



**THE UNITED REPUBLIC OF TANZANIA**

**MINISTRY OF FINANCE**

**THE BUDGET EXECUTION REPORT FOR THE FIRST  
HALF OF THE YEAR 2025/26  
(JULY TO DECEMBER 2025)**

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**MARCH 2026**

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## Executive Summary

During the third quarter (July - September, 2025), nominal Quarterly Gross Domestic Product (QGDP) in an absolute term (at current prices) increased to TZS 53.7 trillion from TZS 48.7 trillion recorded in the similar quarter in 2024. Further, the real QGDP (at 2015 prices) increased to TZS 40.0 trillion from TZS 37.6 trillion achieved in the corresponding period in 2022. As a result, real GDP growth in the third quarter was 6.4 percent compared with 6.1 percent recorded in the corresponding quarter in 2024.

For the period of July to December 2025, total domestic revenue collected was 20,620.6 billion shillings against the target of 20,123.3 billion shillings, equivalent to 102.5 percent and an increase of 19.0 percent when compared with the amount collected in the first half of 2024/25. Out of the amount, collections from Tanzania Revenue Authority (TRA) were 17,734.9 billion shillings equivalent to 103.9 percent of the targets. Non-tax revenues collected by Ministries, Departments and Agencies (MDAs) were 2,111.7 billion shillings equivalent to 96.6 percent of the targeted collection and collections from LGAs own source were 774.0 billion shillings equivalent to 89.4 percent of the target.

On the expenditure side, total government expenditure amounted to 26,634.34 billion shillings, equivalent to 102.2 percent of the target, reflecting overall strong budget execution. Recurrent expenditure totaled 17,943.28 billion shillings, achieving 100.8 percent of the target of 17,469.48 billion shillings while development expenditure reached 8,691.07 billion shillings, representing 105 percent of the estimated target.

In the first half of 2025/26, total grants received were 507.6 billion shillings against the target of 490.4 billion shillings equivalent to 103.5 percent. Out of the grants received, project grants were 458.0 billion shillings equivalent to 117.1 percent of the target of 391.0 billion shillings and basket funds were 49.6 billion shillings against the target of 99.4 billion shillings equivalent to 49.9 percent.

For the period of July to December 2025, total financing was 3,244.8 billion shillings against the target of 2,365.9 billion shillings equivalent to 137.1 percent. Out of the total financing, net domestic financing was 1,725.5 billion shillings and net foreign financing were 1,519.3 billion shillings.

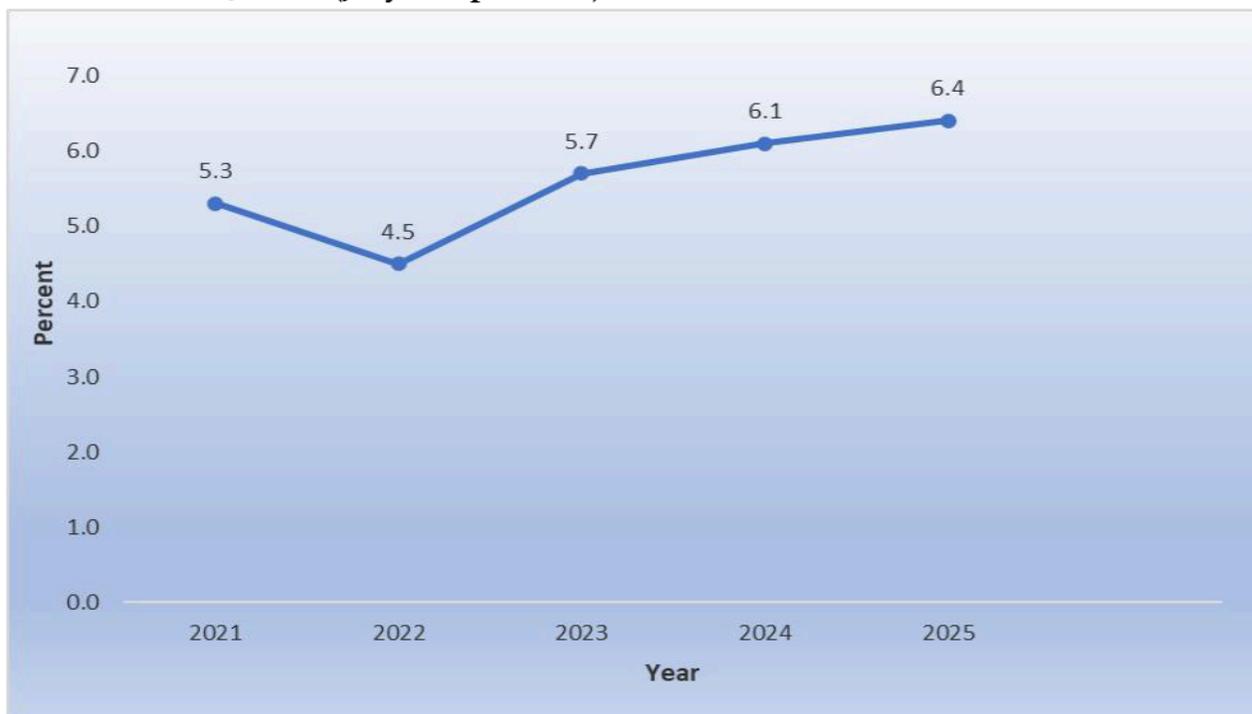
As of end December 2025, Debt stock amounted to 109,444.56 billion shillings compared to 93,687.47 billion shillings in the corresponding period in 2024, equivalent to an increase of 16.82 percent. Out of the amount, domestic debt stock was 37,898.98 billion shillings and external debt stock was 71,545.58 billion shillings.

