

# FY 25/26 Budget Performance

Exchequer releases March 2026

## Key developments in the first 9 months of the FY 2025/26

- Supplementary Budget I marked a shift from fiscal restraint toward higher spending and financing needs.
- Revenue collection improved in March 2026, mainly driven by growth in tax revenues. However, despite this improvement, the government is still likely to miss its original revenue target.
- Borrowing continued to rise sharply, with both domestic and external loans increasing, showing continued reliance on debt to finance the budget
- Development spending continued to lag behind recurrent spending, with several votes receiving less than 30 percent of their development budgets, raising the risk of delays in project implementation.
- Debt service is taking up an increasing share of tax revenue, leaving less fiscal space for recurrent operations, development spending, and other public spending

### Supplementary Budget I took a less austere path, with both revenues and expenditures revised upwards

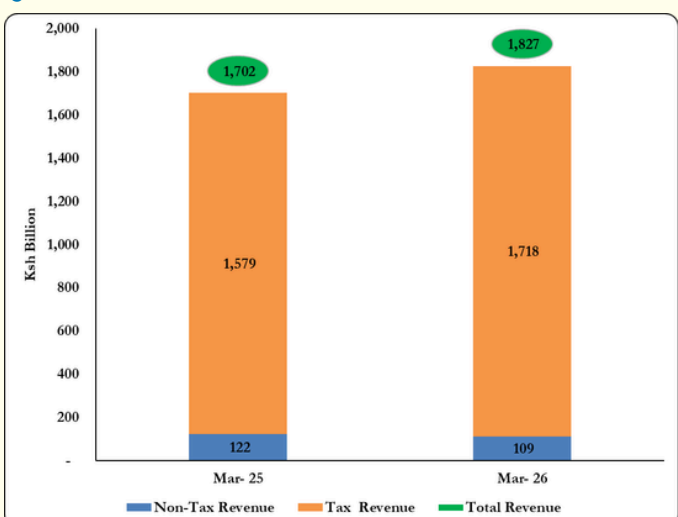
	FY 2025/26 Original Estimates (KSh Billion)	FY 2025/26 Supplementary 1 Estimates (Ksh Billion)	Change (KSh Billion)	
<b>Total Revenue (Tax revenue + Non-tax revenue)</b>	<b>2,754.80</b>	<b>2,784.20</b>	<b>29.4</b>	↑
<b>Tax revenue</b>	<b>2,627.10</b>	<b>2,600.80</b>	<b>(26.3)</b>	↓
<b>Non-tax revenue</b>	<b>127.7</b>	<b>183.7</b>	<b>56</b>	↑
<b>Domestic Borrowing</b>	<b>1,098.30</b>	<b>1,669.70</b>	<b>571.4</b>	↑
<b>External Borrowing</b>	<b>569.8</b>	<b>694.3</b>	<b>124.5</b>	↑
<b>Other Domestic Financing</b>	<b>10.8</b>	<b>10.8</b>	<b>-</b>	—
<b>Total MDAs spending</b>	<b>1,877.60</b>	<b>2,159.60</b>	<b>282</b>	↑
<b>Recurrent Spending (MDAs)</b>	<b>1,470.50</b>	<b>1,676.60</b>	<b>206.1</b>	↑
<b>Development Spending (MDAs)</b>	<b>407.1</b>	<b>483</b>	<b>75.9</b>	↑
<b>Total Consolidated Fund Services (CFS) (A+B+C)</b>	<b>2,141.00</b>	<b>2,584.60</b>	<b>443.6</b>	↑
<b>Debt repayment (A)</b>	<b>1,901.40</b>	<b>2,344.60</b>	<b>443.2</b>	↑
<b>Pension and Gratuities (B)</b>	<b>234.9</b>	<b>234.9</b>	<b>-</b>	—
<b>Salaries &amp; allowances to constitutional officeholders and miscellaneous (C)</b>	<b>4.7</b>	<b>5.2</b>	<b>0.4</b>	↑
<b>County Governments-Equitable share</b>	<b>415</b>	<b>415</b>	<b>-</b>	—

- Tax revenue was revised down by Ksh 26.3 billion, but this was offset by a Ksh 56 billion increase in non-tax revenue, raising total revenue by Ksh 29.4 billion. However, this modest gain fell well below the Ksh 282 billion increase in MDA spending, further widening the fiscal deficit.
- Within MDAs, recurrent spending drove the increase, rising by Ksh 206.1 billion, while development spending grew by Ksh 75.9 billion. Consolidated Fund Services also rose sharply by Ksh 443.6 billion, largely due to higher debt repayments.
- As a result, gross borrowing was revised upwards, with domestic gross borrowing increasing by Ksh 571.4 billion and external gross borrowing rising by Ksh 124.5 billion.

