DECEMBER 8, 2025 OKOA UCHUMI CAMPAIGN CONVENED BY TISA

People's Audit

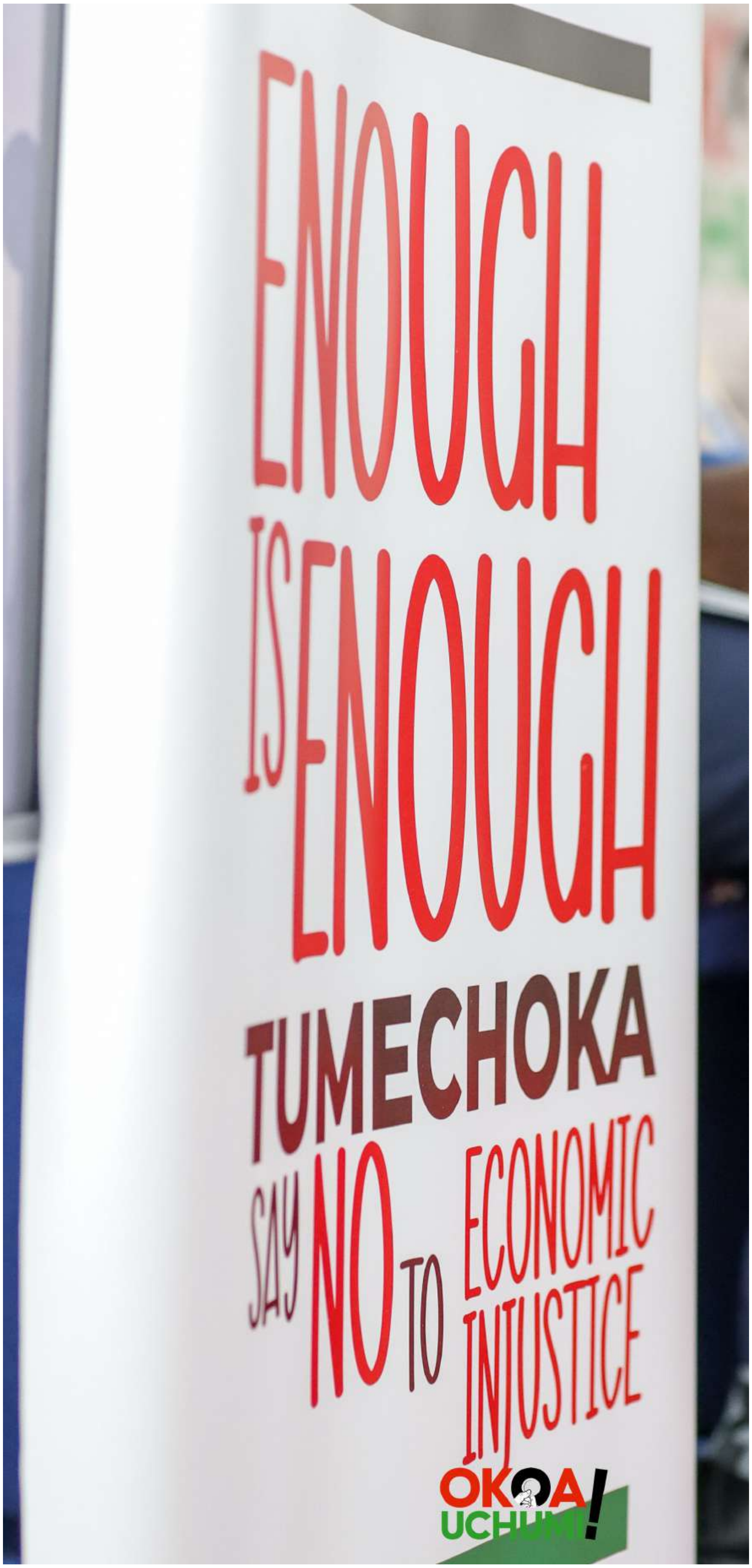
Office of the Citizen

From hustle to hardship

Exposing the Cost of Kenya's Economic Betrayal

List of Acronyms

AfDB	African Development Bank
AML	Anti-Money Laundering
BO	Beneficial Ownership
BRS	Business Registration Service
CBK	Central Bank of Kenya
CBR	Commercial Bank Rate
CoB	Controller of Budget
CoG	Council of Governors
CPA	Centre for Policy Alternatives (Sri Lanka)
CRA	Commission on Revenue Allocation
CSO	Civil Society Organization
CSOs	Civil Society Organizations
DPP	Director of Public Prosecutions
EACC	Ethics and Anti-Corruption Commission
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
FRA	Financial Reporting Authority
GCD	Governance and Corruption Diagnostic
GDP	Gross Domestic Product
GFJC	Governance and Fiscal Justice Council
GOK	Government of Kenya
ICJ–Kenya	International Commission of Jurists – Kenya Section
ICTA	Information and Communication Technology Authority
IEBC	Independent Electoral and Boundaries Commission
IFI	International Financial Institution
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
JSC	Judicial Service Commission
KIPPRA	Kenya Institute for Public Policy Research and Analysis
KNBS	Kenya National Bureau of Statistics
KNCHR	Kenya National Commission on Human Rights
MES	Managed Equipment Services
MoH	Ministry of Health
MP	Member of Parliament
MTEF	Medium-Term Expenditure Framework
NHIF	National Health Insurance Fund
NGCDF	National Government Constituencies Development Fund
OAG	Office of the Auditor-General
OBI	Open Budget Index
ODPP	Office of the Director of Public Prosecutions
OECD	Organisation for Economic Co-operation and Development
OGP	Open Government Partnership
Okoa Uchumi	"Save the Economy" Campaign (Kenyan Civic Coalition)
ORPP	Office of the Registrar of Political Parties
PAC	Public Accounts Committee
PBO	Parliamentary Budget Office
PIC	Public Investments Committee
PPRA	Public Procurement Regulatory Authority
POCAMLA	Proceeds of Crime and Anti-Money Laundering Act
PPP	Public–Private Partnership
SIF	Social Impact Framework
SOEs	State-Owned Enterprises
TISA	The Institute for Social Accountability
TI	Transparency International
TISL	Transparency International Sri Lanka
UNDP	United Nations Development Programme
USD	United States Dollar
WB	World Bank



FOREWORD

The quest for sound public finance is ultimately a struggle for human dignity, constitutionalism, and the rule of law. This shadow Governance and Corruption Diagnostic (GCD) review shows that economic misgovernance is not a technocratic mishap, but a violation of rights characterised by illicit debt, opaque contracting, and elite capture which in turn starves hospitals, schools, counties, and households, all of which make the Constitution's promises ring hollow. Public resources sustain socio-economic rights under Articles 43 and 56, therefore, the GCD is essential for exposing the structures that imperil constitutional aspirations such as social justice, inclusiveness, equality, human rights, non-discrimination, integrity, accountability and sustainable development. It also helps citizens to trace how impunity corrodes institutions meant to protect them and why fidelity to Chapter 6 and Chapter 12 is vital for safeguarding taxpayers.

Further, the GCD reveals how these distortions undermine civil and political rights from access to information and public participation, to electoral integrity and institutional independence. As corruption shrinks civic space and weakens oversight, the foundations of democratic self-government erode.

~Davis Malombe, Kenya Human Rights Commission.

A citizen-driven governance and corruption diagnostic review is important in bringing people to the centre of accountability and ensuring that reforms are grounded in lived experiences. With adequate goodwill and collaboration from government, such diagnostics strengthen trust in institutions, empower citizens, and make governance and anti-corruption strategies more inclusive and sustainable.

~Dennis Omondi, Executive Director, National Democratic Institute

The Governance Diagnostics report is important as a transparency and accountability tool because it spotlights the gaps, systemic ills and challenges within our public finance, debt and governance systems. With an eroding culture of transparency and accountability in Kenya, the needs and lived experiences of the mwananchi -- the real people of Kenya -- are often left out. "True governance means that every shilling borrowed or spent must be accounted for, because when transparency fails, it is the mwananchi who pays twice — first through taxes, and again through lost services and high cost of living."

The diagnostic review provides civil society and citizens with evidence-based data to engage government and other stakeholders in demanding justice, equality, accountability and dignity for taxpayers and communities across the country. It also highlights the high cost of non-compliance with public finance management norms, where weak oversight and mismanagement not only waste resources but also increase the burden on citizens who ultimately bear the consequences. As Christian Aid has consistently affirmed in its work on debt justice, "The debt crisis is not only an economic issue but a justice issue, because unsustainable debt robs current and future generations of the resources they need to live with dignity and hope."

~Janet Ngombalu, Executive Director, Christian Aid- Kenya.

This report is developed in the voice of citizens who experience the effects of weak fiscal governance in their daily lives. It underscores a consistent finding from our work at Bajeti Hub: sound management of public finances has significant potential to improve inclusive service delivery and strengthen trust in public institutions. Prudence in managing public finances holds a great promise for Kenyans. The path forward is clear; the significant opportunity now lies in the rigorous implementation of the findings presented in this report. We have a clearer and deeper understanding of the necessary reforms to improve fiscal governance. What we need is an even stronger commitment towards implementation. Effective implementation can reduce inefficiencies, enhance accountability, and ensure that public resources deliver their intended results.

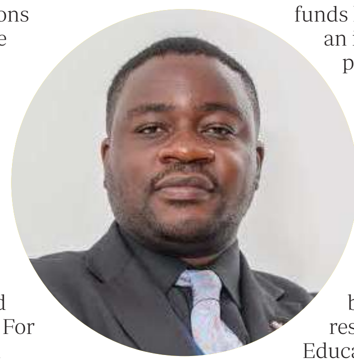
~Dr Abraham Rugo Muriu, Executive Director, Bajeti Hub

This GCD is a first for Kenyan citizens. For too long, our state of governance and corruption has been defined by institutions and persons who either do not experience the effects of bad governance or entrenched and systemic corruption. The perpetrators and their local agents or puppeteers in the Bretton Woods institutions and foreign capitals have been the main actors. The ownership of the emerging narratives has been in doubt as the neo-colonial practices of labeling and pigeonholing has been in vogue. For the first time, Kenyans have said where the shoe pinches and made proposals for remedial action to right the wrongs of economic Machiavellianism and misgovernance. Democracy and freedom can only be realised when there is accountability in governance and resources management.

~Kawive Wambua, Executive Director, INUKA NI SISI

The publication of the People's Audit on Economic Mis-governance comes at a crucial time following the awakening brought about by the people's uprising in June 2024 led by the youth of Kenya. It is incumbent on all civic actors to remain vigilant and support all efforts to hold those in power to account, more so in safeguarding the economic integrity of this country. This report documents how the political class has abandoned the constitutional aspirations of Kenyans for personal short-term political self-interests, leading to costly negative outcomes for the Kenyan economy now and for future generations. The call to action is, therefore, quite clear: for positive change to be realised in Kenya, citizens will have to demand accountability from the leadership and critical oversight institutions to safeguard the integrity of all democratic, governance, and economic processes in Kenya.

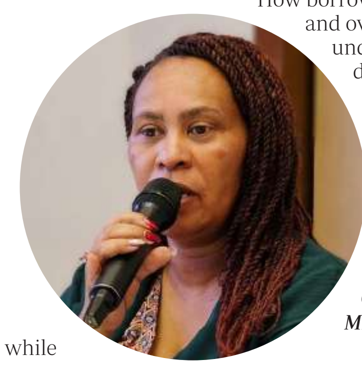
~ Sheila Masinde Executive Director Transparency International Kenya



The Shadow GCD's findings validate how corruption and fiscal misgovernance, from "ghost schools" to the catastrophic rollout of the New Higher Education Funding Model, are eroding education as a public good. Rejecting any cost-shifting measures that burden students while funds leak to corruption, USLA-K demands an immediate moratorium on fee hikes pending an independent forensic audit and the implementation of mandatory e-procurement systems to trace every shilling. We insist on the depoliticisation of university governance and the inclusion of students as co-designers of reform, ensuring that recovered assets are ring-fenced for bursaries and infrastructure to permanently break the cycle of extraction and restoring accountability to the Education sector.

~The Universities Student Leaders Association of Kenya (USLA-K)

This Governance Diagnostic review reaffirms what many Kenyans, especially youth, women, and other special interest groups, have long felt: that the public debt crisis is not a distant macro-economic issue but a lived reality shaping daily struggles for dignity and opportunity. As more resources are channeled to debt servicing, key sectors that sustain vulnerable communities, such as education, healthcare, social protection, water and sanitation, and economic empowerment, are hit even harder, shrinking opportunities and deepening inequality. However, the same groups that bear these impacts remain largely excluded from decisions on how debt is secured, managed, and communicated. This is despite carrying the greatest burden of reduced services and rising living costs. Strengthening accountability across the entire debt cycle is therefore urgent.



The report also highlights the need for greater responsibility from lending institutions, whose loan terms and financing practices must become more transparent, equitable, and citizen-centric. How borrowing decisions are made, disclosed, and overseen will determine whether debt undermines or supports Kenya's development aspirations. We believe this report is a clarion call to reclaim Parliament's central oversight role and to champion reforms that ensure Kenya's public finance system works for its people not against them. We reiterate our commitment to continue advocating fiscal transparency.

Caroline GaitaExecutive Director, Mzalendo Trust

Acknowledgment

The realization of this People's Audit is a profound testament to the collective belief and unwavering dedication of our partners.

We begin by expressing our deepest gratitude to The Institute for Social Accountability (TISA), which conceptualized this People's Audit and thoughtfully planned and guided the process throughout every stage. From design, coordination, and validation to convening partners and leading the compilation, TISA's leadership has been the engine that made this audit possible.

We also acknowledge the contribution of the AFRICOG team, whose early initiation of the writing and foundational input enriched the direction and depth of this work.

Our sincere thanks go to the dedicated members of the Okoa Uchumi Campaign, for serving as the sounding board where this document was tested and refined. Their institutional support, involving rigorous review and editing, was invaluable, strengthening the document's coherence and ensuring it is authentically grounded in the lived realities of the economic justice movement.

We acknowledge the rich discussions and insightful reflections shared by representatives during our validation engagements that have been crucial in shaping the framework and content of this important document – Thank you for the time and effort invested.

We further appreciate the invaluable editorial expertise of Eric Kinaga and Kwamchetsi Makokha, whose sharp edits and timely turnaround enhanced the clarity, precision and impact of this audit.

This People's Audit has been made possible through the generous support of our partners: Ford Foundation, Oxfam Kenya, the National Democratic Institute (NDI), Bajeti Hub, Transparency International Kenya, Open Society Foundation, Hewlett Foundation and the Embassy of Norway in Kenya. Their commitment to transparency, accountability, and economic justice continues to fuel citizen power and democratic oversight.

To every institution and individual who lent their time, their wisdom, and their spirit to this collective achievement — Thank you. Together, we move closer to a Kenya where public resources are governed with integrity and in the service of all.

Diana Gichengo, Executive Director The Institute for Social Accountability and The Convenor of Okoa Uchumi Coalition.

Claiming people's sovereignty in public spending

Office of the Citizen is the logical evolution of years'-long efforts of the Okoa Uchumi Campaign, a citizen-led civil society initiative founded in 2019 to champion transparency and accountability in fiscal governance in Kenya.

The Okoa Uchumi Campaign is a citizen and civil society initiative that has, since 2019, advocated the prudent use of public resources. This was born out of a realisation that by 2019, Kenya was on a precarious path towards a debt trap. Over the years, we have engaged various actors -- including National Treasury officials, the Council of Governors, Members of Parliament, presidential candidates in elections, including President William Ruto, and Kenyan taxpayers. We have realised that the state of Kenya's economy and public finance is not a product of the lack of institutions, laws or even skilled people; it comes from failure of the political class to pledge fidelity to the Constitution of Kenya and put the people first through all public finance processes.

Over the years, we have reiterated that Kenya does not have a revenue problem; it has an expenditure problem, which is well illustrated by state opulence, wastage, and, at times, outright theft of public resources. As such, we know that the story of Kenya's economy is not written in spreadsheets or policy briefs. It is etched in the struggles of citizens crushed by debt, rising taxes, stolen resources, and a political system that has betrayed its people. This People's Audit of economic misgovernance is our act of resistance and truth-telling in the face of state capture and impunity.

We write at a moment when international institutions such as the International Monetary Fund and the World Bank are scrutinising Kenya's governance through diagnostic and public finance reviews. These exercises may be necessary, but they are incomplete. They cannot capture the cries of Kenyans in the streets during the protests of 2024 and 2025; the defiance voiced in public participation forums since 2023 on budgets and revenue-raising, or the silent anguish of families whose dignity is daily eroded by economic misrule. No one understands Kenya like its citizens, and it is their voices and pain that guide this audit.

The betrayal is apparent. We have a political class that has defiled the Constitution and turned state power into a tool of extraction. We have a Parliament that has abdicated its duty of oversight and representation, choosing instead to rubber-stamp impunity. We have an Executive and a Legislature that collude to bully oversight institutions, muzzle dissent, and erode the checks and balances that protect democracy. What we face is not mere mismanagement, but a deliberate system of plunder.

Okoa Uchumi has long engaged with Kenya's public finance institutions, including the Treasury, Parliament, the Office of the Controller of Budget, and the Office of the Auditor General, as well as with international lenders such as the IMF and World Bank. Kenya's IMF engagement since 2021 reflects the deep tension between fiscal stabilisation and social justice. The programme was intended to restore debt sustainability through fiscal consolidation; however, reforms such as tax increases, subsidy cuts, and rigid deficit targets have disproportionately harmed ordinary citizens.[1] The absence of a serious **distributional impact analysis** has meant that the poorest women, the youth, and future generations shoulder the heaviest costs, while politically connected elites continue to thrive. This gap highlights a deeper issue: debt sustainability is not only about balancing numbers, but also about governance, transparency, and accountability. Without addressing opaque borrowing practices, politicised fiscal choices, and elite capture -- as the Shadow Governance Diagnostic review highlights -- IMF-backed reforms could entrench fragility and erode public trust rather than foster resilience.[2]

During the fourth review of the IMF programme, we campaigned for its termination, and the programme ultimately collapsed under the weight of unfulfilled targets and failed structural benchmarks. This was not just a technical failure; it was a moral and governance catastrophe, showing the rot at the heart of Kenya's political economy.

This People's Audit is therefore more than an alternative report. It is a declaration that Kenyans will no longer outsource accountability. It is both a mirror that exposes the truth of our captured state and a map that points to the actions needed for citizens to reclaim their economy and reset their democracy. We write through the lens of current experience, while also highlighting the deep history of structural and endemic systems and a political system that extracts, excludes, and exploits its people by raising taxes and debts, and diminishing the public services accessible to citizens. It is a story of how all factors of production are either captured or obstructed. We aim to develop our own economic model that ultimately brings dignity to our people.

The fight for accountability in Kenya is not technical; it is political. It is not neutral; it is about justice. And it will not be won by reports alone, but by an awakened citizenry determined to end plunder and restore integrity, equity, and hope to our nation. It is a report anchored in Article 1 of the Constitution, which affirms the sovereignty of the people of Kenya, and Article 3 of the Constitution, which mandates every person in Kenya to respect and uphold the Constitution.

We write this report to defend the fundamental rights and freedoms of Kenyans as outlined in Chapter 3 of the Constitution, which are now being violated by the state due to the constricted fiscal space. Additionally, we address the neglect and erosion of Chapter 6 on leadership and integrity, which have contributed to the painful malaise affecting citizens.

Ultimately, we seek to defend Chapter 12 on public finance, which if it were adhered to in both letter and spirit; we would not need austerity or fiscal consolidation, as resources would have been invested in growth.

We seek to enforce the devolved system of governance and the democratic principles, including the separation of powers, so that the constitution becomes our shining armour and fiscal prudence the blood that powers all functions, goods and services in Kenya.

Introduction: Kenya suffocating in the armpits of debt

Kenya's economy is dangling on a cliff. Corruption, lack of transparency and reckless borrowing has created a debt crisis that is choking livelihoods. Over several decades, government officials and their allies have plundered public resources, weakened watchdopg institutions, and saddled citizens with an unmanageable debt. Repaying debt and interest on debt in the 2024/25 financial year alone consumed more than half of all the money the government collected as tax.[3] The result of this is that money that would have been spent on improving lives and development was instead spent on repaying debt.[4].

Kenya's public debt has increased five-fold in the past decade -- rising from KSh2.4 trillion in 2014 to KSh12 .05 trillion in 2025, while the value of goods and services over the same period has grown by under 5 per cent.[5] Much of the debt is from commercial loans, international lenders who pool to lend money to the government, and short-term domestic loans from banks and individuals. Debt service now consumes 56 per cent of ordinary revenue, well above the threshold of what the IMF considers sustainable.[6]

More and more, government borrowing has been to pay for recurrent spending rather than investment. Taxation, on the other hand, continues to crush households already struggling with inflation, unemployment and food insecurity. Citizens bear the cost of government excesses while the state spends as though it is not answerable to anybody.

Public finance reveals whose lives are safeguarded and whose are sacrificed and has therefore become a mirror of power and morality.

Kenya requested the IMF to conduct a Governance and Corruption Diagnostic, with a view to identifying institutional vulnerabilities and proposing reforms. While the IMF's framework is technically rigorous, it is blind to the human cost of fiscal capture. It is unable to register the anger of citizens filling the streets in the 2024–2025 protests against punitive taxation, or the defiance expressed in public participation forums since 2023.[7]

The Okoa Uchumi Campaign, a coalition of over 90 civil society organisations, sought to fill this gap. [8]Through independent research, participatory validation and analysis, it produced this Shadow GCD: a people's audit aligning global governance frameworks with Kenya's lived realities. It demonstrates how systemic theft, elite impunity, and political capture have sabotaged the economy and trapped millions in a cycle of poverty. It further sets out the policy reforms needed to restore constitutionalism and economic dignity.

The audit concludes that Kenya's fiscal crisis is not technical but political. Debt, taxation, and expenditure choices are determined less by economic logic than by power calculations. Public institutions, from Parliament to the Office of the Auditor General, remain hamstrung by budget cuts and executive interference. Oversight mechanisms exist but are undermined through reduced funding, being ignored, or even being subverted.[9]

Kenya's economic future cannot be rebuilt without confronting this moral deficit. Governance, not growth rates, must be the foundation of reform.

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1 Njoki Njehu , the IMF policies are destroying Kenya again , https://jacobin.com/2024/03/imf-kenya-austerity-debt-william-

2 See https://www.theelephant.info/analysis/2025/01/16/debt-and-austerity-the-imfs-legacy-of-structural-violence-in-the-global-south/

3 Institute of Public Finance (2024), Kenya's Public Debt Service for FY 2024/25

4 National Treasury (2025). *Budget Policy Statement, FY 2024/25*

5 National Treasury, *Public Debt Statistical Bulletin 2024*

6 IMF, *Kenya Debt Sustainability Analysis 2024*

7 Kenya National Commission on Human Rights (2024). *Preliminary Report on the Finance Bill Protests.*

8 The Institute for Social Accountability (TISA) (2024). *Okoa Uchumi Partner Statement: Fiscal Justice and Debt Accountability.*

9 Office of the Auditor-General (2024). *Annual Report and Financial Statements 2023/24.* .

Chapter 1: How the forgotten half lives

Each morning, Kenyans wake up to the same bleak arithmetic: hunger in their homes, joblessness among their youth, hospitals without medicine, schools without teachers, and a government that treats dissent as treason. The pattern has now extended into the digital sphere.

Kenya's corruption story is not just about missing billions, complex budgets, or failed institutions. It is about citizens struggling to live with dignity in a country where the state has chosen waste and violence over rights and service. The political class thrives in opulence financed by the same public that endures hunger, over-taxation, and collapsing public systems.

On October 15, 2025, President William Ruto signed the Computer Misuse and Cybercrimes (Amendment) Act, 2024, a law that expands state powers to monitor, block, and take down online content deemed a threat to "national security" or "public order."[10]

Civil society groups and digital rights advocates argue that the changes to the law are a blatant attack on freedom of expression, and seek to give the government unchecked discretion to restrict digital platforms without judicial oversight. The result is a chilling effect on dissent, where criticism of governance is increasingly treated as subversion rather than civic engagement.[11]

The promise of the 2010 Constitution and the guarantee of rights and social justice have become a dream deferred.

1.1 Hunger in the midst of plenty

Despite Kenya having extraordinary untapped agricultural wealth, particularly in the fertile highlands and medium-to-high rainfall zones where the soils and climate are ideal for farming, an estimated 15.5 million Kenyans go a full day without a meal or skip meals for lack of money and hence considered severely food insecure. Over 20 million -- or four in every 10 citizens -- cannot afford basic necessities and are considered to be living below the poverty line. More than 1.8 million people in arid and semi-arid areas are at risk of being deprived of food and are regarded as suffering from acute food insecurity.[12] According to Oxfam Inequality report 2025, the cost of food items has increased by 50% since 2020.

Roughly 18 per cent of the country's land falls within the category of high-to-medium potential, while over 80 per cent is arid and semi-arid (ASAL).[13] With the right investment in irrigation, drought-tolerant crops, and resilient technologies, arid and semi-arid regions could be transformed into engines of food security and rural prosperity.

But instead of unlocking potential, Kenya has been trapped in a cycle of corruption and mismanagement. While billions of shillings have been borrowed to fund irrigation projects, much of the money has been looted, leaving a trail of empty canals, failed schemes and a mountain of public debt. The failure of Kenya's leadership is evident when the country is compared with Egypt, whose land is 96 per cent desert and only 3 per cent arable: Egypt has invested heavily in irrigation technologies and today stands as a major exporter of agricultural produce.[14]

Although the Constitution guarantees every Kenyan freedom from hunger, this right has been repeatedly violated from independence to the present day. Hunger in Kenya is not a result of scarcity but greed. During the Jomo Kenyatta presidency, nearly 500,000 acres of fertile land were irregularly allocated to his family, launching decades of theft, political patronage and scandal. In the 1960s, the Moffat Agricultural Scheme collapsed under the weight of allegations of embezzlement and mismanagement, with senior government officials hoarding maize to create artificial shortages in order to sell food at inflated prices while Kenyan families starved. The successor Daniel arap Moi's regime grabbed over 800,000 acres from indigenous communities like the Ogiek,[15] and the 1970s brought more economic scandal where the Kisumu Molasses Plant swallowed over KSh 14 million, and over KSh5 billion was siphoned off through under-reported exports of coffee. In 2009, Agriculture minister William Ruto -- now Kenya's president narrowly evaded parliamentary censure over KSh 2 billion maize scandal that played out during a drought, where maize from the National Cereals and Produce Board (NCPB) was diverted to private millers to create shortages and inflate prices.[16] Looting irrigation schemes and relief continues to deny vulnerable communities vital sustenance.[17] A recent scandal exposed ghost companies involved in supplying fake fertilisers, with the Auditor General revealing in 2024 that much of the fertilisers supplied in Kenya was substandard, had not been delivered, or was recalled from farmers.[18]

The sheer number of economic scandals over the decades may no longer be in the headlines but their aftershocks continue in the lives of those who live with their consequences. Saddled with billions of debt, denied critical inputs and services, food insecurity and poverty has been forced on Kenyans as if it is a natural inevitability.

Governance Linkage: Kenya's hunger crisis exposes the corruption of fiscal priorities. Funds meant for agricultural transformation are captured by patronage networks, leaving a trail of unproductive debt-financed projects. Hunger is thus a product of fiscal governance failure resulting from budget indiscipline, opaque procurement and capture of the state by powerful individuals.[19]

1.2 Joblessness has set a generation on edge

Youth who poured into the streets during the June 2024 Gen Z protests were not only rejecting additional tax measures but the theft of their future. Tired of the diet of declarations that can never feed them and no longer believe the promises made to them; the youthful population saw the repeated betrayals mean one thing: the government does not see them as citizens to be empowered but only as tools for taxation and votes.

Youth defined in Kenya as those between the ages of 18 and 35 years make up almost 30 per cent of the population.[20] Youth unemployment is approximately 13 per cent, with more than one of every 10 in employment working in informal, low-paying, or part-time jobs. Within the ranks of the jobless are some 1.7 million university graduates, and 39 per cent of unemployed youth have post-secondary education.[21] The desperation of the youth significantly affects their well-being and exposes them to exploitation and harm. Youth have been particularly vulnerable in overseas job opportunities programmes pushed by the Kenya Kwanza government through the President and Cabinet Secretary (CS) for Labour. These opaque deals to export Kenyan labour under the banner of job creation typically invite exploitation, corruption and modern-day slavery.

Few youth employment programmes have proved to be genuine empowerment opportunities from the early days of independence. Training schemes in the 1980-90s collapsed under massive corruption,[22] depriving a generation of skills and opportunities. In 2009, the Grand Coalition Government flagged "Kazi kwa Vijana" as the turning point for the youth, promising to absorb thousands into construction, environmental works, and public service. But within two years, more than KSh4.3 billion had been lost through inflated contracts and ghost workers, sucking in donor funds from the World Bank.[23] Far from restoring hope to restless youth, the programme deepened distrust of government.

Promises by the Uhuru Kenyatta administration that the National Youth Service (NYS) would be a flagship empowerment programme turned into one of the biggest looting schemes of the decade, with KSh 791 million stolen in 2015 and some KSh

10 *State House Kenya*, "President Ruto Assents to the Computer Misuse and Cybercrimes (Amendment) Act, 2024," Press Release, 15 October 2025.

11 Article 19 Eastern Africa (2025, October 18). "Kenya: Cybercrime Law Amendments Pose Grave Threat to Free Expression."

12 Kenya Food Security Steering Group (KFSSG), Kenya: IPC Acute Food Insecurity and Acute Malnutrition Analysis (July 2025 – January 2026).

13 Kenya Ministry of Agriculture, Agricultural Sector Transformation and Growth Strategy (ASTGS) Abridged Version

14 Welthungerhilfe (WHH), Concern Worldwide, and Institute for International Law for Peace and Armed Conflict (IFHV), Global Hunger Index 2024: How Gender Justice Can Advance Climate Resilience and Zero Hunger (Bonn/Berlin/Dublin/Bochum, 2024).

15 Joe Khamisi, Kenya: Looters and Grabbers: *54 years of corruption and plunder by the elite, 1963-2017* (Plano, Texas: Jodey Book Publishers, 2018).

16 Africa Centre for Open Governance (2009), *The Maize Scandal*

17 Office of the Auditor General, *Report of the Auditor General on the Financial Statements of National Cereals and Produce Board for the Year Ended 30 June 2018*

18 Office of the Auditor General, *Auditor General's Summary Report on National Government 2023/2024*

19 World Bank (2023). *Kenya Public Expenditure Review 2023.*

20 According to the most recent Kenya Population Housing Census (2019) and projections from 2022 Demographic and Health Survey, Kenya National Bureau of Statistics. The youth definition notably does not include those age 0-19.

21 The Institute for Social Accountability (TISA), Okoa Uchumi, and AFRICOG, Stealing the Future, 2025

22 Simson, Rebecca. "Patronage or Meritocracy? Public Sector Employment in Postcolonial Kenya, Tanzania, and Uganda." African Economic History Network Working Paper 26 (June 2016), London School of Economics.

23 World Bank (2012). *Project Performance Assessment Report: Kenya Youth Empowerment Program*

9 billion in 2018.[24] Thousands of youth who had been enrolled in the programme were left with nothing but tattered uniforms and broken promises. Senior officials implicated in the scandal, including Anne Waiguru, the current Governor of Kirinyaga, were not successfully prosecuted. Other much- hyped schemes, like the "Kazi kwa Vijana" its reincarnation as "Kazi Mtaani", failed to yield expected results despite attracting initial World Bank funding under the State Department for Housing. The programmes appeared more politically motivated to lasso young Kenyans ahead of the 2022 General Election

More recently, major employment opportunities promised under the Affordable Housing programme have required Kenyan citizens to contribute billions of shillings through deductions from their payslips to build 250,000 housing units annually -- yet fewer than 2,000 units have been completed to date. The levy imposed to support this programme has instead become legalised robbery, with the tax raised from struggling workers used to buy treasury debt instruments: a case of the left-hand lending to the right hand.[25]

Governance Linkage: Youth unemployment is not just a labour market failure; it is a symptom of fiscal misgovernance. Billions of shillings are appropriated for public works but only serve as political slush funds. The result is a transfer of public wealth from the many to the few, deepening generational inequality and eroding trust in institutions.

1.3 Education system stews is a cocktail of confusion

Corruption in the education sector results in parents sacrificing their meagre income on fees that the state should cover. Children walk many kilometres -- some are killed on the roads, others cross rivers with dangerous animals -- to get to schools that lack the most basic facilities. Teachers are forced to work in impossible conditions. Communities watch the brightest minds fail to achieve their potential because of a dysfunctional education system.

