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From Revenue Rage to Fiscal Reckoning.

Kenya's accountability frontier lies upstream of the Finance Bill: A policy analysis of revenue mobilisation, expenditure credibility, and macroeconomic constraint in Kenya's FY 2026/27 fiscal cycle.

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Executive Summary.

Since 2023, Kenya's Finance Bills have been litigated in the public square, clause by clause. The pattern is now familiar: Treasury proposes, citizens resist, Parliament trims, and the arithmetic returns in another form[1]. Finance Bill 2026 follows that script. It is materially softer than the withdrawn 2024 Bill, yet the political anxiety around it remains acute.

This paper makes a simple argument: public debate is over-concentrated on one instrument when three should be in view. The Finance Bill is a revenue tool, not the fiscal system itself. It sits downstream of the Budget Policy Statement (BPS), the Medium-Term Expenditure Framework, and sector ceilings set months earlier. The central accountability question, therefore, is not only how much revenue the state raises, but what it intends to fund, how credibly it can fund it, and whether citizens can verify the results.

A common technocratic critique of Kenya's fiscal resistance is that it misreads the macroeconomics, starves productive public goods, and mistakes political theatre for accountability. Part of that critique is valid. In capital-scarce economies, public investment can produce large multipliers, and blanket resistance to taxation can weaken the very goods that lower the cost of living over time. The literature is clear on that point- but in Kenya, the argument breaks on expenditure composition, tax incidence, and the absence of a credible commitment mechanism because:

- **First**, Kenya's expenditure mix does not support the multiplier story the theory requires. Debt service absorbed about 69 percent of ordinary revenue in financial year (FY) 2024/25, several times above the International Monetary Fund (IMF) Debt Sustainability Framework thresholds for low-income countries, which range from 14 to 23 percent of revenue depending on debt-carrying capacity. At the margin, new revenue is servicing debt, not expanding productive capital.
- **Second,** fiscal resistance has functioned as an accountability mechanism. The 2024 Bill was withdrawn, and the 2026 Bill omits the most regressive consumption measures because Parliament is now drafting defensively.
- **Third,** tax incidence remains decisive. Even where expenditure is defensible, regressive measures impose immediate welfare costs while the benefits, if they arrive at all, arrive later and unevenly.

The analysis that follows traces how Finance Bill 2026 interacts with the FY 2026/27 budget envelope, the debt-service burden, and the Central Bank of Kenya's (CBK) easing cycle. It then identifies where accountability actually sits and closes with targeted recommendations for Treasury, Parliament, the Controller of Budget, civic actors, development partners, and the CBK.

The paper's conclusion is clear. Civic pressure on the Finance Bill is rational and, by recent evidence, effective. The problem is not that this pressure exists; it is that it remains too narrowly focused. The same scrutiny now applied to tax clauses must be extended to the budget that allocates, the debt strategy that constrains, and the institutions that audit but too rarely compel consequence.

[1] This is not a value judgment on citizens. A Kenyan household on KSh 25,000 a month that loses KSh 800 to a new excise duty experiences that as a 3.2 percent cut in real purchasing power on day one. What looks 'partial' from the analytical frame is, at the household level, rational triage of constrained attention. The streets are reading what affects the household this month, and the reading is correct on its own terms.

1. Framing the Kenyan Fiscal Question.

Kenya's fiscal debate has settled into a pattern that is now politically familiar and economically costly.

The premise of the resistance is simple: more taxes make life more expensive. The premise of the state is just as simple: less revenue means less room to fund services and meet debt obligations[2]. Both sides are speaking past one another because they are not, in fact, arguing about the same thing. The civic side focuses on price. The fiscal side focuses on quantity. What neither side fully engages is the production function that links revenue to outcomes.

A sharper version of the state's argument is common in policy circles: resistance to revenue collection misreads the macroeconomic identity. If revenue is collected and deployed credibly, households can recover the cost through cheaper public goods, a stronger supply side, and better labour-market conditions. On that view, the question is not whether the Bill exists, but whether the spending it supports is credible. Indiscriminate resistance is therefore framed as a category error rather than accountability.

It is a serious argument, partly right, partly wrong. This paper takes it apart, tests it against the Kenyan numbers, and shows where it holds and where it breaks. From there, it relocates the accountability question to where it properly belongs across three fronts rather than one.

2. What Finance Bills Can/not Do.

2.1 The fiscal identity.

Any serious reading of the Finance Bill must begin with the budget identity it cannot escape.

