

Key developments in the 8th month of FY 2025/26

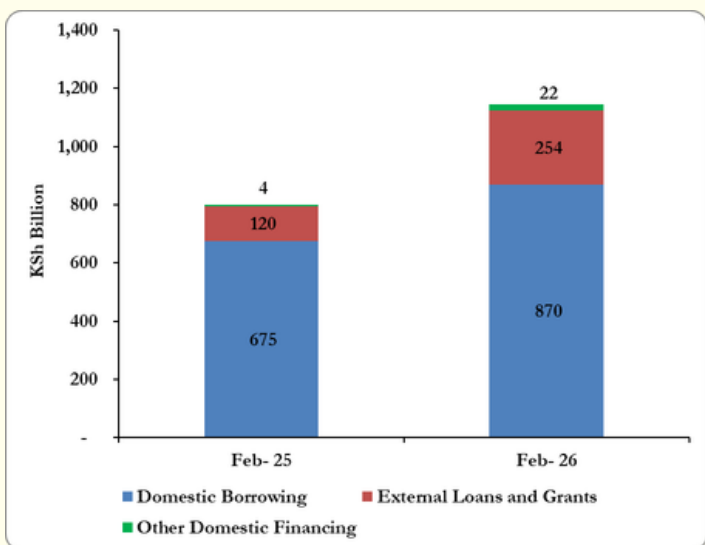
- **Revenue growth is slowing:** Although collections continue to rise, the pace of growth is weaker than last year, raising concerns about whether the annual target will be achieved.
- **Borrowing is escalating:** Domestic borrowing has surged, increasing the reliance on debt to finance the budget.
- **Disbursement challenges are evident:** Development disbursements remain low, affecting program execution. MDAs have received most of their recurrent disbursements.
- **County disbursements have fallen short of the cash disbursement schedule:** Disbursements to counties have not met the scheduled target, affecting local service delivery.
- **IEBC funding is inadequate:** The Independent Electoral and Boundaries Commission has only received a small part of its needed disbursements, which hampers election preparations.

Total Revenue Recorded a 6 percent Year-on-Year Growth by the 8th month of FY 2025/26

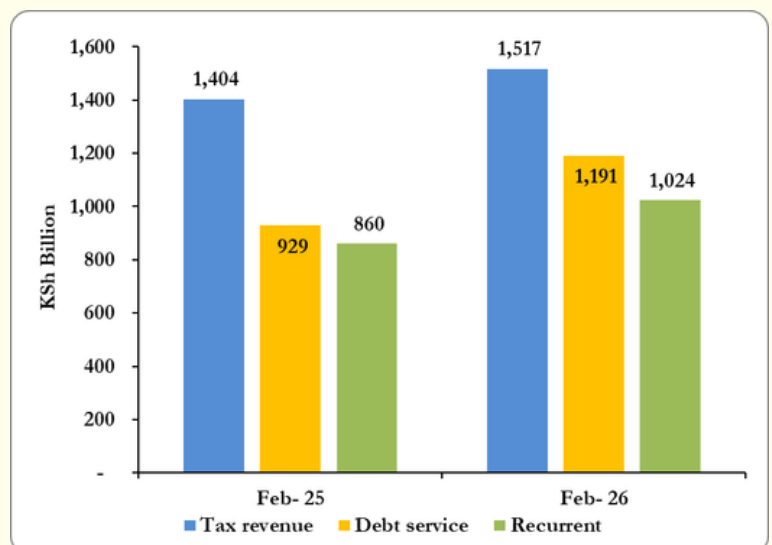


- Four months to the end of the financial year the government had collected 58 percent of the annual target, recording a 8 percent growth as compared to the same time last year
- Despite a slight improvement in revenue collection, the target is likely to be missed, as the government needs to collect 277 billion per month over the next four months, an amount that has never been collected in the last three financial years.