According to the Constitution, every person has a right to education, and every child has a right to free, compulsory basic education. Yet, Kenya's education story has been one of reform without transformation. From the colonial system designed to produce obedient labourers, to the successor 7-4-2-5 system that excluded most learners, followed by the 8-4-4 system with its heavy and competitive workload, every shift of direction has failed to deliver good, accessible education that equips citizens for the future. The current competency-based education (CBE), rolled out with fanfare in 2017, has been defined by confusion, with poorly-trained teachers, inadequate infrastructure, and heavy costs for parents. While a tiny section of society can afford to send children to Kenya's elite international schools, ordinary families are forced to buy new learning materials for a system that did not involve any public consultation. Instead of preparing children for the future, CBE has proved to be a crushing burden that fuels inequality.

The Auditor General's reports expose the depth of malaise and how corruption has turned public education into a criminal enterprise. Out of 83 sampled schools, 14 'ghost schools'[26] received KSh16.6 billion in capitation funds; six schools that had closed down received KSh 889 million; and capitation amounting to KSh903 million for secondary schools, junior secondary schools and primary schools had not been disbursed for the year 2024.[27]

Social support for learners from vulnerable family backgrounds has been so grossly abused as to no longer serve any useful purpose. The National Government Constituency Development Fund (NGCDF) bursaries, the Presidential Bursary and the County Government Bursary Funds have been turned into a patronage tool for political leaders at all levels of government. For decades, these funds have selected only a small fraction of learners for bursaries, leaving many learners without means at the risk of missing out on education.

The new Higher Education Funding model has thrown university and Technical and Vocational Education and Training into deeper uncertainty. Loans are inaccessible, bursaries delayed, and institutions remain underfunded. Universities operate on debt and have accumulated unsettled pending bills, while unpaid lecturers are constantly on strike. Instead of expanding opportunities, the model has strangled hope and ambition.

The Ministry of Education and National Treasury have acknowledged that Kenya's public universities are grappling with a ballooning debt burden, cash crises, and failed internal management systems coupled with massive political interference. The Cabinet Secretary for the Treasury has proposed the closure and sale of satellite campuses, staff cuts, and restructuring through the New Higher Education Funding Model. [28]The sector struggles, with pay-cuts and unpaid salaries for lecturers and university staff. The Office of the Auditor General has identified 21 public universities that are on the verge of collapse since they cannot meet their recurrent obligations. Infrastructure buildings have stalled; roofs are leaking, laboratories dysfunctional and the lecturer-student ratio low. As a result, a significant number of lecturers seek to leave public universities for private ones, while hundreds of non-teaching staff in institutions such as Moi University and Egerton University have been declared redundant.

Frustration with public tertiary education has spawned schemes that take advantage of and exploit desperate students and their parents. The Uasin Gishu Finland-Canada scholarship scandal of 2019-2022, presided over by Governor Jackson Mandago, robbed parents of millions of shillings after they sold land and borrowed money for their children to study abroad. The money was embezzled, leaving families bankrupt and students stranded. Mandago is now an elected member of the Senate.

Governance Linkage: The education crisis is fiscal and political. Mismanagement of capitation funds and patronage-driven bursary allocations (via NG-CDF) demonstrate that corruption diverts human capital investment into elite patronage. The result is a generation deprived of mobility and a state stripped of capacity to innovate.[29]

1.4 Families are only a disease away from poverty

Corruption decides who lives and who dies in Kenya's health sector. For ordinary Kenyans, decades of corruption in the health sector translates into empty drug shelves, desperately overcrowded hospital wards, and a constant demand for money. Corruption means that health is no longer a right in Kenya but a privilege -- children perish from treatable diseases; and mothers die in childbirth. Millions are deprived of care by out-of-pocket costs that consume nearly a quarter of total health spending.

24 Ethics and Anti-Corruption Commission (2020). *NYS Scandal Investigation Summary.*

25 Parliamentary Budget Office (2024). *Analysis of Affordable Housing Programme and Levy Implementation.*

26 Ghost schools appear in official records and budgets but do not have a physical presence or educational function.

27 Auditor-General's Special Audit Report on Capitation and Infrastructure Grants in Schools Across the Country, July 2025

28 citizen.digital/news/universities-facing-cash-crisis-as-mass-layoffs-closure-of-satellite-campuses-loom-n366904

29 World Bank (2024). *Kenya Human Capital Review.*

Government snacks diet could pay for a million Kenyans' health

The Institute for Social Accountability (TISA) has established that, across government, over KSh17 million a day is spent on drinks and snacks for government offices, as detailed in the Controller of Budget implementation report for the National Government for FY2024/25.

TISA calculates that this daily waste could, over 12 months, pay for full annual health insurance for over 1 million Kenyans.

Aligning budget priorities to socially beneficial spending frees up funds needed to achieve critical social indicators -- like a health fund that is fully financed from general revenue and not from unpopular levies.

Corruption scandals have robbed hospitals and health facilities of resources for decades, depriving communities in remote areas of basic care. This places citizens in a precarious situation where they are one disease away from poverty or death. This crisis is best symbolised by Managed Equipment Services (MES) project, known as 'AfyaGate' in 2015, when the government committed over KSh38 billion to lease medical equipment to the counties -- but left most of the equipment gathering dust in the store rooms because the counties lacked vital infrastructure and trained staff. Kenyans continue to pay for this equipment lease every year.

The Covid-19 pandemic in 2020 exposed the health sector's vulnerability, but it also deepened the pattern of corruption. An audit by the Vaccine Alliance (GAVI) revealed that KSh160 million meant for vaccines had been misappropriated, and a Global Fund audit uncovered KSh63.7 million in fraudulent TB programme spending. The Kenya Medical Supplies Agency (KEMSA) and Covid-19 "billionaires" scandal led to the loss of at least KSh7.8 billion through inflated tenders and fake contracts. While the politically connected suppliers grew rich, patients died due to lack of oxygen and protective gear. Most recently, payments from the newly created Social Health Authority (SHA) have been suspended because of fraudulent claims by over 80 health facilities, and at least 1,000 others are being investigated for receiving payments without providing services. Launched in 2024, SHA has cost the taxpayer over KSh104 billion in system acquisition and installation. This comes in the wake of the 2016 theft of billions of shillings earmarked for free maternity care in the Afya House scandal, and another KSh1 billion looted through 'ghost suppliers' for mobile clinics, abandoning remote communities without basic health care.

In 2018, the high-profile Cuban doctor's programme[30] stirred up controversy for paying Cuban doctors more than double the average salary of their Kenyan counterparts. It drained millions of shillings from the health budget while side-lining local medical specialists. That same year, investigations revealed more than KSh10 billion looted from the National Health Insurance Fund (NHIF) through fraudulent medical claims. Kenyans have learned -- especially after the Covid-19 pandemic -- that when disaster strikes, their leaders see business opportunities as a priority, not saving lives.

Governance Linkage: Corruption in the health sector is not an administrative error. Rather, it is budgetary capture. Each scandal closes fiscal space for essential services, turning health crises into recurring political crimes.[31]

1.5 The true toll of abuse and inhumanity

Human rights violations in Kenya have been written in the blood of citizens. The 2024 protests against the rejected Finance Bill saw the worst crackdown on public assembly in recent history. The Kenya National Commission on Human Rights (KNCHR) reported that more than 200 civilians were killed during protests, over 2,000 were arrested and dozens more were forcibly disappeared.[32] The Missing Voices Coalition documented 159 police-related killings and disappearances in 2024, consisting of 104 extrajudicial killings and 55 enforced disappearances. CIVICUS Monitor downgraded Kenya's civic space to 'Repressed' in 2025.[33]

The promise of the 2010 Constitution to protect life, dignity, expression and assembly has been steadily clawed back after citizens fought hard to establish it. In the 1990s, pro-democracy activists were brutally repressed, with dozens killed, tortured, and detained without trial. The contested 2007-2008 election left more than 1,100 dead and hundreds of thousands displaced; justice for victims was buried under elite power-sharing pacts. Since then, every election cycle has been loaded with a grim toll. In 2013 and 2017, security agencies used live bullets, arbitrary arrests, and tear gas to target mostly young people in informal settlements.

The 2022 elections served as a continuation of repression. Instead of protecting citizen rights, the police are an instrument of state violence. The July 7, 2025 (Saba Saba) protests recorded 31 deaths and more than 500 arrests, with at least 38 killed over five days. But despite overwhelming documentation by the Independent Policing Oversight Authority, KNCHR, and civil society, impunity persists. No senior officials have been prosecuted, IPOA has failed to publish its findings from these incidents, and only two cases linked to the killing of protestors[34] have reached the courts. Instead, the president disregarded existing constitutional and legal frameworks and established a compensation panel, which has been stopped by a court injunction.

Governance Linkage: Fiscal capture and political repression are two sides of the same coin. A state that loots public funds feels under pressure to silence dissent. The erosion of civic space therefore serves as a governance indicator, revealing how economic plunder depends on coercion and institutional decay.[35]

1.6 Synthesis: Poverty poor governance are symptoms of a broken state

Across all these lived realities: hunger, joblessness, collapsing education, dying health systems, and human rights violations, the thread is clear: economic suffering in Kenya is simply a governance outcome, not an accident of policy.

Corruption is not merely theft; it is a fiscal system of extraction. Budgets and debt instruments have become tools of political survival rather than public service. Poverty, unemployment and social collapse sit within a single analytical frame: the capture of fiscal policy by elite networks erodes constitutional governance and social equity.[36]

30 Africanews (2023), *Kenya government ends arrangement to swap doctors with Cuba*

31 IMF (2023). *Kenya: Article IV Consultation and Governance Diagnostic Report.*

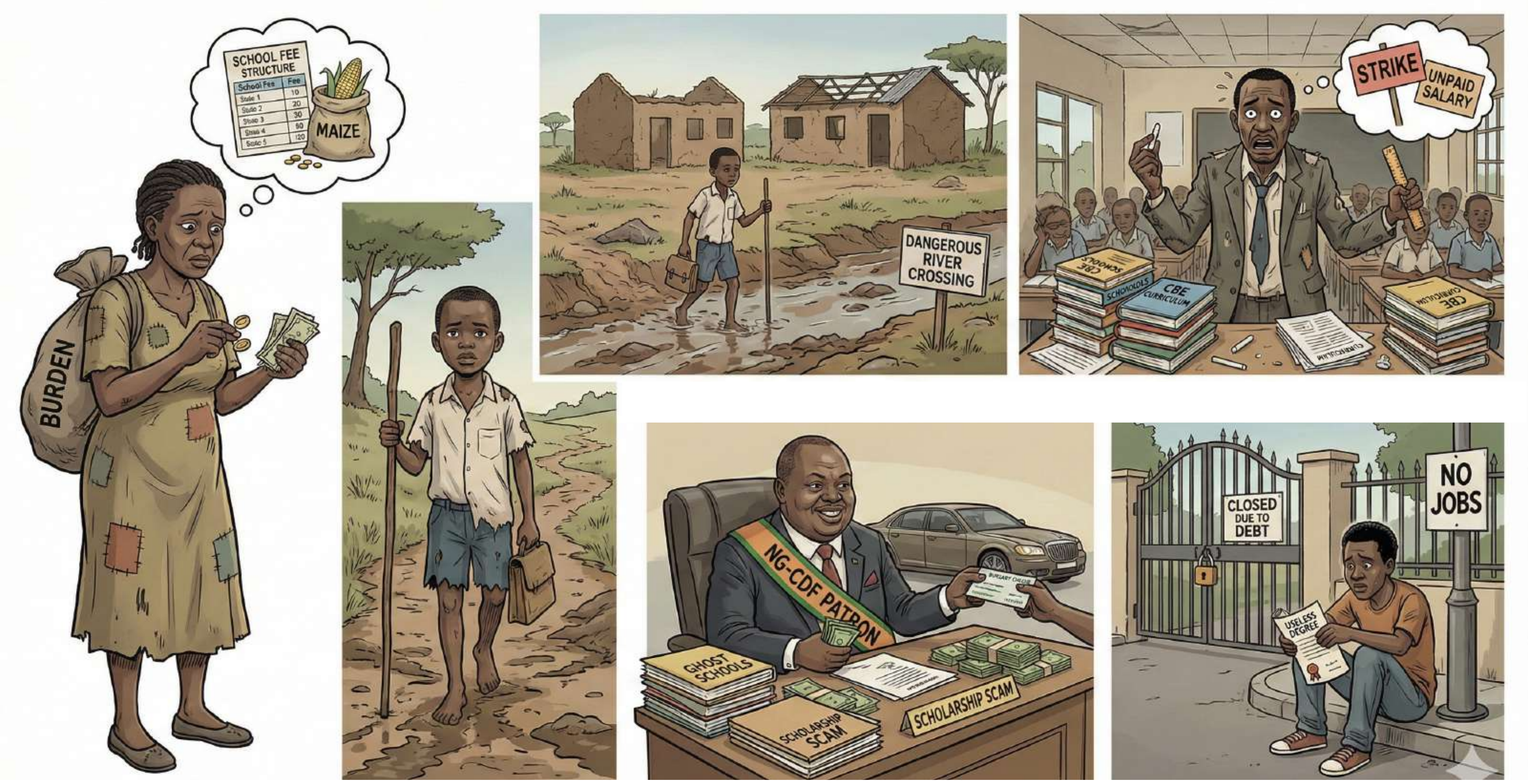
32 Kenya National Commission on Human Rights (2024). *Finance Bill Protests Monitoring Report.*

33 CIVICUS (2025). *Monitor on Kenya — Civic Space Downgrade to Repressed.*

34 Independent Policing Oversight Authority (2025). *Annual Report on Use of Force and Firearms 2024.*

35 Amnesty International (2025). *Kenya: Excessive Force and Fiscal Discontent Report.*

36 IMF (2018). *Framework for Enhanced Engagement on Governance.*

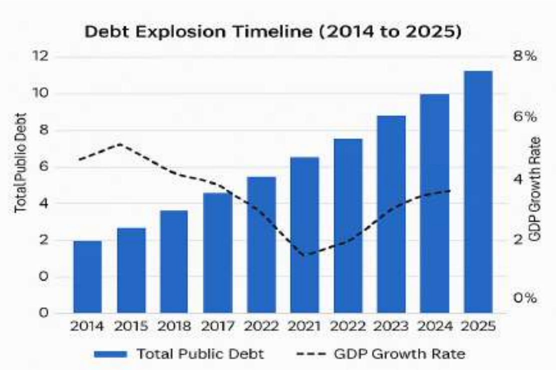


Chapter 2: Where the rain started beating us

2.1 Big numbers hide a decade of plunder

Kenya's macroeconomic performance over the past decade reflects an economy that expanded significantly through public spending but without corresponding structural and institutional transformation. Between 2014 and 2025, total public debt increased from approximately KSh2.4 trillion to about KSh12.05 trillion, a fivefold rise that outpaced both economic growth and revenue mobilisation.[37]

The strategy of infrastructure-led growth produced visible assets such as highways, ports and energy projects, but it also accelerated borrowing and increased fiscal pressure. Average GDP growth during this period was about 4.8 per cent per year, which was insufficient to absorb a rapidly growing labour force or reduce poverty.[38]



Kenya's debt has expanded faster than its economy, signalling persistent fiscal imbalance.

By FY 2024/25, debt service accounted for more than half of ordinary revenue.[39] This severely limited fiscal space for social investment and county allocations. Borrowing, rather than effective revenue reform, became the main source of funding for the budget.

The shift in debt composition has reinforced the country's fiscal vulnerability. Since 2014, Kenya has moved from low-interest concessional loans to commercial Eurobonds, syndicated bank facilities and high-yield domestic securities.[40] These instruments carry higher interest costs and shorter repayment periods, increasing refinancing risk and weakening fiscal stability.

Bonds and Treasury Bills are now the government's primary source of financing. This market is dominated by commercial banks, pension funds and insurance companies. The minimum investment thresholds lock out most citizens, and the concentration of holdings has created a narrow group of beneficiaries who earn stable interest income from Treasury debt instruments.

By mid-2025, domestic debt represented more than half of the total public debt, and interest payments on domestic borrowing exceeded those on external obligations.[41] The government now spends more on servicing debt owed to local financial institutions than it does on repaying international lenders, reflecting rising domestic interest rates and concentration of ownership.

Share of Domestic Debt Held by Banks and Insurance Companies

Description	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY2023/24
Banks	**1,780,079**	**1,907,566**	**2,083,182**	**2,289,416**	**2,535,232**
Central Bank of Kenya	98,878	87,575	85,141	198,108	170,109
Commercial Banks	1,638,944	1,813,301	2,018,546	2,096,223	2,365,123
Non-Banks	**1,397,447**	**1,789,527**	**2,205,151**	**2,542,696**	**2,875,053**
Insurance Companies	188,959	246,004	309,904	345,796	379,070
Trust & Pension funds	916,454	1,133,453	1,403,175	1,583,455	1,552,456
Other investors	332,671	416,558	472,442	608,678	943,527
Total	**3,177,526**	**3,697,093**	**4,288,333**	**4,832,112**	**5,410,284**
As a Percentage of the Domestic Debt					
Banks	**56.0**	**51.6**	**48.6**	**47.4**	**46.9**
Central Bank of Kenya	3.1	2.4	2.0	4.1	3.1
Commercial Banks	51.6	49.0	47.1	43.4	43.7
Non Banks	44.0	**48.4**	**51.4**	**52.6**	**53.1**
Insurance Companies	5.9	6.7	7.2	7.2	7.0
Trust & Pension funds	28.8	30.7	32.7	32.8	28.7
Other investors	10.5	11.3	11.0	12.6	17.4
Total	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Kenya

This concentration affects credit access and economic inclusion. When commercial banks prefer government securities over private sector lending, credit to small and medium enterprises shrinks, private investment slows and job creation declines. The result is a fiscal structure that supports financial stability for a few while limiting wider participation in economic growth.

Externally, the government has relied increasingly on Eurobond issues and syndicated commercial loans, whose costs have risen with global interest rates. [42]These loans are frequently used for budget support rather than productive investment, creating a cycle of repayment without a corresponding growth in productivity.

By FY 2024/25, the public debt-to-GDP ratio stood at roughly 70 per cent, which is above the sustainability threshold set by Kenya's Public Finance Management Regulations and the IMF's Debt Sustainability Framework for Low-Income Countries.[43] Despite repeated commitments to consolidate debt, weak revenue growth and rigid expenditure obligations result in fiscal deficits -- where the government spends more than it collects in revenues.

For citizens, these fiscal dynamics translate into higher taxes, delayed service delivery and reduced development spending. The overall picture is one of a state managing liquidity rather than building resilience. Addressing this imbalance will require credible fiscal discipline, greater transparency in how government contracts debt and meaningful public participation in fiscal oversight.

2.2 Whom Kenyans owe and the politics of borrowing

Kenya's debt structure has changed significantly in both scale and composition over the past decade. What began as a primarily concessional debt portfolio has evolved into a more complex mix of commercial, bilateral and domestic borrowing instruments. This shift has deepened fiscal risk -- the possibility of government spending deviating from what is budgeted -- and exposed the country to higher interest costs and an unstable exchange rate.[44]

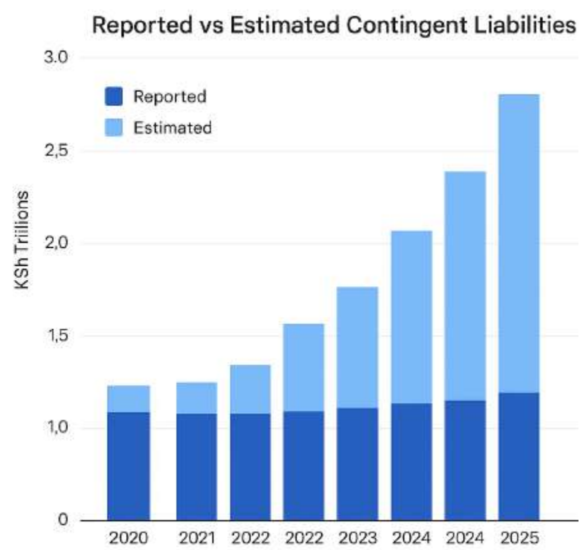
Kenya's debt profile has undergone its most dramatic change in the past decade. Until 2014, the bulk of Kenya's external loans were on concessional terms from lenders such as the World Bank and the African Development Bank. From 2014, the country changed sharply towards the international open loan market by rolling out Eurobond issues and inking syndicated commercial loans. These loans, which were typically dollar denominated, carried interest rates of between 7 and 9 per cent.[45] They offered quick cash but had shorter maturities and higher refinancing obligations, making Kenya more vulnerable to swings in global interest rates and currency movements.

Meanwhile, domestic borrowing continued to climb steadily as the government turned to local markets to cover recurrent spending and persistent budget deficits. By 2025, domestic debt had risen to over half of Kenya's total public debt, reversing the position that had obtained a decade earlier.[46] This borrowing is dominated by Treasury bills and bonds issued through the Central Bank, which are largely purchased by banks, pension funds and insurance companies.

The Central Bank's Public Debt Statistical Bulletin (June 2025) shows that commercial banks hold nearly half of all domestic debt, with pension funds and insurance companies together holding 30 per cent.[47] This concentration creates a narrow creditor base which benefits from predictable interest income, even as the broader economy struggles with limited access to affordable credit.

As banks channel liquidity into government securities, private-sector lending stagnates. Small and medium enterprises face tighter credit conditions, higher lending rates and longer approval times. According to CBK credit surveys, average lending to the private sector grew by less than 6 per cent annually between 2020 and 2025, compared to double-digit growth in the earlier part of the decade.[48] The preference for risk-free Treasury returns reflects a structural distortion where fiscal convenience undermines productive investment.

Lack of comprehensive disclosure in debt contracting and guarantee management are another area of concern. While the Public Finance Management Act requires parliamentary approval for all loans and guarantees, several external borrowings have in recent years been contracted with limited public disclosure of terms and repayment schedules.[49] Guarantees to State-Owned Enterprises and Public–Private Partnerships are not always reflected in the official debt register, creating contingent liabilities that could surface as future fiscal shocks. The Office of the Auditor-General (2024) estimated that such liabilities may total over KSh600 billion, although data remains incomplete.[50]



The lack of transparency in debt management has weakened parliamentary oversight and public participation. Public hearings on new loans are infrequent, and debt audits are rarely published. The absence of an accessible national debt register undermines constitutional provision that guarantees citizens the right to information. Transparency in debt management is therefore not only a governance requirement but a constitutional obligation.

The political economy of borrowing reinforces this lack of transparency. Borrowed funds often support politically visible projects such as roads, dams, stadia and expressways that have high electoral value but limited economic returns. Debt thus becomes both a fiscal and political instrument, allowing governments to demonstrate progress in the short term while putting off repayment obligations. This dynamic creates a cycle of borrowing for visibility rather than productivity, and it shifts the cost of political decision-making onto future taxpayers.

The fiscal implications are clear. Rising interest payments, exchange-rate losses and debt-rollover pressures have crowded out funding for social sectors. In FY 2024/25, interest payments on public debt reached over KSh750 billion, exceeding total development expenditure.[51]Without stronger transparency and accountability in the way public debt is contracted, Kenya risks locking itself into a structural deficit that will choke fiscal room for manoeuvre in the years to come.

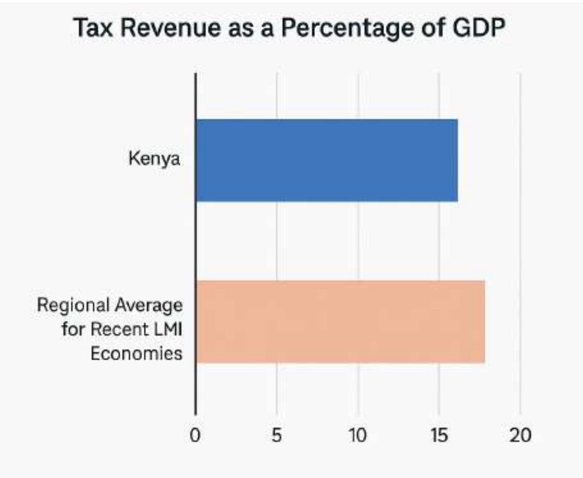
Ultimately, the debt story is not simply about numbers. It reflects choices about whose interests public finance serves. For Kenya to sustain development without threatening fiscal stability, borrowing must be guided by prudence, transparency and measurable public benefit. Parliamentary oversight should be strengthened, debt disclosures made mandatory and citizen participation institutionalised in borrowing decisions.

37 Central Bank of Kenya (CBK), Quarterly Economic Review, Q2 2025. September-2025-Monthly-Bulletin.pdfSeptember-2025-Monthly-Bulletin.pdf
38 Kenya National Bureau of Statistics (KNBS), Economic Survey 2025.
39 Controller of Budget (CoB), National Government Budget Implementation Review Report FY 2024/25.
40 International Monetary Fund (IMF), Kenya: 2025 Article IV Consultation Report.
41 CBK, Public Debt Statistical Bulletin, June 2025
42 CBK and National Treasury, Debt Management Office Summary Data, August 2025.
43 IMF and World Bank, Debt Sustainability Analysis for Low-Income Countries: Kenya 2025 Update.
44 International Monetary Fund (IMF), Kenya: 2025 Article IV Consultation Report.
45 National Treasury, Debt Management Strategy 2025.
46 Central Bank of Kenya (CBK), Public Debt Statistical Bulletin, June 2025.
47 CBK, Quarterly Economic Review, Q2 2025.
48 CBK, Credit Officer Survey Report, June 2025
49 Republic of Kenya, Public Finance Management Act (2012).
50 Office of the Auditor-General (OAG), Consolidated Report on Public Debt and Contingent Liabilities FY 2023/24
51 Controller of Budget (CoB), National Government Budget Implementation Review Report FY 2024/25

2.3 Robbing Peter to pay the fat cats: Revenue performance amidst fiscal decline

Kenya's fiscal position over the past decade has been shaped as much by how revenue is raised as by how it is spent. Despite extensive reform efforts and repeated commitments to expand the tax base, revenue performance has remained largely stagnant, at an average of between 14.5 and 16 per cent of GDP since 2018.[52] The regional average for lower-middle-income economies, at around 15 - 20 per cent, is well below the government's target of 20 per cent.

Stagnation in revenue collection is partly structural. The economy's formal sector, which is the main tax base, accounts for only about 20 per cent of total employment.[53] As a result, tax mobilisation depends heavily on consumption-based taxes such as value-added tax (VAT), excise duties, and levies on fuel and mobile transactions. These sources are relatively easy to collect but highly regressive, meaning they affect lower-income households more severely than high-income earners.



Over the period between 2018 and 2025, VAT and excise duties consistently accounted for more than half of total tax collections, while corporate income tax contributed less than 15 per cent of collections.[54] Meanwhile, personal income tax compliance remains low, especially among high-net-worth individuals and professionals operating in the informal sector. The tax code's complexity and wide array of exemptions also blunt its progressivity, allowing well-connected sectors to sidestep the burden while ordinary taxpayers shoulder more of the load. Tax exemptions, incentives and other preferential treatments cost the government about KSh400 billion each year, according to estimates by the Kenya Revenue Authority (KRA).)[55] These provisions are often justified as necessary to promote investment or encourage industrialisation, but reviews by the National Treasury and the IMF suggest that they do not create as many jobs and or increase productivity as imagined.[56] Instead, they have reduced the tax obligations of large corporations while maintaining high consumption taxes on basic goods and services, thus contributing to structural inequities in the society.

The government has responded to revenue shortfalls by repeatedly introducing new levies and adjusting existing ones. Recent examples include the Housing Levy, the Digital Service Tax, and increases in excise on fuel, alcohol and airtime.[57] While these measures broaden nominal revenue collection, they disproportionately affect wage earners and consumers, widening inequality and contributing to cost-of-living pressures. Further, revenue as a percentage of GDP has been declining as well as the growth rate.

Persistent administrative inefficiencies also undermine performance. KRA's digitalisation drive, including iTax, the Electronic Tax Invoice Management System (eTIMS) and expanded use of mobile payment platforms has improved compliance in certain sectors but faces resistance from small businesses due to complexity and costs.[58] Informal-sector taxation remains politically sensitive, and enforcement is inconsistent across the counties.

The current taxation structure raises questions about fairness and accountability. The Constitution requires that the burden of taxation be shared fairly and that public expenditure promotes equitable development. Yet the current mix of taxes and tax incentives appears to shift the fiscal burden toward those with the least capacity to pay. The result is a growing perception among citizens that fiscal policy operates against them rather than for them. The 2024 Afrobarometer survey found that only 28 per cent of Kenyans believe they receive value for the taxes they pay, while more than 60 per cent describe the tax system as unfair.[59] This erosion of fiscal trust threatens voluntary compliance and undermines the legitimacy of the tax administration system.

To restore fairness and credibility, revenue policy must shift toward equitable broadening rather than intensified extraction. This means closing loopholes and ending exemptions, strengthening wealth and property taxation, and ensuring that any new tax measures are accompanied by visible improvements in service delivery. Fiscal justice cannot be achieved through rates alone; it depends on the social contract between citizens and the state.

2.4 Borrowing to squander: Pending bills and the erosion of budget credibility

Kenya's public spending patterns over the past decade reveal persistent structural imbalances between recurrent and development spending. While budgetary allocations have grown steadily in nominal terms, the quality and composition of expenditure show a widening gap between fiscal ambition and service delivery.

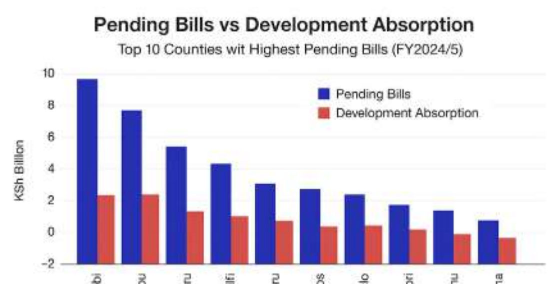
Between 2014 and 2025, FY total government expenditure rose from KSh1.8 trillion to KSh3.9 trillion, but recurrent costs such as salaries, allowances, debt service and administrative expenses continued to absorb the largest share.[60] Recurrent spending exceeds 70 per cent of the national budget, leaving less than 30 per cent a third of the total for development projects.[61]

This composition ensures that there is little fiscal flexibility and weakens the state's ability to respond to shocks or invest in human development. Growth in the wage bill, interest payments and administrative costs have outpaced both GDP and revenue growth, reducing funding for essential sectors such as health, agriculture and infrastructure maintenance.

The Controller of Budget has repeatedly highlighted the gap between approved budgets and actual implementation. In FY 2023/24, for instance, total approved development expenditure stood at KSh715 billion, but only 62 per cent of it was actually disbursed.[62] Delayed disbursements, procurement challenges and political interference continue to hamper project execution.

The misuse of the constitutional provision allowing for emergency expenditure subject to parliamentary approval for routine spending has weakened the credibility of the budget. According to the Controller of Budget, withdrawals under this provision grew from less than KSh2 billion in FY 2014/15 to over KSh140 billion in FY 2022/23, much of it directed toward administrative or politically driven expenses.[63]

At the county level, the situation is equally troubling. Counties face increasing levels of pending bills, delayed exchequer releases and irregular procurement. As of June 2025, total pending bills across national and county governments exceeded KSh560 billion, representing unpaid obligations to suppliers and contractors.[64] Many of these are small and medium enterprises that depend on prompt payment to remain viable.



The Auditor General attributes the build-up of pending bills to poor planning, political interference in procurement and failure to prioritise ongoing projects before launching new ones.[65] In several counties, development funds have been redirected to recurrent expenses or politically visible projects such as administrative buildings and vehicle purchases.

The impact is most visible among citizens and small businesses. Delayed payments reduce liquidity, increase non-performing loans and erode confidence between government and the private sector. The Kenya National Chamber of Commerce and Industry estimates that pending bills have resulted in the closure of hundreds of small firms and job losses exceeding 200,000 over the past five years.[66]

Budget credibility, defined as the degree to which actual spending aligns with approved plans, remains a major weakness in Kenya's public finance system. The World Bank Public Expenditure and Financial Accountability Assessment (2023) rated Kenya poorly on budget reliability and transparency, citing frequent supplementary budgets, reallocation of funds without parliamentary oversight and limited publication of execution data.[67]

These practices undermine public confidence and reduce accountability. Citizens are often unaware of how approved funds are actually spent, and reporting systems rarely track expenditure outcomes at the community level. Although the Public Finance Management Act (2012) requires quarterly financial reports, these are frequently delayed or incomplete and lack non-financial information on what was achieved with the resources spent against targets..

The consequences of weak budget credibility are both economic and democratic. Economically, they distort planning and discourage investment. Politically, they weaken the link between taxation, representation and accountability, which is central to Kenya's fiscal framework under the Constitution.

Restoring budget credibility will require stronger commitment controls, full publication of supplementary budget summaries and prioritisation of ongoing projects before new ones are approved. Public participation during the preparation of supplementary budgets should be adhered to ensure that any proposed changes are ratified by the public. Citizen oversight through public budget forums, social audits and expenditure tracking should be institutionalised and adequately funded.

A credible budget is more than an accounting exercise. It is a reflection of trust between citizens and the state, built on transparency, prudence and fairness. Honouring that trust is essential for both fiscal sustainability and democratic legitimacy.

