PRESS STATEMENT

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AT THE LAUNCH OF THE 7th EDITION OF THE ANNUAL NATIONAL SHADOW BUDGET 2027/28

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FOR IMMEDIATE RELEASE

From Budget Allocations to Public Outcomes: Closing Kenya's Fiscal and Delivery Gaps

1. Representatives of Parliament, the Central Bank of Kenya (CBK), the Council of Governors (CoG), the Principal Secretary (PS) for the State Department for Gender and Affirmative Action, the Parliamentary Budget Office (PBO), the Kenya Institute for Public Policy Research and Analysis (KIPPRA), and the Kenya School of Government(KSG).

2. Our development partners, including the International Monetary Fund (IMF), the World Bank (WB), the African Development Bank (AfDB), the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNCEF), the Gates Foundation, and the Konrad Adenauer Foundation (KAS).

3. Colleagues from IPF, civil society, the private sector and professional bodies; Members of the press; Ladies and gentlemen:

4. Good morning, and welcome to the launch of the seventh edition of the Annual National Shadow Budget (ANSB).

5. The ANSB is IPF's independent ex ante policy intervention designed to inform and influence the government's fiscal policy choices and resource allocation decisions before the national budget is finalized. This year's theme is **"From budget allocations to public outcomes: closing Kenya's fiscal and delivery gaps."** It reflects a simple question that every citizen asks: when money is allocated in the budget, does it reach the hospital, the classroom and the household it was meant for?

6. Our timing is deliberate. Parliament is now scrutinising the 2027 Budget Policy Statement, the document that sets how much the government expects to collect and how much each

sector may spend in the financial year from July 2027 to June 2028. Decisions taken at this stage shape the entire budget.

7. Our overall finding is this: **Kenya's budget challenge is fundamentally one of credibility, prioritisation and accountability.** Allow me to take each in turn.

First, credibility

8. The National Treasury projects economic growth of 5.1 percent in 2027. The World Bank projects 4.4 percent and the African Development Bank 4.7 percent. In the last election cycle, growth slowed from 7.6 percent in 2021 to 4.9 percent in 2022. Before that, it slowed from 5.9 percent in 2016 to 4.9 percent in 2017. The Budget Policy Statement does not show how this election risk has been factored in.

9. The revenue target of KSh 3.9 trillion follows from these assumptions. If tax revenue grows at its ten-year average of about 9 percent, it will reach about KSh 2.9 trillion, around **KSh 235 billion below target**. We therefore propose a more realistic total revenue target of about KSh 3.7 trillion.

10. Unrealistic targets have consequences. In FY 2025/26, the deficit reached 6.9 percent of GDP against an original target of 5.0 percent. Public debt stood at KSh 13.0 trillion in June 2026, or 70.4 percent of GDP, up by about half since June 2022. Interest payments are projected at about KSh 1.3 trillion in FY 2027/28. Put simply, **for every 100 shillings of ordinary revenue, about 40 shillings will go to interest.**

11. About **20 percent** of what the government borrowed in FY 2025/26 went to recurrent spending. The Public Finance Management Act requires that, over the medium term, borrowing be used only for development. Meanwhile, development spending is about 18 percent of the budget, against a legal minimum of 30 percent.

Second, prioritisation

12. Drawing on the Auditor-General's reports for FY 2023/24 and FY 2024/25, we find **219 stalled projects with a contract value of KSh 291.6 billion in FY 2024/25**, up from 188 projects worth KSh 240 billion in FY 2023/24. In FY 2024/25, a further 77 projects were delayed and 18 had been abandoned. Some KSh 113.5 billion has already been paid on projects that are not yet delivering services. At Thwake Dam alone, avoidable interest

reached KSh 569 million. The problem is not only a lack of funds; it is delayed payments, weak contract management, and new projects started before ongoing ones are financed.

13. Prioritisation also matters for the services households depend on:
    - **Health:** in FY 2025/26 the Primary Health Care Fund received 31 percent of its estimated needs, and the Emergency, Chronic and Critical Illness Fund just 4 percent. The programme that pays premiums for poor households received KSh 310 million against a need of KSh 37 to 39 billion: less than 1 percent.

    - **Education:** projected allocations cover only about three-quarters of capitation needs for FY 2027/28. Free primary and day secondary education lost KSh 32.4 billion in two years, while KSh 3.7 billion was paid to 723 schools for learners not on their rolls.

    - **Social protection:** the National Safety Net Programme reaches 1.8 million of the 3.1 million people targeted. It needs more than KSh 44 billion a year but is projected to receive KSh 27.9 billion.

    - **Women's economic empowerment:** the Women Enterprise Fund financed 12,538 women in FY 2024/25, against a target of 200,000.

    - **Climate:** the FY 2027/28 proposal for the environment, water and natural resources sector meets less than half of its requirements, even as climate risks grow.

Third, accountability

14. Across these areas, the information needed to hold spending to account is often missing. The Social Health Authority does not yet publish regular fund-level reports. Learner records are inaccurate. And the budget documents do not show which priorities were cut or which risks remain unfunded. Parliament and citizens cannot scrutinise what they cannot see.

Our recommendations

We call on the National Treasury and Parliament to act on four recommendations as the 2027 Budget Policy Statement is finalised:

i. **Anchor the budget on a credible macro-fiscal framework:** realistic growth and revenue targets, leaner recurrent spending, and finishing viable projects before starting new ones.

ii. **Improve health, education and social protection financing:** fund the Primary Health Care Fund, the Emergency, Chronic and Critical Illness Fund and the health insurance subsidy for poor households; adjust capitation for inflation; and adopt a costed framework for the National Safety Net Programme.

iii. **Strengthen women's economic empowerment:** align Women Enterprise Fund financing with realistic targets, and track enterprise and income outcomes.

iv. **Make the link between climate risk and financing explicit:** the sector should submit a risk-to-financing schedule, and the National Treasury should explain its decisions in the Budget Policy Statement.

15. A credible budget is not a constraint on development. It is what allows the government to deliver on its promises, in an election year and beyond.

16. Ladies and gentlemen, this Shadow Budget is published for you to use. It is designed to inform decisions while the FY 2027/28 national budget is still being prepared, and its value lies in how widely it is put to work.

17. To Members of Parliament and the Parliamentary Budget Office: we hope it supports your scrutiny of the Budget Policy Statement and, later, the Budget Estimates. As you review them, we urge you to ask which priority programmes were cut, which outputs will be forgone, and which risks remain unfunded.

18. To our colleagues in government and the oversight institutions: we offer it as a constructive, evidence-based input into the preparation of the FY 2027/28 budget.

19. To civil society, the private sector and professional bodies: we invite you to use its evidence in public participation forums, sector working groups and your own engagements with government.

20. To our development partners: we hope it enriches your policy dialogue with government. And to the media: thank you for carrying these findings to the public.

21. The full report is available after this launch. The IPF team stands ready to work with any of you who wish to take these findings further.

22. I sincerely thank each of you for joining us this morning, and the IPF team for the work behind this seventh edition. It is now my honour to proceed to the official launch of the 2027/28 Annual National Shadow Budget.

Thank you.

Signed: Daniel Ndirangu, Chief Executive Officer, Institute of Public Finance

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