The Invisible Toll

Rising Debt, Shrinking Aid and Kenya's Children



REPUBLIC OF KENYA

The National Treasury

REPUBLIC OF KENYA

Ministry of Gender, Culture and Children Services
State Department for Children Services

unicef
for every child

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The Invisible Toll: Rising Debt, Shrinking Aid and Kenya's Children

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Together, these contributions inform a practical agenda for fiscal and debt policy that safeguards essential services, promotes equity and advances sustainable outcomes for every child.

Foreword

The success of Kenya's development ambitions depends on sound public finances that translate into tangible improvements in people's lives. Prudent debt management, credible budgets and disciplined use of public resources are essential not only for macroeconomic stability, but also for protecting children's rights and building the human capital that sustains economic growth.

This study makes that connection visible by tracing how debt, changing development finance and budget execution shape service delivery. Its central insight is practical: an approved allocation has value only when it is matched by timely cash releases, effective implementation and measurable results for children and families.

The country's fiscal response must therefore be balanced. Kenya needs stronger domestic revenue mobilisation, better expenditure efficiency and rigorous management of fiscal risks. At the same time, investment decisions must recognise the economic and social returns generated by public services that improve health, nutrition, education, water and sanitation, as well as child and social protection.

Budget credibility is especially important during fiscal consolidation. Better cash-flow forecasting, firm commitment controls, transparent expenditure tracking and closer coordination between national and county institutions can protect priority services while maintaining fiscal discipline and value for money.

The financing environment is also changing. Less predictable official development assistance, significant debt-service obligations and competing domestic needs require orderly transition planning, careful project appraisal and transparent management of debt and contingent liabilities. These pressures must not be allowed to deepen existing inequalities or interrupt essential support for vulnerable children and households.

Equity must guide this effort. Children in poor households, arid and semi-arid counties, informal settlements, refugee-hosting areas and communities affected by climate shocks face the greatest risks when services falter. A costed floor for child-critical spending, predictable releases, reliable social assistance payments and stronger tracking of results can help ensure that fiscal adjustment does not compromise children's wellbeing or future potential.

We welcome this study as a basis for coordinated action across government, Parliament, oversight institutions, county governments, UNICEF and development partners. We commend the institutions and technical teams that produced it and encourage its use to strengthen fiscal planning, debt policy, budget execution and accountability so that every shilling invested delivers timely and equitable results for children while securing prosperity for future generations.

Dr. Chris K. Kiptoo, CBS
Principal Secretary,
The National Treasury

CPA Carren Achieng Ageng'o
Principal Secretary,
State Department for Children Services

Foreword

A child does not experience fiscal policy as a budget line or a balance-sheet entry. Children experience it in whether a vaccine is available, a nutrition service continues, a classroom is safe, clean water is accessible, protection from harm is at hand and social assistance reaches a family when it is needed most. Public finance is therefore central to realizing children's rights and to shaping Kenya's future.

Kenya has made deliberate choices to invest in its children. The Government's leadership is visible in the expansion of social protection, the drive towards universal health coverage, sustained investment in education and a strengthened legal framework for child protection under the Children Act, 2022. These are investments in the nation's human capital, and they deserve both recognition and protection.

This report arrives at a decisive moment. Rising debt-service obligations, declining official development assistance and budget execution constraints are narrowing fiscal space. The analysis shows that even where approved budgets appear protected, it is the timing and predictability of resource flows that determine whether funds make a difference in children's lives. The stakes are high as children constitute more than two in every five Kenyans, and about half face overlapping monetary and multidimensional poverty. When services become unreliable, children in marginalized communities, children with disabilities, those without adequate family care and families affected by climate or economic shocks have the least to fall back on.

For those who shape, approve and execute budgets, at the National Treasury, in sector ministries, county governments, Parliament and oversight bodies, this report offers practical, evidence-based options to safeguard the gains already made, protecting predictable cash releases for child-critical services, establishing a costed floor for essential spending, strengthening social assistance, introducing child budget tagging and planning early for externally financed programmes. Debt transparency, project readiness and equitable revenue mobilization provide the broader fiscal foundation for these measures.

UNICEF is privileged to accompany the Government of Kenya in this effort, alongside civil society, young people and development partners, in support of a nationally owned agenda.

Protecting investment in children is not separate from fiscal sustainability, it strengthens Kenya's economic and social foundations. The fiscal decisions made today will shape the capabilities and resilience of the next generation. I encourage every policymaker and budget decision maker to read this report and to use it to turn evidence into coordinated action for every child.

Dr. Shaheen Nilofer
UNICEF Representative to Kenya

Preface

The Public Debt Management Office is pleased to present this study. Public debt is a legitimate financing instrument: it enables investments and responses that current revenues alone cannot meet, provided the country preserves its capacity to honour future obligations. For this reason, the quality of debt, the terms on which it is contracted, the management of its risks and the performance of the projects it finances matter as much as the amount borrowed.

This study applies that perspective to human development. It examines how the composition and servicing of debt interact with revenue, official development assistance and budget execution. Rather than treating borrowing as inherently opposed to social investment, it asks whether debt remains sustainable and whether the activities it finances deliver lasting development returns.

Several of its findings speak directly to the mandate of this Office. They include the growing importance of domestic debt, exposure to refinancing and exchange-rate risks, incomplete visibility of contingent liabilities and the cost of slow project implementation. They also underline that rigorous appraisal, procurement readiness and implementation discipline are needed to avoid unnecessary commitment fees and secure better value for money.

The study also reminds us that debt service does not operate in isolation from the wider budget. When revenue or external financing falls short, liquidity can tighten and reduce flexibility across spending institutions. Closer coordination among the debt, fiscal, cash-management and expenditure functions of government is therefore essential to anticipate pressure and keep budget execution orderly.

Transparency remains the foundation of credible debt management. Timely information on the debt stock, servicing costs, creditors, guarantees, contingent liabilities and the use of borrowed funds enable informed decisions, effective oversight and public confidence. We regard audit, parliamentary scrutiny and accessible public reporting as indispensable complements to technical debt operations.

The report further explores the potential of liability-management operations, concessional finance and carefully designed debt swaps. Such instruments may strengthen resilience or support development investment, but each must pass a rigorous test of debt sustainability, additionality, governance, transaction costs and measurable impact. Any exploration of these options should proceed through established technical and approval processes.

The Public Debt Management Office welcomes this analysis and the link it draws between financing decisions and development results. By improving debt quality, project readiness, fiscal risk disclosure and coordination across government, Kenya can ensure that borrowing supports growth, resilience and human capital without compromising future fiscal stability. I encourage policymakers, oversight institutions and development partners to draw on its findings in their work.

Mr. Raphael Owino Otieno
Director General, Public Debt Management Office

Abbreviations and acronyms

Acronym	Meaning
AfDB	African Development Bank
ARUD	Agriculture, Rural and Urban Development sector
ASAL	Arid and semi-arid lands
BOOST	World Bank public expenditure database
COFOG	Classification of the Functions of Government
CRS	Creditor Reporting System
CT-OVC	Cash Transfer for Orphans and Vulnerable Children
DAC	Development Assistance Committee
DPO	Development Policy Operation
DSSI	Debt Service Suspension Initiative
EII	Energy, Infrastructure and ICT (Information and Communications Technology) sector
EPWNR	Environmental protection, water and natural resources
FCDO	Foreign, Commonwealth and Development Office (United Kingdom)
FY	Financial year
GDP	Gross Domestic Product
GECA	General Economic and Commercial Affairs sector
GJLO	Governance, Justice, Law and Order sector
GoK	Government of Kenya
HSNP	Hunger Safety Net Programme
iCCM	Integrated Community Case Management
ICT	Information and communications technology
ILO	International Labour Organization
IMCI	Integrated Management of Childhood Illness
IMF	International Monetary Fund
IPC	Integrated Food Security Phase Classification
KDHS	Kenya Demographic and Health Survey
KES	Kenya shilling
KHIS	Kenya Health Information System
KIPPRA	Kenya Institute for Public Policy Research and Analysis
KNBS	Kenya National Bureau of Statistics
KRA	(Kenya Revenue Authority
MTEF	Medium-Term Expenditure Framework
NSPS	National Social Protection Secretariat
OAG	Office of the Auditor-General

OCOB	Office of the Controller of Budget
ODA	Official development assistance
OECD	Organization for Economic Co-operation and Development
OPCT	Older Persons Cash Transfer
PAIR	Public Administration and International Relations sector
PBO	Parliamentary Budget Office
PDMO	Public Debt Management Office
PETS	Public expenditure tracking survey
PFM	Public financial management
PWSD-CT	Persons with Severe Disabilities Cash Transfer
SDCS	State Department for Children Services
SDG	Sustainable Development Goal
SDU	Service Delivery Unit
SPCR	Social protection, culture and recreation
UNICEF	United Nations Children's Fund
USD	United States dollar
WASH	Water, sanitation and hygiene
WDI	World Development Indicators

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Executive summary

Kenya's rising debt-service obligations, declining official development assistance (ODA) and constrained domestic revenue are narrowing fiscal flexibility. Children account for 41.3 percent of the population and depend heavily on publicly financed health, nutrition, education, water and sanitation, child protection and social protection services.

This study investigates how debt vulnerability, reduced external assistance and wider economic pressures are associated with risks to child wellbeing. Its hypothesis is that macro-fiscal pressure is transmitted down the public finance chain to children, particularly when constrained liquidity weakens the timing, predictability and execution of child-critical spending.

Methodology

The study used a mixed-methods approach. It combined analysis of macro-fiscal, debt, ODA, budget and service data with interviews with national and county key informants. This information was then analysed according to the following four stages of service provision:

- Allocation (the approved budget)
- Release (the funding made available)
- Execution (actual expenditure and implementation)
- Outcomes (the changes experienced by services, households and children)

The study traces plausible pathways across these stages and was careful not to infer causality where the evidence supports only association or risk.

Key findings

National finances are under considerable pressure.

- Total debt service reached about 57 percent of ordinary revenue in 2024.
- Net ODA received declined from nearly USD 4.0 billion in 2020 to about USD 2.6 billion in 2023.
- Public debt plus contingent liabilities and related obligations reached an estimated KES 13.5 trillion in FY2025.

These pressures have reduced fiscal flexibility, which, the study finds, is associated with increased risks of delayed releases, uneven execution and service disruption. This means that annual allocations alone are an incomplete measure of protection because funds may be approved but released late, spent unevenly or even not converted into services at all.

Implications for children

Fiscal and execution pressures are increasing alongside rising child poverty, declining real earnings, higher household costs, limited social assistance coverage and worrying trends in selected service indicators. The evidence does not establish a direct causal link between national debt and individual child outcomes. However, it does identify plausible pathways through which rising debt increases risks to children. Risks are greatest where poorer households have few alternatives to public provision.

Policy recommendations

To protect children from risks associated with growing fiscal and execution pressures, the study recommends protecting predictable cash releases for child-critical services, adopting a costed social spending floor, clearing service-related arrears and safeguarding social assistance payment cycles. It further recommends institutionalizing child budget tagging, managing ODA transitions through costed domestic financing plans, improving debt quality and project readiness, strengthening equitable domestic revenue mobilization and reinforcing parliamentary, audit and public oversight.



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The need to protect children is particularly urgent because many children already face overlapping vulnerabilities.

CHAPTER 1

Introduction, methodology and analytical framework

Key messages:

i. **Kenya's fiscal choices today will shape the wellbeing and productive potential of nearly 22 million children.** With children comprising 41.3 percent of the population and relying heavily on public services, protecting child-critical investment is both a rights obligation and a long-term economic imperative.

ii. **The study tests how rising debt, declining ODA and economic volatility place children at risk without overstating causality.** It combines fiscal and sector data with national and county evidence to identify credible associations and transmission pathways.

iii. **Approved budgets protect children only when resources move reliably from allocation to release and execution, and result in tangible outcomes.** The study's framework traces fiscal pressure from debt, aid and revenue conditions through cash management and service delivery to household vulnerability and child wellbeing.

iv. **The health and social protection sectors provide the clearest test of whether fiscal policy translates into resilient services and households.** Their dependence on predictable public and external financing exposes how delayed releases, weak execution and poor aid transitions can quickly affect children.

1.1 Background

Kenya is committed to protecting the rights and wellbeing of children through its Constitution, national development plans and international obligations. These commitments recognise that children are not only beneficiaries of public policy, but rights holders whose survival, learning, protection and development depend on the choices made by public institutions. Investments in children therefore sit at the heart of Kenya's long-term social and economic development.

These commitments have practical meaning in the everyday life of children. A child's ability to grow, learn, stay healthy, and remain protected depends on whether households can access reliable services and whether public systems are well funded. Health facilities need medicine, staff, and outreach and referral systems. Schools and early learning services need steady support. Nutrition, water and sanitation, child protection, and social assistance systems need predictable financing and coordination. For children, these services are not separate policy areas; they work together to shape wellbeing across the child's life cycle.

Kenya is also a young country. Children under 18 years old make up 41.3 percent of the population, equating to roughly 22 million children, and the child population is projected to peak in 2047 at about 28 million (UNICEF, 2025a). Therefore, decisions made today about public finance, service delivery, and social protection not only affect children today, but will also impact a large share of the population in the future. Moreover, children rely heavily on publicly financed services, including health, nutrition, education, water and sanitation, child protection, and social protection. For many households, especially poorer ones, these public systems are the primary means by which children receive essential support. When services are available, timely, and adequately financed, they can help children overcome disadvantages early in life. When they are interrupted or underfunded, the consequences can be long-lasting.

The need to protect children is particularly urgent because many children already face overlapping vulnerabilities. Child poverty in Kenya is not only about household income but also includes deprivations in nutrition, healthcare, education, housing, sanitation, protection, and access to basic services. These vulnerabilities differ across counties and household circumstances, and they are often more pronounced among children in rural areas, children with disabilities, orphans, and children living in households exposed to climate and economic shocks.

This report is written against the backdrop of rising public debt and declining (ODA). Public debt has grown rapidly since 2010, debt service is absorbing a large share of ordinary revenue, and ODA is declining and becoming less predictable. Debt vulnerability, reduced external assistance, and broader economic volatility are narrowing the fiscal space available for social spending. This matters for children because many of the sectors most important to their wellbeing depend on predictable public financing and, in some cases, external support.

1.2 Aims and objectives

The overall aim of this study is to examine how Kenya's debt burden, declining ODA and economic volatility are associated with risks to children, and to generate evidence-based recommendations for child-sensitive fiscal, debt and social-sector policies.

The specific objectives are to:

1. Outline the debt and wider economic context in Kenya, including changes in economic growth and ODA, as well as levels, composition, and use of debt since 2010.
2. Examine how debt vulnerability and declining ODA are associated with risks to children through changes in social spending and investment, the functioning of health and social protection systems, and child outcomes.
3. Uncover the political economy drivers of these risks, including the incentives and institutional dynamics influencing debt accumulation, ODA transition, and financing decisions in health and social protection services.
4. Develop national recommendations for action, including priority investment areas for children and practical measures to protect child wellbeing during fiscal adjustment and aid transition.

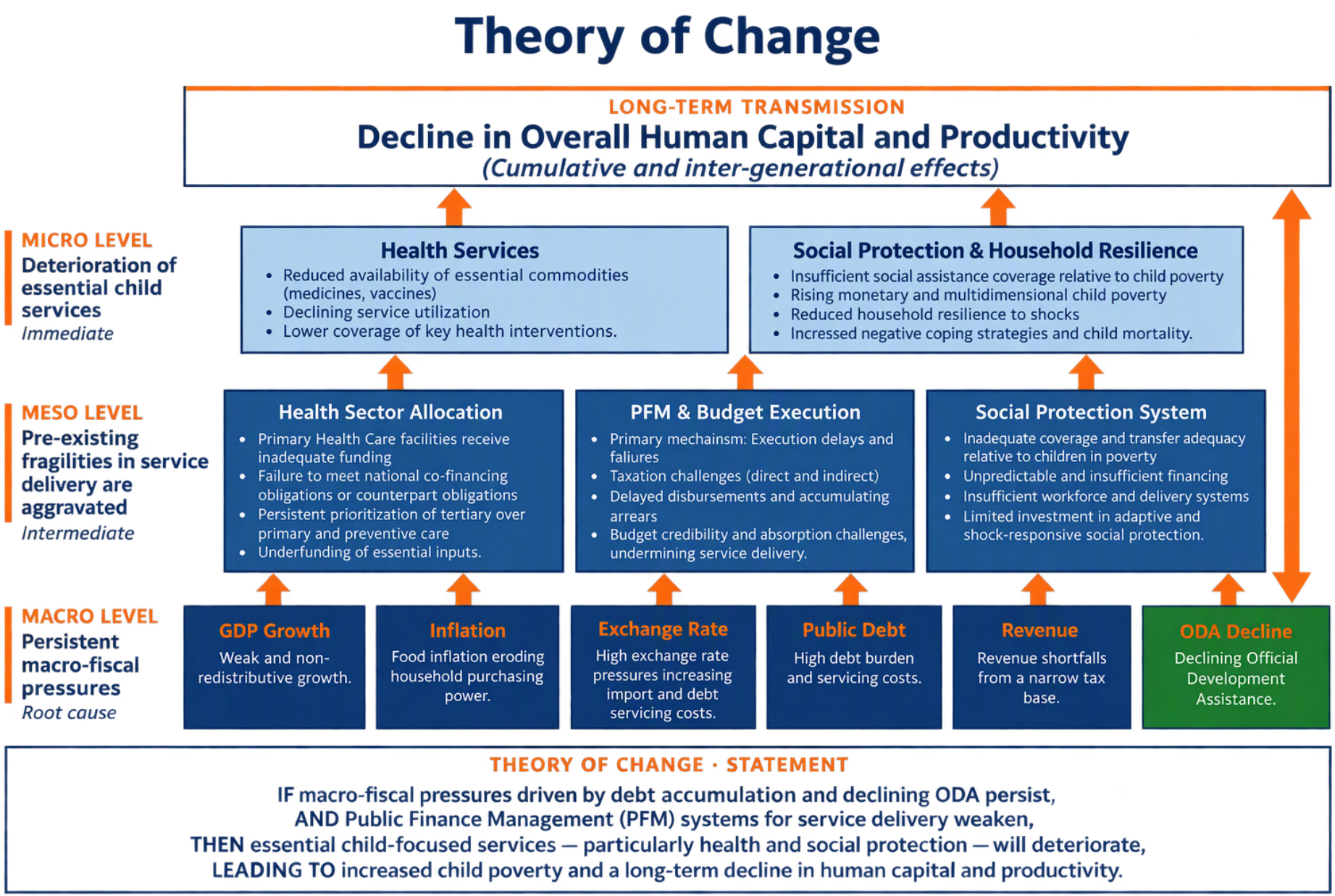
1.3 Theory of change: linking debt, fiscal adjustment and child outcomes

The theory of change (Figure 1.1) illustrates how macro fiscal pressures associated with rising public debt and declining ODA can be transmitted through public financial management systems and sectoral service delivery, affecting children's wellbeing. The aim of this study is to test the theory of change and determine whether these pathways are accurate.

The theory of change postulates that, at the macro level, persistent debt-servicing obligations, declining concessional financing, revenue shortfalls and macroeconomic volatility constrain fiscal space. At the meso level, these pressures then interact with public financial management systems, influencing budget allocation, disbursement, execution and sectoral prioritization, particularly in health and social protection. At the micro level, weaker service delivery systems and financing volatility may reduce access to essential services, increase household vulnerability and heighten the risk of adverse child outcomes, including higher poverty and weaker human capital development.

The theory of change provides a visual and conceptual anchor for the empirical analysis presented in subsequent chapters. It is not intended to represent a causal model, but rather to clarify the pathways through which fiscal adjustment and financing decisions can shape outcomes for children.

Figure 1.1 **Transmission pathways from public debt and declining ODA to child outcomes.**



1.4 Methodology

This study uses a mixed-methods approach based on quantitative and qualitative evidence. Analysis is organized around a public finance results chain composed of four stages.

1. **Allocation** is the budget approved by the legislature.
2. **Release** is the cash or authority to spend made available to spending institutions.
3. **Execution** is the actual expenditure and subsequent service delivery.
4. **Outcomes** are the resulting changes in service availability, household wellbeing and child development.

These distinct stages prevent approved budgets from being treated as evidence that services were financed or delivered.

The study's central thesis is that macro-fiscal pressure can be transmitted through this results chain when liquidity constraints or institutional weaknesses interrupt the movement from allocation to release, execution and outcomes. Budget execution is therefore examined as a major transmission channel rather than assumed to be the sole cause of changes in child wellbeing.

The study is subject to several limitations.

1. First, data availability varies across sectors, counties, and fiscal years, which limits the extent to which trends can be compared consistently over time.
2. Second, the study does not claim direct causal attribution between debt dynamics and specific child outcomes; rather, it traces plausible transmission pathways using fiscal data, sector evidence, and stakeholder insights.
3. Third, some outcome indicators are affected by time lags, meaning that the full effects of recent fiscal pressures may not yet be visible in available data. These limitations are addressed by triangulating quantitative trends with qualitative evidence and by interpreting findings cautiously.

1.4.1 Analytical framework

The analytical framework used in this study comprises three interconnected levels, with analysis moving from first considering broad fiscal conditions to how institutions operate, and then how this affects households and children.

- At the macro level, it examines public debt, debt service, ODA, revenue and economic conditions.
- At the meso (institutional) level, it examines how approved allocations become releases and how releases become executed expenditure through cash management, procurement, intergovernmental transfers and programme systems.
- At the micro (household and child) level, it examines service access, poverty, vulnerability and human capital outcomes.

The framework treats the links between these levels as plausible transmission pathways to be tested against the available fiscal, sector and qualitative evidence. This enables the analysis to move beyond aggregate fiscal indicators to examine how fiscal stress is absorbed in practice, for example through delayed releases, under execution, or shifts in financing composition, rather than solely through explicit budget cuts. It also provides a structured basis for integrating quantitative trends with qualitative evidence on institutional behaviour and frontline service delivery.

1.4.2 Quantitative analysis

The study's quantitative component is based on a desk review and secondary data analysis covering the period from approximately 2010 to 2025, subject to data availability. Data sources include national budget documents, public debt statistics, statistical abstracts, economic surveys, official development assistance databases, administrative records, and household and child level indicators drawn from national surveys and routine sector information systems.

Quantitative analysis covers three interrelated areas, mirroring the three levels of the analytical framework.

1. First, at the macro level, it examines the level, composition and servicing of public debt, revenue performance and ODA.
2. Second, at the meso (institutional) level, it reviews approved social sector allocations and separately assesses cash releases, expenditure outturns, absorption rates, disbursement timing and the balance between recurrent and development expenditure.
3. Third, at the micro (household and child) level, it reviews child and household indicators, including poverty, nutrition, health service utilization and social protection coverage.

National and county patterns are distinguished where possible. Associations between fiscal conditions and outcomes are interpreted cautiously and are not presented as causal effects without supporting evidence. Where the evidence does not establish causality, the study uses language such as "is associated with", "contributes to", "increases risk", "can weaken" and "is transmitted through plausible channels".

1.4.3 Qualitative analysis

Quantitative findings are complemented by qualitative evidence generated through key informant interviews and structured consultations with stakeholders at national and county levels. Informants include government officials, sector specialists, bilateral and multilateral development partners, and actors involved in the design and implementation of health, nutrition, and social protection programmes. A list of key informants can be found in annex 1.

The qualitative component serves three main purposes.

1. First, it provides contextual interpretation of quantitative trends, particularly where administrative data alone cannot explain observed outcomes.
2. Second, it sheds light on institutional and political economy drivers shaping fiscal choices, including debt management practices, budget prioritization, and financing decisions.
3. Third, it documents how fiscal pressures are experienced at the frontline, including service disruptions, delayed payments, and household level coping strategies.

Interview findings are synthesized thematically and anonymized to ensure confidentiality while preserving analytical integrity.

1.4.4 Sector focus and county selection

While the study considers the broader social sector landscape, health and social protection are examined in greater depth. These sectors are prioritized because they are highly relevant for children, particularly sensitive to fiscal shocks, and heavily reliant on public and donor financing. They also exhibit relatively clear transmission channels between fiscal stress, service delivery disruptions, and child outcomes, and benefit from comparatively strong administrative and outcome data.

Qualitative evidence draws on a selection of counties purposively selected to reflect geographic diversity, different levels of vulnerability, and varying exposure to fiscal and financing constraints. This approach enables the analysis to capture variation in how fiscal pressures affect children across different contexts.

1.5 Report structure

The report is structured into eight chapters. Chapters two to seven feature data analysis results, while chapter eight brings all the findings together into a coherent conclusion and a set of practical recommendations.