2.5 How inflation, inequality and debt hurt people

The macroeconomic pressures described in previous sections are reflected in the daily realities of Kenyan households, where the combination of high inflation, stagnant wages and rising taxation has eroded purchasing power and deepened social inequality. Fiscal choices do not only have economic consequences but also have profoundly human impacts.

The effects of rising debt service can be seen in the structure of public spending. As interest obligations and recurrent costs grow, less money is available for education, healthcare, food security and social protection. The World Bank Kenya Economic Update (2025) notes that spending on social sectors has declined as a share of total expenditure since 2020, while allocations to debt service have continued to rise.[68]

The burden of this imbalance falls disproportionately on low and middle income households. Inflation, especially in food, transport and energy, has reduced real incomes and widened inequality. In 2024, overall inflation averaged 7.9 per cent, while food inflation peaked above 11 per cent, driven by global commodity shocks and currency depreciation.[69] For families whose incomes are largely fixed, these pressures translate into reduced access to food, healthcare and schooling.

The removal of subsidies on fuel and basic commodities in 2023, part of the government's fiscal consolidation agenda, further amplified household costs.[70] While these measures sought to reduce the budget deficit, their design did not have sufficient cushion for vulnerable populations. Transport fares, electricity tariffs and the cost of essential goods rose sharply, pushing more households below the poverty line.

At the same time, rising interest rates and heavy government bor-

52 Kenya National Bureau of Statistics (KNBS), Economic Survey 2025.
53 World Bank, Kenya Economic Update, 2025 Edition.
54 Kenya Revenue Authority (KRA), Annual Revenue Performance Report FY 2023/24
55 National Treasury, Tax Expenditure Report 2024
56 International Monetary Fund (IMF), Kenya: 2025 Article IV Consultation Report
57 Republic of Kenya, Finance Act 2024.
58 KRA, Compliance and Digitisation Progress Report 2025.
59 Afrobarometer, Kenya Round 9 Survey Findings, 2024.
60 National Treasury, Budget Policy Statement 2025.
61 Controller of Budget (CoB), National Government Budget Implementation Review Report FY 2024/25.
62 CoB, Annual Budget Implementation Review Report FY 2023/24.
63 CoB, Budget Implementation Review Report FY 2022/23.
64 Office of the Auditor General (OAG), Report on Pending Bills to Suppliers and Contractors FY 2024/25.
65 OAG, County Governments Consolidated Audit Report FY 2023/24.
66 Kenya National Chamber of Commerce and Industry (KNCCI), SME Barometer Report 2025.
67 World Bank, Kenya Public Expenditure and Financial Accountability (PEFA) Assessment 2023
68 World Bank, Kenya Economic Update 2025 Edition.
69 Kenya National Bureau of Statistics (KNBS), Consumer Price Index Statistical Release August 2025.
70 Republic of Kenya, Finance Act, 2023.

rowing have tightened credit conditions for small and medium enterprises. This has slowed job creation, particularly in manufacturing, construction and services, which together employ the majority of urban workers.[71] Youth unemployment remains persistently high at around 13 per cent, with underemployment much higher in rural areas.[72]

The cumulative effect is a growing sense of fiscal fatigue among citizens. The Afrobarometer 2024 survey found that 64 per cent of respondents believe government mismanagement of public funds contributes more to economic hardship than external shocks.[73] Citizens perceive taxation and debt as burdens that sustain the state rather than empower the people.

Fiscal justice, the principle of openness, accountability and equitable sharing of the burden of taxation embedded in Article 201 of the Constitution, is undermined when the majority experience taxation as punitive and public spending as distant or wasteful.

A sustainable fiscal framework must therefore combine prudence with protection. Economic adjustment without social safeguards risks deepening inequality and eroding trust in institutions. Fiscal discipline must be balanced with measures that strengthen resilience, including targeted subsidies for essential goods, expanded social safety nets, and investments in human capital.

The debt challenge also demands ethical reflection. Public debt is a commitment made on behalf of present and future generations. When borrowed resources are diverted, misused or lost through inefficiency, the cost is carried by citizens who have no voice in contracting the obligation. The constitutional promise that public finance will be used in a manner that is "equitable, efficient, transparent and accountable" becomes hollow if the social consequences of fiscal policy are not addressed.

2.6 What debt means for governance and accountability

Kenya's fiscal trajectory over the past decade demonstrates that economic outcomes cannot be separated from the quality of governance. The widening gap between public finance intentions and outcomes points not only to technical inefficiencies but also to deeper problems around institutional discipline, transparency and public participation.

Fiscal management has become highly centralised, with important decisions on borrowing and expenditure concentrated within the National Treasury and the Executive. Parliamentary oversight, though constitutionally mandated, has often been limited to approval of borrowing ceilings after they have been breached rather than proactive scrutiny of debt sustainability or expenditure priorities.[74] The tendency to pass supplementary budgets and invoke Article 223 without adequate justification undermines legislative authority and weakens accountability.

The Auditor General (OAG) and the Controller of Budget (CoB) have been repeatedly highlighting weaknesses in expenditure control, pending bills and irregular procurement. However, the impact of their reports has been constrained by limited follow-through from oversight committees and enforcement agencies.[75] Audit findings often trigger public debate but rarely result in restitution or prosecution, creating a cycle of impunity in fiscal governance.

Public participation, a constitutional requirement under Articles 10 and 201 of the Constitution, remains uneven and largely ceremonial.[76] In many cases, citizens are invited to budget hearings after decisions have already been made, and feedback mechanisms are weak. This deprives the budget process of the legitimacy and local knowledge that citizen input is meant to provide.

The erosion of fiscal credibility has also affected intergovernmental relations. Counties depend heavily on national transfers, yet delays and unpredictability in disbursements undermine local planning and service delivery.[77] When funds arrive late, counties are forced to compress expenditure toward the end of the financial year, compromising efficiency and the quality of outcomes.

The governance implications extend beyond financial management. Persistent fiscal deficits and rising debt create incentives for short-term political decision-making, where public resources are channeled toward visible projects rather than long-term investment in social infrastructure.[78] This pattern risks entrenching a political economy in which access to public funds becomes a means of maintaining political support rather than delivering public value.

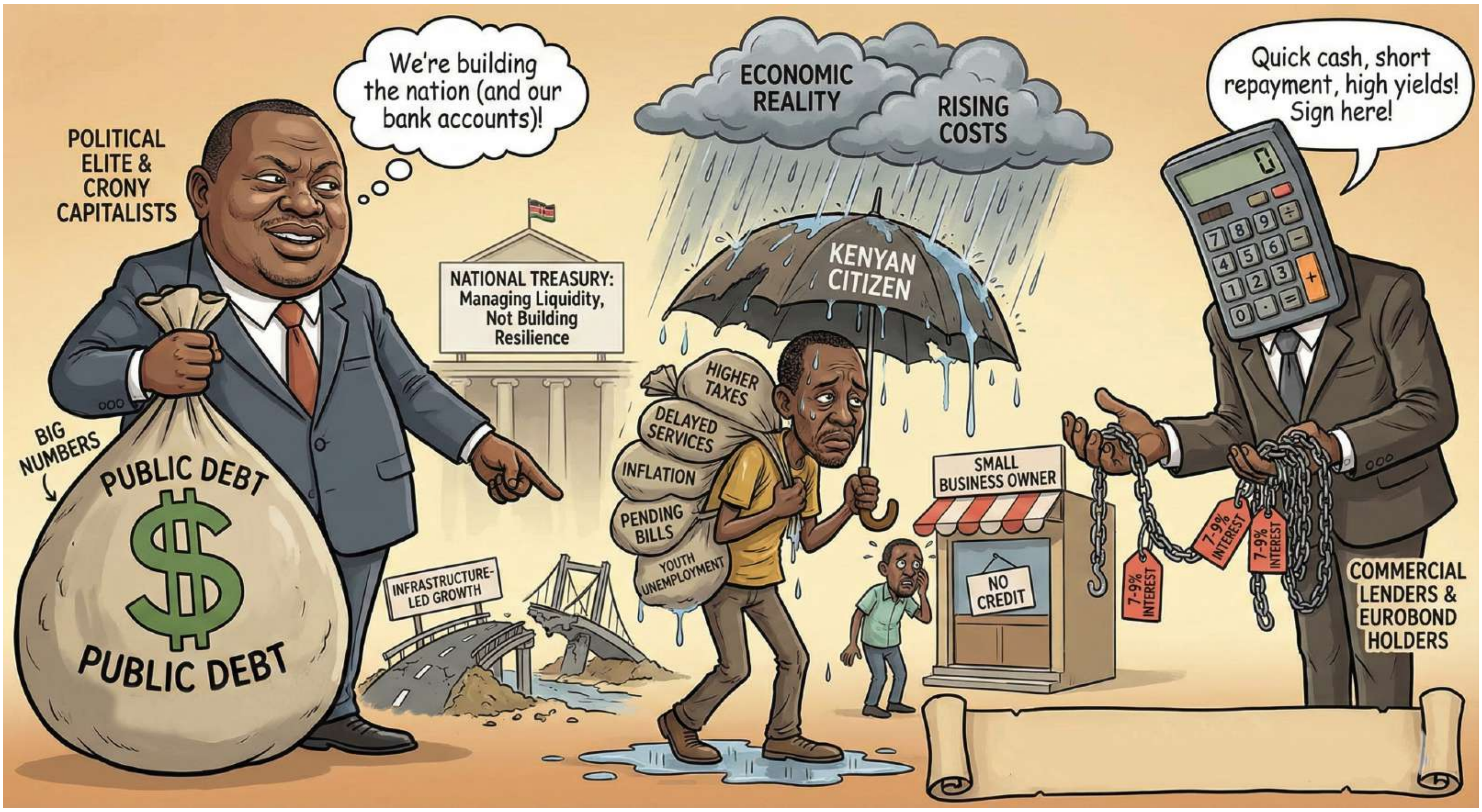
This results in the weakening of public trust in fiscal institutions. When citizens perceive taxation as punitive, debt as not transparent and spending as unproductive, voluntary compliance and civic engagement decline. Fiscal legitimacy cannot be sustained by law alone; it requires credibility built on openness, fairness and shared outcomes.

Strengthening fiscal governance will therefore require both institutional and cultural change. Parliament must exercise genuine independence in approving borrowing and scrutinising expenditures. The National Treasury should publish comprehensive debt and expenditure data in accessible formats. The Auditor General and Controller of Budget need stronger enforcement mechanisms and protection from political interference.

Equally important is rebuilding the link between fiscal policy and citizen welfare. Budget transparency initiatives, participatory audits and accessible reporting can make public finance tangible to citizens. Fiscal accountability must be viewed not as an administrative obligation but as an ethical commitment to equity and stewardship.

Kenya's fiscal story is ultimately a governance story. Sound macroeconomic management depends on institutions that are transparent, accountable and responsive to the public. The lessons of the past decade suggest that restoring fiscal integrity cannot be separated from strengthening constitutionalism. This is the foundation upon which the next chapter, on governance, corruption and the contest for accountability, is built.

71 Central Bank of Kenya (CBK), Quarterly Economic Review Q2 2025.
72 KNBS, Labour Force Survey Report 2025.
73 Afrobarometer, Kenya Round 9 Survey Findings 2024.
74 Republic of Kenya, Public Finance Management Act 2012.
75 Office of the Auditor General (OAG), Consolidated Audit Report FY 2023/24.
76 Controller of Budget (CoB), Public Participation and Budget Transparency Assessment 2024
77 CoB, County Governments Budget Implementation Review Report FY 2024/25
78 National Treasury, Budget Policy Statement 2025.



Chapter 3: A duel between the Constitution and corruption

Economic recovery in Kenya cannot be separated from the health of the country's democracy. A functioning economy demands more than growth indicators; it requires a constitutional order that safeguards accountability, upholds separation of powers, and protects citizens' rights. Without constitutionalism, impunity becomes the currency of governance. Institutions that should enforce transparency and integrity are often captured, meaning that private interests manipulate public authority for personal enrichment. This process diverts resources away from essential services, diminishes public trust, and entrenches inequality. Kenya's recurring fiscal crises — reflected in more than 21 International Monetary Fund (IMF) and World Bank support programs — illustrate how mismanagement that is induced by corruption repeatedly destabilises the economy and undermines reform.[79]

Chapter 3.1: Mimicking the Constitution

The 2010 Constitution of Kenya was conceived as a national covenant against historical patterns of centralised plunder and executive dominance. It aimed to institutionalise integrity, transparency, and accountability in governance by creating a system that dispersed power, and public oversight. Fifteen years later, however, these constitutional ideals have not reached the ground. Fiscal indiscipline, political corruption, and institutional subversion have corroded the democratic foundations that the Constitution sought to secure.[80]

Kenya's political economy operates through what some scholars term as "constitutional mimicry", a system where institutions exist in form but do not function as expected. Statutory procedures, regulatory bodies, and oversight mechanisms are formally maintained but serve extractive rather than protective purposes. This pseudo-constitutional order enables legality without legitimacy, allowing elites to convert public office into private enterprise. The governance crisis is therefore not primarily one of administrative capacity but of political incentives: the system rewards impunity, punishes integrity, and transforms public institutions into vehicles for rent-seeking.[81]

3.1.1 Roots of economic capture in bad governance and impunity

Kenya's economic governance remains trapped in a cycle where fiscal management serves political control rather than public service. The 2010 Constitution envisioned public finance as a moral covenant: that every shilling raised and spent would reflect fairness, prudence and accountability. Fifteen years later, that covenant has been broken more often than it has been honoured. Budgeting and debt management have become instruments through which power is accumulated, accountability is deflected, and public wealth is privately appropriated.

The struggle for economic recovery is therefore impossible to separate from the pushback against impunity. Economic decisions are political acts, and their consequences reach deeply into citizens' daily lives -- from the cost of food to the quality of healthcare, education, and local infrastructure. This section traces how economic capture has taken root within the core institutions of government, and how it continues to erode constitutional democracy.

3.1.2 The anatomy of impunity in economic management

Between FY2013/14 and FY2025/26, Kenya's national budget more than doubled -- rising from KSh 1.6 trillion to approximately KSh 4.2 trillion.[82] Yet the quality of public services has declined or stagnated. The growth in budgets has not translated into the growth of justice or opportunity; it has only expanded the scope for discretion and patronage.

Debt servicing now consumes more than half of government revenue. In FY2023/24, interest and principal repayments soaked up 55.3 per cent of ordinary revenue,[83] nearly double the level a decade earlier. Consequently, less than 15 per cent of the budget went to development expenditure, with education, health and social protection beset by persistent underfunding.[84] Citizens pay higher taxes but see fewer returns.

Since 2018, the Parliamentary Budget Office (PBO) reports that Kenya has produced an average of two supplementary budgets per year.[85] However, FY 2024/25 was an exception due to the rejection of the Finance Bill, 2024: this financial year had three supplementary budgets. Such an occurrence had been observed only in FY 2019/20 where a small third supplementary budget was enacted to respond to Covid-19 emergencies. This points to a decline in budget credibility and increasing misuse of Article 223. Each revision shifts funds away from approved development projects toward politically convenient programmes. In FY2023/24, KSh353 billion was spent by invoking the constitutional provision for emergencies to finance non-urgent presidential and infrastructure initiatives.[86]

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79 World Bank, *Kenya Public Expenditure Review (Edition 27)*; and International Monetary Fund (IMF), *Governance Diagnostic Mission to Kenya*, Press Release No. 25/233

80 Katiba Institute, *Ten Years of Constitutionalism in Kenya: Gains, Gaps and Lessons*

81 The Institute for Social Accountability (TISA), *Okoa Uchumi Governance and Fiscal Capture Diagnostic*; Transparency International Kenya, *Integrity and Governance Index 2024*

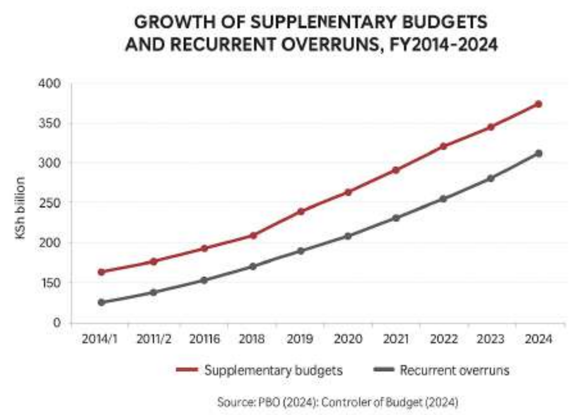
82 National Treasury, Budget Policy Statement FY2024/25

83 Parliamentary Budget Office, Budget Options for FY2024/25 and the Medium-Term Expenditure Framework

84 World Bank, Kenya Economic Update: Balancing Fiscal Consolidation and Service Delivery

85 Parliamentary Budget Office, Budget Review and Outlook Paper 2023

86 Office of the Controller of Budget, National Government Budget Implementation Review Report FY2023/24



The Controller of Budget has documented how the Executive uses the constitution's provision for emergency spending to bypass parliamentary approval, converting an exception into a fiscal norm.[87] In the same year, ministries exceeded spending on their travel and hospitality allocations by up to 150 per cent while development absorption remained at an average of 63 per cent.[88]

The abuse of the constitutional provision for emergencies is not a bureaucratic accident but a deliberate design of impunity. By controlling how and when funds are released, the Executive has obliterated the separation of powers, turning Parliament into a ceremonial budget office. Accountability conversations occur after the money is already gone.

3.1.3 Parliament and the politics of oversight

Parliament holds the ultimate authority over public expenditure according to Article 95 of the Constitution. Yet, in practice, it has surrendered this power to the Executive. Instead of moderating the presidency, the legislature now mirrors it.

A 2024 study by The Institute for Social Accountability (TISA) and the Okoa Uchumi Coalition found that 71 per cent of all budget amendments in the 2023/24 cycle originated from the National Treasury, while less than 15 per cent came from independent legislative analysis.[89] Some supplementary budgets have been approved within a week of being submitted, thus narrowing the constitutional window for public participation.[90]

Parliamentary committees have increasingly treated oversight as a transactional space rather than a constitutional duty. Votes are exchanged for political favours, committee appointments, development fund allocations, or state jobs. The moral cost is devastating: by approving budgets that divert funds from citizens to patronage, Parliament legitimises the very impunity it was designed to contain.

The legislature has become a marketplace of loyalty rather than a forum of accountability. This collapse of parliamentary independence represents a fundamental breach of constitutional values, especially around openness and integrity.

Parliament's weakness, and especially the National Assembly, is further compounded by the National Government Constituency Development Fund (NG-CDF) and the National Government Affirmative Action Fund (NGAAF), which present a significant barrier to reducing Kenya's budget deficits . NG-CDF institutionalises a mechanism for mandatory, inflationary and politically-driven spending. By guaranteeing a minimum percentage of the national revenue (currently at least 2.5%) the NG-CDF creates a structural inflexibility in the budget, essentially ring-fencing billions of shillings that cannot be easily diverted to deficit reduction or other high-priority national programmes. This mandatory floor incentivises Members of Parliament to push for an ever-larger overall budget, as their individual NGCDF 'pocket money' increases proportionally, irrespective of the nation's fiscal health or ballooning debt.

Furthermore, the administration of development funds by legislators, who are essentially meant to perform the core functions of oversight and legislation in a presidential system, constitutes a dangerous violation of the principle of separation of powers. This distraction compromises their fiduciary duty to scrutinise and check Executive spending, thereby weakening the primary fiscal accountability safeguard against expanding the budget deficit and entrenching an inherent and apparent conflict of interest.

87 Ibid
88 Auditor General, National Government Audit Report FY2023/24
89 The Institute for Social Accountability (TISA) & Okoa Uchumi Coalition, State of Budget Oversight in Kenya 2024
90 Parliamentary Budget Office, Legislative Budget Analysis Brief FY2024/25

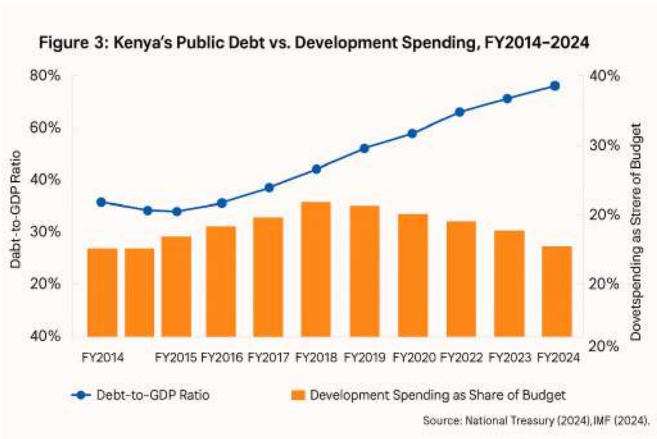
3.1.4 Sabotaging good economic management

The World Bank's Kenya Governance Diagnostic Assessment (2024) characterises the country's economic system as suffering from "fiscal illusion", which is the deliberate concealment of liabilities and costs through opaque accounting and borrowing practices.[91]

Between 2014 and 2025 public debt rose from KSh 2.4 trillion to more than KSh 12.05 trillion[92]. Yet, the Auditor General found that KSh 1.2 trillion of this debt financed stalled or non-performing projects between 2017 and 2023.[93] In the same period, the proportion of public entities receiving unqualified audit opinions fell from 39 per cent to 13 per cent.[94]

The Ethics and Anti-Corruption Commission (EACC) estimates that Kenya loses roughly KSh 800 billion each year to corruption, which is nearly a third of the entire national budget.[95] This means that one out of every three shillings is misappropriated or wasted.

When audits are ignored, and looters go unpunished, fiscal management degenerates into legalised theft. The social outcome is unmissable: deteriorating services, rising inequality, and disillusionment.



Fiscal illusion, in effect, is a moral illusion; a system that pretends to develop while it in actual fact is decaying.

3.1.5 Political incentives that choke institutions

Institutions entrusted with upholding fiscal integrity, such as the Auditor General, the Controller of Budget (CoB), and the Ethics and Anti-Corruption Commission (EACC) operate under systematically difficult conditions. Their budgets, mandates, and leadership appointments are routinely used as levers of political control.[96]

The Auditor General's office, once among the most respected oversight institutions in Africa, has seen a steady decline in its funding. In Fy 2024/25 the budgetary requirements for the office of the auditor generals as per the sector working group report was KSh. 10.7 billion against an allocation of KSh8.2 billion .[97] This has curtailed the number of audits it can conduct and limited follow-up investigations. The result is an oversight system that identifies wrongdoing but cannot enforce accountability.

The EACC, mandated to investigate and prevent corruption, faces similar political resistance. Of the 274 high-profile corruption cases filed between 2018 and 2024, only 11 ended in court convictions, signaling a success rate of less than 5 per cent.[98] On average, each case takes over six years to resolve, a period that effectively rewards impunity.

Weak enforcement is often mistaken for low capacity, but the evidence suggests otherwise. The pattern of delayed prosecutions, withdrawn charges, and unimplemented judgments indicates a deliberate strategy of containment, where accountability processes are allowed to exist but never to succeed. When accountability threatens vested interests, the institutions that enforce integrity are quietly defunded, discredited or hampered.

91 World Bank, Kenya Governance Diagnostic Assessment
92 National Treasury, Quarterly Economic and Budgetary Review, Q4 2024
93 Office of the Auditor General, Consolidated Audit Report FY2023/24
94 Ibid
95 Ethics and Anti-Corruption Commission (EACC), Annual Corruption Perception and Case Tracking Report 2024
96 Transparency International Kenya, The State of Anti-Corruption Agencies 2024: Funding, Independence, and Performance
97 Sector Budget Proposal Reports – The National Treasury
98 Ethics and Anti-Corruption Commission (EACC), Annual Performance Report 2024

3.1.6 The political economy of fiscal capture

Fiscal capture in Kenya functions through a mutually reinforcing ecosystem of political, bureaucratic, and private actors. Political elites determine where and how public money flows; senior bureaucrats translate political priorities into budget codes and contracts; private contractors inflate costs or deliver nothing; while weakened oversight institutions legitimise the outcome through silence.[99]

Every financial year becomes an exercise in redistributive injustice -- transferring wealth upward from taxpayers to politically connected elites. Procurement remains the primary vehicle for this transfer. The Public Procurement Regulatory Authority (PPRA) reported in 2024 that 31 per cent of all national government tenders were awarded through restricted or direct procurement, bypassing competitive bidding.[100]

Many of these contracts are concentrated in infrastructure, energy and security sectors where lack of transparency is most easily rationalised. The Auditor-General's Special Audit on Infrastructure Projects (2024) found that pending bills amounting to over KSh178 billion were linked to projects carried out without feasibility studies or completed works.[101]

Fiscal capture is not only an economic phenomenon; it is a political instrument. By controlling who receives contracts, the Executive constructs a system of patronage that extends into Parliament, county governments, and the private sector. Citizens, in turn, are immobilised by disillusionment and coercion, and become a population taxed into silence.

3.1.7 What the situation means for governance reform

Restoring fiscal integrity requires more than technical adjustments; it demands constitutional discipline, moral courage and civic vigilance. The problem is not lack of law but lack of enforcement. It is not the absence of capacity, but the lack of will to do what's needed for the country.

First, legislative oversight must be reclaimed. Parliament should amend the Public Finance Management (PFM) Act to restrict emergency spending as provided for in the Constitution to a strict ceiling of 1 per cent of the approved budget, and to require prior approval for all supplementary expenditures.[102]

Second, transparency must be institutionalised and not left as a performative act. Every loan contract, guarantee and public-private partnership (PPP) agreement should be published on an accessible public portal within 30 days of its being signed.[103]

Third, accountability institutions must be insulated from Executive retaliation. The budgets of the Auditor General, Controller of Budget, Judiciary and EACC should be ring-fenced by constitutional amendment, preventing mid-year cuts or delayed disbursement.

Finally, citizens must be empowered to be effective economic watchdogs. Participatory budgeting and civic technology platforms should allow citizens to track project implementation in real time. The success of Okoa Uchumi's #FollowTheMoney pilot in 2024 demonstrates that citizen oversight can expose misuse faster than institutional audits.[104]

Fiscal reform, then, is not a matter of arithmetic but one of justice. The Constitution's promise of accountability, openness, and equity in public finance will remain hollow unless citizens themselves enforce it.

Transition to devolution

The corrosion of fiscal integrity at the national level does not end in Nairobi; it cascades downwards. Devolution, intended as a remedy for over-centralisation and elite dominance, has become a mirror of the very system it sought to cure. County governments, once heralded as laboratories of participatory democracy, now reproduce the same patterns of rent-seeking, budgetary distortion, and selective accountability that define national level government. The local government has become the new frontier of capture -- smaller in scale, but no less corrosive in its effects.

99 Okoa Uchumi Coalition, Shadow Governance and Fiscal Capture Report 2024
100 Public Procurement Regulatory Authority (PPRA), Annual Procurement Review Report 2024
101 Office of the Auditor-General, Special Audit on Infrastructure Projects FY2023/24
102 Parliamentary Budget Office, Public Finance Management Reform Options 2024
103 National Treasury, Draft Public Debt Transparency Framework 2024
104 Okoa Uchumi Coalition, #FollowTheMoney Citizen Budget Monitoring Report 2024

3.2 Cascading corruption to the subnational economy

Devolution was Kenya's most ambitious democratic reform since independence. It was intended to dismantle centralised domination, promote equitable development, and bring government closer to the people. A decade after this system of government was launched; this vision has been corroded by the same logic of capture that afflicts national institutions. Rather than becoming laboratories of participatory democracy, county governments now mirror the inefficiencies, lack of transparency and patronage of the national state.

The paradox of devolution lies in its promise being politically manipulated. Fiscal transfers to counties have expanded dramatically, but service delivery and accountability have not.

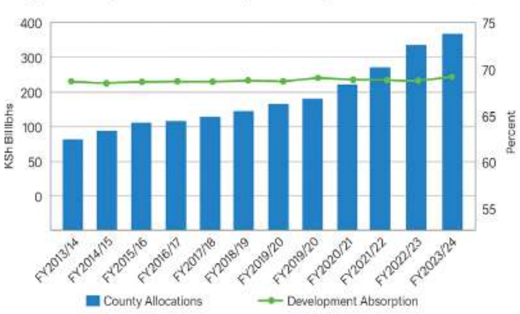
3.2.1 Economic promise versus political reality

Between FY2013/14 and FY2023/24, the national government transferred more than KSh 3.4 trillion to the 47 counties, averaging 16 to 18 per cent of audited national revenue.[105] County allocations grew from KSh210 billion to KSh385 billion over the same period.[106] Yet, this fiscal expansion has not translated into proportional improvements in public welfare.

In FY2023/24, counties spent 71 per cent of their budgets on recurrent budget items, including salaries, allowances, travel, and hospitality, leaving only 29 per cent for development.[107] Only six counties received unqualified opinions from the Auditor General, while 32 were flagged for material misstatements and unsupported expenditure.[108] Pending bills rose to KSh182 billion by June 2024, most of them associated with non-existent projects, inflated contracts, and politically connected suppliers.[109]

Figure 5 shows the trend in county allocations against development absorption, exposing the widening gap between fiscal devolution and real outcomes.

Figure 5: County Allocations vs. Development Absorption (FY2013/14–2023/24)



Source: Commission on Revenue Allocation (CRA, 2024); Controller of Budget

The tragedy of Kenya's devolution is that it has become a smaller theatre for the same old corruption; decentralising expenditure without localising accountability.

3.2.2 How localised economic capture works

County governance has been designed to entrench executive dominance. Governors control procurement, recruitment, and budget implementation, while county assemblies, empowered under Article 185 to provide oversight, often act as extensions of the executive.[110] Political economists describe this phenomenon as fragmented authoritarianism, where devolution multiplies centres of discretion without strengthening accountability.[111]

TISA's Citizen Participation in County Budgeting Study 2024 found that only 14 per cent of counties meaningfully incorporated citizen input into the approved budgets.[112] Participation forums were hurriedly convened without adequate notice or documentation, and lacked feedback mechanisms, reducing civic engagement to a ritual to comply with constitutional edicts.

Procurement remains the principal avenue of local state capture. The EACC's County Integrity Index 2024 reported that over 65 per cent of corruption cases in counties involved procurement irregularities, including single sourcing, inflated pricing, and payment for work that had not been done.[113]

The result is not governance failure but its redesign. Counties have institutionalised rent extraction within a legal framework that appears participatory yet functions in an exploitative manner.

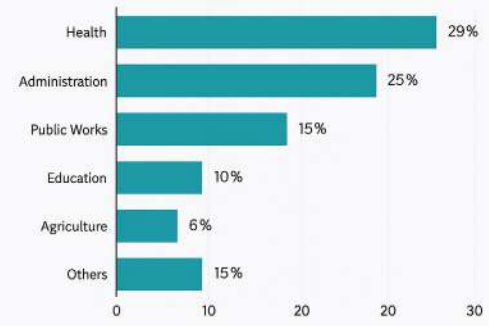
3.2.3 Local service failure most visible in health and agriculture

The human impact of local capture is most visible in the health and agriculture sectors. Counties collectively spent KSh115 billion on health in FY2023/24, which is about 30 per cent of their total budgets.[114] Yet the Council of Governors reports that 41 counties experienced stockouts of essential medicines, idle medical equipment and stalled projects.[115]

The Managed Equipment Services (MES) programme is one of the most emblematic cases of fiscal distortion. Despite an annual lease cost of KSh99.4 billion, many hospitals lack trained personnel or electricity to operate the machines.[116]

Agriculture, which supports over 70 per cent of rural livelihoods, receives less than 6 per cent of county budgets, which is far below the 10 per cent commitment made in the Maputo Declaration.[117] The Auditor General reported KSh12.8 billion in unsupported agricultural spending in FY2023/24, including payments for unverified farm inputs and non-existent farmer registries.[118]

Figure 7: County Expenditure Share by Sector (FY2023/24)



Source: Controller of Budget (2024).

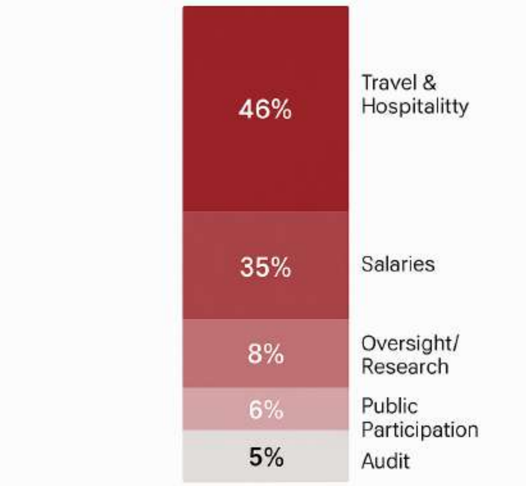
The promise of localised service delivery has been replaced by administrative mimicry; a bureaucracy that looks participatory on paper but remains extractive in practice. Citizens at the grassroots bear the heaviest burden of this mimicry

3.2.4 Oversight collapse and extension of the Executive in county assemblies

County Assemblies were established in the Constitution to act as legislative and oversight bodies at the local level. Yet, more than a decade since devolution was launched, they have increasingly become extensions of the executive arm of county governments.[119] Oversight has been reduced to a transactional exercise, where governors secure political consent from Members of County Assemblies (MCAs) through privileges, foreign trips, and discretionary ward projects rather than accountability.