## 1.0 RECENT MACROECONOMIC PERFORMANCE

### 1.1 Real GDP Growth in the third Quarter of 2025

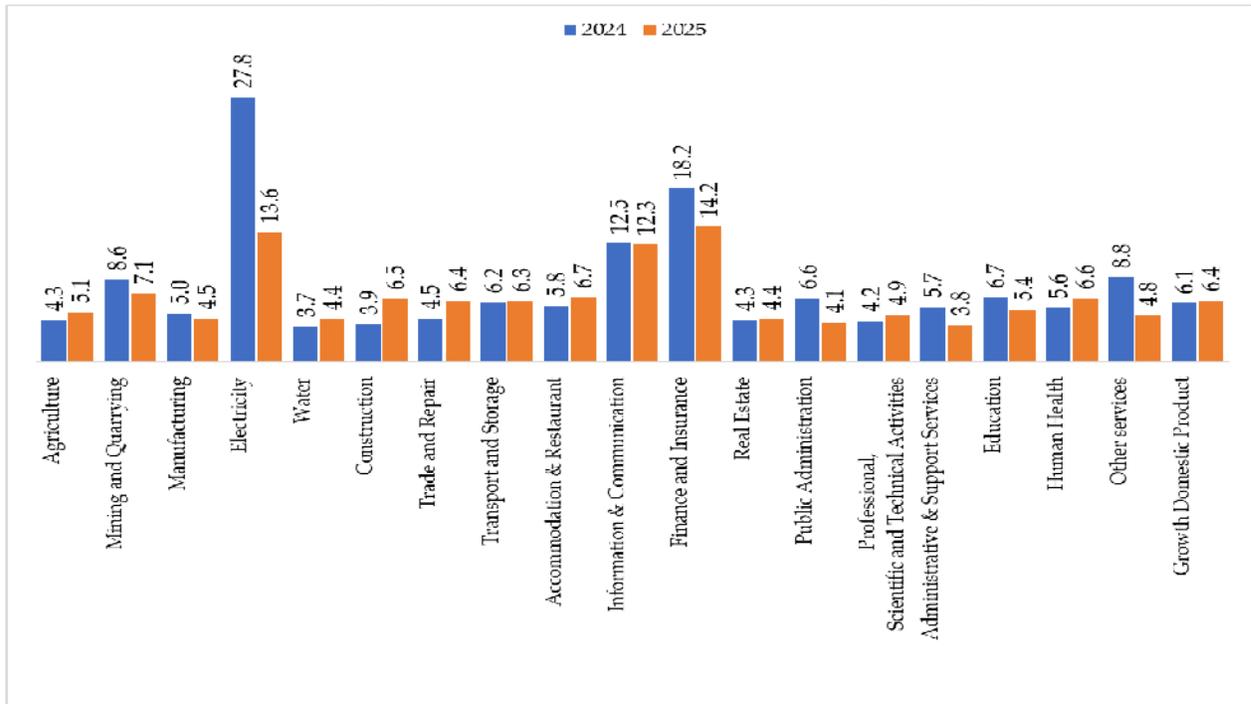
During the third quarter (July - September, 2025), nominal Quarterly Gross Domestic Product (QGDP) in an absolute term (at current prices) increased to TZS 53.7 trillion from TZS 48.7 trillion recorded in the similar quarter in 2024. Further, the real QGDP (at 2015 prices) increased to TZS 40.0 trillion from TZS 37.6 trillion achieved in the corresponding period in 2022. As a result, real GDP growth in the third quarter was 6.4 percent compared with 6.1 percent recorded in the corresponding quarter in 2024 (Chart 1.1). Economic activities that recorded significant growth rates were: Financial and Insurance (14.2 percent); Electricity (13.6 percent); Information and Communication (12.3 percent); Arts, Entertainment & Recreation (10.5 percent); and Mining and Quarrying (7.1 percent.). Generally, Growth was broad-based, driven by improved performance in construction, agriculture, and financial and insurance services. The expansion was supported by sustained investment spending, higher capacity utilization across productive sectors, and continued implementation of measures aimed at improving infrastructure and market efficiency. Chart 1.2 presents the Growth rates by economic activity.

**Chart 1.1: Third Quarter (July - September) GDP Growth rates**



**Source:** National Bureau of Statistics

**Chart 1.2: Growth Rates by Selected Economic Activities (July - September)**



Source: National Bureau of Statistics

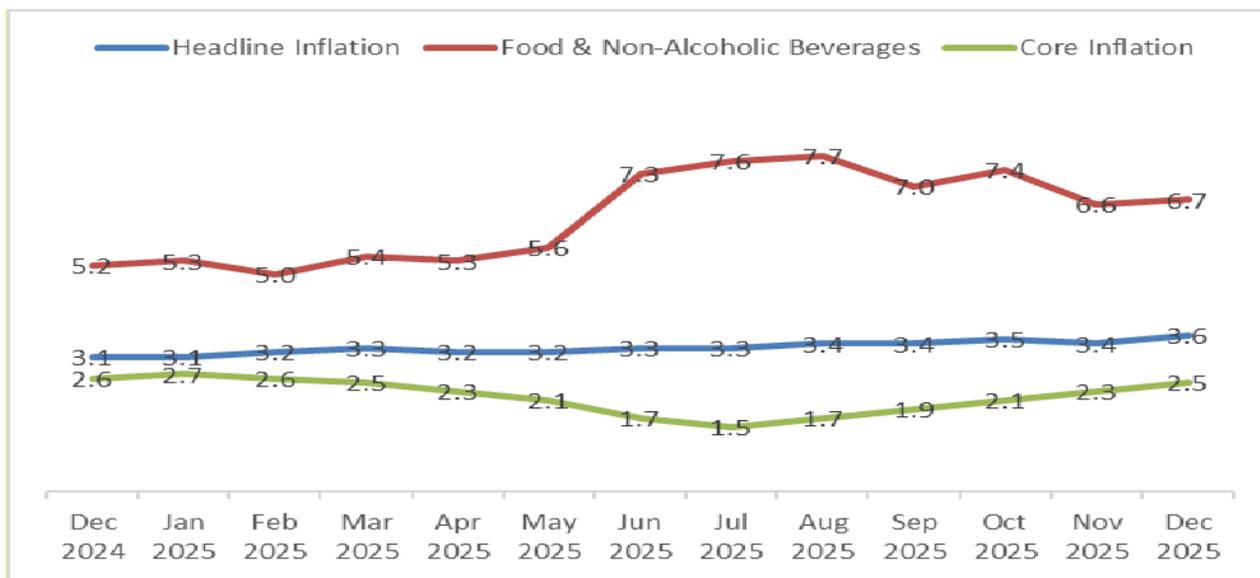
## 1.2 Inflation Development

Price developments in the quarter ending December 2025 indicate that inflationary pressures remained contained, with headline inflation averaging 3.5 percent, compared with 3.0 percent recorded in the corresponding quarter of 2024. On monthly basis, headline inflation increased from 3.5 percent in October to 3.4 percent in November, before rising to 3.6 percent in December 2025. The marginal decline in November suggests temporary easing in consumer price pressures, likely reflecting short-term stabilization in selected consumption items. However, the rebound in December indicates renewed price momentum toward the end of the quarter. Overall, headline inflation remained relatively stable within a narrow band, suggesting broadly contained inflationary conditions during the period under review.

Food and non-alcoholic beverages inflation declined from 7.4 percent in October to 6.6 percent in November, before slightly increasing to 6.7 percent in December. The sharp moderation between October and November signals improved food supply conditions, possibly linked to seasonal harvest effects and stabilization of domestic food markets. The marginal uptick in December suggests emerging pressures, but the rate remained below October levels. Given the weight of food in consumer basket, this category remained the principal driver of headline inflation during the quarter.

Core inflation, which excludes volatile food and energy components, increased steadily from 2.1 percent in October to 2.3 percent in November and further to 2.5 percent in December. This gradual upward trajectory points to strengthening underlying inflationary pressures, potentially reflecting rising costs in services and non-food goods. Chart 1.3 presents the Trend of Inflation.

**Chart 1.3: Trend of Inflation (December 2024 – December 2025)**



Source: National Bureau Statistics

### 1.3 External Trade Developments

The quarter ending December 2025, the external sector exhibited more favourable trade dynamics and notable resilience, supported by stronger export performance and moderated import demand. Exports rose to USD 3,107.4 million, up from USD 2,912.1 million in the corresponding quarter of 2024, driven by robust non-traditional exports and buoyant gold receipts. Imports eased slightly to USD 3,862.3 million, compared with USD 3,915.3 million in the same quarter of 2024, as persistent primary income outflows continued to offset gains in trade and services. Despite these improvements, the current account deficit remained broadly unchanged at USD 239.7 million, relative to USD 236.7 million in the quarter ending December 2024, as persistent primary income outflows continued to offset improvements in trade and services.

### 1.4 Gross official reserves

Foreign exchange reserves stood at USD 6,329 million in December 2025, sufficient to cover 4.9 months of projected imports of goods and services. This level of reserves is consistent with both national and EAC benchmarks, anchoring external sector stability.

