IPF
INSTITUTE OF PUBLIC FINANCE

FY 24/25 Budget Performance

Exchequer releases March 2025

By March, three 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.**

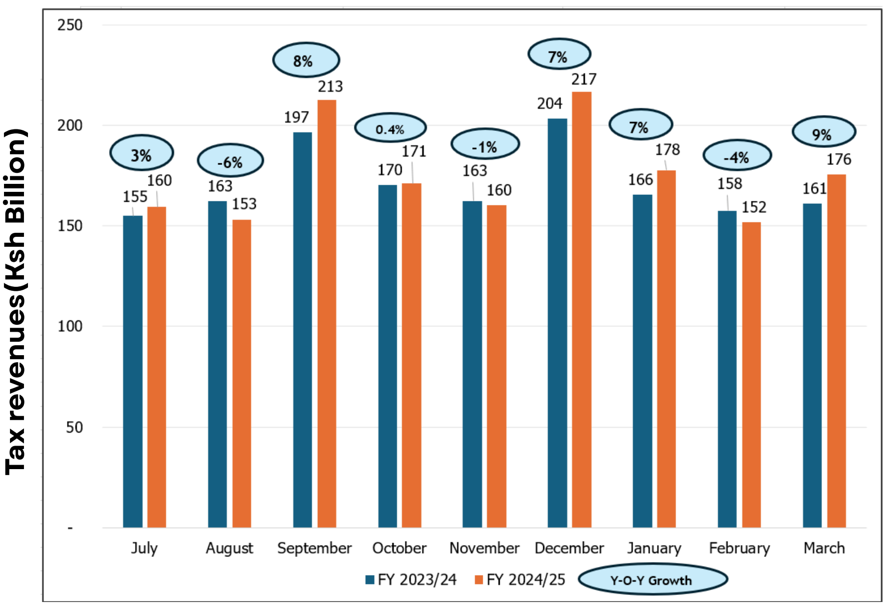
- **The government has continued to make in-year upward revisions in expenditures even as it lowers its projections for tax revenue collection. Tax targets for the current FY were cut by 10% in S1 and a further 3% in S2, down to Ksh 2,400.7 billion from the original Ksh 2,745.2 billion.**

	FY 2024/25 Original Estimates (Ksh Billion)	FY 2024/25 Supplementary 1 Estimates (Ksh Billion)		FY 2024/25 Supplementary 2 Estimates(Ksh Billion)	
Tax revenue	2,745.2	2,475.0	-10%	2,400.7	-3%
Non-tax revenue	172.0	156.4	-9%	180.2	15%
Domestic Borrowing	828.4	978.3	18%	1,167.0	19%
External Borrowing	571.2	593.5	4%	718.4	21%
Other Domestic Financing	4.7	4.7	0%	8.5	82%
Recurrent Spending(MDAs)	1,348.4	1,307.9	-3%	1,412.7	8%
Development Spending(MDAs)	458.9	351.3	-23%	354.9	1%
Total Consolidated Fund Services(CFS) (A+B+C)	2,114.1	2,137.8	1%	2,289.0	7%
Debt repayment (A)	1,910.5	1,910.5	0%	2,042.1	7%
Pension and Gratuities (B)	199.4	223.1	12%	223.1	0%
Salaries & allowances to constitutional officeholders and miscellaneous (C)	4.2	4.2	0%	23.8	466%
Counties- Equitable share + Arrears (Ksh 30.8 billion)	400.1	410.8	3%	418.3	2%

