



MT. KENYA NETWORK FORUM (MKNF) 2026 – 2027 BUDGET MEMORANDUM TO PARLIAMENT OF KENYA.

EXECUTIVE SUMMARY OF OUR GRIEVANCE

- **We pay VAT on everything:** (including digital services, fuel, basic goods) yet schools lack teachers, hospitals lack medicine, and roads are impassable.
- **We see billions for debt interest:** (Ksh 995B+ in FY24/25) while pending bills crush small businesses.
- **We see "development" spending:** That benefits contractors, not communities, leaving stalled projects and ghost structures.
- **We see county funding mismanaged:** Billions go to salaries and administration, not to water, feeder roads, or agriculture extension services.

OUR DEMAND:

CUT WASTE, CORRUPTION, AND NON-PRIORITY SPENDING.
REDIRECT SAVINGS TO YOUTH EMPLOYMENT, HEALTHCARE,
WATER, AND SOCIAL PROTECTION.

1. REDUCE TAX EXPENDITURE (VAT EXEMPTIONS FOR NON-ESSENTIALS) – KSHS 100 BILLION

The PBO report (page 29) identifies **Kshs 510.56 billion** in tax expenditures (exemptions, reliefs). Most benefits go to corporations and wealthy households, not common citizens.

FAULT:

The government exempts VAT on goods and services that are **not essential for basic consumption** (e.g., premium beverages, certain luxury imports, some financial services). This is regressive and starves the exchequer.

RECOMMENDATION FOR PARLIAMENT:

- **Remove VAT exemptions** on non-essential luxury goods, private education fees above a certain threshold, and specific financial transactions that primarily benefit high-income earners.
- **Use the Kshs 100 billion** generated (as per PBO table, page 9) to:
 - Clear pending bills for small businesses.
 - Fund youth employment programs.
 - Equip public hospitals with essential medicines.

FROM COMMON KENYAN: Every time you pay VAT on bread and cooking oil, you are subsidizing a tax break for a luxury car importer. **THIS MUST END.**

2. SLASH RECURRENT EXPENDITURE: WAGE BILL, FOREIGN TRAVEL & CONSULTANTS – KSHS 50+ BILLION

The PBO report (page 29-30) shows **Recurrent Expenditure** grew to **Kshs 2.948 trillion** in FY24/25, driven by **O&M (Kshs 1.117 trillion)** and **Interest Payments (Kshs 995 billion)** Wages grew 27% while development stagnated.

FAULTS:

- **Bloated wage bill** with overlapping functions (national vs. county).
- **Excessive foreign travel** and workshops that yield no visible results.

- **Expensive consultants** for work that line ministries can do.

RECOMMENDATION FOR PARLIAMENT:

- **Freeze hiring** for non-essential positions for 2 years.
- **Cut foreign travel budget by 30%** and mandate online participation for most meetings.
- **Ban new consultancy contracts** for routine policy work; use in-house expertise.
- **Redirect Kshs 50 billion** to youth internships and skills training.

FROM THE YOUTH: We are told there is no money for your job, but there is always money for a first-class flight to Geneva or a week-long "retreat" at a beach resort. **THAT IS THEFT OF OUR FUTURE.**

3. STOP FUNDING STALLED & LOW-PRIORITY DEVELOPMENT PROJECTS – KSHS 75 BILLION

The PBO report (page 35-36) identifies **10 MDAs with pending bills exceeding 50% of their budget**, including State Department for Roads (Kshs 130B), Energy (Kshs 57B), and Higher Education (Kshs 73B). These are not new projects – they are unpaid debts for incomplete or poorly executed work.

FAULT:

The government budgets for new "mega-projects" (e.g., new roads, dams, stadiums) while failing to complete or maintain existing ones. This is a contractor welfare scheme.

RECOMMENDATION FOR PARLIAMENT:

- **Moratorium on new large infrastructure projects** for 1 years.
- **Mandate completion of ongoing projects** before approving new ones.
- **Use the Kshs 75 billion** proposed by PBO (page 36) to **settle verified pending bills** for SMEs and local contractors. This injects cash directly into the real economy.

FROM COMMON KENYAN: Our local road is a death trap, but a new 10-lane highway is being built near the capital. **THAT IS NOT DEVELOPMENT; IT IS POLITICAL RENT-SEEKING.**

4. RESTRUCTURE COUNTY FUNDING: RING-FENCE MONEY FOR PEOPLE, NOT OFFICES – KSHS 137 BILLION

The PBO report (page 37-42) reveals that despite Kshs 4.67 trillion devolved since 2012, **poverty is up (39.8%), unemployment is high and ASAL counties remain poorest.** Counties spend 50% of budgets on **personnel emoluments** and only 25% on development.