A Finance Bill adjusts the revenue side of that identity; it does not rewrite the spending plan. By the time the Bill arrives, the budget has largely been set through the BPS and the Appropriations process. If the Bill underperforms, expenditure does not disappear; the deficit widens and borrowing fills the gap. The result is higher interest costs and tighter future fiscal space. That is the core mechanism much of the public debate still overlooks.

2.2 Fiscal multipliers in capital-scarce economies.

The argument that government revenue, well spent, produces a net welfare gain rests on the fiscal multiplier. The multiplier measures how much gross domestic product (GDP) rises for each shilling of additional government spending. In high-income economies with abundant public capital, the multiplier on public investment tends to be modest, in the 0.4 to 1.0 range. In low-income economies with thin public capital, the multiplier is larger.

To provide context, Izquierdo et al. (IMF WP 19/289, 2019) find that countries with low initial public capital have public investment multipliers significantly above those of capital-rich economies, with point estimates rising above 1.5 over the medium term. Furceri and Li (IMF WP 17/217, 2017) find that public investment in developing economies raises output, lowers unemployment, and crowds in private investment when implemented at high efficiency. Woldu (2023, The World Economy) finds positive but

[2] The behavioural public economics literature (notably Chetty, Looney and Kroft, 2009) shows that taxpayer responses are sharper to visible taxes than to hidden ones. A 16 percent VAT on bread is unambiguously visible. A long-run productivity gain from a re-paved trunk road is not. The asymmetry is structural, not a sign of civic immaturity.

state-dependent multipliers across Sub-Saharan Africa, with magnitudes sensitive to fiscal stance, exchange rate regime, and democratic governance quality.

Two conditions sit inside these results. First, the spending must be public investment, not recurrent transfers or wage-bill expansion. Second, the public investment management framework must convert spending into capital. Berg et al. (2019, Economica) show that efficiency losses in public investment management can collapse the multiplier to near zero. The theory is conditional, not automatic.

2.3 Crowding-in and crowding-out.

Public investment lifts private investment when it makes the unit economics of doing business easier. Better roads, cheaper power, more reliable courts are but a few proxy indicators. The private sector then enters where it was previously priced out. Public investment crowds out private investment when it absorbs scarce savings, raises domestic interest rates, and competes with the private sector for the same capital pool. Which effect dominates depends on the financing mix, the productivity of the public asset, and how sensitive private investment is to public capital.

In Kenya today, the domestic financing share of the deficit is large. Treasury bonds account for roughly 84 percent of domestic securities, with the bond-to-bill ratio sitting near 84:16 (National Treasury, Medium-Term Debt Management Strategy (MTDS) 2026). Banks hold KSh 2.36 trillion of domestic debt, equivalent to about 34 percent of the domestic stock (CBK, Monthly Economic Indicators, April 2026). The sovereign-bank link is tight. Every additional shilling of domestic borrowing raises the opportunity cost banks face when pricing private credit. This is the crowding-out channel in plain numbers.

2.4 What the theory tells us.

Taken together, the theory does not determine whether a Finance Bill merits support. It tells us what must be assessed first. Expenditure composition matters, not just the total. The marginal shilling collected either flows to public investment with a credible delivery chain or to debt service and recurrent obligations. The financing mix either supports or strangles private credit. And the public investment management efficiency frontier is either credible, or it is not. The Finance Bill sits downstream of all four assessments.

3. Kenya's Fiscal Position in FY 2026/27.

3.1 The envelope.

Set against the theory, the Kenyan numbers sharpen the central problem considerably.

Top sectoral allocations for FY 2026/27 are education at KSh 658.5 billion (15.7 percent of the national budget), national security at KSh 373.8 billion, health at KSh 235.2 billion, and agriculture at KSh 196.4 billion. County equitable share rises to KSh 405.069 billion. The Office of the Auditor-General receives KSh 9.03 billion. Public participation initiatives receive KSh 4 billion.

3.2 The numbers behind the deficit.

Indicator (FY 2026/27 projection)	Value
Total expenditure	KSh 4.18 to 4.64 trillion
Total revenue (incl. A-i-A[3])	KSh 3.59 trillion (17.1% of GDP)
Ordinary revenue growth target	KSh 147 billion increase
Fiscal deficit incl. grants	KSh 866 bn to 1.11 trn (4.6 to 5.3% of GDP)
Domestic financing	KSh 586 billion
External financing	KSh 280 billion
H1 FY 2025/26 revenue shortfall	KSh 115.3 to 152.2 billion below target

Source: National Treasury Draft 2026 Budget Policy Statement (February 2026); Office of the Controller of Budget; Cliffe Dekker Hofmeyr Tax Outlook 2026.