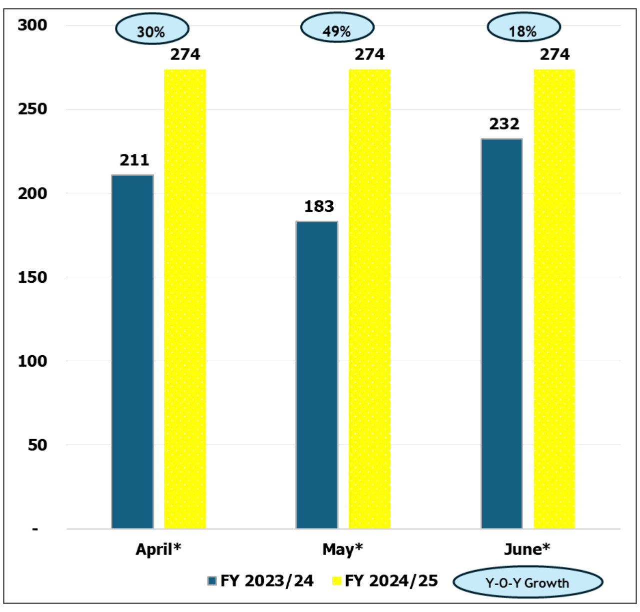
THE GOOD

1. Revenues have been revised downwards to a more realistic target but it is still unlikely that this new target will be met

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



To meet the annual target this year, the government would need to collect an average of Ksh 274 billion in April, May and June



FY 2024/25: April, May & June are estimates
FY 2023/24 are actual collections

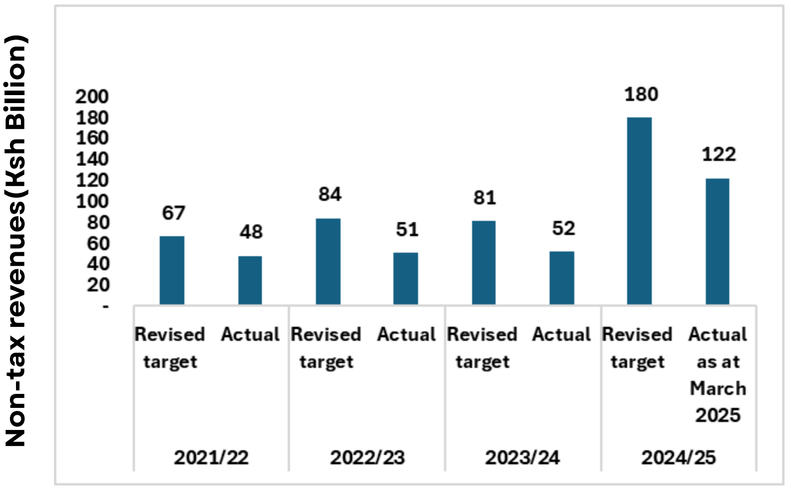
- **Tax revenues collected in March 2025 amounted to Ksh 176 billion, which was 9% higher than what was collected in March 2024. This is the highest year-on-year growth recorded for any single month in the current fiscal year (so far).**

- **Tax revenues also grew by 16 percent compared to February 2025.**

- **To meet the revised revenue target of Ksh 2.4 trillion, the government must collect Ksh 821 billion in the final quarter, putting pressure on tax performance in the last three months.**

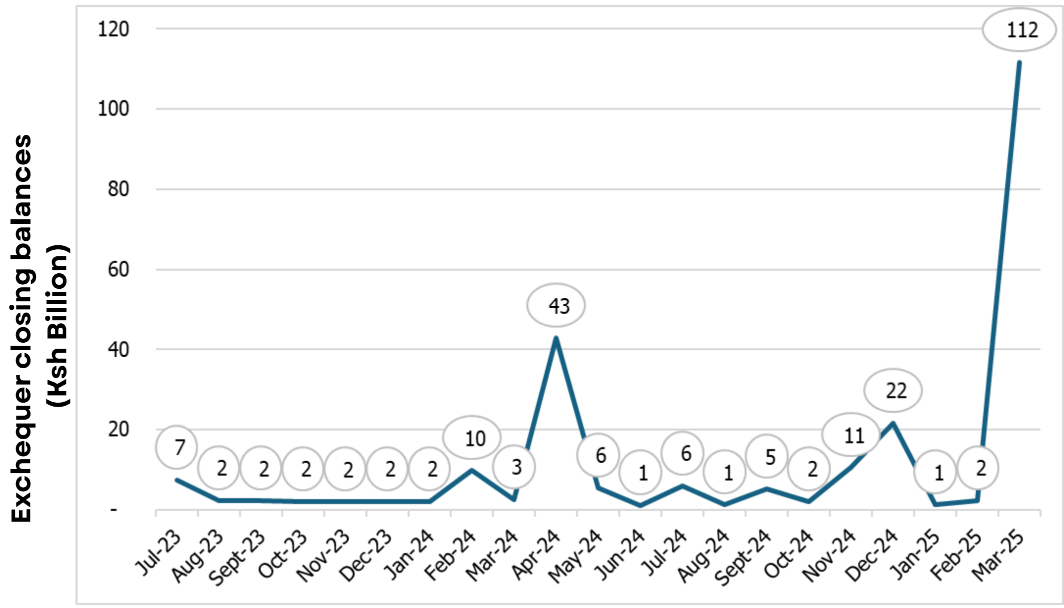
- **However, meeting this target is unlikely as monthly tax collections have averaged Ksh 176 billion so far, even though April and June usually see higher revenues due to quarterly tax payments and increased business filings. Last year, collections averaged 209 billion in the last quarter. This year the government will have to collect Ksh 274 billion each month on average(April-June) to meet the annual target.**