The Ethics and Anti-Corruption Commission's County Governance Integrity Index 2024 found that legislative capture remains pervasive across most devolved units.[120] The report points out that over 60 per cent of integrity violations at the county level involve conflicts of interest, irregular allowances, and compromised oversight by assembly committees. Similarly, the Council of Governors' State of Devolution Report 2024 observed that frequent foreign benchmarking trips and inflated sitting allowances have weakened assemblies' legislative productivity and audit follow-up functions.[121]

In FY 2023/24, assemblies collectively spent an estimated KSh 7.2 billion on travel and per diem, surpassing the combined allocation for public participation, audit follow-up, and legislative research.[122] Meanwhile, the Auditor General reported that only 19 of the 47 assemblies debated their annual audit reports within the statutory three-month period after they were tabled, with several failing to constitute Public Accounts and Investments Committees (PAICs) in time.[123]



Source: Controller of Budget (2024); OAG (2024).

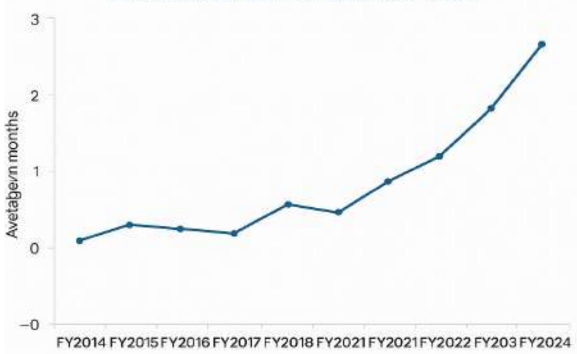
County Assemblies, conceived as bulwarks of fiscal accountability, now often function as transactional chambers where loyalty is monetised, and oversight is traded for convenience. The cost of this dysfunction is borne by citizens, who fund budgets debated in their name but executed against their interest.

3.2.5 Tension between governments in the struggle for resources

The promise of Kenya's devolved system was cooperative governance between the national and county levels. Yet, 12 years after implementation, that promise remains fragile. Counties operate in a condition of fiscal dependence, trapped between constitutional autonomy and the Treasury's discretion.[124]

In FY2023/24, equitable share transfers to counties were delayed by an average of ninety days.[125] The Controller of Budget reported that 34 counties experienced unpaid salary arrears of up to two months, forcing some to take short-term bank overdrafts at commercial interest rates to finance payrolls.[126] Such delays disrupt service delivery, undermine development absorption, and expose counties to debt risks that the Constitution never envisaged.

Figure 9: Timeline of National–County Revenue Transfers and Arrears (FY2014–2024



Source: CRA (2024); COB (2024).

At the same time, the national government has reasserted fiscal control through conditional grants and sectoral programmes implemented by state agencies such as the Kenya Rural Roads Authority (KeRRA), the Kenya Urban Support Programme (KUSP), and the Kenya Medical Supplies Authority (KEMSA).[127] These arrangements frequently bypass county structures, contravening the Constitution, which envisages cooperation and equality between the two levels of government.

The re-centralisation of key service functions has hollowed out devolution's intent. Counties retain responsibility for results but lack control over resources. This imbalance sustains the very logic devolution was meant to resolve where fiscal power and accountability remain vertically misaligned.

105 Commission on Revenue Allocation, *County Revenue Allocation Trends 2013–2024*
106 National Treasury, *County Allocations and Transfers Report FY2023/24*
107 Controller of Budget (CoB), *County Budget Implementation Review Report 2023/24*
108 Office of the Auditor General (OAG), *County Audit Report 2024*
109 Council of Governors, *County Pending Bills Status Report 2024*
110 Constitution of Kenya (2010), Article 185; County Governments Act No. 17 of 2012, Section 8 ("Role of the County Assembly")
111 Institute of Public Finance (IPF), *Local Governance under Devolution: Power and Accountability in Kenya's Counties*.
112 The Institute for Social Accountability (TISA), Citizen Participation in County Budgeting Study 2024
113 Ethics and Anti-Corruption Commission (EACC), *County Integrity Index 2024*.
114 Controller of Budget, County Governments Budget Implementation Review Report FY2023/24
115 Council of Governors, Health Sector Status Report 2024
116 Office of the Auditor-General, Performance Audit Report on the Managed Equipment Services Project 2024
117 African Union, Maputo Declaration on Agriculture and Food Security (2003).
118 Office of the Auditor-General, Agriculture Sector County Audit 2024
119 Constitution of Kenya (2010), Article 185
120 Ethics and Anti-Corruption Commission (EACC), County Governance Integrity Index Report 2024
121 Council of Governors, State of Devolution Report 2024
122 Controller of Budget, County Governments Budget Implementation Review Report FY2023/24
123 Office of the Auditor-General, County Assemblies Consolidated Audit Review 2024
124 Constitution of Kenya (2010), Article 6(2).
125 Controller of Budget, County Governments Budget Implementation Review Report FY2023/24
126 Council of Governors, State of Devolution Report 202
127 National Treasury, Conditional Grants and Transfers Analysis 2024

At the citizen level, these structural tensions translate into tangible harm: delayed salaries, stalled projects, and suspended health and agriculture services. Devolution has given citizens proximity to government, but not yet to justice in service delivery.

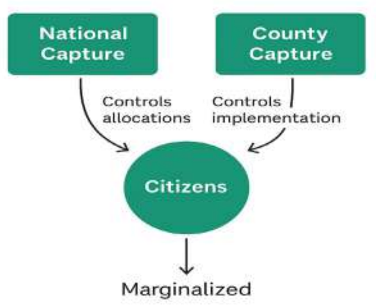
3.2.6 Gendered face of bad governance in the counties

The impact of devolved corruption is not evenly distributed. Women, youth, and persons with disabilities have borne the greatest cost of fiscal mismanagement in the counties. The 2010 Constitution and the Public Procurement and Asset Disposal Act (2015) require that at least 30 per cent of public procurement opportunities be reserved for these groups, yet enforcement remains weak.[128]

In FY 2023/24, only 6 per cent of total county procurement value benefited enterprises owned by women, youth or persons with disabilities under the Access to Government Procurement Opportunities (AGPO) framework.[129] The Public Procurement Regulatory Authority (PPRA) attributes this failure to weak enforcement, bribery in pre-qualification and manipulation of tender evaluation committees.[130] Political patronage networks at the county level have effectively crowded out legitimate small enterprises, undermining the social-equity goals of devolution.

The social consequences are severe. In counties such as Turkana, Marsabit and Garissa, delayed exchequer transfers and payroll manipulation have crippled maternal-health programmes and early-childhood education centres.[131] Women-led enterprises that depend on prompt payment for goods and services face prolonged arrears, forcing many to shut down. The gender gap in public procurement thus reinforces broader economic inequality and marginalisation.

Figure 10
The Dual Capture of Devolution



This erosion of inclusivity violates Article 27 of the Constitution, which guarantees equality and freedom from discrimination. Devolution was meant to expand opportunity; instead, it has institutionalised exclusion through opaque contracting and elite privilege. Until counties enforce equity clauses as vigorously as they defend political patronage, devolution will continue to reproduce rather than remedy structural injustice.

3.2.7 Pathways for reform

Devolution can still redeem its original purpose and bring power, resources and opportunity closer to citizens. Achieving this goal, however, requires shifting from procedural compliance with the Constitution to substantive accountability. Reform must address the fiscal, institutional, and ethical foundations of county governance rather than merely its administrative symptoms.

First, transparency must be institutionalised. All county budgets, procurement plans, and Integrated Financial Management Information System (IFMIS) transactions should be published on open digital portals within 30 days of approval.[132] Real-time disclosure of expenditure, project status, and payments, would allow citizens and oversight bodies to track misuse and curb diversion of funds.

Second, timeliness of transfers must be guaranteed through law. Amendments to the Intergovernmental Fiscal Relations Act should impose automatic penalties on the National Treasury for delayed disbursements and require quarterly publication of transfer schedules.[133] Predictable cash flow would enhance service delivery and reduce the recourse to commercial borrowing by counties.

Third, audit follow-up and enforcement must acquire legal teeth. The Senate's County Public Accounts and Investments Committee (CPAIC) and the Auditor General should be empowered to impose administrative sanctions, including suspension of future disbursements, for repeat non-compliance[134]. Currently, less than a fifth of audit recommendations at the county level are implemented within a year,[135] an indicator of impunity rather than inefficiency.

Fourth, citizen participation must evolve into co-governance. County Budget and Economic Forums should be restructured as statutory civic councils with the authority to interrogate supplementary budgets, procurement plans, and development priorities.[136] Civil-society organisations, community networks, and professional associations must be accorded standing to challenge fiscal decisions that violate transparency obligations.

Finally, ethical leadership must precede office not follow scandal. Strict enforcement of Chapter Six of the Constitution and the Leadership and Integrity Act should guide pre-election vetting of candidates. Integrity audits for county executives and assembly leaders should be mandatory and publicly disclosed.[137]

Reform, in essence, means restoring morality to administration. Counties were designed to humanise the state; they will only succeed when openness replaces secrecy and citizens, rather than elites, become the real custodians of public finance.

3.3 Judicial accountability and enforcing the Constitution

The Judiciary is the last line of defence between the ideals of the 2010 Constitution and the lived reality of political impunity. In moments when both the Executive and Parliament have compromised their oversight roles, the courts have stood as the citizen's final refuge for justice. Yet this independence is increasingly threatened by fiscal strangulation, selective compliance with court orders, and a sustained campaign of public delegitimisation.

3.3.1 The Judiciary's constitutional mandate

The Judiciary is established not merely as an administrative organ but as the moral conscience of the Republic.[138] The Constitution vests judicial authority in the people, and allows it to be exercised through courts and tribunals for the benefit of the people. The Judicial Service Commission (JSC) was designed to insulate judges from political influence through merit-based appointments and security of tenure.

Since 2017, however, Executive interference has manifested through delayed appointment of judges, budget reductions, and disregard for binding judicial directives.[139] In 2021, 40 judges recommended by the JSC were not appointed for more than two years, contravening constitutional timelines. The resulting case backlog undermines the citizen's right to access justice under Article 48.

3.3.2 Budgetary control and institutional weakness

Judicial independence cannot be separated from financial autonomy. The Judiciary's budgetary allocation has fallen from 1.9 per cent of the national budget in FY2015/16 to 1.2 per cent in FY2023/24.[140] In FY2024/25, the request for KSh28 billion was slashed to an allocation of KSh22.8 billion, which forced key programmes — including digital court rollout and anti-corruption divisions — to operate below capacity.[141]

Although the Judiciary Fund was operationalised in 2023 to guarantee fiscal independence, disbursements still pass through the National Treasury's Integrated Financial Management Information System (IFMIS). This indirect control compromises the separation of powers. The case backlog has risen to more than 655,000 matters, with economic-crime cases taking an average of 5.4 years to conclude.[142] Justice delayed remains justice denied.

3.3.3 Landmark judicial interventions on governance and fiscal accountability

Despite institutional constraints, Kenya's Judiciary has produced globally significant jurisprudence in fiscal governance and public accountability. Several decisions since 2015 have expanded the frontiers of public interest litigation and constitutional oversight as shown in the table hereunder:

Case	Year	Judicial Finding / Impact
Judgment in Petition 1 Of 2018 SC, The Institute for Social Accountability and another Versus the National Assembly and other	2022	Declared the CDF Act unconstitutional for violating separation of powers (Article 95, 96) and fiscal control (Chapter 12).
Okiya Omtatah Okoiti v National Treasury & Others [2023] eKLR	2023	Affirmed parliamentary approval and citizen participation as mandatory for PPP projects.
Auditor-General v National Treasury & Others [2022] eKLR	2022	Reaffirmed OAG's unrestricted audit jurisdiction, including over security agencies.
Kenya Human Rights Commission & another v Attorney General & another; Law Society of Kenya & another (Interested Parties) [2024] KEHC 15702 (KLR)	2024	Directed the National Treasury to publish all loan bond contracts issued since 2013 contracts within 45days of the judgement as well as how the money has been utilized.
Gikenyi &3 others V National Health Insurance Fund Medical Claims Verification Committee& 23 others, (Constitutional petition E011 of 2025)	2025	Quashed the decision of the Cabinet secretary to create an ad hoc committee to audit pending bills, because the same was not included in the budget approved by the national assembly and it also usurped the powers of internal audit and the constitutional office of the auditor general.

Source: Judiciary Case Law eKLR Database (2024); [143]Kenya Law Reports.[144]

These decisions collectively strengthen the link between fiscal transparency, constitutionalism and governance. However, their impact is blunted by the Executive arm of the government's failure or refusal to comply with orders.

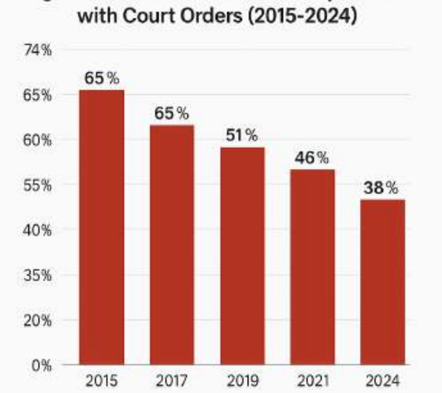
3.3.4 Political defiance of court orders

The most persistent threat to judicial authority is non-compliance with court orders. The Judiciary Ombudsman's 2024 report found that over 60 per cent of judgments against government agencies remained unimplemented, particularly in cases involving public finance and human rights.[145]

Examples include the 2015 Anglo Leasing decision, which remains unenforced, and the 2022 judgment declaring the Constituency Development Fund unconstitutional, which Parliament circumvented by reintroducing a nearly identical statute under a new name.[146]

This defiance signals a deeper constitutional malaise: Executive and legislative impunity has normalised the disregard of lawful authority. In such a context, judicial pronouncements become symbolic gestures rather than instruments of reform.

Figure 12: Rate of Executive Compliance with Court Orders (2015-2024)



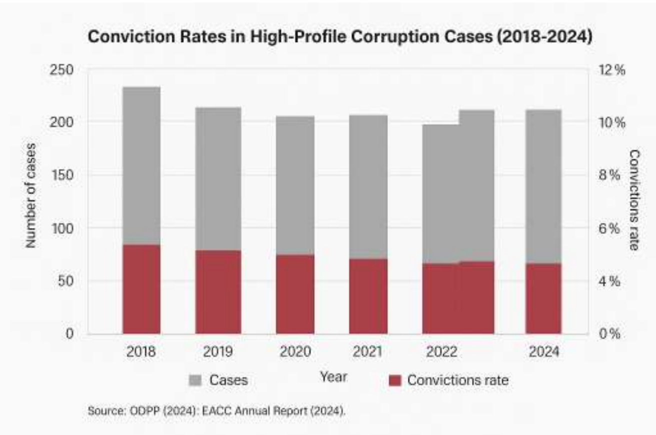
128 Public Procurement and Asset Disposal Act (2015), Section 157
129 Public Procurement Regulatory Authority (PPRA), AGPO Compliance Review Report 2024
130 Ethics and Anti-Corruption Commission (EACC), County Governance Integrity Index Report 2024
131 Kenya National Bureau of Statistics (KNBS), County Social and Economic Indicators 2024
132 Controller of Budget, Devolution and Transparency Brief 2024
133 Intergovernmental Budget and Economic Council (IBEC), Fiscal Transfers Performance Review 2024
134 Senate Public Accounts Committee, Devolution Oversight Report 2024
135 Office of the Auditor-General, County Audit Implementation Tracking Report 2024
136 The Institute for Social Accountability (TISA), Citizen Participation in County Budgeting Study 2024
137 Ethics and Anti-Corruption Commission (EACC), Leadership and Integrity Compliance Report 2024
138 Constitution of Kenya (2010), Article 159(1).
139 Judicial Service Commission, Annual Report 2024
140 National Treasury, Budget Policy Statement 2024
141 Programme-Based-Budgeting-PBB-Supplementary-III-Approved.pdf
142 Judiciary Performance Management Directorate, Case Backlog Status Report 2024
143 Judiciary Research and Policy Division, *Landmark Rulings on Fiscal Accountability 2015–2024*
144 Kenya Law Reports, *Constitutional Case Digest 2022–2024*
145 Judiciary Ombudsman, *Report on Implementation of Court Orders 2024*
146 Kenya Law Reports, *CDF Case and Compliance Review 2024* .

3.3.5 Role of courts in enforcing anti-corruption laws

Judicial accountability directly intersects with the national struggle against corruption. The Anti-Corruption and Economic Crimes Division (ACEC), established in 2016 to expedite graft cases, has struggled under resource shortages and political interference. Conviction rates remain below 10 per cent, reflecting weak case preparation, intimidation of witnesses, and deliberate procedural delays.[147]

Between 2018 and 2024, the Office of the Director of Public Prosecutions referred 274 high-profile cases to the Judiciary. Only 11 ended in convictions while asset recovery stood at KSh28.4 billion, barely 4 per cent of verified corruption-related losses estimated at KSh780 billion.[148]

For citizens, such statistics confirm that justice is selective; that the powerful can litigate indefinitely while the public pays twice; first through theft, then through taxes funding endless trials.



Source: ODPP (2024); EACC Annual Report (2024).

3.3.6 Judicial resilience can drive institutional reform

The Judiciary has pursued several reform initiatives that reflect institutional resilience even in the face of persistent interference. The Judiciary Transformation Agenda (2011–2024) introduced e-filing, digital cause lists, and virtual hearings, enhancing transparency and access to justice.[149] The partial operationalisation of the Judiciary Fund in 2023 marked an incremental step toward fiscal autonomy.[150]

Public interest litigation has expanded the space for civic engagement. Civil society organisations such as Katiba Institute, TISA, Kituo Cha Sheria, and Transparency International Kenya, among others, have used the courts to challenge Executive overreach in debt management, taxation and public procurement.[151]

Despite these gains, the Judiciary's reform efforts remain constrained by the political economy of impunity that punishes integrity and rewards submission.

3.3.7 Recommendations for strengthening the Judiciary

Restoring judicial accountability requires structural guarantees more than mere goodwill. Full operationalisation of the Judiciary Fund must ensure automatic, non-discretionary disbursements managed independently by the JSC.[152] Parliament should make laws to sanction public officers who defy court orders, including personal liability and suspension of public-service benefits.[153]

Dedicated anti-corruption courts require enhanced staffing and fixed timelines for hearing cases. The Judiciary should also publish a Judicial Compliance Scorecard tracking government adherence to judgments, and thus create public pressure for enforcement. Partnerships with civil society organisations and the Law Society of Kenya can strengthen monitoring and improve access to justice.

For citizens, the courts remain the final assurance that integrity still has a home in public life. Judicial reform is therefore not an administrative adjustment; it is a democratic imperative to safeguard the Constitution.

3.4 State capture and the political economy of impunity

147 Judiciary Anti-Corruption Division, *Performance Report 2024*
148 Office of the Director of Public Prosecutions (ODPP), *Annual Performance Report 2024*.
149 Judiciary, *Transformation Framework 2019–2024: Final Implementation Report*
150 Office of the Controller of Budget, *Judiciary Fund Operationalization Report 2024*
151 Katiba Institute, *Civic Litigation and Constitutional Oversight in Kenya 2024*
152 Judiciary Fund Act (2023)
153 Parliamentary Service Commission, Proposed Judicial Accountability (Compliance with Orders) Bill 2025 Draft

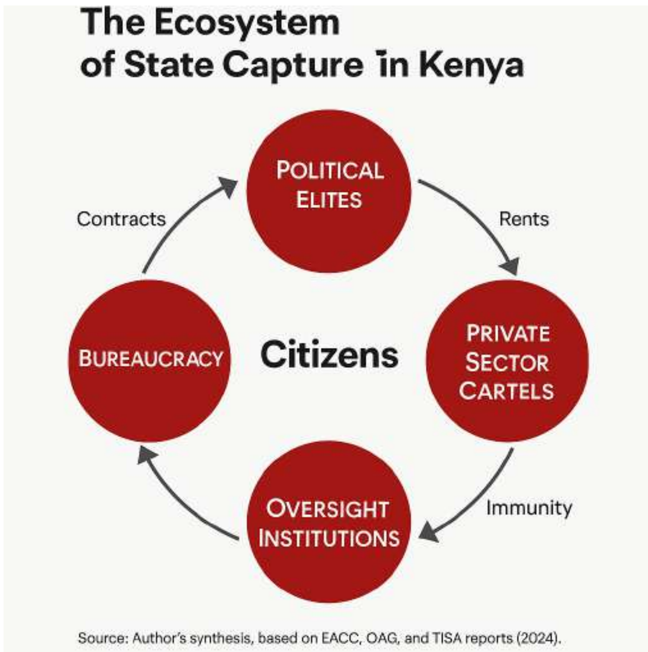
State capture in Kenya is no longer a metaphor. It defines the operational logic of governance. It occurs when public power, economic instruments, and regulatory agencies are systematically reoriented to serve private interests. Under such a regime, corruption ceases to be the abuse of office and instead becomes the essence of power.

The Constitution promised openness, integrity and participation. Yet the lived experience is of a political economy where legality masks predation, where institutions exist in form but not in function, and where public policy is a transactional marketplace for elite bargains. This is not failure by accident; it is governance by design.

3.4.1 Anatomy of state capture

State capture in Kenya works through three interconnected mechanisms. The first is economic capture, where public budgets, debt instruments and procurement systems are manipulated for private enrichment. The second is institutional capture, where oversight bodies such as the Office of the Auditor General, the Ethics and Anti-Corruption Commission, other constitutional commissions, and Parliament are neutralised through denial of funding and appointment of politically aligned commissioners. The third is policy capture, where legislation and Executive orders are crafted to entrench elite privilege.[154] The net result is that regulatory bodies and oversight mechanisms are then formally maintained but only to serve extractive rather than protective purposes. As noted earlier, this pseudo-constitutional order, otherwise referred to as constitutional mimicry, enables legality without legitimacy, allowing elites to reorient public goods to serve their private interests.

These mechanisms reinforce one another. Fiscal capture generates rents, which then finance political capture, and this in turn shields those rents from accountability. The outcome is a circular economy of corruption -- legal in form but predatory in substance.



Source: Author's synthesis, based on EACC, OAG, and TISA reports (2024).

3.4.2 Roots of capture: Ndegwa's legacy of institutionalised conflict of interest

Kenya's state capture has deep historical roots. The 1971 Commission of Inquiry into Public Service Structure and Remuneration (the Ndegwa Commission) fundamentally altered the governance ethic inherited from the colonial civil service. It recommended that public servants should be allowed to own and operate private businesses, ostensibly to accelerate Africanisation of the economy. The recommendation, adopted through Sessional Paper No. 5 of 1974, removed long-standing prohibitions on conflicts of interest.[155]

This policy legitimised dual loyalty: public officials could now make government policy, influence it, and benefit from it. Within a decade, senior bureaucrats and politicians had established vast business networks and investment clubs, such as African Liaison and Consulting, Heri Limited, and others, blurring the line between public duty and private accumulation.[156]

The Ndegwa reforms embedded a structural weakness into Kenya's governance system. They transformed the public service into an investment platform, making corruption no longer an aberration but a predictable outcome of institutional design. Subsequent reforms, including the Public Officer Ethics Act (2003) and the Leadership and Integrity Chapter (2010 Constitution), have struggled to reverse this foundation.

154 Institute of Public Finance, *Fiscal Capture and Elite Networks in Kenya 2024*
155 Government of Kenya (1971), Report of the Commission of Inquiry (Public Service Structure and Remuneration Commission)
156 Sessional Paper No. 5 of 1974, Government Acceptance of the Ndegwa Commission Report.

The enactment of the Conflict of Interest Act, 2025, which consolidates existing integrity laws and places oversight under the EACC, represents a belated attempt to correct this historical misstep.[157] Yet, implementation challenges persist because elite networks continue to exploit gaps in enforcement and disclosure. Whether this law can dismantle the entrenched political–bureaucratic nexus established by the Ndegwa dispensation remains an open question.

3.4.3 Economic expression of capture: Public debt, PPPs, SOEs and privatisation

Kenya's fiscal framework has become the principal stage on which state capture plays out. Public borrowing, infrastructure partnerships, and enterprise management have been transformed from developmental tools into mechanisms of elite accumulation. This transformation reflects what the IMF Governance Diagnostic terms "institutional corrosion," where fiscal discretion replaces accountability and economic policy becomes a function of political survival.

Borrowing without accountability

Between 2014 and 2025, Kenya's public debt rose from KSh2.4 trillion to KSh12.05 trillion, an increase of over 500 per cent.[158] Debt service now consumes 56 per cent of ordinary revenue, surpassing the International Monetary Fund sustainability threshold of 45 per cent.[159] Yet, audit reviews show that over KSh1.2 trillion in borrowed funds were committed to stalled or non-performing projects between 2017 and 2023.[160]

Domestic borrowing has overtaken external borrowing and currently accounts for 54 per cent of the total debt stock. Notably, domestic creditors are largely banks, insurance companies, pension funds and trusts. The beneficial ownership of most of the dominant players in the financial sector indicates a correlation with the business networks established by politically exposed persons since the Ndegwa report to date.

This therefore answers the question of who is benefiting from domestic borrowing at the expense of Kenyans who continue to pay high interest payments at the expense of service delivery. Borrowing has become a political ritual that is legally compliant yet economically irrational. Loan agreements are often signed without parliamentary scrutiny, while repayment obligations are hidden from citizens. Debt transparency is not merely an accounting issue; it is a test of sovereignty.

Public-private partnerships: The new frontier of fiscal opacity

Public-Private Partnerships (PPPs) were introduced as a mechanism for mobilising private capital to accelerate infrastructure delivery and reduce the fiscal burden on the exchequer. Over time, however, the Kenyan experience has shown how PPPs can generate contingent liabilities that obscure the state's true debt position and limit transparency in fiscal management.[161]

According to the National Treasury's 3rd Annual Report on the State of Public Private Partnerships for FY 2023/24, Kenya's PPP portfolio comprised 136 projects at various stages of implementation, with an estimated capital value of approximately KSh1.6 trillion.[162] The report highlights a concentration of projects in transport, energy, housing, and water sectors which are often characterised by long-term viability gaps and state-backed guarantees.

Although the Public Private Partnerships Act, 2021 was designed to improve efficiency and accountability, subsequent amendments have concentrated implementation and approval authority in the National Treasury and in the hands of the Cabinet Secretary for Finance, with Parliament's role limited to reporting after the fact.[163] This structural arrangement mirrors patterns observed in Kenya's broader fiscal governance, where discretion tends to outweigh oversight.

The Auditor-General's Performance Audit Report on the Im-

157 Government of Kenya. *Conflict of Interest Act, 2025 (No. 9 of 2025).*; World Bank. *Kenya Economic Update, Edition 29: Addressing Fiscal Pressures through Governance Reforms*
158 National Treasury, Quarterly Economic and Budgetary Review Q1 2025
159 International Monetary Fund (IMF), Kenya: Debt Sustainability Analysis 2024
160 Office of the Auditor-General, National Audit Reports Consolidated 2017–2023
161 Public Private Partnerships Directorate, *3rd Annual Report on the State of Public Private Partnerships for the Financial Year 2023/24*
162 Ibid.
163 *Public Private Partnerships Act, 2021* (Act No. 14 of 2021), Laws of Kenya

plementation of the Nairobi Expressway Project (2023) underscored these risks, citing weaknesses in feasibility assessments, traffic projections, and risk-sharing arrangements that expose the public to financial commitments outside the regular budget cycle.[164] These findings are echoed in the Parliamentary Budget Office's Fiscal Risks Report 2024, which warns that unreported contingent liabilities arising from PPPs may distort debt sustainability indicators.[165]

In principle, PPPs are expected to leverage private sector efficiency for public benefit. In practice, absence of transparency in contract disclosure and the absence of value-for-money audits continue to undermine this rationale. Unless transparency and independent scrutiny become integral to PPP approval and monitoring, these arrangements will remain instruments of bureaucratised secrecy; technically innovative, fiscally risky, and democratically thin.

State-owned enterprises: Instruments of political patronage

Kenya's 260 State Owned Enterprises (SOEs) control assets exceeding KSh4 trillion, yet fewer than one in five operate profitably. Chronic mismanagement, politicised boards, and delayed audits have transformed them into conduits for rent distribution. The National Treasury's 2023 performance review revealed that Kenya Power, Kenya Airways, and the Kenya Ports Authority account for more than 70 per cent of contingent liabilities.[166]

Board appointments remain politically driven, with over 60 per cent of directors linked to major campaign financiers or former state officials. The Auditor General found recurrent noncompliance with IFMIS reporting and frequent diversion of revenues to off-book accounts.[167] Losses from quasi-fiscal activities and underperforming SOEs are estimated at 2.8 per cent of GDP annually, eroding gains from fiscal consolidation.[168]

National government funds: The micro-architecture of fiscal capture

An audit of Kenya's National Government Funds reveals structural weaknesses in public financial management that mirror the broader pattern of fiscal capture. Across more than 30 funds, the Auditor General identified breaches of legal mandates, financial misappropriation, under-utilisation of resources, and dormant or obsolete accounts. Only a few funds received unqualified audit opinions, reflecting systemic risks to fiscal transparency, accountability and efficiency.[169]

Several funds operate in violation of constitutional and statutory frameworks. The Equalisation Fund, mandated by Article 204 of the Constitution to support marginalised communities, had collected only KSh13.4 billion, which translates to 22 per cent of the KSh59.9 billion due since 2011. Disbursements included KSh13.6 million to incomplete projects and KSh156 million in unaccounted expenditure. The Contingencies Fund released KSh5 billion for non-emergency uses contrary to the Public Finance Management Act, while the Petroleum Development Levy Fund borrowed KSh58.3 billion from other public funds without parliamentary approval to finance fuel subsidies. These patterns illustrate how legal structures can be manipulated to facilitate discretionary spending beyond constitutional limits.[170]

Governance failures are equally pronounced. Many funds lack functioning boards or internal audit systems. The Financial Inclusion Fund, commonly known as the Hustler Fund, disbursed loans worth KSh17 billion without verifiable borrower records, including to ineligible recipients, and operated without a loan policy or internal audit framework. These weaknesses produced a disclaimer of audit opinion and contravened basic fiduciary standards.[171]

Dormancy and idle balances are widespread. The Government Clearing Agency Fund and Treasury Main Clearance Fund have remained inactive for more than a decade yet continue to report KSh12.5 billion in unreconciled balances. Legacy pension funds such as the European Widows and Orphans Pension Fund maintain assets of KSh179 million for a single beneficiary, while the repealed Provident Fund still holds KSh11 billion without a closure plan. Active funds also display inefficiency: the Motor Car Loan Scheme disbursed only KSh316 million against an asset base exceeding KSh4 billion, the Roads Annuity Fund left KSh44.99 billion unspent, and the National Government Affirmative Action Fund retained an idle KSh1.86 billion in commercial bank accounts.[172]

Audit outcomes demonstrate persistent non-compliance with accounting standards. The Railway Development Levy Fund failed to submit financial statements for two consecutive years, transferring over KSh55 billion without documentation. The Women Enterprise Fund showed KSh118 million in loan discrepancies and KSh71 million in uncollected balances, contributing to technical insolvency. Receivables management is similarly weak: the Civil Servants Housing Scheme reported KSh470 million in long-outstanding receivables, and the Petroleum Training Levy Fund failed to recover KSh3.69 billion, some of it dating back more than a decade.[173] These failures distort the national balance sheet and obscure the true financial position.

National funds thus exemplify the micro-mechanisms of capture -- that is legality in form, concealing discretion in substance. They provide political executives with fragmented spending envelopes outside the scrutiny applied to the national budget, undermining the constitutional principles of openness, accountability and equity. Rationalising and consolidating these funds under a single, transparent framework would improve efficiency, strengthen oversight, and restore coherence to Kenya's public finance architecture.

How privatisation reproduces state capture instead of delivering reform

Privatisation has emerged once again as a fiscal and structural reform strategy, framed under the Privatisation Act, 2025, which repealed the 2005 law and replaced the 2023 Bill. The new law introduces a more formalised framework intended to "streamline the regulatory and institutional framework for privatization, promote openness, and safeguard national interests."[174] In substance, it expands procedural transparency compared to its predecessor but retains features that consolidate control within the Executive while limiting the oversight functions envisioned through the role played by the office of the Auditor General in the privatisation process.

