FY 25/26 Budget Performance

Exchequer releases September 2025

In Q-1 FY 2025/26, Kenya recorded a modest growth in tax revenues, a sharp increase in domestic borrowing, and notable declines in development spending and non-tax revenues

Year-on-Year Growth (September 2024 vs September 2025)

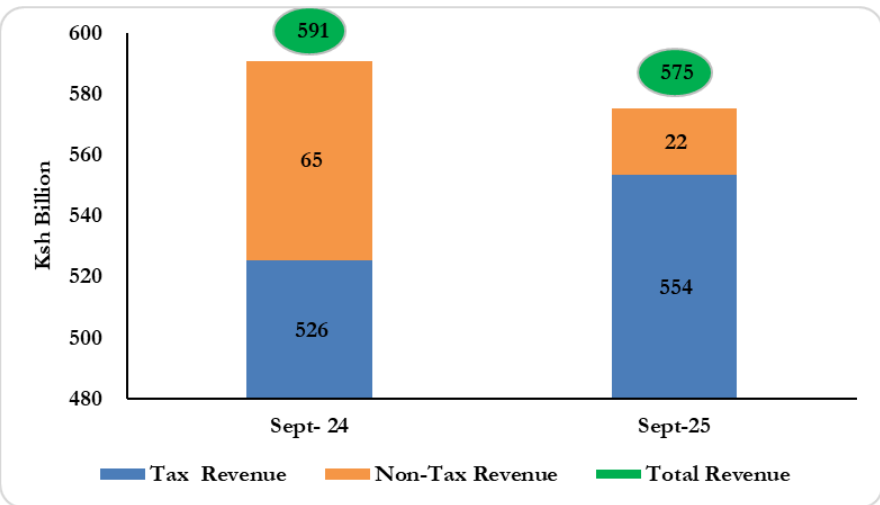
5%

67%

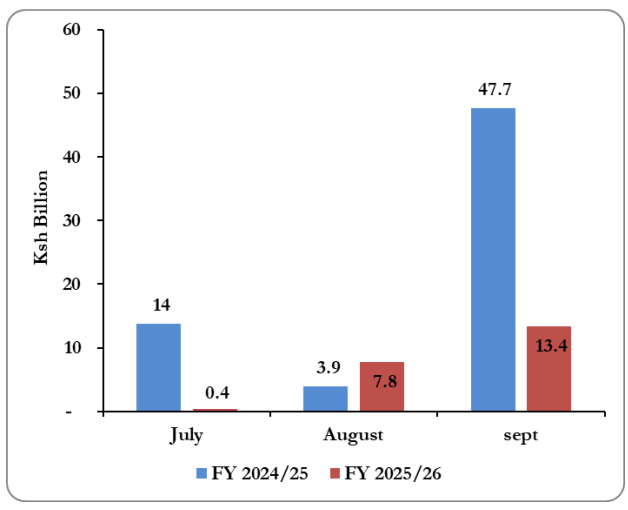
178%

31%

Total revenue saw a 3 percent year-on-year decline in Q-1 2025/26

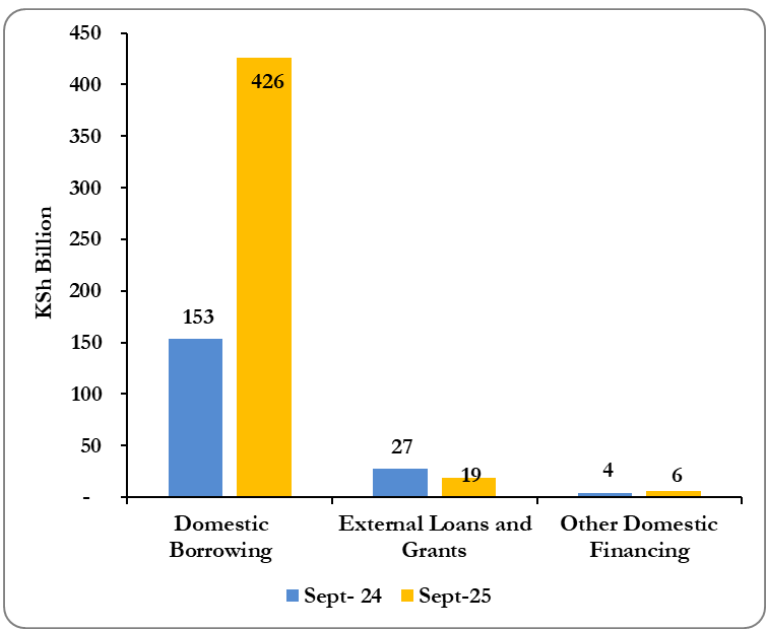


Non-tax revenue declined in July and September 2025 compared to same periods last year



