

BAJETI HUB

MEMORANDUM TO THE NATIONAL ASSEMBLY'S BUDGET AND APPROPRIATIONS COMMITTEE

On the Budget Policy Statement (BPS) 2026/27

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ABOUT BAJETI HUB

A Kenyan non-profit organization working to advance transparency, accountability, participation, and equity in national and county budgeting processes through civil society advocacy, evidence generation, and technical assistance.

Introduction

Bajeti Hub submits this Memorandum to the National Assembly's Budget and Appropriations Committee in response to the **Budget Policy Statement (BPS) 2026/27**, tabled in Parliament on 11 February 2026. This submission calls for a candid conversation on the continued shrinking fiscal space, sectoral allocations, full devolution of county functions, and equity concerns — considering that disposable incomes have not improved in recent years and the poverty rate stands at approximately **40 percent**.

Summary of Submissions to Parliament

#	Focus Area	Key Ask
1	Macro-Fiscal Framework & Fiscal Discipline	Demand realistic revenue forecasts; enforce expenditure discipline
2	Gender Equity	Require gender/equity assessments across all five BETA pillars
3	Health Financing & Devolution	Fully devolve health functions per IGRTC Gazette Notice 2024
4	Education — Equity, CBE & Costs	Performance audit on infrastructure; increase development funding for public primary schools
5	Social Protection	Clear distinction in disability card registration between SPCR and NCPWD
6	Food Security & Climate Change	Mandate climate-resilient strategies; independent impact assessment of agricultural reforms
7	Water and Sanitation (WASH)	Review stalled donor-funded projects; transparent PPP adoption

8 Devolution: Functions & Costing

Publish costing framework for transferred functions; resource transfers based on actual costs

Section 1 | MACRO-FISCAL FRAMEWORK & FISCAL DISCIPLINE

The BPS 2026/27 shows Kenya's economy remains relatively resilient. **GDP growth averaged 5.1% between 2022 and 2024**, above the Sub-Saharan Africa average of 3.9%, and revenue collections grew by 11% annually. However, the fiscal framework remains structurally weak.

1.1 Revenue Performance and Unrealistic Projections

Persistent revenue underperformance continues to weaken budget credibility. Over the last three financial years (2022/23–2024/25), the government under-collected revenue by an average of 11% compared to original approved targets. The over-projection creates artificial fiscal space, widens the deficit, and forces the government into expensive domestic borrowing and recurring supplementary budgets.

372. Fiscal projections for FY 2026/27 are subject to notable uncertainty. Total revenue is projected at KSh 3,533.7 billion, with a 95 percent confidence interval of between KSh 3,150.1 billion and KSh 3,917.3 billion (standard deviation of KSh 196 billion). Total expenditure is projected at KSh 4,703.9 billion, with a confidence range of KSh 4,284.7 billion to KSh 5,119.2 billion (standard deviation of KSh 213 billion). **As a result, the fiscal deficit is projected to range between KSh 823.7 billion and KSh 1,404.0 billion at the 95 percent confidence level, underscoring downside risks to fiscal consolidation should revenues underperform or spending pressures materialize.**

Figure 1: Kenya's Ordinary Revenue Performance — Actual vs Approved Target | Source: National Treasury BPS 2026, Para. 372

Table 1: Revenue Performance as at 31 December 2025 (all figures in KSh Trillion)

	Prelim. Act. (Dec-24)	Target (Dec-25)	Prelim. Act. (Dec-25)	Deviation	Performance
Total Revenues	1.3347	1.6367	1.5006	-0.1361	92%
1. Ordinary Revenue	1.1578	1.3519	1.2365	-0.1153	92%
Import Duty	0.0715	0.0837	0.0847	+0.0010	101%
Excise Duty	0.1413	0.1676	0.1536	-0.0140	92%
Income Tax	0.5308	0.6269	0.5424	-0.0845	87%
VAT	0.3041	0.3794	0.3510	-0.0284	93%
Other Revenue	0.1100	0.0943	0.1048	+0.0105	111%
2. Ministerial AiA	0.1769	0.2849	0.2641	-0.0208	93%
3. External Grants	0.0075	0.0179	0.0058	-0.0122	32%

Source: BPS 2026

RECOMMENDATION: Parliament should require a realistic, evidence-based revenue forecast grounded in historical trends and current policy measures, alongside a clear contingency plan to guide expenditure adjustments if mid-year performance falls below target.

