

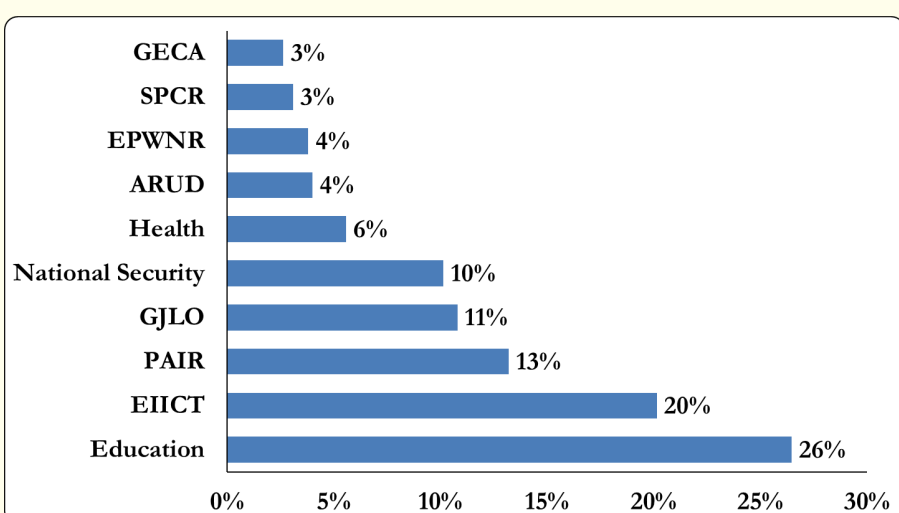
## Highlights from the Supplementary I FY 2025/26 Budget Estimates

FY 2025/26 Supplementary I Estimates proposes an increase of KSh 287 billion on the national government budget, with development expenditure accounting for 30 percent of the total increase. The proposed budget increase of 11.3 percent violates Article 223 by surpassing the limit for changes to the budget of 10 percent of the approved figures for the year.

| Category          | Approved Estimates (Ksh bn) | Supplementary Estimates I (KSh bn) | Change (KSh bn) | Percent change |
|-------------------|-----------------------------|------------------------------------|-----------------|----------------|
| Recurrent         | 1,804                       | 2,005                              | + 201           | 11%            |
| Development       | 745                         | 831                                | + 86            | 12%            |
| Total Expenditure | 2,550                       | 2,837                              | + 287           | 11%            |

- As has been the case in the past, the first Supplementary Budget aims in part to regularize expenditures that have already been incurred, some of which were neither emergencies nor unforeseen, contrary to the provision of Article 223 of the Constitution.
- The supplementary adjustment regularizes over-absorption early in the year of recurrent budget votes under some state departments, such as the State House (135 percent), and the Office of the Deputy President (112 percent).
- The increase in development spending appears not to reflect a need for higher development budgets but an attempt to appear to meet the minimum development requirement of 30 percent of the total budget. By the 7th month, most MDAs are behind schedule on existing development budgets, and likely do not require more funding.

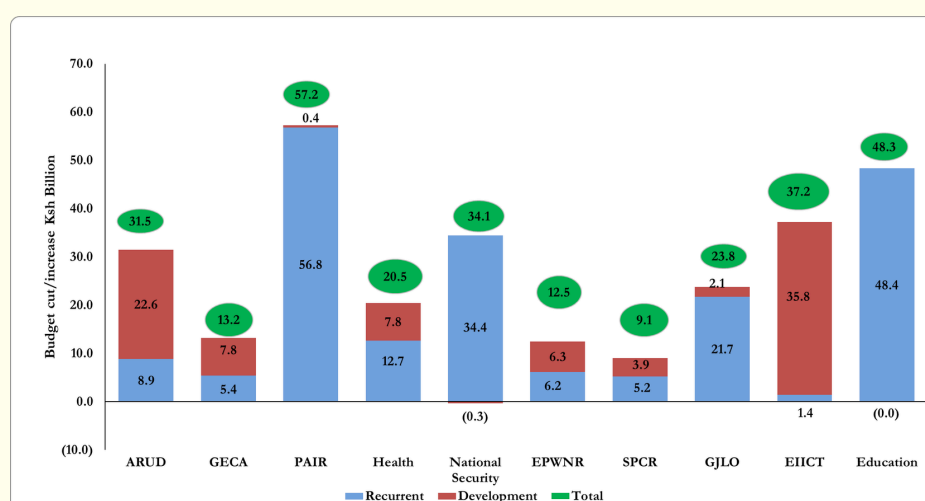
### The Education, EIICT, PAIR, and GJLO sectors account for 70 percent of the 2025/26 supplementary I budget estimates



