

FY 25/26 Budget Performance

Exchequer releases May 2026

Key developments in the first 11 months of the FY 2025/26

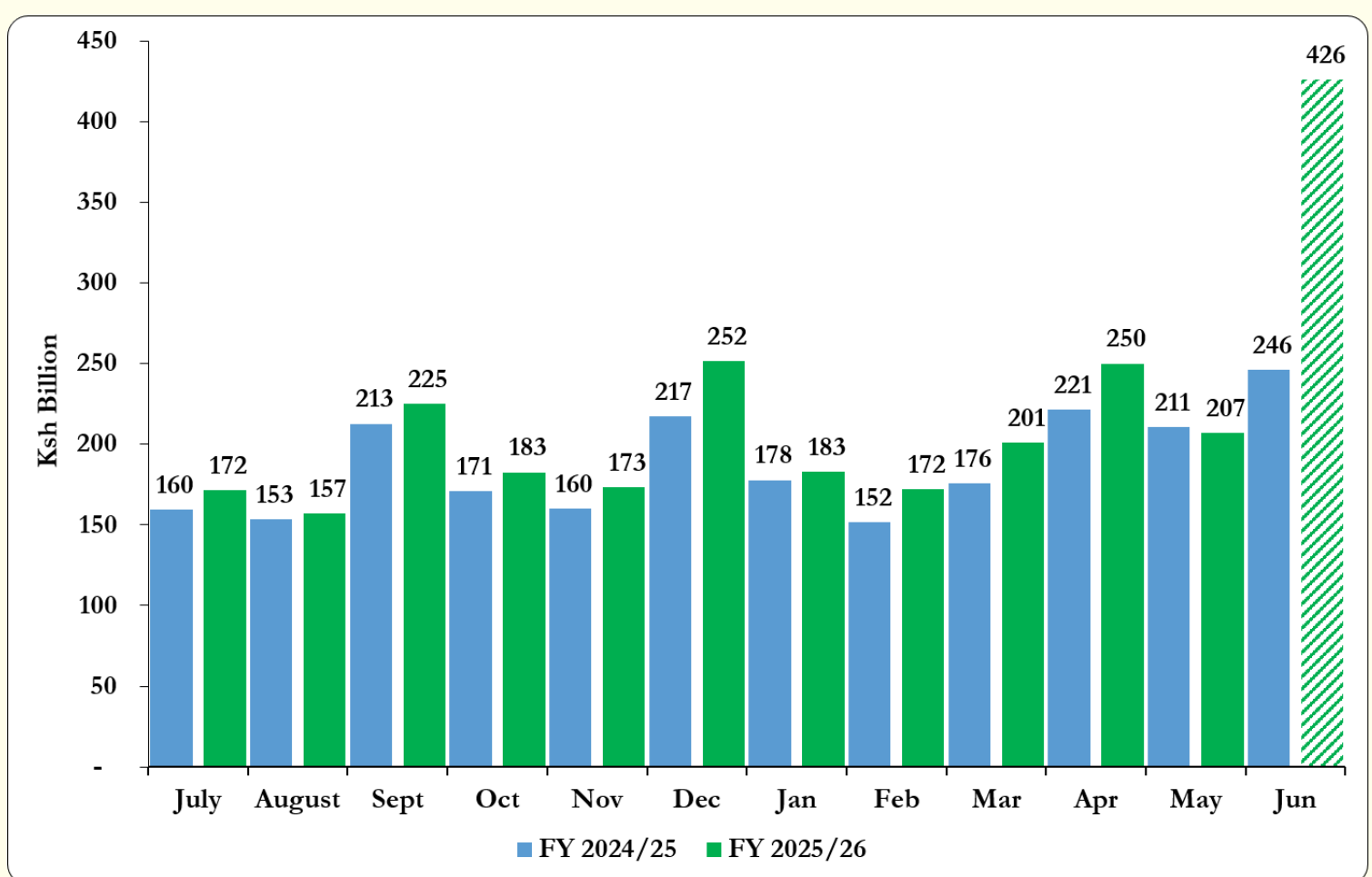
- Tax revenue declined for the first time in the 11th month of the FY 2025/26 compared to the same period last year.
- The government borrowed domestically an average of KSh 4 billion per day in the month of May 2026.
- With 84 percent of allocations disbursed by the first 11 months, counties risk receiving funds too late to fully implement planned spending.
- With one month remaining, 14 MDAs had received less than half of their revised development budgets, risking project implementation.

Total revenue recorded a 7 percent Year-on-Year growth in the first 11 months of FY 2025/26



- By May 2026, the government had collected KSh 2,318 billion, 83 per cent of the revised target.
- With only one month remaining in FY2025/26, the government would need to collect KSh 466 billion in June to achieve its revised revenue target of KSh 2,784 billion. This is more than double the KSh 211 billion average monthly revenue collected so far, making it unlikely that the target will be met despite gains from eTIMS, GavaConnect, and other digital compliance reforms.

