FY 24/25 Budget Performance

Exchequer releases April 2025

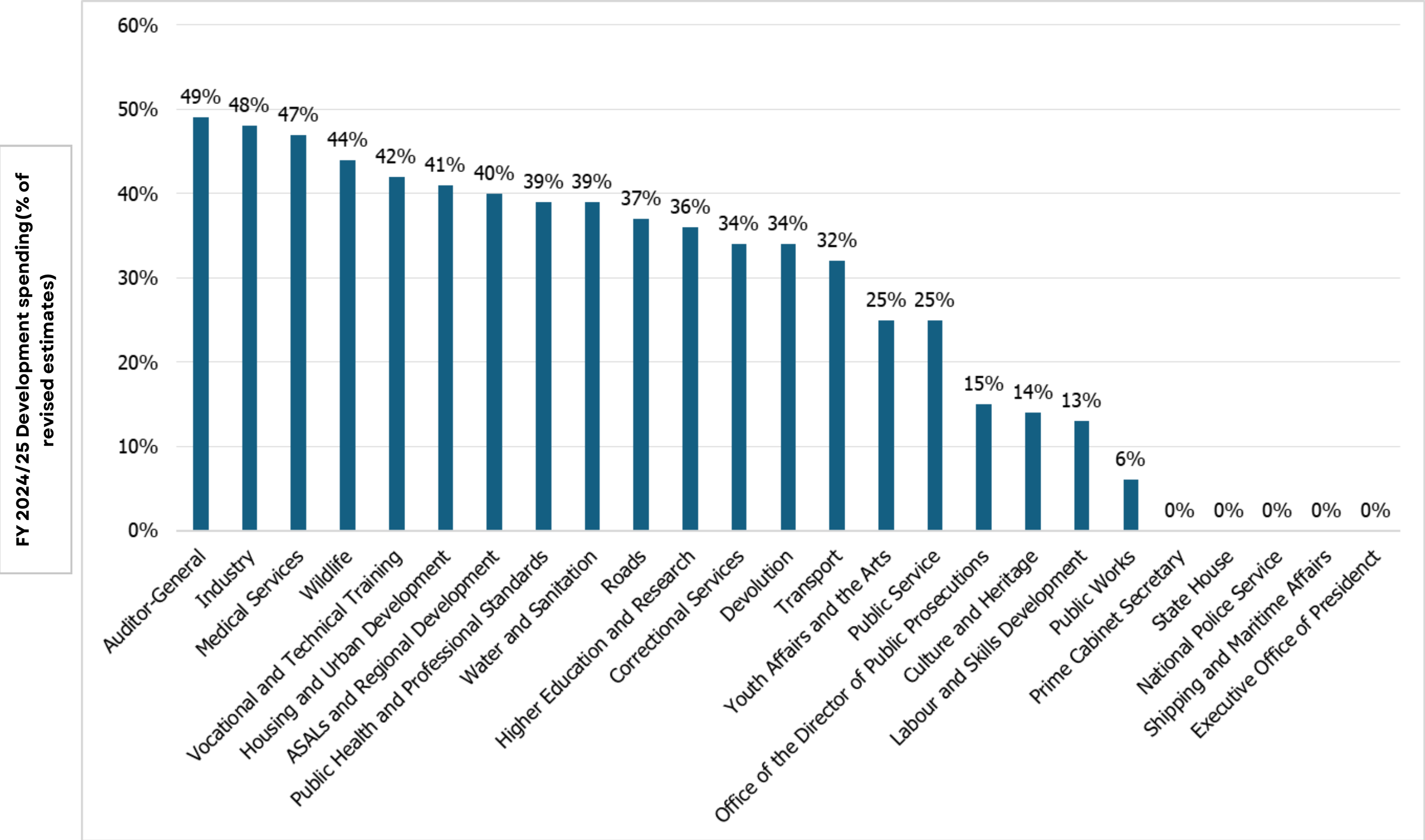
By April, two months to the end of the FY 2024/25, Kenya recorded a modest 3 percent growth in tax revenues. This was achieved despite the rejection of the 2024 Finance Bill, which had been predicted to weaken revenue collection.

