

FY 26/27 Budget Performance

Exchequer releases August 2026

Key developments in the first two months of FY 2026/27

- 1

Total revenue collection recorded a steady increase as of August 2026

Tax revenue grew by 13.6 percent to KSh 373.5 billion, while non-tax revenue's 27.4 percent growth was entirely a July effect.
- 2

Government continues to rely heavily on domestic borrowing

Domestic borrowing rose 28.9 per cent to KSh 463.8 billion, already 29.6 per cent of its full-year target after just two months. External borrowing and grants remain negligible, continuing the pattern observed in FY2025/26.
- 3

Recurrent spending is growing faster than the revenue that funds it

Recurrent releases rose 23.2 per cent to KSh 284.0 billion, well above the 13.9 per cent growth in total revenue revenue over the same period.
- 4

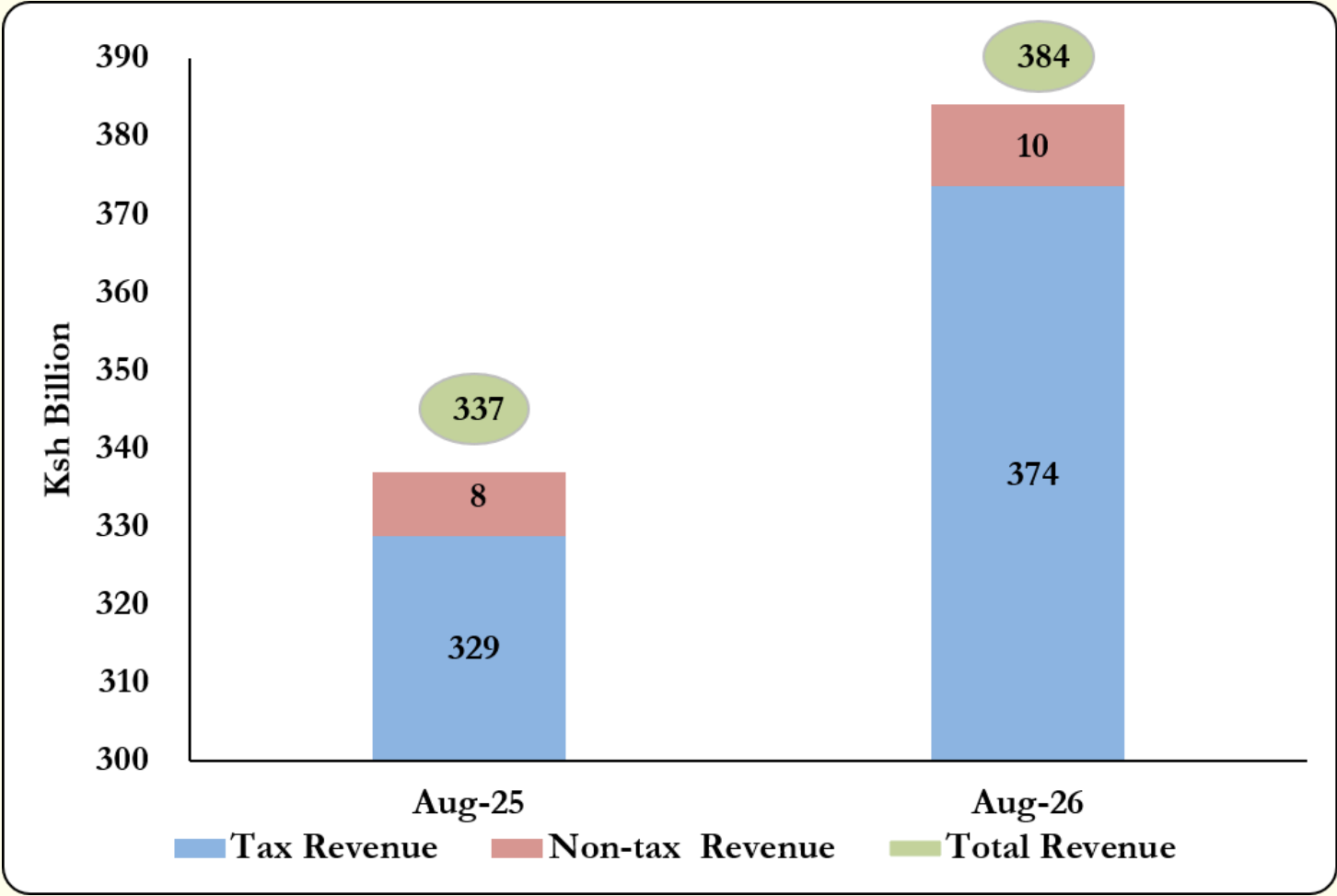
Development disbursement more than tripled in the first two months of FY2026/27

Development releases reached KSh 44.3 billion in the first two months, more than three times the KSh 13.8 billion released over the same period last year.