- List of Abbreviations
- GJLO- Governance Justice Law and Order
- EPWNR-Environment Protection Water and Natural Resources
- PAIR- Public Administration and International Relations
- GECA- General Economic and Commercial Affairs
- ARUD- Agriculture, Rural and Urban Development
- SPCR- Social Protection, Culture and Recreation Sector
- EIICT-Energy, Infrastructure and ICT

- The education sector accounts for 26 percent of the total budget and receives a KSh 48 billion increase. The Teachers Service Commission primarily receives additional allocations for medical insurance and personnel emolument increases. Additionally, the State Department for Higher Education gets extra funding for settling the 2017-2021 CBA arrears, covering HELB loans, and providing scholarships under the new university funding model.
- Most sectors remain structurally recurrent-heavy, for example Education allocates about KSh 722 billion to recurrent spending compared to only KSh 30 billion for development, raising concerns about the limited share of resources directed toward long-term investment.

### Most sectors' budget increases in Supplementary I FY 2025/26 are concentrated in recurrent expenditure



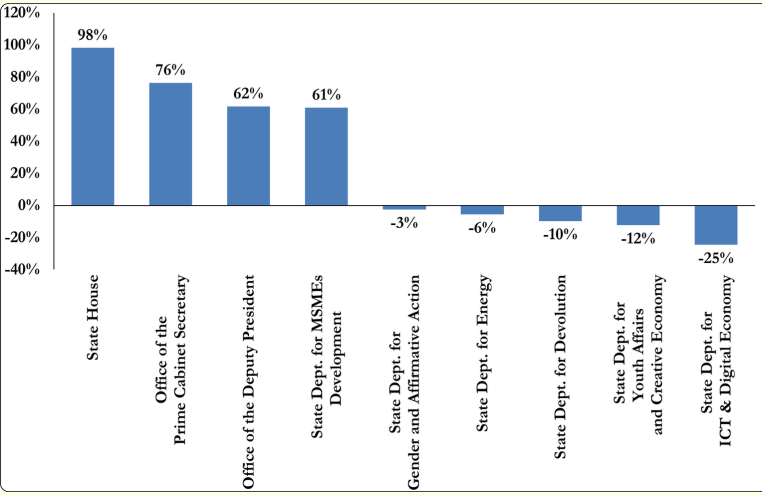
- The Public Administration and International Relations (PAIR) sector accounts for the largest increase in the Supplementary I Budget Estimates, rising by KSh 57 billion (18%), largely driven by a 30 percent expansion in recurrent spending (Ksh 56.8 billion).
- Three MDAs account for 83 percent of the increase in the PAIR sector: the National Treasury, the State Department for Special Programmes, and the State House of Kenya.

- While most sectors receive additional recurrent allocations in Supplementary I, the Energy, Infrastructure, and ICT (EIICT) Sector gets the largest increase in the development budget, suggesting that government capital spending remains largely focused on infrastructure-related projects. However, timely disbursement of development funds remains a major concern, as the sector had received only 31 percent of its development allocation by the 7<sup>th</sup> month of the financial year.

