pressures also have important equity and fiscal implications. A uniform per-learner rate provides equal allocations but does not necessarily provide equitable financing where poverty, remoteness and delivery costs differ substantially. Household contributions already account for an estimated 31% of education-sector expenditure, yet households have very different capacities to absorb additional costs. Closing this gap requires reform on three fronts: protecting the real value of the capitation rate, making disbursements predictable and verifiable, and moving toward a formula that directs resources according to need rather than a uniform rate alone.

Based on the analysis, we recommend:

i. Budget capitation at the full rate for verified enrolment and report it by level of education. The National Treasury should appropriate capitation at no less than the approved rate multiplied by the latest verified enrolment by level in the FY2027/28 estimates. The enrolment figures should be drawn from data that have cleared the Ministry's reconciliation and validation process, using KEMIS once the system is fully operational and its data have been independently verified.

ii. Adjust the capitation rate by factoring in the KNBS education-services Consumer Price Index (CPI) ahead of each budget cycle to preserve the purchasing power of school funding.

iii. Move from a purely flat allocation formula towards need-based differentiated financing. Retain a standard amount for each learner by education level, but provide additional funding to schools facing greater costs or challenges, such as those in poor or less developed areas. This would maintain a predictable basic allocation while ensuring that schools with greater needs receive the additional resources required. The first step would be disbursing the ASAL schools development allocation, which from the auditor general, went undisbursed for four years, using clear criteria for selecting beneficiary schools.

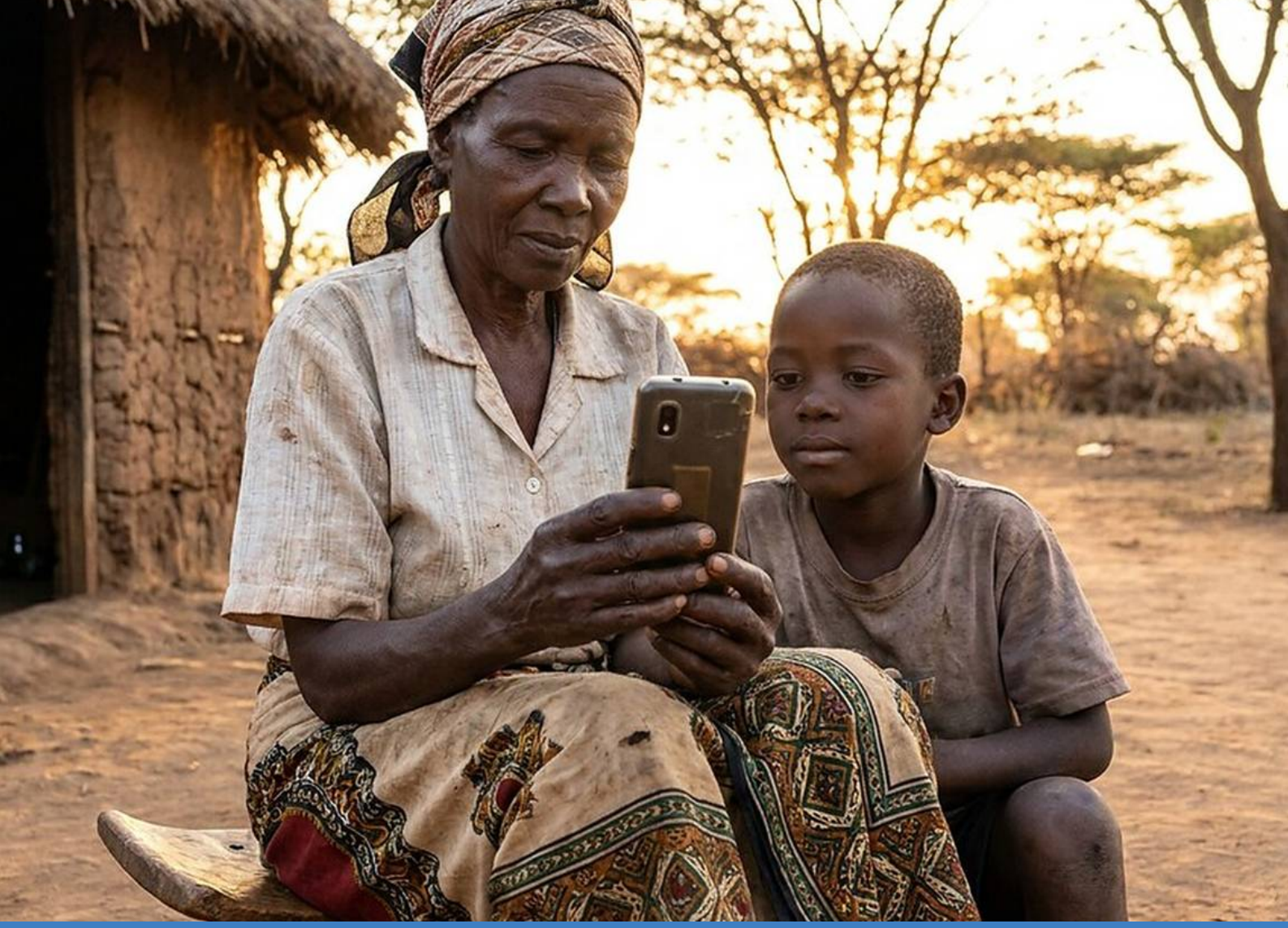
iv. Use the Commission on Revenue Allocation's existing methodology to inform the needs-based formula. Kenya already uses factors such as poverty to distribute revenue among counties. These existing measures and data could therefore provide a starting point for developing the equity component of capitation, rather than creating an entirely new system.

v. The Treasury should make disbursements more predictable and transparent. Establish clearer, publicly communicated dates for termly releases, and publish actual disbursement data by term and stream against these dates in the FY2027/28 cycle. This should include each school's capitation entitlement, transfer date and amount received, alongside reconciliation and complaints mechanisms to enable schools to plan effectively, address discrepancies and strengthen oversight of disbursements.

vi. The government should consolidate bursary funds into capitation to close most of the funding gap from existing resources. Redirect the bursary funds that can be released, estimated at KSh 26.5 billion, into a consolidated, rules-based framework that channels them to capitation. This would cover more than 91% of the KSh 29 billion needed to close the 2027/28 gap.

vii. The Ministry of Education should make per-term reconciliation of school registers against the national register a standing requirement, with the results independently audited and published. Migrate NEMIS records into KEMIS only after they have been reconciled, so that errors are not carried over.





CHAPTER 4

SOCIAL PROTECTION CHAPTER: FUNDING FOR THE NATIONAL SAFETY NET PROGRAMME

In this edition of the ANSB, we review funding for the National Safety Net Programme (NSNP). The NSNP is a national cash transfer programme targeting older persons, orphans and vulnerable children, persons with severe disabilities and food-poor households in 8 ASAL counties in northern Kenya.[45] It supports vulnerable households and individuals meet basic needs, cushion them against poverty and socio-economic shocks, as well as enhance their welfare, resilience and dignity.[46] It comprises the following four government cash transfers:

1. The Cash Transfer for Orphans and Vulnerable Children (CT-OVC);
2. The Older Persons Cash Transfer (OPCT) for older persons above 70 years;
3. The Cash Transfer for Persons with Severe Disabilities (PWSD-CT); and
4. The Hunger Safety Net Programme (HSNP).

Together, CT-OVC, OPCT and PWSD-CT form the *Inua Jamii* programme and are implemented by the State Department for Social Protection and Senior Citizen Affairs and the State Department for Children Services. The HSNP is implemented separately by the National Drought Management Authority (NDMA) and operates in eight Arid and Semi-Arid Land (ASAL) counties.

We, however, reviewed budgeting for the Hunger Safety Net Programme (HSNP) in 2026/27 ANSB and therefore, this iteration focuses on the *Inua Jamii* Programme. The analysis will thus focus on the role of *Inua Jamii* within the broader social protection system between FY 2022/23 and FY 2026/27 including the extent to which existing cash transfer interventions are reaching their target populations and addressing their needs. It will also consider complementary interventions like the Economic Inclusion Programme (EIP) and the extent to which these can be better integrated with existing cash transfer interventions to improve outcomes and value for money.

KSh 42.7 billion
NSNP budget in FY 2024/25, up from KSh 31.3 billion in FY 2023/24

KSh 29.2 billion
NSNP allocation in FY 2026/27

KSh 27.9 billion
Projected NSNP allocation in FY 2027/28



KEY FINDINGS AND RECOMMENDATIONS

i. **NSNP financing has supported substantial expansion in social assistance but remains insufficient to meet planned coverage and medium-term expansion targets fully**. The allocations towards the programme have been fluctuating in the period under review. Coverage rose from about 1.1 million beneficiaries in FY 2022/23 to about 1.8 million in FY 2024/25, with absorption of 99%. NSNP's budget increased to Ksh 42.7 billion in FY 2024/25 from Ksh 31.3 billion in FY 2023/24. The allocations declined to Ksh 31 billion in FY 2025/26 and further to Ksh 29.2 billion in FY 2026/27 and are projected at KSh 27.9 billion in FY 2027/28. This implies that the expansion as well as the regularity of support to the beneficiaries may be affected. It is therefore important for the Government to develop a costed financing framework for programme to identify the financing gap and how this will affect enrolment, coverage and implementation of the programme.

ii. **Whereas *Inua Jamii* coverage has improved, it remains uneven across interventions and beneficiary groups.** In FY 2024/25 OPCT reached 1,254,273 older persons, above its target of 1.19 million, while CT-OVC reached 94% and PWSD-CT 98% of their target. The gaps in the CT-OVC and PWSD-CT have been attributed to financial constraints to enrol additional beneficiaries that qualify to benefit from the programme. Further, the available data measures the coverage against the set programme targets and not against the population in need of support. There is a need, therefore, to reconcile the programme's targets, actual beneficiaries and eligible population using the Enhanced Single Registry (ESP) and other available data. This will help identify exclusions and where there are coverage needs.

iii. **Existing delivery systems, including the Enhanced Single Registry (ESR), the Consolidated Cash Transfer Programme Management Information System (CCTPMIS) and other programme management information systems, provide an adequate foundation for identification, targeting, enrolment and payments**. Their effectiveness, however, is constrained by insufficient financing for on-demand registration, inadequate outreach and sensitization, and grievance and case management structures that are not yet fully operational. These gaps impede the identification of eligible populations, limit the resolution of exclusion errors, and weaken beneficiary engagement, accountability and programme integrity. The Government should develop and fund a comprehensive, costed plan for registration and programme delivery. The plan should provide for on-demand registration, beneficiary verification and the regular updating of the ESR; establish structured outreach and sensitization programmes; and institute decentralized grievance and case management mechanisms.

iv. **The *Inua Jamii* Programme *as* currently designed can lead to fragmentation for individuals and households with overlapping vulnerabilities.** The eligibility for the OPCT is individual-based, while the CT-OVC and PWSD-CT are household-based. However, the use of the Harmonized Targeting Tool may lead to gaps and/or duplication in access and coverage. The available data cannot information on the extent of these gaps or duplication. The Government should strengthen coordination in the identification, targeting and case management of beneficiaries to ensure that individuals and households with overlapping vulnerabilities can be assessed and linked to the assistance that they need and are eligible for.

v. **Economic inclusion remains an important but incompletely developed complement to cash assistance.** The EIP provides a basis for linking appropriate *Inua Jamii* households to livelihood and productive support, but its coverage and implementation remain uneven. However, the economic empowerment support remained smaller than interventions designed for social protection and welfare. Stronger, differentiated linkages could improve the transition from income support to greater economic resilience where beneficiary circumstances permit.

vi. **There is a need for an elaborate performance framework to assess the value for money for various NSNP interventions.** Our analysis highlights high budgetary absorption rates against consistent coverage gaps, uneven performance as well as shortfalls in the complementary economic inclusion interventions. The Government should establish a framework that tracks and measures the coverage, delivery performance and outcomes. The evidence generated should be used to identify the beneficiaries, design the programme and inform the allocation of resources.