- **Supplementary 1 Budget responded to public outrage over the Finance Bill 2024. Taxes and spending were reduced but borrowing went up.**
- **The government took a less austere approach in Supplementary 2. Borrowing increased significantly in S2 compared to S1. Recurrent and Consolidated Fund spending also went up, but less sharply.**
- **The government has continued to make in-year upward revisions in expenditures even as it lowers its projections for tax revenue collection. Tax targets for the current FY were cut by 10 percent in S1 and a further 3 percent in S2, down to Ksh 2,400.7 billion from the original Ksh 2,745.2 billion.**
- **By end of April, the government had collected 75 percent of the revised target.**

	FY 2024/25 Supplementary 1 Estimates (Ksh Billion)		FY 2024/25 Supplementary 2 Estimates(Ksh Billion)		Actual Receipts by end of April 2025(Percent of revised estimates)
Tax revenue	2,475.0	-10%	2,400.7	-3%	**75%**
Non-tax revenue	156.4	-9%	180.2	15%	**77%**
Domestic Borrowing	978.3	18%	1,167.0	19%	**72%**
External Borrowing	593.5	4%	718.4	21%	**45%**
Other Domestic Financing	4.7	0%	8.5	82%	**52%**
Recurrent Spending(MDAs)	1,307.9	-3%	1,412.7	8%	**79%**
Development Spending(MDAs)	351.3	-23%	354.9	1%	**54%**
Total Consolidated Fund Services(CFS) (A+B+C)	2,137.8	1%	2,289.0	7%	**62%**
Debt repayment (A)	1,910.5	0%	2,042.1	7%	**61%**
Pension and Gratuities (B)	223.1	12%	223.1	0%	**61%**
Salaries & allowances to constitutional officeholders and miscellaneous (C)	4.2	0%	23.8	466%	**97%**
Counties-Equitable share + Arrears (Ksh 30.8 billion)	410.8	3%	418.3	2%	**72%**

KEY HIGHLIGHT

- **Out of 50 Ministries, Departments, and Agencies (MDAs) with development budget allocations, 20 have received less than 50 percent of their allocated funds with just two months remaining in the financial year, and 5 MDAs have not received any development funding at all.**



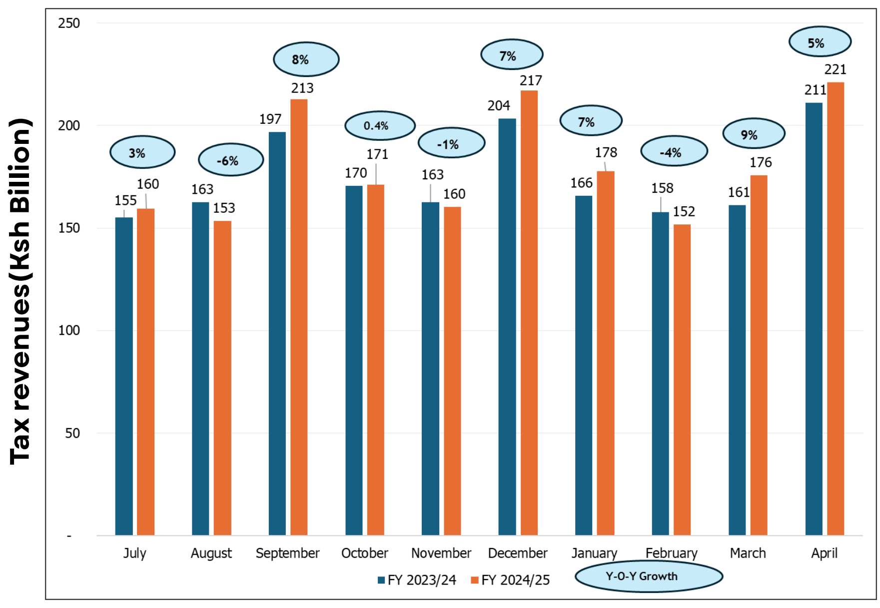
Programmes affected include:

1. Curative & Reproductive Maternal New Born Child Adolescent Health RMNCAH
2. National Referral & Specialized Services
3. Preventive and Promotive Health Services
4. Road Transport
5. Water and Sewerage Infrastructure Development
6. University Education, among others