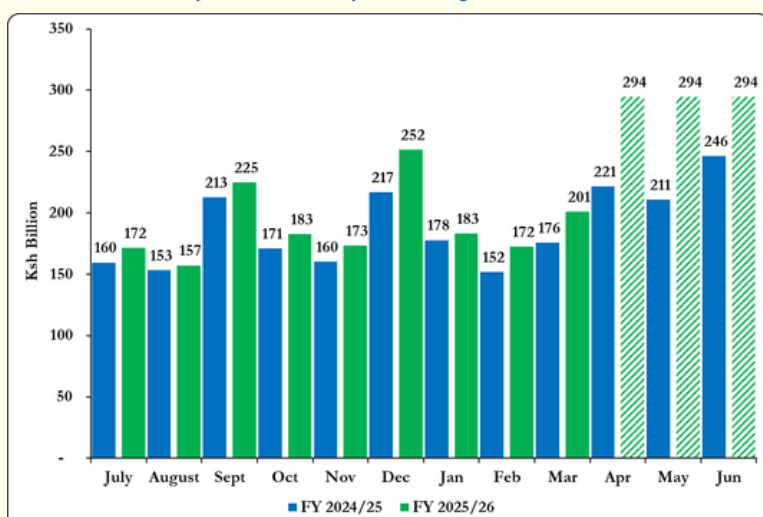
Source: Kenya Gazette (Vol. CXXVIII—No. 10)

## Revenue collections improved by March 2026, but the revised annual target is unlikely to be met

Total revenue recorded a 7 percent Year-on-Year growth in the first 9 months of FY 2025/26



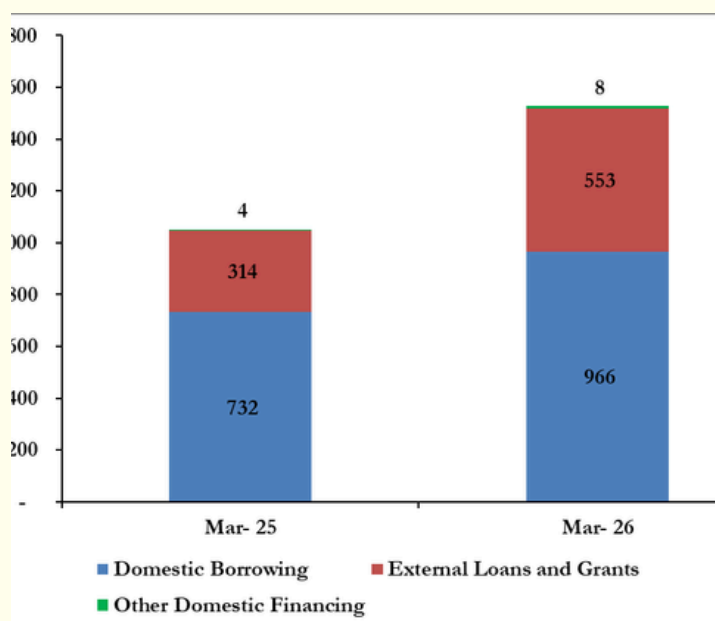
By the 9th month of FY 2025/26, average monthly tax revenue had increased to KSh 191 billion, up from KSh 175 billion recorded over the same period in the previous year