1. **Chapter one** presents the introduction, methodology, and analytical framework used to trace the pathways from debt, ODA reduction, and economic volatility to child wellbeing.
2. **Chapter two** examines children, poverty, and Kenya's fiscal context.
3. **Chapter three** analyses public debt and current fiscal pressures.
4. **Chapter four** discusses external financing and its implications for key sectors.
5. **Chapter five** examines how fiscal stress is transmitted through budget execution failures.
6. **Chapter six** assesses household wellbeing and child outcomes.
7. **Chapter seven** analyses how debt and external support shape fiscal decisions in Kenya.
8. **Chapter eight** presents policy implications and recommendations for protecting child-relevant sectors during fiscal consolidation and ODA transition.



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Child poverty in Kenya is deep and overlapping, increasing the exposure of vulnerable children to fiscal tightening.

CHAPTER 2

Children, poverty and Kenya's fiscal context

Key messages

i. **Kenya's demographic structure raises the stakes of fiscal adjustment.** Children account for 41.3 percent of the population and depend heavily on publicly financed health, nutrition, education, water and sanitation, child protection and social protection services.

ii. **Economic growth has not produced commensurate reductions in child deprivation.** Between 2014 and 2022, GDP per capita increased while multidimensional child poverty rose from 45 percent to 55.3 percent, affecting a total of 12.2 million children. These parallel trends do not establish causality, but they show that aggregate growth alone has been insufficient to improve child wellbeing.

iii. **Child poverty is severe, overlapping and unevenly distributed.** Monetary poverty and multidimensional deprivation reinforce one another, with greater risks among poor and rural households, orphans, children with disabilities and children exposed to climate and economic shocks.

iv. **Fiscal tightening can worsen existing disadvantage when it weakens child-critical services.** The greatest risks arise where poorer households rely on public provision and have limited capacity to replace services privately.

v. **Protecting children requires an interconnected package of services.** Weaknesses in one area of child-critical services – health, nutrition, education, water and sanitation, social protection or child protection – can reduce the effectiveness of investment in the other sectors.

2.1 Introduction

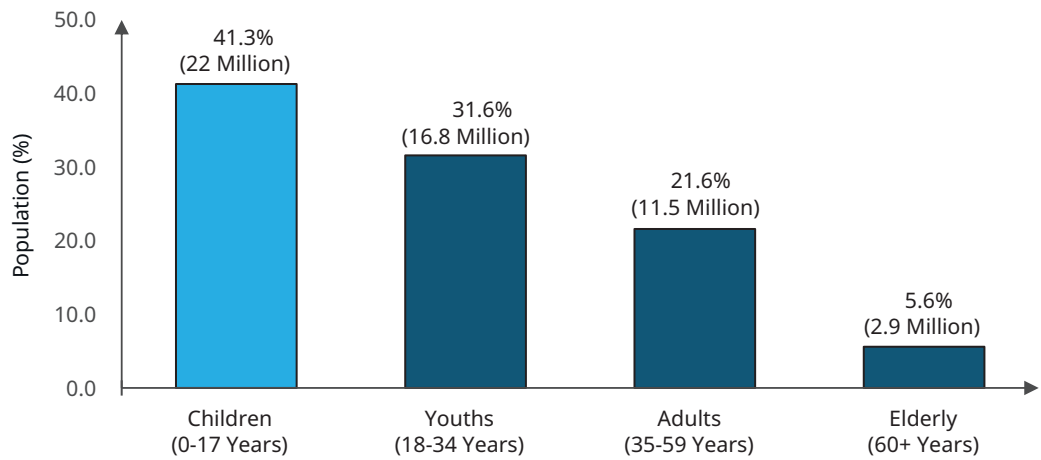
Kenya's tightening fiscal space increases the risk of long-term human capital losses. Sustained investment in child-critical services is central to the country's long-term growth because it supports human capital formation. Children depend on an interconnected package of publicly financed services – health, nutrition, education, water and sanitation, and social and child protection – to survive, learn and thrive. With children accounting for **41.3 percent** of the population, even temporary service disruptions can have far-reaching consequences for wellbeing and future productivity. Because poorer households rely heavily on public provision, delays, expenditure compression and under-execution in social sectors are likely to affect vulnerable children most severely.

Kenya's child poverty profile also reflects deep and overlapping vulnerabilities that can amplify the negative effects of fiscal shocks. Child poverty is both widespread and multidimensional, combining income poverty with deprivations in health, nutrition, education, housing and access to basic services. Although these vulnerabilities predate the current fiscal squeeze, narrower fiscal space and weaknesses in budget execution may deepen existing deprivation and slow progress in reducing it, particularly among children in poor and vulnerable households.

2.2 A child-heavy population facing structural vulnerability

Kenya's demographic profile raises the stakes of fiscal adjustment because children make up more than two in every five residents (Figure 2.1). Children depend more heavily than adults on publicly financed primary healthcare, basic education, nutrition programmes and social protection. When fiscal space tightens, delays, under-execution, expenditure compression or rationing can weaken these services. Fiscal pressure can therefore translate quickly into gaps in the support children need.

Figure 2.1 Kenya's demographic structure and share of children in the total population (percent and number), 2025



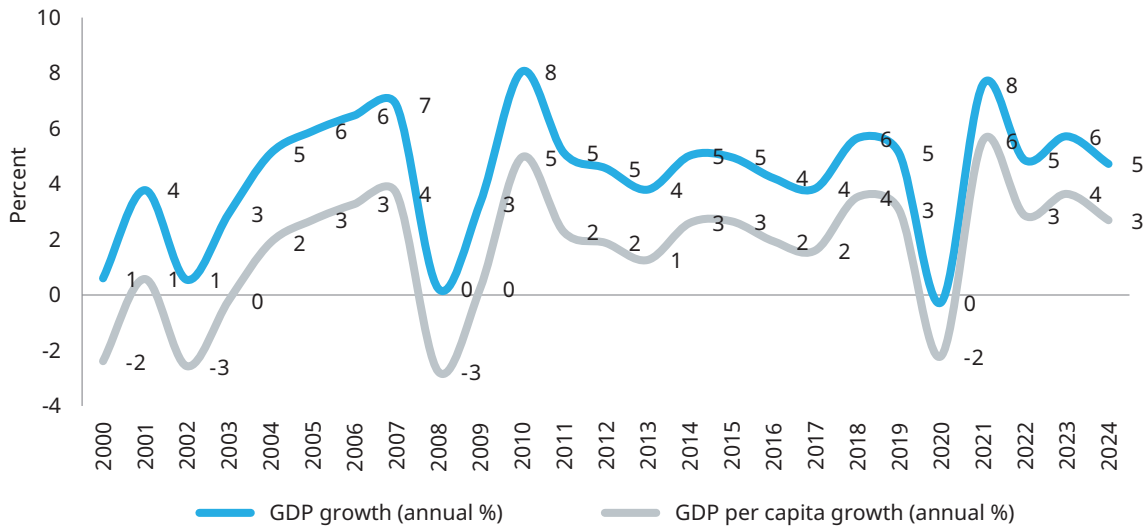
Source: Authors' calculations based on KNBS (2025).

Delaying investments in health, nutrition, and education services can have lasting effects on children's development. Many of these investments work best when they are steady and timely, especially in early childhood. Poorer households rely more on public services and often cannot afford private alternatives when public service provision is weak or absent. When fiscal adjustment does not protect social sectors, it can reduce child wellbeing, weaken human capital formation, and lower long-term productivity.

2.3 Growth without commensurate reductions in child poverty

Aggregate economic growth has remained resilient, but improvements in living standards have been modest. Kenya recorded positive GDP growth over the past two decades, but the gains have not translated proportionately into household wellbeing (Figure 2.2). Between 2000 and 2024, GDP growth averaged about 4.3 percent a year, while GDP per capita growth averaged about 1.7 percent. The difference of about 2.6 percentage points partly reflects population growth. Sustained improvements in living standards therefore require growth that is more inclusive and accompanied by job creation and real wage gains. This weak link between economic growth and household wellbeing helps explain why child outcomes have not improved at the same pace as the overall economy.

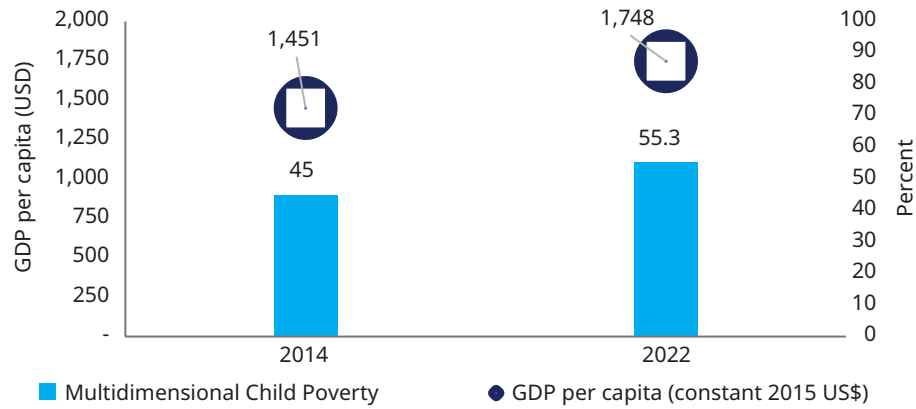
Figure 2.2 GDP and GDP per capita growth (annual percentage change), 2000–2024



Source: Authors' calculations based on World Development Indicators Database.

While the economy has grown since 2014, child poverty has worsened. Between 2014 and 2022, GDP per capita increased from **USD 1,451** to **USD 1,748** (Figure 2.3). Over the same period, multidimensional child poverty rose from **45 percent**, or **9.5 million children**, to **55.3 percent**, or **12.2 million** children (KNBS, 2017, 2025). These parallel trends do not establish causality, but they show that aggregate growth alone has been insufficient to reduce child deprivation.

Figure 2.3 GDP per capita (USD) and multidimensional child poverty (percent), 2014 and 2022.



Source: Authors' calculations based on KNBS reports and World Development Indicators Database.

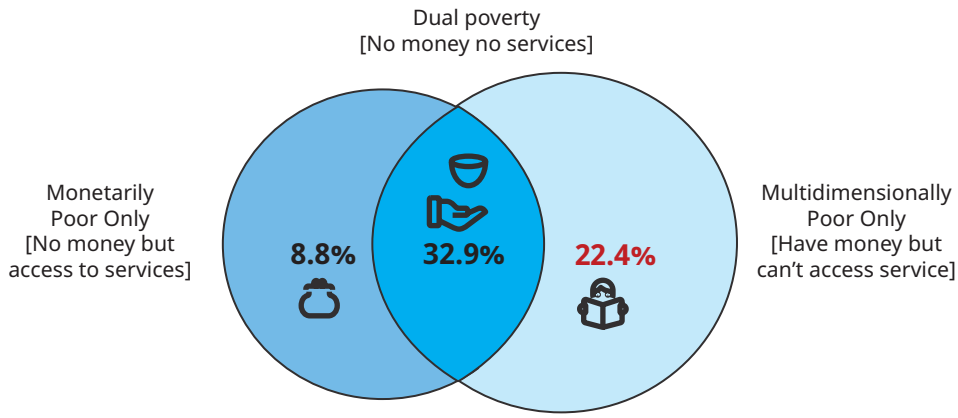
Recent economic growth has not translated into sufficient gains in employment, household incomes and child-critical services. Public investment financed partly through debt has supported economic activity, but it has not been matched by sufficient growth in good-quality jobs, productivity or private-sector opportunities (World Bank, 2025a). At the same time, rising debt service has constrained the fiscal space available for social investment. Consequently, resilient aggregate growth has coexisted with persistent deprivation among children, particularly in poor and rural households that rely most heavily on public services. Deliberate fiscal and policy measures are therefore needed to strengthen the transmission from growth to child wellbeing.

2.4 Deep and overlapping child poverty

Child poverty in Kenya is deep and overlapping, increasing the exposure of vulnerable children to fiscal tightening. About 32.9 percent of children experience both monetary and multidimensional poverty, while a further 22.4 percent experience multidimensional deprivation without being monetarily poor (Figure 2.4). These overlapping disadvantages mean that deterioration in one area, such as nutrition, can worsen risks in other areas, such as health, learning and protection.

The data also point to service delivery as a key driver of child deprivation. While only 8.8 percent of children experience monetary poverty alone, 55.3 percent experience multidimensional poverty, including 22.4 percent who are not monetarily poor. This suggests that income alone does not protect children from deprivation where access to essential services remains constrained. Fiscal tightening that weakens the availability and quality of health, nutrition, education, WASH and protection services could therefore deepen child poverty, even among households above the monetary poverty line.

Figure 2.4 Overlap between monetary and multidimensional child poverty (percent), 2022

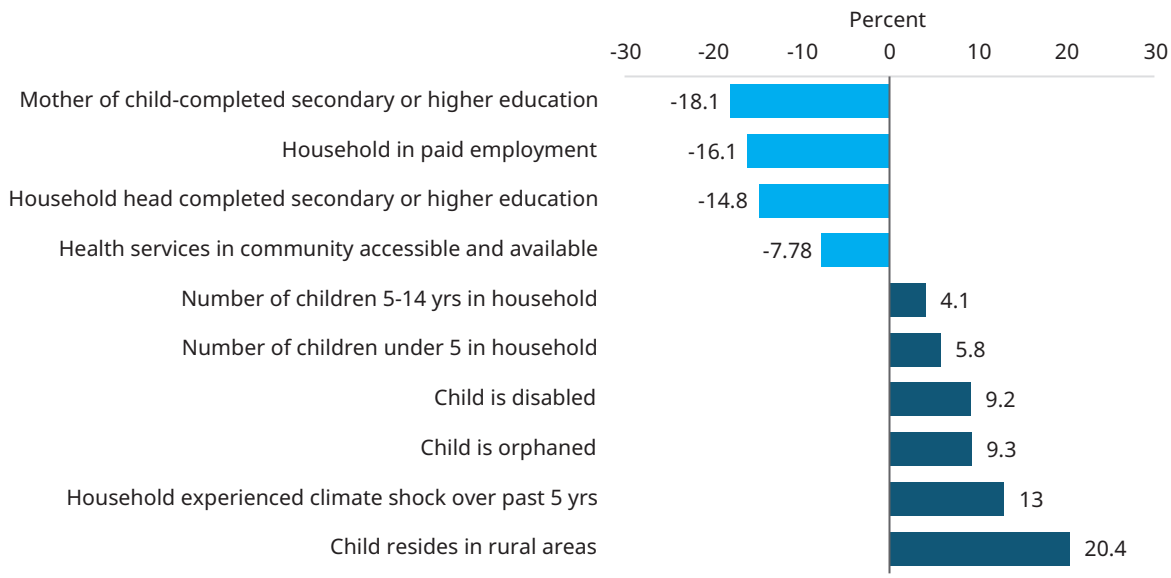


Source: Authors' calculations based on KNBS (2025).

Deprivations experienced early in life can produce long-lasting human capital losses. Children facing overlapping disadvantages in early childhood are at greater risk of stunting, lower educational attainment, poorer health and lower lifetime earnings (UNICEF, 2024). Interruptions to child-critical services may therefore reduce long-term productivity, earnings and growth potential.

Poverty risks are highest among rural children, orphans, children with disabilities, and children exposed to climate shocks. These groups depend most on public services and have fewer options when service provision fails. When fiscal stress weakens health facilities, nutrition programmes, schools, and social assistance, the impacts are felt most by these children. Fiscal stress can increase poverty and can also deepen and entrench it among the most vulnerable groups.

Figure 2.5 Predictors of multidimensional child poverty (percent), 2015/16



Source: Authors' calculations based on KNBS (2025).

The overlap of different types of child poverty indicates that narrow or isolated interventions are insufficient. Protecting children during fiscal stress requires safeguarding through an interconnected package of health, nutrition, education, water and sanitation, and social and child protection services. Weaknesses in one sector reduce the effectiveness of the others. Without adequate protection, short-term fiscal pressure may harm child wellbeing in the long run and negatively impact national development. This vulnerability provides the context for the macro-fiscal dynamics examined in the next chapter.

2.5 Conclusion

Kenya's mounting fiscal pressures are unfolding against deep and overlapping child vulnerability. Aggregate growth has not delivered comparable reductions in child poverty, while poorer and marginalized children remain especially dependent on public clinics, schools, nutrition services and social assistance. Fiscal consolidation that delays financing or weakens service quality risks reinforcing existing deprivation. Protecting both expenditure and delivery is therefore essential to avoid lasting harm. The next chapter examines the macro-fiscal pressures driving these risks, focusing on rising debt service, declining ODA and weak domestic revenue performance.



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Child-critical sectors are particularly exposed because they depend on predictable operational financing and, in some cases, external support that is declining.

CHAPTER 3

Public debt and Kenya's current fiscal pressures

Key messages

i. **Kenya's fiscal space is being squeezed by three reinforcing pressures.** Total debt service reached 57 percent of ordinary revenue in 2024 while net ODA declined, and domestic revenue performance remained weak.

ii. **Debt accumulation and related fiscal obligations have increased financing and refinancing exposure.** Public debt, contingent liabilities and related obligations rose from KES 8.2 trillion in FY2020 to KES 13.5 trillion in FY2025.

iii. **This debt mix has become more sensitive to interest-rate, refinancing and exchange-rate risks.** Greater reliance on domestic and commercial external borrowing risks making financing costs and cash availability less predictable.

iv. **Debt composition and project execution matter alongside debt volume.** Concentrated domestic holdings, limited direct financing for social sectors and undisbursed external loans can increase fiscal risk and reduce value for money.

v. **Higher debt service does not directly worsen child outcomes, but it narrows the fiscal flexibility available to protect and improve them.** The risk to children increases when pressure is transmitted through delayed releases, expenditure compression and weaker execution of child-critical services.

3.1 Introduction

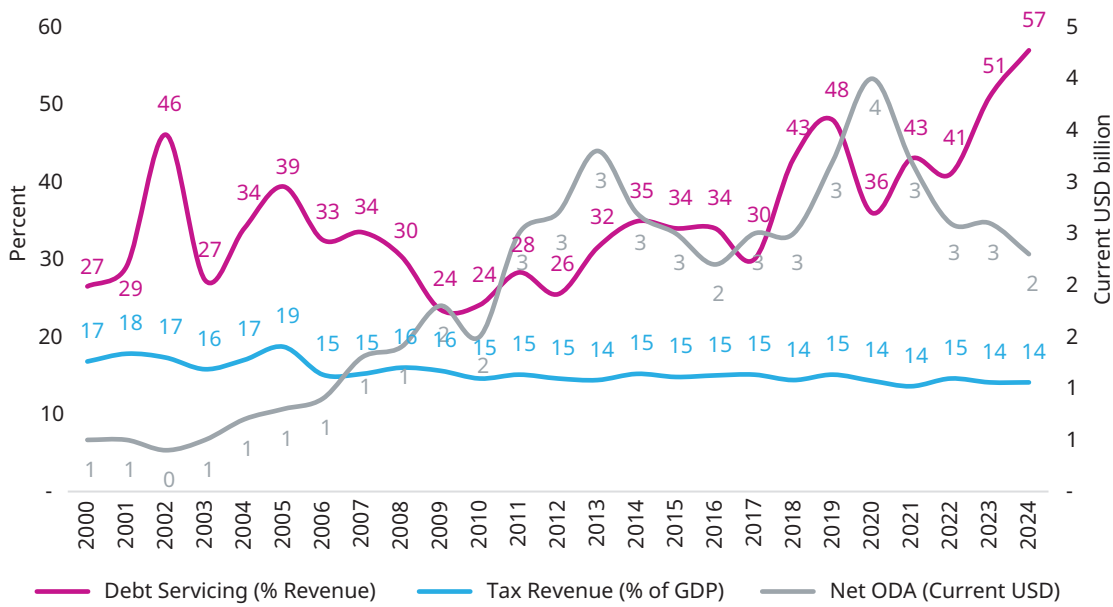
Kenya's fiscal adjustment is taking place in a constrained financing environment shaped by rising debt service, declining ODA and weak domestic revenue performance. These pressures are occurring simultaneously and reinforcing one another, creating a pronounced fiscal squeeze (Figure 3.1). In the past, pressure from one financing source could be offset by another. Today, simultaneous pressures leave little scope to compensate by drawing on other financing sources. Adjustment may take the shape of liquidity constraints, delayed releases and expenditure compression rather than deliberate and transparent reprioritization.

Child-critical sectors are particularly exposed because they depend on predictable operational financing and, in some cases, external support that is declining. Health, nutrition and social protection require regular cash releases to sustain commodities, outreach, transfers and frontline operations. As debt service absorbs a larger share of revenue and ODA declines, the residual fiscal space available for these functions' narrows. This chapter examines the debt and financing dynamics behind this pressure and the channels through which they may affect services for children.

3.2 The triple pressures squeezing Kenya's fiscal space

Kenya faces a tightening macro-fiscal environment driven by rising debt service, weaker domestic revenue performance and declining external financing. Total debt service increased from about 27 percent of ordinary revenue in 2000 to approximately 57 percent in 2024, with a marked rise after 2018. Over the same period, tax revenue declined from a range of 16–18 percent of GDP in the early 2000s to about 14–15 percent in recent years. Net ODA received fell from nearly USD 4.0 billion in 2020 to approximately USD 2.6 billion in 2023. Together, these trends constrain fiscal flexibility and increase the risk that priority social expenditure is compressed through weaker execution even where nominal allocations are maintained.

Figure 3.1 Debt service, ODA and revenue trends, 2000–2024.

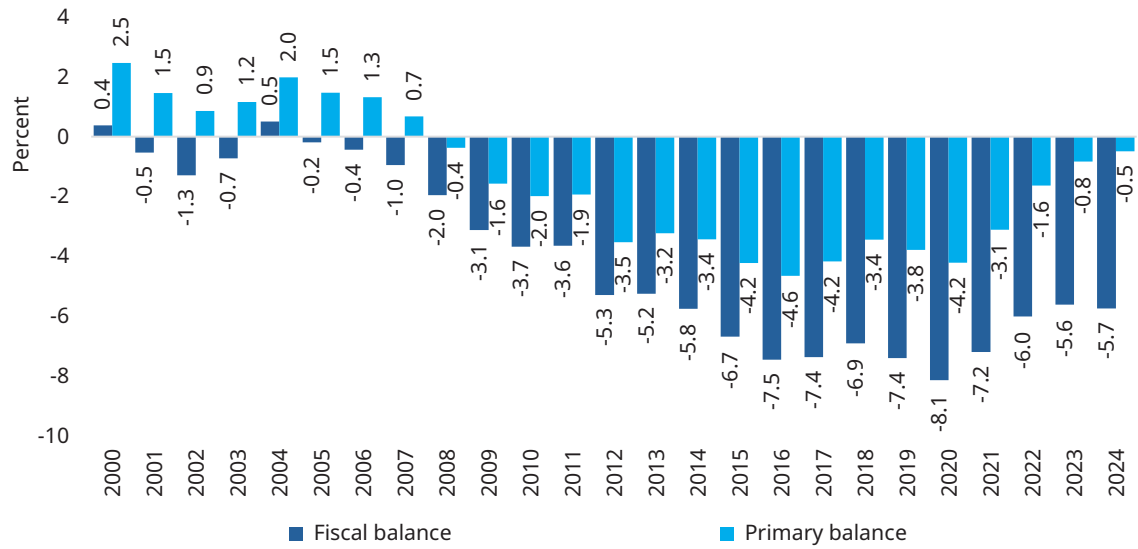


Source: Authors' calculations based on National Treasury and Economic Planning debt and ordinary revenue data, and the World Bank's World development indicators.

Note: Debt service is expressed as a share of ordinary revenue. Net ODA received is reported in current USD.

Persistent fiscal deficits have contributed to higher borrowing requirements and rising debt-service obligations. Kenya recorded modest fiscal and primary surpluses in the early 2000s, but the fiscal position weakened after the 2008 global financial crisis. The overall deficit widened from about 3.1 percent of GDP in 2009 to 8.1 percent in 2020 before narrowing to 5.7 percent in 2024. The primary balance also remained negative for much of the period, reaching a deficit of 4.2 percent of GDP in 2021 and narrowing to 0.5 percent in 2024. These trends have limited the resources available for development and social spending.

Figure 3.2 Overall and primary fiscal balances (percentage of GDP), 2000–2024.



Source: Authors' calculations based on IMF (2026) World Economic Outlook data.