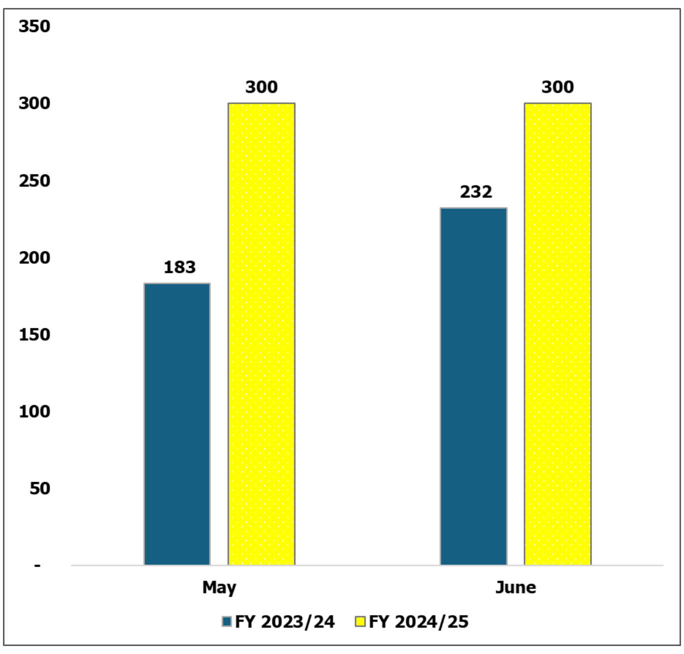
THE GOOD

1. Revenues have been revised downwards to a more realistic target but GOK had only met 75 percent of this target by end of April 2025

Tax revenues grew in FY 2024/25 compared to last year in the same period with notable peaks in September, December, and April



However, to meet the annual target this year, the government must collect Ksh 300 billion each month in May and June

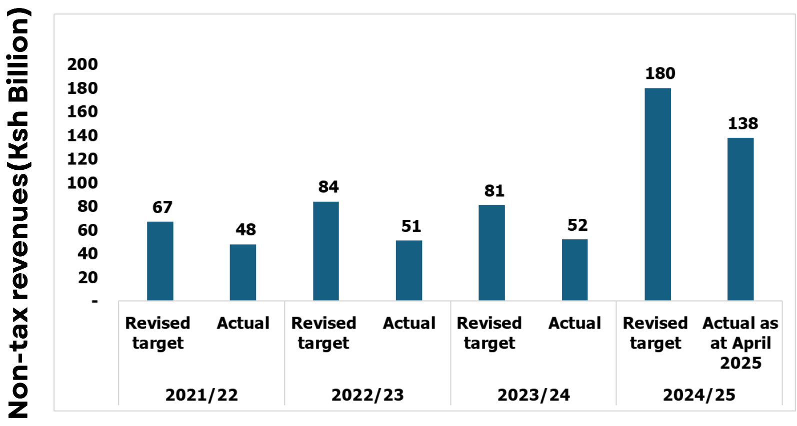


FY 2024/25:May & June is amount required to meet FY target
FY 2023/24 are actual collections last year

- **Tax revenues collected in April 2025 amounted to Ksh 221 billion, which was 5 percent higher than what was collected in April 2024.**
- **Tax revenues also grew by 26 percent compared to March 2025.**
- **To meet the revised revenue target of Ksh 2.4 trillion, the government must collect a total of Ksh 600 billion in May and June, putting pressure on tax performance in the last two months.**
- **However, meeting this target is unlikely as monthly tax collections have averaged Ksh 180 billion so far, even though June is likely to see higher revenues due to quarterly tax payments and increased business filings. Last year, collections averaged 208 billion in May and June.**