3.3 The debt service constraint.

This is the figure that breaks any simple multiplier argument. The Government of Kenya spent KSh 1.72 trillion servicing debt in FY 2024/25. That was 69 percent of ordinary revenue collected (Office of the Controller of Budget, FY 2024/25 Budget Implementation Review). Under the IMF Debt Sustainability Framework for low-income countries, the debt service-to-revenue threshold ranges from 14 to 23 percent, depending on a country's debt-carrying capacity rating. Kenya runs at roughly three to four times the upper bound of that range[4].

Total public and publicly guaranteed debt crossed KSh 13 trillion in May 2026. Domestic debt stood at KSh 7.24 trillion as of 15 May 2026 per Central Bank of Kenya data. External debt was KSh 5.78 trillion at end-February 2026. The debt-to-GDP ratio reached 69.5 percent in February 2026, narrowing the gap to the 2023 peak of 73.4 percent. The IMF April 2026 Regional Economic Outlook projects the ratio rising to 71.6 percent in 2026 and 72.4 percent in 2027, on fiscal deficits of 6.4 percent of GDP in both years.

The statutory anchor under the Public Finance Management (Amendment) Act 2023 is 55 percent of GDP, due by 2028. The IMF projection for 2027 sits 17 percentage points above the anchor (IMF Regional Economic Outlook, April 2026). The Controller of Budget has formally asked Treasury to develop a roadmap

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[3] Appropriations in Aid.

[4] In household terms, this means that of every KSh 100 the Kenya Revenue Authority collects in ordinary revenue, KSh 69 leaves the consolidated fund to pay bondholders, Kenyan and foreign, before any of it reaches a classroom, a clinic, or a road. The Kenyan taxpayer is, in a meaningful sense, paying down a debt that previous administrations contracted on assumptions that did not hold.

to the 55 percent benchmark by 2029 (Office of the Controller of Budget, Review of the 2025 MTDS, March 2025). The Controller's 2029 target implicitly acknowledges that the statutory 2028 deadline will not be met on the current trajectory.

The implication is straightforward. If the marginal shilling raised by Finance Bill 2026 is absorbed by debt service, the multiplier story fails at the first step. The revenue does not become productive public investment; it becomes debt service. In that setting, the theoretical multiplier is largely beside the point.

3.4 Revenue underperformance.

Ordinary revenue in the first half of FY 2025/26 came in KSh 115.3 billion below target by end-December 2025 (National Treasury BPS, February 2026). Cliffe Dekker Hofmeyr put the full half-year shortfall at KSh 152.2 billion, driven by underperformance in corporate income tax and Pay-As-You-Earn (Cliffe Dekker Hofmeyr Tax Outlook, January 2026). All ordinary revenue categories except import duty missed targets.

The shortfall is structural, not cyclical. Kenya's tax-to-GDP ratio has fallen from 16.2 percent in FY 2016/17 to just above 14 percent in recent years (World Bank Kenya Country Update, December 2024). The tax base has not kept up with nominal GDP growth. The base erosion comes from sectoral exemptions, weak compliance, and an enlarged informal economy. David Ndii, Chairperson of the Council of Economic Advisors, has publicly estimated the revenue gap relative to the structural base at about 8 percent of GDP, with roughly 2.5 million individuals in tax-paying income brackets paying around 2 percent of their potential liability (Ndii, NCBA Economic Forum, November 2025).

3.5 Composition of expenditure.

Capital expenditure has been compressed by the rise in interest and the rigidity of the wage bill. The development budget under-executes year after year. State corporations carry KSh 379.81 billion in pending bills as at June 2024; ministries, departments and agencies carry a further KSh 136.45 billion (Office of the Controller of Budget, September 2024). Counties added KSh 48.9 billion to their pending bills between July 2024 and June 2025 despite receiving full Treasury disbursements (Controller of Budget, September 2025).

Pending bills are a hidden tax on the private sector. They withhold contractor liquidity, ripple through the supply chain, and reduce the productive capacity the public investment story is supposed to build. They also signal a weak public investment management chain. The numbers say the production function from revenue to public asset is leaking at multiple joints.

4. Reading Finance Bill 2026.

4.1 What the Bill proposes.

Read in context, at design, the Finance Bill 2026 is less a standalone tax package than a calibrated response to fiscal constraint and political pressure.

Key proposals include:

- Withholding tax of 5 percent on local card transactions and up to 20 percent on certain non-resident card transactions (KPMG Tax Newsflash, May 2026).
- 16 percent VAT on digital financial services including payment processing, settlement, merchant acquisition, payment gateway, and aggregation services (Bowmans Kenya, May 2026).