- **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 revenue target saw a dramatic turnaround from a drop of 9 percent in Supplementary 1 to a 15 percent increase in Supplementary 2.**
- **To meet the annual target, monthly collections must rise from an average of Ksh 14 billion(first nine months) to Ksh 19 billion in the final quarter.**



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.

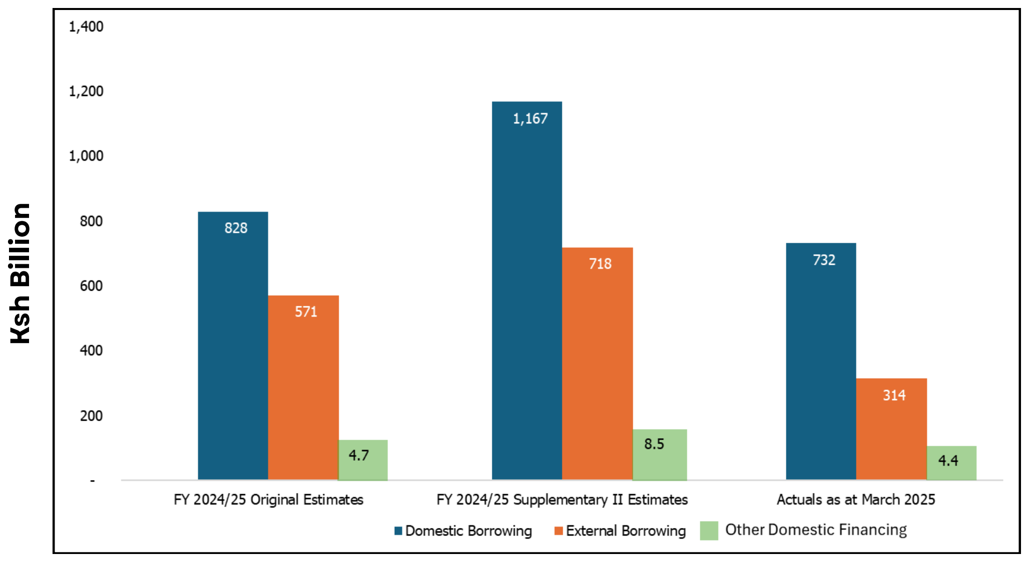
- **This was driven by an amount of Ksh 110 billion being proceeds from Eurobond issuance. The government issued a USD 1.5 billion bond in February 2025**



