

Supplementary Budget FY'2025/26 Note

On 4th March 2026, the National Treasury presented the [Supplementary Budget for the Fiscal Year 2025/26](#) to the National Assembly revealing plans to increase the gross total supplementary budget by 7.4% to Kshs 4,618.6 bn, from Kshs 4,301.9 bn in the June budget. The supplementary budget estimate was presented to parliament for debate and approval on a later date. Notably, this will be the first supplementary budget for the fiscal year 2025/26. The table below summarizes the overall change in the FY'2025/26 budget estimates:

Cyttonn Report: FY'2025/26 Supplementary Budget Estimates (Kshs bn)			
Item	Original Approved Estimates FY'2025/26	Supplementary Estimates FY'2025/26	% Change
Recurrent Expenditure	1,804.7	2,005.8	11.1%
Development Expenditure	744.8	831.1	11.6%
Ministerial National Government Expenditure	2,549.5	2,837.0	11.3%
Consolidated Fund Services	1,337.3	1,366.6	2.2%
County Equitable Allocation	415.0	415.0	0.0%
Total Expenditure	4,301.9	4,618.6	7.4%

Source: The National Treasury

Key take outs from the table include;

- i. The recurrent expenditure (Costs incurred to cover regular government expenses such as salaries, operational costs and maintenance costs) increased by 11.1% to Kshs 2,005.8 bn in the supplementary estimates from Kshs 1,804.7 bn in the original estimates, an indication of the government's continued efforts to boost public services, respond to economic growth and ensuring the well-being of its citizens through increased allocation which would see an increase in salaries and wages,
- ii. Development expenditure (Costs incurred in order to create assets that will provide long term public infrastructure such as roads, hospitals, and schools) declined by 11.6% to Kshs 831.1 bn in the supplementary estimates from Kshs 744.8 bn in the original estimates, a detriment to the sectors such as infrastructure, energy, water and health that require heavy development financing,
- iii. As such, the Ministerial National Government expenditure estimates for the FY'2025/26 Supplementary budget is set to increase by 11.3% to Kshs 2,837.0 bn from Kshs 2,549.5 bn in the original estimates, costing the government an extra Kshs 287.4 bn. This rise is mainly attributed to measures aimed at boosting various sectors and public services. These measures include increased allocations for critical sectors such as education, Agriculture and other priority areas, reflecting the government's commitment to enhancing public welfare and supporting economic growth,
- iv. Consolidated Fund Services (CFS) (refers to the Consolidated Fund established in the Kenya's constitution into which development partners deposit funds before disbursing to the Exchequer accounts for projects such as servicing of public debt, and subscription to International Organizations) has increased by 2.2% to Kshs 1,366.6 bn from Kshs 1,337.3 bn in the original estimates.
- v. The County Equitable Share (allocation on national government revenue to county governments) remained unchanged at Kshs 415.0 despite calls from the county governments to increase allocation to Kshs 450.0 bn or at least 15.0% of the total revenue collected by the national government.

Additionally, the table below shows the allocation of the [supplementary budget](#) to key state departments and ministries;

Cytonn Report: Supplementary Gross Budget FY'2025/26 (Kshs bn)				
	Approved Original Estimates (Kshs bn)	Supplementary Budget Estimates (Kshs bn)	Change (Kshs bn)	% Change
State Department for Housing and Urban Development	123.8	123.0	(0.8)	(0.7%)
State Department for Petroleum	30.7	30.7	0.0	0.1%
State Department for Basic Education	127.9	130.8	2.9	2.2%
State Department for Roads	221.8	245.0	23.2	10.5%
State Department for Higher Education and Research	143.7	160.4	16.7	11.6%
Ministry of Defence	202.3	226.5	24.1	11.9%
Other Ministries and State Departments	1,552.4	1,745.8	193.5	12.5%
State Department for Medical Services	106.0	122.2	16.3	15.3%
State Department for Internal Security	35.8	44.3	8.5	23.8%
State Department for MSMEs Development	5.1	8.2	3.1	60.9%
Total	2,549.5	2,837.0	287.4	11.3%

Source: The National Treasury

Key take outs from the table include:

- i. The State Department for Housing and Urban Development suffered the highest notable decline in allocation of 0.7%, to Kshs 123.0 bn from Kshs 123.8 bn in the approved original estimates against the current administration's commitment to boost the Housing sector. This means the department will have less funding than initially planned, which could lead to delays or scaling down of planned housing projects, urban development initiatives, or other programs under its mandate. Essentially, the department may need to prioritize critical activities and postpone less urgent plans due to the reduced allocation,
- ii. The State Department for Roads saw its budget increased slightly by 10.5% to Kshs 245.0 bn from Kshs 221.8 bn. This increase indicates that the department will have more resources than initially planned, allowing it to maintain ongoing road projects or potentially expand small-scale initiatives. While the boost is not large, it provides some flexibility to address priority road maintenance and development needs
- iii. The State Department for Medical Services saw its budget increase by 15.3% to Kshs 122.2 bn from Kshs 106.0 bn. This significant increase indicates that the department will have substantially more resources than initially planned, allowing it to strengthen healthcare delivery, expand medical services, and invest in critical health infrastructure. The additional funding provides an opportunity to enhance the quality of care and address pressing medical needs across the country.
- iv. The State Department for Basic Education experienced a budget increase of 2.2% to Kshs 130.8 bn from Kshs 127.9 bn. This increase suggests that the department will have substantially more resources than originally planned, enabling it to expand educational programs, improve infrastructure, or enhance learning materials. The additional allocation provides the department with greater flexibility to address key priorities in basic education and support initiatives aimed at improving access and quality.
- v. The State Department for MSMEs Development recorded the largest percentage increase in allocation in the FY 2025/26 Supplementary Budget. Its budget rose by Kshs 3.1 bn, to Kshs 8.2 bn from Kshs 5.1 bn in the original estimates, representing a 60.9% increase. The significant upward revision reflects the government's growing focus on strengthening the micro, small and medium enterprises (MSMEs) sector, which plays a critical role in job creation, income generation, and supporting Kenya's broader economic growth. The additional funding is likely aimed at enhancing access to financing, supporting enterprise

development programs, and improving the operating environment for small businesses across the country.

The fiscal deficit levels including grants for the FY'2025/26 is projected to remain at [4.6%](#) of the GDP similar to the original estimates, down from the [5.9%](#) realised at the end FY'2024/25. Key to note, reducing the fiscal deficit as a percentage of GDP needs the government to meet the revenue collection targets as well as ensuring expenditure falls within the projected range. However, the government was not able to meet the revenue collection for the first 7 months of FY'2025/26, in the period between July 2025 and January 2026, with Kshs 1,437.2 bn collected against a prorated target of Kshs 1,606.9 bn, translating to a shortfall of Kshs 169.7 bn. As such, we expect the government to ramp up its revenue collection initiatives in the remaining 4 months for the current fiscal year to meet its original estimates target of Kshs 2.7 tn. Moreover, the budget allocation in the Supplementary Budget is aimed at addressing emerging priorities as well as shocks in the economy brought about by prolonged droughts affecting agricultural production, and increased demand for essential public services such as healthcare, education, and social protection programs. The government's ability to balance its revenue collection efforts, expenditure control, and prudent allocation of resources will be essential in achieving its fiscal deficit reduction target and ensuring the overall economic stability and well-being of the country.