- Annual information reporting by Virtual Asset Service Providers to KRA, with provision for automatic exchange of information with foreign jurisdictions.
- Final withholding tax of 30 percent on gross rent paid to non-residents for immovable property in Kenya, and 15 percent for movable property.
- Rental income tax raised from 7.5 percent to 10 percent for residential rental income.
- A presumptive tax on imported second-hand clothing (mitumba) in the range of 1.5 to 5 percent of customs value.
- VAT exemption for goods and services for direct use in Public-Private Partnership infrastructure projects.
- Reinstatement of a tax amnesty on penalties and interest where principal tax is settled by 31 December 2026.
- Removal of statutory protection that prevents KRA from issuing agency notices to taxpayers with active appeals before the Tax Appeals Tribunal or courts.

Notably absent are the PAYE relief measures Treasury had publicly trailed earlier in 2025. Treasury had signalled raising the tax-free threshold from KSh 24,000 to KSh 30,000 and reducing the PAYE rate from 30 to 25 percent for earners between KSh 30,000 and KSh 50,000. Neither made the final Bill (KPMG Tax Newsflash, May 2026; Bowmans Kenya, May 2026). Treasury cites continued revenue pressure[5].

4.2 Who bears the burden.

Look at the incidence map. The card transaction withholding and the digital financial services VAT fall on the part of the economy where Kenya has built genuine global advantage. The mitumba presumptive tax falls on a sector where the lowest-income households source affordable clothing. The rental income increases fall more squarely on property owners and is broadly progressive. The Public-Private Partnership (PPP) VAT exemption is a corporate tax expenditure that subsidises specific deal structures. The amnesty is a one-shot revenue tool that rewards past non-compliance[6].

The Bill's composition has improved since 2024. The most regressive consumption measures are gone. Bread, sanitary towels, motor vehicles, and mobile money transfers do not feature in the 2026 form. The risk has shifted from headline consumer prices to merchant cost structures and the cost of digital financial services. These costs pass through to consumers at a lag. They will not show up in a TikTok-friendly worked example. They will show up in transaction fees, merchant pricing, and informal sector compliance burden.

That shift in composition is itself the political product of resistance. Parliament drafted defensively. As Bowmans Kenya note in their review, the Bill "may partly reflect the Government's intention to ease public concerns about high taxation" ahead of the next general election (Bowmans Kenya, Finance Bill 2026 Review, May 2026). In other words, the street had a measurable feedback effect on policy. That matters for any serious assessment of whether civic resistance functions as an accountability mechanism, and we return to it in Section 9.

[5] Strangely, the President has made a roadside declaration that these must go into the bill. The economists and the anchor theories on further leaks on the own revenues fall flat. The country is on zombie mode.

[6] The benefit lag is not a rhetorical device. For a road in the FY 2026/27 development budget, a household supplying labour to its construction may see income within six months. A household using the road to lower its transport cost typically sees that gain in years two to four after commissioning. The household that pays the funding tax sees the cost on day one of the financial year. The intertemporal mismatch is the welfare problem the multiplier story underweights.

5. The Fiscal–Monetary Nexus.

5.1 The monetary backdrop.

Monetary policy is carrying more of Kenya's stabilisation burden than fiscal policy can now credibly bear.

Headline inflation stood at 4.4 percent in March 2026, in the lower half of the 2.5 to 7.5 percent target band. Core inflation remained at 2.1 percent. Non-core inflation rose to 10.8 percent on higher food prices (CBK, April 2026). The shilling held broadly stable. CBK foreign exchange reserves were USD 12.46 billion in February 2026, equivalent to 5.37 months of import cover.

The MPC also narrowed the interest rate corridor around the CBR from plus or minus 75 basis points to plus or minus 50 basis points and moved to full implementation of the Risk-Based Credit Pricing Model in March 2026. The goal is to tighten the transmission from policy rate to commercial bank lending rates. Commercial bank average lending stood at 14.7 percent in March 2026, down from 17.2 percent in 2024.

5.2 The fiscal-monetary interaction.

The monetary implication is equally important. With the deficit still wide and debt service consuming 69 percent of ordinary revenue, fiscal policy has little room to stabilise growth. The CBK has therefore carried more of the burden, using lower rates to support private credit and cushion demand. Yet transmission remains constrained by the state's continued call on domestic financing.

But the monetary channel is partially blocked by the sovereign-bank link. Banks earn a near-risk-free nominal yield on Treasury bonds of between 13 and 16 percent. Lending to a small or medium enterprise at 14.7 percent, with credit risk attached, is the worse trade. The bank takes the bond[7]. Lower CBR closes part of the gap but not all of it. Risk-Based Credit Pricing helps at the margin. The deeper issue is the size of domestic borrowing demanded by the deficit.