1.2 Revenue Mobilisation and Tax Equity

The government's intention to enhance domestic revenue mobilisation is welcome; however, greater predictability and evidence-based policy design are essential. The growth of Appropriations-in-Aid (AiA) as a revenue source presents risks to equitable access to basic services, particularly where it effectively introduces or increases user charges for essential public services.

The proposed income tax relief exempting earners below KSh 30,000 per month and reducing the burden for earners below KSh 50,000 is a positive step, but does not directly ease the burden on the 39.8% of Kenyans living below the poverty line, who are largely outside the formal income tax net.

- ❑ **RECOMMENDATION:** The BAC should assess non-tax revenue growth to ensure it does not result in user fees that restrict access to essential services for low-income Kenyans.

1.3 Public Debt and Fiscal Sustainability

Kenya's public debt stock stands at approximately **KSh 12.3 trillion** (CBK, September 2025), with nearly **70% of tax revenue** going toward debt service. Bajeti Hub's research shows that for every one percentage point increase in public debt, resources available for education, health, and social protection decline cumulatively by about **3 percent — equivalent to KSh 30 billion for every KSh 100 billion borrowed.**

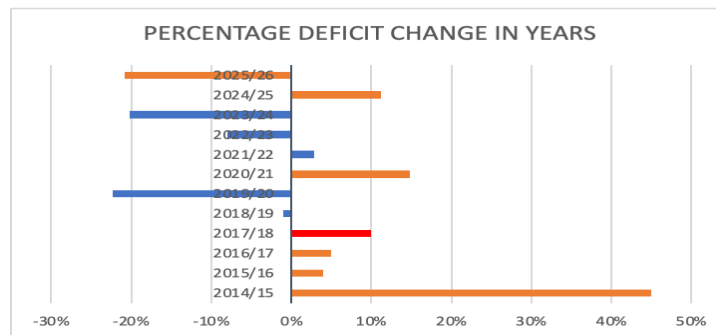


Figure 2: Fiscal Deficit Trend — Historical Analysis | Source: National Treasury

- ❑ **RECOMMENDATION:** Parliament should institute a legislative ceiling on the annual fiscal deficit to ensure sustainability in public debt management and prevent in-year supplementary borrowing escalation.

1.4 Public-Private Partnerships (PPPs)

The BPS 2026 identifies PPPs as a key instrument for mobilising private capital for infrastructure. There are currently 36 PPP projects in various stages of implementation. However, debt-servicing costs are projected to remain elevated, suggesting the PPP programme has not yet delivered the anticipated reduction in fiscal pressure. Equity concerns also exist around how PPP benefits are distributed and whether projects are reaching underserved communities.

- ❑ **RECOMMENDATION:** The BAC should require the Treasury to present a comprehensive PPP performance report covering all active projects, their financial terms, risk-sharing arrangements, and fiscal implications on public debt and social sectors.

1.5 State-Owned Enterprises (SOEs) and Contingent Liabilities

Following SOE reforms — including the merger of 42 entities into 20 and dissolution of 25 SOEs — the resources saved must be disclosed and realigned to priority social service sectors. As of June 2025, outstanding government guaranteed debt amounted to **KSh 83.2 billion**, primarily held by Kenya Airways and KenGen. The cumulative on-lent loan portfolio stands at KSh 1,051.1 billion, with 52% concentrated in the Kenya Railways Corporation.

□ **RECOMMENDATION:** Parliament must ensure full implementation of the Government-Owned Enterprises Act 2025, enforce full disclosure of fiscal risks, and anchor borrowing decisions within a credible medium-term debt reduction strategy.