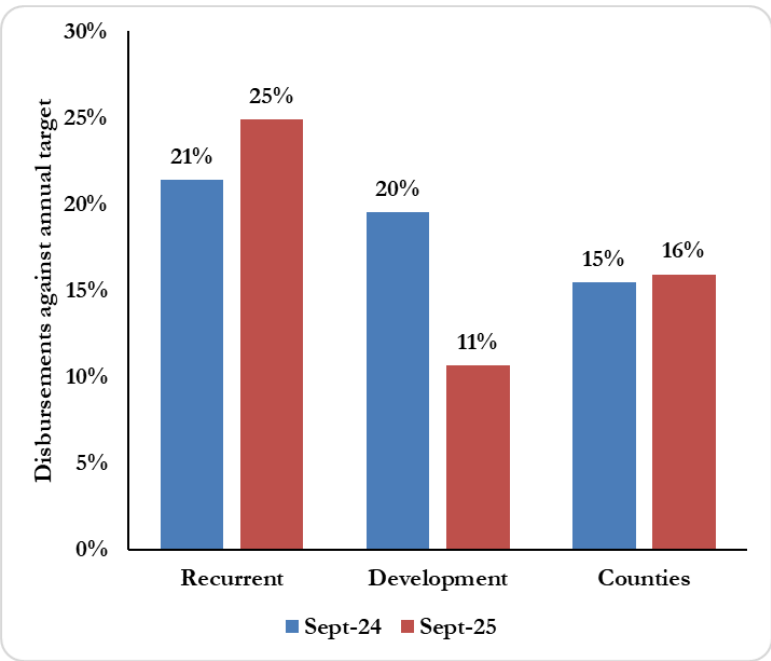
- **In the first quarter of FY 2025/26, the government collected Ksh 575 billion in total revenue (tax and non-tax), achieving 21% of its annual target, a 3% decline compared to the same period in FY 2024/25.**
- **Tax revenue recorded a 5 percent year-on-year increase, rising from Ksh 547 billion in Q-1 2024/25 to Ksh 575 billion in Q-1 2025/26, reflecting modest growth in domestic revenue mobilization.**
- **In Q1 FY 2025/26, non-tax revenue dropped sharply by 67 percent to Ksh 22 billion, down from Ksh 65 billion recorded in the same period last year. Weak collections largely drove the decline in July and September 2025. Could there be a shift away from the single paybill system that boosted collections last year, or has there been any change in how ministries and agencies handle their non-tax receipts, such as altered remittance timing? The upcoming Q1 QEBR report is expected to shed more light on this.**

By September 2025,Domestic borrowing surged as external borrowing declined



- **In the first quarter of FY 2025/26 domestic borrowing increased by 178 percent, reaching 39 percent of the annual target, while external borrowing declined by 31 percent compared to same period in the previous financial year.**
- **The surge in domestic borrowing reflects the government's continued policy-driven reliance on the domestic market, as outlined in the FY 2025/26 Annual Borrowing Plan, which prioritizes meeting financing needs primarily through domestic sources.**
- **The Treasury utilized Ksh 6 billion in overdrafts from the Central Bank of Kenya during Q-1 FY 2025/26, representing an increase from Ksh 4 billion drawn in FY 2024/25.**

MDAs recurrent disbursements increased, development disbursements declined, while county allocations saw a slight improvement in Q-1 FY 2025/26



- **MDAs recurrent expenditure increased by 31 percent from Ksh 280 billion to Ksh 366 billion in FY 2025/26, with the State House and the State Department for Public Health and Professional Standards receiving the highest disbursements relative to their annual estimates, at 58 percent and 50 percent, respectively.**
- **Development disbursements declined sharply by 37 percent, from Ksh 69 billion to Ksh 43 billion, in FY 2025/26 compared to the same period in the previous financial year, with 38 MDAs receiving less than 5 percent of their disbursement estimates.**
- **After a delayed transfer in July, county governments received Ksh 66 billion in the first quarter of FY 2025/26, a 4 percent increase from the same period last year.**