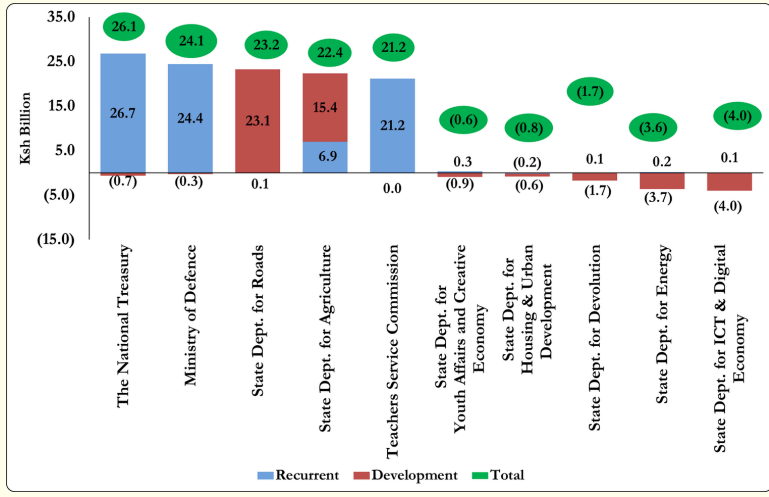
Source: Supplementary I FY 2025/26 Budget Estimates

**The State Department for Information Communication Technology & Digital Economy receives the largest budget cut in the Supp. I FY 2025/26 budget estimates compared to the original budget estimates**

**The State Department for ICT and Digital Economy records the largest proportional budget cut in the FY 2025/26 Supplementary I estimates**