1.6 Pending Bills

The settled-on value of KSh 155.3 billion recommended for settlement in FY 2025/26 from a cleared claims value of KSh 637.6 billion — totalling 91,911 claims of 115,617 valued at KSh 664.8 billion — highlights a systemic weakness. At the current settlement rate, it would take **five budget years** to clear all pending bills without new accumulation, severely damaging private sector confidence and liquidity. The health sector alone faces billions in NHIF/SHA arrears, stalling hospital operations.

□ **RECOMMENDATION:** Parliament should mandate that development expenditure for new non-priority projects be frozen until a larger portion of verified pending bills is allocated in the 2026/27 budget.

1.7 Innovative External Financing

Kenya is exploring innovative external financing such as Samurai and Panda bonds, as well as Sustainability-Linked Bonds (SLBs), to diversify currency exposure and attract international investors. While this is a positive move following an improved Moody's rating, the government must ensure absorption capacity exists to avoid high commitment fees as flagged by the Auditor General.

Section 2 | GENDER EQUITY

Background

Kenya's commitment to gender equality is embedded in the 2010 Constitution. Article 27(3) establishes equal rights and opportunities across political, economic, cultural, and social spheres. Article 27(6) mandates the State to take affirmative action to redress past discrimination. Sessional Paper No. 10 of 2016 recognises the role of public budgets in advancing gender equality.

The BPS — as a key policy document setting strategic priorities — should outline how proposed priorities impact different genders. Gender-responsive budgeting (GRB) is not just about setting aside funds for women; it ensures the entire budget addresses the specific needs of all genders.

15	To improve the gender responsiveness of government policies, before finalization of the 2025 Budget Policy Statement, the National Treasury to incorporate a section on the gender responsiveness of the various policy proposals in line with international best practices.	The Government is committed to embracing Gender Responsive Budgeting (GRB) to ensure achievement of equity between genders. We also recognize that Gender responsiveness is critical in boosting economic growth and for sustainability. In this regard, the National Treasury is committed to adhere to this resolution of the National Assembly.
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Snippet: National Assembly Recommendation on Gender Responsiveness in BPS | Source: BPS 2026

KEY SUBMISSION

The BPS, underpinned by the BETA agenda, should include gender and equity assessments across all five BETA pillars — embedded in the BPS narrative or in an accompanying gender budget statement as recommended by the National Assembly.

Gender Implications Across BETA Pillars

ISSUE	EVIDENCE & IMPLICATION	RECOMMENDATION
Agricultural Transformation Fertilizer subsidy programme (Para. 10)	Women make up ~75% of agricultural labour in smallholder farming, yet only 25% own agricultural land. Of these, 62% lack title deeds. BPS 2026 notes issuance of over 1 million title deeds.	Require gender-disaggregated data on fertilizer subsidy beneficiaries and title deed issuance to assess whether policy advances gender equity.
Healthcare Human Resource for Health (Para. 22 & 25)	70–90% of Community Health Promoters (CHPs) are women. The CHP stipend programme has faced disbursement challenges, impacting service delivery.	Provide clarity on gender-disaggregated CHP recruitment targets by region, and ensure timely disbursements to safeguard community health provision.
Digital Economy Technology-facilitated Gender-Based Violence (TFGBV)	Internet connectivity is expanding (35% in 2024). UNESCO (2023): 58% of young women and girls globally have experienced online harassment. BPS cybersecurity measures focus only on government digital systems.	Acknowledge TFGBV as a safety concern; allocate resources for prevention programmes and establish clear policy guidelines under updated legislation.

Source: Bajeti Hub Analysis. Data references: UN Women (2025), KDHS (2022), UNESCO (2023), World Bank (2024).

Section 3 | HEALTH FINANCING & DEVOLUTION

Health is a priority sector under the Bottom-Up Economic Transformation Agenda (BETA). The BPS 2026 focuses on achieving Universal Health Coverage (UHC) through integrated Primary Healthcare Networks, expanded community health services, and deployment of sufficient medical personnel. The proposed budget rises from KSh 138 billion in 2025/26 to KSh 167 billion in 2026/27.

CONCERN Despite increased investments in the health sector including SHA contributions, health outcomes remain largely low or unachieved.