4.1 Prioritization, coverage and funding for the National Safety Net Programme

The Fourth Medium Term Plan (MTP IV) (2023–2027) and Kenya's Social Protection Policy (2023) set the current policy framework for the NSNP. Kenya's Social Protection Policy (2023)[47] on adopts a rights-based, life-cycle approach focused on income security, resilience, human capital development and well-being. It advocates for broader social protection coverage, gradual expansion of social assistance, enhanced benefit delivery systems and increased adequacy, affordability and sustainability of social protection measures.[48] This framework is supported by the Social Protection Act, 2025, which establishes a legal basis for non-contributory social protection and highlights the principles of equity, inclusiveness, accessibility, adequacy and sustainability in safeguarding vulnerable populations.[49]

Social Safety Net Programmes remain a central pillar of the government's Bottom-Up Economic Transformation Agenda (BETA), prioritizing the strengthening of social safety nets to reduce poverty and improve income security for economically excluded populations. The government in

MTP IV set a target of 3,103,000 beneficiaries to receive cash assistance alongside measures to strengthen beneficiary identification, enrolment, payment and accountability systems. It also builds on existing delivery systems like the Social Protection MIS, Enhanced Single Registry and CCTP-MIS. [50]Further, it proposes the Social Assistance Fund to provide a more sustainable financing mechanism for social assistance programmes. Beneficiary targets are also reported in budget documents. For instance, the FY 2026/27 Budget Policy Statement (BPS) provides for cash transfers to 1,148,256 older persons and 63,607 households with persons with severe disabilities (together 1,211,863 beneficiaries), and to 441,516 households with Orphans and Vulnerable Children (OVC) alongside complementary interventions targeting persons with disabilities, community groups and other vulnerable populations.[51]

The NSNP has made substantial progress in delivering its MTP IV commitments, but coverage and programme outputs remain uneven, with financing constraints limiting further expansion. The Programme recorded strong budget execution and significant growth in beneficiary coverage. However, persistent gaps between planned and actual beneficiaries, alongside delays in some programme-support functions, indicate that effective utilisation of available resources has not translated into full achievement of intended coverage. By FY 2024/25, the three Inua Jamii interventions reached about 1.7 million individuals and households (Table 13), about 57% of the MTP IV target of 3,103,000 beneficiaries. This shows that a significant part of the planned programme reach was achieved but coverage still fell short of the overall MTP IV target during the assessed period. Achieving the remaining coverage will depend not only on financing for direct transfers but also on the capacity of the Enhanced Single Registry or the Social Protection Registry, CCTP MIS and related systems to identify, enrol and maintain eligible beneficiaries

Similarly, progress in strengthening the systems supporting NSNP delivery is uneven, with key payment and programme management functions advancing while several institutional and accountability mechanisms remained incomplete. Payrolls for complementary programmes and payment service provider commissions continued as planned, supporting the timely processing of beneficiary payments. The CCTP-MIS was also strengthened and operationalised to improve the management and administration of cash transfer programmes. However, grievance and case-management tools, Information, Education, and Communication (IEC) materials and Constituency Social Assistance Committees were not fully delivered during the review period. These gaps affected the programme's capacity to identify and respond to beneficiaries, strengthen accountability and grievance resolution and facilitate effective access to social assistance.

NSNP financing remains inadequate to sustain planned beneficiary coverage and meet growing social protection needs over the medium term, with notable fluctuations across years. Actual spending declined to KSh 40.6 billion in FY 2025/26 and is projected to further decline to KSh 39.5 billion in FY 2026/27before increasing to KSh 45.3 billion in FY 2027/28 (Table 13). Although budget absorption improved substantially, high utilisation of allocated resources did not necessarily translate into full achievement of planned coverage. Over the same period, absorption increased from 94% to 99%. The marked increase in financing in FY 2024/25 coincided with a substantial increase in beneficiary coverage, rising to approximately 1.8 million beneficiaries, but this was not sustained in the subsequent years. This suggests that maintaining the expanded beneficiary base while also closing remaining coverage gaps requires a higher and more predictable level of financing. As such, the NSNP budget should exceed KSh 44

billion annually to sustain current coverage and bridge the remaining gaps against the programme's medium-term targets.

The subsequent reduction in allocations and spending therefore presents a potential sustainability risk, particularly if the Programme is expected to retain the expanded coverage achieved in FY 2024/25 and accommodate additional eligible beneficiaries. Therefore, the volatility in financing limits the Programme's ability to sustain expanded beneficiary coverage and respond adequately to the needs of vulnerable populations (**Table 13**)

TABLE 13 **Allocations to the NSNP and its beneficiaries peaked in FY 2024/25**

NSNP	2022/23	2023/24	2024/25	2025/26	2026/27*	2027/28*
Total Approved Budget (KSh Billion)	33.0	31.3	42.7	40.6	39.5	45.3
Total Actual Expenditure (KSh Billion)	30.7	29.4	42.3	52.0	-	-
Total beneficiaries (Million)	1.1	1.1	1.8	1.7	1.7	1.7

*****_While the analysis does not include the HSNP, the figures presented in this table cover the NSNP, including the HSNP._

* Data for FY 2025/26 was extracted from Table 2.4 of the FY 2027/28 Sector Working Group Report (SWGR). Data source: SPCR report

Overall, NSNP financing is increasingly constrained relative to the Programme's planned coverage and expansion requirements as the Programme is expected to sustain existing cash-transfer coverage while expanding access to social protection and strengthening beneficiary identification and linkage systems. Resourcing of the NSNP programme remains inadequate, with a projected decline to KSh 27.9 billion in FY 2027/28. Despite this fluctuation in financing, the Programme is expected to sustain existing beneficiary groups and deliver a range of additional social protection outputs.[52] For instance, the NSNP targets 1,148,256 older persons for cash transfers and 63,607 households with persons with severe disabilities over FY 2026/27– FY 2028/29. These requirements extend financing needs beyond direct cash transfers to the systems and activities necessary to identify, enrol and effectively reach intended beneficiaries. The decline in resources while these commitments remain high places pressure on the Programme to sustain existing coverage while expanding access.

4.2 Adequacy and Coverage of *Inua Jamii*

Government resources for cash-based social assistance have increased alongside the number of people reached. Across Inua Jamii, beneficiary coverage increased from about 1.1 million in FY 2020/21 to about 1.76 million in FY 2025/26, while total allocations rose from KSh 26.6 billion to KSh 42.2 billion (Table 13). However, the increase in coverage has not been uniform across the programme components, suggesting that the scale-up has been shaped by programme-specific targeting and implementation.

The *Inua Jamii* programme comprises OPCT, PWSD-CT and CT-OVC, which target distinct vulnerable groups.[53] The three interventions are appropriately differentiated by the type of vulnerability they seek to address but their separate categorical eligibility structures create potential fragmentation in

access to social assistance. This is particularly relevant for households and individuals facing multiple or overlapping vulnerabilities, where eligibility for one transfer does not automatically provide access to another. However, the programme's eligibility requirements allow an OPCT recipient to serve as a caregiver under PWSD-CT or CT-OVC within a household context. The coexistence of distinct eligibility criteria and such provisions underscore the importance of consistent beneficiary identification and coordination across the three interventions to minimise gaps and duplication in access to support.

Another important design issue is whether the separate categorical eligibility structures contribute to differences in access for people whose vulnerabilities overlap. For instance, a person may face severe disability while also belonging to an older or highly vulnerable household. Still, eligibility for one intervention does not automatically provide access to the others. This creates a potential fragmentation risk where vulnerable people can fall between programme categories or require separate targeting and enrolment processes. The priority is thus not necessarily to merge the three interventions but to strengthen coordination in beneficiary identification, targeting and referral across them. This would preserve the ability of each intervention to respond to its specific target population while reducing potential gaps and duplication arising from separate categorical arrangements. Further, the targeting for CT-OVC and PWSD-CT should be individual-based rather than on households as envisioned in the Kenya Social Protection Act, 2025.

TABLE 14 **Allocations, disbursements and beneficiary coverage vary across the interventions over the years (KSh million)**

Indicator	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26[xii]
Orphans and Vulnerable Children						
Beneficiaries(Number of Households)	293,665	278,945	278,188	259,043	454,669	443,004
Allocations	7,063.20	7,930.70	7,930.70	6,217.00	9,710.70	10,632.10
Disbursement	7,064.00	6,666.50	6,564.50	6,217.00	9,710.70	10,632.10
Absorption Rate	100%	82%	84%	100%	100%	100%
Older Persons Cash Transfer (OPCT)						
Beneficiaries (No. of Older Persons)	763,553	756,935	756,485	1,251,721	1,254,273	1,253,045
Allocations	18,343.50	17,543.60	17,534.60	20,995.10	27,393.00	30,073.00
Disbursement	18,325.30	18,169.50	17,811.40	20,995.10	27,393.00	30,073.00
Absorption Rate	99%	104%	106%	100%	100%	100%
Cash Transfer for Persons with Severe Disabilities (PWSD-CT)						
Beneficiaries (No. of PWSD)	33,948	37,023	38,118	44,954	64,102	63,607
Allocations	1,190.00	1,128.00	1,190.00	1,078.90	1,363.80	1,503.70

xii. *2025/26 numbers are provisional.*

Indicator	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26[xii] xii. *2025/26 numbers are provisional.*
Disbursed	814.80	864.50	907.60	1,078.90	1,363.80	1,526.60
Absorption Rate	69%	77%	76%	100%	100%	102%

Data source: 2026 Economic Survey

Financing constraints directly limited the ability to close some of the coverage gaps in *Inua Jamii*. The SPCR sector report notes that there was no budget increase for CT-OVC and PWSD-CT's reach, indicating that shortfalls were not solely an implementation issue.[54] Available resources were therefore not sufficient to finance the full planned beneficiary numbers.

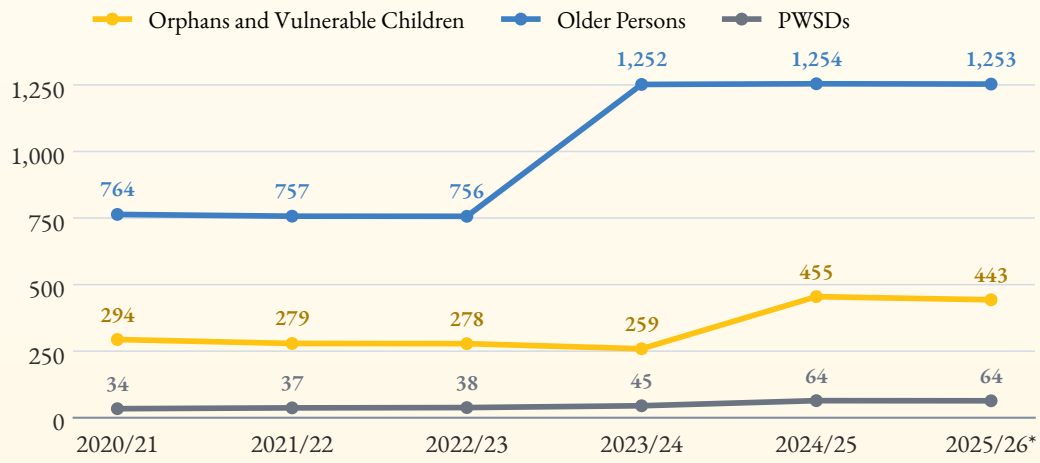
Available evidence points to an imbalance in the achievement of planned coverage across vulnerable groups. In FY2024/25, OPCT served 1,254,273 older people, surpassing the target of 1.19 million. Meanwhile, CT-OVC reached 454,669 beneficiary households, about 94% of its target of 482,393. The gap in CT-OVC is significant because it was unable to enroll more eligible households due to limited funding, whereas OPCT already exceeded its planned number. This highlights the need to consider whether additional resources should focus on closing the remaining CT-OVC coverage gap before expanding OPCT further. Since OPCT counts individuals and CT-OVC counts households, it's unclear what proportion of the total eligible population is reached by either program. The key policy question therefore is whether resources are allocated based on their respective coverage gaps and unmet needs.

Even though *Inua Jamii* beneficiary coverage improved, the gains were uneven across the three sub-programmes. OPCT moved from coverage below target in FY 2022/23 and earlier years to exceeding its planned target in FY 2024/25, while PWSD CT progressively narrowed its coverage gap. CT OVC performance also improved substantially by FY2024/25 although it remained below target, with the shortfall considerably smaller than in the preceding years (Figure 12). The divergence in coverage suggests that progress in expanding *Inua Jamii* has not been uniform across beneficiary groups, raising questions about whether differences in targeting, enrolment and programme implementation are contributing to unequal access.

The KPI targets indicate that financing adequacy is closely linked to the ability to translate planned beneficiary coverage into actual support. Across the three cash transfers, beneficiary achievements initially matched their respective targets but fell substantially below target in the subsequent period as planned coverage increased. The OPCT coverage declined in FY 2022/23 before rebounding in FY 2023/24. Similarly, CT-OVC coverage fell in FY 2023/24 but recovered in FY 2024/25. In contrast, PWSD-CT coverage increased steadily throughout the period (Figure 12). Performance subsequently improved across all three programmes, with actual coverage exceeding the revised targets, pointing to considerable variation in the extent to which planned beneficiary coverage was realised over the period. At the same time, core *Inua Jamii* targeting, payroll and payment systems were operational. This suggests that the key constraint was not necessarily delivery capacity, but whether available funding was sufficient to finance the planned caseload. Budget allocations therefore have a direct bearing on the programme's ability to translate targeting into actual beneficiary coverage.