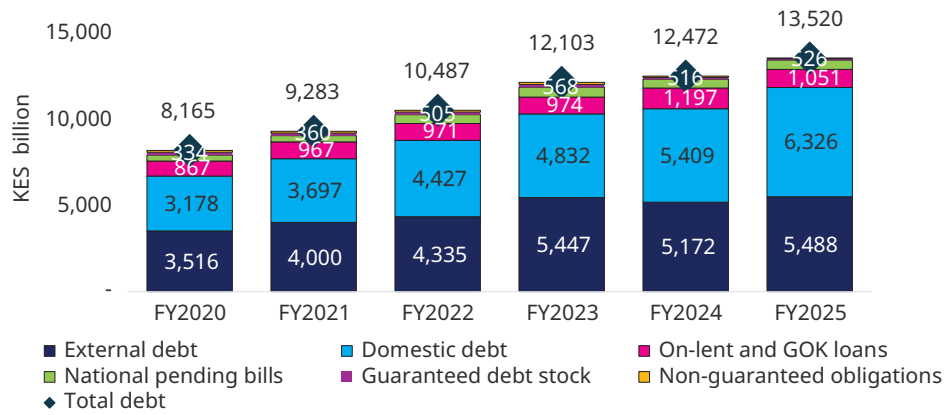
The COVID-19 period marked a pronounced deterioration in the fiscal balance and reinforced existing vulnerabilities. The overall deficit widened to approximately 8.1 percent of GDP in 2020, while the primary deficit remained substantial. Although consolidation since 2021 reduced the overall deficit to about 5.7 percent of GDP by 2024, both balances remained negative. Continued primary deficits indicate that borrowing requirements persist, but they do not by themselves establish that borrowing directly finances recurrent expenditure. The policy concern is that sustained deficits and higher debt service reduce the flexibility available for priority investments, including child-critical services.

3.3 Rapid debt accumulation and rising fiscal exposure

Kenya's public debt and related fiscal obligations have increased rapidly, heightening exposure to financing and refinancing risks. The aggregate presented in Figure 3.3 rose from KES 8.2 trillion in FY2020 to KES 13.5 trillion in FY2025, an increase of more than KES 5 trillion in five years. Recent growth has included a substantial increase in domestic borrowing, which can increase refinancing frequency and sensitivity to domestic interest rates.

Contingent liabilities and other obligations may create additional claims on future budgets. These include guaranteed debt, on-lent loans, pending bills and other commitments that can crystallize as direct fiscal costs. Because these obligations are not equivalent to public debt, their scale and treatment should be clearly disclosed, and any aggregated presentation should explain the differences between categories. If these obligations materialize, they can reduce the resources available for child-focused expenditure during periods of fiscal stress.

Figure 3.3 Public debt, contingent liabilities and related obligations (KES trillion), FY2020–FY2025.



Source: Authors' calculations based on National Treasury and Economic Planning's annual debt management reports and annual borrowing plan for FY2025/26.

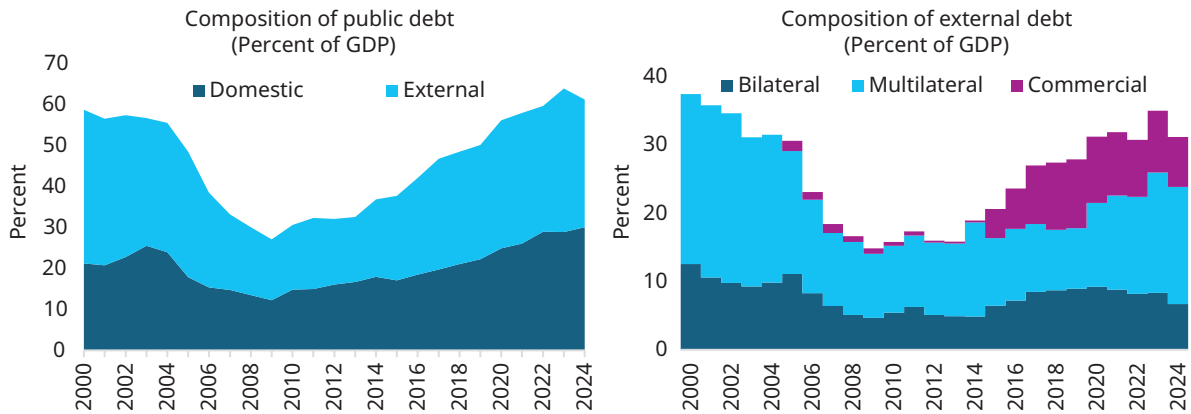
Note: The KES 13.5 trillion aggregate comprises public debt, on-lent and Government of Kenya (GoK) loans, national pending bills and other reported related obligations. The categories are presented separately and should not be interpreted as a single public debt stock.

As liquidity tightens, more domestic borrowing can make cash availability less stable and disrupt spending. Domestic debt tends to be rolled over frequently and is sensitive to interest rate changes, which can quickly create cash-flow pressure. This raises the likelihood of delayed releases and spending delays, even when budgets are approved. For child-critical sectors that depend on predictable funding, these cash swings can disrupt routine operations.

3.4 A shift towards costlier and riskier debt

Kenya's debt risk profile has changed as domestic and commercial external borrowing have assumed a larger role. Domestic borrowing represents a growing share of total debt, while commercial external debt rose from very low levels before 2014 to about 7.3 percent of GDP in 2024, after peaking at around 10 percent (Figure 3.4). These instruments can carry higher costs or shorter maturities than concessional financing, increasing exposure to interest-rate, refinancing and exchange-rate risks.

Figure 3.4 Public debt composition by domestic, external and commercial borrowing (percent of GDP), 2000–2024.

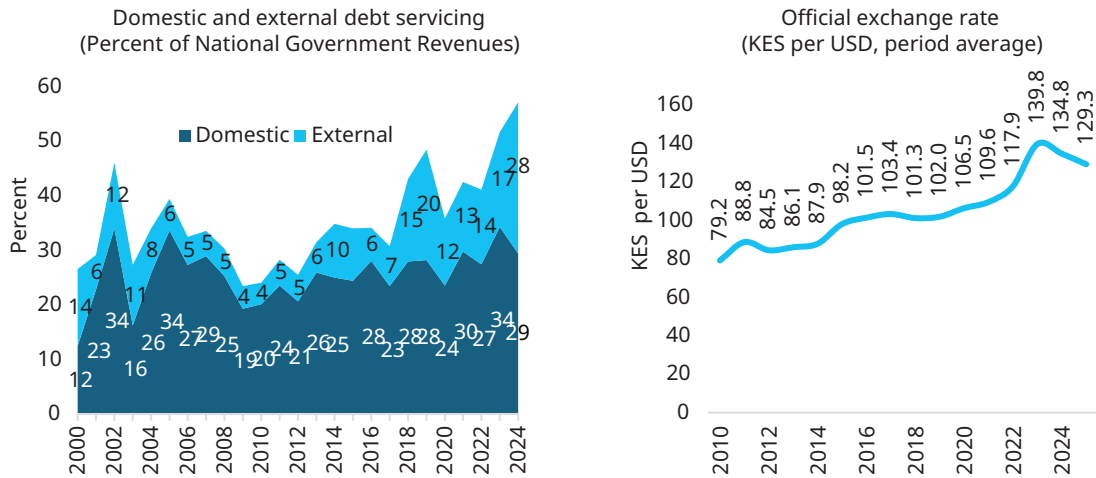


Source: Authors' calculations based on Annual Debt Management Reports.

Commercial borrowing is usually more costly and has shorter maturities. This increases sensitivity to interest rate changes, refinancing risk, and exchange rate movements. When debt costs fluctuate more, fiscal space becomes less predictable. For social sectors, this often leads to uncertainty and a higher risk of in-year cutbacks.

Total debt service rose to more than half of national government revenue by 2024 (Figure 3.5). Domestic debt service remained the larger component, reflecting comparatively high domestic interest costs, while external debt service increased substantially after 2019. The series used in the figure indicates that external debt service rose from about 4 percent of national government revenue in 2010 to 28 percent in 2024. Exchange-rate movements can further increase the local-currency cost of servicing foreign-currency debt. The Kenya shilling depreciated from about KES 79 per USD in 2010 to around KES 135 to 140 per USD in 2023 and 2024, further driving up the cost of debt.

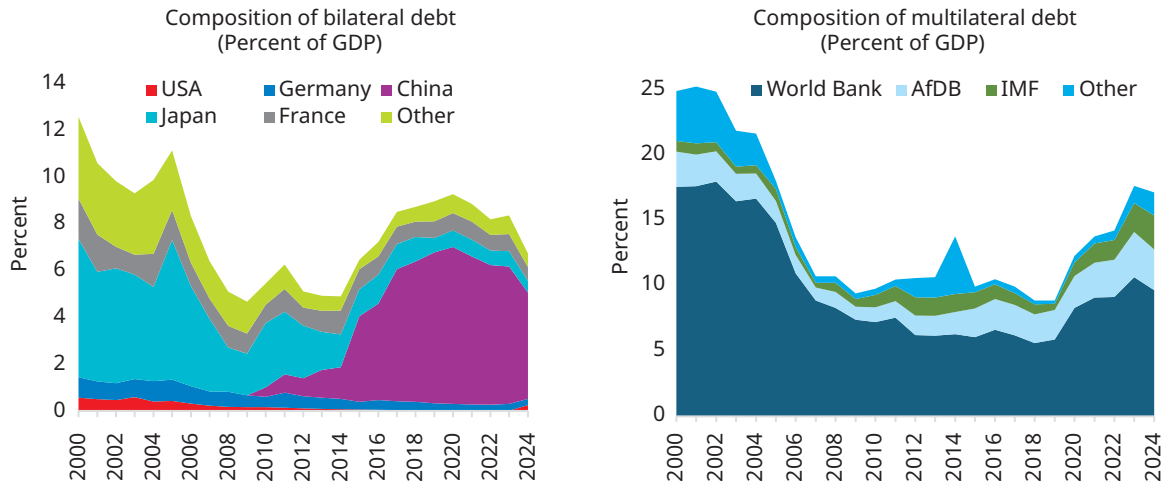
Figure 3.5 Domestic and external debt service and exchange-rate trends, 2000–2025.



Source: Authors' calculations based on Kenya Economic Survey data and World Development Indicators Database.

Kenya's increasing reliance on external creditors is also changing the risk profile of public debt. Since 2014, China has become the main bilateral creditor, with debt peaking at about 7 percent of Kenya's annual GDP, while borrowing from traditional bilateral partners has declined. Multilateral debt fell below 10 percent of GDP and then rebounded to around 15 to 17 percent of GDP, led mainly by loans from the World Bank and the African Development Bank (Figure 3.6). Even though multilateral financing is usually cheaper, the combined shift toward lower bilateral debt and more commercial debt increases exposure to rollover and exchange rate risks.

Figure 3.6 External public debt by creditor type, 2000–2024.



Source: Authors' calculations based on Annual Debt Management Reports.

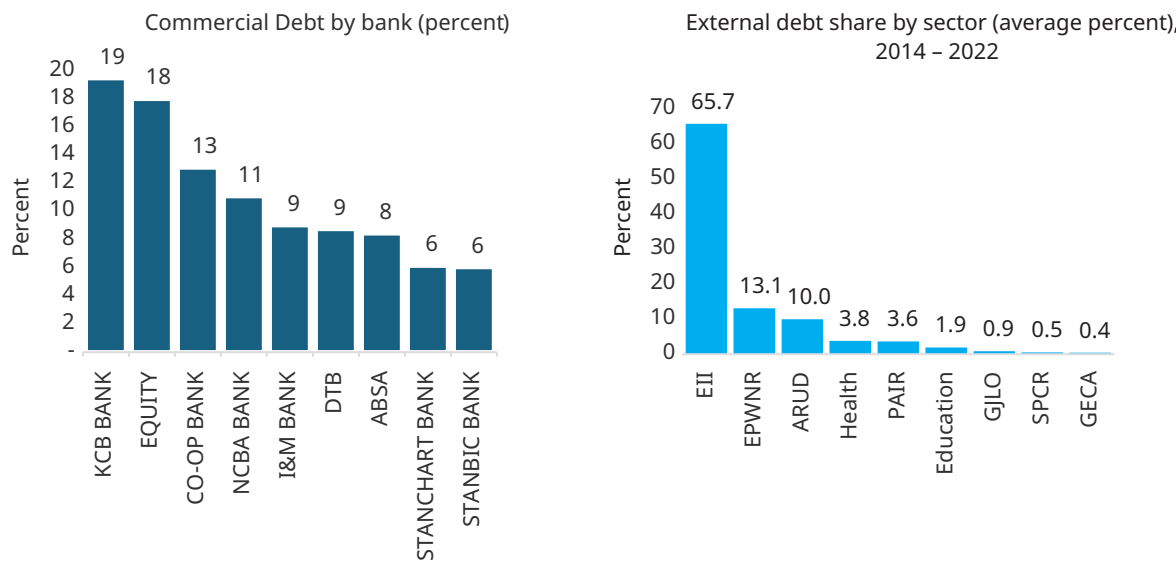
Overall, the shift toward costlier debt increases the risk of financing shocks, which can hamper budget execution. As the debt mix moves toward domestic and commercial external borrowing, debt costs become less predictable. This in turn reduces the predictability of fiscal space and increases the risk that pressure translates into delayed releases and in-year spending compression.

3.5 Debt concentration and service delivery risk

Debt-related volatility is driven not only by how much debt Kenya owes, but also by who holds it and where the money goes. As the cost of debt rises and fiscal space becomes less predictable, risks to spending implementation increase. These risks are higher when domestic borrowing is concentrated among a small group of lenders and when external borrowing is directed away from social sectors. In this context, overall financing pressure turns into cash stress and service delivery risk.

Domestic debt holdings are concentrated among a relatively small group of financial institutions, while external borrowing has been directed predominantly towards infrastructure-related sectors (Figure 3.7). Kenya's five largest commercial banks account for about 71 percent of the total commercial banking sector's holdings of government securities. In parallel, 65.7 percent of the external debt is allocated to the energy, infrastructure and information and communications technology sectors. These patterns do not necessarily mean that infrastructure borrowing is unproductive, but they highlight concentration, refinancing and portfolio-balance risks that should be considered alongside the recurrent financing needs of human capital services.

Figure 3.7 Domestic debt concentration and external debt allocation by sector.



Source: Authors' calculations based on the World Banks' BOOST dataset and commercial banks' annual performance reports

Note on sectors: EII – Energy, Infrastructure & ICT; EPWNR – Environment Protection, Water, and Natural Resources; ARUD – Agriculture, Rural and Urban Development; PAIR – Public Administration and International Relations; GJLO – Governance, Justice, Law and Order; SPCR – Social Protection, Culture, and Recreation; GECA – General Economic and Commercial Affairs.

The funding raised through external borrowing has predominantly benefited infrastructure-related sectors while direct allocations to health, education and social protection remain comparatively limited. In the classification used for Figure 3.7, these sectors together account for less than 10 percent of the allocation. This does not imply that infrastructure investment lacks social or economic value. It does, however, underscore the need to balance physical capital investment with predictable domestic financing for the recurrent inputs required to sustain human capital services. When liquidity is constrained, weak portfolio balance can increase the risk that pressure is absorbed by child-critical sectors.

Box 3.1 The fiscal cost of undisbursed external loans.

Undisbursed external loans impose costs before projects deliver benefits. The Office of the Auditor-General reported KES 304.4 billion in undisbursed external loan balances at the end of FY2023/24. Commitment fees of KES 1.6 billion were incurred during that financial year, while cumulative commitment charges across the audited portfolio reached KES 6.6 billion. The figures refer to the same audit reporting period but represent different measures: the outstanding undisbursed balance, annual fees and cumulative fees.

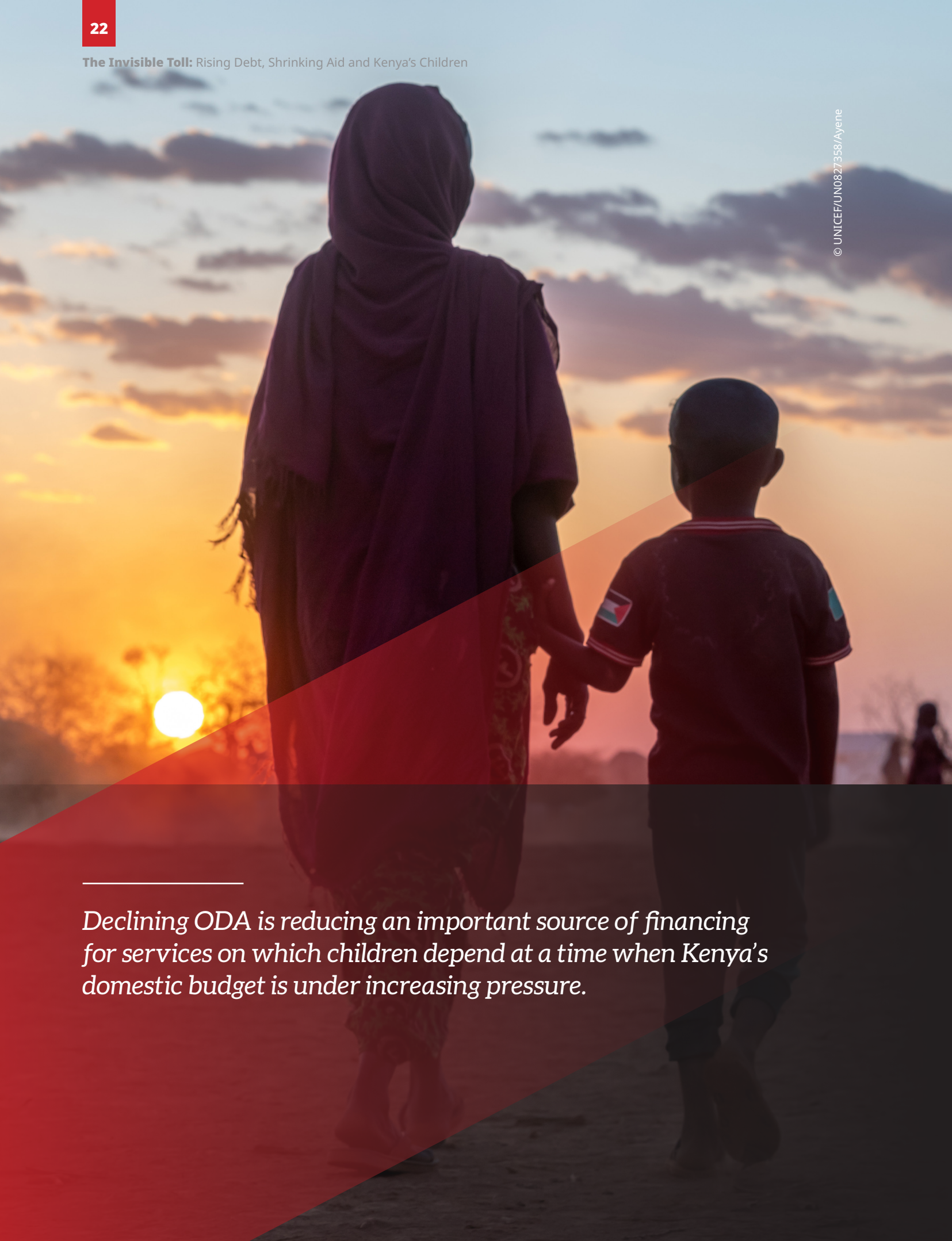
Audit findings link under-disbursement mainly to weak project readiness and execution. Inadequate feasibility work, delayed counterpart funding, slow procurement and weak coordination between the National Treasury and implementing agencies left contracted resources idle with only 11 percent of newly contracted external loans disbursed in the audited period.

The fiscal implication is avoidable pressure on already constrained budgets. Commitment fees finance neither infrastructure nor services, while delayed projects postpone the development returns expected from borrowing. Stronger appraisal, procurement readiness, counterpart-financing provision and implementation oversight would help prevent these commitment fees from being incurred and preserve fiscal space for child-critical services.

Source: Office of the Auditor-General (2023c).

3.6 Conclusion

Rising debt service, weak domestic revenue performance and changing external financing conditions are jointly tightening Kenya's fiscal space. Debt levels, composition and maturity structure affect both financing costs and their predictability, while contingent liabilities, pending obligations and creditor concentration add further risks. These pressures do not automatically worsen child outcomes, but they increase the likelihood of late cash releases and weaker execution of vaccines, nutrition, health, social protection and other relevant programmes. The next chapter examines how declining external financing is reshaping these sectors and raising the risk of service interruption.



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Declining ODA is reducing an important source of financing for services on which children depend at a time when Kenya's domestic budget is under increasing pressure.

CHAPTER 4

Shrinking aid and growing financing risks

Key messages

i. **Declining ODA is reducing an important financing buffer while domestic fiscal space is constrained.** Net ODA received fell from nearly USD 4.0 billion in 2020 to about USD 2.6 billion in 2023.

ii. **Health financing faces a significant transition challenge.** Health ODA declined from more than USD 1.1 billion in 2017 to approximately USD 724 million in 2024, increasing risk where domestic financing and implementation capacity cannot replace externally supported functions.

iii. **Lower external financing does not automatically mean lower service coverage.** The effect depends on whether national and county governments can provide timely, predictable and adequate replacement financing.

iv. **Social protection ODA has increased over the long term but remains volatile and increasingly loan financed.** Concessional lending can support systems during transition, but it also creates future repayment obligations and requires a credible domestic financing pathway.

v. **Financing transitions should be planned before donor support declines.** Costed takeover plans, clear institutional responsibilities and service-continuity indicators are essential to protect health, nutrition and social assistance programmes.

4.1 Introduction

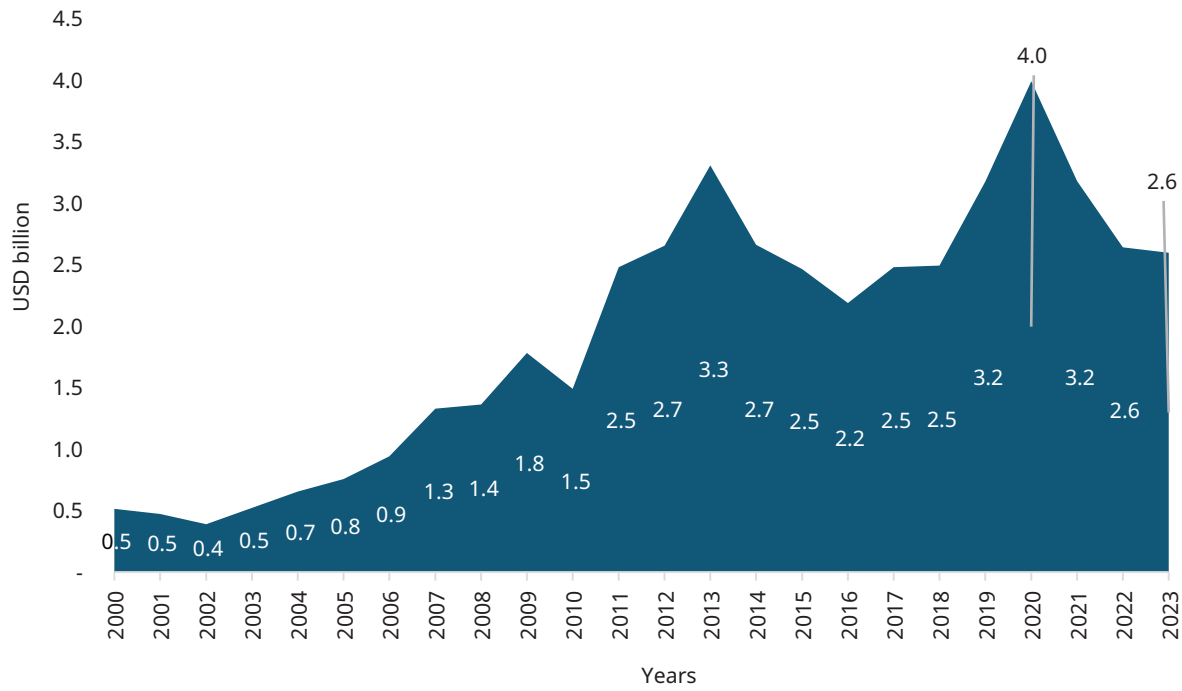
Declining ODA is reducing an important source of financing for services on which children depend at a time when Kenya's domestic budget is under increasing pressure. ODA has supported health, nutrition and social protection programmes, particularly for vulnerable children and households. As debt service rises and domestic revenue performance remains constrained, external assistance has helped sustain selected services and programme functions. Its decline therefore increases the financing risk facing child-critical sectors.

The health and social protection sectors illustrate how changes in the level, composition and predictability of ODA can affect services. Grant support is declining, annual flows remain volatile and loan financing is becoming more prominent in social protection. With limited fiscal room to replace external support quickly, these shifts can translate into commodity gaps, reduced outreach or interrupted payments unless they are managed through costed transition plans and predictable domestic financing.