## **1.5 Money Supply and Credit**

During the quarter ending December 2025, extended broad money supply (M3) increased to 60,989.1 billion shillings from 48,905.0 billion shillings, equivalent to an annual growth of 24.7 percent. Similarly, broad money supply (M2) increased to 47,733.4 billion shillings 37,139.7 billion shillings, equivalent to annual growth of 28.5 percent. The growth of money supply continued to be supported by increase in domestic credit. Meanwhile, credit extended to the private sector recorded a growth of 23.6 percent in the quarter ending December 2025 compared with 12.4 percent in the quarter ended December 2024. This was attributable to the increase in the demand for new loans following the improvement of the business environment in the country accompanied by the consistent implementation of monetary and fiscal policies.

## **1.6 Interest Rates Development**

During the quarter ending December 2025, the overall lending rate decreased to 15.24 percent from 15.71 percent in the corresponding period in 2024. Likewise, one year lending rate declined to 15.46 percent from 15.77 percent in the quarter ending December 2024. The overall time deposit rate and 12-months deposit rate were 8.36 percent and 9.35 percent in the quarter ending December 2025 compared to 8.33 percent and 10.68 percent in the corresponding period of 2024 respectively. Given such trend, the spread between one year lending and deposit interest rates narrowed to 5.88 percentage points from 6.12 percentage points registered in the quarter ending December 2024, reflecting a gradual decrease in cost of borrowing to customers and cost of funds to banks.

## **1.7 Exchange Rate**

The value of the shilling remained stable against major currencies, trading at an average of shilling 2,441.31 per USD in the quarter ending December 2025 compared to shilling 2,436.26 per USD traded in the similar quarter in 2024, representing an annual depreciation of 0.2 percent. The stability in exchange rate was attributed to moderate current account deficit, low and stable domestic inflation, sustained prudent monetary and fiscal policies and measures implemented by the Bank to ensure transparency and orderly market operations.

## **2.0 GOVERNMENT OPERATIONS**

### **2.1 Revenue**

The Government continued to enhance its efforts to generate domestic resources, ensuring sufficient funding for its operations, infrastructure projects, and social services. In the second quarter of 2025/26, total domestic revenue collection (including LGAs own source) amounted to 10,942.8 billion shillings equivalent to a performance of 99.8 percent compared to the targets and 16.7 percent higher than amount collected in the corresponding period in 2024/25.

On cumulative basis (July to December 2025), total amount collected was 20,620.6 billion shillings against the target of 20,123.3 billion shillings, equivalent to 102.5 percent and an increase of 19.0 percent when compared with the amount collected in the first half of 2024/25. Out of the amount, collections from Tanzania Revenue Authority (TRA) were 17,734.9 billion shillings equivalent to 103.9 percent of the targets. Non-tax revenues collected by Ministries, Departments and Agencies (MDAs) were 2,111.7 billion shillings equivalent to 96.6 percent of the targeted collection and collections from LGAs own source were 774.0 billion shillings equivalent to 89.4 percent of the target.

### **2.2 Revenue by Source**

#### **2.2.1 Taxes on Imports**

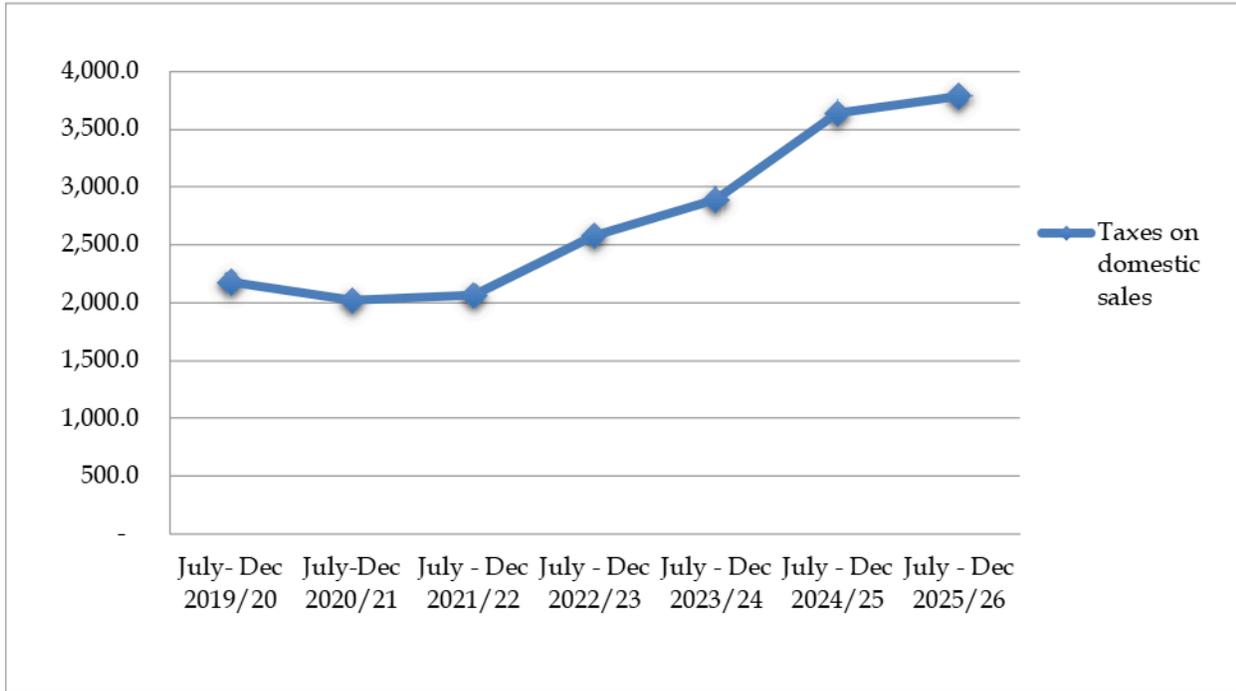
Import taxes and duties collections in the second quarter of 2025/26 amounted to 2,357.4 billion shillings, reflecting a performance of 95.9 percent of estimated targets, and 1.1 percent higher when compared to collections registered in the similar period in 2024/25. Cumulatively, for the first half of 2025/26, import taxes and duties collections amounted to 4,732.0 billion shillings, reflecting a performance of 102.7 percent of estimated amount. The excise on petroleum imports was 723.3 billion shillings, which was 102.8 percent of the planned target. Excise on other imports collections were 279.4 billion shillings, registering a performance of 115.5 percent. On the other hand, import duty collections amounted to 1,160.5 billion shillings, equivalent to 103.9 percent of the target and VAT on non-petroleum performed at 100.9 percent of the target by collecting 2,546.4 billion shillings. The performance of import taxes and duties during the second half of the year can be largely attributed to most of the goods imported during the quarter were duty-free, particularly those originating from SADC and EAC member countries, while others were granted exemption.

### 2.2.2 Taxes on Domestic Sales

In the second quarter of 2025/26, actual tax collection from domestic sales increase to 1,925.9 billion shillings reflecting an increase of 5.4 percent when compared to the corresponding period in 2024/25. The amount collected was equivalent to 95.2 percent of the targeted collection of 2,022.6 billion shillings. On cumulative basis, during the first half of 2025/26, actual tax collection from domestic sales increased by 25.8 percent to 3,785.8 billion shillings from 3,641.4 billion shillings collected in the first half of 2024/25 and 98.9 percent of the target of 3,092.1 billion shillings. Out of the total domestic sales tax, the excise duty was 1,339.7 billion shillings, equivalent to 102.7 percent of the target while VAT on domestic sales amounted to 2,446.1 billion shillings, which was 97.0 percent of the target.