FIGURE 13 **Inua Jamii Coverage has improved but progress varies across beneficiary groups**

The number of Beneficiaries of OPCT has been rising at faster rates compared to other Cash Transfers under Inua Jamii)



Data source: 2026 Economic Survey

Gaps in geographic and demographic coverage are still significant when evaluating if *Inua Jamii* is effectively reaching the target beneficiaries. The Enhanced Single Registry (ESR) provides data on more than 3.3 million vulnerable households across 35 counties and is intended to support beneficiary identification, registration and targeting. However, constraints affecting the implementation and expansion of on-demand registration efforts may restrict the identification and enrolment of more vulnerable households, potentially leaving some eligible households outside the registry. Moreover, the available data do not provide a comprehensive comparison of eligible and actual beneficiaries by county for OPCT, PWSD-CT and CT-OVC. Whereas the Economic Survey contains data disaggregated by sex and distinguishing between caregivers and the wider beneficiary population for CT-OVC and PWSD-CT, it still does not establish the size or distribution of the eligible population against which actual coverage should be assessed. These data limitations mean that differences between programme targets and actual beneficiaries measure shortfalls against planned coverage, not the full extent of inclusion or exclusion, because the targets may cover only part of the eligible population.

In FY2025/26, women accounted for approximately 61% of OPCT beneficiaries and 83% of CT-OVC caregivers, while women represented about 46% of PWSD-CT beneficiaries.[55] These differences are relevant for assessing who is reached by *Inua Jamii* but beneficiary composition alone does not measure coverage. A stronger measure would compare the number of beneficiaries receiving transfers with the size of the respective eligible populations, including by gender where possible. Such population-based coverage data are not available in the current evidence, limiting assessment of whether the programme is reaching an appropriate share of each vulnerable group. Publication of beneficiary numbers alongside estimates of the eligible populations would therefore strengthen monitoring of programme coverage and equity.

4.3 Deep dive review of coverage and financing for OPCT, CT-OVC, PWSD CT

4.3.1 Funding and Coverage of the Older Persons Cash Transfer (OPCT)

OPCT offers regular cash transfers to vulnerable older adults, helping protect them and their households from income risks like illness, poor health and injuries.[56] It targets Kenyan citizens aged 70 years and above who have a valid Kenyan ID and are not receiving a pension. It ensures a quality life and aims to break intergenerational poverty by enabling younger household members to attend school or work through consistent and predictable payments.

TABLE 15 Disbursement of Funds to Older Persons, 2021/22 - 2025/26

Financial Year	GoK Budget Allocation KSh Million +	Number of Beneficiaries			Amount Disbursed KSh Million
		Female	Male	Total	
2021/22	17,544	465,310	291,625	756,935	18,169.5
2022/23	17,535	465,148	291,337	756,485	17,811.4
2023/24	20,995	758,955	492,766	1,251,721	20,995.1
2024/25	27,393	764,700	489,573	1,254,273	27,393.5
2025/26*	30,073	764,028	489,017	1,253,045	30,073.1

Data source: 2026 Economic Survey

Compared to the other *Inua Jamii* programmes, OPCT recorded the largest expansion in both financing and beneficiary coverage. Beneficiaries increased from 756,935 in FY2021/22 to about 1.25 million people in FY2025/26, while allocations increased from KSh 17.5 billion to KSh 30.1 billion over the same period. (**Table 15**). The significant increase in beneficiaries occurred primarily between FY2022/23 and FY2023/24, when coverage rose from 756,485 to 1.25 million, following the government's commitment to expand coverage of the Older Persons Cash Transfer. Therefore, the evidence suggests that resources allocated to OPCT have supported a substantial expansion in reach. However, exceeding the programme target does not by itself establish that all eligible older persons are covered.

The 2019 Census provides an indication of the size and age distribution of the older population, but it is outdated and may not reflect the population requiring support today (*Table 15*). Moreover, the Census population cannot be treated as the OPCT eligibility denominator because eligibility depends on criteria beyond age. A more meaningful assessment of coverage would therefore compare beneficiaries with an up-to-date estimate of older persons who meet the programme's full eligibility criteria. The absence of such an estimate limits assessment of the programme's actual reach. It highlights the need for the government to regularly update the eligible population estimate alongside programme targets and beneficiary numbers.

A simple comparison nonetheless suggests that OPCT is close to universal coverage of its age group. The 2019 Census counted about 1.2 million people aged 70 and above, while OPCT paid 1.25 million beneficiaries in FY 2025/26. Even allowing for population growth since 2019, coverage appears high relative to the age-eligible population. If this is confirmed with updated estimates, the remaining coverage gaps, and therefore the case for additional resources, lie mainly in CT-OVC and PWSD-CT, where the sector working group explicitly cites funding constraints as the reason eligible households could not be enrolled. It also raises a question about how strictly the non-pension eligibility criterion is being applied.

TABLE 16 **Distribution of older persons in Kenya per the 2019 census**

Age Group	Number	Percent			
		Total	Males	Sex Females per	Ratio (Males 100 females
70-74	511,117	18.8	19	19	84
75-79	281,431	10.3	10	11	73
80-84	202,652	7.5	7	8	68
85+	209,533	7.7	7	9	59
Total	**2,721,459**	**100**	**45.4**	**54.6**	**83**

Data source: 2019 Housing and Population Census

The demographic makeup of OPCT beneficiaries remained fairly consistent even as the programme grew significantly. Women made up about 61% of beneficiaries from FY2021/22 to FY2025/26, compared to roughly 39% for men. The number of women beneficiaries rose from 465,310 in FY2021/22 to 764,028 in FY2025/26, while male beneficiaries increased from 291,625 to 489,017. The substantial increase in total coverage between FY2022/23 and FY2023/24 did not materially change the gender composition of OPCT beneficiaries, suggesting that the expansion broadly maintained the existing distribution between women and men. This indicates the expansion reached women and men in proportions similar to the original target. Evidence shows that women make up a larger share of the older population, particularly at older ages; therefore, higher female OPCT coverage supports equity in public spending.

Despite expanded coverage, available data is insufficient to assess whether OPCT financing is adequate to close the beneficiary coverage gaps. Beneficiary numbers are reported, but the size and gender composition of the eligible population are not, making coverage adequacy difficult to determine. Allocations rose from KSh 17.5 billion in FY2022/23 to KSh 30.1 billion in FY2025/26 as the caseload expanded. Future budgets should therefore link allocations to verified needs and coverage gaps and publish annually the eligible population, target caseload, actual beneficiaries and funding required to close those gaps. This would show whether funding can both sustain current beneficiaries and extend coverage to unmet need.

4.3.2 The Cash Transfer for Orphans and Vulnerable Children (CT-OVC)

The CT-OVC supports extremely poor households with one or more orphans and vulnerable children (OVCs) who are permanent household members. It also targets households where the caregiver is chronically ill or unable to perform ordinary duties. Eligible households must not be benefiting from another government cash transfer programme, with the exception of a household having an OP-CT beneficiary, and the beneficiary must be a Kenyan citizen.

CT-OVC funding increased substantially in the latter part of the period, accompanied by a marked expansion in beneficiary coverage. Allocations declined from KSh7.93 billion in FY2022/23 to KSh6.22 billion in FY2023/24, before rising to KSh9.71 billion in FY2024/25 and KSh10.63 billion in FY2025/26. Beneficiary households fell from 293,665 in FY2020/21 to 259,043 in FY2023/24 but increased sharply to 454,669 in FY2024/25 following the increase in funding, before slightly declining to 443,004 in FY2025/26. (*Table 16*). Despite this expansion, FY2024/25 coverage reached about 94% of the target of 482,393 households. The SPCR Sector Working Group identifies inadequate budget to add beneficiaries as a key constraint to achieving the programme target, indicating that further expansion of coverage will require financing to support the remaining caseload.

TABLE 17 Disbursement of Funds to Orphans and Vulnerable Children, 2021/22 - 2025/26

Financial Year	GoK Budget Allocation KSh Million	Number of Caregivers[1]			Amount Disbursed KSh Million
		Female	Male	Total	
2021/22	7,930.7	222,229	56,716	278,945	6,666.5
2022/23	7,930.7	221,492	56,696	278,188	6,564.5
2023/24	6,217.0	205,956	53,087	259,043	6,217.0
2024/25	9,710.7	375,860	78,809	454,669	9,710.7
2025/26*	10,632.1	366,586	76,418	443,004	10,632.1

Data source: 2026 Economic Survey

CT-OVC has consistently been characterized by a predominantly female caregiver population, a trend that continued as coverage both contracted and expanded. Women made up about 80% of caregivers in FY2021/22 and increased to 83% in FY2025/26. During this period, female caregivers grew from 222,229 to 366,586, while male caregivers rose from 56,716 to 76,418. The gender gap widened notably during the significant expansion in FY2024/25, when 375,860 out of 454,669 registered caregivers were women. However, since the data specify the caregiver for each beneficiary household rather than the gender of the orphans and vulnerable children inside those households, they do not indicate whether coverage is fair between eligible boys and girls or if female-headed and male-headed households are reached equally. However, the available data show the number of beneficiary households but do not indicate the size of the eligible OVC population. As a result, beneficiary numbers alone cannot establish whether CT-OVC is reaching an adequate share of the children and households it is intended to support. Comparing the number of beneficiaries with the estimated eligible population would provide a stronger measure of

programme effectiveness by showing the extent to which the programme's targeting translates into actual coverage.

4.3.3 The Cash Transfer for Persons with Severe Disabilities (PWSD-CT)

PWSD-CT provides cash assistance to households with a person with severe disabilities who requires 24-hour care, helping address the additional economic and social vulnerabilities associated with severe disability. Eligible households must not be enrolled in another cash transfer programme or have a member receiving a pension with the exception of OPCT beneficiary and the beneficiary must be a Kenyan citizen.

PWSD-CT expanded progressively but its beneficiary coverage remained slightly below its planned level. PWSD-CT allocations increased from KSh1.19 billion in FY2020/21 to KSh1.36 billion in FY2024/25 alongside an increase in beneficiary coverage from 33,948 to 64,102. The allocation increased further to KSh1.50 billion in FY2025/26, while beneficiary numbers declined slightly to 63,607(*Table 17*). PWSD-CT achieved about 98% of its FY2024/25 target of 65,281 beneficiaries. However, the SPCR Sector Working Group reports that some eligible beneficiaries could not be enrolled because of insufficient funds for programme expansion. This indicates that while increased allocations have supported wider coverage, funding constraints continue to limit further expansion towards the full target.

TABLE 18 Disbursement of Funds to Persons with Severe Disabilities, 2021/22 - 2025/26

Financial Year	GoK Budget Allocation KSh Million	Number of Caregivers[1]			Amount Disbursed KSh Million
		Female	Male	Total	
2021/22	1,128.0	8,664	28,359	37,023	864.5
2022/23	1,190.0	9,459	28,659	38,118	907.6
2023/24	1,078.9	14,824	30,120	44,944	1,078.9
2024/25	1,363.8	29,404	34,698	64,102	1,363.8
2025/26*	1,503.7	29,236	34,371	63,607	1,526.6

Data source: 2026 Economic Survey

The demographic makeup of PWSD-CT caregivers shifted significantly as beneficiary coverage grew, with an increasing proportion of female caregivers over time. In FY2021/22, women made up about 23% of caregivers, compared to 77% men, but this share rose to roughly 46% by FY2025/26. In actual numbers, female caregivers nearly tripled from 8,664 to 29,236, while male caregivers increased more gradually from 28,359 to 34,371. The most significant change occurred between FY2023/24 and FY2024/25, when the program expanded from 44,944 to 64,102 caregivers, with women's numbers nearly doubling from 14,824 to 29,404. This expansion corresponded with a significant reduction in gender disparity among registered caregivers. However, like CT-OVC, the data do not confirm whether women and men with severe disabilities are equally covered, as the sex-disaggregated figures relate to caregivers from beneficiary households, not necessarily the individuals with severe disabilities.

4.4 Economic Inclusion Programme (EIP) complementarity with the *Inua Jamii* Programme

The Economic Inclusion Programme (EIP) complements *Inua Jamii*'s provision of consumption support to vulnerable households by helping households with productive capacity strengthen their livelihoods and economic resilience.[57] EIP targets both NSNP beneficiaries and poor and vulnerable households outside the NSNP, addressing productive and livelihood constraints through consumption support, business and life-skills training, an asset transfer to support enterprise development, mentorship, savings promotion through Village Savings and Loans Associations (VSLAs) and linkages and referrals. While *Inua Jamii* provides consumption support based primarily on categorical vulnerability, EIP focuses on the economic constraints that limit poor households' ability to build sustainable livelihoods. Its targeting therefore extends beyond existing NSNP beneficiaries to include poor and vulnerable households outside the NSNP, while also allowing existing social protection beneficiaries with productive potential to participate. Participants are identified using the national social registry, community-based validation, on-demand registration and an EIP eligibility tool. The analysis will also focus on the protection and welfare of the vulnerable and highlight the comparisons against the economic empowerment interventions. Together, the interventions can address different dimensions of vulnerability within the same social protection system.