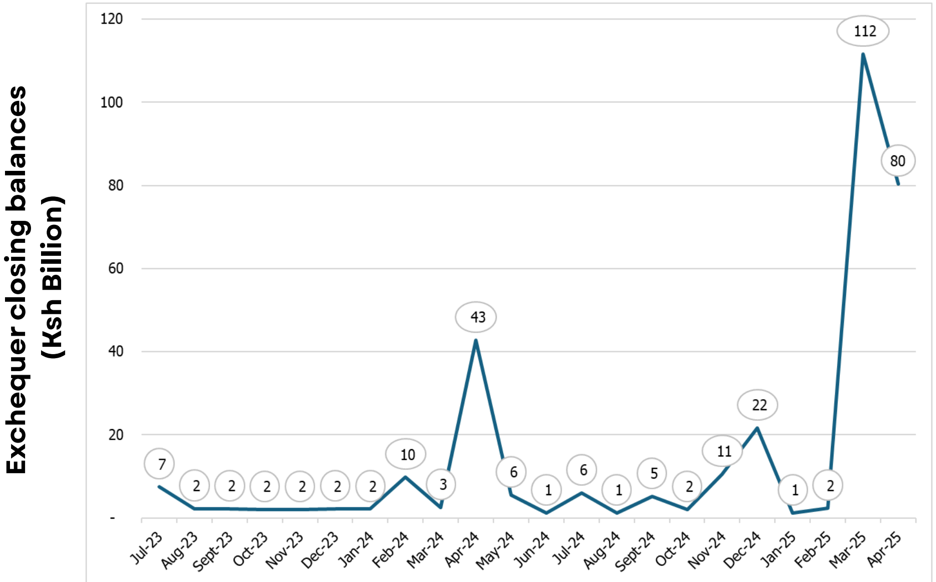
Non-tax revenues

- **The government now targets to collect Ksh 180 billion from non-tax revenues, marking significant growth this year.**
- **This comes despite scrapping the Ksh 300 fee for first-time ID registration in March, a move expected to reduce collections by around Ksh 240 million.**
- **Non-tax revenues have been performing well as a result of the government implementing the use of a single paybill, which has enhanced efficient collection of public service fees.**
- **However, to meet the annual target, monthly collections must rise from an average of Ksh 14 billion(first ten months) to Ksh 21 billion in the last two months.**



2. Exchequer closing balance increased significantly from Ksh 2 billion as at end of February 2025 to Ksh 112 billion as at end of March 2025 before reducing to Ksh 80 billion in April

- **This was driven by an amount of Ksh 110 billion being proceeds from Eurobond issuance. The government issued a USD 1.5 billion bond in February 2025 to ease liquidity challenges.**

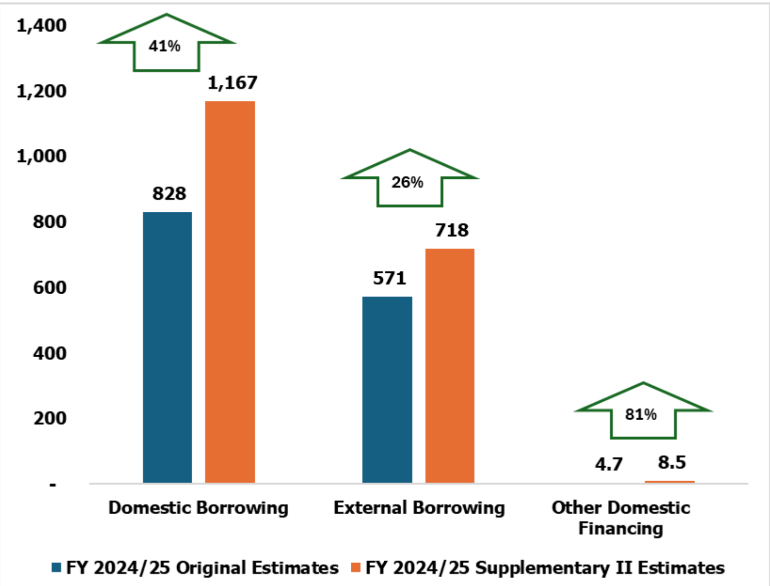


THE BAD

1. Borrowing targets have been revised upwards significantly in the second supplementary budget which will lead to continued accumulation of debt