The underperformance of VAT on domestic sales was attributed to several factors: decrease in the collection of VAT in the major economic activities such as construction, Professional, scientific and technical activities, Administrative and support service activities, Water supply, sewerage, waste management and remediation activities and Accommodation and Food service activities, and decline in the sales of consumable products, such as sugar. The good performance of domestic excise duty was primarily driven by an increase in production of excisable products driven by improvement in production line and heightened market demand. Those products include beer, mineral water, juice, wines and soft drinks. Chart 2.1 shows the trend of tax on domestic sales for the first half of the financial years (2019/20 - 2025/26).

**Chart 2.1: Trend of Tax on Domestic Sales for the First Half (2019/20 – 2025/26)**



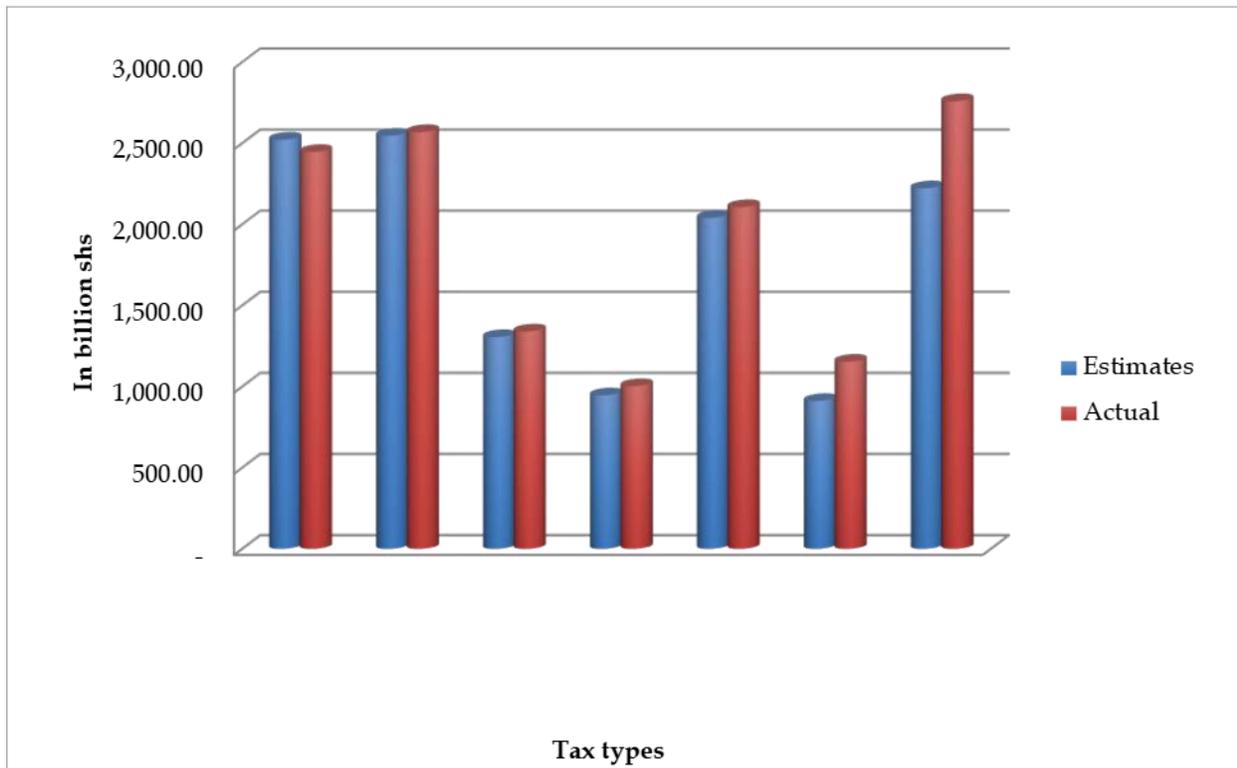
### 2.2.3 Income Tax

Income tax collections during the second quarter of 2025/26 amounted to 3,659.6 billion shillings, equal to 116.0 percent of the target of collecting 2,772.5 billion shillings, which is 31.2 percent higher than the amount collected in the same period in 2024/25. Cumulatively, income tax collections for the first half of 2025/26 were 6,564.8 billion shillings, equal to 115.6 percent of estimates. In the second quarter of 2024/25, PAYE collections were 1,080.5 billion shillings, equivalent to 101.7 percent of the target. Cumulatively, during the first half of 2024/25, PAYE collections were 2,106.2 billion shillings against the target of 2,040.1 billion shillings equal to 103.2 percent compared to target and 28.8 percent higher when compared to amount collected in the first half of 2024/25.

During the second quarter of 2025/26, revenue collections from the corporate tax were 1,705.2 billion shillings, which was 130.5 percent of the target. Cumulatively, the amount collected from corporate tax was 2,759.1 billion shillings, equivalent to 124.1 percent of the target. The performance was attributed to increase in gold prices in the global market resulted in higher revenues among major participants in the gold

mining sector, leading to substantial upward revisions of their Self-Assessment Estimated Tax Payable Instalments (SETPI) during the period under review. Collections from withholding taxes for the second quarter were 581.2 billion shillings, equivalent to 115.6 percent of the target. The over performance was associated with the increase in number of transactions that attract withholding tax such as Withholding tax from non-resident director’s fees, capital gain, Transport, Dividends from the Dar es salaam Stock exchange listed corporation, Mgt and Tech Serv Fees and Treasury bills. The cumulative collections for the first half of 2025/26, from withholding taxes were 1,153.5 billion shillings against the target of 911.3 billion shillings, equivalent to 126.6 percent. Revenue performance by major tax items is shown in Chart 2.2.