First Two Months at Glance

KSh 384.0 billion Tax and non-tax revenue collected, up 14.0 per cent year on year, 12.9 per cent of the FY2026/27 total revenue target	KSh 780.6 billion Total disbursements to national government, counties and CFS combined, up 15.8 percent compared with the same period last year
KSh 463.8 billion Domestic borrowing, up 28.9 per cent year on year and was at 29.6 per cent of its full year target	KSh 44.3 billion Development disbursements, up by more than 2 times year on year, but just 9.4 per cent of the annual development budget
KSh 55.6 billion County equitable share disbursed, up 69.0 percent year on year, 13.0 per cent of the annual county allocation of KSh 428 billion	KSh 10.5 billion Daily Domestic Borrowing by the Government in August 2026

Total revenue (Tax + non tax) grew by 14 percent as compared to same period last Financial year

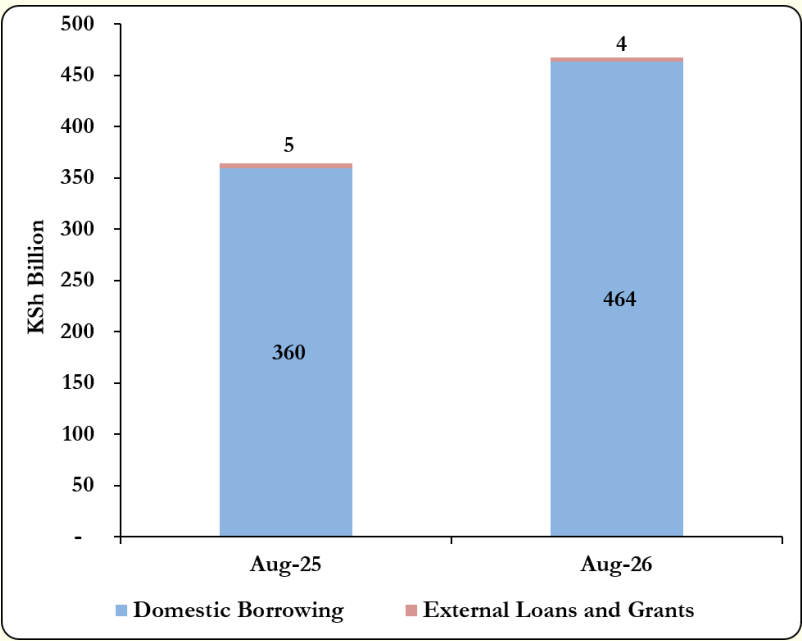


In the first two months of FY 2026/27, tax revenue rose by 13.6 percent to KSh 374 billion, representing 13 percent of the annual target of KSh 2,858.7 billion.

Non-tax revenue rose by 27 percent to KSh 10 billion, representing 8 percent of the annual target of KSh 127 billion. However, the growth was entirely driven by July collections, with collections falling 24 percent year on year in August.

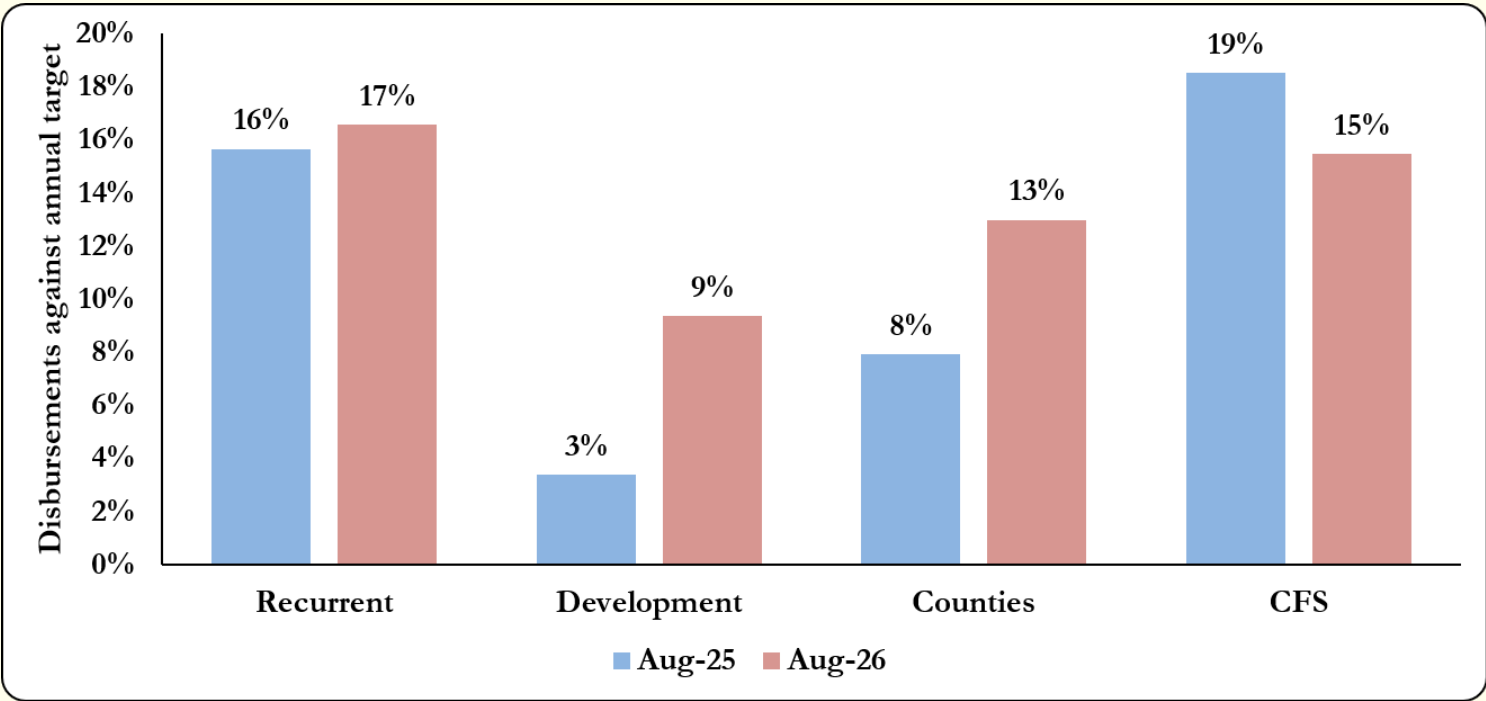
Source: Kenya Gazette(Vol. CXXVIII–No. 166)