The Privatisation Authority, established under the new law, replaces the defunct Privatisation Commission. It operates under the policy direction of the Cabinet Secretary for Finance, who is also responsible for developing the Privatisation Programme and presenting both the programme and individual Privatisation Proposals to the National Assembly for approval.[175] This reinstates Parliament's oversight role, which had been removed in earlier drafts, marking a key institutional improvement. However, the Authority's board composition, chaired by a presidential appointee and including senior Treasury and Attorney General representatives, continues to embed Executive dominance over decision-making.[176]

The law prescribes structured consultation during the formulation of the privatisation programme and mandates the publication of approved programmes and proposals in the Kenya Gazette.). These steps introduce procedural transparency that was lacking in the 2023 version. Yet, discretion remains concentrated: the Cabinet Secretary retains the power to determine eligible entities, select privatisation methods, and limit or expand foreign participation.[177] Furthermore, "strategic investor" designations are still possible through direct sale or tender under the Second Schedule, creating space for preferential access in politically sensitive transactions.

Critically, the new law provides for valuation (section 45) by qualified professionals, regulation of monopolies (section 52) in collaboration with the Competition Authority, and deposit of proceeds into the Consolidated Fund (section 54). While these provisions enhance fiscal accountability, section 65 introduces broad confidentiality powers, allowing the Authority to withhold information except by written approval. This clause may undermine constitutional guarantees on access to information and the wider commitment to transparency.

The repeal and transitional provisions (Part X) carry over the 2009 privatisation pipeline, where 25 entities had previously been gazetted for disposal, into the new legal regime. Without publication of updated valuation reports, citizen consultation outcomes, or transaction criteria, these carryovers risk perpetuating legacy practices where privatization serves as asset transfer rather than reform.[178]

In principle, the 2025 law corrects earlier procedural gaps by restoring legislative approval, establishing clearer valuation standards, and requiring public participation. In practice, however, the law leaves the central risk identified in Kenya's previous privatisation cycles unresolved: the fusion of fiscal reform with political discretion.[179] Unless transparency overrides confidentiality and independent oversight is enforced, privatisation will remain a tool for fiscal expediency and elite consolidation rather than sustainable economic transformation.[180]

The political economy of financial secrecy

Across debt management, PPP contracting, SOE governance, and privatisation, a single pattern emerges: the concentration of fiscal power within the Executive and the systematic exclusion of citizens and oversight institutions from decision making.[181]

Financial instruments originally designed to mobilise investment and deliver public goods have been repurposed as channels of political patronage. Parliament, the Auditor General, and civil society are frequently relegated to retrospective commentary rather than active oversight. This erosion of fiscal transparency has normalised a state where legality substitutes legitimacy.

Opaque financial management in Kenya is not incidental; it is institutionalised. Borrowing is routinely justified through legal compliance but rarely through economic rationale. PPPs are structured to guarantee private profit at public expense, while SOEs absorb public funds without accountability. Privatisation, presented as reform, often serves as a vehicle for the redistribution of state assets to politically aligned actors.[182]

These practices directly contravene the Constitution, which enshrines openness, accountability, and equity in public finance. They also undermine the national values in Article 10, including integrity, participation, and sustainable development. Kenya's fiscal crisis is therefore not a failure of arithmetic but a product of governance design; it is a moral and institutional distortion in which secrecy has become policy.[183]

Policy implications and reform pathways

1. **Debt Transparency and Accountability:** All loan contracts, guarantees, and contingent liabilities should be published on a public debt portal within 30 days of their being signed. Parliament should restore a binding debt ceiling and require an accompanying debt sustainability analysis for all new borrowing. Further, there should be a capping on domestic debt stock that should held by a single financial player and lowering of threshold for citizens to participate in the domestic debt instruments to as low as Ksh. 1000. This will give all Kenyans the chance to invest in government papers.

2. **PPP Governance:** Amend the PPP Act to mandate parliamentary approval for projects exceeding KSh10 billion, and require value-for-money audits before financial closure. The National Treasury should publish an annual Fiscal Risk Statement covering all PPP obligations.

3. **SOE Reform:** Appointments to the boards of state enterprises must follow transparent, merit-based processes with integrity vetting under Chapter Six of the Constitution. The Treasury should enforce IFMIS compliance and require SOEs to publish audited accounts within 90 days of the financial year's end.

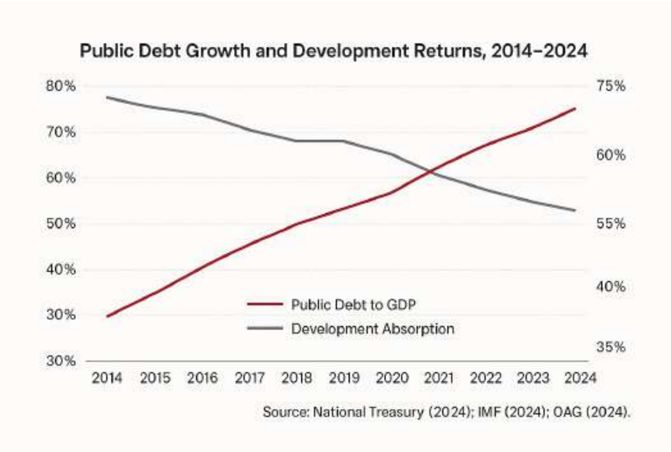
4. **Transparent and Inclusive Privatisation:** All privatisation transactions should undergo independent valuation, public disclosure, and parliamentary ratification. Proceeds must be ring-fenced for debt reduction and social investment, not recurrent expenditure.

5. **Citizen Oversight and Access to Information:** The Access to Information Act (2016) should be fully operationalised to include fiscal contracts, PPP agreements, and privatisation decisions. Civil society and the media should have institutional access to fiscal data through an open-governance portal integrating Treasury, Auditor General, and Controller of Budget records.

Implementing these reforms would transform Kenya's fiscal state from a system of elite preservation into one of equitable economic governance. Without such change, public finance will remain

164 Office of the Auditor-General (OAG), *Performance Audit Report on the Implementation of the Nairobi Expressway Project*
165 Parliamentary Budget Office (PBO), *Fiscal Risks Report 2024*
166 National Treasury, *State Corporations Performance Report 2023*
167 Office of the Auditor General (OAG), *Audit of State-Owned Enterprises 2024*.
168 World Bank, *Kenya Public Expenditure Review 2023*
169 Office of the Auditor-General, *Annual Report on National Government Funds* 2023/24
170 Controller of Budget, National Government Budget Implementation Review Report FY 2023/24, 2024
171 Office of the Auditor-General, Special Audit on Financial Inclusion Fund (Hustler Fund), 2024.
172 Office of the Auditor-General, Audit Report on Dormant and Underutilised Funds, 2023.
173 Office of the Auditor-General, *Audit on Petroleum Training Levy Fund and Civil Servants Housing Scheme*, 2023.
174 Privatization Act, 2025, Section 3
175 Ibid., Sections 20–25, 35–40
176 Ibid., Section 10
177 Ibid., Sections 21, 22, 32–34, and Second Schedule
178 National Treasury, *Privatization Programme Implementation Report 2024*
179 World Bank, *Privatization and Public Value: Lessons from Kenya's 1990s Experience*
180 Katiba Institute, *Legal Analysis of the Privatization Act 2023*
181 Parliamentary Budget Office (PBO), *Fiscal Power and Executive Dominance Report 2024*
182 Katiba Institute, *Hidden Debts and Legal Legitimacy: Governance under Fiscal Capture 2024*
183 Transparency International Kenya, *Opacity and Accountability in Kenya's Fiscal Governance 2024*

the primary mechanism of political capture; a governance order where secrecy is rewarded, and accountability punished.[184]



3.4.4 State capture through political financing

Politics in Kenya is both financed by corruption and structured to protect it. A typical parliamentary campaign costs over KSh35 million, while gubernatorial contests exceed KSh100 million, according to a 2022 estimate by the Independent Electoral and Boundaries Commission (IEBC).[185] Once in office, elected officials treat procurement, appointments, and public borrowing as repayment mechanisms for political debts.

The Election Campaign Financing Act (2013) remains unenforced, allowing unchecked flows of illicit funds. The Registrar of Political Parties confirmed that no major party submitted audited campaign accounts for 2022 or 2024. In this context, procurement becomes repayment, not development. Politics finances corruption, and corruption finances politics.

3.4.5 Institutional capture and selective accountability

Oversight institutions have not been spared either. The EACC's Annual Report 2024 indicates that fewer than 5 per cent of corruption investigation cases progress to prosecution.[186] The ODPP reports conviction rates for economic crimes at below 10 per cent.

The Auditor General's Implementation Tracking Report 2024 shows that only 18 per cent of audit recommendations are implemented annually.[187]

EACC data reveal that 92 per cent of senior officials implicated in corruption in 2024 remained in office, including several who had been indicted by Parliament.[188] This is not merely a weakness; it is designed in such a way that selective accountability sustains the political economy of impunity.

3.4.6 The capture of policy and law-making

The legislative process has also become a site of capture. Major economic and fiscal laws, including the Finance Acts (2022–2024) and the Privatisation Act (2023) were passed through truncated public consultation and partisan bargaining. Parliamentary debates often serve to ratify Executive decisions rather than to deliberate on them.[189]

Public participation, a constitutional obligation, is routinely reduced to perfunctory hearings or selective invitations. Civil society submissions are ignored, while politically connected business lobbies dominate policy outcomes.[190] The law-making process has become a formal ritual that legitimises elite consensus.

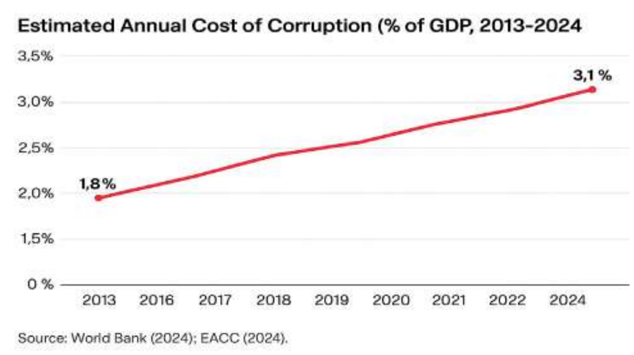
3.4.7 The social cost of state capture

The costs of corruption extend beyond lost funds to human deprivation. The World Bank estimated in 2024 that corruption drains 3 per cent of Kenya's GDP annually, equivalent to approximately KSh420 billion.[191] Each misallocated contract translates into schools that have not been built, hospitals that are not equipped, and diminished livelihoods.

184 World Bank, *Fiscal Governance and State Capture in Kenya 2024*
185 Independent Electoral and Boundaries Commission (IEBC), *Cost of Elections Report 2022*
186 Ethics and Anti-Corruption Commission, Annual Report 2024
187 Office of the Auditor-General, Audit Implementation Tracking Report 2024
188 EACC, National Corruption Status Report 2024
189 Parliamentary Budget Office (PBO), *Legislative Capture and Fiscal Governance Report 2024*
190 Transparency International Kenya, *Public Participation and Policy Capture Study 2024*
191 World Bank, *Macroeconomic Outlook for Kenya 2024*

The 2024–2025 cost-of-living crisis illustrates this injustice. As ordinary citizens bear heavier taxes, elites secure tax waivers and invest looted funds offshore. The Eastern and Southern Africa Anti Money Laundering Group (ESAAMLG) reported in 2023 that Kenya remains highly vulnerable to laundering linked to politically exposed persons.[192]

Corruption is not only an economic crime; it is a social regime that transfers the cost of impunity to the poor.



3.4.8 Pathways for freeing the economy from capture

Reversing state capture requires institutional redesign and moral reorientation. Political financing laws must be operationalised to enforce disclosure and spending caps. Oversight institutions must regain independence through transparent appointments and ring-fenced funding.

All procurement contracts and beneficial ownership data should be published on an open contracting platform. Courts should be empowered to issue structural orders compelling enforcement of anti-corruption judgments. Civil society must be integrated into fiscal monitoring under the IMF Governance Diagnostic framework.[193]

Freeing the state from capture is ultimately not only a technical project but a moral one. It requires a civic awakening to the idea that accountability is not an administrative option but the essence of nationhood. Kenya cannot reform its economy without first rescuing its conscience.[194]

3.5 Anti-money laundering and illicit financial flows

Illicit financial flows are the invisible bloodstream of state capture. They convert corruption into currency, secrecy into profit, and impunity into policy. Kenya's governance crisis cannot be fully understood without tracing how stolen public resources are laundered through financial systems that appear legal but are structurally complicit.

According to the ESAAMLG Mutual Evaluation Report (2023), Kenya remains highly exposed to money laundering risks arising from politically exposed persons, procurement fraud, and tax evasion. The evaluation found that while Kenya has developed a formal anti-money laundering (AML) framework, enforcement remains fragmented and reactive.

3.5.1 How dirty money eats Kenya's wealth

Kenya's AML regime is anchored in the Proceeds of Crime and Anti-Money Laundering Act (POCAMLA, 2009), which is administered by the Financial Reporting Centre (FRC) and the Asset Recovery Agency (ARA). In theory, these institutions form a robust chain of detection, investigation and recovery. In practice, they operate within political constraints that make major prosecutions rare.

The FRC reported over 15,000 suspicious transaction reports (STRs) in 2023, but fewer than 2 per cent were escalated for investigation by law enforcement agencies.[195] The majority of flagged transactions involved government contractors, politically exposed persons (PEPs), and real estate acquisitions. Yet, convictions for money-laundering offences remain below 1 per cent, reflecting systemic failure rather than limited evidence.[196]

The Central Bank of Kenya (2024) observed that cross-border transfers exceeding USD10,000 rose by 47 per cent between 2021 and 2023, much of it linked to offshore movements through correspondent banks in the United Arab Emirates and Mauritius.[197] This trend aligns with the Tax Justice Network's (2023) estimate that Kenya loses approximately USD 1.5 billion annually through

192 ESAAMLG, *Mutual Evaluation Report on Kenya 2023*
193 IMF, *Governance Diagnostic Follow-Up Plan 2025*
194 Katiba Institute, *Reclaiming the Republic: Moral Economy and State Reform in Kenya 2024*
195 Financial Reporting Centre (2024). Annual Report.
196 EACC (2024). Corruption Trends and Asset Recovery Report.
197 Central Bank of Kenya (2024). Statistical Bulletin, Q2 2024.

illicit outflows, which is roughly 2 per cent of the country's GDP.[198]

3.5.2 Channels and mechanisms of laundering

Illicit financial flows from Kenya typically follow three main routes:

1. **Trade-based Laundering**: Manipulation of import-export invoices to disguise capital flight. A 2024 analysis by the Kenya Revenue Authority (KRA) found valuation discrepancies exceeding KSh240 billion in customs declarations between Kenya and its trading partners.[199]

2. **Public Procurement and Infrastructure Projects**: Contract inflation and advance payments transferred abroad under the guise of consultancy or equipment imports. Many large infrastructure contracts, including under PPP frameworks, conceal payment streams routed through tax havens.

3. **Real Estate and Luxury Assets**: The EACC (2024) estimates that over 35 per cent of unexplained wealth cases involve property acquisitions in Nairobi, Mombasa and foreign jurisdictions, often held under proxies or shell companies.[200]

Kenya's Financial Reporting Centre acknowledges that real estate remains the most preferred laundering channel due to weak beneficial ownership disclosures and the use of cash transactions beyond regulatory thresholds.

3.5.3 Weak institutions and enforcement gaps

Despite the existence of POCAMLA, the Asset Recovery Agency (ARA) and Ethics and Anti-Corruption Commission (EACC) face overlapping mandates and political interference. Inter-agency rivalry has delayed asset confiscation worth an estimated KSh45 billion in frozen accounts.[201]

Judicial processes are equally constrained. The average duration of money-laundering cases exceeds five years, and most are settled through consent orders rather than convictions. [202]The Judiciary's Anti-Corruption and Economic Crimes Division operates below 60 per cent capacity due to inadequate funding.

The Financial Action Task Force (FATF) has repeatedly flagged Kenya for "technical compliance" without "effective implementation," meaning that while the laws exist, but their enforcement is selective and politically negotiated.[203]

3.5.4 Regional and global dimensions of money laundering

Kenya's financial system serves as both a transit and destination hub for illicit flows in East Africa. Cross-border cash smuggling, facilitated through porous borders with Somalia, Ethiopia and Uganda feeds regional laundering networks linked to wildlife trafficking, arms trade and narcotics.

The United Nations Office on Drugs and Crime (UNODC, 2023) notes that Kenya plays a dual role: a laundering conduit for illicit regional capital and a safe haven for politically connected domestic actors.[204]

Financial secrecy jurisdictions such as Dubai, Jersey, and Mauritius remain key destinations for Kenyan funds. The Global Financial Integrity (2024) report estimates that cumulative illicit outflows from Kenya between 2003 and 2023 exceed USD20 billion, much of it facilitated through trade mispricing and transfer pricing abuse by multinational corporations.[205]

3.5.5 Reform and policy imperatives

Kenya must align its AML framework with constitutional values of transparency and accountability in order to close these leakages. Key reforms include:

1. **Beneficial Ownership Transparency:** Enforce Section 93A of the Companies Act (2015) requiring public disclosure of beneficial owners for all firms engaging in public contracts or holding significant real estate assets.

2. **Strengthening the Financial Reporting Centre**: Grant the FRC direct investigative powers and fiscal autonomy under POCAMLA to reduce dependence on the Di-

198 Tax Justice Network (2023). State of Tax Justice.
199 Kenya Revenue Authority (2024). Trade Misinvoicing Analysis
200 EACC (2024). Illicit Wealth and Property Ownership Report.
201 Asset Recovery Agency (2024). Status of Frozen Assets Report
202 Judiciary of Kenya (2024). Anti-Corruption and Economic Crimes Division Annual Review.
203 FATF (2023). Follow-Up Report on Kenya.
204 UNODC (2023). Eastern Africa Illicit Finance Assessment.
205 Global Financial Integrity (2024). Illicit Financial Flows from Developing Countries: Kenya Spotlight.

rectorate of Criminal Investigations (DCI).

3. **Asset Recovery and Repatriation**: Implement mutual legal assistance treaties (MLATs) to expedite recovery of assets held abroad, particularly in cooperation with ESAAMLG and FATF members.

4. **Regulation of Professional Enablers**: Extend AML obligations to lawyers, accountants, and real estate agents; as they are currently outside effective oversight, under revised AML/CFT regulations.

5. **Cross-border Cooperation**: Strengthen regional enforcement through a Joint East African AML Taskforce to address transnational flows linked to corruption and organized crime.

6. **Public Disclosure and Civic Oversight**: Publish quarterly reports by the FRC and ARA detailing suspicious transactions, asset recoveries, and enforcement outcomes; integrate this data into the national Open Governance Portal.

3.5.6 Conclusion: Laundering as the logic of capture

Money laundering is not the aftershock of corruption; it is its bloodstream. Every illicit flow represents both a failure to enforce the law and a win for impunity. Unless the financial network of anonymous companies, compliant banks, and timid regulators that enables laundering is dismantled, governance reforms will remain cosmetic.

As the Okoa Uchumi Coalition has emphasised, fiscal justice begins where secrecy ends. The fight against illicit financial flows is therefore not merely a compliance exercise; it is a constitutional obligation to defend the republic from being traded piece by piece through global financial anonymity.

3.5.7 Digital repression, cyber lawfare and nuisance litigation as risks

Kenya's governance environment increasingly extends into the digital domain, where citizens, journalists and civic organisations use online platforms to expose corruption, mobilise public oversight, and demand accountability. However, this digital expansion has been met with state and corporate responses that mirror the patterns of capture and control, which are evident in traditional governance institutions.

With the passing and presidential assent of the Computer Misuse and Cybercrimes (Amendment) Act 2025, signed into law on October 15, 2025, the legal framework for digital oversight was significantly broadened. The law change introduces new offences and powers: expanded definitions of cyber-harassment and identity theft; authority granted to block or deactivate online platforms found to promote unlawful content; mandatory incident reporting by service providers; and heavier sanctions tied to online "false, misleading or fictitious" communication.[206]

Civil society and digital-rights organisations warn that several of these provisions remain vague and grant sweeping discretion to enforcement agencies. The law's extension into content regulation particularly through Section 46A, which permits blocking of digital platforms before conviction, has already prompted constitutional challenges.[207] Legal petitions led by Article 19 Eastern Africa, BAKE,[208] and KICTANet[209] argue that such powers risk could undermine constitutionally protected freedoms of expression, privacy and association.[210]

These developments deepen existing governance risks. Digital repression now constrains the flow of information essential to transparency, deters whistleblowing and discourages public participation. By allowing Executive actors to control information rather than disclose it, the amendment reinforces the logic of impunity already entrenched in Kenya's fiscal and political systems. The transition from corruption-driven secrecy to regulation-driven censorship represents an evolution of state capture in the digital era.

To safeguard accountability, reform must extend decisively into the digital space. Judicial oversight of takedown and blocking orders, robust whistle-blower protection in online contexts, transparent implementation of cyber security powers and consistent public-participation audits are essential to balance security imperatives with civil-liberties guarantees. Embedding digital

rights within Kenya's broader governance and fiscal-justice architecture is critical to preserving the constitutional promise of transparency and citizen agency.

3.6 Insight: Lessons from Sri Lanka and other governance diagnostics

Kenya's fiscal and governance crisis is not unique. Across the developing world, countries that pursued debt-driven growth without institutional safeguards have faced parallel collapses of solvency, sovereignty, and social legitimacy. Sri Lanka's 2022 default remains one of the clearest mirrors for Kenya's present trajectory. Its experience reveals how borrowing in the absence of transparency, elite impunity, and weak oversight can converge into a national crisis where citizens ultimately bear the cost of elite misrule.

3.6.1 The Sri Lanka parallel: Governance before collapse

Sri Lanka's economic implosion was the cumulative result of years of fiscal populism, administrative decay and captured institutions. The IMF's Governance Diagnostic Assessment (2023) identified five interlocking failures that precipitated the crisis: excessive reliance on state-owned enterprises to hide debt, politically directed borrowing for prestige projects without feasibility studies, weakened parliamentary oversight, extensive tax exemptions for well-connected elites, and judicial hesitation to enforce anti-corruption judgments.[211]

These patterns created what the IMF later termed "governance-driven macroeconomic risk." When external shocks struck, such as pandemic disruptions, commodity price spikes, and the flight of foreign capital; the hollow institutions could no longer absorb the shock. Inflation surpassed 60 per cent, reserves collapsed, and the state defaulted on USD52 billion in external debt.[212]

Kenya now exhibits comparable warning signs: the rapid expansion of public debt from KSh2.4 trillion in 2014 to KSh12.05 trillion[213] in 2025; politically motivated infrastructure projects; weak legislative control over supplementary budgets; and the erosion of audit and enforcement systems.[214] In both countries, the fiscal crisis is less about the arithmetic of debt than the political economy of power.

3.6.2 Civil society shadow report and the power of oversight

In Sri Lanka, civil society actors refused to allow the official narrative to end with technical reform. Organisations such as the Centre for Policy Alternatives and Transparency International Sri Lanka produced a 2023 "Shadow Governance Diagnostic" that reframed fiscal collapse as a governance and rights crisis.[215] Their study argued that governance reform cannot be reduced to technocratic prescriptions; that austerity without anti-corruption safeguards deepens inequality; and that debt transparency is a matter of democratic accountability and human rights.[216]

Kenya's Okoa Uchumi movement and allied networks echo this approach. They highlight that fiscal consolidation programmes focusing solely on budget balancing without citizen oversight or accountability measures merely entrench existing hierarchies of exclusion.[217] Public debt, procurement, and taxation are not neutral instruments; they are political tools whose legitimacy depends on openness and participation.

3.6.3: Comparative fiscal indicators: Kenya and Sri Lanka (2014–2024)

Indicator	Kenya (2024)	Sri Lanka (2021)	Comment
Debt-to-GDP Ratio	68%	104%	Both exceed sustainable thresholds.
Debt Service-to-Revenue	56%	72%	Kenya is approaching crisis territory.
Transparency International CPI	31/100	34/100	Reflects entrenched corruption.
Audit Compliance	18%	22%	Weak follow-up on audit findings.
SOE Losses as % of GDP	2.8%	3.1%	State enterprises remain fiscal drains.

Sources: IMF (2023); [218]World Bank (2024); [219]Office of the Auditor-General (2024)[220]; Transparency International (2024).[221]

These figures illustrate that Kenya's fiscal position now lies near the same thresholds Sri Lanka breached before its debt default. Both nations share a governance pattern in which policy capture and institutional decay convert economic policy into a system of elite protection rather than public service.

3.6.4 Governance lessons for Kenya beyond the numbers

The Sri Lankan collapse underscores the fact that macroeconomic reform without political and institutional transformation is self-defeating. Kenya's IMF programme must embed governance conditionalities that address corruption, political financing, and fiscal opacity at their roots. The IMF's own review of Sri Lanka admitted that failing to tackle corruption risks early rendered fiscal adjustment impossible.[222]

Equally, social protection must shape fiscal policy. In Sri Lanka, austerity without compensatory social measures ignited mass protests and accelerated political collapse.[223] Kenya's recent Finance Acts mirror this trajectory of regressive taxation and shrinking social expenditure. Every fiscal measure should therefore be accompanied by an ex-ante and ex-post Social Impact Framework assessing distributive consequences.[224]

Citizen participation must also move from formality to substance. Articles 10 and 118 of Kenya's Constitution enshrine public participation, yet in practice it often remains procedural. Sri Lanka's "Citizen Audit Board" model offers a potential template for Kenya; embedding civil society representatives within oversight processes to review debt, taxation, and expenditure decisions in real time.[225]

3.6.5 Comparative governance reforms and emerging good practice

Countries that have faced similar governance and fiscal diagnostics demonstrate that fiscal transparency and civic participation can be institutionalised. Ghana's Fiscal Risk Disclosure Portal (2022) now publishes all state-owned enterprise debt and contingent liabilities in a single open database, significantly reducing hidden fiscal risks. Indonesia's adoption of the Open Contracting Data Standard in 2019 increased procurement transparency and efficiency by 70 per cent. Sri Lanka's post-crisis Citizen Audit Boards monitor debt sustainability reports and SOE performance, while the Philippines' Judicial Asset Recovery Mechanism, operational since 2021, has enabled the confiscation of more than USD300 million in illicit assets.[226]

Drawing from these experiences, a clear pattern emerges: open data and citizen oversight are not peripheral governance ideals but measurable economic reforms that enhance fiscal discipline,

206 The Computer Misuse and Cybercrimes (Amendment) Act 2025, No. 17 of 2025
207 Court Suspends Parts of Kenya's New Cyber Law over Free-Speech Concerns, TechCabal
208 Bloggers Association of Kenya (BAKE) (2024). *State of Safety and Security of Bloggers in Kenya, 2019–2024*
209 KICTANet. (2024). *Annual Digital Rights and Inclusion Report*
210 Article 19 Eastern Africa (2023). *Analysis of the Computer Misuse and Cybercrimes Act (2018): Implications for Freedom of Expression in Kenya*
211 IMF (2023). *Governance Diagnostic Assessment: Sri Lanka*
212 IMF (2023). *Governance Diagnostic Assessment: Sri Lanka*
213 Ecofin Agency. (2025, October 9). Kenya's public debt reaches 67.8% of GDP in June 2025, Finance Minister says. Ecofin Agency. Retrieved from https://www.ecofinagency.com/news-finances/0910-49407-kenya-s-public-debt-reaches-67-8-of-gdp-in-june-2025-finance-minister-says
214 World Bank (2024). *Fiscal Governance Review: Sub-Saharan Africa.*
215 CPA & TISL (2023). *Civil Society Shadow Governance Diagnostic Report.*
216 Ibid.
217 The Institute for Social Accountability (TISA, 2024). *Citizen Oversight and Fiscal Justice Study*
218 IMF (2023). *Governance Diagnostic Assessment.*
219 World Bank (2024). *Fiscal Governance Review*
220 Office of the Auditor-General (2024). *Public Debt and SOE Performance Report*
221 Transparency International (2024). *Corruption Perceptions Index.* Berlin
222 IMF (2023). *Post-Program Assessment: Sri Lanka.*
223 World Bank (2024). *Human Capital and Social Protection Review.*
224 TISA (2024). *Citizen Oversight and Fiscal Justice Study.*
225 CPA & TISL (2023). *Shadow Governance Diagnostic.*
226 OECD (2023). *Open Contracting and Fiscal Transparency in Emerging Economies.* Paris

curb corruption, and restore institutional credibility.

Comparative reform impact: Open contracting and fiscal risk transparency

Country	Year	Procurement Efficiency Gain
Indonesia	2019	+70%
Ghana	2022	+55%
Philippines	2021	+48%
Kenya	—	*Partial implementation; no national impact data available*

Sources: World Bank (2024); IMF Governance Diagnostic Repository; OECD (2023).

The absence of comparable data for Kenya underscores a critical governance gap. Implementing open contracting, fiscal-risk disclosure, and citizen-audit reforms could deliver similar efficiency and integrity gains within two fiscal cycles, particularly if anchored in the Public Procurement Regulatory Authority's digital platform and linked to debt-transparency initiatives. This evidence affirms that governance reform is not merely an ethical obligation but a fiscal strategy for rebuilding confidence, credibility, and sustainable growth.

Comparative Governance Frameworks – IMF versus Civil Society Priorities

Governance Domain	IMF Diagnostic Focus	CSO Shadow Focus	Kenya's Relevance
Fiscal Transparency	Debt sustainability metrics	Public debt disclosure and citizen audit	Aligns with Article 201(a) and (d)
Anti-Corruption	Asset recovery and sanctions	Political financing and illicit enrichment	Mirrors Kenya's campaign-finance opacity
Judiciary and Rule of Law	Institutional independence	Enforcement of judicial decisions	Reflects selective accountability crisis
Social Protection	Efficiency and targeting	Equity and distributive justice	Parallels Kenya's austerity-welfare tension

Sources: CPA & TISL (2023);[227]IMF (2023);[228]TISA (2024).[229]

3.6.6 Converting numbers into governance reform

The comparative evidence points to a simple conclusion: fiscal crises are symptoms of deeper governance malaise. For Kenya, the path to sustainability depends less on the pace of borrowing than on the integrity of fiscal management. Audit-implementation rates, beneficial-ownership disclosure, and citizen oversight mechanisms must become the benchmarks of fiscal health.

Civil society must therefore play a permanent role in IMF and World Bank review processes, ensuring that governance benchmarks carry equal weight with fiscal targets. As the Okoa Uchumi campaign asserts, the measure of recovery is not how rapidly GDP grows but how fairly and transparently the state governs.[230]

3.7 Turning diagnosis into transformation: Linking comparative lessons to Kenya's reform imperative

The preceding analysis demonstrates that Kenya's governance crisis is neither accidental nor unique. It follows the same trajectory seen in countries such as Sri Lanka and Ghana, where institutional decay, elite capture, and lack of fiscal transparency undermined economic stability and public trust. Kenya, however, still keels towards prevention rather than collapse. The choice before the state is whether to continue governing through secrecy and privilege or to rebuild legitimacy through reform grounded in transparency and justice.

The evidence presented in this Shadow Governance and Corruption Diagnostic shows that fiscal dysfunction is not simply an administrative failure but the product of deliberate political design. Borrowing, procurement, and public private partnerships are often deployed as instruments of political survival rather than vehicles of national development. This system has hollowed out constitutional institutions, transforming accountability into a symbolic ritual that conceals impunity behind legality. Governance has thus become performative, while public finance has been converted into a marketplace of elite bargains.

Comparative experience leads to a single conclusion: governance reform must precede fiscal adjustment. No volume of debt restructuring, austerity, or revenue expansion can succeed in the absence of integrity and citizen oversight. The International Monetary Fund's Governance Diagnostic Assessment for Kenya (2024) confirms that weak fiscal transparency, discretionary spending, and compromised oversight institutions constitute macroeconomic risks equal to debt itself.[231] Reforms that treat corruption as a technical irregularity rather than a political economy of extraction are doomed to fail.

Kenya can avoid the path of fiscal and moral collapse only by embedding governance reform into every stage of its economic management. The lessons of Sri Lanka's crisis are instructive. The failure to integrate anti-corruption and citizen oversight into fiscal stabilisation programmes converted a financial problem into a legitimacy crisis. [232]Kenya's ongoing engagement with the IMF and other international partners must therefore institutionalise governance conditionalities that elevate openness and accountability from policy aspirations to enforceable commitments. ***Citizen participation is not a procedural obligation; it is the foundation of fiscal legitimacy.***

Reform begins with transparency. Every loan contract, guarantee, and project appraisal should be published in full, alongside repayment schedules and contingent liabilities. Debt must be understood not as an accounting exercise but as a political act with distributive consequences. Expenditure governance audits, mandated under Article 229 of the Constitution, should be linked to budget ceilings to ensure that fiscal prudence and constitutional compliance reinforce each other. The establishment of a National Anti-Capture Taskforce comprising representatives from Parliament, the Judiciary, civil society, and academia would create an institutional platform to monitor political economy risks across sectors and to issue periodic governance risk assessments.