EIP support remained below planned coverage in FY2024/25. A total of 5,837 beneficiaries received the programme's direct household support against a target of 7,740. The support includes an asset transfer, comprising productive assets or a starter kit intended to help participants establish or strengthen income-generating activities alongside other poverty-graduation interventions. The deficit was attributed to some participants not opening bank accounts and payment service providers not submitting details for accounts that had been opened, elaborating how beneficiary and payment processes constrained delivery.[56]

Similarly, progress across EIP's complementary economic-inclusion mechanisms was mixed. Village Savings and Loans Associations (VSLAs), which are community-based savings groups that enable members to pool savings and access loans[58], were operationalised in 286 groups against a target of 550. In contrast, 4,211 business groups were formed and operationalised against a target of 2,500, indicating stronger progress in business-group formation than in savings mechanisms. The formation and training of the business groups is a requirement to access financing. The formation of business groups provides an entry point other government facilities and other funds such as the Women Enterprise Fund and Youth Enterprise Development Fund, where financing is done after the approval of the group's business plan. Implementation capacity also expanded through the training of 161 mentors and 50 officers in the Poverty Graduation Approach and the establishment of 15 county and subcounty multisectoral committees.

Economic empowerment interventions generally recorded lower coverage than protection, welfare and rehabilitation interventions. Within the OVC-related interventions, psychosocial support reached substantially more OVCs than income-generating support reached parents. In contrast, disability-related interventions similarly show stronger implementation of rehabilitation and assistive support than economic empowerment measures. These patterns suggest that implementation has been stronger for int-

erventions addressing immediate protection, welfare and rehabilitation needs than for measures intended to strengthen livelihoods and economic self-reliance. The implementation gaps are summarised in (*Table 18*). This suggests a need to examine whether funding, targeting and implementation capacity are sufficient to expand the economic empowerment components alongside protection and rehabilitation support.

TABLE 19 **Selected protection, rehabilitation and economic empowerment interventions**

Intervention	FY2022/23	FY2023/24	FY2024/25
OVC psychosocial support (OVCs reached)	112,182	115,182	112,000
OVC income-generating support (parents reached)	1,119	1,356	1,000
Vocational Rehabilitation Centres – PWDs trained	805	922	758
PWDs receiving assistive/supportive devices	3,559	4,222	8,952
PWD self-help groups receiving grants/entrepreneurship training	117	0	38

Data Source: SPCR SWG reports

A key gap is the potential fragmentation between cash assistance and economic-inclusion support, particularly where beneficiaries of *Inua Jamii* may also be eligible for EIP. Government has established mechanisms to strengthen integration, including the Enhanced Single Registry (ESR), the Consolidated Cash Transfer Programme Management Information System (CCTP-MIS) and complementary programme payroll processes, which provide a basis for identifying beneficiaries and linking them to EIP according to their circumstances and productive capacity. These systems are a step towards more coordinated delivery by enabling beneficiary information to be used for assessment, referral and linkage across programmes. However, limited funding in FY2024/25 constrained planned activities, including on-demand registration, sensitisation, training, outreach and implementation of the EIP communication strategy. Strengthening these functions would improve identification and referral of eligible households and help ensure that EIP operates as a complementary pathway from social assistance towards economic inclusion rather than as a separate intervention alongside existing cash transfers.

Remaining *Inua Jamii* coverage gaps reinforce the need to strengthen linkages between cash assistance and EIP. Better integration would help identify eligible households for appropriate economic-inclusion support while reducing duplication and ensuring that limited resources are directed to households according to their needs and productive capacity. Limited linkage between households receiving cash assistance and complementary livelihood support is a major challenge. In FY2024/25, CT-OVC reached 443,004 households against a target of 482,393, while PWSD-CT reached 65,007 against a target of 65,281. These coverage gaps highlight the continued need for cash assistance, but cash transfers alone may not address the longer-term livelihood constraints faced by poor and vulnerable households. EIP can complement cash support by linking eligible beneficiaries to livelihood interventions based on their circumstances and productive capacity. Existing systems, including the ESR, Community Development management information systems (CD-MIS), (NICHE-MIS) and CCTP-MIS, together with beneficiary outreach and complementary-programme payroll processes, provide a basis for identifying, referring and monitoring households across programmes. However, adequate financing for these administrative and

outreach functions is necessary to make these linkages operational and reduce the risk of households receiving separate forms of support without effective coordination.[59]

4.5 Conclusion and Policy Recommendations

The analysis finds that the NSNP has made substantial progress in expanding social assistance, but available resources and delivery capacity remain insufficient to meet planned coverage and medium-term expansion requirements fully. Budget execution has been strong, with absorption reaching 99% in FY2024/25 and beneficiary coverage increased substantially, particularly under OPCT and PWSD-CT. However, high utilization of available resources has not translated into full achievement of planned coverage across all interventions. CT-OVC remained below its FY2024/25 target. At the same time, the medium-term resource envelope is projected to decline even as the Programme is expected to sustain existing beneficiaries, expand registration and strengthen the systems supporting delivery. Without additional financial resources, the trade-offs are between maintaining the same number of beneficiaries currently covered or expanding the coverage but with fewer cash transfers.

Coverage gains under *Inua Jamii* have also been uneven among the number of vulnerable populations that require social protection. While some of the interventions have met or even exceeded programme plans, the targets do not cover the entire population that is eligible for social protection. Although the ESR contains data on poor and vulnerable populations across the country, limited public access to this data constrains independent assessment of programme coverage and the identification of who is still excluded and where coverage gaps still exist. It is therefore important to measure coverage of *Inua Jamii* against the estimated number of vulnerable population and not against programme targets alone.

The design of *Inua Jamii* is appropriately differentiated by vulnerability, but this differentiation has created fragmentation in reach. Individuals and households facing overlapping vulnerabilities may not automatically qualify for more than one intervention and may require separate identification and enrolment processes. This does not necessarily require merging the three transfers, but it strengthens the case for better coordination in beneficiary identification, targeting, referral and case management. Strengthening these linkages would help reduce potential gaps and duplication while retaining differentiated support for distinct vulnerable groups.

Delivery systems provide an important foundation for expanding coverage, but their effectiveness depends on adequate financing and continued strengthening. The Enhanced Single Registry, CCTP MIS and related programme systems support beneficiary identification, targeting, enrolment and payment. However, constraints affecting demand registration, outreach, grievance and case management and other programme support functions can limit the ability of these systems to translate resources into effective coverage. This suggests that programme financing should cover not only direct transfers but also the systems and activities required to identify beneficiaries, process payments and maintain access to services.

Economic inclusion remains important but yet to be completely developed and exploited complement to cash assistance. EIP has established mechanisms for providing productive assets, consumption support, skills and livelihood assistance, but its coverage and some implementation outputs remained bel-

ow target in FY2024/25. The existing social protection systems provide a basis for linking eligible *Inua Jamii* households to appropriate economic inclusion support. However, this linkage is not yet sufficiently systematic. Integration should therefore be based on household circumstances and productive capacity rather than treating economic inclusion as a universal pathway out of cash assistance.

The main opportunity is therefore to strengthen the link between consumption support and economic inclusion according to household circumstances and productive capacity. Existing systems, including the ESR and CCTP-MIS, could be used to identify and assess eligible households. At the same time, beneficiary outreach and programme payroll processes could support enrolment, referral and tracking across the two interventions. This can also be used to transition VLSAs and business groups to other larger funds provided by the Government. In practice, this would involve assessing the circumstances and productive capacity of eligible *Inua Jamii* beneficiaries, referring suitable households to appropriate EIP support such as business and life-skills training, productive asset transfers, mentorship and savings groups and monitoring participation. However, weaknesses in registration, outreach, sensitization and referral functions have constrained effective linkages while limited interoperability between programme systems has restricted the exchange and use of beneficiary information. The priority should therefore be to strengthen both programme coordination and systems interoperability, recognising that interoperability can improve referrals and continuity of support without requiring the programmes themselves to be fully integrated. Integration should therefore not be treated as a universal pathway out of cash assistance, since some households will continue to require cash assistance because of their circumstances and protection needs.

To address the identified financing, coverage, delivery and integration gaps, we recommend:

1. **Establish a more accurate measure of unmet social protection need.** Reconcile *Inua Jamii* programme targets, actual beneficiaries and eligible-population estimates using the ESR and other administrative data. This data should be disaggregated by county, subcounty and, where possible, gender, age, disability status, household type and programme. This will help identify the discrepancies in coverage and those who have been excluded, categorized by population and location. This should provide a clearer basis for identifying exclusion and determining where additional coverage is required.

2. **Ring-fence and protect NSNP allocations** by establishing minimum funding thresholds or predetermined budgetary percentages that safeguard the Programme against unplanned reductions. This will help ensure predictable and adequate financing to sustain existing beneficiary coverage, prevent reductions in the number of beneficiaries and programme participants and support the Programme's planned expansion. Further, ring-fenced allocations should account for both direct beneficiary payments and adequate operational costs, including programme administration, beneficiary registration, payment delivery, monitoring, and accountability. Operational funding should be commensurate with the scale and complexity of programme implementation, as insufficient provision may undermine the effective delivery, quality, and reach of interventions.

3. **Align the medium-term resource envelope with planned coverage and delivery requirements.** Develop a costed financing framework that distinguishes the resources required for direct cash transfers from those needed for beneficiary registration, verification, information systems, payments, grievance management, monitoring and other programme-support functions. This would allow financing gaps to be assessed against both beneficiary coverage commitments and the systems required to deliver them effectively.

4. **Strengthen beneficiary identification, enrolment and delivery systems.** Prioritize the rollout and adequate financing of on-demand registration, beneficiary verification, payment processes, grievance and case management, outreach and related programme-support functions. Strengthening these systems would improve the Programme's ability to identify eligible households, reduce exclusion and translate allocated resources into actual coverage.

5. **Institutionalize differentiated linkages between *Inua Jamii* and EIP.** Use the ESR, CCTP-MIS and complementary-programme processes to identify *Inua Jamii* households with appropriate productive capacity and systematically assess and refer them to EIP. The linkage should be based on household circumstances and productive capacity as opposed to beneficiary status alone. Households with continuing protection needs should remain eligible for cash assistance, rather than EIP being treated as a universal graduation pathway. Defined pathways should also link EIP business groups and VSLAs to larger government financing programmes, such as the Women Enterprise Fund and the Youth Enterprise Development Fund, and participation and results should be monitored through the ESR and CCTP-MIS

6. **Strengthen the delivery and financing of EIP as a complementary intervention.** Address the administrative and payment-related constraints that contributed to the FY2024/25 EIP coverage shortfall, including challenges in beneficiary registration, access to and use of eCitizen for payments and the adequacy of payment-service-provider reporting to support effective monitoring of coverage and payment outcomes.

7. **Establish an integrated performance and value-for-money framework.** Track *Inua Jamii* and complementary economic inclusion interventions using common indicators of coverage, benefit adequacy, equity, delivery performance, unit costs, referral and participation rates and livelihood outcomes where data permit. For the EIP, explicitly assess and demonstrate value for money by examining the relationship between public resources invested and results achieved, including the Programme's multiplier effects. This should include assessing how programme investments contribute to improved livelihoods, income generation, productive assets and beneficiaries' economic resilience. The framework should also evaluate whether integration between social protection and economic inclusion interventions improves efficiency, effectiveness, and outcomes relative to the resources invested. Findings should inform resource allocation, programme design, implementation, and decisions on scaling up interventions to maximise the impact of public expenditure.

8. **Strengthen the interoperability of the Enhanced Single Registry with other government databases.** Establish formal data-sharing and interoperability mechanisms between the ESR and key government information systems, including the Kenya Education Management Information System (KEMIS) and civil registration systems for births and deaths. These linkages would support more accurate beneficiary verification, reduce duplication and inclusion errors and facilitate timely updates to beneficiary records. For example, linking the ESR with KEMIS could help verify school enrolment and participation for programmes targeting school-going children, while integration with birth and death registration systems could support the verification of beneficiaries' ages, update household composition, and promptly identify deceased beneficiaries to prevent erroneous payments.

“

Economic inclusion remains an important but incompletely developed complement to cash assistance.