The government is heavily reliant on domestic borrowing to finance the budget

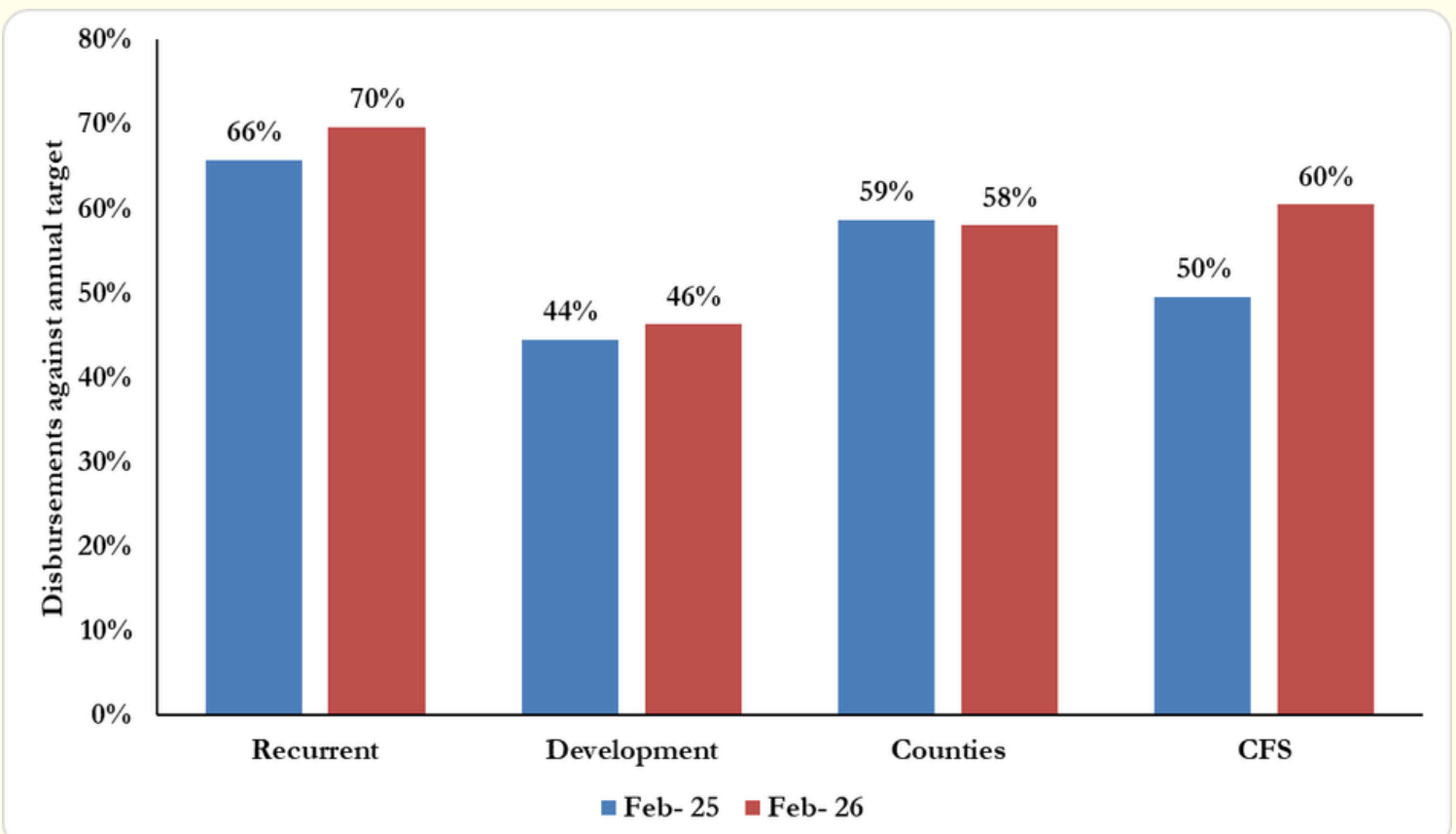


Debt service recorded a 28 percent Year-on-Year growth in the first 8 months of the FY 2025/26



- Domestic borrowing grew by 29 percent in the first 8 months of FY 2025/26 compared to the same period last year, while external borrowing increased by 110 percent.
- With four months remaining to the end of the 2025/26 financial year, Kenya's debt service reached KSh 1,191 billion, accounting for 79 percent of the tax revenue. The combined cost of debt service and recurrent spending exceeded tax revenue by KSh 698 billion indicating a continued reliance on borrowing to cover the shortfall.

MDA's Development disbursements still trails behind both MDAs Recurrent, County disbursements absorption rate, and CFS



- In the first 8 months of FY 2025/26 MDAs had received 70 percent of their annual recurrent disbursement with 7 MDAs surpassing the 90 percent of their annual target.
- By the 8th month of FY 2025/26, development disbursement was below 50 percent, with 14 MDAs receiving less than 20 percent of their annual disbursement. Notably, the Independent Electoral and Boundaries Commission had not received any disbursement despite the need for the government to release funds to the electoral commission to adequately prepare for the general elections.
- In the first 8 months of FY 2025/26, disbursements to counties decreased slightly by 1 percent, totaling KSh 240 billion. This fell short of the disbursement schedule by KSh 35 billion, affecting the delivery of critical services at the devolved units.

Source: Kenya Gazette (Vol. CXXVIII-No. 45)