**Chart 2.2: Revenue Performance by Major Tax Items (July – December 2025)**

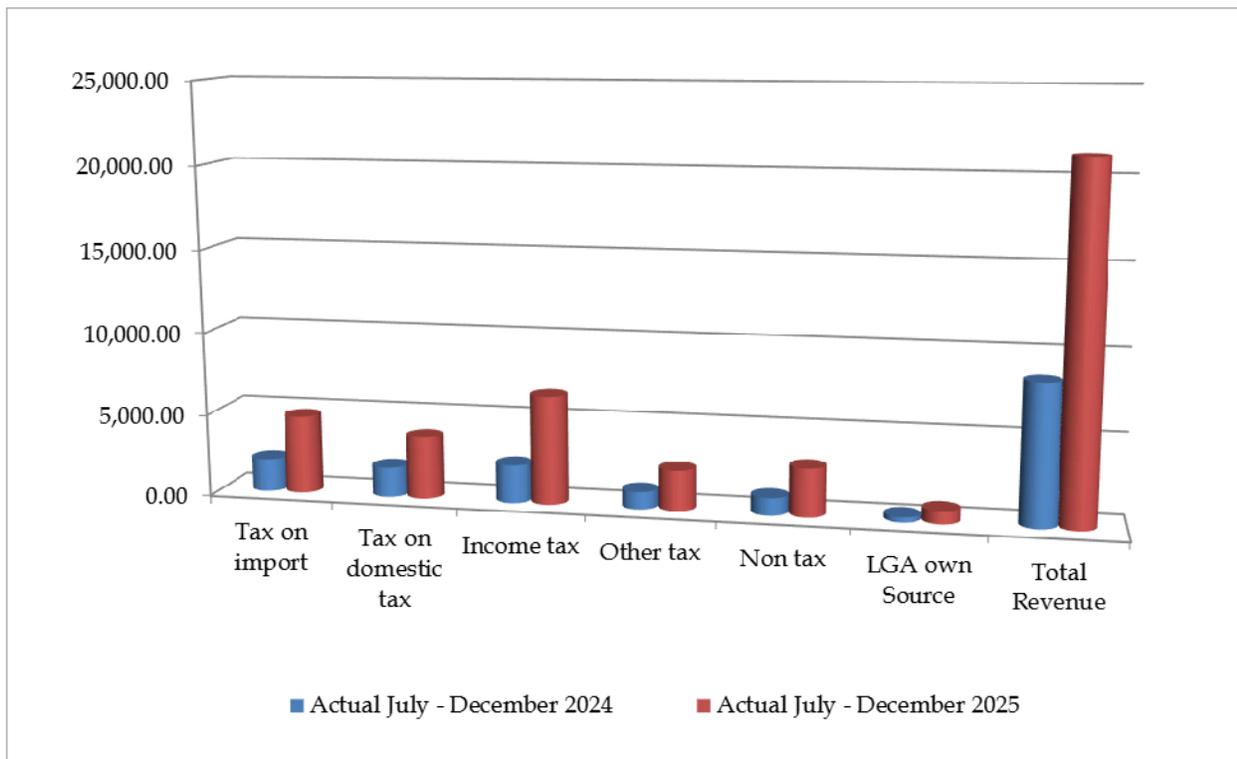


**2.2.4 Other Taxes**

During the quarter ended December 2025, actual collections from other taxes category amounted to 1,328.2 billion shillings, which was 98.6 percent of the period estimate. On cumulative basis, the amount collected was 2,449.4 billion shillings, which was 98.1 percent of estimates, and a increase of 9.1 percent when compared to the amount collected in the same period in 2024/25. Out of the collected amount, Fuel Levy and

Transit Fee amounted to 1,089.4 billion shillings, equivalent to 102.6 percent of estimates; collections meant for National Water Development Fund were 115.3 billion shillings, which was 100.6 percent of estimates; and collections for Rural Energy Agency (REA) amounted to 236.0 billion shillings, equivalent to 98.3 percent of estimates. In addition, collections from other sources were includes: collections for Railway Development Fund were 355.1 billion shillings, equivalent to 99.9 percent of estimates; Business Skill Development Levy (SDL) recorded 206.7 billion shillings, equivalent to 95.6 percent of estimates, and Departure Service Charges performed at 61.8 percent of estimates of 68.4 billion shillings. The underperformance was attributed delay of payments and low compliance that was caused by some taxpayers who defaulted to pay their tax arrears due to financial constraints hence failed to remit PAYE and SDL. The trend of revenue performance is indicated in **Chart 2.3**.

**Chart 2.3: Revenue Performance (July - December 2025) Compared to (July - December 2024)**



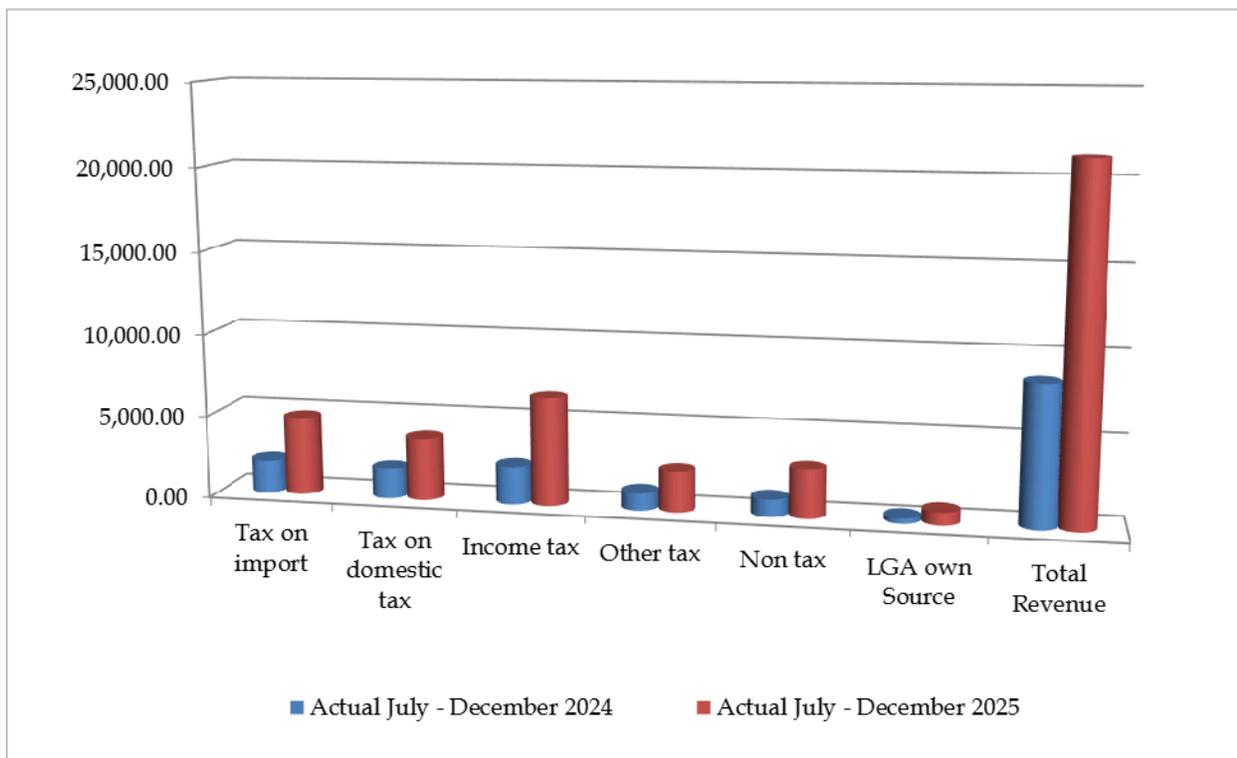
### 2.2.5 Non-Tax Revenue

Collections of non-tax revenue in the second quarter of 2025/26 were 1,636.5 billion shillings, equivalent to 88.4 percent of quarter estimates. For the period of July to December 2025, collections of non-tax revenue were 2,938.4 billion shillings, equivalent to 89.9 percent of period estimates and 14.9 percent higher when compared to

collections registered in the same period in 2024/25. Out of the amount, non-tax revenues collected by Ministries were 1,484.9 billion shillings, equivalent to 100.3 percent of the targets, dividends and contribution from Government Institutions were 626.8 billion shillings which was 88.8 percent of the target, non-tax revenues collected by TRA (mobile money transactions levy, tourist sector and others) were 826.8 billion shillings, which was 76.5 percent of the period estimates. The underperformance of non-tax revenue was largely attributed by low efficiency in monitoring of revenue source and some of the institutions does not remit their contribution as anticipated.

Local Government Authorities (LGAs) own sources collections in the second quarter 2025/26 were 360.1 billion shillings, equivalent to 79.5 percent of estimates while the collections recorded for the first half of 2025/26 amounted to 774.0 billion shillings, which was 89.4 percent of the target. The Domestic revenue performance for the first half of 2025/26 compared to the first half of 2024/25 is depicted in Chart 2.4. Analysis of revenue performance during the first half of 2025/26 is depicted in Annex A.