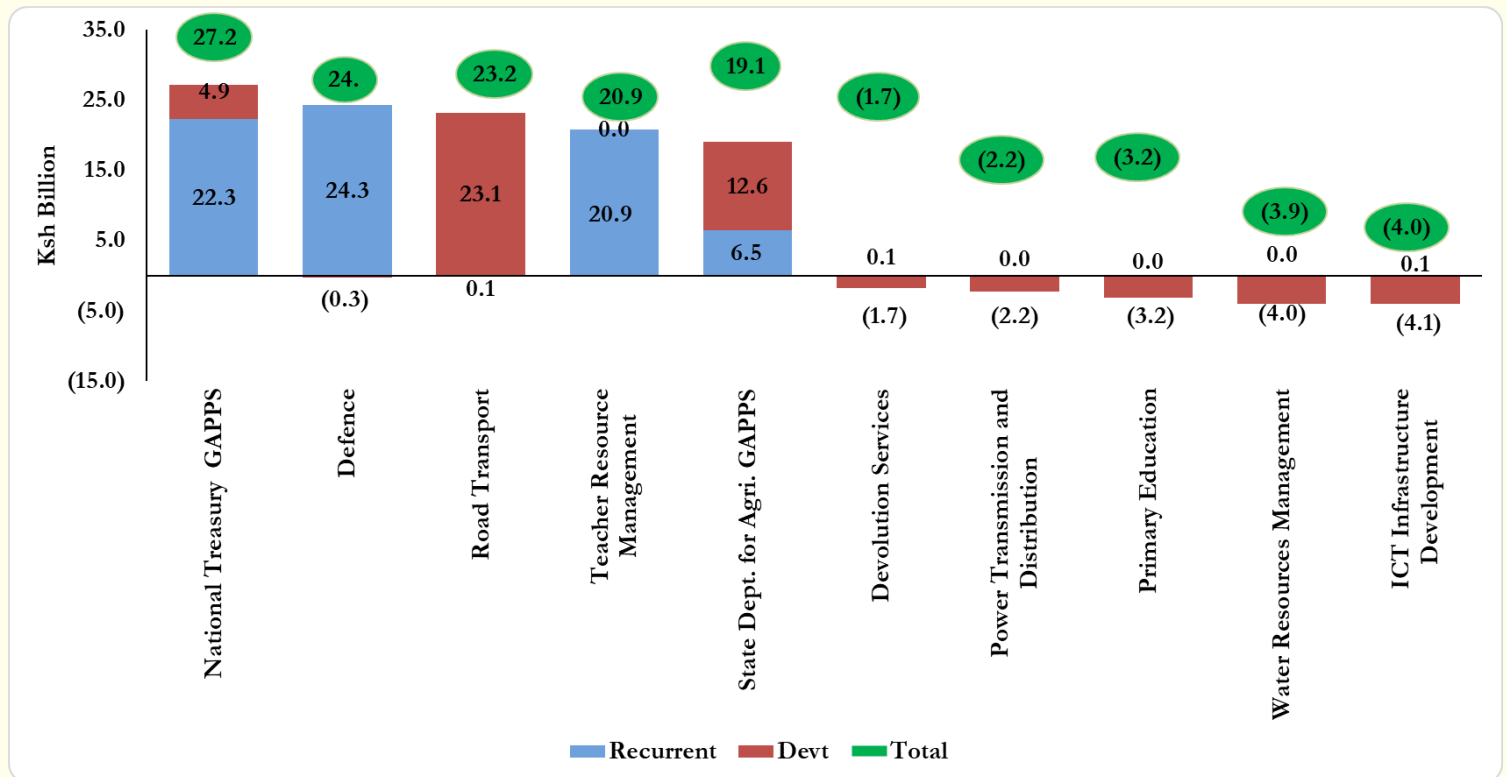


**The National Treasury and Ministry of Defence record the largest budget increases in the FY 2025/26 Supplementary I estimates**



- The State Department for Special Programmes receives the largest proportional increase, rising by about 1,969 percent (KSh 12.6 billion), mainly driven by the Special Initiatives programme, which introduces support for 3.4 million households with relief food and 200,000 households with non-food items.
- State House follows with a budget increase of 98 percent from KSh 8.6 billion to KSh 17 billion after already absorbing 126 percent of its allocation by the seventh month. However, targets under Coordination of State House Functions remain unchanged, raising questions about the justification for such a large adjustment.
- The National Treasury receives the largest absolute increase of about KSh 26 billion despite absorbing only 46.8 percent of its allocation by the seventh month, with targets rising for Government Data Centre completion from 50 to 80 percent, Disaster Recovery Centre installation from 0 to 100 percent, and ICT infrastructure upgrades from 0 to 100 percent.
- The State Department for Agriculture has a proposed budget increase of KSh 22 billion after absorbing 66 percent of its allocation by the seventh month. The increase reflects additional funding for the fertilizer subsidy programme, with fertilizer supply targets rising from 190,476 MT to 374,807 MT and the number of farmers accessing fertilizer increasing from 423,280 to 832,904. However, persistent delays in fertilizer distribution across various parts of the country raise concerns about whether the additional supplies will reach farmers on time.
- Additionally, the proposed budget increment for the State Department for Agriculture aims to support youth and women empowerment in modern agriculture through the distribution of 1,667 MT of certified crop seed, the establishment of 550 centres of excellence, and the provision of modern agricultural equipment to 50 schools.

**The National Treasury GAPPS and Defence programmes have the highest budget increase in the Supp. I FY 2025/26 budget estimates compared to the original budget estimates**



- The National Treasury General Administration Planning and Support Services (GAPPs) programme records the largest increase of about Ksh 27 billion. The additional allocation is linked to efforts to strengthen institutional and human resource capacity for better service delivery, particularly through digital public finance systems and administrative upgrades. Key target revisions include Government Data Centre completion from 50 to 80 percent, Disaster Recovery Centre installation at Konza Technopolis from 0 to 100 percent, and ICT infrastructure upgrades from 0 to 100 percent, and refurbishment of Jubilee Insurance House offices from 0 to 70 percent.
- The proposed revisions, such as the refurbishment of the office in Jubilee Insurance House, are neither urgent nor unforeseen, raising concerns given the current fiscal constraints.
- The Defence programme increases by about KSh 24 billion, with expanded operational targets including military training exercises from 120 to 160, equipment maintenance coverage from 60 to 80 percent, and operational readiness from 75 to 85 percent, indicating strengthened defence preparedness and enhanced security operations.
- The Road Transport programme also receives a significant increase of KSh 23 billion aimed at enhancing road network connectivity to support more effective and efficient mobility and drive economic activity.

- Conversely, programmes such as ICT Infrastructure, Water Resources Management, Primary Education, and Power Transmission and Distribution record budget reductions. In ICT Infrastructure Development, sites connected decline from 400 to 50. In Power Transmission and Distribution, solar home systems under KOSAP fall from 110,000 to 55,000 and clean cooking units from 10,000 to 5,000. In Water Resources Management, sewer lines rehabilitated decline from 220 km to 200 km and completion of the Thwake Multipurpose Water Project falls from 95 percent to 80 percent.
- Budget cuts in these critical programmes combined with underabsorption affects initiatives that directly influence human capital development and social services.

Source: Supplementary I FY 2025/26 Budget Estimates