4.2 Official development assistance trends

Net ODA to Kenya declined sharply after its 2020 peak, reducing an important external financing buffer. Net ODA fell from nearly **USD 4 billion in 2020** to about **USD 2.6 billion in 2023** (Figure 4.1). The decline followed a longer period in which ODA expanded and supported responses to development needs and major shocks, including the COVID-19 pandemic. At a time of elevated debt service and constrained domestic revenue, lower external financing reduces fiscal flexibility and increases pressure on domestic resources.

Figure 4.1 Net official development assistance received (current USD), 2000–2023.



Source: Authors' calculations based on World Development Indicators Database.

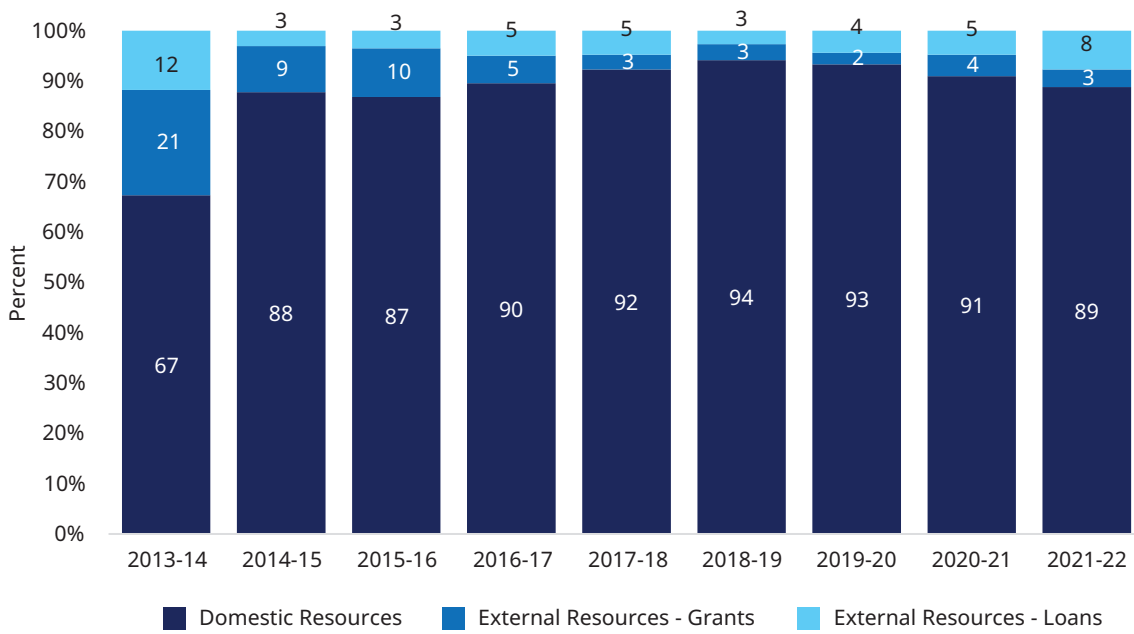
The composition of ODA matters because several child-focused programmes were established or expanded with substantial external support. Grants and other external resources have supported operational functions and investments in health, nutrition, education and social protection. Development partners also played a significant role in the design and expansion of Kenya's social protection programmes (Development Initiatives, 2024). During their early stages in the late 2000s and early 2010s, external financing accounted for approximately **77 percent** of the total funding for the Cash Transfer for Orphans and Vulnerable Children programme, **100 percent** of the Hunger Safety Net Programme funding during its pilot phase (2009–2012) and **71 percent** of the Home-Grown School Meals Programme funding.

As ODA declines, programmes that rely on external financing face greater transition and execution risks. These risks are particularly important where debt service absorbs a rising share of revenue and domestic financing cannot be expanded quickly. The effects may include narrower coverage, reduced service quality or interruptions in selected programme functions. Without a clear and costed transition pathway, declining ODA could place recent gains in child survival, nutrition and social protection at risk.

4.3 Health-sector financing gaps

Despite significant domestic fiscal constraints, Kenya has continued to increase the domestic share of its on-budget health financing, demonstrating stronger national ownership of the sector. Domestic resources financed 67 percent of the health budget in FY2013/14 and between 87 and 94 percent during FY2014/15 to FY2021/22 (Figure 4.2). Over the same period, external on-budget financing declined from 33 percent to between 6 and 13 percent. This shift was driven mainly by lower grant financing, while concessional loans remained relatively small at 3 to 8 percent of the health budget. Greater domestic financing supports sustainability, but it can also leave externally dependent programmes exposed when domestic fiscal space is constrained.

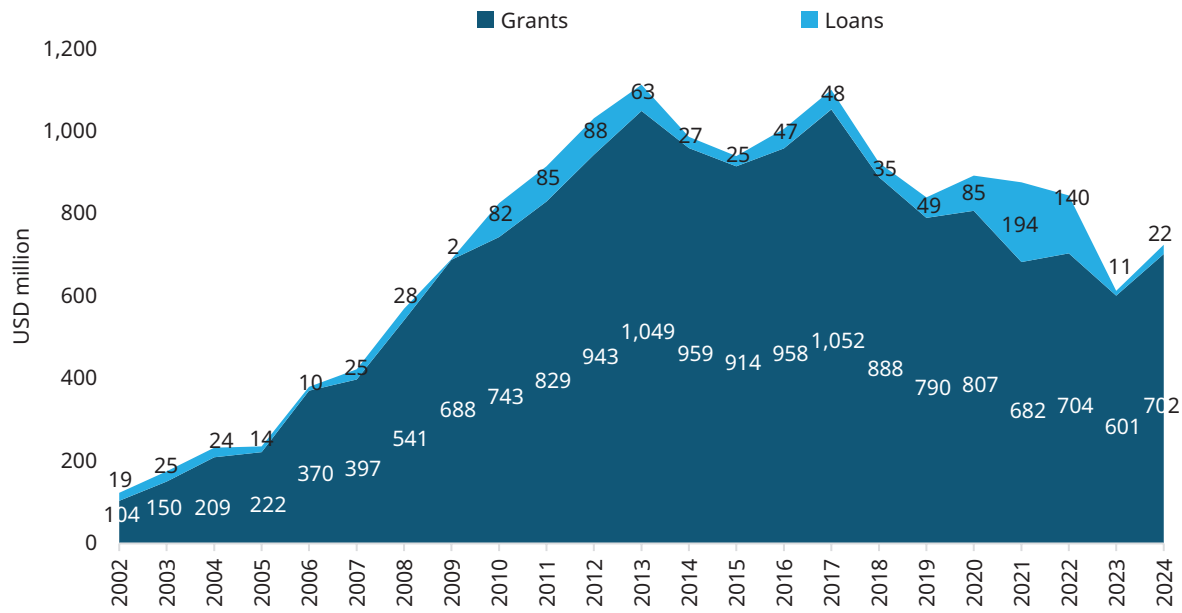
Figure 4.2 External financing as a share of the total health budget (percent), FY2013/14–FY2021/22.



Source: Authors' calculations based on the World Bank's BOOST Database.
Note: External financing includes on-budget support only.

Health ODA has declined from its recent peak, with the reduction concentrated largely in grant financing. The OECD (2025) Development Assistance Committee Creditor Reporting System data used in this study shows health ODA falling from more than **USD 1.1 billion in 2017** to approximately **USD 724 million in 2024** (Figure 4.3). The series is presented as gross disbursements in constant 2023 USD and classified by financing instrument. A decline in these resources does not automatically imply a decline in service coverage, but it increases transition risk where alternative domestic financing and implementation capacity are insufficient.

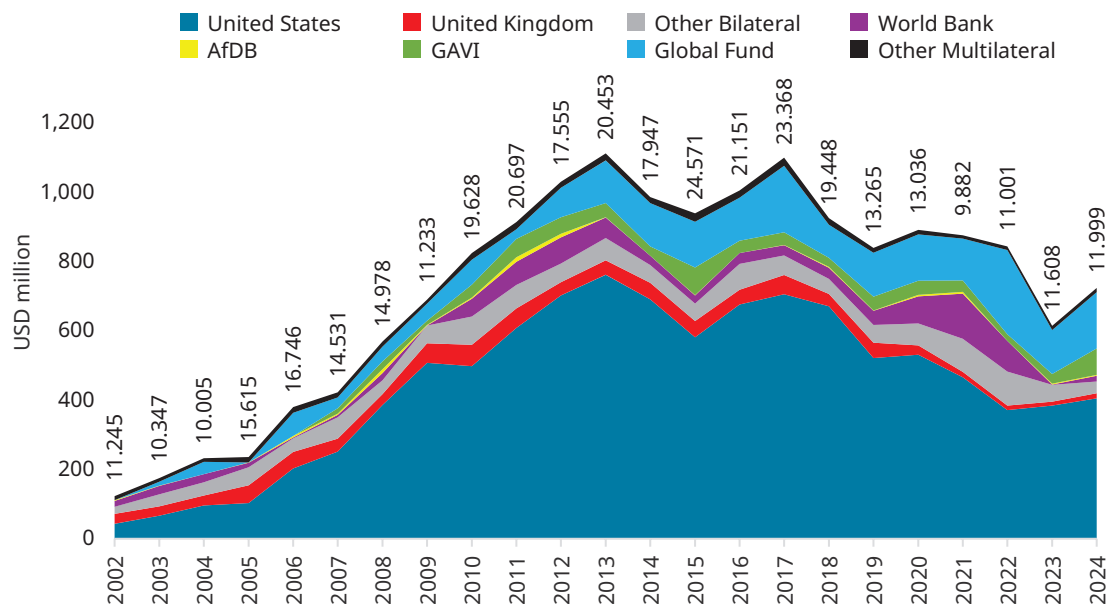
Figure 4.3 Health-sector ODA by financing instrument (constant 2023 USD millions), 2002–2024.



Source: Authors' calculations based on the OECD's (2025) Creditor Reporting System.
Note: Disbursements in constant 2023 USD millions, classified by grants and loans, 2002–2024.

Fluctuating donor support also makes medium-term planning and programme continuity more difficult. Health ODA rose through the 2000s and early 2010s, peaked during the middle of the last decade and subsequently became lower and more volatile. The pattern reflects changes in bilateral support and financing from global health initiatives, including Gavi (the Vaccine Alliance) and the Global Fund (Figure 4.4). Where external resources are fewer and more uncertain, the government and counties must manage larger and less predictable domestic financing requirements. This can increase the risk of delayed procurement, commodity gaps and interruptions in outreach and supervision.

Figure 4.4 Health-sector ODA by financing source (constant 2023 USD millions), 2002–2024.



Source: Authors' calculations based on the OECD's (2025) Creditor Reporting System.
Note: Disbursements in constant 2023 USD millions, classified by financing source, 2002–2024.

Elevated debt service and constrained domestic revenue limit the speed at which government can replace declining external support. Health budgets include personnel, commodities and operational costs that are difficult to compress without affecting services. Where transition financing is insufficient or releases are delayed, facilities may face payment delays, commodity shortages or reduced outreach. For children and mothers, these conditions can weaken access to immunization, nutrition, maternal care and treatment services, particularly in poorer areas.

Box 4.1 When ODA falls, counties struggle to sustain services.

County health and nutrition respondents described a difficult transition as partner support declined. In drought-affected and refugee-hosting settings, interviewees reported that partners had financed commodities, outreach, training and disease-prevention activities that county budgets could not fully absorb. These accounts are qualitative and indicate implementation risk; they are not a verified estimate of programme-wide financing gaps.

One nutrition official reported that a KES 13 million county programme was reduced to KES 5 million after delayed county financing had already reduced the matching support expected from a partner. The reduced funding reportedly forced trade-offs in spending on commodities, mentorship, assessments and service expansion. In a comparative example, key informants from another county identified several partners supporting nutrition supplies, training, data systems and staff costs, and reported gaps when some support ended in 2025.

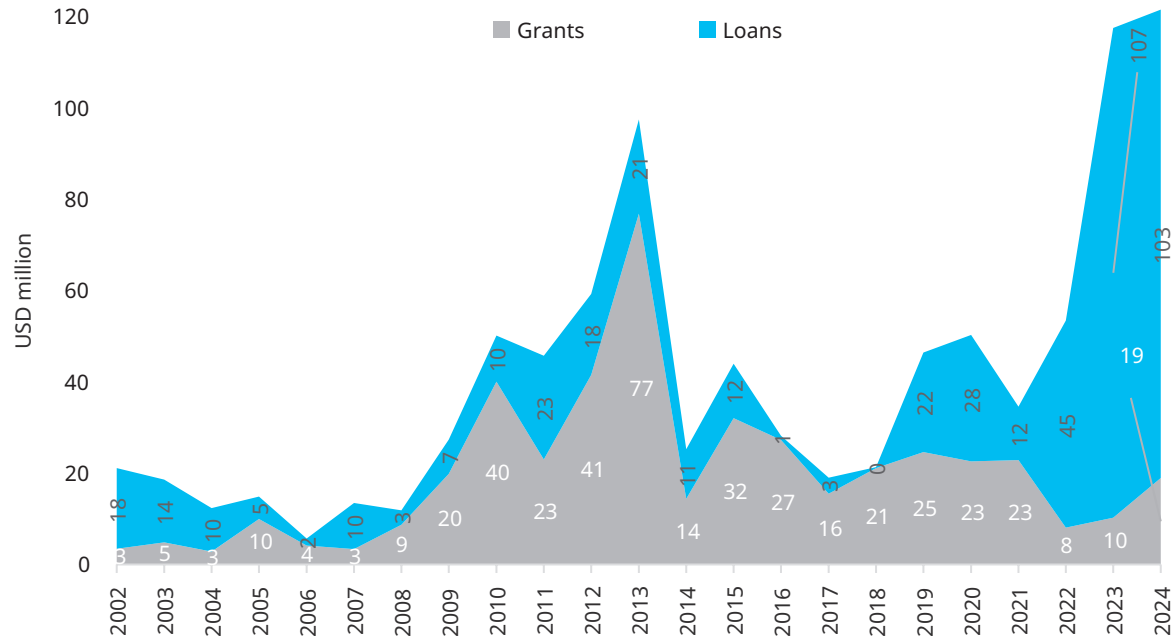
The key lesson is that transition planning needs to begin before external support ends. National and county governments should identify the recurrent functions being financed externally, cost their domestic takeover and agree financing milestones early enough to prevent commodity, outreach and staffing gaps.

Source: Key informant interviews.

4.4 Social protection ODA and budget risk

Social protection ODA has increased over the long term, but annual flows are volatile. Disbursements rose from less than **USD 20 million** in the early 2000s to more than **USD 120 million** in 2024, with substantial year-to-year fluctuations (Figure 4.5). This volatility complicates planning because social assistance programmes require regular financing, predictable payment cycles and stable administrative systems.

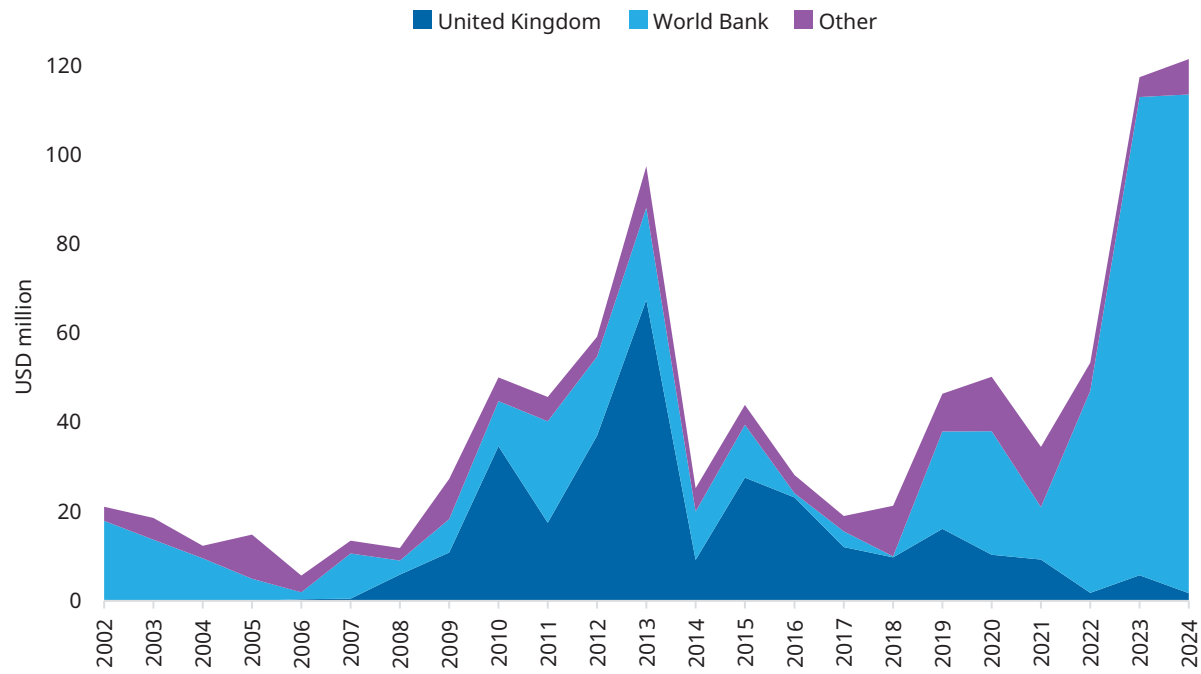
Figure 4.5 Social protection ODA by financing instrument (constant 2023 USD millions), 2002–2024.



Source: Authors' calculations based on the OECD's (2025) Creditor Reporting System.
Note: Social protection disbursements in constant 2023 USD millions, classified by grants and loans, 2002–2024.

Recent growth in external financing for social protection has been driven mainly by loans rather than grants. Since approximately 2018, World Bank lending has provided most of the additional resources, while grant financing from traditional partners has remained broadly flat or declined (Figure 4.6). Concessional loans can help maintain or expand systems in the short and medium term, but they also create future repayment obligations. Their contribution to sustainability therefore depends on a credible transition to domestic financing, effective programme execution and transparent monitoring of results.

Figure 4.6 Social protection ODA by financing source (constant 2023 USD millions), 2002–2024.



Source: Authors' calculations based on the OECD's (2025) Creditor Reporting System.
Note: Social protection disbursements in constant 2023 USD millions, classified by financing source, 2002–2024.

Regular payment cycles matter as much as the total volume of social protection financing. Child-focused transfers and safety nets protect food consumption and access to services only when households receive them predictably. Kenya's narrow revenue base, rising debt-service obligations and pressure on discretionary expenditure expose these programmes to late releases and in-year cash constraints. As development partners increasingly expect lower-middle-income countries to finance basic social services domestically, transition plans must protect coverage and payment reliability.

4.5 Conclusion

External financing remains important to health and social protection, but declining grants, volatile flows and greater reliance on concessional loans are changing the risks facing programmes. The immediate task is to move externally supported functions, such as commodity procurement, outreach and transfer-system support, onto reliable domestic financing without interrupting services. That transition requires precise costing, clear attribution of institutional responsibilities, predictable releases and indicators that track service continuity. The next chapter follows these financing pressures through budget execution, county disbursements and frontline operations.



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Fiscal stress affects children not only through constrained allocations, but also through weaknesses in budget execution and cash-flow management.

CHAPTER 5

Budget execution and service delivery transmission channels

Key messages

i. **Approved allocations protect children only when they become timely releases, executed expenditure and functioning services.** Budget credibility therefore depends on the full public finance chain, not on annual ceilings alone.

ii. **Execution gaps are a major transmission channel of fiscal pressure.** Delayed releases, uneven absorption, procurement constraints and cash-flow volatility can weaken services even where nominal budgets are maintained.

iii. **County disbursement timing is critical for frontline delivery.** Highly uneven monthly releases in FY2024/25 reduced predictability for planning, procurement and routine implementation, although the annual transfer was completed by year-end.

iv. **Child-specific programmes are particularly sensitive to financing and implementation delays.** To better understand gaps in vaccine, nutrition and social assistance programmes, each programme's requirements, allocations, releases, expenditure and final annual execution must be considered separately.

v. **Frontline evidence confirms that timing matters.** The public expenditure tracking survey found prolonged funding delays among sampled health facilities and nutrition units, limiting operational readiness and service continuity.

5.1 Introduction

Fiscal stress affects children not only through constrained allocations, but also through weaknesses in budget execution and cash-flow management. Approved budgets do not automatically translate into services. What matters is whether funds are released in full, on time and with sufficient predictability for service providers to plan, procure and implement. In Kenya's current fiscal context, rising debt-service obligations and liquidity pressures increase the risk that adjustment is transmitted through delayed releases, partial disbursements and under-execution rather than through explicit and transparent reprioritization. These pressures interact with longstanding weaknesses in cash-flow management, procurement and intergovernmental transfers.

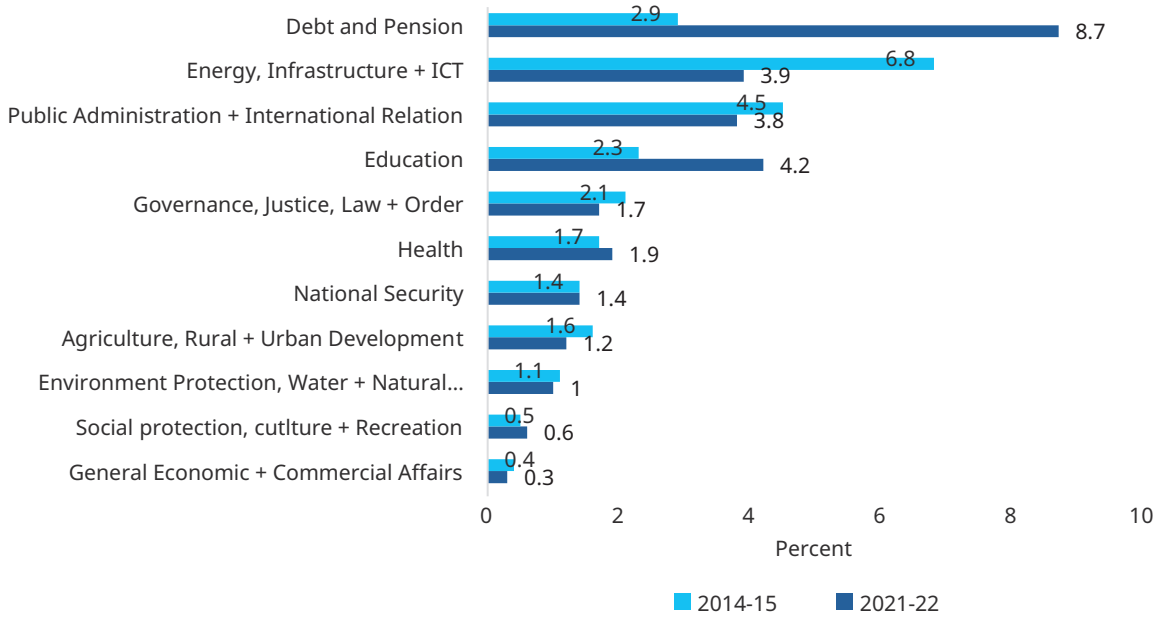
Budget execution is therefore a central transmission channel linking macro-fiscal pressure to disruption in child-critical services. Delayed and erratic releases can weaken continuity in health, nutrition and social protection programmes even where annual allocations remain formally intact. For children, these failures can have effects similar to direct budget reductions because they interrupt services at the point and time they are needed. This chapter examines the transmission of fiscal pressure through social sector spending trends, execution gaps, volatile county disbursements, programme-level financing shortfalls and delayed operational funding at the frontline.

5.2 Social sector budget and expenditure trends

Fiscal stress is tightening the resource envelope for social sectors and weakening the systems through which these resources are executed. Within the analytical framework of this study, social sector financing provides an entry point for understanding how macro-fiscal pressures are transmitted to children. The analysis focuses on the following sectors: health, education, social protection, culture and recreation, and environment, water and natural resources. Together, these sectors shape the public financing base for child survival, development, and household resilience. Fiscal pressures are transmitted not only through constrained allocations, but also through weakened execution systems and cash-flow volatility.

The relative financing envelope for social sectors has narrowed as debt service has absorbed a larger share of fiscal space. Figure 5.1 shows public funding allocated to debt service and pensions rising from 2.9 percent to 8.7 percent of GDP between FY2014/15 and FY2021/22. Over the same period, funding for health declined from 1.9 percent to 1.7 percent of GDP and funding for social protection decreased from 0.6 percent to 0.5 percent. These trends indicate greater competition for public resources. They do not establish that debt service directly caused each sectoral change, but tighter fiscal space increases the likelihood of delayed releases, cash rationing and under-execution in sectors with limited operational flexibility.