- By the 9<sup>th</sup> month of FY 2025/26 the government had collected total revenue of Ksh 1,827 billion accounting for 67 percent of the revised target (Ksh 2,784 billion).
- The revenue realized so far appears to have been driven mainly by stronger tax administration and customs performance. [KRA reported](#) that by 31 March 2026, it had collected Ksh 2.0 trillion against a target of Ksh 2.1 trillion, with growth supported by Domestic Taxes, Customs and Border Control, and reforms such as simplified compliance, digital integration, and data-driven administration.
- The revised Total revenue target is unlikely to be met as the government will need to collect about KSh 957 billion in the last three months, or KSh 319 billion per month, which is well above the average monthly collection of about KSh 203 billion.
- Despite this improved performance, the revised target remains unattainable. By March 2026, tax revenue had reached about KSh 1,718 billion (66 percent of the revised target of KSh 2,601 billion). This means the government would need to collect about KSh 294 billion per month in the final three months to meet its target, which is far above the average monthly collection of KSh 191 billion recorded by the ninth month of FY 2025/26
- The revised exchequer non-tax revenue target also appears overambitious, rising by 44 percent from KSh 128 billion to KSh 184 billion despite weak performance for most of the financial year. To meet this target, the government would need to collect about KSh 25 billion per month in the final three months, more than double the earlier monthly average of KSh 12 billion.
- The main concern is that revenue growth is still too dependent on taxes, while non-tax revenue remains volatile and unreliable. This means that even with stronger collections in March, the overall revenue position remains fragile, where meeting the revised target would require unusually high performance in quarter four.

## By March 2026, both domestic and external borrowing had increased sharply, showing continued reliance on debt to finance the budget

By March 2026, gross domestic borrowing and gross external borrowing grew by 32 percent and 76 percent respectively compared to the same period last year



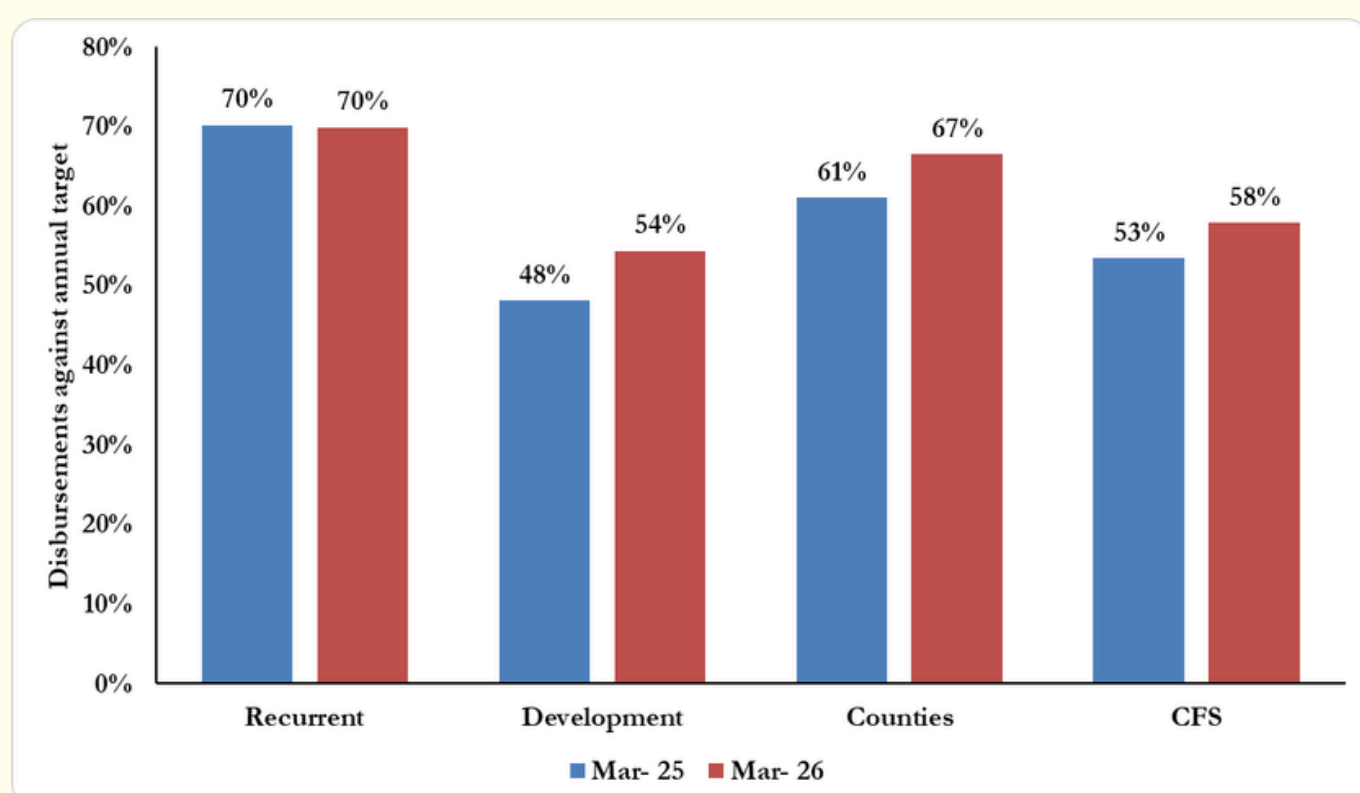
The gross domestic borrowing rose from Ksh 732 billion in March 2025 to Ksh 966 billion in March 2026, while gross external loans and grants increased from Ksh 314 billion to Ksh 553 billion.