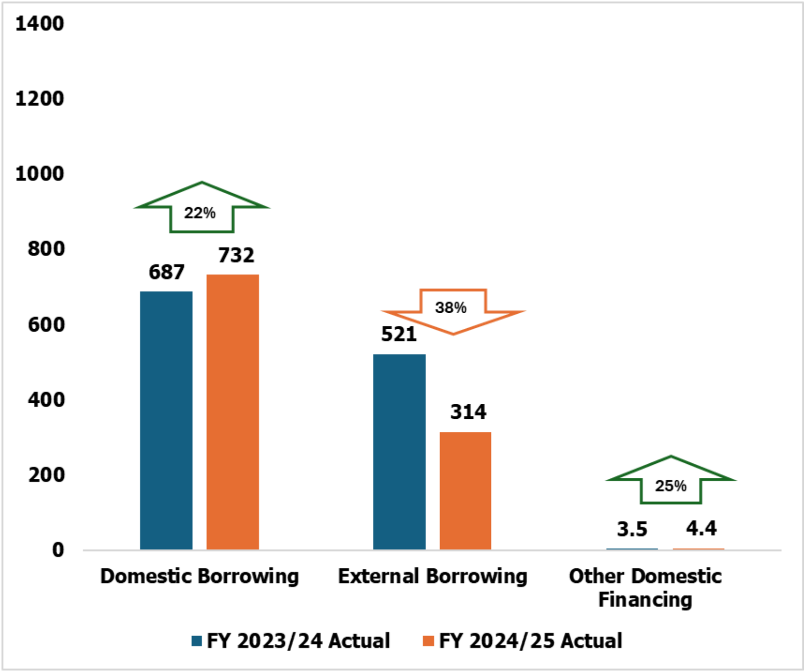
- **Since the fiscal deficit target for FY 2024/25 increased(more spending even with expected revenue shortfall), the domestic and external borrowing had to be revised upwards. Both are targeted to increase by 41 percent and 26 percent respectively, compared to the original estimates.**
- **The government will now rely heavily on overdrafts from the Central Bank of Kenya, known as "other domestic financing" in government documents (and known usually as debt monetization). The new target for other domestic financing is Ksh 8.5 billion, reflecting an 81 percent growth from the original target of Ksh 4.7 billion.**

Original vs revised target (Ksh Billion)

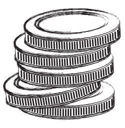


By April, domestic borrowing and other domestic financing had increased by 22 percent and 25 percent respectively, compared to the previous year, while external borrowing reduced by 38 percent.

Actual Performance Y-O-Y (Ksh Billion)