SOCIAL PROTECTION





CHAPTER 5

ECONOMIC EMPOWERMENT: RESOURCING AND EFFECTIVENESS OF THE WOMEN ENTERPRISE FUND (WEF)

Within Kenya's women's economic empowerment (WEE) financing architecture, the Women Enterprise Fund (WEF), Uwezo Fund, National Government Affirmative Action Fund (NGAAF) and other government interventions contribute to addressing different barriers to women's economic participation. Women Enterprise Fund (WEF), provides affordable credit to women to start or expand businesses; the Uwezo Fund supports enterprise development among women, youth, and persons with disabilities, and the National Government Affirmative Action Fund (NGAAF) finances affirmative action initiatives to improve access to socio-economic opportunities for marginalized and vulnerable groups. Collectively, these funds seek to expand access to finance, promote enterprise development, and address barriers to economic participation.

In this chapter, we assess financing for the Women Enterprise Fund (WEF). The focus on WEF is particularly timely given the convergence of two important developments: the emergence of the National Policy on Women's Economic Empowerment (NPWEE)[60] and its recent tabling as a Sessional Paper, and the approaching end of the WEF Strategic Plan 2023–2027.[61] The NPWEE represents a significant policy milestone in Kenya's efforts to advance Women's Economic Empowerment (WEE), providing an important opportunity to strengthen the alignment of policies and public resources around women's access to economic opportunities, productive resources and financial inclusion.

This provides an opportunity to assess whether WEF has been adequately prioritized and resourced to deliver its strategic commitments, while also considering how its future priorities, financing and institutional role can align with the broader national WEE framework.

KSh 401.7 million
Approved WEF allocation for FY 2026/27, about half the KSh 800 million in the Strategic Plan

92% to 100%
WEF budget absorption range

2023-2027
WEF Strategic Plan period now coming to an end

KEY FINDINGS AND RECOMMENDATIONS

i. **WEF has continued to spend its budget fully and has largely met its training targets.** Budget absorption ranged from 92% to 100% between FY 2022/23 and FY 2025/26. By FY 2025/26 the Fund had achieved about 90% of its cumulative financial literacy training target, and in FY 2025/26 it exceeded its target for linking women entrepreneurs to large enterprises (119%),

ii. WEF's resources and performance have not consistently kept pace with the Fund's strategic objectives under the WEF Strategic Plan 2023-2027. Actual budget allocations remained below projected financing requirements needed to support the Fund's intended objectives. Cumulative approved allocations of KSh 1.87 billion between FY 2022/23 and FY 2026/27 compare with Strategic Plan requirements of KSh 2.91 billion.

iii. While WEF achieved strong cumulative performance against training targets, beneficiary reach and access to finance were considerably more variable, with a marked decline in FY 2024/25 when the Fund financed 12,538 women against a target of 200,000 and disbursed KSh 457 million against KSh 2.7 billion after the digital lending model was suspended because of high default rates

iv. Gaps in the Fund's legal and institutional framework, limited public disclosure and a lack of disaggregated beneficiary data, together with significant audit findings on the FY 2023/24 financial statements, weaken accountability for the use of public funds

v. A predominantly output-focused performance monitoring system has constrained assessment of whether resources are being translated into equitable reach, efficient delivery and sustained enterprise-level outcomes.

vi. These findings highlight the importance of strengthening the alignment between WEF's financing, strategic priorities, institutional framework and performance monitoring systems, particularly as the current Strategic Plan comes to an end, to support a clearer assessment of the Fund's effectiveness, efficiency and value for money and inform the development of its next strategic direction.

5.1 WEF budget allocations, expenditure, resource adequacy and performance trends

WEF budget allocations, expenditure and performance trends between FY 2022/23 and FY 2026/27 have consistently been below financing requirements outlined in the WEF Strategic Plan 2023–2027, with the gap widening significantly in FY 2026/27. Between FY 2022/23 and FY 2026/27, cumulative approved allocations amounted to KSh 1.9 billion against projected resource requirements of KSh 2.9 billion, resulting in a funding gap of approximately KSh 1.0 billion. The gap widened considerably, reaching KSh 398.3 million in FY 2026/27, raising concerns about the adequacy of resources for the Fund's strategic goals and choices (Table 20). This divergence indicates that the resources allocated may be insufficient to fully support implementation of the WEF Strategic Plan 2023–2027, potentially constraining the scale, reach, and sustainability of its interventions.

The approved KSh 401.7 million for FY 2026/27, although about 14% higher than in FY 2025/26, is about half of the KSh 800 million projected in the Strategic Plan and is unlikely to meet the outstanding Strategic Plan commitments or to sustain and scale WEF's mandate. The Plan sets ambitious targets: growing the Fund from KSh 4.5 billion to KSh 13.5 billion, extending loans to 5 million women entrepreneurs, building the capacity of 515,000 women entrepreneurs, improving market access for 105,500 women, and strengthening the institutional systems required to deliver these outcomes. Achieving both the scale and depth of these interventions requires sustained and predictable financing. Expanding credit to 5 million women requires resources to scale up lending and respond to the diverse financing needs of women entrepreneurs, while the capacity building and market access targets req-

uire funding for complementary interventions that enable women to translate access to finance into viable and sustainable enterprises.

TABLE 20 **Projected and Approved Allocations to the Women Enterprise Fund, FY 2022/23–2026/27, against the WEF Strategic Plan 2023–2027**

Financial Year	Projected Allocations (WEF Strategic Plan) (KSh Mn)	Approved Allocations (SWG reports)	Variation
2022-23	479.4	332.2	147.2
2023-24	479.4	432.2	47.2
2024/25	499.4	351.6	147.8
2025/26	650.0	352.8	297.2
2026/27	800.0	401.7	398.3
Total	2,908.2	1,870.5	1,037.7

Source: WEF Strategic Plan (2023-2027) and the SPCR Sector Working Group Report 2027/28

Despite posting strong budget absorption, ranging from 92% to 100%, WEF has not consistently achieved commensurate programme outputs including; number of women entrepreneurs trained on financial literacy, number of women entrepreneurs funded and, amount disbursed to women Groups. This raises concerns about the efficiency of resource utilization and the extent to which expenditure translated into planned outputs. FY 2024/25 brings the Fund's efficiency challenge into sharp focus. For example, according to the SGW Report, WEF absorbed 100% of its approved budget yet it funded only 12,538 women against a target of 200,000 and disbursed KSh 457 million against a KSh 2.7 billion target.

Similarly, the value of financing reaching women groups also remained well below the Fund's annual targets. By FY 2025/26, financial literacy training had achieved 89.8 per cent of its cumulative target, whereas the number of women entrepreneurs funded and the amount disbursed had achieved only 43.2 per cent and 39.0 per cent of their respective cumulative targets (Table 22). SPCR Sector Working Group Reports attribute the shortfall to delayed release of funds, without assessing training completion, quality, or application of skills. Moreover, the published data does not indicate whether beneficiaries are unique across years; the cumulative total should therefore not be reported as the number of unique women reached until the data have been deduplicated.

These outcomes are of particular concern given that WEF reported full absorption of its recurrent and development budget in FY 2024/25. Budget absorption is not, however, a reliable measure of lending performance, as the published data do not distinguish operating expenditure from loanable funds. A public disclosure of operating costs, loanable funds and actual lending is therefore required to establish how the fully absorbed budget translated into financing for women entrepreneurs. Any additional allocation in FY 2027/28 should be linked to realistic quarterly targets for the number of women funded, the amount disbursed and portfolio quality, with corrective measures applied where performance falls below plan.

TABLE 21 WEF Approved Budget, Expenditure and Variance, FY 2022/23–2025/26 (KSh Million)

FY	Approved Budget	Expenditure	Variation	Absorption Rate
2022/23	332	313	19	94%
2023/24	432	399	33	92%
2024/25	352	352	0	100%
2025/26	353	353	0	100%

Data source: SWG Reports

TABLE 22 Table Performance against selected WEF targets

KPIs	2022/23			2023/24			2024/25			2025/26		
	Target	Achieved	% Level of Achievement	Target	Achieved	% Level of Achievement	Target	Achieved	% Level of Achievement	Target	Achieved	% Level of Achievement
No. of women entrepreneurs trained on financial literacy ('000)	120.0	131.3	109%	120.0	120.6	100%	130.0	109.7	84%	135.0	92.1	68%
No. of women entrepreneurs funded ('000)	150.0	59.6	40%	112.5	189.6	168%	200.0	12.5	6%	210.0	29.0	14%
Amount disbursed to women Groups (In Ksh Billions)	2.5	1.72	69%	2.5	0.941	38%	2.7	0.457	17%	2.80	0.98	35%
No. of women entrepreneurs linked to large enterprises	-	-	-	-	-	-	1,000	379	38%	1,300	1,544	119%

Source: Social Protection, Culture and Recreation (SCPR sector Report)

Changes in the delivery model appear to have been an important source of volatility in disbursements. Both the WEF board and the Economic Survey attribute below-target disbursement to piloting of the digital lending model and rationalization to align with the new digital lending model. In FY 2023/24, the target (Table 21) was exceeded following high digital applications. However, in FY 2024/25, the digital lending model was suspended because of low repayment and high default rates, contributing to the sharp fall in the number of women funded. The 12,538 figure relates to FY2024/25 only and is consistent with Table 21 , whereas 290,682 is the sum of the annual reported figures across the four years**.**

The Fund's lending capacity depends as much on loan recovery as on budget allocations. Because WEF is a revolving fund, its lending is financed largely from repayments and the existing portfolio. Between FY 2022/23 and FY 2025/26 the Fund disbursed about KSh 4.1 billion in loans, against about KSh 1.47 billion in approved appropriations. This means at least KSh 2.6 billion, about two-thirds, came from repayments and the existing portfolio, even before administrative costs are counted. Weak repayment under the digital lending pilot therefore directly reduced the funds available for new lending. The shift to digital lending in FY 2023/24 raised the number of women funded but cut the average loan from about KSh 29,000 to about KSh 5,000. The binding constraints are therefore portfolio quality and the design of the lending model, not only the size of the appropriation. This is why reconciled data on repayments, defaults and loanable funds should precede decisions on additional allocations.

Overall, our analysis highlights a disconnect between the Women Enterprise Fund's strategic resource requirements, approved budget allocations, and performance against planned targets. The funding shortfall

relative to the Strategic Plan 2023–2027 raises concerns about the adequacy of resources available to deliver the Fund's intended interventions. While relatively high absorption rates indicate that the Fund generally utilized its approved budgets, persistent shortfalls against selected key performance indicators suggest that budget execution did not consistently translate into the expected results. This underscores the importance of assessing the Fund's performance beyond expenditure levels to consider whether allocations are adequate, resources are directed towards strategic priorities, and spending delivers the intended benefits for women entrepreneurs.

The available data shows how many women were trained or funded and how much was disbursed, but it does not track whether financed enterprises increased sales, profitability, employment, productivity or survival, or whether women subsequently experienced higher incomes or greater participation in economic activity. Therefore, it is important for the government to adopt a performance framework that links each output indicator to defined short- and medium-term outcomes, supported by baseline data, targets, follow-up periods, and disaggregation by county, age, and socioeconomic group. This will also enable the government to better assess the fund's contribution to Women's Economic Empowerment.

As the WEF Strategic Plan 2023–2027 approaches the end of its implementation period, both the WEF Board and Parliament should ensure that budgetary allocations are aligned with the Fund's strategic priorities and financing requirements. The WEF Board should strengthen strategic planning, and performance monitoring to ensure that resource allocation decisions support the Fund's objectives and deliver measurable benefits to women entrepreneurs. Parliament, in turn, should exercise effective budgetary and oversight functions by scrutinizing budget proposals and expenditure reports, assessing the alignment between resource allocation and strategic objectives, and holding the Fund accountable for the efficient use of public resources and the achievement of intended outcomes.

5.2 WEF Legal Framework: Implications for Transparency and Accountability

The legal history of WEF reflects a series of regulatory changes that have created uncertainty regarding the framework governing the Fund's operations. In 2007, Legal Notice No. 147 of 2007[62] established the Government Financial Management (Women Enterprise Fund) Regulations, which provided the legal basis for the Fund's operations and financing arrangements, including funding through parliamentary appropriations, grants, donations and income generated from Fund activities. In 2021, Legal Notice No. 57 of 2021[63] revoked the 2007 Regulations and provided for the winding up of WEF and the transfer of its outstanding loans and related arrangements to the Biashara Kenya Fund.

This transition was linked to Legal Notice No. 55 of 2021, which effected the Public Finance Management (Biashara Kenya Fund) Regulations, 2021 and provided for the consolidation of enterprise financing arrangements, including those previously administered through WEF, within the broader Biashara Kenya Fund framework. Under these arrangements, the WEFs' financing, governance and reporting obligations were no longer anchored in its own regulations which set the stage for the uncertainty over funding and accountability that followed. In 2022, however, Legal Notice No. 148 of 2022[64] revoked Legal Notice No. 57 of 2021, thereby halting the winding–up process. Legal Notice No. 150 of 2022 subsequently revoked the Biashara Kenya Fund Regulations.