Figure 5.1 Sectoral budgets by COFOG classification as a share of GDP (percent), FY2014/15–FY2021/22.

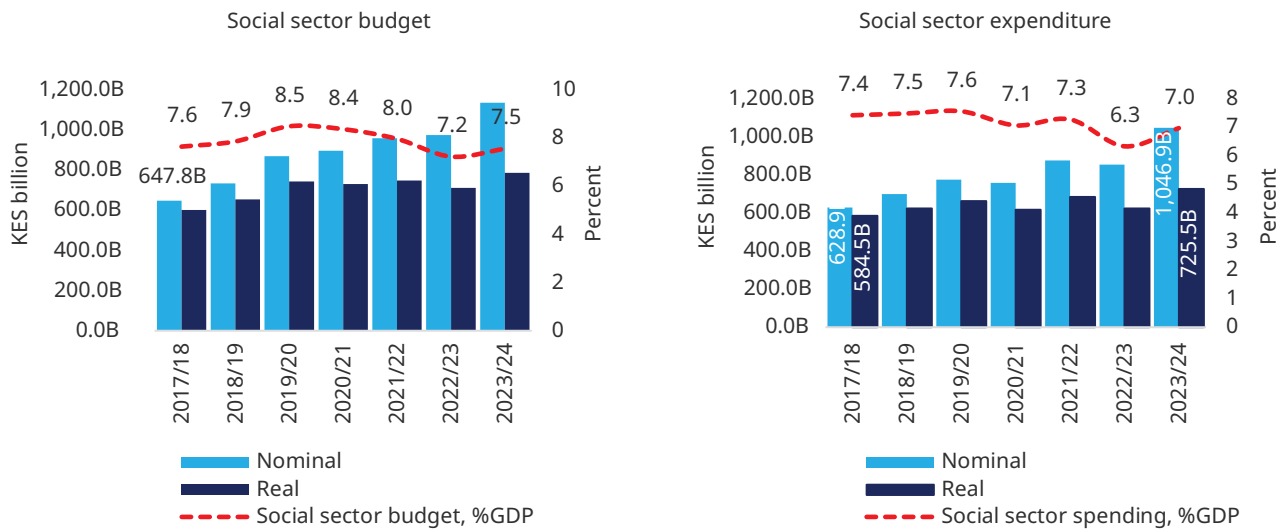


Source: Authors' calculations based on National Treasury and World Development Indicators Database.

5.2.1 Overall trends in social spending

Nominal growth in social spending has not produced an equivalent expansion in real service capacity. Between FY2017/18 and FY2023/24, social sector expenditure increased from KES 628.9 billion to KES 1,046.9 billion, while inflation-adjusted expenditure rose from KES 584.5 billion to KES 725.5 billion. The gap shows that a substantial share of the nominal increase reflected higher prices rather than additional purchasing power for services. The capacity implications vary by sector and expenditure item, but the overall trend underscores the importance of assessing spending in real as well as nominal terms.

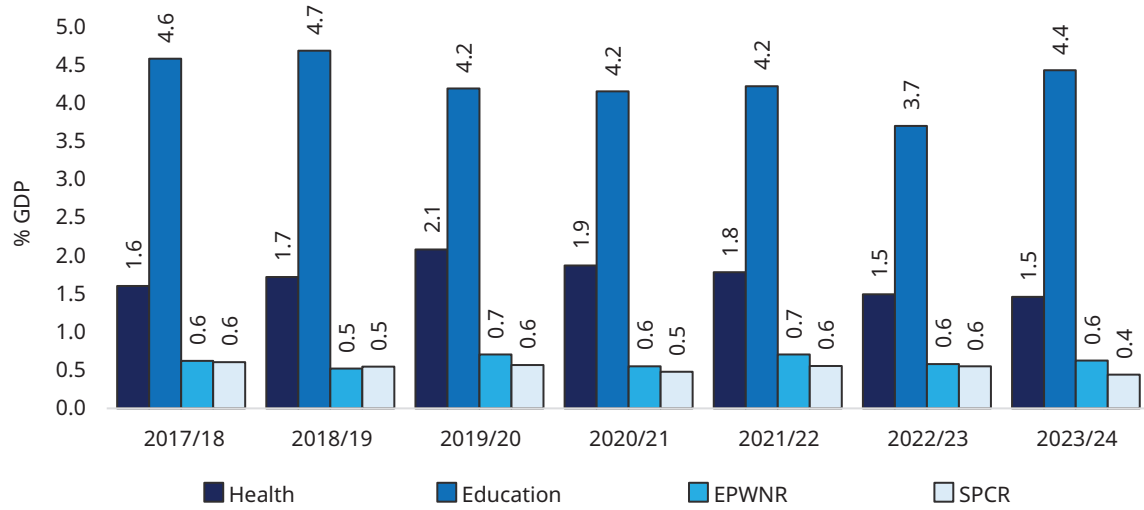
Figure 5.2 Nominal and real social sector expenditure (KES billion), FY2017/18–FY2023/24.



Source: Authors' calculations based on OCOB reports and World Development Indicators Database.

This constrained growth is reinforced by a declining social spending share of GDP. Social expenditure peaked at approximately 7.6 percent of GDP in FY2019/20 during the COVID response before falling to about 7 percent by FY2023/24. This pattern reflects a broader cycle of temporary crisis expansion followed by fiscal consolidation. For child-critical sectors, the implication is clear: even where aggregate spending appears stable, the real resource base for delivery is under pressure, increasing the importance of execution quality.

Figure 5.3 Social sector expenditure as a share of GDP (percent), FY2017/18–FY2023/24.



Source: Authors' calculations based on OCOB reports and World Development Indicators Database.

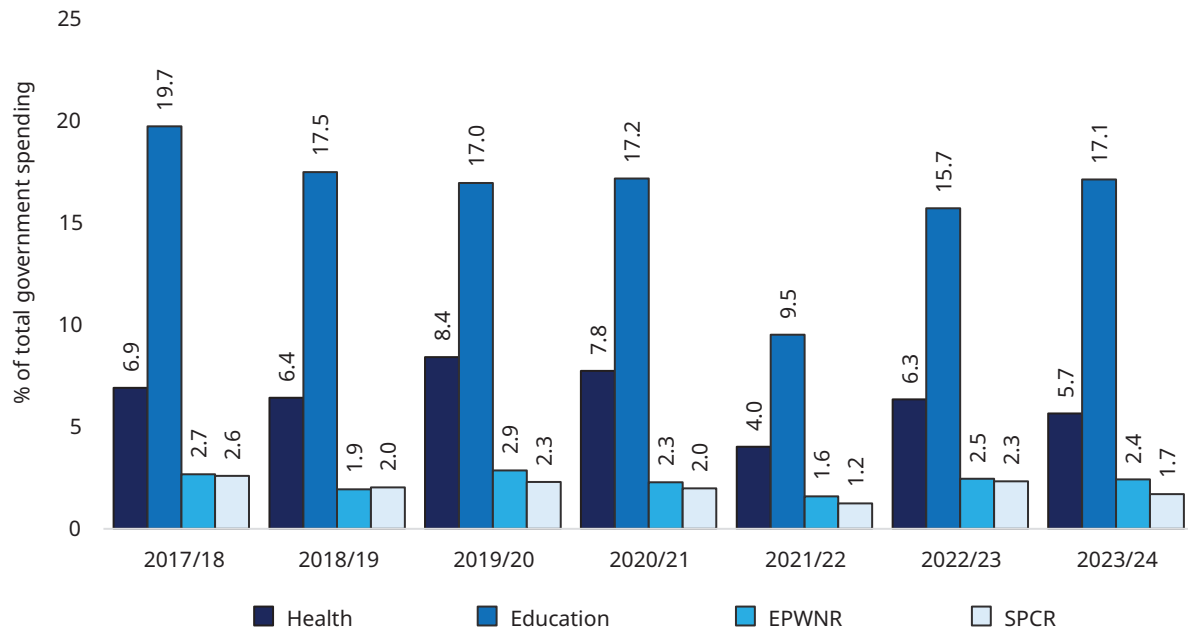
Figure 5.3 shows that social sector spending as a share of GDP remains unevenly distributed across sectors. In FY2023/24, education accounted for 4.43 percent of spending, compared with 1.46 percent for health, 0.63 percent for environment and water, and 0.44 percent for social protection. This pattern highlights structural underinvestment in sectors that directly support child survival, nutrition, and resilience. Under conditions of fiscal stress, such underinvestment increases vulnerability to execution failure because already thin resource envelopes leave less room to absorb disbursement delays or implementation bottlenecks.

5.2.2 Composition of social spending across sectors

Figure 5.4 shows that social-sector expenditure remains dominated by education, while other child-critical sectors account for much smaller shares of total government spending. In FY2023/24, education represented about 17 percent of total government expenditure, compared with approximately 6 percent for health and around 2 percent each for environmental protection, water and natural resources (EPWNR) and social protection, culture and recreation (SPCR). These figures point to a markedly uneven evolution of social spending instead of uniform increases across sectors.

This distribution matters because children's wellbeing depends on integrated services across education, health, nutrition, water and sanitation, and social protection. While the education sector receives the largest share of funding – aligning with national and county delivery responsibilities – comparatively lower expenditure on health, environment and water, and social protection leaves these critical sectors more vulnerable to inflation, delayed releases and/or implementation bottlenecks. This in turn increases risks to children's wellbeing. Figure 5.4 does not by itself establish that any sector is underfunded relative to need; rather, it highlights the importance of assessing whether expenditure levels, composition and execution are sufficient to sustain the full package of interdependent child-critical services. The next section more closely examines whether approved resources in health and social protection are converted into actual expenditure.

Figure 5.4 Social sector expenditure as a share of total government expenditure (percent), FY2017/18–FY2023/24.

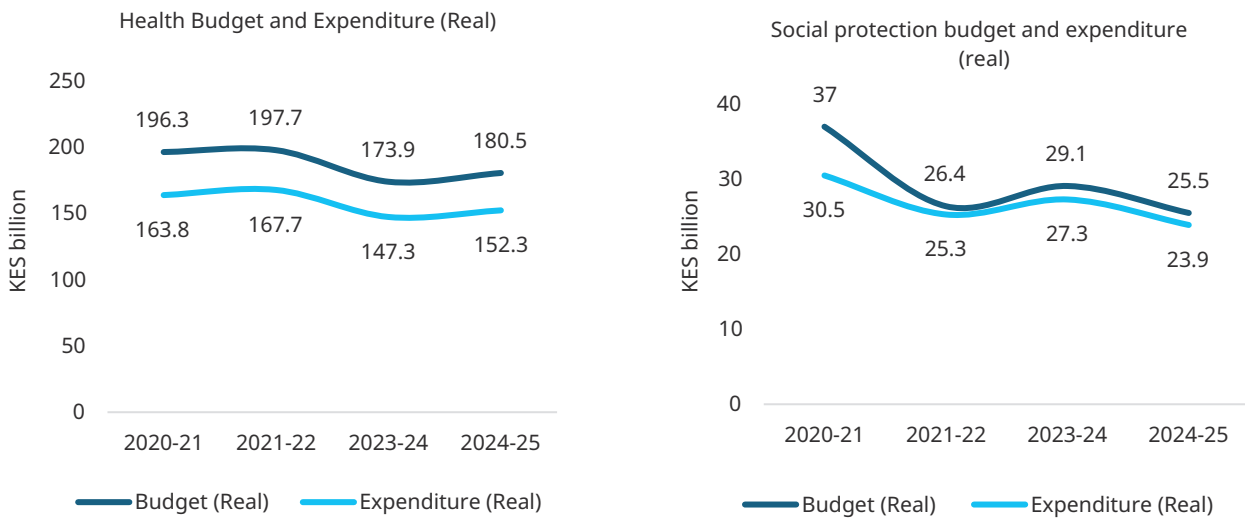


Source: Authors' calculations based on OCOB reports.

5.2.3 Health and social protection budget execution

Execution gaps can transmit fiscal pressure even where approved sector budgets are maintained. In health, absorption declined from 87 percent in FY2019/20, when KES 182.6 billion was spent from an approved KES 210.0 billion budget to 84 percent in FY2023/24, when KES 152.3 billion was spent from a KES 180.5 billion budget. While the change is modest, the difference between approved and actual expenditure does indicate that delayed releases, procurement constraints and implementation capacity can reduce the amount of resources converted into services.

Figure 5.5 Health and social protection budgets and real expenditure (KES billion), FY2019/20–FY2023/24.



Source: Authors' calculations based on the World Banks' BOOST database and Sector Working Group reports.

Execution performance differs across sectors and over years. Social protection absorption improved from 82 percent in FY2020/21, when KES 30.5 billion was spent from a KES 37.0 billion budget to 94 percent in FY2024/25, when KES 23.9 billion was spent from a KES 25.5 billion budget. These figures show that high execution can be achieved under constrained fiscal conditions, although a high annual absorption rate does not by itself confirm that transfers were timely, adequate or evenly distributed throughout the year.

This divergence provides direct evidence that execution systems are a key transmission channel of fiscal stress. In practice, delayed releases, under-execution, and implementation inefficiencies can be as consequential as formal allocation cuts in determining whether children receive care, nutrition support, and income protection. Figure 5.5 illustrates the transmission of fiscal pressure at the macro level to operational constraints at the sector level.

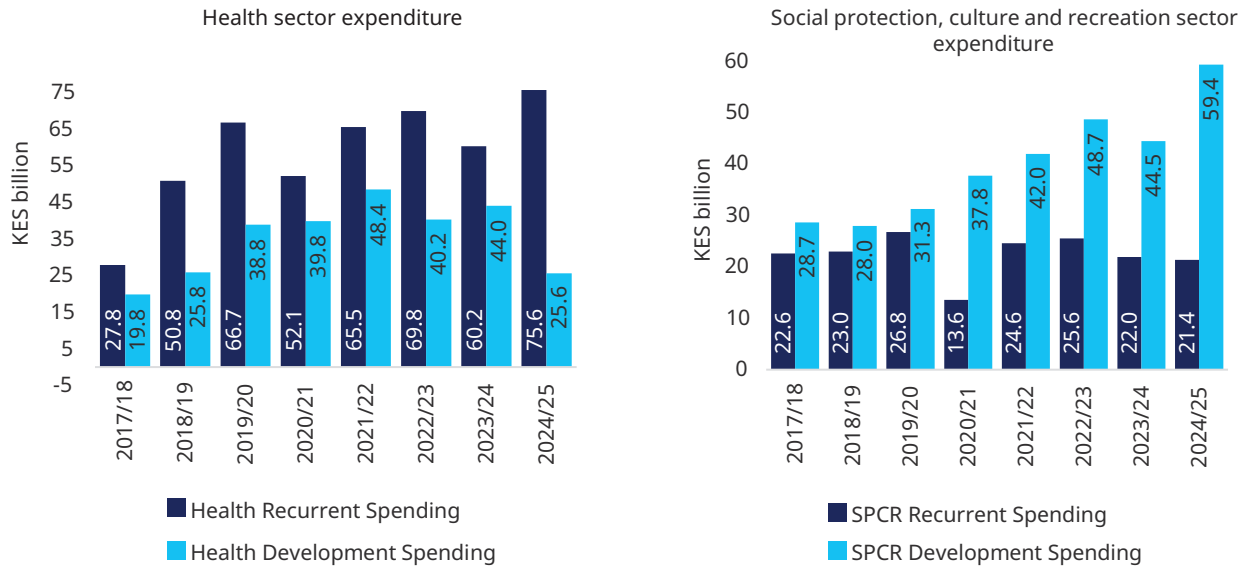
5.2.4 Composition of health and social protection expenditure

Fiscal stress affects children not only through the size of sector budgets, but also through the composition of spending within those budgets. In health, recurrent expenditure consistently exceeds development expenditure, reflecting the sector's reliance on personnel, facility operations, commodities, and routine service delivery (Figure 5.6). Development spending remains important because it finances infrastructure and equipment; however, it declined significantly in FY2024/25. This raises concerns about the sector's ability to maintain and expand child-critical services, even where recurrent spending has increased.

Expenditure on social protection, culture and recreation (SPCR) is classified as development spending in most years (Figure 5.6), even though much of it finances recurring functions. This points to a classification issue rather than a genuine concentration of capital investment in the sector.

Regular cash transfers, programme administration, case management, grievance redress, outreach and shock response are ongoing costs that would normally be treated as recurrent expenditure, yet they are recorded, at least in part, as development expenditure. The SPCR figures cover the wider sector, not just cash transfers. Development expenditure has increased further since FY2020/21, while recurrent expenditure has declined since FY2022/23. As a result, the split between recurrent and development expenditure shown in Figure 5.6 may overstate investment in the sector and understate its recurrent financing needs. The underlying programme and economic classifications should therefore be examined before conclusions are drawn about financing for these functions. The key policy concern is whether these recurring functions receive adequate and predictable financing, regardless of how expenditure is classified.

Figure 5.6 Composition of health and social protection expenditure (KES billion), FY2017/18–FY2024/25.



Source: Authors' calculations based on OCOB reports.

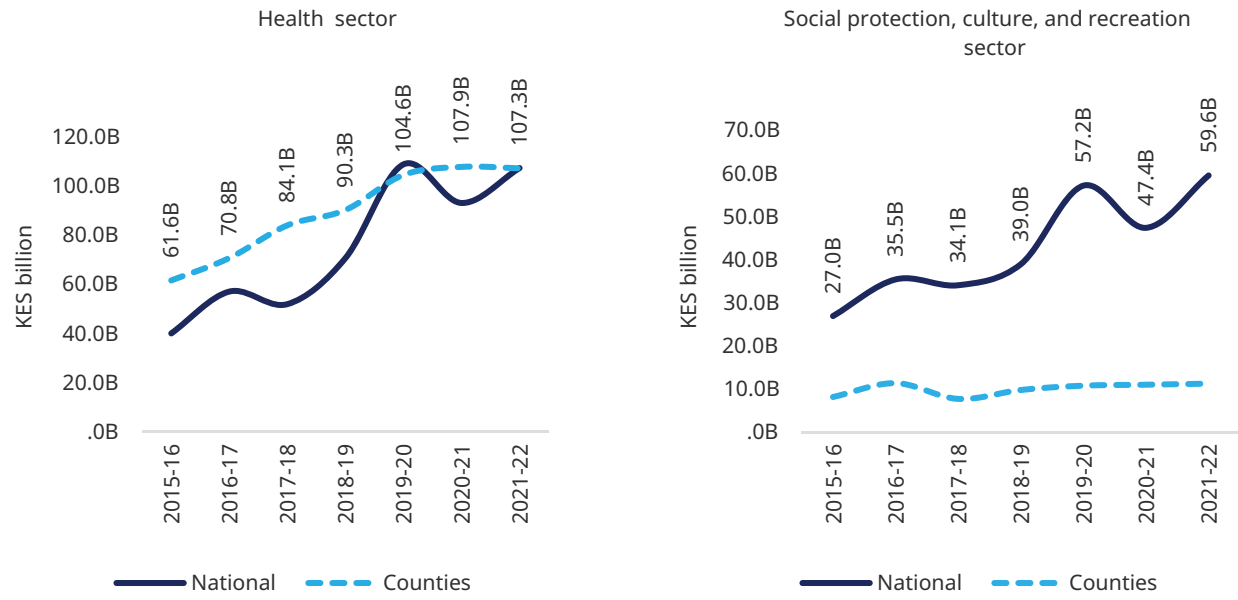
5.2.5 National and county expenditure patterns

Intergovernmental transfers, including from national to county governments, can create bottlenecks affecting frontline services. Health spending is largely decentralized, with counties accounting for most expenditure because they are responsible for primary and community-level services such as immunization, maternal health, nutrition, and treatment of common childhood illnesses (Figure 5.7). This means that service continuity depends heavily on the predictability and timing of intergovernmental transfers, not just on annual budget ceilings.

Under fiscal stress, this decentralized structure becomes a major execution vulnerability. Counties depend heavily on national transfers to finance recurrent operations and service delivery. When national liquidity pressures delay or destabilize county disbursements, the effects are transmitted rapidly to facilities, outreach services, commodity procurement, and routine operations. In this sense, the intergovernmental financing system is not simply an institutional arrangement; it is a critical execution channel through which macro-fiscal stress reaches children.

By contrast, social protection expenditure is largely centralized, also making it directly vulnerable to national fiscal constraints but via a different channel (Figure 5.7). Major safety net programmes are financed and managed centrally, with limited scope for county-level buffering. As a result, delays or partial execution at the national level are transmitted directly to households through late or incomplete cash transfers.

Figure 5.7 Health and social protection expenditure at national and county levels (KES billion), FY2015/16–FY2021/22.

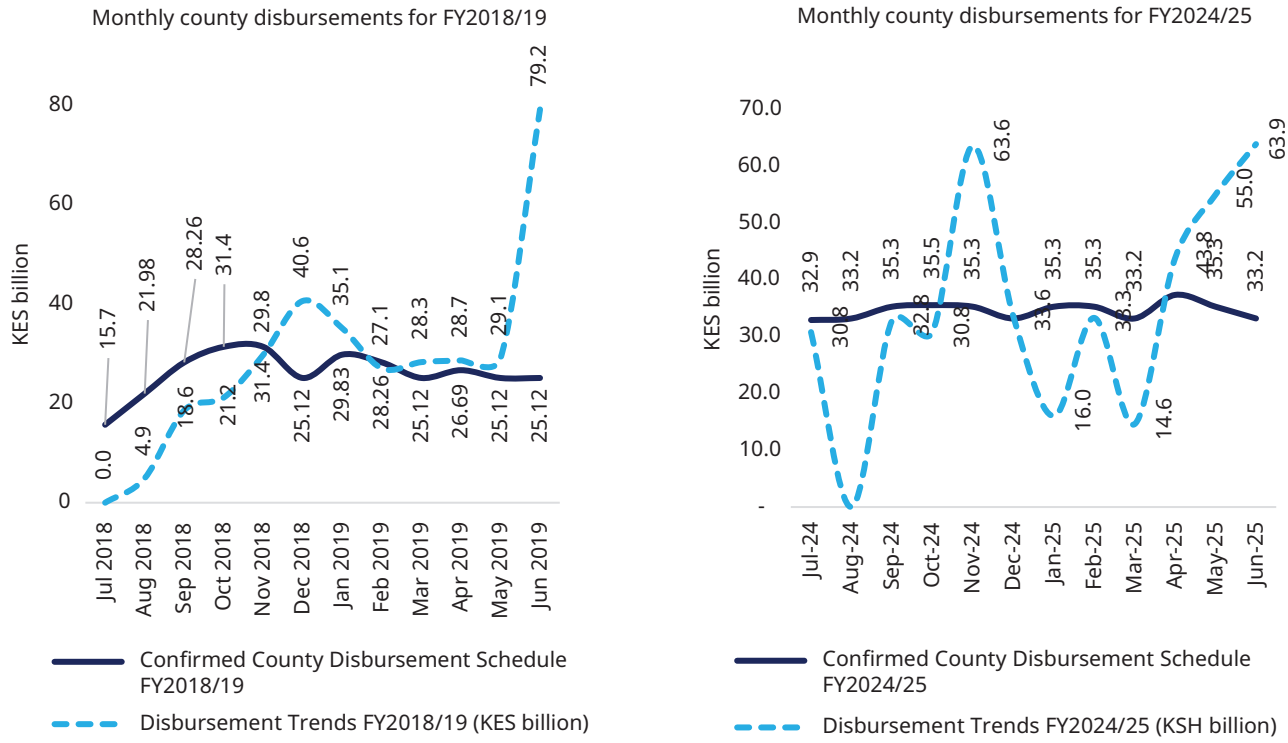


Source: Authors' calculations based on National Treasury IFMIS database.

5.3 Late and erratic county disbursements

County governments are central to child-critical service delivery, yet the timing of transfers from national to county governments can be erratic. Figure 5.8 compares the monthly disbursement schedule published in the Kenya Gazette with actual Exchequer releases reported by the National Treasury and the Office of the Controller of Budget. In FY2024/25, actual monthly releases ranged from zero to KES 63.9 billion and diverged substantially from the approved schedule, although cumulative releases reconciled to the annual county equitable-share amount by year-end. FY2018/19 releases were also backloaded but tracked the schedule more closely. The comparison indicates greater cash-flow volatility in FY2024/25 without, by itself, identifying its cause.

Figure 5.8 Planned and actual monthly county disbursements (KES billion), FY2018/19 and FY2024/25.