**Chart 2.4: Domestic Revenue Performance for the first half of 2025/26 compared to estimates**



## **2.3 Expenditure**

The government continued to honor its obligations in line with the approved expenditures. Budget execution during the second quarter focused on ensuring that funds were released and utilized according to the approved budget and established financial regulations. This enabled ministries, departments, and agencies to implement planned activities and deliver public services effectively. Priority was given to essential expenditures such as salaries, ongoing development projects, and operational costs to maintain continuity in government programs. The government also maintained regular monitoring of expenditures to ensure that spending remained aligned with approved allocations and national development priorities.

### **2.3.1 Second Quarter Expenditure Performance**

During the second quarter, overall expenditure execution was strong, with total funds released to spending units amounting to 13,381.56 billion shillings equivalent to 97.2% of the quarterly target of 13,773.74 billion shillings reflecting steady implementation of planned government programs. Recurrent expenditure achieved 99.2% performance, largely driven by personnel emoluments, goods and services, and other statutory commitments while development expenditure was 92.0% supporting the continued implementation of priority infrastructure and social sector projects. The overall execution rate remained broadly aligned with the planned fiscal path, indicating that government spending was largely consistent with the approved budget and policy priorities

### **2.3.2 Recurrent Expenditure**

Recurrent expenditure amounted to 9,762.20 billion shillings, equivalent to 99.2% of the planned target, reflecting strong implementation of the recurrent budget. This represents an increase of 2.2% compared with 6,151.6 billion shillings recorded in the corresponding quarter of the 2024/25, indicating a moderate expansion in spending to support government operations and service delivery.

Expenditure on wages and salaries totaled 3,269.65 billion shillings, achieving 99.9 percent of the quarterly target, broadly in line with personnel expenditure requirements submitted by votes. Debt service payments amounted to 3,253.23 billion reflecting the settlement of debt obligations that matured during the quarter. Spending on goods and services, as well as transfers was 114.1 percent of the quarterly target of 2,638.80 billion shillings.

### **2.3.3 Development Expenditure**

During the period under review, development expenditure amounted to 3,619.37 billion shillings, equivalent to 92.0 percent of the quarterly target. Expenditure financed by

domestic resources totaled 2,734.63 billion shillings, reflecting improved absorption capacity and efficient implementation of priority infrastructure and social sector projects. Disbursement of externally financed projects, including direct to project funds, reached 884.73 billion shillings. The second quarter performance of budget by major categories is presented in **Table 2.1**.

**Table 2.1: Second Quarter Expenditure Performance by Major Categories (October to December 2025)**

Category	Quarter Target	Actual Expenditure	Performance
<b>Recurrent Expenditure</b>	<b>9,841.45</b>	<b>9,762.20</b>	<b>99.2%</b>
o/w Wages and Salaries	3,273.74	3,269.65	99.9%
Debt Amortization	2,186.50	1,812.89	82.9%
Interest Repayments	1,542.29	1,440.34	93.4%
Goods, Services and Transfers	2,838.91	3,239.31	114.1%
<b>Development Expenditure</b>	<b>3,932.30</b>	<b>3,619.37</b>	<b>92.0%</b>
Development Local	2,595.56	2,734.63	105.4%
Development Foreign	1,336.74	884.73	66.2%
<b>Grand Total</b>	<b>13,773.74</b>	<b>13,381.56</b>	<b>97.2%</b>

Source: Ministry of Finance

#### 2.3.4 Cumulative Expenditure Performance (July to December)

For the period July to December 2025, total government expenditure amounted to 26,634.34 billion shillings, equivalent to 102.2 percent of the target, reflecting overall strong budget execution. Recurrent expenditure totaled 17,943.28 billion shillings, achieving 100.8 percent of the target of 17,469.48 billion shillings, with spending largely driven by personnel emoluments, debt service, and operational requirements.

Development expenditure reached 8,691.07 billion shillings, representing 105.1 percent of the estimated target. Of this amount, 7,204.85 billion shillings was financed from domestic sources, while 1,486.21 billion shillings was financed from foreign resources.

The budget execution for the mid-year period demonstrates that government spending remained broadly aligned with approved allocations, fiscal objectives and national development priorities. The overall development budget execution demonstrates the Government's commitment to achieving planned investment objectives. The cumulative

performance of budget execution in major categories for July to December 2025 is as shown in Table 2.2.

**Table 2.2: Cumulative Expenditure Performance by Major Categories.**

Category	Target	Actual Expenditure	Performance
<b>Recurrent Expenditure</b>	<b>17,799.45</b>	<b>17,943.28</b>	<b>100.8%</b>
o/w Wages and Salaries	6,480.27	6,476.18	99.9%
Debt Amortization	5,393.03	5,019.42	93.1%
Interest Repayments	4,748.82	4,646.87	97.9%
Goods, Services and Transfers	6,045.44	6,445.84	106.6%
<b>Development Expenditure</b>	<b>8,271.67</b>	<b>8,691.07</b>	<b>105.1%</b>
Development Local	6,163.95	7,204.85	116.9%
Development Foreign	2,107.72	1,486.21	70.5%
<b>Grand Total</b>	<b>26,071.11</b>	<b>26,634.34</b>	<b>102.2%</b>

Source: Ministry of Finance

### 2.3.5 Government Expenditure on Arrears

The government continued to allocate funds for the clearance of arrears. During the second quarter, a total of 194.78 billion shillings was released to settle domestic arrears owed to contractors and staff, ensuring timely payment.

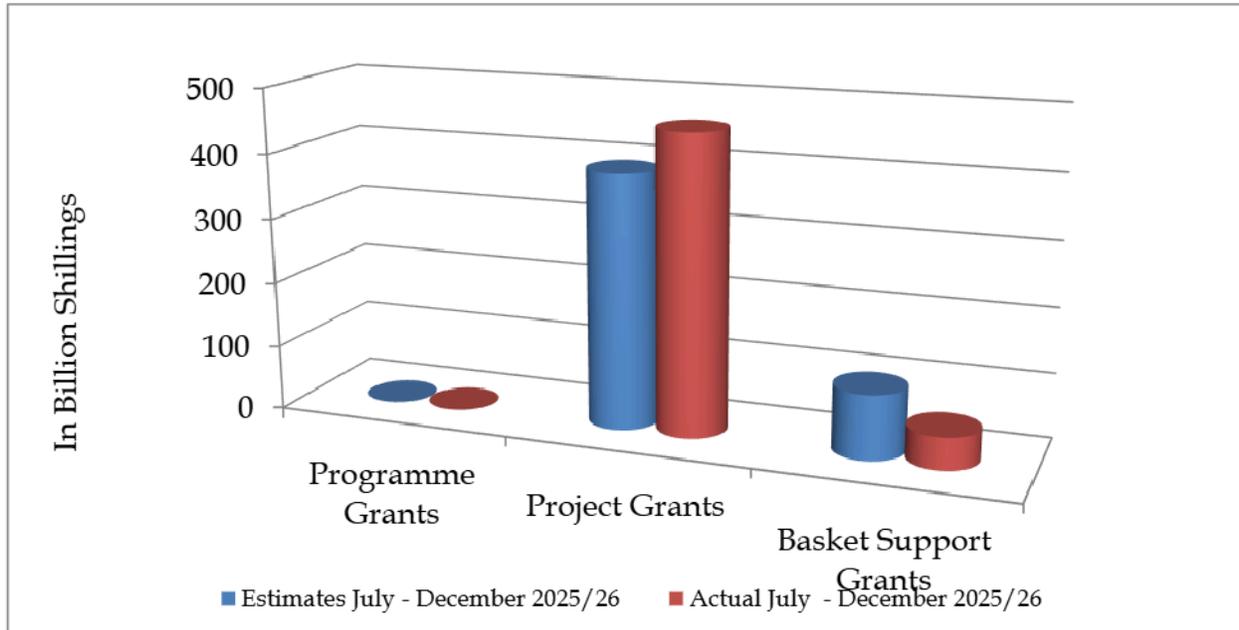
### 2.4 Grants

Grants received in the second quarter of 2025/26 were 241.0 billion shillings, equivalent to 83.0 percent of the estimated amount of 290.4 billion shillings. Out of the total grants, project grants were 207.6 billion shillings, equivalent to 97.0 percent of the estimates of 214.0 billion shillings and Basket Funds were 33.4 billion shillings equivalent to 43.7 percent of estimates of 76.4 billion shillings. During the review period, there were no disbursement of General Budget Support grants.