Fiscal accountability also depends on civic agency. Kenya's reform process must institutionalise citizen oversight through formal representation in IMF programme reviews, ensuring that debt management, taxation, and expenditure reforms are evaluated from the perspective of social justice. The creation of a People's Fiscal Observatory, anchored in partnerships between civil society organisations, would provide a mechanism for continuous public monitoring of fiscal policy. The Okoa Uchumi campaign would equally play this observatory role effectively. This approach aligns with global best practices in countries such as Ghana and Indonesia, where citizen audit mechanisms have become central to debt transparency and expenditure control.[233]

Parliament should pass annual Fiscal Accountability Scores for ministries and counties to strengthen institutional discipline, linking performance to resource allocation and oversight follow-up. These scores would serve as a measurable indicator of compliance with constitutional values, particularly openness, participation, and equitable sharing of burdens and benefits. Such reforms are not bureaucratic innovations but democratic imperatives designed to restore the moral authority of the state.

Ultimately, Kenya's governance crisis is not an economic puzzle but a political pathology. Fiscal distress, institutional collapse, and moral decay are symptoms of a system built to extract rather than to serve. Across the chapters of this Alternative Diagnostic review, the pattern is unmistakable: corruption is not an anomaly; it is the organising principle of governance. Laws and institutions have been repurposed to legitimise predation, while citizens pay the price through taxation, unemployment, and social exclusion.

The transition from diagnosis to transformation therefore requires a reconfiguration of Kenya's governance order based on constitutional fidelity, citizen participation, and moral accountability. Reform must move beyond compliance checklists to the restoration of justice and public trust. The next chapter sets out a comprehensive Policy and Institutional Reform Agenda that translates this diagnostic review into action. It integrates comparative insight, domestic analysis, and civic proposals into a roadmap for fiscal justice, institutional renewal, and social equity.

3.8: Turning diagnosis into transformation: Linking governance failures to lived realities

The lived experience of citizens provides the most compelling evidence of Kenya's governance crisis. Behind every collapsed public service lies an anatomy of fiscal mismanagement, policy capture, and institutional decay. Hunger, joblessness, the erosion of social protection, and the breakdown in education and health are not the natural consequences of scarcity but deliberate outcomes of governance choices made within a captured state. Fiscal governance is therefore not an abstract concern; it is a determinant of human dignity.

Kenya's fiscal system has been transformed into an instrument of political survival rather than public service. Data from the Parliamentary Budget Office (2024) show that supplementary budgets have on average constituted 26 per cent of total appropriations since 2017 -- far exceeding the constitutional limit of 10per cent.[234] This pattern reflects chronic executive overreach, where spending decisions precede parliamentary approval, reversing the logic of democratic oversight. The misuse of Article 223 has become a mechanism for reallocating funds toward politically strategic ministries such as the Presidency, Interior, and Infrastructure, while social sectors like Health, Education, and Water experience under-absorption rates approaching 40 per cent[235]. This fiscal bias prioritises political control over human welfare.

Sector	Absorption Rate (FY2023/24)	Deviation from Approved Budget
Health	61%	-13%
Education	63%	-10%
Infrastructure	104%	+19%
Presidency & Interior	118%	+24%

Source: Parliamentary Budget Office, Supplementary Budget Review FY2023/24.

This imbalance translates directly into social deprivation. Governance failures reproduce material suffering across all sectors of daily life, forming a governance-poverty feedback loop that undermines both legitimacy and justice.

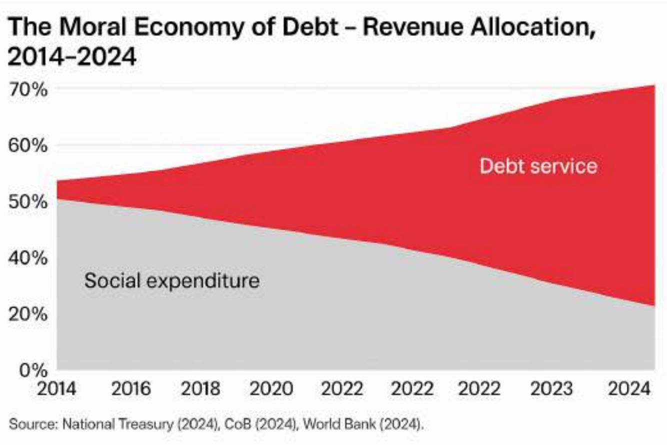
3.8.1 The political economy of fiscal misgovernance

Kenya's fiscal trajectory demonstrates that budgeting and debt management are driven less by developmental priorities and more by political incentives. Supplementary budgets are weaponised to reward political loyalty, exceeding the 10 per cent constitutional ceiling, while technical budget processes are subverted for patronage. The Parliamentary Budget Office (2024) confirms that politically aligned ministries consistently spend above budget, while developmental programs experience underfunding.[236] This points to chronic misuse of Article 223, where the Executive spends before approval, effectively reversing parliamentary control.

The result is a political budget that redistributes resources not for growth but for control. Fiscal indiscipline, tolerated under the guise of flexibility, has entrenched inequality and weakened public confidence in the state.

3.8.2 The moral and developmental costs of misgovernance

The moral cost of fiscal misgovernance is severe. In the 2023/2024 financial year, 56 per cent of total government revenue was spent on debt servicing, leaving less than 15 per cent for development.[237] Every shilling collected from taxpayers now funds historical theft rather than new opportunity. As shown in the Figure hereunder, rising debt obligations have led to a proportional decline in allocations to education, healthcare, and social protection.



The fiscal bargain between the state and its citizens has been bro-

227 CPA & TISL (2023). *Civil Society Shadow Diagnostic Report.*
228 IMF (2023). *Governance Diagnostic Assessment.*
229 TISA (2024). *Citizen Oversight and Fiscal Justice Study.*
230 Okoa Uchumi Coalition (2024). *Fiscal Justice Advocacy Brief.*
231 International Monetary Fund. *Kenya: Governance Diagnostic Assessment*
232 Transparency International Sri Lanka and Centre for Policy Alternatives. *Shadow Governance Diagnostic Report: Governance, Fiscal Justice and Citizen Accountability.* Colombo: TISL and CPA, 2023
233 World Bank. *Global Governance Reform Compendium: Fiscal Transparency and Citizen Oversight Initiatives*
234 Parliamentary Budget Office (2024), *Budget Policy Review Report.*
235 Parliamentary Budget Office (2024), *Expenditure Trends Brief.*
236 Okoa Uchumi Coalition (2024), *Fiscal Capture and Budgetary Distortions Report.*
237 National Treasury (2024), *Quarterly Economic and Budget Review.*

ken, replaced by an extractive relationship that trades compliance for neglect. This economic injustice has a human face: unpaid nurses, shuttered schools, and families sliding into poverty even as taxes rise.

This imbalance translates directly into social deprivation. Governance failures on the other hand reproduce material suffering across all sectors of daily life.

3.8.3 Fragile institutions give birth to a deficit in the rule of law

Kenya's governance landscape continues to reflect structural weaknesses in enforcement and institutional coordination. Reports from constitutional oversight bodies show that while audit, investigative, and judicial mechanisms exist, implementation and compliance remain weak.

The Auditor General notes persistent non-implementation of audit recommendations across both national and county governments. In its 2024 Consolidated Reports, the Office of the Auditor General observed that many entities failed to address previous years' queries, resulting in recurring irregularities and unsupported expenditures.[238] The Ethics and Anti-Corruption Commission (EACC) similarly reports that, despite steady prosecution activity, conviction rates in corruption cases remain in the single digits, constrained by lengthy court processes and appeals.[239]

Judicial enforcement of fiscal-governance rulings also faces obstacles. Several court decisions, such as Okiya Omtatah Okoiti v National Treasury (2020) and Katiba Institute v National Assembly (2022) have seen delayed or partial implementation by Executive agencies.[240] This pattern illustrates a wider rule-of-law deficit: legality exists in form, but enforcement is selective and often politically mediated.

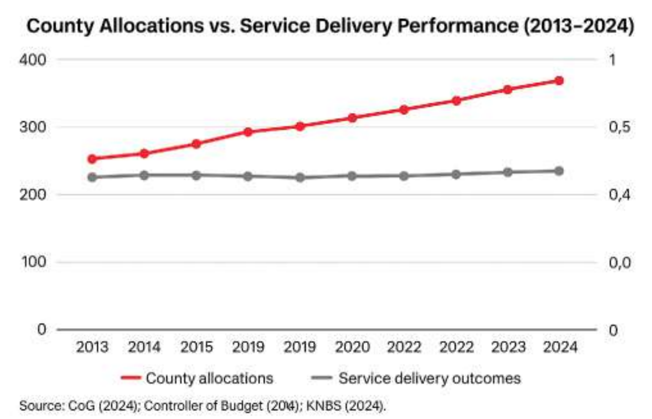
These weaknesses are not merely administrative lapses. Accountability mechanisms lose credibility when Parliament fails to debate audit reports promptly or to implement recommendations of the Public Accounts Committee, and when Treasury delays publication of beneficial-ownership disclosures. The cumulative effect is an environment in which impunity is normalised and the rule of law becomes conditional rather than constitutional.

3.8.4 Devolution as subnational extension of capture

Devolution, once envisioned as the democratic frontier of the Constitution, has similarly been captured. Independent audits estimate that counties collectively lose between KSh100 and KSh120 billion annually through procurement fraud, ghost projects, and inflated payrolls.[241]

Although county allocations have increased by over 40 per cent since 2013, service delivery indicators such as water access, maternal health and waste management have stagnated.[242]

The Figure hereunder illustrates this paradox. Devolution has become the subnational extension of national patronage, a localized system of capture that mirrors the centre's dysfunction. True decentralisation of power remains rhetorical, while fiscal autonomy has been converted into a platform for elite redistribution.



238 Office of the Auditor-General (Kenya), Consolidated Report on the National Government for the Year Ended 30 June 2024; and Consolidated Report on County Governments for the Year Ended 30 June 2024.

239 Ethics and Anti-Corruption Commission (Kenya), Annual Report 2022/2023, "Prosecutions and Convictions,"

240 Okiya Omtatah Okoiti v Cabinet Secretary, National Treasury & Others [2020] eKLR; Katiba Institute & Others v National Assembly & Another [2022] eKLR.

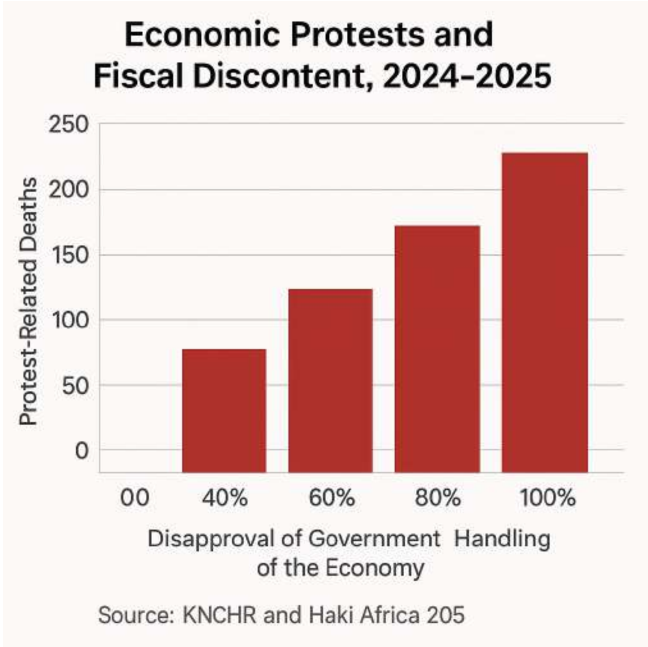
241 Ethics and Anti-Corruption Commission (EACC), *County Corruption Risk Mapping Report* (2023); Office of the Auditor-General, *Consolidated County Audit Report* (2023); Transparency International Kenya, *County Integrity Index* (2024).

242 Kenya National Bureau of Statistics (2024), *County Development Indicators Survey*.

3.8.5 Bad governance has a direct link to social stability and protest

The governance deficit now constitutes a direct national security threat. Economic exclusion, youth unemployment, and corruption-induced austerity have eroded the state's legitimacy. The 2024–2025 protests against tax injustice and fiscal opacity revealed how quickly fiscal discontent can morph into social revolt. A joint brief by the Kenya National Commission on Human Rights and Haki Africa (2025) documented more than 200 protest-related deaths linked to excessive use of force by the police.[243]

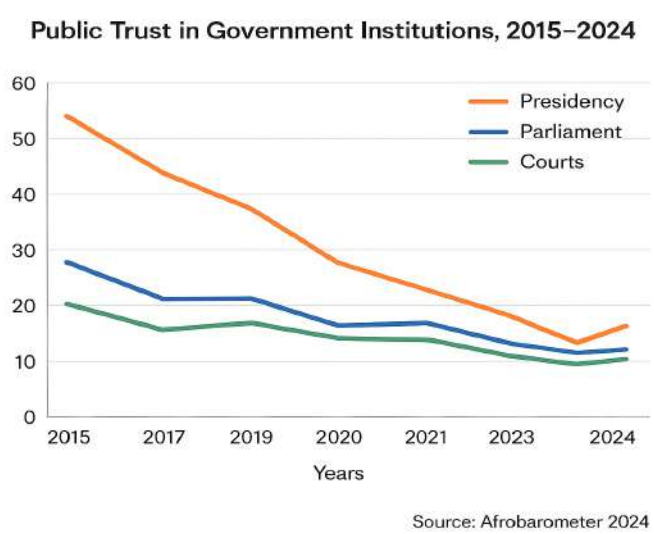
When legitimacy collapses, coercion becomes the last refuge of governance. Kenya's fiscal state now risks crossing the same threshold that pushed pre-crisis Sri Lanka, Lebanon, and Tunisia from austerity into anarchy.



3.8.6 The governance poverty trap

Kenya's governance crisis has crystallised into what economists describe as a governance-poverty trap, which is a condition in which inequality, corruption, and repression sustain each other. As inequality widens, social mobility collapses, and citizens lose trust in institutions, enabling the very corruption that perpetuates poverty.

According to the World Bank (2024), Kenya's poverty rate stagnated at 33.8 per cent despite average GDP growth of 4.8 per cent. Ten per cent of Kenya's wealthiest people control controls nearly half of national income, while the poorest 40 per cent share less than 15 per cent[244]. Fiscal injustice is thus the architecture of inequality.



This cycle is visible in both data and lived experience: as inequality rises, trust in institutions collapses, and participation declines.

3.8.7 Pathways for ethical and institutional renewal

The synthesis across this chapter points to an urgent conclusion: governance reform must precede fiscal stabilisation. Kenya cannot borrow, tax, or audit its way out of a governance crisis whose roots are moral and institutional.

First, constitutional fidelity in fiscal governance must be restored. Articles 201 through 223 should be treated as enforceable obligations, not procedural guidelines. Abuse of Article 223 should be judicialised as a constitutional violation rather than a technical infraction.

Second, accountability must be repoliticised; treated as a question of power rather than procedure. Anti-corruption reform must address the political structures that sustain impunity by binding political parties to integrity compacts and sanctioning fiscal misconduct as betrayal of public trust.

Third, citizen-led fiscal oversight must be institutionalised through mechanisms such as a People's Budget Observatory, enabling civil society to legally track both national and county expenditures in real time. Treasury and county governments should be legally required to publish budget data in accessible, machine-readable formats.

Finally, social protection must be recognised as fiscal justice. Kenya's debt and administrative savings, such as the KSh17 million spent daily on government entertainment, should be redirected to health insurance and education funds. Expenditure priorities must reflect the moral hierarchy embedded in Article 43 of the Constitution, which defines social rights as obligations, not charity.

This moral economy of governance demands an ethical reawakening. Kenya's Constitution envisioned a state anchored in integrity, participation, and accountability. That vision has been betrayed by the convergence of political greed and institutional decay. Yet within this decay lies the seed of renewal: citizens who, through protest and advocacy, have reclaimed the language of fiscal justice.

The struggle to reform governance is therefore not only administrative but moral; a battle to redeem the conscience of the Republic. The next section, 2.9 The Ethics of Economic Governance, builds on this imperative by outlining the ethical foundations of Kenya's governance transformation.

3.9 The ethics of economic governance

Kenya's governance crisis is not only an institutional failure but a profound moral collapse. The fiscal crisis, institutional decay, and entrenched impunity documented throughout this diagnostic represent the ethical unmaking of the state. The Constitution of Kenya (2010) envisioned a republic grounded in integrity, accountability, and social justice. Fifteen years later, that vision has been subverted by a political economy that rewards corruption and punishes integrity. The problem is not the absence of institutions or laws but the moral inversion that allows theft to masquerade as leadership and impunity to pass for pragmatism.

Economic governance cannot be separated from ethics because every fiscal decision carries distributive consequences. When more than half of national revenue is consumed by debt servicing while millions of citizens face hunger, joblessness, and collapsing public services, the question is not only economic but moral. It asks whether the state exists to protect its citizens or to preserve elite privilege. The prioritization of debt repayment and recurrent expenditure over investment in education, health, and social protection exposes a hierarchy of values that places creditors above citizens and expedience above justice. [245]Fiscal policy is therefore not merely an instrument of management but a moral statement about who matters in a republic.

The deliberate diversion of public funds from essential services to patronage networks has transformed poverty into a policy outcome rather than a policy failure. Citizens are compelled to finance their own disenfranchisement through regressive taxation and unproductive borrowing. This dynamic represents both fiscal injustice and moral harm. As public finance scholars have observed, democratic budgeting must embody distributive justice, which is the equitable allocation of resources that affirms human dignity[246]. The fiscal state cannot claim legitimacy while denying citizens the basic conditions necessary for that dignity.

In Kenya, this moral dimension has been displaced by what can be termed as fiscal nihilism; a governing mindset that treats accountability as a threat and transparency as an inconvenience. When accountability institutions are denied resources, when court orders are ignored, and when corruption is justified as pragmatism, the moral foundations of governance erode. The result is not only inefficiency but desensitization, breeding a culture where citizens internalize impunity as normal[247].

The erosion of civic virtue becomes self-reinforcing, sustaining

243 KNCHR and Haki Africa (2025), *Human Rights and Fiscal Justice Report*.

244 World Bank, *Kenya Poverty and Inequality Assessment 2024*

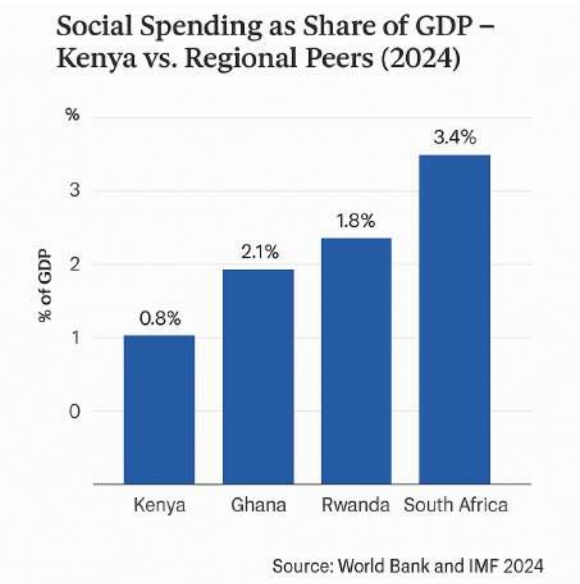
245 National Treasury (2024), *Quarterly Budget Review Report*.

246 Stiglitz, J. (2019), *The Price of Inequality*. New York: W.W. Norton

247 Ethics and Anti-Corruption Commission (2024), *National Integrity Trends Report*.

the very cycle of corruption and inequality that constitutional governance was meant to end.

The ethical deficit deepens when one examines the social consequences of fiscal injustice. In 2024, social protection expenditure remained below one per cent of GDP, far beneath the regional average. Ghana invests 2.1 per cent, Rwanda 1.8 per cent, and South Africa 3.4 per cent.[248]



Each fiscal year repeats the ritual of austerity while neglecting Article 43 of the Constitution, which guarantees every Kenyan the right to health, housing, education, and social security. This chronic underfunding of social rights is not a matter of scarcity but a matter of choice. When a government can spend KSh17 million daily on hospitality while hospitals lack medicine, the issue is not inefficiency; it is injustice.[249]

Kenya's debt trajectory similarly illustrates this moral disorder. Borrowing has become a substitute for tax fairness, shifting the cost of corruption to future generations. The IMF and World Bank debt sustainability analyses confirm that Kenya's debt service-to-revenue ratio now exceeds sustainable thresholds.[250] Yet new loans continue to be contracted without full disclosure or parliamentary approval. Every undisclosed loan represents an act of intergenerational injustice; mortgaging the welfare of unborn citizens to sustain the privileges of those in power. Fiscal justice, therefore, demands both transparency and restraint.

Ethical governance requires that fiscal decisions be guided by constitutional morality. Articles 10, 73, and 201 establish integrity, participation, and accountability as binding obligations. Budgets must serve life rather than diminish it; taxation must empower rather than impoverish; and fiscal discipline must reflect justice rather than austerity. The recovery of Kenya's economy is thus inseparable from the recovery of its conscience.

The path forward demands a moral awakening across all sectors of governance. Parliament must reclaim its constitutional role as guardian of the public purse, not the broker of patronage. The Executive must recognise that transparency is the price of legitimacy. The Judiciary must defend the Constitution as a living covenant with citizens, not a rhetorical charter. And citizens themselves, as sovereign under Article 1, must assert that ethical governance is a right, not a privilege.

The relationship between transparency reforms and public trust underscores this moral argument. As the figure hereunder demonstrates, periods following major governance reforms such as the introduction of open contracting and beneficial ownership registries correspond with measurable increases in citizen trust in government institutions.[251] Ethics, therefore, is not an abstraction but a determinant of national stability and fiscal resilience.

Fiscal Ethics Indicators, 2014–2024

Indicator	2014	2024	% Change	Source
Debt Service as % of Revenue	36%	56%	+20	IMF, PBO (2024)
Audit Recommendation Implementation	45%	18%	-27	OAG (2024)
EACC Conviction Rate	22%	9%	-13	EACC (2024)
Social Spending (% GDP)	1.3%	0.8%	-0.5	World Bank (2024)
Public Trust in Government Institutions	43%	27%	-16	Afrobarometer (2024)

Ethical renewal, then, is not merely moral rhetoric but an economic imperative. A republic that rebuilds its moral foundations inevitably restores its fiscal health. Kenya's reform journey must therefore be guided by the principle that integrity is not an expense but an investment; one that yields social trust, investor confidence, and political legitimacy.

The next chapter, Reform and Transformation Agenda, translates these ethical imperatives into actionable reforms, detailing how Kenya can reconstruct its governance architecture around transparency, justice, and citizen participation.

248 World Bank (2024), *Social Protection and Resilience in Africa: Country Indicators.*

249 Controller of Budget (2024), *Annual Budget Implementation Review.*

250 IMF and World Bank (2024), Joint Debt Sustainability Analysis for Kenya, *Annex II in "Kenya: Seventh and Eighth Reviews under the EFF/ECF Arrangements"*

251 Afrobarometer (2024), *Kenya Round 9 Country Survey Findings.*

Chapter 4: Reform and Transformation Agenda

4.1 Rationale and framework for transformation

Kenya's governance crisis is systemic, reflecting a political economy that has normalized fiscal capture, weakened oversight institutions, and rewarded impunity over integrity. Reform cannot be incremental; it must address the entire governance ecosystem; fiscal management, political financing, judicial enforcement, and citizen accountability.

The reform imperative therefore lies not in incremental administrative adjustments but in a comprehensive reconstruction of Kenya's governance ecosystem. Effective reform must simultaneously address the sources, channels, and consequences of corruption, from political financing to fiscal transparency, from judicial enforcement to social protection.

This Policy and Institutional Reform Agenda translates the findings of the Shadow Governance and Corruption Diagnostic (GCD) review into an actionable blueprint for transformation. It is grounded in four pillars:

1. **Fiscal Integrity and Accountability**: rebuilding public finance systems that serve citizens rather than elites.
2. **Institutional Independence and Enforcement**: restoring oversight bodies to operational and financial autonomy.
3. **Democratic Participation and Transparency**: embedding citizens in fiscal oversight and decision-making processes.
4. **Equity and Social Justice**: ensuring fiscal reforms protect rights and promote distributive fairness.

These pillars align with Kenya's constitutional provisions, particularly Articles 10 (national values and principles of governance), 43 (economic and social rights), 73 (leadership and integrity), and 201–223 (public finance principles).[252] They are also consistent with lessons drawn from the Okoa Uchumi Policy Brief (2025), comparative governance diagnostic reviews from Ghana, Sri Lanka, and Indonesia, and the IMF's 2023 Governance Diagnostic Framework.

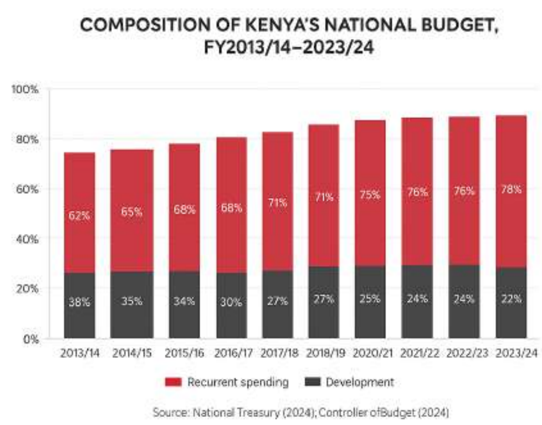
At the heart of this framework is a simple principle: fiscal reform without governance reform is futile. Every act of transparency must be matched by enforcement, and every institution of accountability must be insulated from political capture. Kenya's path to fiscal recovery will depend not on austerity alone but on integrity; not on technocracy alone but on moral and civic renewal.

4.2 Fiscal governance and debt transparency

4.2.1 The problem

Kenya's debt burden has become the most visible manifestation of its governance deficit. Between 2014 and 2025, public debt rose from KSh2.4 trillion to KSh12.05 trillion,[253] while economic growth stagnated below 5 per cent.[254] Debt servicing now consumes more than 56 per cent of total government revenue.[255]

The Parliamentary Budget Office (2024) notes that supplementary budgets have reached an average of 26 per cent of total appropriations since 2017, far exceeding the 10 per cent constitutional ceiling provided for under Article 223.[256] This pattern reflects the chronic misuse of Executive spending powers, where appropriations are adjusted without parliamentary approval. Bureaucratic discretion has replaced fiscal discipline, transforming debt policy into a tool of political convenience.



This structure of spending reveals a fiscal paradox: while debt and recurrent costs expand, development expenditure has declined from 33 per cent in 2014 to 22 per cent in 2024. Kenya is thus borrowing to sustain the cost of political administration rather than to transform its economy.

Recurrent expenditure has increased by 142 per cent since 2014, while development spending has grown by only 68 per cent. The share of wages and interest payments now exceeds 60 per cent of total spending, crowding out public investment. Off-budget borrowing by state-owned enterprises and securitisation of revenue streams has further inflated debt exposure.

252 Constitution of Kenya (2010), Articles 10, 43, 73, 201–223

253 Ecofin Agency. (2025, October 9). Kenya's public debt reaches 67.8% of GDP in June 2025, Finance Minister says. Ecofin Agency. Retrieved from https://www.ecofinagency.com/news-finances/0910-49407-kenya-s-public-debt-reaches-67-8-of-gdp-in-june-2025-finance-minister-says

254 Controller of Budget (2024), *Annual Budget Implementation Review.*

255 IMF and World Bank (2024), Joint Debt Sustainability Analysis for Kenya, Annex II in "Kenya: Seventh and Eighth Reviews under the EFF/ECF Arrangements"

256 Parliamentary Budget Office (2024), *Budget Policy Statement Review.*

257 National Treasury, Annual Public Debt Management Report 2023/24; Institute of Public Finance, 2024 review

Kenya's Open Budget Index score declined from 55 in 2019 to 48 in 2023,[258] reflecting worsening fiscal transparency. Notably, Kenya has securitised two funds so far, the sports levy and the petroleum levy, for KSh45 billion for Talanta Stadium to be repaid as KSh145 billion, according to an expose by Member of Parliament, and KSh175 billion for the petroleum levy.

4.2.2 Reform framework

Reform must prioritise transparency, accountability, and justice in debt management if it is to restore fiscal integrity.

1. Debt Transparency:
All loan agreements, guarantees, and contingent liabilities should be published within thirty days of signing on a central debt portal managed jointly by the National Treasury and Parliament. This portal should include repayment schedules, project appraisals, and performance audits.

2. Fiscal Discipline:
Parliament must enforce a binding debt ceiling and pre-approve all expenditures proposed under Article 223 of the Constitution. Supplementary budgets should be abolished altogether and only be used with justification tied to emergencies verified by the Controller of Budget.

3. Open Budgeting:
Kenya should adopt the Open Budget Index (OBI) standards and publish quarterly deviation reports comparing budgeted and actual spending. Public participation reports must be annexed to every Appropriations Bill, ensuring compliance with Article 201(a) of the Constitution.

4. Debt Justice:
Fiscal consolidation measures must be evaluated for their distributional impact. A Social Impact Framework (SIF) should accompany every debt restructuring process, measuring how repayment policies affect poverty, employment, and access to essential services.

Fiscal Governance Reform Matrix

Reform Area	Action	Responsible Actor	Timeframe
Debt Transparency	Publish all loan contracts, guarantees, and contingent liabilities on a public debt portal.	National Treasury; Parliament (PAC)	Immediate
Fiscal Discipline	Legally cap supplementary budgets at ten per cent of appropriations; require pre-approval for Article 223 spending.	Parliament; Controller of Budget	Short-term
Open Budgeting	Adopt Open Budget Index standards; annex public participation reports to the Appropriations Bill.	National Treasury; CSOs; CoG	Medium-term
Debt Justice	Integrate distributional impact assessments into IMF program reviews.	Treasury; IMF; CSO Coalition	Ongoing

These reforms reassert Parliament's power of the purse, institutionalise transparency as a governance principle, and restore debt management as a democratic rather than Executive function.

4.3 Anti-corruption architecture and enforcement

3.3.1 The problem

Kenya's anti-corruption infrastructure continues to struggle with weakened coordination, institutional fragmentation, and political interference. For instance, the Ethics and Anti-Corruption Commission (EACC) reports that among Kenyan adults surveyed in 2023, only 17.0 per cent had ever filed a corruption report with the Commission, while just 4.3 per cent had sought an investigation by the EACC.[259] Meanwhile, case-processing outcomes suggest that significant portions of corruption and economic crime prosecutions by the Office of the Director of Public Prosecutions (ODPP) do not result in convictions — while precise figures vary, independent research notes that serious economic crime cases in Kenya have been lost at a high rate.[260] These gaps reflect systemic weaknesses in investigation, prosecution and accountability. On the economic front, estimates of annual losses due to corruption and misuse of public funds vary widely: one recent figure places annual losses at up to KSh608 billion (approximately 7.8 per cent of GDP[261] while another identifies leakages of KSh194 billion per year.[262] These disparities highlight the challenge of quantifying the true scale of economic damage wrought by corruption and weak enforcement in Kenya.

Public statements indicate that a large proportion of audit recommendations remain unimplemented by Kenyan public entities, e.g., the Auditor General cited a non-implementation rate of about 79 per cent in 2025. Similarly, while the EACC reports hundreds of case referrals each year, the number of convictions remains low relative to investigations. These failures are deliberate strategies to preserve elite impunity.

4.3.2 Reform framework

Restoring enforcement credibility requires institutional independence, financial autonomy, and performance accountability.

1. Institutional Independence:
Establish multi-stakeholder appointment panels for heads of EACC, ODPP, and OAG to minimise Executive interference. Mandate Parliament to approve independent budgets for integrity institutions free from Treasury allocations.

2. Asset Recovery:
Operationalise the Proceeds of Crime and Anti-Money Laundering (Amendment) Act (2023) and establish fast-track economic crimes courts under the Judiciary to expedite recovery processes.

3. Beneficial Ownership Transparency:
Enforce Section 93A of the Companies Act, requiring disclosure of beneficial ownership for all firms contracting with the government.

4. Performance Accountability:
Introduce annual integrity performance contracts linking the DPP and EACC heads to measurable outcomes such as conviction rates, asset recovery value, and public trust indices.

Anti-Corruption Reform Framework

Reform Area	Action	Responsible Actor	Expected Outcome
Institutional Independence	Multi-stakeholder appointment panels for heads of EACC, ODPP, OAG and CoB.	Parliament; JSC; CSOs	Depoliticised oversight
Asset Recovery	Implement Proceeds of Crime and Anti-Money Laundering (Amendment) Act 2023; establish fast-track asset courts.	Judiciary; FRA; EACC	KSh50 billion recovered annually
Beneficial Ownership	Enforce Companies Act Section 93A for disclosure of state contractor ownership.	BRS; PPRA	Reduced procurement capture
Prosecution Accountability	Annual performance contracts linking DPP and EACC outcomes to recovery metrics.	PSC; ODPP	Measurable integrity impact

4.4 Political financing and electoral integrity

4.4.1 The problem

Kenya's corruption problem begins long before officials enter public office. It is rooted in a political financing system that rewards opacity, monetises candidacy, and converts public office into a mechanism of debt repayment. Elections have become high-cost investments with guaranteed private returns, distorting governance priorities and undermining accountability.