While these actions effectively reversed the proposed restructuring, they did not establish a new governance framework for WEF nor expressly restore the financing and governance provisions contained in the 2007 Regulations. Consequently, although WEF continues to operate and receive public resources; uncertainty remains regarding the specific legal framework governing its financing arrangements, reporting obligations, and accountability mechanisms.

WEF's current funding appears to derive primarily from annual parliamentary appropriations rather than from an explicit subsidiary legislative framework defining its financing arrangements. While this has allowed the Fund to continue operating, it has created uncertainty regarding the legal basis governing its funding, accountability obligations, and long-term financial sustainability. Legal certainty is particularly important in public resource allocation because it provides assurance that public funds are managed within clearly defined governance, reporting, and oversight arrangements. Where such arrangements are unclear, decision-makers may be reluctant to expand funding commitments due to concerns regarding accountability, compliance, and financial stewardship.

This uncertainty has implications beyond legal interpretation. A comprehensive legal framework ordinarily provides clarity regarding institutional responsibilities, financial management standards, reporting requirements, and oversight arrangements. In its absence, gaps in accountability can emerge, and stakeholders may face difficulties determining the standards against which the Fund should be assessed. The uncertainty also creates challenges for parliamentary oversight. Parliament's ability to evaluate institutional performance, approve funding requests, and hold public entities accountable is strengthened where governance structures, financing arrangements, and reporting obligations are clearly defined in law. The concern is therefore not merely whether WEF continues to exist, but whether its governance arrangements provide adequate safeguards for transparency, accountability, and sustainable financing.

At the same time, the WEF Strategic Plan 2023-2027 commits the Fund to quarterly reporting as a mechanism for monitoring implementation, tracking performance, and strengthening accountability. However, these reports are not publicly available. The absence of publicly accessible quarterly reports limits the ability of Parliament, beneficiaries, civil society organizations and the public to assess programme implementation, expenditure performance, loan disbursement trends, loan recovery rates and progress towards strategic objectives. Public availability of such reports is particularly important because it enables continuous scrutiny of programme implementation and financial performance between annual audit cycles.

While WEF strategic plan commits to the publication of quarterly and annual reports these reports are not publicly available to assess the extent to which budget allocations and loan disbursements translate into measurable outcomes for women entrepreneurs. This limits opportunities to evaluate programme effectiveness, monitor progress towards strategic targets and assess value for money in the use of public resources.

Moreover, the Auditor-General issued an adverse opinion on WEF's FY 2023/24 financial statements, indicating that the statements could not be relied upon as a fair presentation of the Fund's financial position. The audit identified significant accountability concerns, including funds processed through inadequately accounted-for mobile-paybill transactions, funds withdrawn from the same paybill without adequate documentation regarding its destination and gratuity payments unsupported by the required documentation. The audit further identified matters reported by the Auditor-General with values totalling

approximately KSh 1.4 billion, including unsupported, unreconciled or otherwise inadequately documented items during the financial year. Effective accountability systems rely on regular disclosure, robust internal controls, and transparent financial management practices.

TABLE 23 **WEF's Legal History (2007-2022)**

Year	Legal Notice	Instrument	Effect
2007	LN 147/2007	Government Financial Management (Women Enterprise Fund) Regulations, 2007	Established WEF; categorized it as a National Fund under the PFM Act 2012
2021	LN 57/2021	PFM Act (Women Enterprise Fund) (Revocation) Regulations 2021	Revoked LN 147/2007 in full
2021	LN 55/2021	PFM (Biashara Kenya Fund) Regulations 2021	Briefly folded WEF into a merged Biashara Kenya Fund (parallel track)
2022	LN 148/2022	PFM Act (Women Enterprise Fund) (Revocation) Regulations 2022 gazette 23 Sept 2022, Kenya Gazette Vol CXXIV No 193, Legislative Supplement p.1023	Revoked LN 57/2021
2022	LN 150/2022	Revocation of the Biashara Kenya Fund Regulations gazette in the same Legislative Supplement as LN 148	Revoked LN 55/2021 (parallel track)

Source: WEF Strategic Plan

These findings point to weaknesses in financial controls and accountability mechanisms that require corrective action. While audit findings do not necessarily imply loss of public funds, they raise legitimate concerns regarding financial stewardship and institutional oversight. Persistent audit qualifications and unresolved financial management concerns may affect public trust and confidence in the use of public resources. This is where the legal question and the financing question meet. A fund with no gazetted allocation criteria has no statutory claim on the Exchequer beyond whatever it is voted in a given year; its growth depends entirely on annual budget negotiation rather than an entitlement it can point to. Regularizing WEF's legal basis is therefore a precondition for the Fund's financing trajectory to become predictable.

TABLE 24 **Auditor General findings, WEF FY 2023/24**

Finding	Amount (KSh)
Unauthorized mobile-paybill transactions, inadequately accounted for	212 million
Further withdrawal from the same paybill (Aug 2023), destination undocumented	20 million
Staff gratuities paid without supporting documentation	34 million
Matters reported by the Auditor-General for the year	~1.4 billion

Source: OAG Reports

5.3 Conclusion and recommendations

Our analysis finds that:

1. Actual budget allocations remained below the projected financing requirements under the WEF Strategic Plan 2023–2027, resulting in a persistent and widening gap between planned resource needs and approved budget provisions.

2. High absorption did not consistently produce the planned outputs, creating an efficiency gap between resources spent and results delivered.

3. WEF achieved substantial training outputs and broadly strong cumulative performance against training targets, but beneficiary reach and access to finance were more variable, with a marked decline in FY 2024/25.

4. Gaps in the Fund's legal and institutional framework, coupled with limited disclosure, may constrain transparency and Parliament's ability to assess the link between budget allocations, implementation performance and results.

Based on these findings, we recommend that:

1) Parliament should consider additional financing, conditional on reforms set out below to enable the Women Enterprise Fund (WEF) to achieve the strategic targets and objectives set out in its Strategic Plan, which is approaching the end of its implementation period. The additional financing should be guided by an assessment of the resources required to address outstanding implementation gaps, complete priority interventions, and sustain progress towards the Fund's women's economic empowerment objectives. Additional financing should therefore be conditional on reconciled loanable-fund data, quarterly targets, portfolio quality, recovery, beneficiary deduplication, and outcome reporting; weak disclosure is a reason for conditional, accountable financing rather than an automatic reduction in financing.

2) The WEF Board should prepare and present a reconciled financing schedule showing the opening loan portfolio, expected repayments, administrative costs, resources available for lending, planned disbursements, and projected closing portfolio. Parliament should, in turn, exercise its oversight role by scrutinizing this information to establish whether proposed allocations will expand women's access to finance or primarily sustain the institution's operations. This would strengthen accountability for the use of public resources and enable Parliament to assess whether funding commitments are adequate to expand WEF's reach and advance women's economic empowerment.

3) The WEF Board should strengthen monitoring, evaluation and learning systems within the Women Enterprise Fund (WEF) to ensure that financing reaches intended beneficiaries and contributes to sustainable women's economic empowerment. The Fund should establish clear performance indicators and regularly collect and analyze data on beneficiary access, disbursements, loan recovery, enterprise growth, and sustainability. Parliamentarians should use this evidence to assess the effectiveness of WEF programmes, identify implementation gaps, and follow up on corrective actions. Strengthened reporting and feedback mechanisms should also support learning, improve programme delivery, and inform future budget allocations and policy decisions.

4) **Regularise WEF's legal framework.** The National Treasury and the State Department for Gender Affairs and Affirmative Action (SDGAAA) should gazette regulations under the PFM Act that set out WEF's objects, sources of funds, governance, allocation criteria, reporting and audit obligations, and should publish the quarterly and annual reports committed to in the WEF Strategic Plan

5) **Resolve audit findings before the FY 2027/28 allocation is approved.** The WEF Board should report publicly on the actions taken to resolve the Auditor-General's FY 2023/24 findings, including the KSh 212 million in mobile-paybill transactions and the KSh 34 million in unsupported gratuity payments, and Parliament should consider this report when approving the FY 2027/28 allocation.



CHAPTER 6

CLIMATE FINANCE CHAPTER: FROM CLIMATE RISK RECOGNITION TO FINANCED PRIORITIES

This chapter examines whether Kenya translates recognised drought, flood and water-security risks into financed priorities through the Environment Protection, Water and Natural Resources (EPWNR) sector. It assesses how EPWNR justifies its financing proposals and how National Treasury demonstrates the application of its allocation criteria.

The analysis mapped risks identified in policy and traced them to interventions proposed and implemented by the sector in response to these risk, examined their recognition in Budget Policy Statements (BPSs) and Budget Review and Outlook Papers (BROPs), and compared EPWNR's ceilings with all other sectors before assessing programme financing, expenditure composition, execution and selected delivery results. FY2024/25 provides the baseline: ceilings and approved allocations extend through FY2026/27, expenditure and outputs cover FY2024/25–FY2025/26, and forthcoming priorities are examined through FY2027/28 proposals. The National Treasury Circular No. 10/2026[65] provides the benchmark for the FY2027/28 budget process through its requirements for climate considerations, documented prioritisation, performance reviews, measurable results and justified costing. We also assessed historical budget decisions against their corresponding criteria.

16.6%
EPWNR allocation below the 2024/2025 baseline by FY2026/2027

5.1% to 3.7%
Fall in EPWNR share of the resource envelope

KSh 134.39 billion
FY2027/28 allocation against KSh 270.97 billion requested

15%
Weight of climate considerations in programme ranking

KEY FINDINGS AND RECOMMENDATIONS

EPWNR's relative budget share declined despite recognised climate exposure. Its BPS ceiling fell from KSh 128.0 billion in FY2024/25 to KSh 103.8 billion in FY2025/26, recovering to KSh 106.7 billion in FY2026/27. However, the sector's allocation by FY2026/2027 remained 16.6% below the 2024/2025 baseline while aggregate resources envelope increased by 13.8%, reducing its share from 5.1% to 3.7%. Approved allocations and spending nonetheless recovered: the sector's approved budget rose from KSh 85.4 billion in FY 2024/25 to KSh 115.4 billion in FY 2025/26 and KSh 121.8 billion in FY 2026/27 Increases in other sector's allocations can be treated as replacing reduced EPWNR financing only where equivalent interventions and allocations are identifiable within the receiving institution's mandate. Although other sectors may finance climate-relevant interventions, the analysis has not established whether these increases were directed towards equivalent adaptation priorities. Demonstrating replacement financing would require tracing specific interventions and their allocations across the relevant sectors.

Climate considerations appear in EPWNR's rankings, but their connection to financing choices is not clearly explained. Climate considerations carry 15% of programme

ranking scores, but the sector's budget submissions do not demonstrate whether or how these rankings were used to determine allocations. The sector has proposed KSh 134.39 billion for FY2027/28 , which covers approximately half of the submitted requirements of KSh 270.97 billion. At the programme level, some programmes received increased allocation while others received budget cuts. Irrigation Development and Rehabilitation received a slight reduction of –1.1% despite an overall ranking score of 100%, and its proposed allocation covers only 27.9% of its requirement. These gaps require justified costs and identification of outputs financed or deferred, including how ranking scores influenced resource allocation. Delivery of these programmes will also depend on availability of funding, especially because external resources account for 57.5% of proposed development financing.

A review of the sector's past budget execution demonstrates capacity to absorb and utilise increased budget allocations Approved allocations increased by 35.1% while actual expenditure by 32.2% between FY2024/25 and FY2025/26, with absorption above 90% in both years. Selected water-storage and flood-control interventions met or exceeded targets, while other shortfalls reflected resettlement and litigation constraints.

Overall, we find that allocation criteria exist, but their influence on financing decisions is insufficiently demonstrated. EPWNR should present a risk-to-financing schedule linking prioritised interventions to justified annual costs, achievable outputs and proposed allocations, identifying unfunded outputs and their consequences. The National Treasury should, on its part, explain how it weighs this evidence alongside fiscal constraints, justify material ceiling revisions and account for how resulting financing gaps will be managed. Both institutions should address disbursement interruptions, counterpart obligations and implementation constraints. Parliament should require these explanations when considering final BPS 2027, scrutinising outputs forgone and risks left insufficiently addressed.

6.1 National policy identifies adaptation responsibilities across government

Kenya's updated first Nationally Determined Contributions (NDC)[66] establish priorities across water, agriculture, infrastructure, ecosystems, health and settlements as well as financing needs. The NDC estimates implementation requirements exceeding USD 62 billion for 2020–2030, with 71% directed towards adaptation and resilience. The National Adaptation Plan (NAP) identifies actions costing an estimated USD 38.26 billion through 2030.[67] Our review of government policies, including NDC, NAP, BPS, BROP and EPWNR Sector Reports, identified the climate risks the Government has committed to address and the national functions relevant to responding to them (Table 25). It provides the institutional basis for assessing financing: the appropriate comparison depends on which institution is responsible for delivering the intervention addressing each risk.