□ **RECOMMENDATION:** The National Assembly should push to fully devolve health functions per the IGRTC Gazette Notice of 2024, compelling the National Treasury to allocate the necessary resources to the appropriate level of government.

□ **RECOMMENDATION:** The Verification Committee on pending bills should prioritise health-sector bills to unlock resources held across government levels, ensuring SHA works as envisioned in providing coverage for all registered Kenyans.

□ **RECOMMENDATION:** The government must prioritise improving efficiencies and sealing loopholes that prevent allocated health resources from being fully utilised to achieve intended outcomes.

Section 4 | EDUCATION — EQUITY, CBE & RISING OUT-OF-POCKET COSTS

The BPS 2026 proposes an overall allocation ceiling of KSh 767.3 billion for education, up from KSh 759.6 billion (BPS 2025) and KSh 701.1 billion (FY 2025/26 actual). Despite receiving the largest share of the national budget at 26.8%, the rate of increase is among the lowest across all sectors.

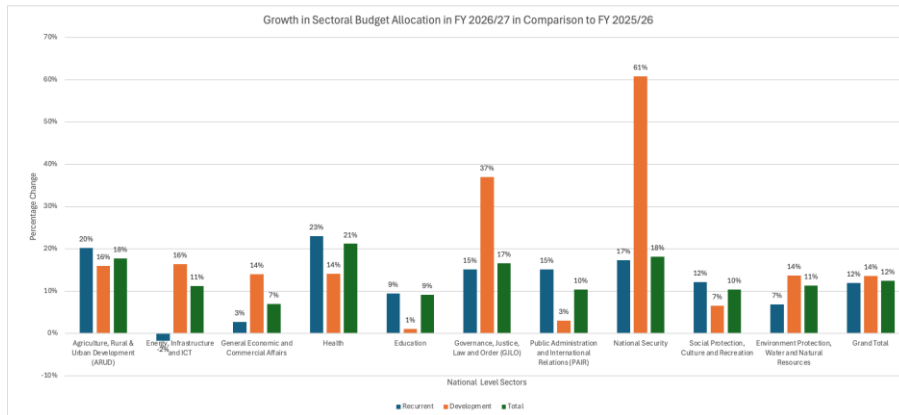


Figure 3: Education Sector Budget Growth vs Other Sectors | Source: BPS 2026

□ **RECOMMENDATION:** Parliament should push for a performance audit report on infrastructure and an increase in development funding for public primary schools to enhance equity in the Competency-Based Curriculum (CBC).

□ **RECOMMENDATION:** There should be justifications on steps to ensure target learners under the school feeding programme are reached. The neglect of needy learners outside ASAL regions should be addressed as a priority to ensure inclusion.

□ **RECOMMENDATION:** Parliament should mandate disaggregated reporting of TVET expenditure and trainer deployment by county to promote transparency and equitable resource distribution. Conditional budget approvals should be linked to clearly defined infrastructure completion milestones.

TVET Note: Enrolment has grown significantly from 562,499 (2022/23) to 708,885 (2024/25), but the teacher-to-student ratio remains well above the recommended 1:20–1:25. Special Needs in TVET has remained flat at KSh 209–220 million annually — less than 1% of programme spending.

Section 5 | SOCIAL PROTECTION

The expected budget allocation for Social Protection, Culture and Recreation (SPCRS) is KSh 87.2 billion for FY 2026/27, an increment of KSh 8.4 billion from the previous year's KSh 78.8 billion. Despite this rise, the ministerial percentage share of the total national budget is declining — a reversal of recent trends.

□ **RECOMMENDATION:** There should be a clear legislative distinction in registration and issuance of disability cards between the State Department for Social Protection (SPCR) and the National Council for Persons with Disabilities (NCPWD) — as mandated under the Persons with Disabilities Act 2025 — to eliminate duplication.