THE BAD

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

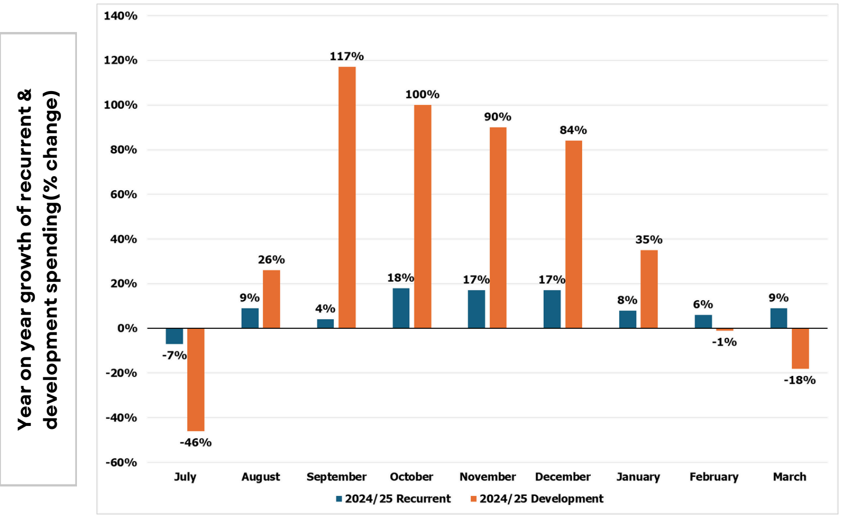
- **Since the fiscal deficit target for FY 2024/25 increased(more spending even with expected revenue shortfall), the domestic and external borrowing had to be revised upwards. Both are targeted to increase by 41 percent and 26 percent respectively, compared to the original estimates.**
- **The government 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.**



2. The recurrent spending target has been revised upwards while the development spending target remains low in the remaining 3 months of FY 2024/25

- **Ministries, Departments, and Agencies'(MDAs) recurrent spending grew by 9 percent compared to the same period last year, reaching Ksh 992 billion, which was 70 percent of the revised target of Ksh 1,413 billion.**
- **On the other hand, development spending lagged behind at 48 percent of the revised estimates, dropping by 18 percent compared to the same period last year.**

Recurrent spending stayed fairly stable while development spending was low at the start, shot up mid-year, then began to slow down by February

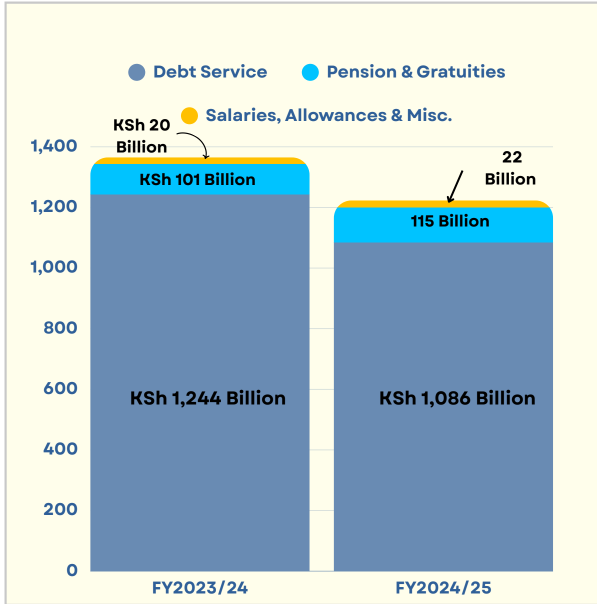


3. The Consolidated Fund expenditure target has been increased significantly mainly driven by debt repayment and Salaries & Allowances to constitutional officeholders and Miscellaneous