TABLE 25 Policy-identified climate vulnerabilities and relevant national functions

Risk or vulnerability	Identified response	Relevant functions	Policy basis
Ecosystem degradation	Catchment restoration, resilience and climate information	Environment, forestry, wildlife, meteorology	NDC P7–P14; NAP Environment
Water scarcity and unreliable supply	Water management, storage, efficient irrigation and resilient services	Water and irrigation	NDC P21–P25; NAP Water and Sanitation
Climate-sensitive food production	Resilient crop, livestock and fisheries systems	Agriculture, livestock, fisheries	NDC P3–P6; corresponding NAP actions
Infrastructure exposure	Climate-proofing and vulnerability assessment	Transport, energy, infrastructure	NDC P15–P20; NAP Infrastructure
Climate-sensitive illness	Surveillance, early warning and prevention	Health, meteorology	NDC P26–P29; NAP Health
Vulnerable settlements	Resilient standards, planning and nature-based flood management	Housing, urban development	NDC P30–P32; corresponding NAP actions
Persistent drought vulnerability	Early warning, preparedness and coordinated resilience	NDMA and participating institutions	NDC P1; NAP Drought Risk Management

EPWNR sector carries substantial responsibilities for irrigation, water management, storage, catchment protection and flood control. These functions address drought, floods and water insecurity through improved water availability, management of catchments and protection against damaging flows. Agriculture, infrastructure and other institutions have complementary responsibilities, including resilient production systems and protection of transport assets.

The chapter narrows to these three risks because fiscal documents identify their economic and fiscal consequences, while sector records identify corresponding interventions, allocations and delivery targets. This allows the analysis to move from broad policy commitments to a concrete financing test: whether identified climate risk responses receive resources consistent with justified costs and expected delivery.

6.2 Climate risks create an explicit case for preventive financing

Climate risks feature in government's explanation of past economic performance and its assessment of future fiscal exposure. Drought affects agricultural production and food supply, while floods damage infrastructure and generate emergency and reconstruction expenditure. Successive BPSs and BROPs connect these shocks to economic output, revenue performance, expenditure pressures and debt sustainability (Table 26).[68,69]

TABLE 26 Climate risk recognition in fiscal documents and financing implications

Document	Evidence	Relevance to financing
Document	Evidence	Relevance to financing
BPS 2024	Hot scenario projects GDP approximately 4.2 %age points below baseline by century-end; debt reaches 76.0% of GDP in 2099 against 54.1% in baseline	Connects exposure to fiscal sustainability
BROP 2024	Identifies drought and 2024 floods as shocks; links 2023 agricultural recovery partly to favourable weather	Demonstrates weather sensitivity
BPS 2025	Reports 2023 floods affecting 38 counties and 757,173 people; models 2% physical-capital destruction reducing GDP by approximately 0.8% without reconstruction	Supports protection and resilience
BROP 2025	Identifies drought and floods as risks to agriculture and prices; infrastructure damage may increase response and reconstruction spending	Establishes expenditure pressures
BPS 2026	Reports 64 flood events in 1964–2025, 2,647 deaths and recorded damage of USD 710.5 million; simulates 10% lower crop yields, 20% lower livestock output in 2026 and flood damage equivalent to 2% of public capital stock in 2027; finds revenue losses and debt pressures	Supports testing finance against quantified exposure
BROP 2026	Warns of agricultural and food-supply disruption and infrastructure damage increasing expenditure	Carries exposure into FY2027/28 outlook

The Government's recognition of these risks provides a basis for examining whether it sustains the interventions intended to address them. Quantified economic losses demonstrate why climate exposure matters for public finances, but they do not establish the amount each intervention should receive. That financing case depends on justified intervention costs, achievable delivery targets and implementation capacity. Our analysis therefore examined whether allocation decisions support identified climate risk responses and whether reductions or deferrals explain the outputs forgone and the risks left insufficiently addressed.

BPS 2026's simulation of flood damage to roads and bridges also shows why this assessment must extend beyond EPWNR. Infrastructure investment may address part of the exposure through resilient construction, maintenance and protection of transport assets. Such financing should be considered alongside EPWNR's responsibilities for water management and flood protection. An increase in another sector's overall allocation establishes complementary or replacement financing only where the relevant intervention and its allocation can be identified.

6.3 EPWNR loses relative priority across the BPS years

EPWNR's final BPS ceiling fell from KSh 128.0 billion in FY2024/25 to KSh 103.8 billion in FY2025/26, before recovering to KSh 106.7 billion in FY2026/27. It remained 16.6% below the FY2024/2025 baseline, while aggregate resource increased by 13.8%. The sector's budget share consequently declined from approximately 5.1% to 3.7% (Table 27).[70] EPWNR was the only sector whose

FY2026/27 ceiling remained below its FY2024/25 level. Its 2.8% recovery in FY2026/27 also fell below aggregate growth of 11.5%. The decline in relative priority occurred alongside continued recognition of drought, floods and water insecurity in fiscal documents. It therefore raises a substantive question for the National Treasury: how did its assessment of those risks influence the allocation available to the sector responsible for several of the identified responses?

TABLE 27 **Final BPS sector ceilings FY2024/25 to FY2026/27**[xiii]

Sector, KSh Billion	FY2024/25	FY2025/26	FY2026/27	Change across period
ARUD	87.8	77.7	97.0	+10.5%
Energy, Infrastructure and ICT	505.7	504.6	594.6	+17.6%
GECA	56.7	59.1	62.1	+9.6%
Health	147.6	204.5	167.4	+13.4%
Education	666.5	723.9	767.3	+15.1%
GJLO	250.9	265.9	330.0	+31.5%
PAIR	351.7	286.8	355.0	+0.9%
National Security	244.4	257.0	300.0	+22.7%
Social Protection, Culture and Recreation	72.2	78.8	87.2	+20.8%
EPWNR	128.0	103.8	106.7	−16.6%
Total	**2,511.5**	**2,562.0**	**2,857.4**	**+13.8%**
EPWNR share (%)	5.1	4.1	3.7	−1.4

Data source: Various BPSs

The comparison demonstrates a change in priority; the assessment of the National Treasury's budget allocation criteria requires an explanation of that change. The fiscal documents recognise climate exposure and state allocation considerations, but the evidence presented here shows that recognition of climate risks do not influence allocation illustrated EPWNR's relative ceiling. The accountability gap concerns the documented connection between recognised risks, assessed sector needs and the resulting allocation.



xiii. *Note: KSh billion unless stated. ARUD: Agriculture, Rural and Urban Development; GECA: General Economic and Commercial Affairs; GJLO: Governance, Justice, Law and Order; PAIR: Public Administration and International Relations.*

6.4 Ceiling transitions show reductions in two years and a modest increase in FY2026/27

EPWNR's provisional ceiling was reduced by 9.3% for FY2024/25 and 21.8% for FY2025/26 but increased by 1.9% for FY2026/27. The sector submissions also reveal different allocation paths: the FY2024/25 plan closely matched the final BPS ceiling, while the FY2025/26 plan remained close to the provisional envelope before a substantial reduction in the BPS. For FY2026/27, the sector-plan allocation and final ceiling were both above the provisional envelope (Table 28).[71,72]

TABLE 28 EPWNR historical transition from provisional to final BPS ceilings[xiv]

Stage	FY2024/25	FY2025/26	FY2026/27
BROP provisional ceiling	141.10	132.80	104.74
Sector report allocation	127.97	132.77	106.59
Final BPS ceiling	128.00	103.80	106.71
Provisional-to-final change	−9.3%	−21.8%	+1.9%

Data source: Various BROPs and BPSs

The comparison shows different financing adjustments between sector planning and final BPS ceilings. In FY2025/26, EPWNR proposed KSh 132.77 billion, but the final ceiling was KSh 103.80 billion, a reduction of approximately 21.8%. By contrast, the FY2026/27 final ceiling was only 0.1% above the sector-plan allocation. These differences sharpen the accountability question: how did the National Treasury's assessment of recognised drought, flood and water-security risks influence its treatment of EPWNR's proposals? The financial movements identify the scale and stage of adjustments, but their justification should explain which prioritised interventions and outputs were protected, expanded, reduced or deferred. The modest increase in FY2026/27 also needs to be considered alongside the sector's declining relative priority established in Table 27.

Historical decisions should be assessed against the allocation criteria stated in the corresponding budget documents. The National Treasury's Circular No. 10/2026 governs the FY2027/28 and the medium-term budget and provides the immediate benchmark for requiring a clearer connection between EPWNR's financing case, Treasury's ceiling decisions and their consequences for delivery.

xiv. *Note: KSh billion unless stated. Sector-plan allocations are proposals presented in the corresponding sector submissions, rather than subsequently approved budgets. Changes use unrounded source figures.*

6.5 FY2027/28 proposals provide a direct test of Treasury's allocation framework

BROP 2026 provides EPWNR with a provisional ceiling of KSh 132.28 billion, 9.1% above the FY2026/27 printed estimates. Aggregate sector ceilings increased by 11.9%, leaving EPWNR's share slightly lower, at 4.04% compared with 4.15%.[73] The sector receives an absolute increase without gaining relative priority within the expanding envelope. EPWNR proposes KSh 134.39 billion for FY2027/28, exceeding the provisional ceiling by KSh 2.11 billion, or 1.6%. However, most of the additional resources arise from recurrent vote rather than development financing (Table 29).[74]

TABLE 29 **EPWNR FY2027/28 provisional ceiling and sector proposal**

Component KSh billion	BROP ceiling	Sector proposal	Difference
Recurrent	42.57	44.34	1.77
Development	89.71	90.05	0.34
Total	132.28	134.39	2.11

Data source: Various BROPs and EPNR Sector Working Group Reports

The proposal covers 49.6% of the sector's submitted resource requirements and closely matches the provisional ceiling. This indicates that the proposal fits the available budget envelope but does not establish whether it adequately finances the interventions needed to address identified climate risks. That assessment requires justified costs and a clear account of the outputs financed or left unfunded. Section 7 examines how EPWNR prioritises and finances particular responses within that proposal.

6.6 Financing composition affects continuity and delivery

Development allocation accounts for 67.0% of EPWNR's FY2027/28 proposal. External loans and grants provide 57.5% of development resources, making the availability and timing of external financing important to delivery (Table 30).[73] This composition matters because investment commitments translate into outputs only when financing and implementation schedules align. Water storage, irrigation and flood-protection works may depend on external disbursements, domestic counterpart contributions and resources for associated obligations. An allocation can therefore appear in the budget while delivery remains constrained by interruptions in one part of the financing arrangement.

Recurrent allocation also supports climate-risk responses through operations, maintenance, technical services and implementation. The financing assessment should consequently examine whether both investment and supporting services are provided for. EPWNR should identify the funding commitments and conditions underpinning its targets, while Treasury should address financing interruptions that prevent allocated resources from translating into delivery

TABLE 30 Composition of EPWNR FY2027/28 proposed financing

Component	KSh bn	Share of relevant total[xv] xv. *Note: Financing-source shares use development provision.*
Component	**KSh bn**	**Share of relevant total[xv]**
Overall allocation	134.4	100.0%
Recurrent	44.3	33.0%
Development	90.1	67.0%
Development financed by Government of Kenya	37.5	41.6%
External loans	47.7	53.0%
External grants	4.1	4.5%
Local appropriations-in-aid	0.8	0.9%

Data source: Various EPNR Sector Working Group Reports

For the National Treasury, the transition to the draft and final 2027 BPS is a direct test of its own framework. **Additional financing for EPWNR should be considered where justified costs demonstrate that existing ceilings are insufficient to deliver prioritised climate responses, rather than approving the sector's additional request in full.** This is particularly important because the additional request is predominantly for recurrent expenditure, whose contribution to climate adaptation outcomes must be demonstrated. Recurrent costs necessary to operate and maintain climate-resilient infrastructure or sustain adaptation services should not be discounted, but they should be distinguished from expenditure without a clear connection to these priorities. The Treasury's assessment should explain how recognised climate risks, programme rankings, justified costs, delivery targets and performance informed decisions to retain, increase or reduce allocations. Where financing remains insufficient, the BPS should identify the outputs that will be delayed or left undelivered, the associated climate risks and whether equivalent interventions are financed elsewhere in government. This would make climate considerations consequential in resource allocation and provide Parliament with a concrete basis for scrutiny.

6.7 Climate priorities receive uneven financing in budget proposals

EPWNR's FY2027/28 submission explicitly incorporates climate considerations into programme prioritisation, assigning them 15% of the total ranking score. Irrigation and Drainage and Water and Sewerage Infrastructure each receive an overall score of 100%, while Water Harvesting, Storage and Flood Management scores 97%.[73] This demonstrates that climate considerations form part of the sector's prioritisation framework and that several programmes addressing drought, floods and water insecurity rank highly. However, a comparison of rankings and proposed allocations shows no consistent relationship

xv. *Note: Financing-source shares use development provision.*

between programme scores and financing decisions, and the sector does not explain how the rankings informed resource allocation.