Source: Authors' calculations based on Kenya Gazette monthly disbursement schedules and actual Exchequer releases reported by the National Treasury and Office of the Controller of Budget. Note: Planned and actual series are shown separately. Monthly actual releases reconcile to the annual county equitable-share totals for FY2018/19 and FY2024/25; prior-year balances are excluded from the comparison.

Such volatility undermines counties' ability to plan and execute budgets effectively. When releases arrive unpredictably or late in the fiscal year, counties are forced to compress spending into short windows, reducing absorption capacity and weakening value for money. Procurement is delayed or rushed, contracts are pushed forward, and routine service delivery becomes difficult to sustain. For children, these disruptions are not abstract cash management problems; they translate into interruptions in health services, nutrition support, and social assistance.

Therefore, annual allocations alone are a poor guide to actual service delivery under fiscal stress. The issue is not only how much funding is approved, but when it becomes available to spend. In child-sensitive sectors, where continuity of care and regular provision matter, volatile cash flows magnify the negative effects of fiscal pressure and increase the risk that approved budgets fail to deliver actual services.

Box 5.1 Late cash releases weaken child health services.

Delayed county transfers shorten the time available to implement child health and nutrition activities. County budget and nutrition respondents reported that first- and second-quarter releases often arrive late, pushing implementation into the third quarter and compressing procurement, supervision and outreach into a shorter period.

In one reported case, delayed county financing also reduced expected matching finance. The programme envelope fell from KES 13 million to just KES 5 million not because the approved allocation was cut, but because the delayed county contribution affected the matching arrangement. Respondents reported that the resulting shortfall meant that essential nutrition commodities were prioritized while funding for monitoring, capacity building and service expansion was drastically reduced.

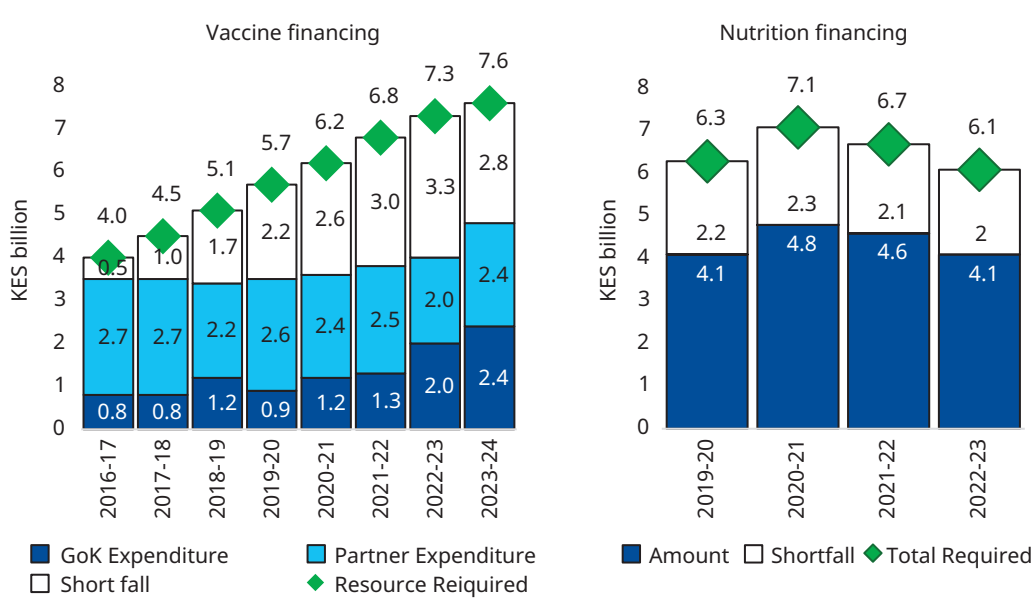
The cash-release pathway can therefore weaken services without changing the annual budget ceiling. Late funding transfers delay procurement and narrow implementation windows. Respondents associated these constraints with reduced outreach, commodity gaps and weaker facility readiness.

Source: Key informant interviews.
Note: The impact of late transfers on services was not verified through facility records.

5.4 Financing gaps in child-specific health programmes

Financing gaps in vaccine and nutrition programmes remain substantial as requirements rise faster than available resources. Vaccine financing needs increased from KES 4.0 billion in FY2016/17 to KES 7.6 billion in FY2023/24. Over this period, government expenditure rose from KES 0.8 billion to KES 2.4 billion, while partner expenditure declined from KES 2.7 billion to KES 2.4 billion, leaving a KES 2.8 billion shortfall in FY2023/24. Nutrition programmes face a similarly persistent gap. Annual requirements ranged from KES 6.1 to 7.1 billion between FY2019/20 and FY2022/23, against available financing of KES 4.1 to 4.8 billion, resulting in yearly shortfalls of KES 2.0 to 2.3 billion.

Figure 5.9 Financing gaps in child-specific vaccine and nutrition programmes (KES billion), FY2016/17–FY2023/24.



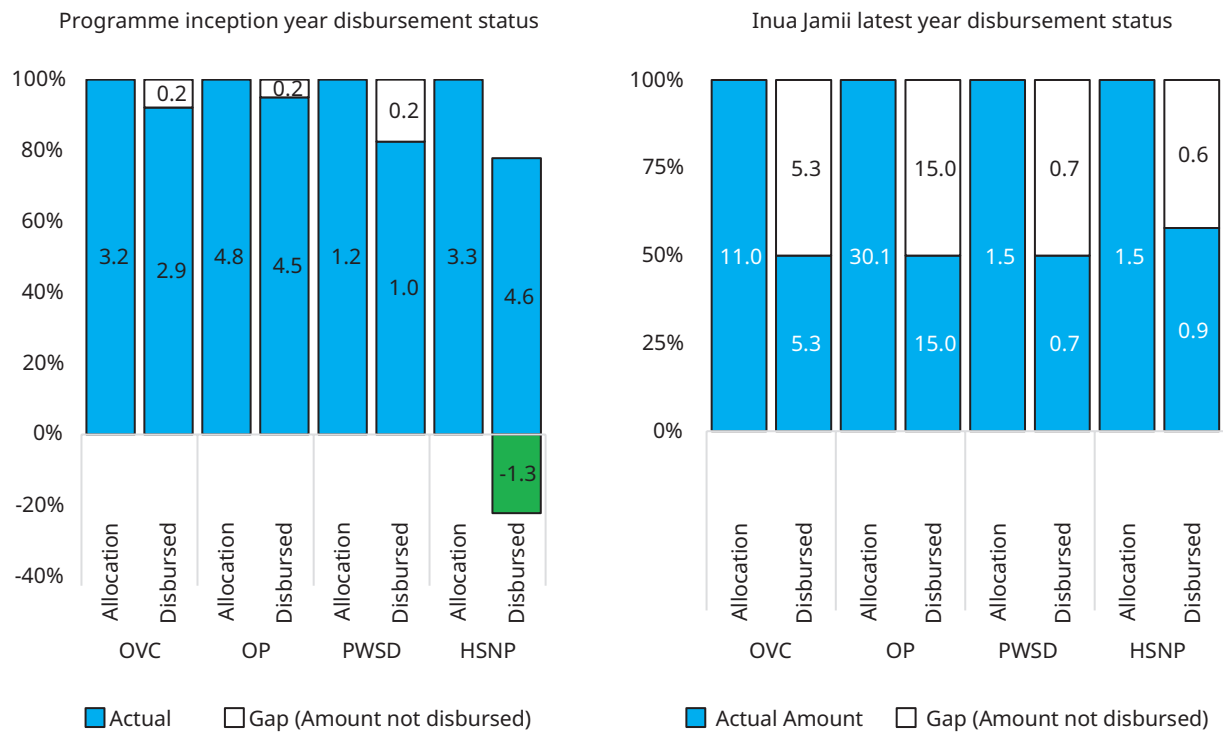
Source: Authors' calculations based on Government of Kenya (GoK) programme requirements, approved budget estimates and reported releases.
Note: Each programme gap is shown against its stated financing requirement.

Persistent vaccine and nutrition programme financing gaps put essential services at risk. Closing these requires predictable domestic financing, timely releases and stronger procurement, supply-chain and programme execution. Without these measures, higher allocations alone will not prevent commodity shortages, missed immunization or interrupted nutrition treatment, particularly for children in poor and underserved areas.

5.5 Social assistance disbursement gaps

Social assistance disbursement gaps weaken protection even where annual allocations are maintained. At the mid-year reporting point in FY2024/25, National Treasury releases to the programmes shown in Figure 5.10 amounted to about half of their annual allocations, with sizeable gaps affecting the Cash Transfer for Orphans and Vulnerable Children (CT-OVC) programme and the Hunger Safety Net (HSNP) Programme.[1] Although the mid-year position is not a final execution rate, it indicates disruption to programmes that depend on regular payment cycles. Delayed releases can reduce household purchasing power and force vulnerable families to cut food consumption or postpone health and education spending.

Figure 5.10 Social assistance disbursement rates and programme gaps (percent), FY2024/25.



Source: Authors' calculations based on Kenya National Bureau of Statistics (2025) Economic survey, and programme disbursement records.

1 The data reflects Exchequer releases to relevant programme accounts, not final annual expenditure or payments received by beneficiaries.

Box 5.2 Late transfers weaken protection for children.

Reliable payment cycles are central to effective social assistance performance. Protecting budget lines is insufficient if National Treasury releases, payment processing or beneficiary transfers are delayed. Ring-fenced payment schedules, stronger cash-flow planning and rapid reconciliation of failed or late payments are therefore essential to preserve food consumption, access to healthcare and school participation among vulnerable children.

National programme evidence points to declining benefits and a lack of reliable payments. For example, UNICEF's 2025 indexation review confirms that the KES 2,000 Inua Jamii transfer has lost real value since its introduction.

Interviews with key stakeholders at county level highlight the operational and protection risks of delayed releases. Respondents working in social protection and children's services in arid and semi-arid lands (ASAL), as well as others, reported that planned activities and urgent child-rescue support were sometimes postponed because operational funds arrived late. Where families are exposed to drought and household distress, respondents also associated weakened support with a higher risk of street-connectedness, child labour and child marriage. These reported risks arise from multiple pressures and should not be attributed to delayed funding alone.

The evidence highlights three inter-related problems: limited-service coverage, declining real benefit value and delayed operational and/or transfer financing. Addressing these challenges requires regular indexation reviews, predictable payment and operational schedules, and transparent tracking of National Treasury releases – verifying that beneficiaries and frontline services have received the allocated funding.

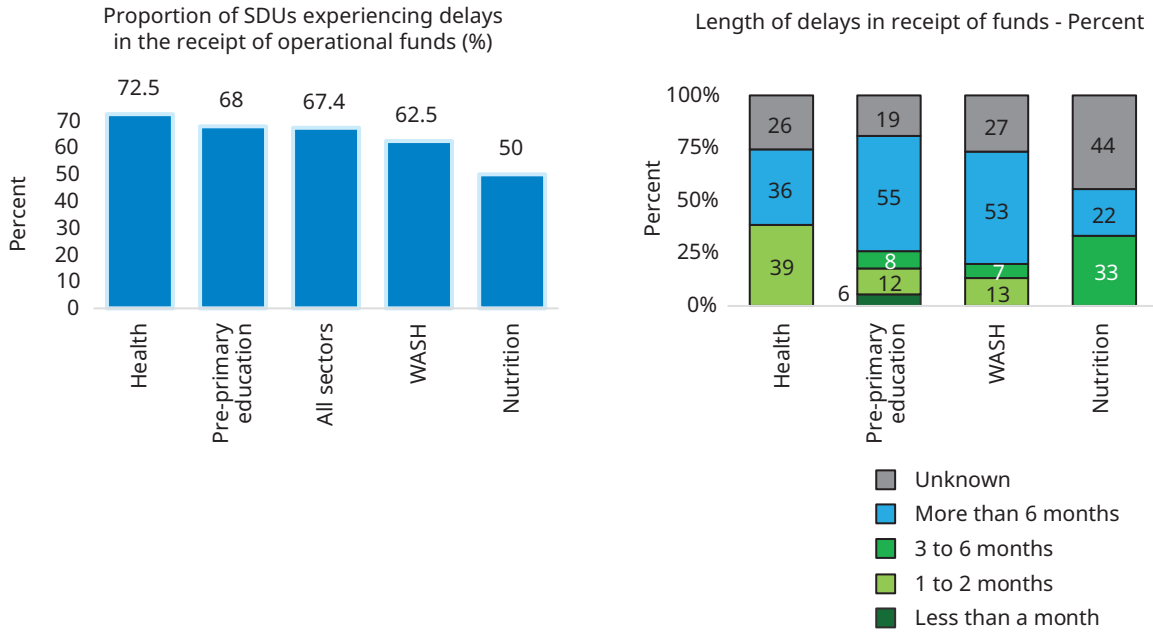
Sources: UNICEF (2025) Desk Review on the Indexation of Social Cash Transfer Values in Kenya, and key informant interviews.

5.6 Delayed operational funding at the frontline

The impact of execution constraints is most visible at the frontline, where services are delivered to children and households. Public expenditure monitoring data shows that funding delays affect more than 70 percent of health facilities and about half of all nutrition units, with many delays exceeding six months. These findings are drawn from the sample of facilities and programmes surveyed for the purpose of this study and may not be representative of all facilities nationally. While the survey data should therefore be interpreted with caution, it does clearly show that unreliable operational funding can weaken routine services despite the availability of infrastructure and staff.

Extended delays undermine facilities' ability to procure essential inputs, pay for operations, and respond to shocks. Medicines, vaccines, therapeutic nutrition commodities, fuel, outreach funds, and more become difficult to sustain when cash is delayed for long periods. For children, the effects are immediate: missed immunizations, reduced nutrition support, interrupted treatments, and weaker continuity of care.

Figure 5.11 Share of sampled frontline facilities experiencing funding delays (percent), 2025.



Source: UNICEF (2025d) Public expenditure tracking survey targeting early child development in nine counties.
Note: Data refer only to the sampled facilities and programme units covered by the above survey.

Operational delays also erode morale, planning, and accountability within service delivery systems. When facilities cannot rely on predictable funding, planning becomes reactive, short-term, and vulnerable to repeated disruption. Over time, this weakens system resilience and increases the risk that temporary fiscal stress leads to lasting degradation in service quality. At this point, execution failure is no longer only a public financial management issue; it becomes a direct determinant of child wellbeing.

Across the execution chain, the same pattern recurs. Approved resources are not always available when services need them. Weak absorption, volatile county disbursements, programme financing gaps, late social assistance and prolonged operational funding delays can postpone procurement, outreach, treatment and household transfers.

5.7 Conclusion

Fiscal pressure affects social sectors in two ways: through the amount of funding allocated and through how reliably that funding reaches services. Even where nominal budgets are maintained or even increased, late releases, uneven absorption and limited funding at the frontline can still reduce the medicines, outreach, transfers and operational support that services actually deliver. Evidence from health and social assistance programmes, as well as county disbursements, confirms that timing and predictability matter alongside annual allocations. The next chapter examines how these pressures appear in household wellbeing and child outcomes.



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Households bear more of the burden when public systems become less reliable.

CHAPTER 6

Household wellbeing and child outcomes

Key messages

i. **Fiscal and execution pressures are increasing alongside worsening household and child vulnerability.** While the evidence does not establish a direct causal link between national debt and individual child outcomes, it does show that there is a clear association between child poverty and fiscal and execution challenges.

ii. **More children are now in both monetary and multidimensional poverty.** In 2022, 42.4 percent of children were in monetary poverty and more than half (55.3 percent) experienced multidimensional child poverty.

iii. **Declining real earnings and volatile prices of household essentials are weakening family buffers.** Poorer households have less capacity to absorb food, health, transport and education costs or replace unreliable public services privately.

iv. **Social assistance coverage and payment reliability are insufficient. According to the ILO's latest estimate for SDG indicator 1.3.1, only about 11 percent of children in Kenya receive a child or family cash benefit. This measures coverage among all children, not the share of eligible children reached by a specific programme such as CT-OVC, but it points to a substantial gap in coverage.**

v. **Recent routine health indicators warrant attention but require cautious interpretation.** Reported declines in selected services between 2021 and 2025 may reflect financing and delivery pressures, but administrative data should be validated and triangulated before causal conclusions are drawn.

6.1 Introduction

Kenya's fiscal pressures are increasingly visible in household welfare and in the conditions that shape children's wellbeing. Earlier chapters documented rising debt service, declining external financing and weaknesses in budget execution. At household level, these pressures interact with poverty, declining real earnings, higher private costs and uneven access to services. The available evidence does not establish that fiscal stress alone caused each observed welfare trend, but it identifies plausible and reinforcing pathways through which constrained and unreliable public financing can increase risks for children.

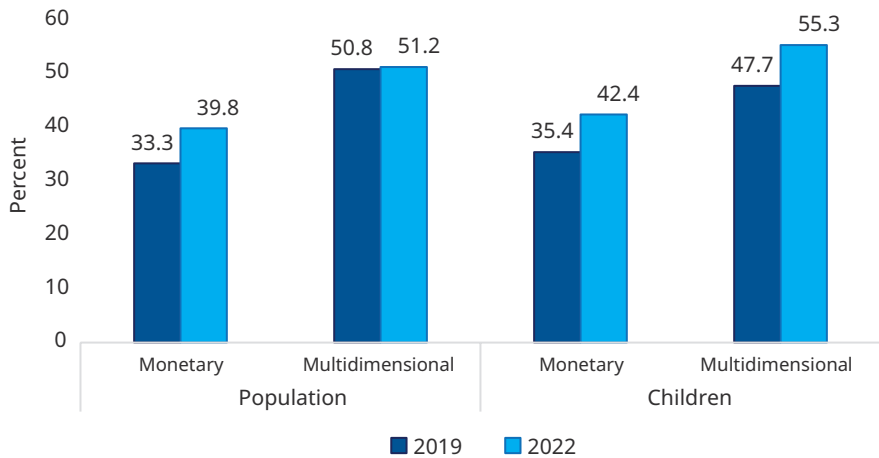
Households bear more of the burden when public systems become less reliable. Delayed releases, reduced programme continuity and gaps in service availability can shift costs to families through transport, medicines, food, care and lost time. This transfer of risk is particularly significant for poorer households, which have limited savings and fewer private alternatives. For children, weaker household buffers can translate into delayed care, poorer diets, disrupted learning and reduced protection during shocks.

Declining real earnings and increasing cost-of-living pressures are occurring alongside uneven service access and limited social assistance coverage. This combination reduces households' capacity to compensate when public provision is delayed or inadequate. Rising child poverty, higher out-of-pocket health spending and a recent deterioration in selected service indicators therefore warrant close attention as these constitute potential signs that macro-fiscal and execution pressures are reaching the micro level.

6.2 Rising monetary and multidimensional poverty among children

Child poverty increased across both monetary and multidimensional measures between 2019 and 2022. Monetary poverty among children rose from 35.4 percent to 42.4 percent, compared with an increase from 33.3 percent to 39.8 percent for the total population (Figure 6.1). Over the same period, multidimensional child poverty rose from 47.7 percent to 55.3 percent, while the corresponding measure for the total population changed only slightly, from 50.8 percent to 51.2 percent. These trends show that children in particular experienced worsening income constraints and service-related deprivation during the period.

Figure 6.1 Monetary and multidimensional poverty among children and the total population (percent), 2019 and 2022.



Source: Authors' calculations based on KNBS (2025) and KDHS (2022).

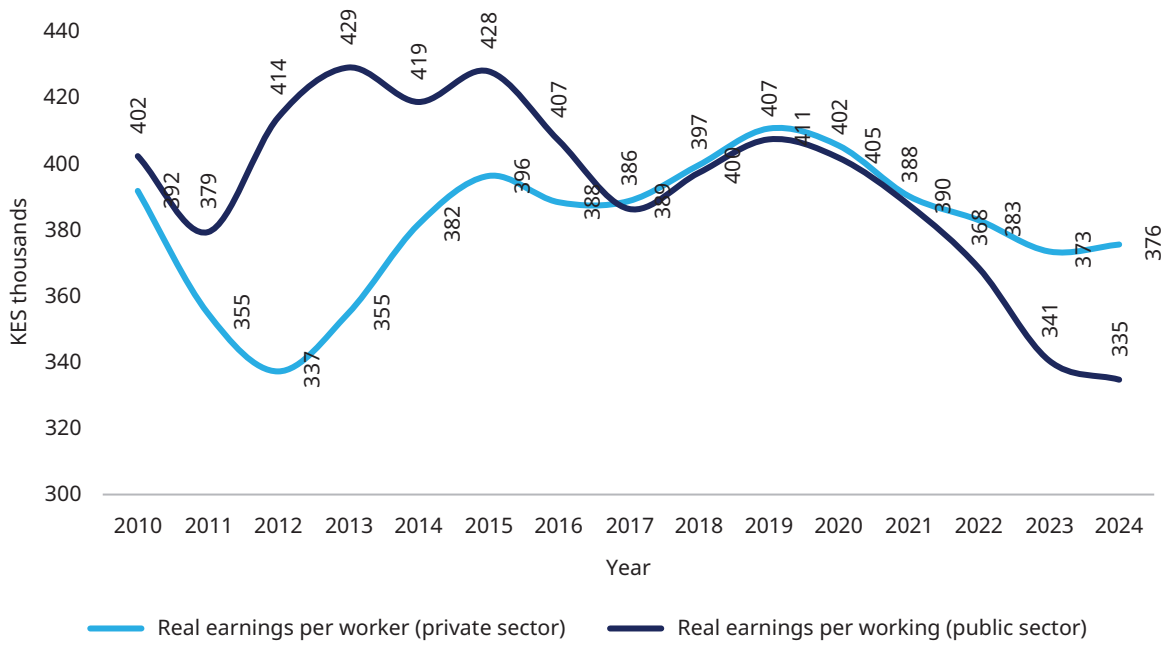
The simultaneous rise in monetary and multidimensional child poverty points to broad-based vulnerability rather than an isolated sectoral setback. Household income shocks and service constraints can reinforce each other. When publicly financed health, nutrition or education services become less available or reliable, households face higher private costs. For poorer families, those costs can deepen deprivation and further reduce access.

Rising child poverty also raises questions about the reach and adequacy of existing social protection and other essential services. Current social protection mechanisms have not expanded fast enough to meet growing demand, while low benefit values and payment delays fail to fully protect households from higher prices and economic shocks. Further fiscal tightening could increase child deprivation unless accompanied by measures that protect service continuity and strengthen household support.

6.3 Declining real earnings and inflation volatility

Declining real earnings have reduced the capacity of households to absorb shocks and compensate for gaps in public services. Real earnings per worker fell after 2020, with a deeper and more persistent decline in the public sector and only a partial recovery in the private sector (Figure 6.2). In 2024, real earnings were below pre-2020 levels in both sectors. This erosion of purchasing power constrains household consumption and increases vulnerability to changes in food, transport, education and health costs.

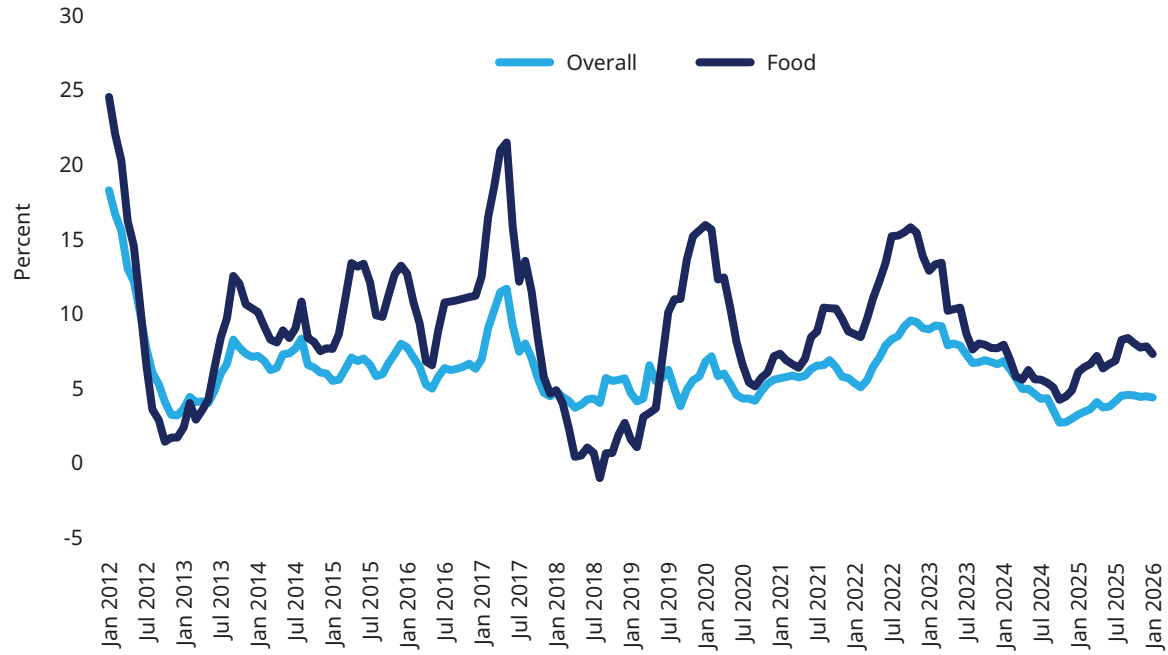
Figure 6.2 Real earnings per worker in the private and public sectors (KES), 2010–2024.