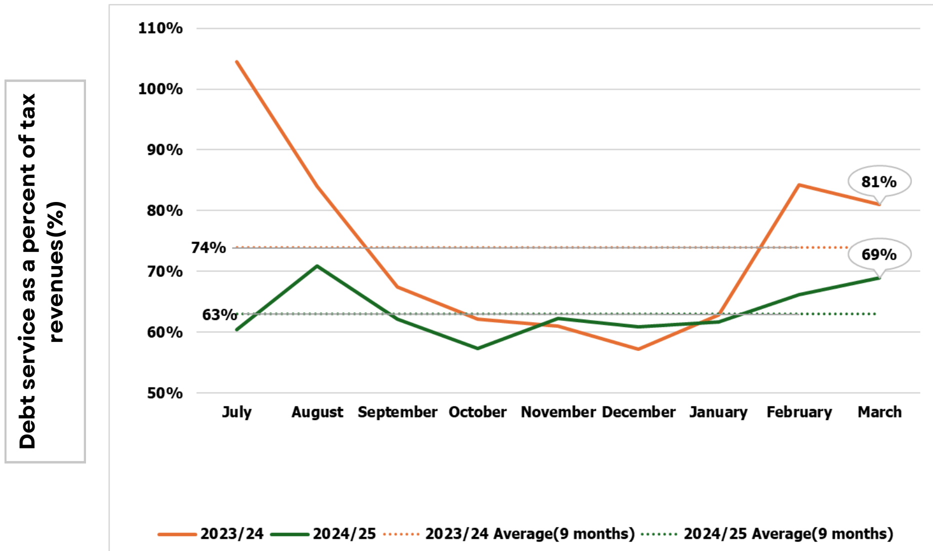
- **Debt service is expected to reach Ksh 2,042 billion, up by Ksh 132 billion from Ksh 1,910 billion. By March 2025, it was far below target at Ksh 1,086 billion which was 53 percent of the revised target. Ksh 956 billion remains to be repaid between April-June. Can the government clear the Ksh 956 billion debt service gap within the remaining three months of the financial year?**

- **Salaries & Allowances to constitutional officeholders and Miscellaneous are targeted at Ksh 23.8 billion up from Ksh 4.2 billion.**

- **The original budget for FY 2024/25 was highly unrealistic given the drastic reduction from Ksh 24 billion last year to Ksh 4.2 billion in FY 2024/25, only for actual spending to surge to Ksh 22 billion just nine months into the year.**



- **Debt service dropped substantially, but continues to draw away a significant share of financing from other government spending. During the period under review, debt service reduced from 81 percent of tax revenue in March 2024 to 69 percent in March 2025. Only 31 percent of tax revenue was left for the rest of the government spending, both recurrent and development.**



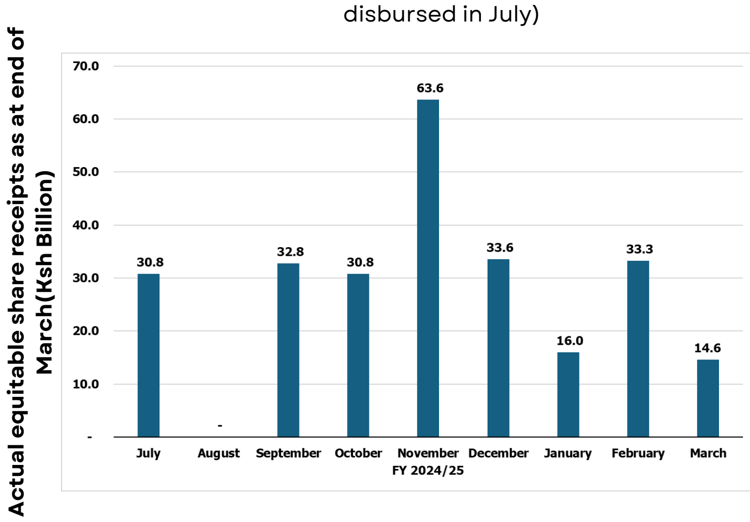
4. Counties will not receive their money in time to spend it

- **By March, FY 2024/25 disbursements were at 54 percent of the revised budget(excluding arrears). This compares poorly to the same period last year, when the government had disbursed 58 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.**

- **The County Governments Additional Allocations Bill, 2025(Senate Bill No. 1 of 2025) which provides for additional allocations to county governments in FY2024/2025 was also delayed, which means critical county functions including the timely payment of Community Health Promoters and implementation of industrial park projects were affected.**

Counties had received Ksh 255 billion by March 2025 (Excluding arrears of Ksh 30.8 billion disbursed in July)



- **However, the bill was passed by the National Assembly recently giving way for the disbursement of Ksh 55.4 billion to the counties through the respective Ministries, Departments and Agencies.**

Source: Kenya Gazette(Vol. CXXVII-No. 77)