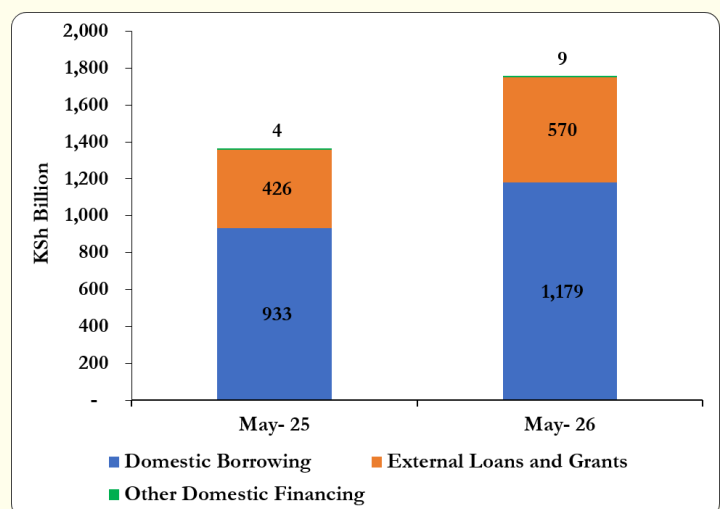
May marked an inflection point, with tax revenue declining by 2 percent year-on-year making it the first monthly tax revenue decline in FY 2025/26



- By the 11th month of FY 2025/26, tax revenue had reached about KSh 2,174 billion accounting for approximately 84 percent of the revised target of KSh 2,601 billion.
- Although tax revenue grew by 8 percent in the first 11 months of FY 2025/26, achieving the revised target remains unlikely, requiring a collection of KSh 426 billion in June alone.
- May collections fell year-on-year to KSh 207 billion, possibly reflecting weaker fuel tax receipts possibly due to reduced demand from higher fuel prices and the reduction of VAT on fuel from 16 percent to 8 percent.
- Nonetheless, non-tax revenue performed strongly, with collections in May alone reaching KSh 14 billion, a 100 percent year-on-year increase from the KSh 7 billion collected in the same month of the previous financial year.

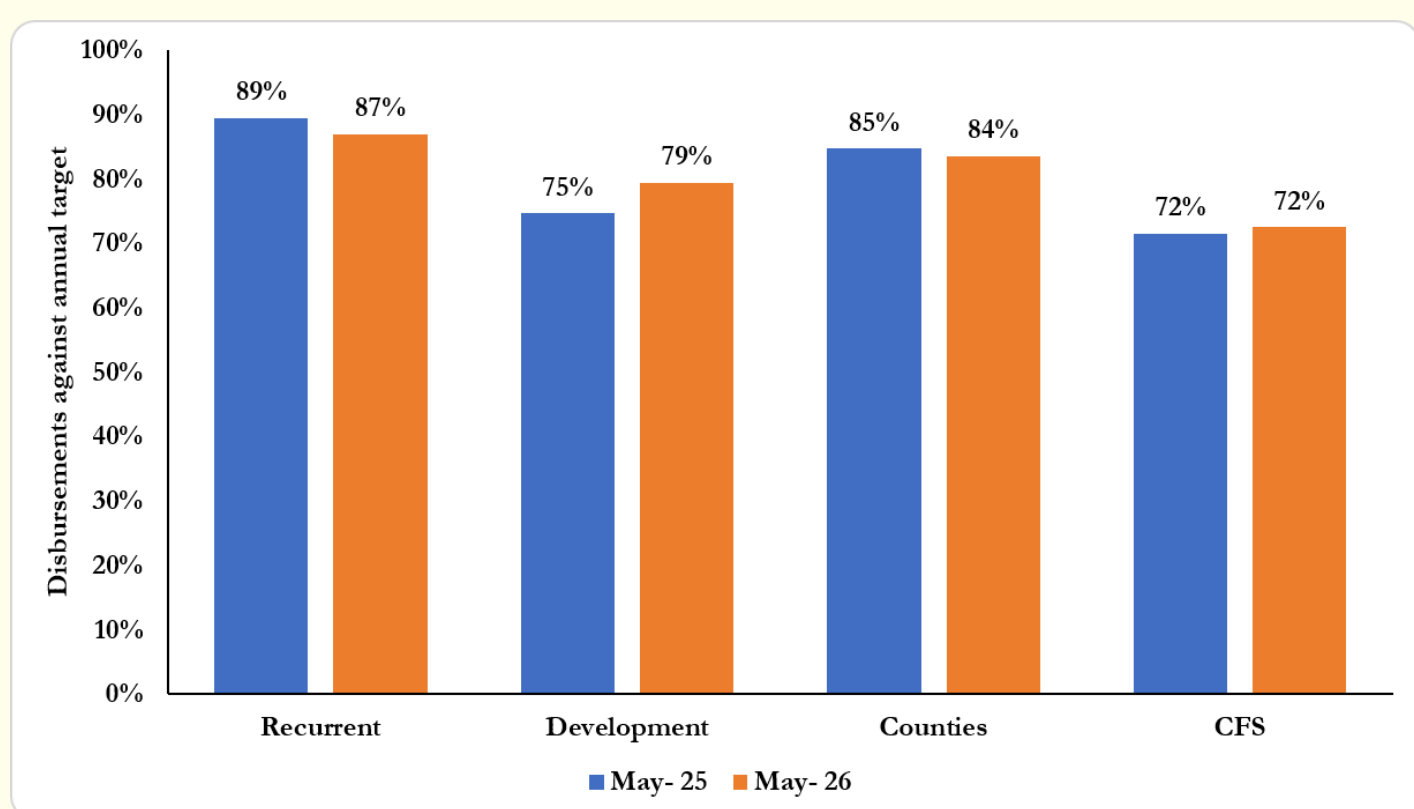
Source: Kenya Gazette (Vol. CXXVIII–No. 103)