This is the operative link between the Finance Bill and monetary policy. Every shilling not collected must be borrowed. Every additional shilling borrowed domestically raises the hurdle rate for private credit or pushes the maturity profile further out. The result is familiar: the private sector complains of expensive credit, the CBK points to weaker transmission, and the fiscal deficit sits in the middle.

On the external side, the February 2026 dual-tranche Eurobond issuance of USD 2.25 billion added KSh 290.21 billion to the external debt stock in a single month (National Treasury, Monthly Debt Bulletin, February 2026). External borrowing eases domestic crowding-out but raises currency risk and external debt service. The IMF programme expired in April 2025 without a successor agreement. The IMF has urged Kenya to reclassify roughly USD 2.6 billion in securitised revenue streams as public debt, a move that would add about three percentage points to the reported debt stock (IMF, Data Quality Assessment of Kenya's Public Sector Debt Statistics, 2026). KRA Chairman Ndiritu Mureithi has publicly pushed back on

[7] This is also why the SME owner walks out of the bank with a quoted lending rate near 15 percent while the CBR is 8.75 percent. The bank is not unwilling to lend. The bank is comparing the SME loan, at credit risk, to a Treasury bond paying a similar real yield with no credit risk. The fiscal deficit is sitting between the borrower and the credit they need. This is the arithmetic, not a moral failing of the banking sector.

the IMF's prudential rules, arguing they should not be applied dogmatically (Kenya Revenue Authority, Chairman's address, October 2025).

The composite picture is fiscal dominance with monetary accommodation. Monetary policy is doing what it can within the constraints fiscal policy has set. The Finance Bill is the instrument that determines how tight those constraints will be in FY 2026/27.

6. Why Kenya Is Not a Typical Fiscal Case.

Kenya’s case is unusually sharp because several fiscal and political stressors are now reinforcing one another at once.

- Debt service at 69 percent of ordinary revenue. This is several times above the IMF Debt Sustainability Framework thresholds for low-income countries (14 to 23 percent depending on debt-carrying capacity) and structurally higher than most Sub-Saharan African peers. It compresses the fiscal multiplier story before it begins.
- Tax-to-GDP near 14 percent with a structural revenue gap estimated at around 8 percent of GDP (Ndii, 2025). The base is narrow. Formal sector employees and large corporates carry a disproportionate share. The informal sector, which generates a large slice of GDP, is under-taxed.
- A youth bulge. More than 75 percent of Kenyans are under 35. Youth unemployment is elevated. The digital and mobile money economy in which young people transact is precisely where the 2026 Bill concentrates new tax measures. Tax-and-mobilise dynamics are unusually fast in Kenya because the median citizen is online.
- Active civic infrastructure. X Spaces, TikTok explainers, and Gen Z networks decode the Bill clause by clause within hours of publication. This has no equivalent in most fiscal contexts globally. It is a real-time policy review apparatus that operates outside the formal public participation channel.
- An IMF programme lapse without a successor. Kenya is between programmes. There is no Fund-anchored fiscal consolidation framework setting external discipline. The Treasury is improvising. The KRA Chairman has publicly questioned IMF prudential benchmarks. This is unusual for an economy with Kenya's debt metrics.

These features make Kenya a distinctive case. The Finance Bill is not merely a schedule of tax changes; it is the visible edge of a wider social contract under strain; between a state managing debt, households facing weaker real incomes, and a digitally connected public that now audits fiscal choices in real time.

In Kenya, political economy is not adjacent to the macroeconomics. It is part of it.

7. Where the Critique of Resistance Holds.

The technocratic critique is not wrong in principle; it is wrong in application.

First, the fiscal multiplier argument is real. If Kenya could deliver the FY 2026/27 development budget at high efficiency, the public capital stock would rise, transport and energy costs would fall, and private investment would face better unit economics. The IMF working paper evidence supports this. The Africa-specific evidence in Woldu (2023) supports it conditionally. The theory is not in dispute.

Second, indiscriminate resistance to every revenue measure is destructive in the long run. If every Finance Bill is contested as a category, the deficit grows, debt service rises, the sovereign-bank link tightens, and the very development budget that civic actors say they want gets crowded out. A society cannot demand more public goods while refusing to fund any of them. The fiscal arithmetic is unforgiving.

Third, the accountability question is not best answered by a single-clause veto in the public square. The clauses matter. They are not the centre of gravity. The centre is the expenditure plan, the procurement chain, and the audit closure rate. The Finance Bill is a downstream event in a longer chain.

8. Where the Critique Fails.

Once tested against Kenya's numbers and institutional record, the critique begins to break at every key assumption.