Cumulatively, from July to December 2025, total grants received were 507.6 billion shillings against the target of 490.4 billion shillings equivalent to 103.5 percent. Out of the grants received, project grants were 458.0 billion shillings equivalent to 117.1 percent of the target of 391.0 billion shillings and basket funds were 49.6 billion shillings against the target of 99.4 billion shillings equivalent to 49.9 percent. During the review period, the Government did not receive General Budget Support grants. Effective project

implementation and timely submission of implementation reports to Development Partners for ongoing development projects contributed to the performance of project grants.

**Chart 2.5: Performance of Foreign Grants for the first half of 2025/26 (Estimates against Actual)**



## 2.2 Financing

In the second quarter of 2025/26, total borrowings was 207.4 billion shillings against the target of 280.1 billion shillings equivalent to 74.0 percent of the estimates. Out of the total financing, total net foreign financing was a borrowing of 358.7 billion shillings against a borrowing target of 930.5 billion shillings equivalent to 38.5 percent of the estimates. On the other hand, total net domestic financing was a build-up of deposits of 151.3 billion shillings against the target of a build up of deposit of 650.4 billion shillings. Cumulatively, from July to December 2025, total financing was 3,244.8 billion shillings against the target of 2,365.9 billion shillings equivalent to 137.1 percent.

### 2.4.1 Domestic Financing

In 2025/26 Government budget, domestic borrowing is planned at 6,278.2 billion shillings, whereas 3,325,6 billion shillings are for financing rolling over of maturing Treasury bills and bonds and 2,952.6 billion shillings are new loans for financing development projects. During the second quarter of 2025/26, a total of 151.3 billion shillings were build-up of deposits against the target of a build-up of deposit of 650.4 billion shillings equivalent to 23.3 percent of the target. Cumulatively, for the period of

July to December 2025, a total of 2,724.4 billion shillings were borrowed from domestic market against the target of borrowing 1,816.1 billion shillings equivalent to 150.0 percent. Out of the amount borrowed, 998.9 billion shillings was for redemption (rollover) of matured obligations and 1,725.5 billion shillings was net domestic financing.

#### **2.4.2 Foreign Financing**

Net foreign financing for the second quarter of 2025/26 was a borrowing of 358.7 billion shillings against a borrowing target of 930.5 billion shillings equivalent to 38.5 percent. Net foreign financing for the first half of 2025/26 was borrowing of 1,519.3 billion shillings against a borrowing target of 1,563.5 billion shillings which was 97.2 percent of the target. During the period under review, disbursements of concessional loans were 2,122.3 billion shillings against the target of 1,766.9 billion shillings equivalent to 120.1 percent.

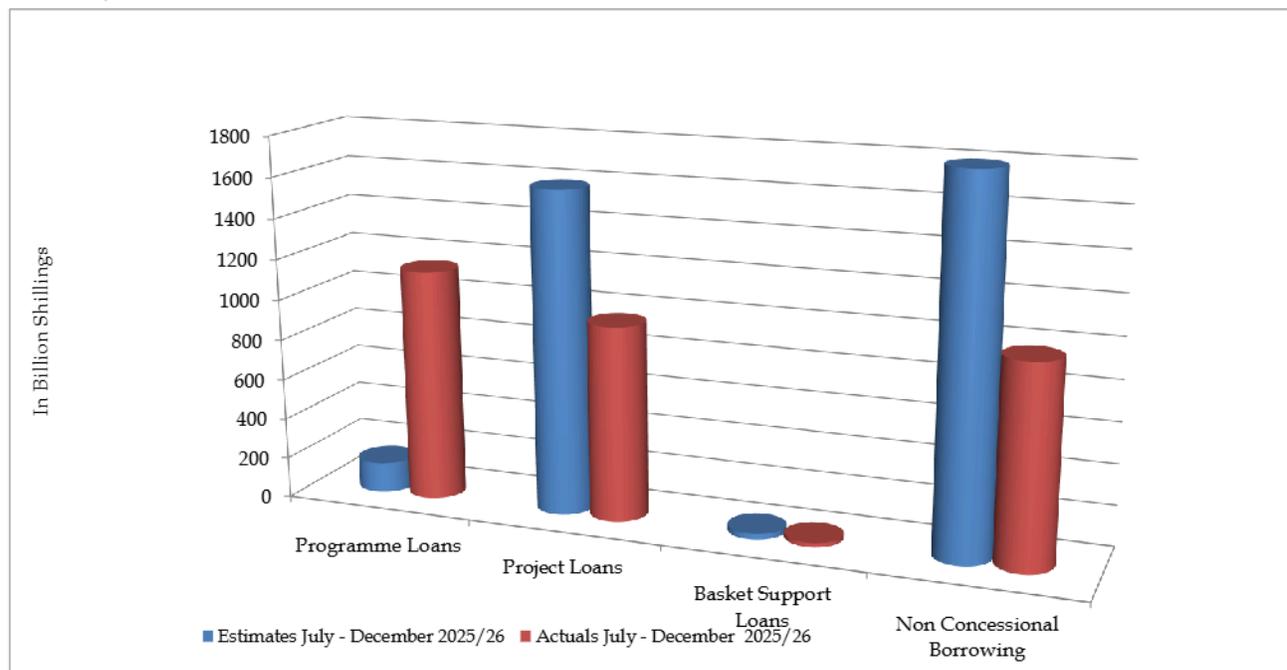
This performance is attributed to Government commitment towards the implementation of Development Cooperation Framework (DCF) and timely submission of implementation reports to Development Partners. In the first half, disbursement of non-concessional loans were 977.6 billion shillings against the target of 1,799.0 billion shillings, which was 54.3 percent of the target. In addition, amortization of foreign loans was 1,580.6 billion shillings against estimates of 2,002.5 billion shillings which was 78.9 percent of the estimates. The trend of grants and external concessional loans is shown in Table 2.3 and the performance of foreign financing for the first half of 2025/26 is presented in Chart 2.6.