EPWNR's FY2027/28 proposed allocation is KSh 134.4 billion against requirements of KSh 271.0 billion, covering approximately 50% of the sector's resource needs. Development proposals cover 42.9% of requirements, compared with 72.3% for recurrent expenditure.[73] Within this constrained envelope, financing choices differ across programmes addressing the three climate risks (Table 31).

The selected programmes were identified based on the relevance of their objectives and interventions to climate risks and adaptation priorities recognised in Kenya's NDC, NAP and relevant sector planning documents. Specifically, Irrigation Development and Rehabilitation addresses drought, rainfall variability and water scarcity; Land Reclamation and Climate Resilience Irrigation Development addresses land degradation and climate-related pressures on agricultural production; Water Resources Management addresses water scarcity and climate-related pressures on water availability; Water and Sewerage Infrastructure Development and Management supports water security and the resilience of water infrastructure; and Water Storage and Flood Control addresses drought-related water shortages and flooding. These linkages provide the basis for classifying the programmes as relevant to climate-risk responses.

TABLE 31 **FY2027/28 proposed financing of selected climate risk responses (Ksh billion)[xvi]**

Programme(KSh Billion)	FY2026/27 approved	FY2027/28 required	FY2027/28 proposed	Change	Coverage
Irrigation Development and Rehabilitation	9.7	34.3	9.6	−1.1%	27.9%
Land Reclamation and Climate Resilience Irrigation Development	1.5	3.9	1.7	12.5%	44.7%
Water Resources Management	6.4	16.9	11.4	78.5%	67.6%
Water and Sewerage Infrastructure Development and Management	51.5	89.6	54.1	5.1%	60.3%
Water Storage and Flood Control	2.5	9.1	3.3	32.6%	36.5%

Data Source: EPWNR Sector Report

Four of the five selected programmes receive proposed increases over their FY2026/27 approved allocations, although the increases vary considerably. Water Resources Management receives the largest proportional increase of 78.5%, while Irrigation Development and Rehabilitation receives a 1.1% reduction despite irrigation being among the highest-ranked priorities. Its proposed allocation covers only 27.9% of requirements. Water Storage and Flood Control receives a 32.6% increase but remains funded at 36.5% of requirements. These differences do not necessarily indicate that rankings were disregarded, but they demonstrate why the sector needs to explain how programme priorities, justified costs and implementation readiness informed financing decisions.

xvi. *Change compares the proposal with the FY2026/27 approved allocation; coverage is the proposal as a share of the submitted requirement.*

The cost of under-financing preventive investment is usually paid later, and by those least able to cope. The BPS 2026 simulations of a drought-induced 10% fall in crop yields and 20% fall in livestock output, and of flood damage equal to 2% of the public capital stock, show that shocks reduce revenue and raise emergency and reconstruction spending. The immediate losses fall on households in ASAL counties that depend on rain-fed agriculture and livestock, and on people in flood-prone settlements. Deferring irrigation, storage and flood-control investment therefore does not remove the fiscal cost; it shifts it to unplanned in-year spending, which is typically financed through supplementary budgets and reallocations from development votes, reinforcing the pattern described in the macro-fiscal chapter

The irrigation proposal illustrates this accountability gap. Given the recognised threat of drought to agricultural production, the proposed KSh 9.6 billion allocation should be accompanied by an explanation of the irrigation coverage and rehabilitation outputs it will finance, the costs underlying the KSh 34.3 billion requirement and the outputs deferred. Similarly, the increased allocation for water storage and flood control should be linked to identifiable storage capacity, flood protection works and other planned outputs, alongside the consequences of interventions left unfunded.

EPWNR has therefore demonstrated that climate considerations influence programme rankings, but not how those rankings translate into financing choices and deliverable results. A risk-to-financing schedule linking prioritised interventions, justified annual costs, proposed allocations and expected outputs would strengthen the sector's submission. It would also enable the National Treasury to assess requests for additional resources, explain its allocation decisions and identify the consequences of financing gaps in the draft and final BPS 2027.

6.8 Execution demonstrates capacity to absorb and utilise increased budget allocations

Between FY2024/25 and FY2025/26, EPWNR's approved allocation increased by 35.1%, while actual expenditure increased by 32.3%. Absorption remained above 90% in both years (Table 31).[73]

TABLE 32 EPWNR approved allocations actual expenditure and absorption

KSh Billion	Approved Budget			Expenditure			Absorption Rate		
	Rec	Devt	Total	Rec	Devt	Total	Rec	Devt	Total
FY2024/25	34.9	50.4	85.4	34.2	46.1	80.2	98%	91%	94%
FY2025/26	40.6	74.7	115.4	39.5	66.6	106.1	97%	89%	92%
FY2026/27	40.8	80.9	121.8	-	-	-	-	-	-

Data source: EPWNR Sector Report

Although absorption declined from 94.0% to 91.9%, actual expenditure increased from KSh 80.2 billion to KSh 106.1 billion. The sector therefore spent substantially more from a larger allocation. This supports a positive assessment of aggregate spending capacity and strengthens the case for additional financing where intervention costs, readiness and delivery targets justify it.

Nonetheless, the increase in budget allocation was uneven within EPWNR. Irrigation development allocation declined from KSh 18.3 billion to KSh 10.9 billion, while Water and Sanitation development provision increased from KSh 26.6 billion to KSh 51.8 billion.[73] Aggregate recovery therefore does not establish that all relevant responses received additional resources. Therefore, the National Treasury should consider the sector's demonstrated spending capacity alongside programme-specific financing and implementation needs in setting the sector's budget ceiling.

6.9 Delivery supports targeted financing and action on constraints

Selected Key Performance Indicators show what allocated resources delivered. Water-storage rehabilitation and flood-control interventions met or exceeded their targets, while the Kenya Towns Programme under Athi reported water and sanitation shortfalls in both years (Table 33).[73] These cases connect spending capacity to delivery without treating the samples as representative of every intervention.

TABLE 33 **Selected delivery results for drought floods and water insecurity**[xvii]

	FY2024/25		FY2025/26	
Intervention and indicator	**Target**	**Achieved**	**Target**	**Achieved**
Strategic water facilities volume desilted m³	1,400,000	1,412,000	220,000	260,000
Flood-control dykes constructed km	4.55	4.55	0.30	0.97
Flood-control check dams constructed	2	3	1	2
Kenya Towns Programme Athi people accessing water	300,000	213,500	595,000	236,779
Same programme people accessing sanitation	120,000	118,620	328,500	182,860

Data Source: EPWNR Sector Report

The sector report attributes strategic water-facility rehabilitation performance to additional allocations and an extra 0.67 KM of Budalangi dyke works to supplementary financing.[73] These examples show a connection between additional resources and delivered outputs. They support sustained financing for interventions with demonstrated capacity, while differences in annual targets must be considered when assessing consistency in the scale of delivery.

The Athi programme's shortfalls illustrate a different constraint. Reported resettlement challenges and litigation affected implementation, with water-service delivery reaching 71.2% of target in FY2024/25 and 39.8% in FY2025/26.[73] Therefore, additional allocation alone would not resolve those obstacles, with proper planning remaining a critical factor for uninterrupted project implementation. EPWNR and Treasury should distinguish financing gaps from implementation constraints and address both so that resources translate into functioning services and protection works.

xvii. *Cases illustrate selected responses. Exceeding varying annual targets does not establish adequate risk protection.*

6.10 Conclusion and recommendations

Kenya recognises drought, floods and water insecurity as threats to economic performance and public finances, and sector plans identify interventions intended to address them. However, the connection between that recognition and financing decisions remains insufficiently demonstrated. EPWNR's relative priority declined across the BPS years, while subsequent approved allocations and expenditure recovered. Its FY2027/28 proposals increase financing for several relevant programmes but leave substantial gaps against submitted requirements. The central accountability gap is that the reviewed budget documents do not adequately explain how these financing decisions translate into the management of identified climate risks, which interventions are prioritised or deferred, and what outputs may be forgone as a result.

Responsibility for addressing this gap rests with both EPWNR and the National Treasury. EPWNR explicitly incorporates climate considerations into programme rankings, but its financing case needs a clearer connection between assessed risks, justified intervention costs, achievable targets and proposed allocations. The National Treasury states climate considerations among its allocation criteria, but the evidence presented does not sufficiently explain how those considerations influenced EPWNR's budget ceilings and material revisions between sector proposals and approved budgets. Without these explanations, the presence of climate criteria in the budgeting framework does not establish how those criteria affect actual resource allocation.

The execution record strengthens the case for resources matched with delivery capacity. EPWNR spent substantially more from a larger allocation in FY2025/26, maintaining absorption above 90%. Selected water-storage and flood-control interventions also met or exceeded their targets. Other delivery shortfalls reflected implementation constraints, including resettlement challenges and litigation. Adequate provision should therefore build on demonstrated capacity while addressing the financing interruptions and implementation obstacles that prevent resources from producing intended outputs.

Recognising material climate risks should have consequences for budget choices. Quantified economic losses establish the importance of exposure; justified costs and achievable outputs establish the financing case. Where government reduces or defers effective responses, sound public financial management calls for an explanation of the delivery forgone and how the remaining exposure will be managed. Increases elsewhere provide complementary or replacement financing only where equivalent interventions and their allocations can be identified within the relevant institutional mandates; however, this explanation is missing in the reviewed budget documents

The National Treasury Circular No. 10/2026 provides a practical basis through its requirements for climate considerations, documented prioritisation, performance reviews, measurable results and justified costing.[75] The forthcoming transition from BROP 2026 provisional ceilings and sector proposals to draft and final BPS 2027 provides an opportunity to make their application explicit.

Based on the analysis and the gaps observed, we make six recommendations

i. **EPWNR sector: link rankings to financing in the FY2027/28 submission.** Climate considerations carry 15% of programme ranking scores, but the submission does not show how those scores shaped allocations. Irrigation Development and Rehabilitation scored 100%, yet its allocation falls by 1.1% and covers 27.9% of its requirement. EPWNR, through its lead ministry, should submit a risk-to-financing schedule that links each prioritised intervention to its ranking, justified annual cost, proposed allocation and expected output, and names the outputs left unfunded or deferred.

ii. **National Treasury: explain ceiling decisions and decide on additional resources using evidence.** The FY2025/26 ceiling was cut by 21.8% from the provisional level, and the link between recognised climate risks and the ceilings is not documented. In the draft and final BPS 2027, Treasury should show how climate considerations, rankings, costs and performance informed EPWNR's ceiling, and justify any material revision. On the additional FY2027/28 request, Treasury should add resources where justified costs show the ceiling cannot deliver prioritised responses. It should separate recurrent costs needed to operate and maintain climate-resilient infrastructure from spending with no clear climate link.

iii. **National Treasury and EPWNR: account for financing gaps.** The proposal of KSh 134.4 billion covers 49.6% of the KSh 271.0 billion requested. Where funding falls short, the BPS and the sector report should state which outputs will be delayed or dropped, which climate risks remain unaddressed and how government will manage them. Financing gaps should be treated separately from implementation obstacles, with a specific measure for each.

iv. **National Treasury and other sectors: show financing across mandates.** Increases in other sectors' budgets have not been traced to equivalent adaptation interventions. Where such financing is cited as compensating for reductions in EPWNR, Treasury and the relevant sectors should identify it by institution, intervention, allocation and expected output.

v. **EPWNR agencies and National Treasury: match funding to readiness and delivery.** External sources provide 57.5% of proposed development financing, and resettlement and litigation held back the Athi programme despite available funds. Implementing agencies should state their counterpart funding, disbursement conditions and plans to resolve implementation constraints, and Treasury should address disbursement interruptions. Additional provision should reflect implementation readiness and the sector's absorption record, and financial and physical performance should inform later allocations.

vi. **Parliament: require and scrutinise the explanations.** When considering the final BPS 2027, Parliament, through the Budget and Appropriations Committee and the relevant departmental committees, should ask Treasury and EPWNR to show how climate risks and allocation criteria informed financing choices. It should examine reductions affecting prioritised programmes, outputs forgone, risks left unaddressed and how Treasury treated submissions on the draft BPS.

These actions would make the financing case and Treasury's response assessable at the point when budget priorities are settled. EPWNR would demonstrate what it seeks to deliver and why the resources are justified; Treasury would explain how it evaluates that evidence and determines the provision. Parliament would then have a concrete basis for scrutinising both the allocation and its consequences. Recognition should lead to financed action or an explicit account of the consequences of withholding it. The chapter's recommendations seek that connection: financing for justified responses, capacity to spend and deliver, and accountability for the climate risks that budget choices leave insufficiently addressed.



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