<p>35. (1) In order to facilitate access by persons with disabilities to the services set out under this Part, the Council shall register on a continuous basis—</p> <p>(a) persons with disabilities, to whom it shall issue disability identification cards in such form as it may determine;</p> <p>(b) institutions, entities owned by Persons with Disabilities, associations and organizations, including those controlled and managed by the Government, which promotes the rights of and provide services to persons with Disabilities and issue certificates of registration thereof.</p>	<p>Registration of Persons with Disabilities, organizations and institutions</p>
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Source: Persons with Disabilities Act 2025

□ **RECOMMENDATION:** The sector should reassess its priorities and broaden coverage to include all disability groups in the provision of medical necessities, ensuring equitable access for conditions that require continuous pharmaceutical support.

Section 6 | FOOD SECURITY (ARUD) & CLIMATE CHANGE

Despite significant public investment in agricultural transformation — including reforms to modernise agriculture, improve input access, and boost productivity — the cost of living has not eased for ordinary Kenyans. BPS 2026 reports maize production nearly doubled from 34 million bags in 2022 to **67 million bags in 2024**, yet households continue to face rising food costs and declining real incomes.

Compounding these concerns, Kenya faces an alarming escalation of drought conditions. The number of counties in the 'Alarm' category rose from zero in August 2025 to four by January 2026. Climate shocks are undermining agricultural gains and threatening food security in a structural, not episodic, manner.

Drought Phase Classification Trend

Category	Jan 2025	Aug	Sept	Oct	Nov	Dec	Jan 2026
Alarm Category	0	0	0	0	1	1	4
Alert Category (High risk / Worsening)	3	1	5	15	5	5	12

Source: Bajeti Hub Analysis of the National Drought Early Warning Bulletin, 2025

NOTE

The Galana Kulalu Food Security Project is reported at 99% completion in BPS 2026, with 880 hectares of degraded land rehabilitated, yet continues to absorb significant public investment with limited demonstrable contribution to food security outcomes.

□ **RECOMMENDATION:** Parliament should task the National Treasury, in collaboration with the Ministry of Agriculture, to conduct and present an impact assessment of agricultural reforms — specifically examining why productivity gains have not translated into lower food prices — with attention to value chain dynamics, market structure, and post-harvest losses.

□ **RECOMMENDATION:** Parliament should mandate the state departments within the ARUD sector to develop climate-resilient strategies across their programmes to ensure a whole-government approach to climate adaptation and mitigation, not a siloed approach targeting ASAL regions only.

Section 7 | WATER & SANITATION (WASH)

The State Department for Water and Sanitation aims to improve clean water access from 74% to 80% of the population (same target as BPS 2025) by completing major projects such as the Water and Sanitation Development Projects and the Mwache Dam project. However, these flagship projects have repeatedly been rolled over due to exchequer delays, budget cuts during supplementary budgeting, and inadequate allocations. Donor funding has been shrinking, prompting the government to consider PPP alternatives such as the Sabaki Water Carrier Project (KSh 28 billion) for abstraction of 80,000 m³/day from the Baricho aquifer.

Programme	Delivery Unit	Key Output	Key Performance Indicators	Planned Target			Achieved Target			Remarks
				2022/23	2023/24	2024/25	2022/23	2023/24	2024/25	
	Water Harvesting Projects- CWWDA	Water services	No. of water projects	-	7	7	-	0	7	Completion of projects initiated in FY 2023/24
			No. of people accessing water services	-	-	3,500	-	0	3,650	
	Affordable Housing Water Supply BETA	Water services to Creek Village affordable housing programme	% of project completion	-	10	12	-	5	12	Delayed/Partial release of funds for the projects in FY 2023/24
	Mzima II Water Supply Project	Water supply Services	% of project completion	-	10	10	-	5	10	The Project is at Project Development Stage to be implemented under PPP arrangements.
	Sirisia - Chwele (Koica) - Phase 2	Water supply Services	% completion of project	50	100	100	65	98	100	Project completed benefiting
			No. of additional people served	-	75,000	5,000	-	70,000	6,020	
	Moi's Bridge-Matunda Water and sewerage	Water and sewerage services provided to Moi's Bridge-Matunda Towns	% completion of project	20	30	20	10	10	10	Reduced budget in supplementary allocations, and delayed disbursement of funds and compensation for persons affected by the project.
	Malava Gravity.	Water supply services	% completion of project	20	30	40	5	17	40	Slow project implementation caused by inadequate budget and delayed disbursement of funds