**Table 2.3: Trend of Grants and External Concessional Loans for the first half of 2025/26**

Particulars	Type of assistance	Annual commitment as per budget	Estimates from July to December 2025	Cummulative disbursement from July to December 2025	% of Disb against estimates from July to December 2025
General Budget Support (GBS)	Grants	113,796	-	-	0%
	Concession Loan	1,627,221	-	1,143,646	
<b>Sub Total</b>		<b>1,741,018</b>	<b>-</b>	<b>1,143,646</b>	
Basket Funds (BF)	Grants	109,112	99,403	49,576	50%
	Concession Loan	80,624	28,304	20,230	71%
<b>Sub Total</b>		<b>189,736</b>	<b>127,707</b>	<b>69,806</b>	<b>55%</b>
Development Project Funds (DPF)	Grants	846,976	390,979	458,012	117%
	Concession Loan	4,339,193	1,589,027	958,396	60%
<b>Sub Total</b>		<b>5,186,169</b>	<b>1,980,006</b>	<b>1,416,408</b>	<b>72%</b>
<b>Grand Total</b>		<b>7,116,923</b>	<b>2,107,713</b>	<b>2,629,859</b>	<b>125%</b>

Source: Ministry of Finance

**Chart 2.6: Performance of Foreign Financing for the first half of 2025/26 (Estimates Vs Actual)**



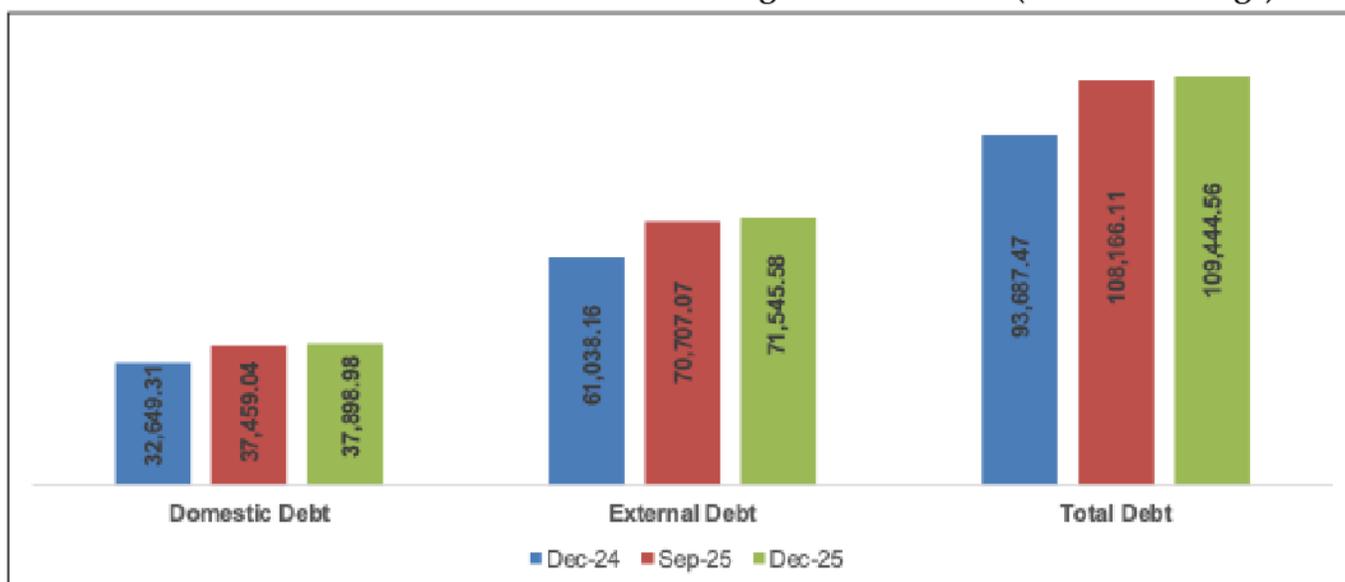
Source: Ministry of Finance

### 3.0 GOVERNMENT DEBT DEVELOPMENT

#### 3.1 Overall Debt Stock

As at end of second quarter 2025/26, Central Government Debt Stock stood at 109,444.56 billion shillings (USD 44,717.54 million), an increase of 16.82 percent compared to 93,687.47 billion shillings recorded at the end of December 2024 (Chart 3.1). Out of the total Central Government debt stock, domestic debt amounted to 37,898.98 billion shillings, accounting for 34.63 percent, while external debt stood at 71,545.58 billion shillings, equivalent to 65.37 percent. On a quarterly bases, Central Government debt stock increased by 1.18 percent compared to 108,166.11 billion shillings recorded at the end of September 2025. The annual increase in the Central Government's debt stock was mainly attributed to new domestic borrowing through the issuance of Government securities and disbursements from external creditors.

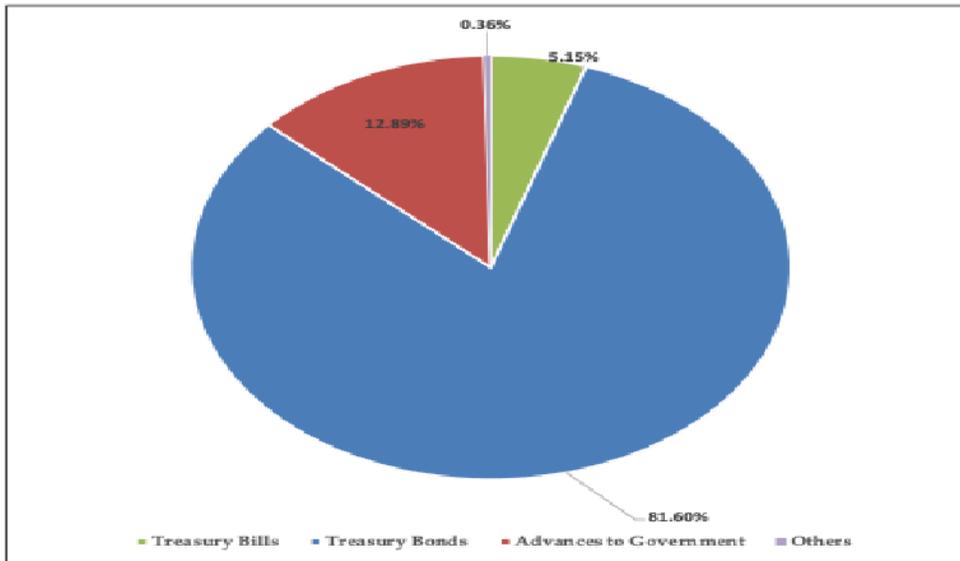
Chart 3.1: Trend of Central Government Debt ending December 2025 (Billion Shillings)



#### 3.2 Central Government Domestic Debt Stock

As at the end of December 2025, domestic debt stock stood at 37,898.27 billion shillings, representing a 1.17 percent increase from 37,459.05 billion shillings recorded at the end of September 2025. Treasury bonds account for the largest share (81.6 percent) of the profile of domestic debt by instrument (Chart 3.2). The greater share of Treasury bond is in consistent with the Medium-Term Debt Strategy which requires the Government to develop domestic bond market by issuing instrument with longer tenure to reduce refinancing risk.

**Chart 3.2: Share of Domestic Debt by Instrument Category**



### 3.3 Central Government External Debt Stock

At the end of December 2025, the stock of external Central Government debt stood at USD 29,232.54 millions (71,545.58 billion shillings), representing an increase of 14.69 percent from USD 25,488.26 million recorded at end December 2024. On a quarter-to-quarter basis, external Central Government debt increased by 1.00 percent from USD 28,944.54 million recorded at end September 2025. The increase was mainly attributed to higher disbursed outstanding debt, which outweighed the marginal change in interest arrears over the period

The proportion of debt owed to multilateral institutions remained dominant for 69.0 percent of the external debt stock for the quarter ending December 2025, followed by commercial creditors and export credit with 25.83 percent, and bilateral creditors share the remaining portion with 5.18 percent (Chart 3.3).

**Chart 3.3: Concessionality of Government External Debt**