8.1 The expenditure composition assumption.

The argument requires that government collect revenue and use it to fund productive public investment that lowers consumption prices or raises supply-side capacity. In Kenya, the marginal shilling collected does not flow to public investment. It flows to debt service. With debt service at 69 percent of ordinary revenue and the development budget chronically under-executing, the multiplier story stalls at the consolidated fund. A public-investment multiplier cannot run on a fiscal stance that is functionally a debt-management operation.

Until the debt service ratio falls toward the 14 to 23 percent range applied under the IMF Debt Sustainability Framework, or revenue rises sharply, the case for absorbing revenue resistance on multiplier grounds is weaker than it looks. The arithmetic does not deliver the multiplier.

8.2 The accountability mechanism assumption.

The strongest version of the critique claims that fiscal resistance "cannot rally a competent accountability card on the leadership." This is an empirical claim. The Kenyan evidence runs the other way. The 2024 Finance Bill was withdrawn after street protest. The 2025 Finance Act dropped most regressive consumption measures. The 2026 Finance Bill is the softest of the cycle[8]. Bowmans Kenya note in their published review that the Bill "may partly reflect the Government's intention to ease public concerns about high taxation" ahead of next year's general election (Bowmans Kenya, Finance Bill 2026 Review, May 2026). Treasury and Parliament are also consulting through public barazas, a procedural shift that did not exist in the 2023 or 2024 cycles.

Whatever one's normative view of the resistance, it has shaped legislation. It is one of the few accountability mechanisms in the Kenyan public-finance cycle that has produced visible behavioural change at the political centre. The Office of the Auditor-General produces strong reports; Parliament does not act on them. The Controller of Budget publishes execution data; Treasury continues with supplementary estimates. The Public Investment Committee produces follow-up reports; recovery rates

[8]There is a moral dimension the economic frame does not capture. The June 2024 events cost lives. Whatever one concludes on the welfare arithmetic of the Finance Bill, the political cost of fiscal extraction in Kenya is now denominated, partly, in those lives. This shapes the price the political centre will pay before conceding, and the moral weight a citizen carries into the next public participation submission.

on disallowed expenditure are low. The street has been more effective at moving the dial than any of the formal accountability institutions in the same window.

This does not endorse the method as ideal. It does establish two things. First, the diagnosis is sound: civic actors have located the only pressure point that currently produces a response. Second, until the upstream and downstream accountability institutions bite, resistance to extraction is the only working lever Kenyan civic actors hold. Asking them to put it down before a replacement lever works is asking them to disarm.

8.3 The tax incidence assumption.

Even if a Finance Bill funds high-multiplier public investment, the incidence on the household is immediate, and the benefit arrives at a lag. A VAT on bread imposes welfare loss in week one. A road that lowers transport costs delivers the benefit in year three at the earliest. For a household at the poverty line, this is not a wash. It is a liquidity crisis. The technocratic framing treats incidence and benefit as if they net to zero. They do not net at the household level on a quarterly horizon. They might net in expectation, over decades, in aggregate. That is a different welfare calculation.

This is why composition matters as much as totals. A progressive Finance Bill that taxes capital gains, rental income, luxury consumption, and digital rents while protecting essential consumption can both raise revenue and reduce political friction. A regressive Bill that taxes basic consumption to fund the same envelope produces the same headline number with much higher political and welfare costs. The Finance Bill 2026 has moved in this direction since 2024. The movement is partial.

8.4 The credible commitment assumption.

The implicit argument is: trust us, we will spend it well. Public finance theory requires a credible commitment device for this argument to hold. Levi (1988) and Brautigam et al. (2008) both develop the point. Tax compliance follows credibility. Where citizens cannot verify that revenue is converted to services, they discount future benefits sharply. Resistance to extraction is, in their framework, a rational response to a missing commitment device[9].

Kenya's credible commitment device for FY 2026/27 expenditure is weak. The Auditor-General reports persistent unverified expenditure across counties and the national government. Pending bills accumulate despite full disbursements. Supplementary estimates re-open the budget after Parliament has approved it. Procurement scandals are routine. Until a credible commitment mechanism is built, the burden of proof sits on the government, not on the citizen.

The argument asks citizens to trust the production function before the production function has been demonstrated. That is not unreasonable to ask of citizens in principle. It is unreasonable to ask of citizens given the recent record.

[9]The Office of the Auditor-General's recent reports carry adverse opinions across multiple national and county entities. The Public Accounts Committee follow-up rate on adverse findings sits below 30 percent. Until a finding produces a consequence, the implicit promise of 'we will spend it well' has no enforcement mechanism. Citizens are not rejecting the promise. They are observing the absence of its enforcement.