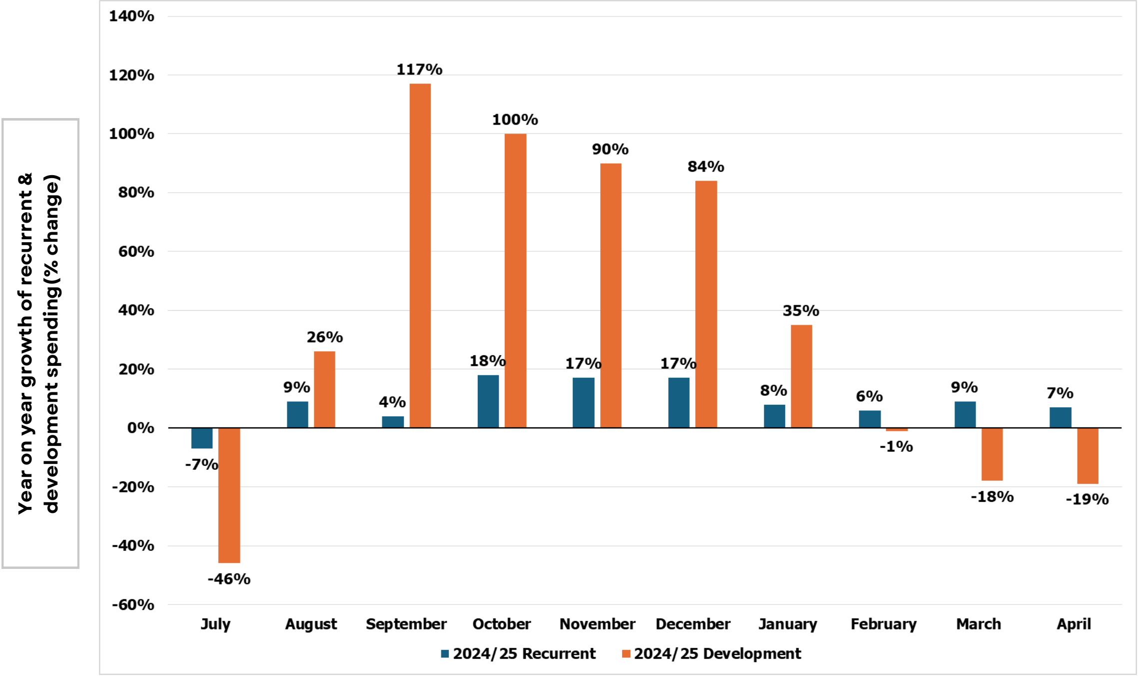


2. The recurrent spending target has been revised upwards while the development spending target remains low



- **By April, Ministries, Departments, and Agencies'(MDAs) recurrent spending grew by 7 percent compared to the same period last year, reaching Ksh 1,123 billion, which was 79 percent of the revised target of Ksh 1,413 billion.**
- **On the other hand, development spending lagged behind at 54 percent of the revised estimates, dropping by 19 percent compared to the same period last year.**

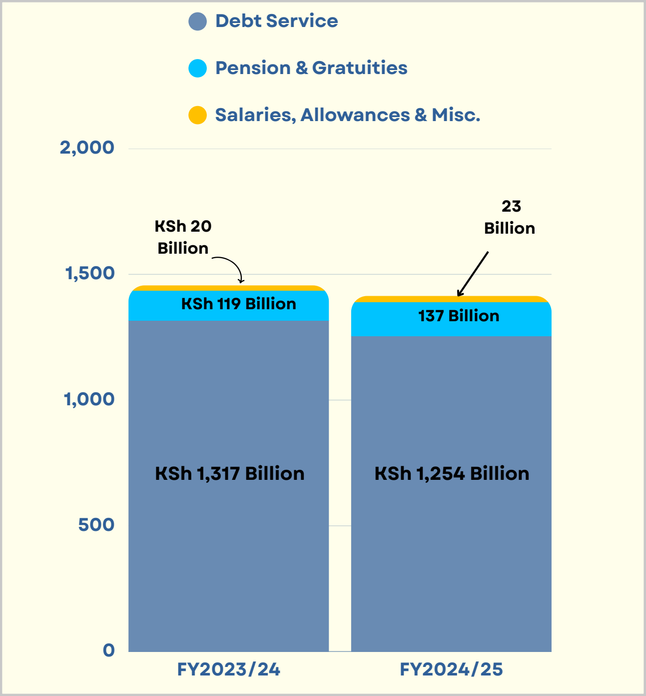
Recurrent spending peaked in October to December before dipping again. Development spending was erratic–low early on, spiking in September, then declining sharply from February.



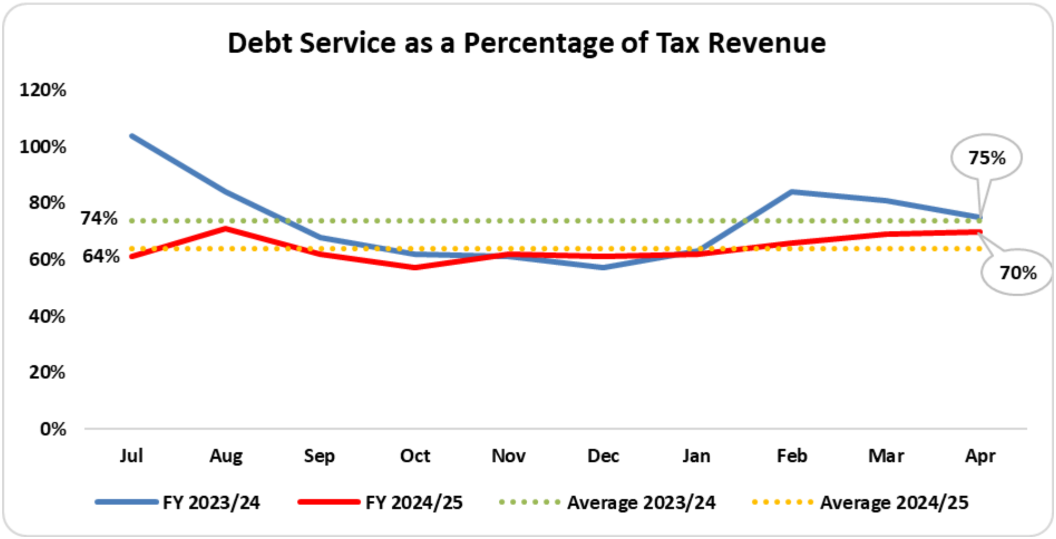
Although the Consolidated Fund expenditure target for FY 2024/25 was significantly increased in Supplementary 2, actual spending by April 2025 shows a slight 3 percent decline compared to the same period last year, primarily due to reduced debt repayments in the current year.