Figure 4: Stalled/Incomplete Water Projects | Source: EPWNR Sector Report FY 2026/27

No.	Project Name	Issues Noted	Amount (Kshs.)
23	Kenya Towns Sustainable Water Supply and Sanitation Program CR. NO. P-KE-E00-011 (AFDB Loan No.200000501) – Central Rift Valley Water Works Development Agency	Review of records on six (6) failures to implement the projects as planned with one stalled and one at 43% completion. Failure to implement projects as planned may negatively impact on service delivery to the public.	5,037,586,618
24	Kenya Towns Sustainable Water Supply and Sanitation Programme (AFDB Loan No.200200000501) – Tana Water Works Development Agency	Eight projects delayed with a contract value of Kshs.4,614,332,242 whose contract dates had expired but were between 17% to 94% completion	4,614,332,242
25	Kenya Water Security and Climate Resilience Project (Grant No. TFOA0761A and Credit No.5268/5674/7423-KE) - State Department for Irrigation	Physical verification of the Project revealed that resettlement of the project affected persons had not been completed and there were unpaid claims totalling Kshs.140,872,646. This had led to a delay in completion of the project.	140,872,646
26	Lake Nakuru Biodiversity Conservation Project Grant No. 201567916 and Loan No. 2016 65 116 (KFW -German Financial Cooperation) - Central Rift Valley Water Works Development Agency	The detailed designs, tender for contract works and construction phase is behind the implementation schedule while the procurement process for the identification of the contractor is still on-going and behind schedule. The first loan repayment is due 15 May,2026 and therefore the GoK will start repaying for a loan when the construction phase is still ongoing.	7,484,754
27	Lake Victoria Water and Sanitation Project Grant No. CKE 1093 02 M, Credit No. CKE1093 01 L and EIB No. FI N083890 Serapis NO 2011-0619 – Lake Victoria South Water Works Development Agency	The consultancy contract of Kshs.34,321,622 commenced on 14 August 2018 for 45 months and extended to 31 July 2023. However, as at the time of audit in October, 2024 the Project had not been completed while no further extension of contract had been granted.	34,321,622

Figure 5: Auditor General's Review of Donor-Funded Projects 2023/24

□ **RECOMMENDATION:** There should be a review of all stalled projects — especially those tied to external and donor funds — to ensure effective development and service delivery. A peer country example is Rwanda's Kigali Bulk Water Supply Project under a PPP model, which now serves hundreds of thousands of residents with 40,000 m³/day of clean water.

□ **RECOMMENDATION:** Any adoption of PPP models in the water sector must be fully transparent, with public disclosure of financial terms, risk-sharing arrangements, and equity implications for underserved communities.

Section 8 | DEVOLUTION: COSTING & TRANSFER OF FUNCTIONS

The transfer of functions gazetted by the IGRTC represents important progress in deepening devolution. However, the transfer of functions must be accompanied by attendant resources — including administrative and operational costs — if counties are to deliver services effectively.

A critical gap remains: many current resource allocations for transferred functions are not based on actual costing of what service delivery requires at the county level. This risks chronically underfunding devolved services and perpetuating inequities in service quality across counties.

KEY QUESTION

What is the full cost of delivering health services in Kenya? Which functions are national and which are county? A systematic costing framework is essential.

□ **RECOMMENDATION:** The national government should develop and publish a costing framework for each transferred function — beginning with health, agriculture, and education — to establish the actual resource requirements for service delivery at both national and county levels.

□ **RECOMMENDATION:** Resource transfers to counties must be based on this costing framework, not merely on historical national government allocations, to ensure counties can independently and sustainably deliver assigned functions.

□ **RECOMMENDATION:** Parliament should require a progress report on all IGRTC-gazetted function transfers, including the status of resource transfers, outstanding gaps, and a timeline for completing the transition.

Bajeti Hub

Advancing Transparency, Accountability, Participation & Equity in Kenya's Budgeting Processes

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