9. The Accountability Frontier.

The core accountability question is not whether the Finance Bill should be contested, but where else scrutiny must now be applied.

Upstream

- The Budget Policy Statement, tabled in February of each year. This sets sector ceilings three to four months before the Finance Bill. Public participation on the BPS is thin. This is where civic pressure produces the most leverage per unit of effort.
- The Medium-Term Expenditure Framework. This locks in three-year ceilings. Any meaningful shift in priorities has to happen here, not in June.
- The Medium-Term Debt Strategy. This sets the borrowing envelope, the maturity mix, and the foreign-domestic split. The Controller of Budget has formally asked Treasury to produce a roadmap to the 55 percent debt anchor by 2029 (Office of the Controller of Budget, March 2025). The strategy has not yet delivered one.
- The Annual Estimates and the Appropriations Bill. The Annual Estimates are submitted to Parliament by 30 April, roughly two months before the Finance Bill is enacted. By the time the Appropriations Bill is passed, the Finance Bill is mostly arithmetic. Civic groups that contest the Finance Bill should be contesting the Annual Estimates and the Appropriations Bill earlier in the same cycle.

Downstream

- Quarterly budget execution reports from the Controller of Budget. These show where expenditure is going and where it is being under-executed. They are public. They are under-used in civic discourse.
- Auditor-General reports. The Office produces serious work. The follow-up rate on adverse findings is weak. Civic pressure on Parliamentary Accounts Committees would produce more accountability than pressure on tax clauses.
- Procurement and pending bills. State corporations carry KSh 379.81 billion in pending bills (Controller of Budget, September 2024). Counties added KSh 48.9 billion in a single year. This is where revenue is being spent without producing outputs. It is the cleanest accountability target available.

The practical implication is not to abandon the Finance Bill contest, but to widen it. Extending civic scrutiny to the BPS, the Appropriations Bill, quarterly execution reports, and audit follow-up would materially expand the accountability surface. The Bill remains necessary; it is simply not sufficient.

10. Extending the Pressure.

The question now is not whether civic pressure works, but whether it can be widened into a more complete accountability strategy.

Kenya has a set of formal accountability institutions that publish without consequence. They have constitutional and statutory mandates. They produce credible work. They are not enforced. The political price of their being ignored sits at zero. Four examples define the gap.

The Auditor-General publishes; Parliament does not act.

The Office of the Auditor-General publishes adverse opinions on multiple national government entities and the majority of county governments each year. The findings document tens of billions of shillings in unverified expenditure (Office of the Auditor-General, 2024). The Public Accounts Committee receives those findings. Closure rates on adverse findings are widely reported to be low, with multiple reports going years without parliamentary action. The reports are public. The enforcement is missing. There has been no organised, sustained civic campaign demanding that the Public Accounts Committee close a single named adverse finding from the 2022/23 or 2023/24 reports. There has been one almost every year demanding the deletion of a Finance Bill clause.

The Controller of Budget publishes; Treasury does not respond.

The Office of the Controller of Budget publishes quarterly execution data showing where money was spent, where it was under-spent, and where pending bills accumulated. The data is granular. State corporations carry KSh 379.81 billion in pending bills as at June 2024. Ministries, departments and agencies carry a further KSh 136.45 billion. Counties added KSh 48.9 billion to their pending bills between July 2024 and June 2025 despite receiving full Treasury disbursements (Controller of Budget, September 2024 and 2025). The Controller of Budget has formally asked Treasury to develop a roadmap to the 55 percent debt anchor by 2029 (Controller of Budget, March 2025). Treasury has not delivered the roadmap. The institutional ask has produced no institutional response.

Public participation runs at two speeds.

The same Kenyans who decode Finance Bill clauses within hours of publication have largely not read the Budget Policy Statement that pre-determined those clauses three to four months earlier. This is not a failure of civic capacity. It is a failure of civic targeting. The Bill is in the calendar. The BPS is not. Statutory public participation requirements on the BPS are weaker than those on the Finance Bill. The participation that does occur is largely a formality. The downstream public participation infrastructure that produced the 2024 outcome has not been extended upstream to the BPS, where the substantive decisions are made.

Supplementary Estimates undo the budget Parliament passed.

Supplementary Estimates routinely re-open the budget after Parliament has approved it. Although Parliamentary approval is required under the Public Finance Management Act, there is no statutory ceiling on the scale of supplementaries, no statutory frequency limit, and significantly weaker public participation requirements than apply to the original Estimates or the Finance Bill. Supplementaries have become the route by which the spending plan civic actors might have contested in May becomes a different plan by September. This is the cleanest example of an accountability gap that has no public political price attached.