- **By April 2025, debt service was far below target at Ksh 1,254 billion which was 61 percent of the revised target of Ksh 2,042 billion. A total of Ksh 788 billion remains to be repaid before the end of the financial year. The government has attributed the lower debt service to the appreciation of the Kenyan Shilling during the year, which helped reduce debt service costs.**

- **Payments for Pensions & Gratuities from the Consolidated Fund have improved by 15 percent compared to last year, while Salaries & Allowances to constitutional officeholders and Miscellaneous increased by 14 percent compared to last year same period.**



- **Although debt service has dropped, it continues to draw away a significant share of financing from other government spending. During the period under review, debt service reduced from 75 percent of tax revenue in April 2024 to 70 percent in April 2025. Only 30 percent of tax revenue was left for the rest of the government spending, both recurrent and development.**



4. Counties will not receive their money in time to spend it

- **By April, FY 2024/25 disbursements to counties were at 64 percent of the revised budget(calculation excludes balance of Ksh 30.8 billion carried forward from the previous year). This compares poorly to the same period last year, when the government had disbursed 67 percent of the annual target.**

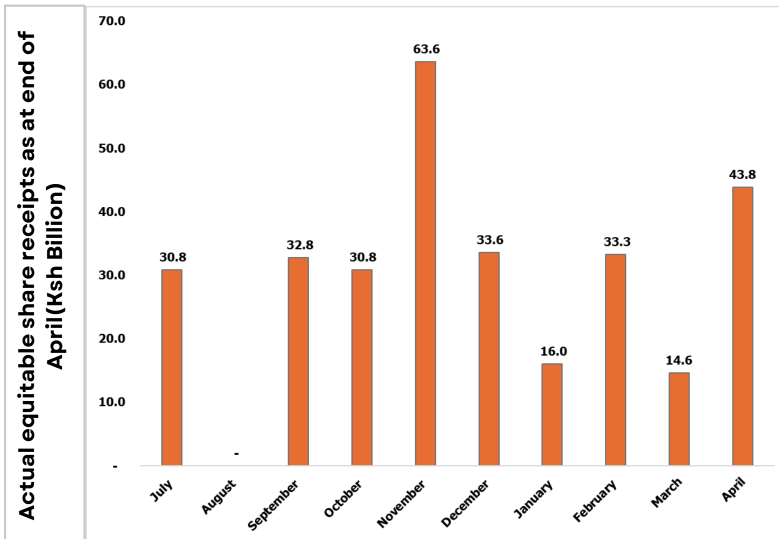
- **Given that last year, the government still fell short of the annual target at the end of the year by 8 percent, it is unlikely to meet this year's annual target.**

- **With only two months left in the financial year, counties are yet to receive Ksh 119 billion. To meet this target, the National Treasury would need to disburse about Ksh 60 billion each month in May and June.**

- **County disbursements have been erratic, some months saw double the usual funding, while others had significantly less or none at all.**

- **There is a variation in how much of their expected funds different counties had actually received, with some counties getting more than others. Out of the 47 county governments, 31 counties received 69 percent, whereas 16 counties received 76 percent of their allocations by the end of April.**

Counties had received Ksh 269 billion by April 2025 (excluding balance of Ksh 30.8 billion from last year disbursed in July)



Source: Kenya Gazette(Vol. CXXVII-No. 101)