The Independent Electoral and Boundaries Commission (IEBC) estimates that a successful gubernatorial campaign costs over KSh100 million, while parliamentary candidates spend an average of KSh35 million. These expenditures vastly exceed legal campaign limits under the Elections Campaign Financing Act (2013), which remains unimplemented more than a decade after its enactment. The result is a political market dominated by wealthy elites, contractors, and financiers who later recover their investments through inflated procurement deals, tax exemptions, and public appointments.

Estimated Campaign Costs by Political Office

Office	Average Cost (KSh Millions)	Source of Financing
President	3,500	Party donations, corporate contributions
Governor	100	Contractors, local business interests
Senator	60	Corporate and personal funds
MP	35	Individual financiers, political parties
MCA	8	Personal savings, local business sponsors

Note: Figures are indicative estimates compiled from IEBC public statements (2022), ORPP Political Parties Fund data (2024), and comparative analyses by WFD (2023) and Transparency International Kenya (2023). No single official publication provides a comprehensive cost breakdown.

Political capture in Kenya often begins as financial capture. Lack of transparency around campaign finance blurs the boundary between public interest and private investment, turning public resources into instruments for recovering campaign costs and rewarding financiers.

Analysis of reports by the Office of the Registrar of Political Parties (ORPP) shows that fewer than 10 per cent of registered political parties submit audited accounts, and none routinely publish donor information as required by the Political Parties Act.[263] Meanwhile, the Political Parties Fund, designed to promote equitable participation, remains concentrated among a few dominant parties; an imbalance that entrenches patronage networks and limits pluralism.[264]

Corruption in campaign financing has clear fiscal consequences. It encourages procurement irregularities, inflates project costs, and fuels recurrent expenditure. The Auditor General's 2023/2024 national-government reports highlight persistent weaknesses in tendering: extensive use of non-competitive methods, incomplete documentation, and failure to disclose beneficial ownership of contracting firms.[265] While the Auditor General does not quantify the proportion of tenders linked to politically exposed persons, these findings, together with assessments by Transparency International Kenya indicate that public procurement remains vulnerable to political and financial influence.[266]

258 International Budget Partnership (2023), *Kenya Open Budget Survey Country Note*.

259 Ethics and Anti-Corruption Commission. National Ethics and Corruption Survey (NECS) 2023

260 Ndege, IN. Report on Why Government Loses Criminal Cases (Kenya). January 2023

261 Musalia Mudavadi, statement at Supply-Chain & Procurement Forum, Mombasa, 15 August 2024; cited in The Star, "*Kenya loses Sh608bn to corruption annually – Mudavadi*", 15 August 2024.

262 African Development Bank / African Economic Outlook. "*Kenya losing Sh194 billion annually to corruption.*" EastleighVoice (based on AfDB country focus report), 3 July 2025

263 Office of the Registrar of Political Parties (Kenya), Annual Report 2023/2024, "Compliance with Section 26 of the Political Parties Act

264 Ibid., "Distribution of the Political Parties Fund 2023/2024

265 Office of the Auditor-General (Kenya), Report on the National Government for the Year Ended 30 June 2024

266 Transparency International Kenya, Public Procurement Integrity

This fusion of opaque campaign financing and public contracting transforms fiscal governance into a circular system of reward and repayment; a cycle that cannot be broken without genuine transparency in political funding and procurement oversight.

4.4.2 Reform framework

To restore electoral integrity and disrupt the political economy of capture, Kenya must implement comprehensive reforms grounded in transparency, accountability, and public participation.

1. Operationalise Campaign Finance Law
The IEBC should immediately activate the Elections Campaign Financing Act (2013) through clear spending limits, mandatory disclosure of contributors, and public access to candidate financial reports. The failure to enforce this law has rendered the electoral playing field unequal and unaccountable.

2. Audit and Publicise Political Party Finances
The ORPP must require annual audited statements for all registered political parties and publish them in machine-readable formats. Parties that fail to comply should be disqualified from receiving allocations under the Political Parties Fund.

3. Track Donor–Contractor Relationships
A public register linking political donations to government contractors should be established. The IEBC, in collaboration with the Public Procurement Regulatory Authority (PPRA), can integrate this data into the open contracting portal, enabling citizens to trace how campaign financiers benefit from public tenders.

4. Digital Disclosure Portal
Kenya should develop a centralized digital portal where citizens can view all campaign donations, expenditures, and associated procurement links in real time. Such transparency would align with Article 35 of the Constitution (right to access information) and international best practice under the Open Government Partnership (OGP) standards.

Political Financing and Electoral Integrity Reform Matrix

Reform Area	Key Action	Responsible Institution	Timeframe	Expected Outcome
Campaign Finance Law	Enforce spending limits and disclosure requirements	IEBC, ORPP	Immediate	Transparent campaign expenditures
Party Auditing	Mandate annual audits for Political Parties Fund recipients	ORPP, Auditor-General	Short term	Accountability in party financing
Donor–Contractor Links	Create database linking donations and public contracts	IEBC, PPRA, CSOs	Medium term	Reduced conflict of interest
Digital Transparency Portal	Publish campaign finance data in open format	IEBC, ICT Authority	Medium term	Real-time public oversight

These reforms would transform Kenya's electoral system from a marketplace of influence into a public institution accountable to its citizens. Enforcing campaign finance transparency not only curbs corruption but also enhances fiscal discipline by severing the pipeline between political investment and state capture.

The ultimate objective is to re-establish the principle that public office is a trust, not a transaction. Political financing reform must therefore be treated not as a technical adjustment but as a constitutional obligation under Articles 73 and 88 to ensure leadership founded on integrity and electoral management grounded in fairness.

Survey 2023, and East Africa Bribery Index 2023.

4.4.3 Comparative Insight: Lessons from global best practice

Countries such as Chile, South Korea, and Ghana have implemented reforms that directly address the corruption risks of political financing. Chile's Transparency Law (2016) requires real-time disclosure of campaign donations and bans corporate contributions. South Korea on the other hand caps individual donations and ties party funding to compliance with audit and gender representation standards. Ghana's Electoral Commission mandates annual audits of political parties, enhancing both accountability and gender inclusion.[267]

Country	Disclosure Compliance (%)	Audit Compliance (%)	Corporate Donations Allowed
Chile	96	88	No
South Korea	93	91	No
Ghana	82	77	Yes (capped)
Kenya	9	10	Yes (unregulated)

These international examples demonstrate that transparency in political financing is both achievable and effective. Each case shows that strong disclosure systems correlate with higher citizen trust and reduced procurement corruption. Kenya's challenge, therefore, is not the absence of frameworks but the absence of enforcement.

4.4.4 Implications for governance reform

Without reforming the nexus between money and politics, every other governance intervention risks failure. Debt transparency, anti-corruption enforcement, and fiscal accountability are all undermined by the same financing networks that sustain political impunity.

By operationalising campaign finance laws, publishing donor-contractor linkages, and empowering citizens with real-time information, Kenya can begin to dismantle the foundation of its capture economy. This transformation would not only clean up elections but also restore the integrity of fiscal governance.

4.5 Devolution, service delivery and local integrity

4.5.1 The problem

Devolution was established to redistribute power, resources, and accountability, anchoring local governance in Articles 174 and 175 of the Constitution. It aimed to bring decision-making closer to citizens and address Kenya's history of centralised marginalisation. More than a decade later, however, evidence from constitutional oversight institutions shows that the promise of devolution remains unevenly fulfilled.

The Auditor General's 2023/2024 County Audit Reports show that only six out of 47 counties received unqualified (clean) audit opinions, while most recorded qualified or adverse opinions citing unsupported expenditure, pending bills, and procurement irregularities.[268] The OAG further observed that numerous counties continue to make payments without documentation and accumulate pending bills that compromise service delivery.[269]

The County Budget Implementation Review Report for FY 2023/2024 by the Controller of Budget indicates that counties spent an average of 71 per cent of total budgets on recurrent expenditure mainly personnel emoluments, travel, and operations, leaving 29 per cent for development.[270] This pattern has persisted over several financial years and demonstrates how fiscal decentralisation has tilted toward administrative consumption rather than investment in development.

According to the Ethics and Anti-Corruption Commission (EACC), procurement remains a major integrity risk at county level. The EACC's 2023/2024 Annual Report notes that most corruption complaints received from counties relate to procurement irregularities, including single-sourcing, collusion in bid evaluation, and payment for incomplete projects[271] The Public Procurement Regulatory Authority (PPRA), in its Annual Report 2023, similarly found that many county entities did not comply with the requirement to publish tender awards on the Public Procurement Information Portal, as mandated under Section 138 of the Public Procurement and Asset Disposal Act.[272]

Taken together, these official findings portray a system where devolution has deepened citizen access to governance but has not yet secured local accountability. The constitutional vision of participatory, transparent and equitable local government remains constrained by recurrent overspending, weak procurement controls, and limited enforcement of audit recommendations.

Public participation, which is the cornerstone of county democracy, remains tokenistic. A 2024 study by TISA found that only 14 per cent of counties conducted meaningful citizen consultations in budget formulation, while 67 per cent held meetings without providing prior documentation.[273] These perfunctory exercises erode public trust and perpetuate elite dominance in local decision-making.

The result is what governance analysts describe as subnational state capture: localised systems of patronage that mirror national corruption networks. Governors dominate procurement and staffing processes, while county assemblies, constitutionally mandated to provide oversight, often trade scrutiny for perks, foreign trips, or ward project allocations. Devolution was meant to democratise governance. Instead, it appears to have devolved impunity.

Public participation, enshrined in Articles 10 and 174(c) of the Constitution, remains the foundation of county democracy. Yet official and independent assessments show that participation often occurs late in the budget cycle or without adequate disclosure of information to citizens.

The Office of the Auditor-General's County Audit Reports (2023/2024) record numerous cases where county executives prepared budgets without documented evidence of public consultation as required under the Public Finance Management Act 2012.[274] Similarly, the Controller of Budget has repeatedly noted that many counties hold budget forums without publishing prior documentation or feedback reports.[275]

A review by the Institute for Social Accountability (TISA) in its Public Participation Scorecard (2019–2021) found significant disparities among counties: while some had institutionalized open budget hearings, others conducted meetings with minimal citizen input.[276] These patterns persist and have led to what governance analysts describe as subnational state capture, which is localised patronage networks that mirror national-level corruption dynamics.[277] Governors retain broad discretion over procurement and appointments, while County Assemblies, constitutionally mandated to provide oversight have at times been cited for weak scrutiny and conflicts of interest in budget approval and expenditure tracking.[278]

Devolution was intended to democratize governance; however, without transparent participation and effective oversight, it risks entrenching impunity at the local level rather than dismantling it.

4.5.2 The political economy of local capture

Kenya's fiscal devolution framework has unintentionally created structural dependence on the National Treasury. In FY 2023/2024, counties collectively generated only about 9 per cent of their budgets from own-source revenue, relying overwhelmingly on the equitable share from the national government.[279] When these transfers are delayed, sometimes by up to three months, county operations stall, salaries go unpaid, and development projects

267 International IDEA and OECD (2024), *Global Political Financing Transparency Index.*

268 Office of the Auditor-General (Kenya), *Consolidated Report on County Governments for the Year Ended 30 June 2024*, Summary of Audit Opinions,

269 Ibid., "Findings and Observations – County Expenditure Management

270 Controller of Budget (Kenya), *County Governments Budget Implementation Review Report, Fourth Quarter FY 2023/2024*, August 2024

271 Ethics and Anti-Corruption Commission (Kenya), *Annual Report 2023/2024*, "County Integrity Programmes and Investigations,"

272 Public Procurement Regulatory Authority (Kenya), Annual Report 2023, "Compliance with Disclosure Requirements under Section 138 of the PPADA,"

273 The Institute for Social Accountability (TISA, 2024), *Citizen Participation in County Budgeting Study.*

274 Office of the Auditor-General (Kenya), Consolidated Report on County Governments for the Year Ended 30 June 2024

275 Controller of Budget (Kenya), *County Governments Budget Implementation Review Report, FY 2023/2024*, "Public Participation and Budget Transparency,"

276 The Institute for Social Accountability (TISA), County Public Participation Scorecard 2019–2021

277 Katiba Institute, State Capture and Devolution in Kenya, 2023; Transparency International Kenya, Devolution and Integrity Study, 2022.

278 Ethics and Anti-Corruption Commission (Kenya), Annual Report 2023/2024, "County Integrity Programmes and Investigations,"

279 Controller of Budget (Kenya), County Governments Budget Implementation Review Report, FY 2023/2024

are suspended[280]. Such delays contravene Article 219 of the Constitution, which requires unconditional and timely transfers.

These recurrent liquidity pressures weaken county autonomy and amplify executive influence. The Controller of Budget has repeatedly warned that persistent delays "negatively affect service delivery and pending bills."[281] Meanwhile, oversight institutions at county level remain under-resourced. The Office of the Auditor-General and the Senate County Public Accounts and Investments Committee (CPAIC) have both cited weak implementation of audit recommendations and poor attendance that hampers accountability hearings[282].

Patterns of political patronage observed nationally are mirrored locally: procurement and staffing often serve political and familial networks, with limited disclosure of beneficial ownership.[283] The Ethics and Anti-Corruption Commission (EACC) continues to receive numerous county-level complaints relating to procurement irregularities and conflict of interest.[284]

Although county budgets for health, agriculture, and water have increased since 2013, improvements in service outcomes have been uneven. The Kenya Demographic and Health Survey (KDHS 2022) reports skilled birth attendance at 89 per cent, up from 61 per cent in 2014, showing progress but with wide county disparities.[285] The Water Services Regulatory Board (WASREB 2023) notes rural water coverage at about 65 per cent, modestly up from 58 per cent in 2014.[286] Agricultural productivity remains volatile, influenced by climate variability and input costs rather than funding alone.[287]

These findings show that Kenya's governance challenges are not confined to the national sphere. Fiscal dependence, weak local oversight, and persistent procurement risks have localised the problem of political capture that devolution was meant to solve.

4.5.3 Reform framework

Restoring integrity to devolution requires embedding transparency and citizen accountability at the county level. Reforms must move beyond compliance to civic empowerment.

1. Strengthen County Audit Systems
Each county should establish independent audit committees that include representatives from civil society and professional associations. Their reports should be submitted simultaneously to the Auditor General and county assemblies to enhance parallel accountability.

2. Institutionalise Fiscal Discipline
The Controller of Budget and the Commission on Revenue Allocation (CRA) should enforce ceilings for recurrent expenditure and penalise counties exceeding a 70 per cent threshold.

3. Transparency in Procurement
Counties must adopt the Open Contracting Data Standard (OCDS) to publish tenders, awards, and implementation data on public portals. This reform should be linked to the National Public Procurement Information Portal for comparative transparency.

4. Enhance Citizen Oversight
Public participation should be restructured from a one-day event to a year-long process of co-governance. Counties should institutionalise People's Budget Forums; quarterly meetings where citizens review expenditure and audit findings under Article 196(1)(b).

5. Incentivise Integrity through Fiscal Rewards
The National Treasury, CRA, and OAG should introduce a County Integrity Index that ranks counties by transparency and accountability. Top-performing counties could receive performance-based transfers or grants from development partners.

280 Council of Governors, Press Briefing on Delayed Disbursements, May 2024; Controller of Budget, Quarterly Report Q3 FY 2023/24
281 Controller of Budget, CBIRR FY 2023/2024
282 Office of the Auditor-General, Consolidated Report on County Governments 2023/2024; Senate CPAIC, Annual Report 202
283 Public Procurement Regulatory Authority, Annual Report 2023, "Beneficial Ownership Disclosure Compliance,"
284 Ethics and Anti-Corruption Commission, Annual Report 2023/2024, "County Integrity Investigations,"
285 Kenya National Bureau of Statistics, Kenya Demographic and Health Survey 2022
286 Water Services Regulatory Board, Impact Report No. 15 (2023), "Coverage and Performance Indicators,"
287 Ministry of Agriculture and Livestock Development, Economic Review of Agriculture 2024

Table 16: Devolution and Local Integrity Reform Matrix

Reform Area	Key Action	Responsible Actor	Timeframe	Expected Outcome
County Audit Committees	Independent committees with CSO representation	CoG, OAG	Immediate	Strengthened audit oversight
Fiscal Discipline	Enforce 70% recurrent spending ceiling	CoB, CRA	Short term	Reduced wasteful expenditure
Procurement Transparency	Adopt Open Contracting Data Standard	PPRA, CoG, OGP	Medium term	Full disclosure of county contracts
Citizen Oversight	Institutionalise quarterly *People's Budget Forums*	County Assemblies, CSOs	Ongoing	Active civic engagement
County Integrity Index	Publish annual performance and integrity rankings	OAG, CRA, CSO	Medium term	Accountability-based incentives

4.5.4 Implications for national governance

The health of Kenya's democracy depends on the integrity of its smallest units. Counties are not merely administrative subdivisions; they are the primary sites where citizens encounter the state. When corruption dominates local governance, it erodes national legitimacy.

Reclaiming devolution from predation will therefore strengthen the entire governance architecture. By enforcing transparency, enhancing civic participation, and linking fiscal integrity to performance rewards, Kenya can transform devolution from a decentralisation of corruption to a decentralisation of accountability.

4.6 Judicial accountability and the rule of law

4.6.1 The problem

Kenya's courts have repeatedly affirmed constitutional limits on fiscal power, yet implementation of key judgments remains uneven. In landmark decisions such as Okiya Omtatah Okoiti v National Treasury (2020) and Katiba Institute & Others v National Assembly (2022), the courts ordered greater transparency in public debt management and adherence to budgetary procedures. Several of these rulings, however, have faced delayed or partial compliance, illustrating the tension between judicial pronouncements and Executive practice.[288]

Although the Judiciary Fund was operationalised in 2019 to secure financial autonomy, the National Treasury continues to control the timing of exchequer releases. According to the Annual State of the Judiciary Report 2023/2024, disbursements were delayed in multiple quarters, constraining operations and the roll-out of e-filing and court-modernisation projects.[289] The Judiciary's share of total national expenditure averaged 0.6–0.8 per cent between 2020 and 2024, well below its internal target of 2 per cent.[290]

Resource shortfalls and slow fund releases limit the courts' capacity to enforce structural orders in public-finance litigation and to clear the growing backlog of corruption and procurement-related cases. The Ethics and Anti-Corruption Commission (EACC) reported that between 2018 and 2023 it referred 1,710 cases to the Office of the Director of Public Prosecutions, resulting in 168 convictions; a conviction rate of roughly 10 per cent. [291]These figures reveal the challenges of securing accountability in complex, politically charged prosecutions.

288 Okiya Omtatah Okoiti v Cabinet Secretary, National Treasury & Others [2020] eKLR; Katiba Institute & Others v National Assembly & Another [2022] eKLR.
289 Judiciary of Kenya, Annual Report 2023/2024, "Judiciary Fund Performance"
290 National Treasury and Economic Planning, Programme-Based Budget 2024/25 – Volume I
291 Ethics and Anti-Corruption Commission (Kenya), Annual Report 2022/2023

Budget documentation further shows that court-ordered compensation and judgment debts remain a major fiscal risk. The National Treasury's Budget Policy Statement 2024 lists contingent liabilities from pending court awards at KSh11.1 billion, a cost driven largely by delayed compliance with judicial decisions.[292]

The cumulative effect is a justice system constrained by funding delays, enforcement gaps, and selective prosecution. Institutions retain legal form but struggle to exercise full authority; an imbalance that weakens the rule of law and perpetuates fiscal impunity.

4.6.2 The governance logic of judicial capture

Analysts and oversight institutions observe that weaknesses in judicial independence have both constitutional and fiscal consequences. When courts lack financial autonomy or effective enforcement mechanisms, the deterrent effect of judicial oversight on public-finance abuse is reduced. Evidence and commentary highlight three recurring dynamics:

1. **Budgetary leverage and funding delays.** The Judiciary relies on exchequer releases from the National Treasury to the Judiciary Fund for its operations. The Annual State of the Judiciary Report 2023/2024 records delayed fund disbursements that constrained court-modernisation and automation projects.[293] Treasury reports confirm that the Judiciary's share of total expenditure has remained below one per cent, with recurrent delays in quarterly releases.[294] These delays weaken the Judiciary's institutional independence and slow implementation of fiscal-governance orders.

2. **Appointment and administrative pressures.** The Law Society of Kenya and the Katiba Institute have documented persistent concerns about political influence in judicial appointments and transfers, calling for transparent, merit-based recruitment through the Judicial Service Commission (JSC).[295] Such perceptions erode internal morale and public trust, even where formal procedures are followed.

3. **Selective compliance with court rulings.** Several constitutional judgments on fiscal governance, such as Okiya Omtatah Okoiti v National Treasury & Others [2020] and Katiba Institute & Others v National Assembly [2022] have faced delayed or partial implementation[296]. This pattern of selective compliance limits the practical reach of judicial decisions and signals institutional impunity.

Taken together, these dynamics illustrate how financial dependence, politicised administration, and uneven compliance collectively erode the Judiciary's ability to act as an effective constitutional check on fiscal mismanagement. It is critical to restore the rule of law and fiscal accountability by strengthening judicial-funding safeguards, ensuring transparent appointments, and enforcing compliance with court orders.

4.6.3 Reform framework

Restoring judicial independence and accountability requires a structural transformation that insulates the Judiciary from financial and political manipulation while reinforcing its enforcement capacity.

1. Budgetary Autonomy and Constitutional Financing
Parliament should enact an amendment to the Constitution guaranteeing a minimum 2 per cent allocation of the national budget to the Judiciary Fund. This would secure financial independence and prevent the Executive from weaponising budget delays.

2. Structural Compliance Orders
The Judiciary should adopt the doctrine of continuing manda-

292 National Treasury, Budget Policy Statement 2024, Annex 3 "Contingent Liabilities,"
293 Judiciary of Kenya, Annual Report 2023/2024, "Judiciary Fund Performance,"
294 National Treasury and Economic Planning, Programme-Based Budget 2024/25 – Volume I
295 Katiba Institute, Safeguarding Judicial Independence in Kenya, Policy Brief No. 4 (2023); Law Society of Kenya, Statement on Judicial Appointments, 15 June 2023.
296 Okiya Omtatah Okoiti v Cabinet Secretary, National Treasury & Others [2020] eKLR; Katiba Institute & Others v National Assembly & Another [2022] eKLR

mus, structural compliance orders that require periodic reporting on the implementation of constitutional and fiscal judgments. This approach has proven effective in enforcing complex judgments in India, Colombia, and South Africa.[297]

3. Digital Judgment Tracking System
A public platform should be established to monitor compliance with court decisions involving public finance, corruption, and procurement. Each ruling should include a compliance timeline, with progress updated by the responsible ministry or agency.

4. Judicial Appointments and Ethics Reform
Appointment panels should include civil society and professional representatives to enhance transparency. Mandatory periodic ethics audits of judges and magistrates should be conducted by an independent integrity board to deter internal capture.

5. Institutionalising Fiscal Jurisprudence
Judicial education programmes should focus on fiscal governance, public finance law, and anti-corruption jurisprudence. Building specialised economic and financial benches can improve adjudication speed and quality.

Table 18: Judicial Accountability and Rule of Law Reform Matrix

Reform Area	Key Action	Responsible Institution	Timeframe	Expected Outcome
Budget Autonomy	Guarantee 2% Judiciary Fund allocation	Parliament, Judiciary Fund Board	Short term	Financial independence
Structural Compliance Orders	Adopt continuing mandamus for fiscal rulings	Judiciary	Ongoing	Enforced compliance
Digital Judgment Tracker	Create open platform for tracking compliance	JSC, ICJ-Kenya	Medium term	Transparent enforcement
Appointments and Ethics	Expand panels and conduct integrity audits	JSC, LSK, CSOs	Short term	Merit-based selection
Fiscal Jurisprudence	Train judges on public finance and corruption law	Judiciary Training Institute	Ongoing	Stronger fiscal accountability rulings

4.6.4 Implications for governance transformation

An independent Judiciary is not simply a legal necessity; it is the anchor of fiscal and moral governance. A successful anti-corruption regime relies on judicial integrity as its central pillar. In Kenya's case, the Judiciary is the final frontier in the struggle against capture.

If it remains financially subordinate and politically compromised, all other governance reforms will collapse under the weight of impunity. However, if judicial accountability and autonomy are institutionalised, they can trigger a cascade of integrity across the governance system; from Parliament's oversight to county-level transparency.

In this sense, judicial reform is both the condition and the guarantor of fiscal justice. It transforms legality from an aspiration into an enforceable reality, restoring the rule of law as the republic's most powerful instrument of moral renewal.

4.7 Social protection and equity in fiscal policy

4.7.1 The problem

Kenya's fiscal policy framework remains weakly redistributive. Official data show that while tax revenues have increased, the structure relies heavily on consumption taxes, which weigh more on lower-income households.[298] Social-protection spending, by contrast, has averaged only about 0.5 per cent of GDP over the past five years — among the lowest in sub-Saharan Africa.[299]

297 International Commission of Jurists (ICJ-Kenya, 2023), *Comparative Models of Structural Compliance Orders*.
298 World Bank Group, Kenya Public Expenditure Review 2023: Rebuilding Fiscal Space for Inclusive Growth
299 Parliamentary Budget Office (Kenya), Social Sector Budget Brief 2024

The World Bank Public Expenditure Review 2023/24 and the Parliamentary Budget Office (PBO) 2024 Social Sector Brief both note that as debt-service costs rose to about 56 per cent of revenue, allocations to health and education have declined as a share of the national budget.[300;301] Fiscal consolidation has therefore prioritised creditor repayment over social investment, undermining the constitutional right to social security.

The Finance Act, 2024 introduced new digital service and housing levies and narrowed VAT exemptions on selected goods, measures that increased the indirect-tax burden on low-income consumers.[302] Meanwhile, Inua Jamii cash-transfer funding has remained at roughly KSh26 billion annually since 2020/21, despite inflation and expanded eligibility.[303]

Official inequality metrics also show limited progress. The Gini coefficient stood at 0.38 (KIHBS 2015/16) and about 0.40 according to World Bank 2023 estimates, indicating persistent income inequality.[304]

These trends suggest that Kenya's fiscal policy continues to treat social spending as discretionary rather than constitutional. Heavy debt obligations and regressive taxation have produced a system in which the poor shoulder a disproportionate share of the fiscal burden while receiving minimal protection; a pattern sometimes described by analysts as "fiscal injustice"

4.7.2 The political economy of fiscal inequity

Three interlinked dynamics sustain Kenya's inequitable fiscal outcomes:

1. **Elite influence in budget priorities.**
Budget ceilings favour sectors with high political visibility such as infrastructure and security while programmes targeting household welfare remain underfunded. The National Treasury Programme-Based Budget 2024/25 allocates over 30 per cent of total spending to infrastructure and public administration combined, compared with about 14 per cent to health and education.[305]

2. **Limited social-impact assessment.**
The Parliamentary Budget Office observes that few policy measures undergo formal ex ante or ex post distributional analysis, resulting in growth that does not translate into equity.[306]

3. **Macroeconomic conditionality without equity safeguards.**
IMF-supported fiscal-consolidation programmes have focused on deficit reduction and debt sustainability but provide limited mechanisms to protect social-spending floors. The IMF Kenya Eighth Review (2024) urges fiscal discipline but flags "the need to preserve targeted social spending" as a risk area.[307]

Together, these forces create a budgetary regime that formally recognises social rights but fails to deliver them in practice.

4.7.3 Reform framework

A just fiscal policy must reconcile economic prudence with social protection. Equity is not an add-on; it is a constitutional and developmental necessity. Reform therefore requires structural realignment in four areas:

1. Universal Health Financing
Redirect non-essential administrative expenditure toward health insurance subsidies. The Ministry of Health and the National Treasury should expand coverage under the National Health Insurance Fund (NHIF) to an additional one million citizens annually. Savings can be achieved by rationalising hospitality and travel budgets, which cost the state an estimated KSh17 million daily.

300 National Treasury, Budget Policy Statement 2024
301 World Bank Group, Kenya Public Expenditure Review 2023
302 Republic of Kenya, Finance Act 2024, Parts IV–VII (Indirect Taxes and Levies).
303 National Treasury and Planning, Programme-Based Budget Estimates FY 2024/25, Vote 117 – State Department for Social Protection.
304 Kenya National Bureau of Statistics, KIHBS 2015/16 – Basic Report, Table 9.2; World Bank Poverty & Equity Data Portal (Kenya 2023 update)
305 National Treasury, Programme-Based Budget 2024/25, Sector Allocations Summary.
306 Parliamentary Budget Office (Kenya), Fiscal Equity and Distributional Analysis Brief 2024.
307 International Monetary Fund, Kenya – Eighth Review under the Extended Fund Facility and Extended Credit Facility, IMF Country Report No. 24/142 (May 2024), para. 37.

2. Social Impact Audits
Introduce mandatory social impact audits for all fiscal measures. Each Finance Bill should include an annex assessing the distributional consequences of proposed taxes and expenditure cuts. These audits should be prepared jointly by the Parliamentary Budget Office (PBO), Kenya National Bureau of Statistics (KNBS), and civil society actors.

3. Gender and Youth Budget Index
Publish annual gender-responsive and youth-focused spending audits. The National Gender and Equality Commission should partner with the National Treasury to evaluate whether fiscal measures advance or undermine equity in access to opportunities.

4. Debt Justice Integration
Embed distributive justice indicators within debt sustainability analyses. The IMF and Treasury should assess not only whether debt is sustainable, but also whether repayment obligations violate citizens' social and economic rights under Article 43.

Table 19: Social Protection and Equity Reform Matrix

Reform Area	Key Action	Responsible Actor	Timeframe	Expected Outcome
Universal Health Financing	Reallocate non-essential spending to NHIF subsidies	Treasury, Ministry of Health	Immediate	Increased health coverage
Social Impact Audits	Mandatory ex ante and ex post equity assessments	PBO, KNBS, CSOs	Medium term	Equity-informed fiscal decisions
Gender and Youth Index	Publish annual equity audit	National Gender Commission, Treasury	Short term	Gender-responsive budgeting
Debt Justice	Integrate distributive justice in debt reviews	Treasury, IMF, CSOs	Ongoing	Socially balanced fiscal consolidation

Transparency reforms correlate strongly with rising public trust, as demonstrated by Afrobarometer data showing a 12-point increase in citizen confidence following the publication of open budget reports in 2019. Fiscal justice is therefore not just an ethical imperative but a governance strategy that strengthens legitimacy.

4.7.4 The moral economy of fiscal justice

At its core, the question of social protection is more moral rather than technical. A government's budget reflects its values: who it chooses to protect and who it chooses to neglect. Kenya's Constitution demands a social contract grounded in dignity, equality, and justice. When the fiscal state prioritises debt repayment over food security, or administrative luxury over health access, it violates not only economic rationality but constitutional morality.

The transformation of fiscal governance into a system of justice requires rethinking both policy and politics. Redistribution must be reframed as investment in stability; social protection as the foundation for national productivity. International experience shows that countries with stronger social safety nets exhibit higher growth resilience, lower inequality, and greater democratic trust.

By embedding equity into fiscal decision-making, Kenya can begin to reverse the spiral of austerity and exclusion. True reform means ensuring that fiscal consolidation does not consolidate poverty.

4.8 Citizen participation and accountability mechanisms

4.8.1 The democratic logic of participation

Citizen participation is the constitutional bridge between sovereignty and governance: Article 1 vests sovereign power in the people, and Articles 10, 118 and 196 require that public decisions be participatory, transparent and accountable. Yet multiple official reviews and independent surveys find that participation is frequently procedural rather than substantive.

Assessments by civil society monitors and oversight bodies document recurring problems: public consultations announced with limited notice, meetings held without publicly available supporting documentation, and inadequate feedback to citizens among others. The Office of the Auditor-General (OAG) has pointed to uneven practice across national and county processes and to gaps in disclosure that constrain meaningful engagement.[308] Afrobarometer's Round-10 national survey (April–May 2024) also reports relatively low confidence in public institutions and indicates that many citizens feel their views have limited influence on government decisions.[309]

These procedural shortcomings erode public trust and reduce the effectiveness of participation as a tool for accountability. A practical reform proposal repeatedly cited by analysts is to merge fiscal datasets held by the Controller of Budget, the Auditor General and the Public Procurement Regulatory Authority into an interoperable, publicly accessible Open Governance Portal, so the public can monitor spending and verify official claims in real time.[310]

4.8.2 The state of accountability mechanisms

Accountability institutions such as the Auditor General, the Controller of Budget, Parliament and the Ethics and Anti-Corruption Commission perform essential oversight functions but frequently operate in siloed ways with differing mandates and limited coordination. The Auditor General's consolidated county and national audit reports document persistent weaknesses in implementation follow-up; the Controller of Budget routinely highlights failures to publish required budget implementation documents; and the PPRA and Commission on Administrative Justice note gaps in procurement disclosure and access to information.[311] These findings are echoed by civil society surveys of county budget transparency.[312]

Parliamentary oversight faces related challenges. The Parliamentary Budget Office (PBO) and committee reviews highlight constrained committee capacity and political dynamics that can hinder rigorous follow-up on audit findings and expenditure irregularities.[313] The Access to Information Act (2016) provides a strong legal framework for proactive disclosure, but monitoring reports by CAJ/Ombudsman and civil society trackers find incomplete compliance across several agencies and state corporations.[314]

Combined, these gaps create a participation-accountability gap: citizens are given platforms to speak but often lack timely access to the information needed to hold officials to account or to verify whether participatory inputs were acted on.