FAULT FOR ASAL COMMUNITIES, WOMEN, PWDS:

- County emergency funds are underfunded (only 0.5% of budget vs required 1%).
- Feeder roads (unpaved) are neglected – only 3% tarmac in counties.
- Water and irrigation funding is only 5.3% of county budgets despite drought crises.
- Agriculture extension services (vital for women farmers) are starved.

RECOMMENDATION FOR PARLIAMENT:

- **Mandate ring-fencing** of equitable share: **Kshs 50 billion for feeder roads, Kshs 40 billion for water/irrigation, Kshs 40 billion for agriculture** (see PBO table, page 41).
- **Enforce PFM Act requirements:** Max 35% on salaries, min 30% on development.
- **Require counties to allocate 1% of budget to County Emergency Fund** (currently only 0.5%).

FROM ASAL COMMUNITIES: We die of thirst while county headquarters have new furniture. To women farmers: We have no extension officer while the county employs 10 drivers for one executive. **THIS MUST STOP.**

5. REDUCE COST OF BORROWING & STOP EXPENSIVE COMMERCIAL LOANS – INTEREST SAVINGS

The Debt Management Strategy (page 15-16) shows Kenya's public debt is **67.8% of GDP** and at **high risk of distress**. Interest payments consume **~36% of revenue** (Kshs 995B out of ~2.9T). The government is borrowing commercially at high rates (Eurobonds, syndicated loans) instead of maximizing concessional financing.

FAULT:

Borrowing to pay interest (debt trap) while cutting services. The MTDS (page 24) still plans **6% commercial borrowing** – too high.

RECOMMENDATION FOR PARLIAMENT:

- **Reduce gross external commercial borrowing** to near zero.
- **Prioritize concessional and semi-concessional loans** (IDA, ADF, bilateral) only.
- **Use Kshs 100 billion** from reduced tax expenditures (point #1) to **buy back high-cost domestic debt** and reduce interest burden.

FROM THE YOUTH: We will inherit this debt. Every time you pay tax, most of it goes to a foreign bondholder, not to our school or clinic.

6. STOP WASTING MONEY ON INDICATORS THAT DON'T DELIVER – PERFORMANCE BUDGET CUTS

The 2026 BPS Non-Financial Indicators (pages 12-200) lists thousands of targets (e.g., number of bridges designed, trees planted, people trained). **But there is no link to outcomes** – poverty, unemployment, and malnutrition remain.

FAULT: The budget is full of "activities" with no accountability for results. Example: Agricultural training targets are set, but post-harvest losses remain 25% (PBO page 39).

RECOMMENDATION FOR PARLIAMENT:

- **Cut administrative budgets of MDAs** that consistently fail to meet core outcome indicators (e.g., education, health, agriculture) by **15%**.
- **Redirect those funds** to direct cash transfers for PWDs, elderly, and vulnerable children.

FROM PWDS: We are counted in "indicators" but not in budget allocations. Ramps, assistive devices, and inclusive education remain underfunded. Demand real money, not paperwork.

SUMMARY TABLE: WHAT PARLIAMENT MUST CUT & REDIRECT (FY 2026/27)

AREA	FAULT	CUT (KSHS B)	REDIRECT TO
VAT exemptions	Luxury goods & non-essentials exempted	100	Youth jobs + pending bills
Recurrent (travel, consultants, wage bill)	Waste, duplication, foreign junkets	50	Skills training + health supplies
New mega-projects	Stalled, incomplete, contractor bias	75	Clear verified SME pending bills
County unconditional allocations	Salaries > 50%, development <30%	137 (ring-fence)	Feeder roads, water, agriculture, emergency funds
Commercial borrowing	High interest, debt trap	(Savings on interest)	Social protection + education
Underperforming MDA budgets	Activity-based, no outcomes	15% across 5 MDAs	Cash transfers for PWDs & elderly

OUR FINAL MESSAGE TO PARLIAMENT

“We are not anti-government. We are anti-waste, anti-corruption, and anti-incompetence. You cannot tax a hungry youth, a struggling widow, or a pastoralist whose cattle have died of drought. Cut the fat. Fund our survival. **OR WE WILL REMEMBER IN 2027.**”

SIGNED BY MKNF:

For the Youth, Women, PWDs, and ASAL communities of Mt. Kenya Region and all of Kenya.