10.1 Why this matters for the road rage.

These four institutions are not failing because they lack data, skill, or mandate. They are failing because no political cost has been attached to their inaction. The civic apparatus that imposed a political cost on the 2024 Finance Bill is the only mechanism currently available to impose a comparable cost on the institutions that publish without consequence. The road rage is not the problem. The road rage is the only working accountability mechanism in the system right now.

Pointing it at one target produces a partial outcome. Pointing it at three targets produces a system. The three targets are:

- The Finance Bill: contest regressive measures and protect essential consumption from the consumption tax base.
- The Budget: contest the BPS, the Appropriations Bill, and the Supplementary Estimates that re-open it. Demand that the spending plan citizens fund actually gets delivered.
- The institutions: demand consequence on Auditor-General adverse findings, Treasury response to Controller of Budget asks, and statutory minimums on public participation across the cycle. If these institutions cannot or will not enforce their own findings, civic pressure is the enforcement that remains.

10.2 What concrete pressure looks like.

This is not a call for more protest in the streets. It is a call to extend the same civic infrastructure that decodes a Finance Bill clause by clause so that it can also decode an Auditor-General report finding by finding, a Controller of Budget report line by line, and a BPS sector ceiling by sector ceiling. The technical work is already being done by the institutions. The missing piece is the political follow-through.

Three practical steps would move the agenda. First, track a small set of named adverse audit findings and press Parliament for closure. Second, publish a standing public scorecard on Treasury implementation of Controller of Budget recommendations, including the debt-anchor roadmap. Third, subject Supplementary Estimates to the same level of public explanation and scrutiny now applied to the Finance Bill.

None of this replaces the Bill fight. All of it extends it. The institutions that should already be doing the contesting must themselves be contested when they do not contest.

11. Executive Action Agenda.

Priority actions for the National Treasury.

- Publish a credible debt-service path that returns Kenya toward the upper bound of the IMF Debt Sustainability Framework thresholds (23 percent of revenue) by FY 2029/30, and link new revenue measures to clearly reportable public-investment outcomes.
- Restore PAYE relief for earners below KSh 50,000 in the Finance Act 2026; the political and welfare gains outweigh the near-term revenue sacrifice.
- Adopt IMF-consistent debt classification for securitised revenue streams; credibility gains now outweigh the value of opacity.
- Publish the overdue roadmap to the 55 percent debt anchor requested by the Controller of Budget.

Priority actions for Parliament and the Controller of Budget.

- Raise public participation on the Budget Policy Statement to the same level of scrutiny applied to the Finance Bill, including a statutory minimum consultation window.
- Reject Supplementary Estimates that materially reopen the approved budget absent a clearly defined emergency.
- Set and publish a target follow-up rate for adverse Auditor-General findings within a fixed enforcement period.

Priority actions for civic actors and youth networks.

- Sustain scrutiny of the Finance Bill; it remains the only accountability lever that has consistently shifted policy.
- Open a second accountability front on the Budget: the BPS, the Appropriations Bill, and Supplementary Estimates.
- Open a third front on institutions by tracking named audit findings and Treasury responses to Controller of Budget recommendations.
- Build a public investment tracker linking flagship projects to budget allocation, execution, and audit status.

Priority actions for development partners and impact capital.

- Shift technical assistance toward public-investment management and delivery, not revenue mobilisation alone.
- Back civic capacity for upstream budget scrutiny and institutional follow-through, where the marginal accountability return is now higher.

Priority actions for the Central Bank of Kenya.

- Continue improving monetary-policy transmission, while making clear that transmission gains cannot substitute for fiscal consolidation.

12. Conclusion

Finance Bill 2026 is more moderate than its 2024 predecessor, but that moderation was won through public pressure rather than institutional self-correction.

The critique of street resistance is right about one thing: civic pressure has not yet been extended across the full accountability cycle. The Finance Bill is not the wrong target; it is an incomplete one. The consequential decisions are taken earlier in the BPS and can be undone later through Supplementary Estimates and weak audit enforcement. The accountability frontier therefore sits both upstream and downstream of the Bill.

If the technocratic case is to regain credibility, it must first earn public trust. That requires a believable debt trajectory, a transparent public-investment chain, and audit follow-through strong enough to make "we will spend it well" a verifiable claim rather than a recurring promise. Until then, the burden of proof remains with the state.

The practical question, then, is not whether civic pressure should recede. It is where else it should land.

The agenda is straightforward: contest the Bill that extracts, the budget that allocates, and the institutions that are meant to enforce both. Only then does accountability begin to resemble a system rather than an annual confrontation.

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