In Supplementary I for FY 2025/26, the government increased its gross domestic borrowing target by 52 percent, from KSh 1,098 billion to KSh 1,670 billion, underscoring a continued reliance on domestic financing despite persistently high interest rates.

Source: Kenya Gazette (Vol. CXXVIII—No. 68)

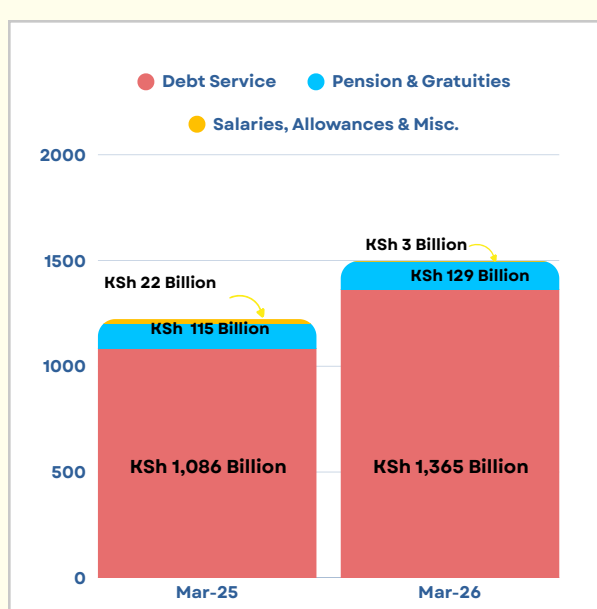
## Recurrent disbursements remained on track, but development spending is still lagging

In the first 9 months of FY 2025/26 disbursements to the counties, CFS and development grew modestly compared to the same period last year



- Despite improved disbursements to development spending and an additional allocation of KSh 76 billion in Supplementary I for FY 2025/26, 18 MDAs had still received less than 40 percent of their development budgets by March 2026. The Office of the Director of Public Prosecutions (ODPP) and the Independent Electoral and Boundaries Commission (IEBC) had received no development disbursements at all, pointing to a high risk of delays in project implementation.
- By March 2026, recurrent spending by Ministries, Departments, and Agencies (MDAs) had increased by 18 percent compared to the same period last year, reaching KSh 1,172 billion, which represented 70 percent of the revised target of KSh 1,677 billion.
- County equitable share releases and Consolidated Fund Services (CFS) both improved by March 2026, but the pace of disbursement still points to pressure in budget execution. County equitable share releases had reached 67 percent of the annual target, up from 61 percent in March 2025, while CFS had reached 58 percent, up from 53 percent in the same period last year. Although this reflects faster releases than in the previous year, a significant share of county transfers and CFS obligations was still pending by the end of the third quarter.

## Debt repayments absorbed a significant share of revenue by March 2026



Public debt service increased sharply from Ksh 1,086 billion in March 2025 to Ksh 1,365 billion in March 2026. This marks a rise of about 26 percent, pointing to growing debt repayment obligations within the budget.

This pattern shows that debt service continues to crowd out fiscal space. Even though tax revenue rose from Ksh 1,579 billion to Ksh 1,718 billion, much of that gain was absorbed by higher debt payments, reflecting the continued pressure of Kenya's debt burden.

Source: Kenya Gazette (Vol. CXXVIII–No. 10)