The government continues to rely on domestic borrowing to close the gap between revenue and disbursements



- In the first two months of FY2026/27, the government relied heavily on domestic borrowing to finance its operations, with KSh 384 billion in revenue against KSh 781 billion disbursements.
- Gross domestic borrowing rose 29 percent to KSh 464 billion, reaching 30 percent of the KSh 1,568 billion annual target after two months, compared with 33 percent over the same period in FY2025/26, indicating heavy front-loading in both years.
- The pace was supported by strong demand for government bonds, with KSh 44.3 billion accepted against KSh 28 billion offered at the 31 August 2026 auction, a 58 percent oversubscription.

MDAs' disbursements and county transfers increased in the first two months of FY2026/27 compared with similar period last year



Total disbursements to national government, counties and the Consolidated Fund Services reached KSh 780.6 billion by the end of August 2026, a 15.8 percent increase compared with the same period last year.

Counties received KSh 55.6 billion in equitable share in the first two months of FY2026/27, a 69.0 percent year on year increase and 13 percent of the annual allocation, with disbursements on schedule following the timely enactment of the Division of Revenue Act, 2026.

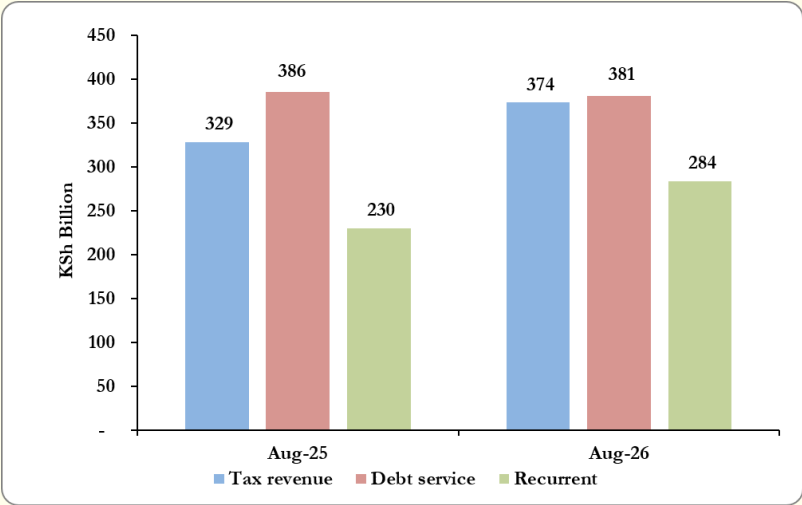
Development disbursements more than tripled year on year to KSh 44.3 billion by the end of August, reaching 9.4 percent of the KSh 473 billion annual target. This was spread across 32 MDAs receiving development funds, compared with 26 a year earlier, with the State Department for Sports notably receiving 96.1 percent of its annual target.

MDAs' recurrent disbursements rose 23.2 percent by end August compared with the same period last year, to KSh 284 billion.

The State Department for Higher Education and Research and the State Department for Defence recorded the largest increases in MDA recurrent releases, of KSh 14.7 billion and KSh 12.0 billion, respectively.

By August 2026, the State Department for Higher Education and Research had received the largest share of its recurrent annual budget, at 41 percent, followed by the State Department for Children Services at 32 percent.

Consolidated Fund Services expenditure remained unchanged at KSh 397 billion in the first two months of the financial year compared with the same period last year, with debt service accounting for the largest share.



- In the first two months of each of the last two financial years, debt-service obligation has consistently exceeded tax revenue collected by the government.
- This has left the Government with no revenue to finance essential public services and other recurrent operations, increasing its reliance on additional borrowing and further intensifying fiscal pressure.

Source: Kenya Gazette(Vol. CXXVIII–No. 166)