4.8.3 The political economy of citizen exclusion

Three interlocking factors help explain persistent exclusion from meaningful fiscal oversight:

1. **Technical barriers.** Budget documents and audit reports are often published in formats and technical language that are inaccessible to ordinary citizens, limiting effective civic scrutiny.[315]

2. **Repression and civic-space constraints.** Recent protest events and associated enforcement actions have raised concerns among human rights monitors about the space for civic mobilisation and public advocacy on fiscal matters.[316]

3. **Limited institutional access for civil society.** While CSOs participate in some consultative fora, there is no fully institutionalised mechanism that guarantees structured, early inclusion of civic actors in IMF or World Bank-supported programme design and review. This reduces the capacity of citizens' groups to influence macro-fiscal priorities.[317]

Restoring meaningful participation will require both legal and technical reforms: stricter enforcement of proactive disclosure, standardised and user-friendly publication of budget and procurement data, and formalised channels for civil-society engagement in major fiscal policymaking processes.

4.8.4 Reform framework

Rebuilding participatory governance requires moving from symbolic inclusion to institutional empowerment. Participation must be continuous, informed, and enforceable.

1. Establish the People's Budget Observatory (PBO)
A multi-stakeholder civic coalition should be created to monitor budget implementation at both national and county levels. The Observatory would consolidate data from the Controller of Budget, Auditor General, and civil society trackers, producing quarterly Citizen Budget Reports. The Okoa Uchumi campaign could equally serve as this proposed observatory.

2. Develop the Open Governance Portal (OGP)
The ICT Authority, National Treasury, and oversight institutions should merge existing data platforms including CoB, OAG, and PPRA into a single open-access portal. The portal should provide real-time updates on budget performance, procurement contracts, and audit follow-up.

3. Institutionalise Participatory IMF Reviews
Civil society representatives should be formally included in IMF Article IV and Extended Fund Facility review missions. This would ensure that citizen perspectives on governance, debt, and social impact are incorporated into fiscal program design.

4. Strengthen Access to Information Enforcement
The Commission on Administrative Justice (CAJ) should be empowered to impose administrative penalties for non-compliance with the Access to Information Act. Annual transparency scorecards for ministries and counties should be publicly released.

5. Civic Education and Data Literacy
CSOs and universities should collaborate to produce accessible civic learning materials, simplifying complex fiscal concepts for public understanding. Informed participation is effective participation.

Table 21: Citizen Participation and Accountability Reform Matrix

Reform Area	Key Action	Responsible Actor	Timeframe	Expected Outcome
People's Budget Observatory	Establish national and county budget tracking coalition	CSOs, CoB	Immediate	Institutionalised civic oversight
Open Governance Portal	Integrate OAG, CoB, and PPRA data into a unified dashboard	Treasury, ICT Authority	Medium term	Real-time fiscal transparency
Participatory IMF Reviews	Include CSOs in review missions	IMF, Treasury, CSOs	Ongoing	Inclusive fiscal deci-
Access to Information Enforcement	Publish annual compliance scorecards	CAJ, OAG, CSOs	Short term	
Civic Education	Simplify fiscal data and promote citizen literacy	Universities, CSOs	Ongoing	Informed citizen engagement

4.8.5 The transformative power of participation

Citizen participation is not simply an accessory of governance; it is its constitutional foundation. When citizens can access information, engage meaningfully in decision-making, and monitor the use of public resources, the legitimacy of government is strengthened and accountability becomes collective rather than hierarchical.

Empirical research and official evaluations in Kenya and other jurisdictions show that participatory mechanisms, when properly institutionalised, can enhance fiscal discipline and public trust. The Kenya School of Government (KSG) and the World Bank's Kenya Devolution Support Programme reviews have previously highlighted that counties with established civic engagement frameworks such as Makueni, Elgeyo-Marakwet, and West Pokot demonstrate stronger linkages between citizen priorities and budget execution, higher absorption of development budgets, and better documentation of public consultations.[318] These experiences align with global studies finding that participatory budgeting and open-data reforms improve citizen satisfaction and reduce opportunities for petty corruption.[319]

Participation thus transforms citizens from observers into co-authors of governance. As power becomes more responsive, legitimacy deepens, and fiscal decisions more accurately reflect the collective interest envisioned in the Constitution.

4.9 Monitoring and evaluation framework

4.9.1 Rationale and strategic purpose

The effectiveness of Kenya's governance and corruption reform agenda depends not only on the quality of the policies adopted but on the consistency with which they are implemented, tracked, and adjusted. Article 10 of the Constitution identifies accountability and transparency as national values, while Article 201 establishes prudent use of public resources as a fiscal principle. These provisions require a continuous system that measures reform progress and enables timely correction.

Kenya's previous reform initiatives have often faltered due to fragmented monitoring systems and the absence of a unified performance framework. The Auditor General, Controller of Budget, and the Ethics and Anti-Corruption Commission each maintain separate reporting mechanisms that do not interact effectively. This fragmentation limits institutional learning and public visibility.

The Monitoring and Evaluation (M&E) framework proposed in this Governance and Corruption Diagnostic review seeks to integrate fiscal, institutional, and social accountability within one coordinated structure. It treats data as a democratic instrument, transforming monitoring from a bureaucratic process into a mechanism for deepening accountability and promoting evidence-based reform.

4.9.2 Framework design

308 Office of the Auditor-General (Kenya), Auditor-General's Summary Report on National Government 2022–2023 and Consolidated Report on County Governments for Year Ended 30 June 2024 (see sections on public participation and disclosure)
309 Afrobarometer, Round 10 Kenya – Democracy in Kenya: The People's Perspective (fieldwork April–May 2024), summary tables on trust in institutions and citizen influence
310 Controller of Budget (Kenya) and PPRA datasets; proposals for an Open Governance Portal are discussed in policy briefs and the Controller of Budget's published reports. See Controller of Budget, County Governments Budget Implementation Review Reports (2023/24).
311 Public Procurement Regulatory Authority (PPRA), Annual Report 2023; Office of the Auditor-General, Consolidated Audit Reports 2023/24; Controller of Budget, FY 2023/24 reports on publication of budget documents.
312 Bajeti Hub, County Budget Transparency Survey (CBTS) 2024 (survey of county disclosure practices and budget publication)
313 Parliamentary Budget Office (PBO), Budget Explainer 2024 and related PBO publications on committee performance and budget scrutiny.
314 Commission on Administrative Justice (CAJ) / Office of the Ombudsman, monitoring reports on implementation of the Access to Information Act (2016) and compliance challenges (e.g., CAJ special reports 2023–2024).
315 PFMR (Public Financial Management Reform) Strategy 2023–2028 and PFMR Annual M&E Report FY 2023–24 discuss data accessibility and citizen engagement
316 KNCHR and media reports on the 2024–2025 protest period; Afrobarometer and KNCHR summaries document civic-space and rights concerns.
317 IMF and World Bank programme documents (country reviews) and PBO commentary note limited institutionalised CSO access to programme design and conditionality reviews. See IMF Kenya Eighth Review (2024) and PBO notes
318 Kenya School of Government (KSG) and World Bank, Kenya Devolution Support Programme: Good Practice Case Studies (2022; see also Council of Governors, Devolution Status Report 2023, "Citizen Engagement and Development Planning
319 World Bank, Participatory Budgeting: Enhancing Citizen Engagement in Fiscal Policy (2023); Transparency International, Open Budget Survey 2023 – Global Findings

The M&E framework operates through five interlinked levels of accountability: inputs, processes, outputs, outcomes, and impact. Each corresponds to the major reform domains established in Chapter 3—fiscal governance, anti-corruption, political financing, devolution, judicial accountability, social protection, and citizen participation.

Inputs represent legislative and financial commitments; processes capture implementation and coordination activities; outputs show tangible deliverables such as open data platforms, audits, or prosecutions; outcomes reflect institutional behaviour change and public trust; and impact measures the longer-term transformation in governance, integrity and social equity.

This multi-level approach ensures that monitoring extends beyond compliance to assess the real effects of reform on citizens' lives.

4.9.3 Key performance indicators

Each reform domain is tracked through indicators that combine quantitative metrics — budget allocations, audit rates, conviction counts with qualitative ones such as citizen trust and perceived accountability.

Table 22: Core Monitoring and Evaluation Indicators

Indicator Type	Metric	Frequency	Responsible Body
Input Indicators	Budget allocated to integrity institutions; number of enacted reform laws; number of trained oversight staff	Annual	National Treasury; Parliament; Auditor General
Process Indicators	Implementation rate of audit recommendations; number of citizen audits; frequency of public budget forums	Semi-annual	Auditor General; Controller of Budget; CSOs
Output Indicators	Contracts disclosed; prosecutions completed; campaign finance disclosures submitted	Annual	EACC; IEBC; PPRA
Outcome Indicators	Improvement in Transparency International CPI; Open Budget Index; public trust in government institutions	Biennial	KNBS; TI-Kenya; Afrobarometer
Impact Indicators	Reduction in corruption-related GDP loss; decline in fiscal deficit; improvement in inequality indicators	Every three years	National Treasury; World Bank; KNBS

These indicators will allow oversight institutions, Parliament, and civil society to assess reform progress transparently and react quickly to any regression or stagnation.

4.9.4 Institutional coordination and data integration

Monitoring reform success requires inter-agency coordination and open data sharing. The framework proposes the establishment of a National Governance and Fiscal Transparency Portal (NGFTP) to consolidate information from key institutions:

- **Office of the Auditor General (OAG):** audit implementation rates and pending recommendations.
- **Controller of Budget (CoB):** expenditure performance and supplementary budget reports.
- **Ethics and Anti-Corruption Commission (EACC):** ongoing investigations, prosecutions, and asset recoveries.
- **Judiciary**: compliance with fiscal and governance rulings.
- **Civil society Organisations**: independent citizen-led tracking reports.

This integrated digital system would produce quarterly Governance Scorecards, providing open access to data and fostering participatory oversight.

4.9.5 Learning and adaptive governance

Monitoring must be dynamic. Rather than waiting for annual reports, feedback from each quarter should inform ongoing policy adjustments. The framework therefore introduces four learning mechanisms:

1. Trend analysis comparing reform progress against baseline data established in 2024.
2. Learning reviews among oversight institutions to identify operational challenges and solutions.
3. Citizen feedback integration through surveys and focus groups conducted by KNBS and civic partners.
4. Policy realignment through targeted legislative amendments and budgetary adjustments.

This cycle transforms monitoring into a continuous process of learning and accountability rather than a retrospective audit.

4.9.6 Reporting and Communication

Monitoring has little value if its findings remain internal. The M&E framework mandates public disclosure through:

- An annual State of Governance Report presented to Parliament and made accessible online.
- Quarterly public scorecards summarising progress on audit implementation, corruption prosecutions, and budget transparency.
- Interactive dashboard visualising data on audits, prosecutions, budget execution and social impact.

These communication mechanisms make reform progress measurable, contestable, and participatory, thereby enhancing both legitimacy and accountability.

4.9.7 Risk management and sustainability

Successful monitoring requires sustained political and institutional support. The framework identifies key risks and proposes mitigation measures.

Table 23: Risk Mitigation and Sustainability Plan

Risk	Likely Impact	Mitigation Strategy
Political resistance from entrenched elites	Delay or reversal of reforms	Build cross-party integrity caucuses in Parliament and strengthen civil society coalitions
Institutional secrecy and data opacity	Weak public oversight	Enforce the Access to Information Act and digitise all monitoring data
Fiscal constraints limiting reform funding	Incomplete implementation	Reallocate non-essential expenditure and negotiate governance-linked budget support
Donor fatigue or shifting international priorities	Reduced governance focus	Institutionalize citizen participation in IFI program reviews

Long-term sustainability also requires domestic resourcing of M&E activities, inclusion of performance targets in senior officials' contracts, and regular training for monitoring professionals.

4.9.8 The governance dividend

Effective monitoring is not an end in itself but a means of achieving deeper legitimacy and economic justice. When reforms are measured transparently, citizens regain confidence in government; when results are shared publicly, institutions strengthen their credibility; and when accountability becomes routine, democracy matures.

The Governance and Corruption Diagnostic review therefore redefines monitoring as the moral and technical core of reform. It transforms data into civic power and transparency into a national habit.

4.10 Conclusion: Building the reform compact and forward path

4.10.1 Reclaiming fiscal integrity through governance renewal

Kenya's governance and corruption crisis is systemic rather than incidental. It is rooted in the deliberate erosion of institutional independence, the normalization of impunity, and the instrumentalisation of public finance for political survival. The preceding sections of this diagnostic have demonstrated that fiscal failure is not an economic accident but the political expression of capture. The challenge, therefore, is to rebuild governance from first principles, anchored on constitutional fidelity, moral responsibility, and citizen participation.

Reform must transcend administrative adjustments to become a national covenant, a governance compact binding all arms of government, civil society, and development partners to measurable standards of transparency, accountability, and justice. The compact is not simply an agreement; it is the moral and institutional architecture through which Kenya restores public trust and reclaims fiscal sovereignty.

4.10.2 The governance compact framework

The proposed Governance and Fiscal Reform Compact (GFRC) is a multi-stakeholder platform that aligns Kenya's reform priorities with its constitutional obligations under Articles 10, 43, 73, and 201 to 223. It will bring together Parliament, the Executive, Judiciary, county governments, civil society, and independent oversight institutions to coordinate the implementation and monitoring of key reforms identified in this diagnostic.

The compact should be anchored in three strategic commitments:

1. **Transparency and Fiscal Justice:** Full disclosure of all debt contracts, procurement data, and budget allocations in accessible formats.
2. **Accountability and Enforcement:** Strengthened institutional independence of oversight agencies and the judiciary, coupled with binding compliance to audit and court findings.
3. **Social Equity and Participation:** Mainstreaming distributive justice in fiscal policy, ensuring that economic recovery translates into tangible benefits for citizens, particularly women, youth, and marginalised groups.

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4.10.3 Institutional anchors and implementation pathways

The implementation of the compact will rely on existing constitutional and statutory frameworks rather than new bureaucratic layers. Key institutions and mechanisms include:

- **Parliament**, exercising its oversight role through the Public Accounts Committee (PAC), Public Investments Committee (PIC), and the Budget and Appropriations Committee (BAC), to ensure that all fiscal legislation complies with constitutional principles of equity and accountability.
- **The Executive**, through the National Treasury and State Department for Planning integrating transparency and social impact indicators into budget formulation and fiscal policy reviews.
- **The Judiciary**, enforcing compliance with constitutional orders related to fiscal governance, corruption, and access to information.
- **Independent Offices and Commissions**, such as the Auditor General, Controller of Budget, and EACC publishing standardised quarterly reports that feed into the National Governance and Fiscal Transparency Portal established under the M and E framework.
- **Civil Society Coalitions**, including Okoa Uchumi partners, and the Kenya Debt Justice Network, coordinating citizen led monitoring, public education, and policy advocacy.

Together, these institutions will operationalise the reform compact through measurable indicators linked to Kenya's Medium-Term Plan (MTP IV) and Vision 2030 governance pillars.

4.10.4 The ethical imperative of reform

Reform without ethics risks reproducing the very pathologies it seeks to cure. The success of Kenya's governance renewal depends on reestablishing integrity as a civic virtue and a policy principle. Article 73 of the Constitution defines authority as a public trust, exercised to serve, not exploit, the people. This principle must guide fiscal conduct, political behaviour, and institutional decision making.

The moral foundation of the reform compact is simple yet profound: governance is legitimate only when it reflects justice. Fiscal recovery that sustains inequality or secrecy is a betrayal of constitutional purpose. Conversely, transparency that empowers citizens is a moral as well as economic act.

4.10.5 Measuring progress toward renewal

The Monitoring and Evaluation framework outlined in the foregoing section will provide the empirical backbone for the compact. Annual Governance Scorecards will measure progress across five domains: fiscal transparency, institutional accountability, citizen participation, social equity, and rule of law.

Table 24: Sample Governance Compact Performance Metrics

Reform Domain	Indicator	Baseline (2024)	Target (2027)	Data Source
Fiscal Transparency	Loan and contract disclosure rate	25%	100%	National Treasury; OAG
Accountability	Audit recommendation implementation rate	18%	60%	Auditor General; PAC
Citizen Participation	Number of public budget dialogues	15 counties	47 counties	CoG; CSOs
Social Equity	Social spending as % of GDP	0.5%	2%	KNBS; PBO
Rule of Law	Compliance with judicial fiscal rulings	30%	80%	Judiciary; EACC

These measurable targets will ensure that reform remains result-oriented, transparent, and verifiable.

4.10.6 Converting reform to transformation

Kenya's path forward demands more than technocratic solutions; it requires political courage and moral clarity. True reform must dismantle the political economy of impunity and rebuild institutions that embody the public interest. The transition from capture to accountability will not be easy, but it is both necessary and inevitable.

Each reform measure proposed in this diagnostic review, whether debt transparency, open contracting, or citizen oversight, converges toward a single outcome: the restoration of the republic's integrity. When fiscal systems are open, when institutions act independently, and when citizens participate meaningfully, governance becomes both ethical and effective.

4.10.7 The path ahead

The conclusion of this chapter marks not the end of diagnosis but the beginning of transformation. Kenya's Governance and Corruption Diagnostic review has revealed the architecture of failure, but it has also illuminated the blueprint for renewal.

The next phase, outlined in Chapter Four, translates reform into action through a strategic call for a **National Governance Compact**. This compact will align political will, civic engagement, and institutional capacity around the shared objective of fiscal justice and democratic accountability.[320]

In the final analysis, the true measure of reform will not be the number of policies adopted, but the number of lives transformed. Governance renewal, therefore, is not a policy agenda; it is a moral revolution.

Chapter 5: Conclusion and Strategic Call to Action

5.1 Reclaiming the republic: From diagnosis to renewal

This Governance and Corruption Diagnostic review has demonstrated that Kenya's crisis is not simply fiscal but constitutional and moral. The state has been transformed from an instrument of public service into a vehicle for private enrichment. Yet within this crisis lies the possibility of renewal. The same Constitution that has been betrayed remains the blueprint for redemption.

Article 1 vests sovereign power in the people. This report therefore speaks not merely to government technocrats or international institutions but to citizens who must reclaim the republic from the machinery of capture. The journey from diagnosis to transformation begins when the governed reassert their moral and constitutional authority over those who govern.

5.2 The core findings at a glance

The evidence presented throughout this diagnostic review converges on six structural truths about Kenya's governance condition:

1. **Fiscal Governance Breakdown:** Public debt expanded from KSh2.4 trillion in 2014 to KSh12 .05 trillion in 2025, while service delivery stagnated. Supplementary budgets and off-book borrowing have eroded parliamentary authority.
2. **Institutional Capture and Impunity:** Oversight bodies exist but have been rendered ceremonial. Implementation of audit recommendations fell from 45 per cent in 2015 to 18 per cent in 2024.
3. **Political Financing as a Gateway to Corruption:** Campaign finance remains opaque. The absence of enforcement under the Election Campaign Financing Act (2013) has institutionalized transactional politics.
4. **Devolution without Accountability:** Counties replicate the same fiscal malpractice seen at the national level, losing significant public resources annually to procurement fraud.
5. **Social and Moral Collapse:** Education, health, and food systems have been hollowed out by corruption and debt-driven austerity, producing poverty as a policy outcome.
6. **Civic Repression and Eroded Legitimacy:** The state increasingly substitutes participation with coercion. Protests in 2024–2025 resulted in more than 200 deaths, underscoring the convergence of fiscal injustice and human rights abuse.

These are not discrete problems; they are facets of a single design; a political economy that rewards impunity and punishes integrity.

5.3 The Three Imperatives of Reform

Every path to governance renewal rests upon three moral and institutional imperatives: **Truth, Justice** and **Accountability.** These imperatives transform reform from a bureaucratic exercise into a moral project.

Imperative	What It Demands	Constitutional Anchor	Practical Path
Truth	Radical transparency in fiscal management and debt disclosure	Articles 201(a), 232(1)(f)	Publish all loans, contracts, and budgets in open format
Justice	Equitable fiscal policy that prioritises citizens over creditors	Articles 43, 56, 57	Embed distributive analysis in every Finance Bill and budget statement
Accountability	Enforcement of integrity through independent institutions and citizen oversight	Articles 10, 73, 75	Citizen budget audits and judicial enforcement of fiscal law

5.4 A strategic call to action

Kenya's renewal depends on a coalition of reform actors who must work collaboratively rather than competitively. The reform agenda calls for coordinated action across five fronts:

320 Kenya National Bureau of Statistics (2024), *Governance and Trust Barometer Survey.*

Parliament

Parliament must reassert its constitutional control over public finance. It should enforce Standing Orders to prohibit repeated Article 223 spending, establish a Parliamentary Governance Scorecard tracking compliance with audit recommendations, and reject budgets that fail the tests of equity and participation.

The Judiciary

The Judiciary must treat fiscal impunity as a constitutional offense, not an administrative lapse. Structural compliance orders should accompany all fiscal governance rulings, while the Judiciary Fund must remain insulated from executive interference. Every ruling that enforces Article 3(1), which is the duty to defend the Constitution, is an act of democratic preservation.

The Executive

The Executive must institutionalise openness as the condition for legitimacy. All debt and guarantee documents should be declassified, procurement contracts published, and beneficial ownership data made publicly searchable. The culture of secrecy that sustains capture must give way to one of disclosure.

Civil Society and Citizens

Civil society remains the conscience of the republic. Coalitions such as Okoa Uchumi, and grassroots movements, must operationalise citizen audits and public budget observatories. Strategic litigation and freedom of information campaigns should become tools of fiscal resistance. In a captured state, civic engagement is not optional; it is revolutionary.

Development Partners and International Financial Institutions

Governance conditionalities should accompany every fiscal support programme. IFIs and donors must require debt disclosure, beneficial ownership transparency, and social-impact safeguards. Governance reform cannot succeed if international finance continues to underwrite impunity.

5.5 Toward a national governance compact

The culmination of Kenya's reform journey could be the adoption of a National Governance Compact, as a binding national framework that consolidates fiscal integrity, institutional accountability, and social justice.

This compact should articulate three national commitments:

1. **Fiscal Integrity Commitments:** Debt transparency, open contracting, and elimination of off-budget expenditures.
2. **Accountability Benchmarks:** Annual audit compliance targets and performance metrics for oversight institutions.
3. **Social Justice Targets:** Defined investment thresholds in education, health, and social protection aligned to Article 43 rights.

Monitoring of the compact should be undertaken by an independent **Governance and Fiscal Justice Council (GFJC)**, bringing together Parliament, the Executive, Judiciary, civil society, and non-state partners who include development partners under one transparent oversight mechanism.

5.6 The moral economy of governance

At its deepest level, this diagnostic review is not about budgets or balance sheets; it is about moral order. Kenya's economic crisis is the symptom of a governance disorder; a loss of conscience within the state. The Constitution of 2010 envisioned integrity, participation, and accountability as foundations of public life. Restoring them is both a political and spiritual task.

Every fiscal choice is a moral statement: whom the state chooses to serve, what values it defends, and whose future it secures. The renewal of Kenya's economy will therefore begin not in the Treasury but in the national conscience.

As the data has shown, trust rises where transparency thrives, and legitimacy deepens where citizens participate. The moral economy of governance is thus measurable; visible in social stability, investment confidence, and human dignity.

5.7 Final reflection: The republic as a moral project

The findings of this Governance and Corruption Diagnostic review reaffirm a timeless truth: a republic is not sustained by laws alone but by the ethics of those who interpret and apply them. Kenya's survival as a constitutional democracy depends on whether its leaders, institutions, and citizens can rediscover integrity as the currency of public life.

This report, therefore, does not offer an academic conclusion but makes a call to national conscience. It invites every institution, every public officer, and every citizen to participate in the reconstruction of a republic worthy of its Constitution.

The moral and fiscal redemption of Kenya will not be negotiated through debt restructuring alone; it will emerge from collective integrity; from a nation that decides that corruption is not a shared destiny, and justice is not optional.

Annexes & References

Annex A: Recommendations and Action Matrix

This Annex operationalises the reform commitments proposed in Chapters 3 and 4. It translates the governance diagnostic review into an implementation blueprint structured around fiscal integrity, accountability, inclusion and citizen oversight.

Each reform area is aligned with the Constitution of Kenya (Articles 10, 43, 73, 201–223) and informed by lessons from comparative diagnostic reviews in Sri Lanka, Ghana, and Indonesia.[1]

A. Fiscal Governance, Transparency, and Debt Accountability

Reform Objective	Specific Action	Responsible Actors	Timeframe	Performance Indicators
Ensure Debt Transparency	Publish all loan contracts, guarantees, and SOE liabilities on a public debt portal; disclose repayment schedules within 30 days of signing.	National Treasury; Parliament (PAC, PIC); CSOs (Okoa Uchumi)	Immediate (0–6 months)	Public debt portal operational; 100% publication compliance.
Reinforce Fiscal Discipline	Legally limit supplementary budgets to 10% of total appropriations; require pre-approval for all Article 223 expenditures.	Parliament; Controller of Budget	Short term (6–12 months)	Off-budget spending reduced below 5% of total expenditure.
Improve Budget Credibility	Align ceilings with realistic revenue projections; publish quarterly deviation reports.	National Treasury; PBO; CoB	Medium term (12–24 months)	Annual deviation maintained below 10% of approved budget.
Enhance Citizen Access to Budget Information	Adopt Open Budget Index standards; create machine-readable datasets for all budget reports.	National Treasury; ICT Authority; CSOs	Medium term	Kenya OBI score > 70 by 2026.
Institutionalize Fiscal Justice	Integrate distributive-impact assessments into Finance Bills and IMF reviews.	National Treasury; IMF; CSO Coalition	Ongoing	Annual Fiscal Incidence Report published.

B. Anti-Corruption and Enforcement Mechanisms

Reform Objective	Specific Action	Responsible Actors	Timeframe	Performance Indicators
Strengthen Institutional Independence	Establish multi-stakeholder appointment panels for EACC, ODPP, OAG, and CoB.	Parliament; JSC; PSC	Short term	Transparent merit-based appointments completed.
Improve Prosecution Efficiency	Create fast-track corruption and economic-crimes courts.	Judiciary; ODPP	Short term	Case backlog reduced by 50% within two years.
Operationalize Asset Recovery	Implement POCAMLA (2023) amendments; publish annual recovery reports.	Financial Reporting Authority; EACC; Judiciary	Medium term	≥ KSh 50 billion in assets recovered annually.
Enhance Procurement Transparency	Enforce Open Contracting Data Standard (OCDS) across MDAs and counties.	PPRA; CoG; Treasury	Medium term	100% contracts published on Public Procurement Portal.
Audit Follow-Up Mechanism	Establish cross-agency Audit Implementation Committee to track compliance.	Auditor-General; Parliament; Treasury	Ongoing	Implementation rate for audit recommendations > 50%.

C. Political Financing and Electoral Accountability

Reform Objective	Specific Action	Responsible Actors	Timeframe	Performance Indicators
Enforce Campaign Finance Law	Operationalize Election Campaign Financing Act (2013); mandate disclosure of donors and expenditure.	IEBC; ORPP; Parliament	Immediate	100% candidate and party filings audited pre-election.
Audit Party Financing	Require annual audits of Political Parties Fund and public reporting.	ORPP; Auditor-General	Short term	All qualifying parties publish audited reports.
Track Donor–Contractor Links	Establish database linking political donors to procurement beneficiaries.	IEBC; PPRA; CSOs	Medium term	Database operational by FY 2026.
Public Access to Campaign Data	Create online campaign finance portal with search tools.	IEBC; ICT Authority	Medium term	Portal usage > 100 000 monthly views.

D. Devolution and Local Governance

Reform Objective	Specific Action	Responsible Actors	Timeframe	Performance Indicators
Strengthen County Audit Systems	Form independent County Audit Committees with CSO representation.	Council of Governors; Auditor-General; CRA	Immediate	Committees operational in all 47 counties.
Introduce County Integrity Index	Publish annual county rankings on corruption and service delivery.	OAG; EACC;CSOs	Short term	Integrity Index launched by 2026.
Deepen Public Participation	Mandate quarterly budget forums under Article 196 (1) (b).	County Assemblies; CSOs	Ongoing	Attendance rates and percentage of budgets amended after consultation.
Curb County Procurement Fraud	Apply open contracting and prosecute ghost projects.	EACC; CoG; DPP	Medium term	30% reduction in irregular contracts.

E. Judicial Enforcement and Rule of Law

Reform Objective	Specific Action	Responsible Actors	Timeframe	Performance Indicators
Protect Judicial Independence	Guarantee Judiciary Fund allocation of 2% of national budget.	Parliament; Judiciary Fund Board	Short term	Judiciary Fund operational with independent control.
Track Compliance with Rulings	Develop Judgment Tracker for fiscal and governance cases.	Judiciary; ICJ Kenya	Medium term	Digital tracker updated quarterly and publicly accessible.
Expand Fiscal Jurisprudence	Institutionalize Structural Orders for fiscal non-compliance.	Judiciary; LSK	Ongoing	Court rulings issued with measurable compliance benchmarks.

F. Social Protection and Equity

Reform Objective	Specific Action	Responsible Actors	Timeframe	Performance Indicators
Reallocate Wasteful Expenditure	Redirect non-essential administrative spending to NHIF subsidies.	National Treasury; Ministry of Health	Short term	One million new NHIF beneficiaries each year.
Integrate Social Impact Audits	Conduct ex-ante and ex-post budget equity analyses.	PBO; CSOs; KNBS	Medium term	Annual Social Impact Reports published.
Introduce Gender and Youth Budget Index	Publish annual gender-responsive and youth focused spending metrics.	National Gender Commission; Treasury	Medium term	Index embedded in budget cycle by FY 2026.

G. Civic Oversight, Participation and International Engagement

Reform Objective	Specific Action	Responsible Actors	Timeframe	Performance Indicators
Institutionalize Citizen Oversight	Establish People's Budget Observatory to monitor national and county budgets.	CSOs; CoG	Immediate	Observatory operational by 2025 with quarterly reports.
Public Access to Oversight Data	Integrate CoB, OAG and PPRA data into one portal.	ICT Authority; National Treasury	Medium term	Unified portal online with > 70% data completeness.
CSO Participation in IMF Reviews	Include civil society representatives in IMF and World Bank program reviews.	IMF; Treasury; CSO Coalitions	Ongoing	CSO inclusion in all Article IV consultations.
International Asset Recovery Cooperation	Partner with ESAAMLG and FATF to trace illicit flows and repatriate assets.	EACC; FRA; Central Bank	Ongoing	≥ USD 50 million recovered annually.

H. Monitoring, Evaluation and Sustainability Framework

Indicator Type	Metric	Frequency	Responsible Body
Input Indicators	Number of reforms enacted; budget allocated to integrity institutions.	Annual	National Treasury; Parliament
Process Indicators	Rate of Audit Recommendation Implementation; citizen audits conducted.	Semi-annual	Auditor General; CSOs
Output Indicators	Contracts disclosed; cases prosecuted; campaign finance data published.	Annual	EACC; IEBC
Outcome Indicators	Improvement in TI CPI, OBI, and trust in government indices.	Biennial	KNBS; CSOs
Impact Indicators	Reduced corruption-related GDP loss; lower poverty and inequality rates.	Every 3 years	Treasury; World Bank

I. Risk Mitigation and Sustainability

Risk	Likely Impact	Mitigation Strategy
Political resistance from entrenched elites	Delay or reversal of reforms	Build bipartisan Parliamentary Caucus on Fiscal Integrity; mobilize civic pressure.
Data opacity and institutional secrecy	Weak citizen oversight	Enforce Access to Information Act and digitalize all fiscal data.
Limited fiscal space for implementation	Underfunded integrity institutions	Reallocate non-essential spending and link donor support to governance benchmarks.
Donor fatigue and shifting IFI priorities	Reduced governance focus	Institutionalize citizen representation in IFI reviews and embed governance indicators in fiscal programs.

Annex B: References and Data Sources

This Governance and Corruption Diagnostic (GCD) draws on primary evidence from citizen dialogues under the Okoa Uchumi Campaign and secondary analysis from official government, oversight, and international institution reports. Data have been triangulated across fiscal, governance, and social indicators covering the period 2013–2025.

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Primary Data Collection

This diagnostic further integrates data and testimonies collected through citizen validation forums and thematic consultations convened between 2023 and 2025 under the Okoa Uchumi campaign.


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