Source: Authors' calculations based on Kenya Economic Surveys (various years).

Food-price volatility has added to cost-of-living pressure for low-income households. Between 2012 and 2026, food inflation has generally been more volatile than overall inflation (Figure 6.3). Because poorer households devote a larger share of expenditure to food and other necessities, such volatility can reduce diet quality and make household budgeting more difficult even when aggregate inflation appears moderate.

Figure 6.3 Headline and food inflation (year-on-year percentage change), 2012–2026.



Source: Authors' calculations based on Kenya National Bureau of Statistics Consumer Price Index data (February 2026).

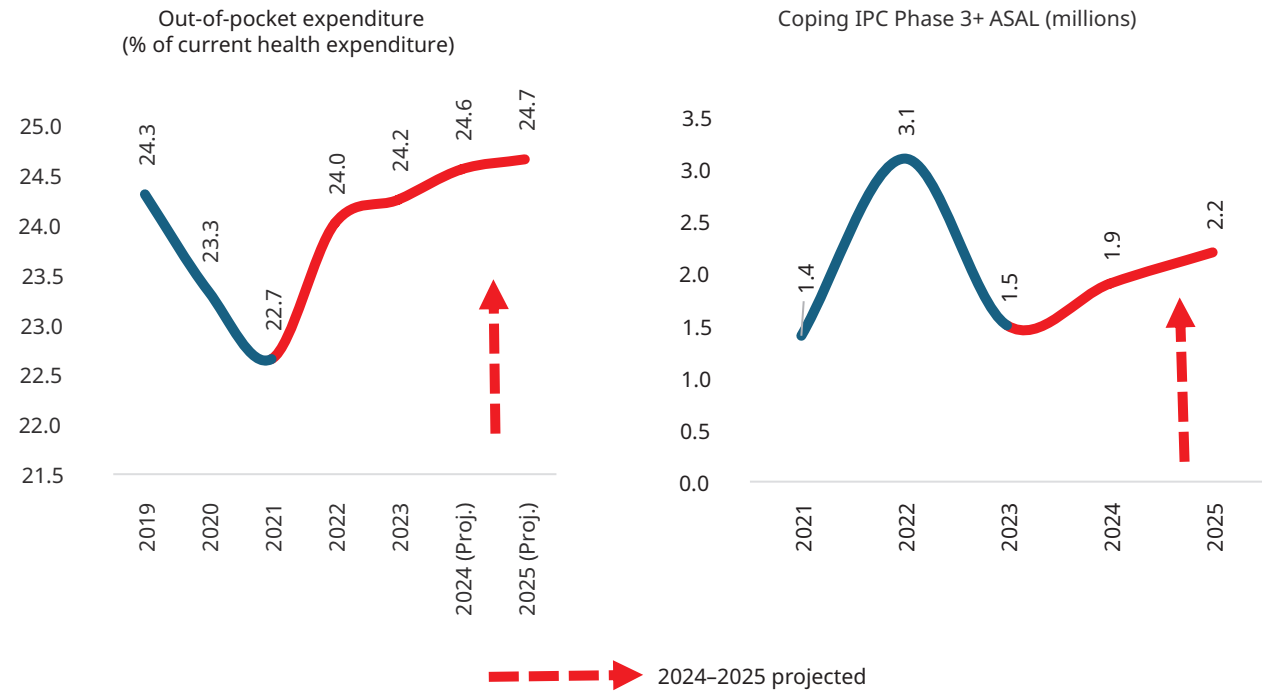
For children, these economic pressures heighten the risks of malnutrition, delayed healthcare seeking and learning disruptions. As households exhaust financial buffers, they are less able to replace weakening public services through private spending. Reduced food quality postponed medical care, and disrupted schooling may become more frequent. This shows how, in the longer-term, fiscal and execution pressures ultimately put human capital at risk.

6.4 Cost-of-living pressures and household coping

Rising private health costs and food insecurity are intensifying pressure on household budgets. Out-of-pocket health expenditure is estimated at 24.7 percent of current health expenditure, while **2.2 million people** faced acute food insecurity in 2025 (Figure 6.4). These indicators are drawn from different data systems and should not be combined into a single measure of household hardship. Taken together, however, they point to greater exposure to essential costs at a time when incomes and public support are constrained.

Households may respond to sustained pressure by delaying healthcare, reducing food consumption or limiting education-related spending. The extent and prevalence of these responses require household-level verification, but each represents a plausible coping strategy commonly documented during periods of economic stress. Such responses can reduce short-term expenditure while increasing longer-term risks to health, nutrition, learning and future earnings.

Figure 6.4 Out-of-pocket health expenditure (percent) and acute food insecurity (million people), 2019–2025.



Source: World Health Organization (2025) and Integrated Food Security Phase Classification (2025).

Note: IPC Phase 3+ refers to the Integrated Food Security Phase Classification threshold for households and communities experiencing acute food insecurity at Phase 3 (Crisis) or higher (including Phase 4: Emergency, and Phase 5: Catastrophe/Famine).

Household vulnerability is increasing alongside growing constraints on public service supply, exacerbating inequality. Demand for services is increasing precisely as fiscal pressures reduce available resources and staffing. This growing mismatch heightens the risk that children from poorer households fall permanently behind, underscoring the importance of protecting essential services while strengthening household level support mechanisms during periods of adjustment.

6.5 Persistent gaps in social assistance

Social assistance coverage for children remains below estimated needs. Figure 6.5 uses the ILO's estimates for Sustainable Development Goal (SDG) indicator 1.3.1, which measures the share of each population group that receives a social protection cash benefit (ILO, 2025). On this measure, only about 11 percent of children in Kenya receive a child or family cash benefit. The indicator is reported separately for children, older persons and persons with severe disabilities – the groups targeted by the three Inua Jamii programmes (CT-OVC, OPCT and PWSD-CT respectively). Because it is calculated against all children rather than only those who meet CT-OVC eligibility criteria, it should not be read as the share of eligible children that the programme reaches. Even so, it points to a substantial protection gap among vulnerable households.

Limited coverage combines with unreliable cash transfers to beneficiary households to reduce the potential of social assistance to protect households throughout the life cycle and during shocks. When support is absent, delayed or inadequate, households are likely to rely on coping strategies that place children at greater risk. To handle climate, economic and health shocks, an adaptive social protection system must be able to quickly reach more people, increase benefit amounts, and deliver support on time.

To prevent fiscal adjustment from translating into long-term child deprivation, the government must expand social protection coverage and ensure payments are reliable and on time. Social assistance must function as a stabilizer during downturns rather than as a residual intervention. Without such reforms, social assistance programmes will remain unable to play their intended role during periods of fiscal stress.

Figure 6.5 Coverage of child-focused social assistance programmes (percent of relevant population group), 2021–2025.



Source: Authors' calculations based on the ILOSTAT database (ILO 2025).

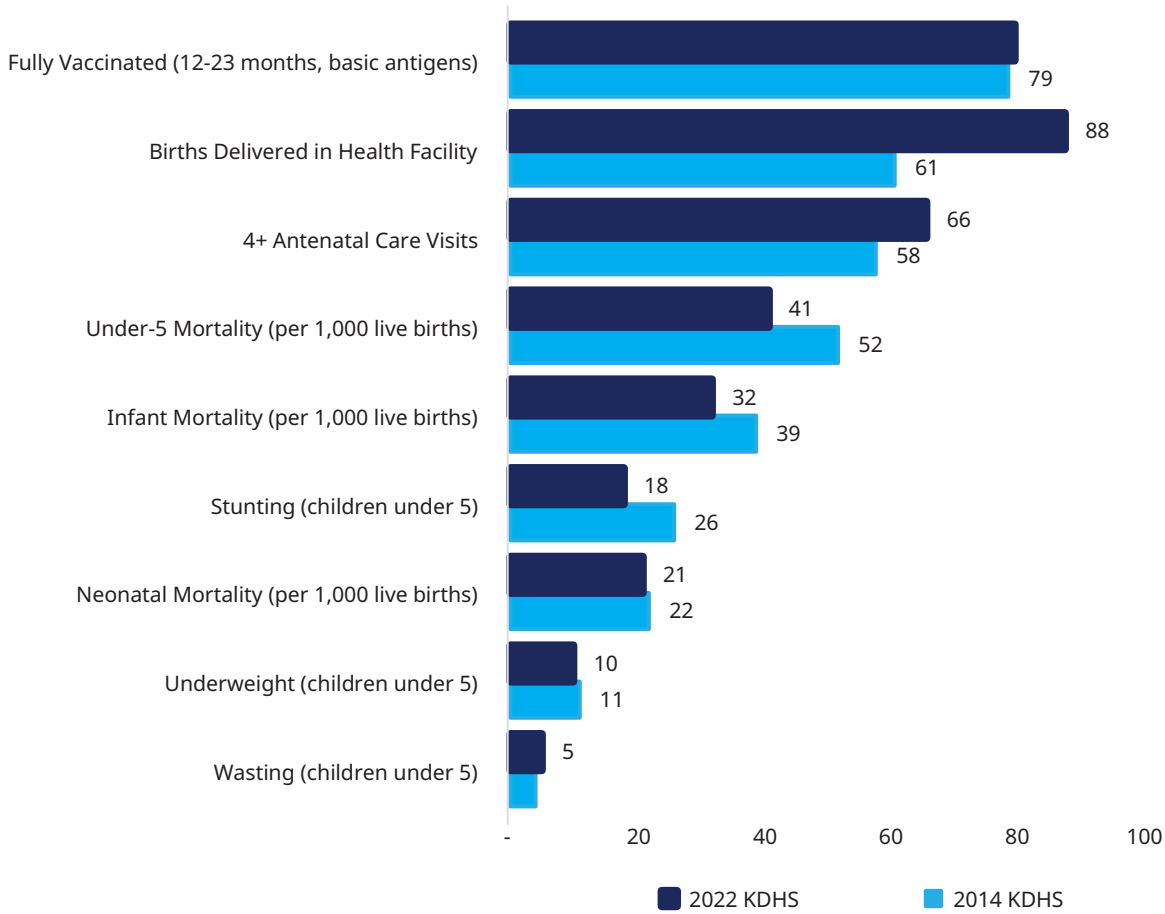
Note 1: SDG 1.3.1 refers to the proportion of the population covered by at least one social protection benefit (excluding health)

Note 2: The definition of need for Inua Jamii benefits differs by programme. For OPCT, a person must be 70 years or older. For CT-OVC, a household must be caring for children under 18 years who have lost one or both parents, are living with a chronically ill caregiver, or are child-headed. PWSD-CT is for individuals with severe disabilities requiring constant care.

6.6 Risks to recent gains in child health

Kenya achieved important improvements in child mortality and nutrition between 2014 and 2022, but more recent service trends indicate risks to sustaining these gains. Survey-based outcome measures show progress over the long term (Figure 6.6). Routine administrative data from 2021 to 2025, however, indicate declines in selected indicators of maternal care, immunisation, treatment of childhood illness and deworming coverage. Because survey and administrative sources differ in methodology and reporting quality, the two sets of evidence should be interpreted separately and used to identify areas requiring further validation rather than as a single continuous trend.

Figure 6.6 Child mortality (per 1,000 live births) and nutrition (percent) indicators, 2014 and 2022.

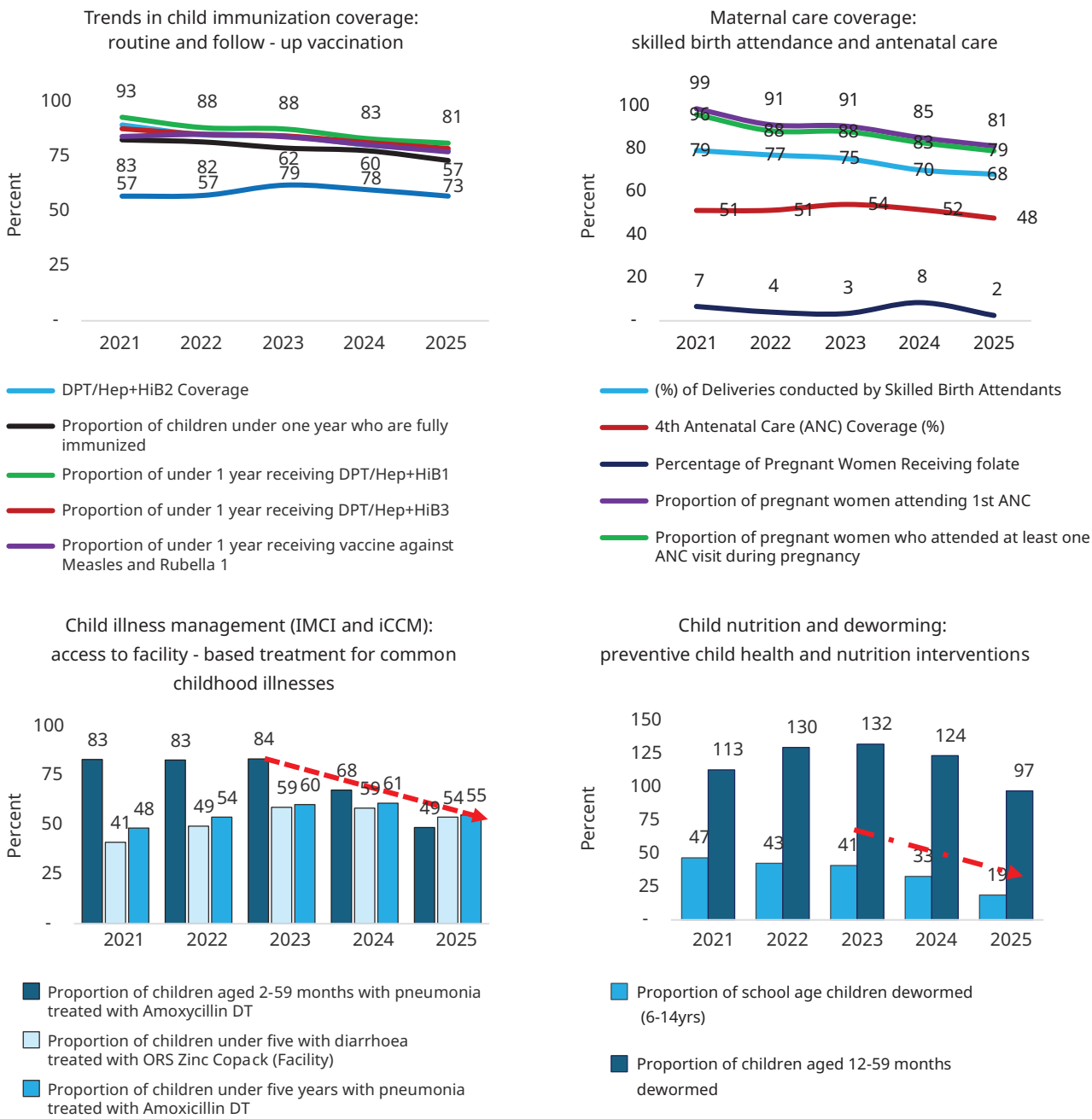


Source: Authors' calculations are based on Kenya Demographic and Health Surveys (KDHS) for 2014 and 2022.

Routine data signal broad deterioration in maternal and child health services between 2021 and 2025. Looking at child immunization, coverage of the first DPT/Hexa-Hib[2] dose declined from 93 percent to 81 percent. Maternal care indicators also weakened, with skilled birth attendance falling from 79 percent to 68 percent, while attendance of at least one antenatal care visit declined from 99 percent to 81 percent. When it comes to the treatment of childhood illnesses, the share of children aged 2–59 months with pneumonia and treated with amoxicillin DT fell from 83 percent to 55 percent. Preventive nutrition services recorded a similarly sharp decline, with deworming coverage among children aged 12–59 months dropping from 47 percent to 19 percent. These administrative trends point to reduced reach across preventive, maternal and curative services, although changes in reporting completeness, denominators and programme design may also affect the series (Figure 6.7).

2 DPT is the combined vaccine against diphtheria, pertussis (whooping cough) and tetanus. Hexa-Hib is the six-in-one (hexavalent) vaccine that also protects against hepatitis B, polio and Haemophiles influenzae type b (Hib), a leading cause of pneumonia and meningitis in young children. First-dose coverage is a key marker of whether infants are being reached by routine immunization services at all.

Figure 6.7 Routine maternal and child health, immunization, nutrition and illness-treatment indicators (percent), 2021–2025.



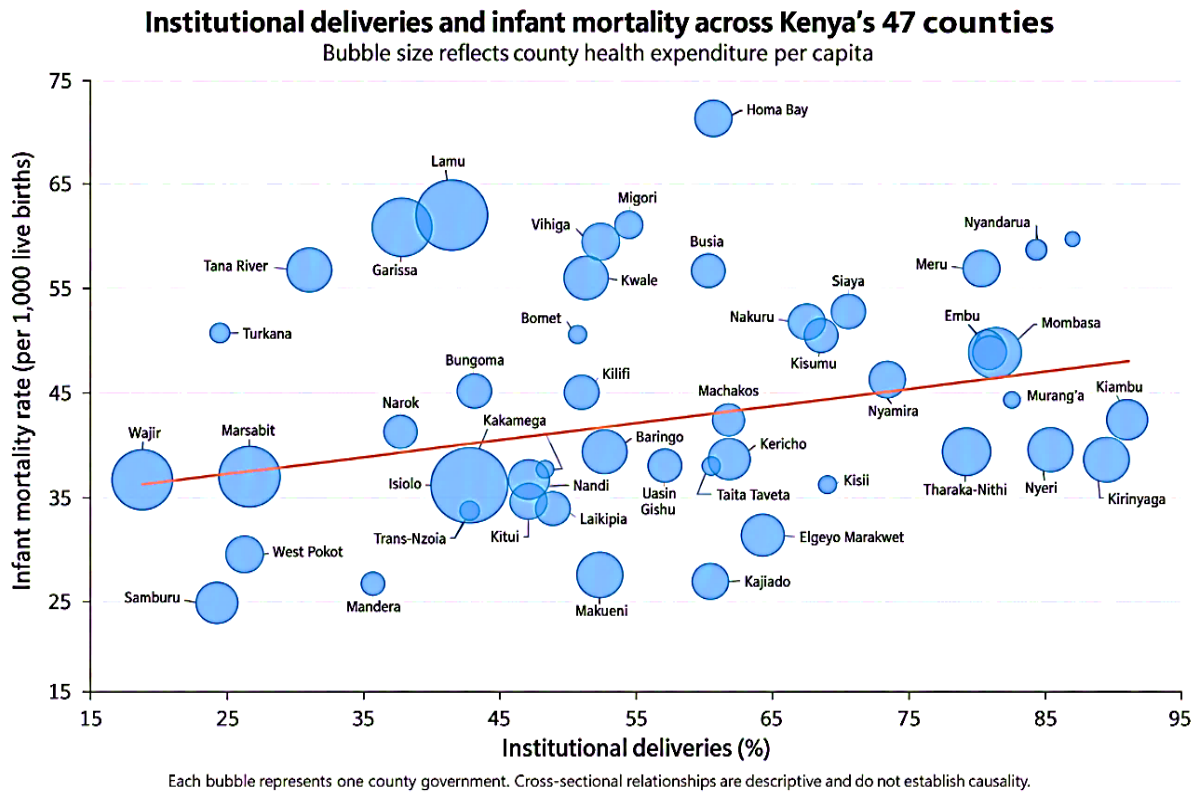
Source: Authors' calculations based on data from the Ministry of Health's, Kenya Health Information System, extracted in April 2026.

Note: Administrative data for 2021–2025 should be interpreted with caution. Factors such as incomplete reporting, population recalculations, changes in programmes and usage patterns can affect these numbers. They provide early indications that require validation by the Ministry of Health and should not be interpreted as a long-term trend. IMCI refers to Integrated Management of Childhood Illness and iCCM to integrated community case management.

The simultaneous declines across immunization, maternal care, illness treatment and deworming coverage signal significant risk to recent health gains. Lower coverage can leave children more exposed to vaccine-preventable diseases, untreated pneumonia and parasitic infections, while reduced antenatal and skilled delivery care heightens maternal and newborn risks. Protecting these services requires predictable financing for commodities, outreach, frontline operations and referral systems, all based on more in-depth analysis of county and population disparities.

County-level comparisons also show that higher health spending is not automatically associated with better outcomes. Figure 6.8 compares per capita health expenditure with institutional delivery and infant mortality rates and shows substantial variation across counties. These cross-sectional patterns do not establish the effectiveness of any individual county's spending. Rather, they indicate that service organization, efficiency, geography, access barriers and underlying population need influence how resources translate into results.

Figure 6.8 County health expenditure per capita (KES), FY2021/22, institutional delivery (percent) and infant mortality (per 1,000 live births), 2022.



Each bubble represents one county government. Cross-sectional relationships are descriptive and do not establish causality.

Source: Adapted from World Bank (2022) Kenya Public Expenditure Review for the Health Sector.

Efficiency, service organization, and access barriers matter as much as spending levels. Weak links between inputs and outcomes point to execution constraints, geographic barriers, and quality of care challenges. Strengthening value for money therefore requires not only adequate financing, but also improved targeting, execution, and service delivery models. This is critical to ensure that health spending translates into better outcomes for mothers and children.

6.7 Conclusion

Rising child poverty, declining real earnings, higher household costs, and limited social assistance coverage are occurring alongside fiscal and execution pressures. These patterns support the study's transmission framework while not proving a simple causal link between debt and individual child outcomes. Instead, the evidence shows that deprivation can deepen when household buffers weaken at the same time as clinics, transfer programmes and other public services become less reliable. Protecting service continuity, strengthening adaptive social protection and improving spending reliability and efficiency are therefore central to safeguarding recent gains. The next chapter examines the institutional and policy choices that determine how fiscal pressure is managed and distributed.



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Budget institutions face competing priorities and implementation constraints and have limited room for manoeuvre.

CHAPTER 7

Institutional incentives and governance challenges

Key messages

i. **Fiscal outcomes are shaped by institutions, incentives and implementation arrangements as well as debt levels.** The implications for children depend on how borrowing, fiscal risks, cash management, intergovernmental transfers and service delivery are coordinated.

ii. **Governance and coordination challenges can shift adjustment onto implementation systems.** Delayed payments, partial releases, arrears and under-execution may weaken services without appearing as explicit reductions in approved budgets.

iii. **External financing is most effective when it is predictable and aligned and integrated with domestic systems.** Fragmentation, earmarking and a shift from grants to loans can complicate transitions and create future fiscal burdens.

iv. **Debt-management operations create benefits for children only when fiscal space is protected and linked to measurable results.** Transparency, additionality, strong governance and continued domestic financing are essential safeguards.

7.1 Introduction

Kenya's fiscal trajectory is shaped not only by debt levels and external financing trends, but also by the institutions, incentives and rules and regulations that influence how fiscal choices are made and implemented. Rising debt service and declining ODA have narrowed fiscal space. Their implications for children, however, depend on how public borrowing, cash management, budget execution and service delivery are coordinated across government.

Recent fiscal adjustment has frequently led to liquidity constraints, delayed disbursements and under-execution in public services, even where approved budgets remained unchanged. Debt service, wages, pensions and statutory transfers pre-commit a substantial share of available resources, leaving less flexibility for discretionary and countercyclical spending. This can shift pressure onto implementation systems, where its effects are experienced through delayed procurement, reduced operational financing and interruptions to services.

Children are affected by fiscal adjustment through changes in the reliability of services that they depend on. Healthcare, nutrition, education and social protection can weaken when releases are late or incomplete even if nominal allocations are maintained. Understanding the institutional choices behind these outcomes helps to explain why approved budgets and actual service delivery may diverge.

7.2 Domestic incentives shaping debt accumulation and adjustment

Kenya's borrowing strategy has channelled substantial financing towards large infrastructure projects. Well-selected and well-executed investments can improve connectivity, energy supply and long-term productive capacity, and their visibility often aligns them well with national development priorities. Sound portfolio management must nevertheless balance physical infrastructure with the recurrent and capital needs of health facilities, schools, nutrition programmes and social protection systems.