In the first 11 months of FY 2025/26, gross external borrowing increased by 34 percent, while domestic borrowing recorded 26 percent growth



- Gross borrowing rose over the first 11 months of FY2025/26 compared with the same period last year, reflecting increasing reliance on debt financing amid persistent revenue shortfalls and sustained expenditure pressures.
- Domestic borrowing rose from KSh 81 billion in April 2026 to KSh 132 billion in May 2026, a 63 percent month-on-month increase. This equates to the government borrowing approximately KSh 4 billion domestically each day throughout May.

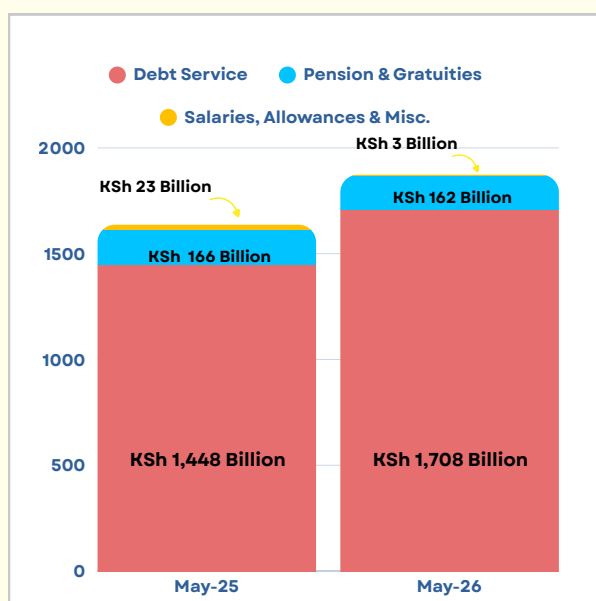
By May 2026, MDA development disbursements improved year-on-year, while recurrent disbursements to MDAs and transfers to counties saw a slight decline



- Development expenditure disbursements reached about 79 percent of the revised annual target by May 2026 compared to 75 percent recorded in May 2025. However, 14 MDAs had received less than 50 percent of their revised development budgets despite only a month remaining in the financial year, pointing to a high risk of delayed implementation, rushed spending, and low absorption of development projects.
- Notably, the State Department for Mining, the Independent Electoral and Boundaries Commission, and the Office of the Auditor-General had each received less than 10 percent of their development disbursements by this point, with the IEBC yet to receive any development funds at all.
- Recurrent expenditure disbursements reached about 87 percent of the revised annual target by May 2026 compared to 89 percent recorded over the same period last year, showing continued prioritization of recurrent spending within budget execution as the financial year approaches closure.
- County equitable share disbursements slightly declined to about 84 percent of the revised annual target by May 2026, from 85 percent in May 2025. However, based on the approved county cash disbursement schedule, counties were expected to have received about 92 percent of their annual equitable share allocation by May 2026, indicating continued delays in county transfers despite only one month remaining in the financial year.

In the first 11 months of the FY 2025/26 consolidated fund services expenditure grew by 14 percent compared to the same period last year

- By the 11th month of FY 2025/26, debt service had increased to KSh 1,708 billion, up from KSh 1,448 billion recorded in the same period last financial year, representing a 18 percent increase.
- The debt service increase significantly outpaced the growth in tax revenue, which rose by 8 percent over the same period.
- The growing debt obligation continue to absorb a substantial share of government revenue, constraining fiscal space for development and other public spending priorities.



Source: Kenya Gazette (Vol. CXXVIII—No. 103)