Foreign News

MPs warn Sh4.8t budget could overburden Kenyans with debt

The lawmakers note that the escalating Middle East conflict involving the US, Israel, and Iran has disrupted global supply chains, and skyrocketing fuel costs are hitting Kenya's revenue streams hard.

BY DAVID MWERE

Members of Parliament (MPs) have called for a reality check on the government's proposed KSh4.82 trillion (Shs138.81 trillion) budget for the fiscal year 2026/2027, warning that the current uncertainty in the Middle East and soaring fuel prices make financing the ambitious expenditure plan unsustainable.

Members of the National Assembly Committee on Finance and National Planning noted that failure to scale down the budget will throw Kenyans under the weight of enhanced borrowing.

They noted that the escalating Middle East conflict involving the US, Israel, and Iran has disrupted global supply chains, and skyrocketing fuel costs are hitting Kenya's revenue streams hard.

The MPs expressed their apprehension during a hearing of budget estimates for the National Treasury.

The legislators' doubts, amid the KSh1.11 trillion (Shs31.96 trillion) budget deficit and the soaring public debt repayment obligations, among others, are proving a hard nut for the government to crack.

Already, the National Treasury has revealed that it has scaled down its economic growth forecast for the 2026/27 period from 5.3 percent, before the Middle-East tension, to 4.8 percent after the Gulf situation showed no signs of easing.

"It is possible to have a budget that reacts to the reality of life," said Molo MP Kuria Kimani, who chairs the committee.

Details from the Central Bank of Kenya (CBK) show that the country's public debt is almost crossing the KSh13 trillion mark (Shs374.37 trillion), driven by increased borrowing, largely from the local market, to plug budget deficits caused by revenue shortfalls.

Butula MP Joseph Oyula, a former financial secretary at the National Treasury before briefly serving as acting Permanent Secretary in May 2004, also weighed in.

"The National Treasury has no choice but to relook into the budget," Mr Oyula said.

"The situation in the country is gloomy. We cannot pretend by being as usual," the Butula MP added.

The Strait of Hormuz, a key transit point that transits 20 percent to 25 percent of the world's fuel supply, is experiencing an acute crisis with shipping traffic reduced to a trickle following its blockade following the war.

The blockade, which has forced oil prices to skyrocket, was a response to the US-Israel military action prompted by the killing of Iran's supreme leader, Ayatollah Ali Khamenei, on February 28, 2026.

The country's planned expenditure in the next financial year is an increase compared to the Sh4.6 trillion (Shs132.47 trillion) budgeted for the current fiscal year and exceeds the Budget Policy Statement (BPS) expenditure projections as approved by the National Assembly in March this year, by KSh64 billion (Shs1.84 trillion).

The government's 2026/2027 expenditure plans are premised on revenue projections of Sh3.63 trillion (Shs104.53 trillion) in ordinary revenue and KSh644 billion (Shs18.54 trillion) in Appropriation in Aid (AiA).

This leaves a fiscal deficit of KSh1.11 trillion (Shs31.96 trillion), about 5.3 percent of the GDP, to be financed in a borrowing mix of KShs995.7 billion (Shs28.67 trillion) in local borrowing and KSh145.6 billion (Shs4.19 trillion) in external borrowing.

Details from the National Treasury and Central Bank of Kenya (CBK) reveal that in the last 13 years, the Kenya Revenue Authority (KRA) has never hit the right targets in terms of revenue mobilisation.

Mr Oyula and his Homabay Town colleague Peter Kaluma noted that KRA is unlikely to meet the revenue targets this year and the next fiscal period, "given the global economic shocks that have affected Kenya.

He added that the "National Treasury needs to come up with a budget proposal, which the country can manage".

Mr Kaluma noted that KRA targets are never met, "and certainly not in the foreseeable future". "I don't understand this ambitious expenditure plan," said Mr Kaluma.

In the next financial year, KRA has been allocated KSh37 billion (Shs1.06 trillion) against a resource requirement of KSh50.6 billion (Shs1.45 trillion) that was submitted to the National Treasury.

Youth demonstrate against the government's proposed tax hikes in Nairo-

PUBLIC DEBT

Details from the Central Bank of Kenya (CBK) show that the country's public debt is almost crossing the KSh13 trillion mark (Shs374.37 trillion), driven by increased borrowing, largely from the local market, to plug budget deficits caused by revenue shortfalls.
Butula MP Joseph Oyula, a former financial secretary at the National Treasury before briefly serving as acting Permanent Secretary in May 2004, also weighed in, saying the "National Treasury has no choice but to relook into the budget".

Iran US play down h