Budget institutions face competing priorities and implementation constraints and have limited room for manoeuvre. Raising taxes or cutting public services is difficult when many households are already struggling. Under these conditions, fiscal correction may occur after budget approval through delayed payments, partial releases and arrears. These outcomes reflect governance and coordination challenges rather than the choices of any single actor, and they can increase execution and service-delivery risks.

Child-focused services are especially sensitive to fiscal adjustment because they depend on regular operational financing. Health facilities, schools and social protection programmes require predictable resources for commodities, outreach, staffing support and transfers. When releases are delayed or fragmented, implementation windows narrow and service quality may deteriorate. This explains why child outcomes can worsen even where approved sector budgets appear broadly stable.

7.3 Risks stemming from the legal framework for public borrowing and service implementation

Kenya's public borrowing framework is grounded in constitutional and statutory provisions intended to support fiscal responsibility and intergenerational equity. Article 211 of the Constitution of Kenya (2010) assigns responsibility for public debt to the national government, while Article 212 permits county borrowing only where a national government guarantee is provided. These provisions centralize borrowing authority and establish oversight of subnational borrowing.

The Public Finance Management Act (2012) provides the operational framework for borrowing and fiscal management. Section 15(2)(c) requires that, over the medium term, national government borrowing be used to finance development expenditure rather than recurrent expenditure. This provision should be read together with Article 201 of the Constitution, which establishes principles of openness, accountability and prudent use of public resources.

Policy risks arise when recurrent child-critical programmes depend on unstable financing. These rules govern how much the government may borrow and for what purpose, but they offer little protection over when funds reach service providers, which depends on revenue performance, debt-service obligations and cash management. Exposure to cash constraints, refinancing pressures and macro-fiscal shocks can reduce predictability in health outreach, social transfers and education support. Strong compliance monitoring, transparent classification of borrowing and reliable domestic financing for recurrent service costs are therefore important safeguards for children.

7.4 Institutional coordination, debt management and execution risk

Institutional coordination influences how borrowing and macro-fiscal decisions translate into service-delivery outcomes. Public debt management is led by the National Treasury, while a substantial share of child-relevant expenditure is executed by sector ministries and county governments, particularly in health, early learning and social services. This division of responsibilities requires strong coordination so that financing decisions, cash releases and operational needs remain aligned.

Fiscal risks outside the core budget can add to execution pressure if they are not fully identified and managed. Contingent liabilities associated with state-owned enterprises, public-private partnerships, securitization and pending bills may create future claims on public resources. Pending bills can also transfer liquidity pressure to suppliers and service providers, increasing costs and weakening their capacity to deliver. Clear disclosure and integration of these risks into fiscal planning are therefore essential.

For children, weaknesses in coordination and payment systems can result in tangible service disruption. Delayed payments may affect the supply of medicines, school feeding and outreach programmes, and social transfer schedules. Debt management, fiscal risk oversight, intergovernmental transfers and service delivery should therefore be considered within a connected accountability framework.

7.5 ODA composition, alignment and exposure to shocks

External financing is shaped by both global priorities and Kenya's national development needs. ODA has mobilized important resources for health, climate resilience, governance and social protection. At the same time, shifts in global priorities can change the level and composition of support available for specific services. Strong country ownership and alignment with national and county plans are therefore important to maximize the stabilizing role of external financing.

Fragmented and highly earmarked financing can complicate integration with government systems. Parallel delivery arrangements may support rapid implementation, but they can also weaken long-term institutional ownership and make transition more difficult when donor funding declines. In service-intensive sectors such as health and social protection, predictable multi-year planning and alignment with domestic systems are essential to avoid programme gaps.

The shift from grants to loans changes the fiscal implications of external assistance. Concessional loans can help sustain or expand social protection during transition, but they also create future repayment obligations. Their contribution to long-term sustainability depends on strong programme execution, measurable results and a credible domestic financing pathway for recurrent costs.

7.6 Programme-supported frameworks and social spending safeguards

Aggregate social spending safeguards can support priority expenditure, but their effectiveness depends on budget execution. Spending floors and protected allocations generally operate at an aggregate level and do not govern the timing, sequencing or adequacy of releases to individual programmes. Compliance with an aggregate target can therefore coexist with delayed procurement or payment interruptions at service-delivery level.

Execution is the critical link between programme safeguards and service continuity. Cash rationing, delayed disbursement and partial releases can weaken the translation of approved budgets into services, particularly in social protection and health. Monitoring should therefore cover allocations, quarterly releases, actual expenditure and service indicators rather than relying on annual budget ceilings alone.

Box 7.1 Fiscal consolidation reforms and social spending safeguards under programmes supported by the IMF and the World Bank.

Kenya's 2021–2025 IMF-supported Extended Fund Facility (EFF)/ Extended Credit Facility (ECF) programme and the World Bank's first Fiscal Sustainability and Resilient Growth Development Policy Operation provided frameworks for fiscal consolidation and selected social-sector reforms. The IMF's latest review combines the seventh and eighth reviews and was approved in October 2024. The World Bank operation was approved in May 2024 and closed in June 2025. These instruments are period-specific and do not extend beyond their formal programme dates.

The IMF programme included an indicative floor on specified national-government priority social expenditures. The measure covered selected cash transfers, education, school feeding and sanitary programmes, maternal health, health-insurance subsidies and vaccination. The floor was intended as a programme target to be monitored, not as a legally ring-fenced budget floor. The October 2024 review assessed programme performance against the agreed indicators, but compliance with an aggregate expenditure floor cannot establish whether individual services received timely releases or maintained coverage.

The World Bank operation supported reforms in public finance focusing on efficiency, transparency, the Treasury Single Account, wage-bill management and the modernization of social protection. The USD 1.2 billion financing package was approved in May 2024 as the first operation in a planned programmatic series. The operation's policy actions and results framework provide evidence on reform implementation, but this is not direct evidence that frontline health or social protection services were protected throughout the period.

Aggregate safeguards should therefore be tested using the full results chain set out in this study. Monitoring should compare the indicative target with actual allocations, quarterly cash releases, expenditure and service-continuity indicators. This distinguishes formal compliance from whether clinics, transfer programmes and other child-critical services received resources when needed.

Source: National Treasury (2024), IMF (2024) and World Bank (2024).

7.7 Debt-management pathways and fiscal space for children

Debt-management operations can strengthen fiscal resilience, but benefits for children depend on how any resulting fiscal space is used. During the COVID period, Kenya participated in the G20 Debt Service Suspension Initiative, which deferred eligible bilateral debt-service payments rather than cancelling debt. More recently, Kenya has used market-based liability-management operations, including Eurobond buybacks and domestic debt measures, to manage refinancing pressures and smooth the maturity profile. These operations can reduce short-term risks, but they do not automatically generate additional resources for social services.

Any fiscal space created through restructuring, refinancing or debt swaps should be linked to transparent and measurable development outcomes. Without deliberate safeguards, the benefits risk being absorbed by competing fiscal pressures. Strong governance, additionality, credible monitoring and protection of existing domestic financing are essential if debt-related operations are to support child-critical services.

Kenya's debt and ODA dynamics are shaped by institutional arrangements, policy choices and external conditions that determine how fiscal pressure is managed. The analysis indicates that weaknesses in coordination, disclosure and execution can shift adjustment into operational systems rather than open reprioritization. Strengthening these systems can help protect children without undermining fiscal credibility.

A sustainable fiscal path requires stronger links between borrowing, fiscal risk management, budget execution and service continuity. Better project appraisal, transparent classification of debt and liabilities, predictable financing for recurrent services and disciplined execution can improve both debt sustainability and human capital outcomes. Protecting child-critical services is therefore part of a credible long-term fiscal strategy.

7.8 Conclusion

Institutions, legal rules, fiscal risks and coordination arrangements determine whether financing pressure is absorbed transparently or passed into service delivery through late payments and under-execution. Infrastructure investment, external financing and reforms supported by the IMF and the World Bank can support development, but their effectiveness depends on sound appraisal, management and implementation. Furthermore, debt-management operations may ease refinancing pressure or support new investment, but benefits for children arise only when any fiscal space is linked to predictable financing and measurable results. The final chapter converts these findings into policy and operational recommendations for government, development partners and UNICEF.



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Fiscal pressure negatively impacts children when tighter financing conditions weaken the conversion of public resources into reliable services.

CHAPTER 8

Policy implications and recommendations

Key messages

i. **Fiscal sustainability and investment in children are mutually reinforcing.** Reliable child-critical services strengthen human capital, productivity, resilience and the future revenue base.

ii. **The immediate policy priority must be to protect the conversion of budgets into services.** Predictable cash releases, disciplined execution, reliable social assistance and clearance of service-related arrears can reduce disruption during fiscal consolidation.

iii. **Protection should cover a costed package of child-critical services.** A social spending floor together with child budget tagging should be used to track allocations, releases, expenditure and results across health, nutrition, education, water and sanitation, child protection and social protection.

iv. **Debt and aid policy should support service continuity and long-term human capital.** Better project readiness, greater transparency, proactive ODA transition planning and carefully governed debt-for-development instruments can preserve fiscal space.

v. **Effective implementation requires clear accountability and robust planning.** This chapter's recommendations matrix sets out a clear roadmap to achieving this. It identifies lead institutions, timeframes and expected results, prioritizing immediate actions focused on cash management, payment reliability and execution monitoring.

8.1 Introduction: protecting children during fiscal consolidation

Kenya's fiscal choices will determine whether its young population becomes a demographic dividend or a source of widening human capital deficits. Children make up 41.3 percent of the population, representing about 22 million people. Sustained investment in their health, nutrition, education, protection and wellbeing is therefore central to long-term growth, productivity and social stability.

The country faces a triple fiscal squeeze from rising debt service, declining and less predictable ODA, and weak domestic revenue performance. Together, these pressures are reducing the resources available for child-critical services while demand continues to grow.

Protecting a budget line is not enough if clinics wait for commodities, counties receive transfers late or vulnerable households miss scheduled payments. Fiscal adjustment must preserve the systems that turn approved resources into functioning services. In this report delayed releases, cash rationing, under-execution and payment interruptions emerge as the main channels through which pressure reaches facilities, programmes and households.

Action is required at three interconnected levels. Debt, revenue and aid policy must preserve fiscal space; cash management and budget execution must keep services operating; and social protection, health, nutrition, education, water and sanitation and child protection services must strengthen household resilience and child outcomes.

To sum up, to effectively protect children during fiscal consolidation, the government must:

- Protect predictable cash releases for child-critical services.
- Establish a costed social spending floor.
- Institutionalize child budget tagging and execution monitoring.
- Manage ODA transitions through costed domestic financing plans.
- Strengthen equitable domestic revenue mobilization.
- Use debt-for-development instruments only where additionality, debt sustainability, governance and measurable results are assured.

8.2 How fiscal stress reaches children

Fiscal pressure negatively impacts children when tighter financing conditions weaken the conversion of public resources into reliable services. Chapters 5–7 showed that the principal risks lie beyond the level of approved budgets: they depend on whether ministries, counties and facilities receive funds predictably, execute expenditure efficiently and sustain essential functions in the longer term. The policy response must therefore connect debt and aid management with budget execution and service continuity by protecting timely releases for child-critical programmes, addressing operational bottlenecks and pending obligations, and tracking whether financing reaches clinics, schools, social assistance systems and households.

8.3 Strategic policy direction

Six priorities should guide a child-sensitive fiscal strategy.

1. **Protect child-critical expenditures.**

   Fiscal adjustment should explicitly safeguard investments in health, nutrition, education, child protection, water and sanitation, and social protection through expenditure floors, child budget tagging, statutory reporting requirements, and protected budget lines. Child-focused spending should be visible, monitorable, and insulated from in-year expenditure compression.

2. **Make budget execution a child policy priority.**

   Improving budget execution may have a greater impact on child well-being than increasing allocations alone. Strengthening cash-flow forecasting, improving release predictability, enforcing commitment controls, and monitoring budget execution should become central child-protection measures within fiscal policy.

3. **Rebalance borrowing towards human capital.**

   Fiscal sustainability depends not only on how much government borrows but also on what borrowed resources finance. Debt policy should prioritize investments that improve productivity and well-being, including by investing in health systems; education, nutrition, and social protection programmes; and community resilience.

4. **Manage ODA transitions proactively.**

   Declining aid flows require carefully designed transition strategies for programmes in health, nutrition, social protection, education, and child protection. Domestic financing pathways should be established well before donor support ends.

5. **Strengthen domestic revenue mobilization.**

   Expanding revenue collection remains essential for protecting child investments. Revenue reforms should focus on broadening the tax base, reducing leakages, improving compliance, and increasing efficiency while protecting poor households from regressive tax measures.

6. **Use innovative finance instruments.**

   Debt swaps, blended finance, social bonds, climate finance, sustainability-linked instruments and results-based financing may mobilize additional resources for children, but they do not automatically expand fiscal space. Each instrument should be assessed for additionality, transaction costs, debt-sustainability implications, contingent liabilities and value for money, and supported by transparent governance, protection of existing domestic financing and independently verifiable results.

8.4 Operational actions for government, development partners and UNICEF

The actions below assign practical responsibilities across fiscal policy, debt management, aid transition, budget execution and service delivery. They are designed to strengthen fiscal resilience while keeping essential services reliable and accessible for children.

Table 8.1 Priority recommendations, responsible institutions, implementation measures, timeframes and expected results for children.

Priority action	Accountable lead and support	Implementation measure and milestone	Timeframe and dependency	Expected result for children
1. Protect cash releases for child-critical services	**Lead:** National Treasury. **Support:** sector ministries, county treasuries and Controller of Budget.	Issue a Treasury cash-release framework with quarterly minimum release thresholds for defined child-critical programmes; publish quarterly performance within 30 days of quarter-end. **Milestone:** framework issued and first quarterly report published.	**0–12 months; very high urgency.** Requires agreement on the protected programmes list and reporting template by sector ministries and county governments; implementation remains subject to lawful appropriations and Controller of Budget authorization.	More predictable service financing, fewer interruptions, and timely transfers to vulnerable households.
2. Establish a costed child-critical social spending floor	**Lead:** National Treasury. **Support:** State Department for Children Services, sector ministries, Council of Governors, Parliament and oversight institutions.	Cost and define the minimum package, integrate it into the Budget Policy Statement and annual estimates, and report allocations, releases and expenditure. **Milestone:** approved methodology and floor reflected in the next budget cycle.	**Within 6 months; apply in the next budget cycle; high urgency.** Requires Cabinet endorsement of the policy approach, parliamentary approval through the budget process and intergovernmental agreement where county functions are included.	Priority services remain protected during fiscal consolidation and temporary shocks.
3. Clear service-related arrears and prevent new pending bills	**Lead:** National Treasury is accountable for national arrears; individual county treasuries are accountable for county arrears. **Support:** Controller of Budget, Office of the Auditor-General and procuring entities.	Verify and age service-related arrears, publish a prioritized clearance plan, and enforce commitment controls. **Milestone:** verified stock and funded clearance schedule published, with quarterly reporting on new pending bills.	**0–18 months; high urgency.** County implementation requires executive action and county assembly appropriation; national clearance requires provision in approved estimates or supplementary budgets.	Improved supply continuity, provider confidence and frontline readiness.

Priority action	Accountable lead and support	Implementation measure and milestone	Timeframe and dependency	Expected result for children
4. Protect and modernize social assistance payment systems	**Lead:** State Department for Social Protection and Senior Citizen Affairs. **Support:** National Treasury, State Department for Children Services, National Drought Management Authority, and payment service providers.	Publish an annual payment schedule, complete monthly payment reconciliation, and establish a protocol for failed or delayed payments. **Milestone:** at least 95 percent of scheduled payments made within the published payment window and unresolved failures reported monthly.	**0–12 months and ongoing; very high urgency.** Timely payments depend on National Treasury cash releases, interoperability of beneficiary and payment systems, data-protection controls and provider service agreements.	Timely and reliable support protects food consumption, healthcare and school participation.
5. Institutionalize child budget tagging and execution monitoring	**Lead:** National Treasury. **Support:** sector ministries, Council of Governors, Controller of Budget, KNBS, Parliament and UNICEF.	Approve a child-budget taxonomy; configure it in budget and financial management systems; and publish an annual child budget statement and quarterly dashboard. **Milestone:** methodology approved, piloted in selected ministries and counties, and system requirements adopted.	**1–2 years; high urgency.** Requires intergovernmental agreement on taxonomy, changes to budget and Integrated Financial Management Information System (IFMIS) classifications, user testing and Treasury circulars; legislative reporting provisions may be required for full institutionalization.	Decision makers identify execution risks early and hold institutions accountable for child-related spending.
6. Manage ODA transitions through costed domestic financing plans	**Lead:** National Treasury. **Support:** responsible sector ministries, county governments, development partners and UNICEF.	Map externally financed functions and recurrent costs, assign takeover responsibilities and agree annual domestic financing milestones. **Milestone:** transition plans completed for priority health, nutrition, education and social protection programmes at least 12 months before major partner financing ends.	**6–24 months; high urgency.** Sector commitments require inclusion in the Medium-Term Expenditure Framework (MTEF) and annual budgets; devolved functions require agreement with affected counties and development partners.	Essential programmes continue without abrupt coverage or service gaps.

Priority action	Accountable lead and support	Implementation measure and milestone	Timeframe and dependency	Expected result for children
7. Improve debt quality, transparency and project readiness	**Lead:** Public Debt Management Office. **Support:** National Treasury budget and public investment functions, implementing ministries, Parliament and the Office of the Auditor-General.	Apply a readiness gate before new borrowing and publish comprehensive information on debt and fiscal risk. **Milestone:** all proposed externally financed projects demonstrate completed appraisal, procurement planning, counterpart-financing provision and implementation readiness before contracting.	**Immediate and ongoing; high urgency.** Contracting remains subject to the statutory borrowing framework, Cabinet and parliamentary processes where applicable, and compliance of implementing agencies with the public investment and procurement systems.	Avoidable financing costs preserve fiscal space for essential services and human capital investment.
8. Rebalance borrowing towards high-return human capital investment	Lead: National Treasury. Support: Public Debt Management Office, sector ministries, counties and development finance partners.	Develop criteria and a pipeline for finance-ready human capital investments, including recurrent costs and results plans. **Milestone:** criteria approved and at least three qualifying investments included in the Medium-Term Debt Management Strategy and annual borrowing plan.	**1–3 years; medium urgency.** Requires Cabinet approval of policy priorities, consistency with debt-sustainability limits, and parliamentary approval of the associated budget and borrowing envelope; county projects require intergovernmental agreement.	Borrowing contributes more directly to productivity, service resilience and long-term fiscal capacity.
9. Strengthen equitable domestic revenue mobilization	**Lead:** National Treasury. **Support:** Kenya Revenue Authority, Parliament, KNBS and policy research institutions.	Prepare costed tax expenditure reporting, compliance measures, and distributional analysis of major proposals affecting households with children. **Milestone:** annual tax expenditure statement and child-sensitive distributional assessment submitted with the Finance Bill and budget.	**1–3 years; high urgency.** Tax policy changes require Cabinet approval and enactment by Parliament; the Kenya Revenue Authority (KRA) is accountable for tax administration and collection after the legal measures are approved.	More sustainable financing is mobilized without increasing poverty or weakening household welfare.

Priority action	Accountable lead and support	Implementation measure and milestone	Timeframe and dependency	Expected result for children
10. Strengthen parliamentary, audit and public oversight	**Lead:** Parliament through the Budget and Appropriations Committee. **Support:** Parliamentary Budget Office, Public Debt and Privatization Committee, Office of the Auditor-General, Controller of Budget, civil society and youth networks.	Institutionalize an annual child-sensitive fiscal and debt review and track implementation of recommendations. **Milestone:** one consolidated oversight report and public hearing completed each financial year, with a six-month follow-up matrix.	**Immediate and ongoing; medium urgency.** Requires adoption within parliamentary committee workplans and standing procedures; independent offices retain their constitutional reporting and audit mandates.	Greater transparency improves accountability for fiscal and debt decisions that affect services for children.
11. Develop carefully governed debt-for-development instruments	**Lead:** Public Debt Management Office. **Support:** National Treasury, relevant creditors, sector ministries, counties, UNICEF and independent monitoring bodies.	Apply a published screening framework covering additionality, debt sustainability, transaction costs, contingent liabilities, governance and measurable results. **Milestone:** no instrument advances beyond concept stage without an approved appraisal, baseline, financial additionality test and independent monitoring plan.	**1–3 years; medium urgency.** Any transaction requires National Treasury and creditor agreement, debt-sustainability clearance, legal review and the applicable Cabinet, parliamentary and sector approvals; county investments require intergovernmental agreement.	Debt-service savings generate measurable additional investment instead of displacing existing child-sector budgets.
12. Strengthen evidence, monitoring and technical support	**Lead:** National Treasury. **Support:** KNBS, sector ministries, Controller of Budget, county governments, UNICEF, development partners and research institutions.	Maintain a child-focused fiscal tracking dashboard linking allocations, releases, expenditure and service indicators, and undertake annual expenditure and incidence reviews. **Milestone:** dashboard operational with quarterly updates and an annual analytical report used in the budget review process.	**0–3 years; high urgency.** Requires data-sharing agreements; common indicator definitions; integration across National Treasury, sector and county systems; and compliance with statistical and data-protection standards.	Faster identification of risks supports timely correction and more evidence-based fiscal decisions.

Which actions, when?

The timelines for the actions in the above framework vary. However, all actions are key to success and implementation should start as soon as possible.

Immediate priorities

- Stronger cash management
- Predictable releases
- Reliable social assistance payments
- Child budget tagging
- Cost transition plans for externally financed programmes

Medium-term priorities

- Improved debt management
- Domestic revenue mobilization
- Fiscal transparency
- Carefully governed innovative financing

Long-term reform should institutionalize child-responsive fiscal safeguards that protect essential services during future adjustment.

8.5 Conclusion

The report's central message is that there is a worrying gap between approved budgets and services delivered. This gap requires urgent attention. Rising debt service, declining external financing and weak revenue performance are narrowing fiscal space. This creates risks for children when clinics lack operating funds, procurement stalls, county transfers and social assistance payments are delayed, and frontline programmes cannot maintain regular coverage.

Fiscal sustainability and investment in children must therefore advance together. Disciplined cash management, better debt quality and transparency, stronger domestic revenue mobilization, reliable social assistance and proactive aid transition are essential to protect child-critical services. This, in turn, will strengthen human capital, productivity, and resilience, benefiting Kenya's economy and its people.

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Annex 1: Key Informants Consulted

Table A.1. **Key informants consulted by reporting unit and respondent role, 2026.**

No.	Reporting unit	Respondent
1	Busia	County Director, Social Protection and Children Services
2	Busia	National State Department of Children Services, County Representative
3	Embu	Social Workers, Children Services Department
4	Embu	County Director, Budget
5	Embu	County Director, Nutrition
6	Embu	National State Department of Children Services, County Representative
7	Garissa	County Director, Budget
8	Garissa	County Director, Health
9	Garissa	County Director, Social Protection/Social Services
10	Garissa	National State Department of Children Services, County Representative
11	Homa Bay	County Director, Budget/Economic Planning and Budget
12	Homa Bay	County Director, Health
13	Homa Bay	County Director, Social Protection and Child Welfare
14	Homa Bay	National State Department of Children, County Representative
15	Kilifi	County Director, Budget
16	Kilifi	National State Department of Children Services, County Representative
17	Mandera	County Director, Budget
18	Mandera	County Director, Health
19	Mandera	County Director, Social Protection
20	Mandera	National State Department of Children Services, County Representative
21	Nairobi	County Director, Health
22	Turkana	County Director, Budget
23	Turkana	County Director, Health
24	Turkana	County Deputy Director, Social Protection and Children Services
25	Turkana	National State Department of Children Services, County Representative
26	Bajeti Hub	Deputy Executive Director
27	FCDO	British High Commission/FCDO advisers: Social Development, Economic, and Humanitarian/Resilience/Inclusion

No.	Reporting unit	Respondent
28	IMF	IMF Representative Kenya and Economist
29	KIPPRA	Social Policy Expert
30	KNBS	KNBS Statistics Department
31	NSPS	Director, National Social Protection Secretariat
32	PBO	Parliamentary Budget Office Economist
33	Controller of Budget	Director
34	OAG	Director, Performance Audit
35	State Department of Children services	Director, State Department for Social Protection and Senior Citizen Affairs
36	World Bank	World Bank Economist, Kenya Office
37	National Treasury	Director General, PDMO/Resource Mobilization
38	UNICEF	Chief of Social Policy, Social Protection

Source: Study consultation records.



The National Treasury



Ministry of Gender, Culture and Children Services
State Department
for Children Services

unicef
for every child