Source: Kenya Gazette(Vol. CXXVII-No. 215)

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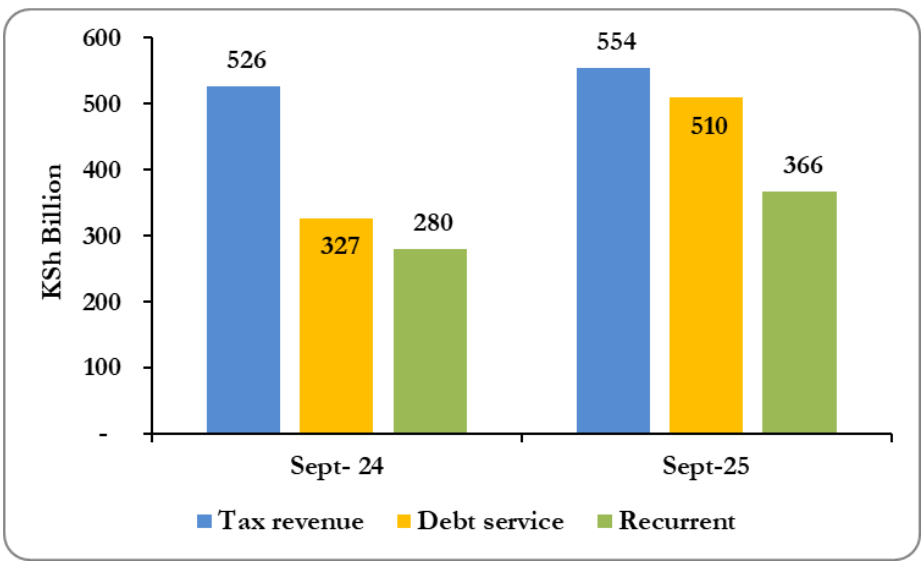
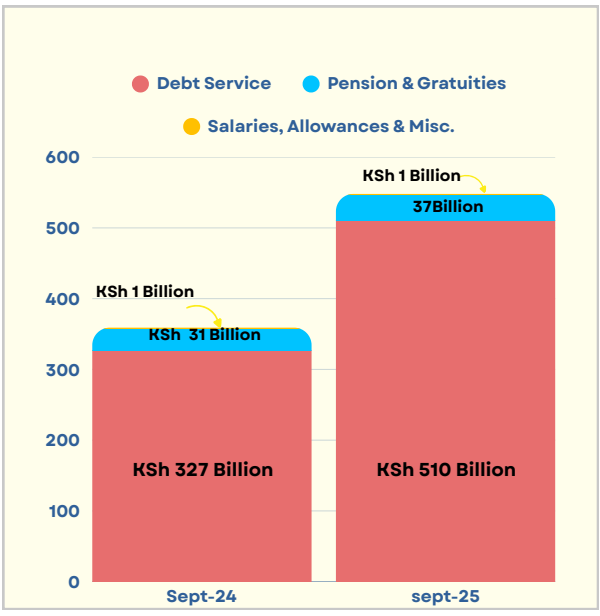
Consolidated fund expenditure sees significant growth, driven by a surge in Debt service

Consolidated Fund Services (CFS) = Debt Repayment + Salaries & Allowances and Miscellaneous Services (including Guaranteed Debt) + Pensions and Gratuities

- **Debt service surged by 56 percent in Q1 of FY 2025/26 compared to the same period in the previous financial year, with the government spending Ksh 510 billion, equivalent to 29 percent of the annual debt service estimates.**
- **Pension and gratuities spending increased by 14 percent in Q1 of FY 2025/26, accounting for 16 percent of the annual estimates.**





- **In Q-1 FY 2025/26, debt service surged to 92 percent of tax revenue, up from 62 percent in the same period of FY 2024/25, leaving only 8 percent of tax revenue available for all other government spending. The increase in debt service is attributable to the government shifting from external borrowing to domestic borrowing, which has higher interest payments.**

Source: Kenya Gazette(Vol. CXXVII-No. 215)