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FY 26/27 Budget Performance

Exchequer releases July 2026

Key developments in the first month of FY 2026/27

1. **Government continues to rely on domestic borrowing to finance its operations**
Domestic borrowing reached 8.8 percent of its annual target in July 2026 and grew by 105.5 percent compared to same period last financial year.

2. **Counties receive timely disbursement in the first month of the financial year**
For the first time in 3 financial years, counties have received their July disbursement of KSh 21 billion on time, marking a notable improvement in adherence to the approved county disbursement schedule.

3. **Total revenue collection recorded an increase in July 2026**
The government recorded an increase in total revenue collection, with tax revenue up by 14 per cent and non-tax revenue up by more than 10 times compared with July 2025.

4. **Development disbursement grew seven times in the first month of the FY 2026/27**
Development disbursement grew from KSh 4 billion in July 2025 to KSh 29 billion in July 2026, with the number of MDAs receiving allocations increasing from 2 to 10.

JULY 2026 AT A GLANCE

KSh 315.1 Billion
Total disbursments (national + counties + CFS) in July 2026 an increase of 37.5 percent compared to July 2025

KSh 199.9 Billion
Tax + non-tax revenue collected up by 16.2 percent compared with same period last year

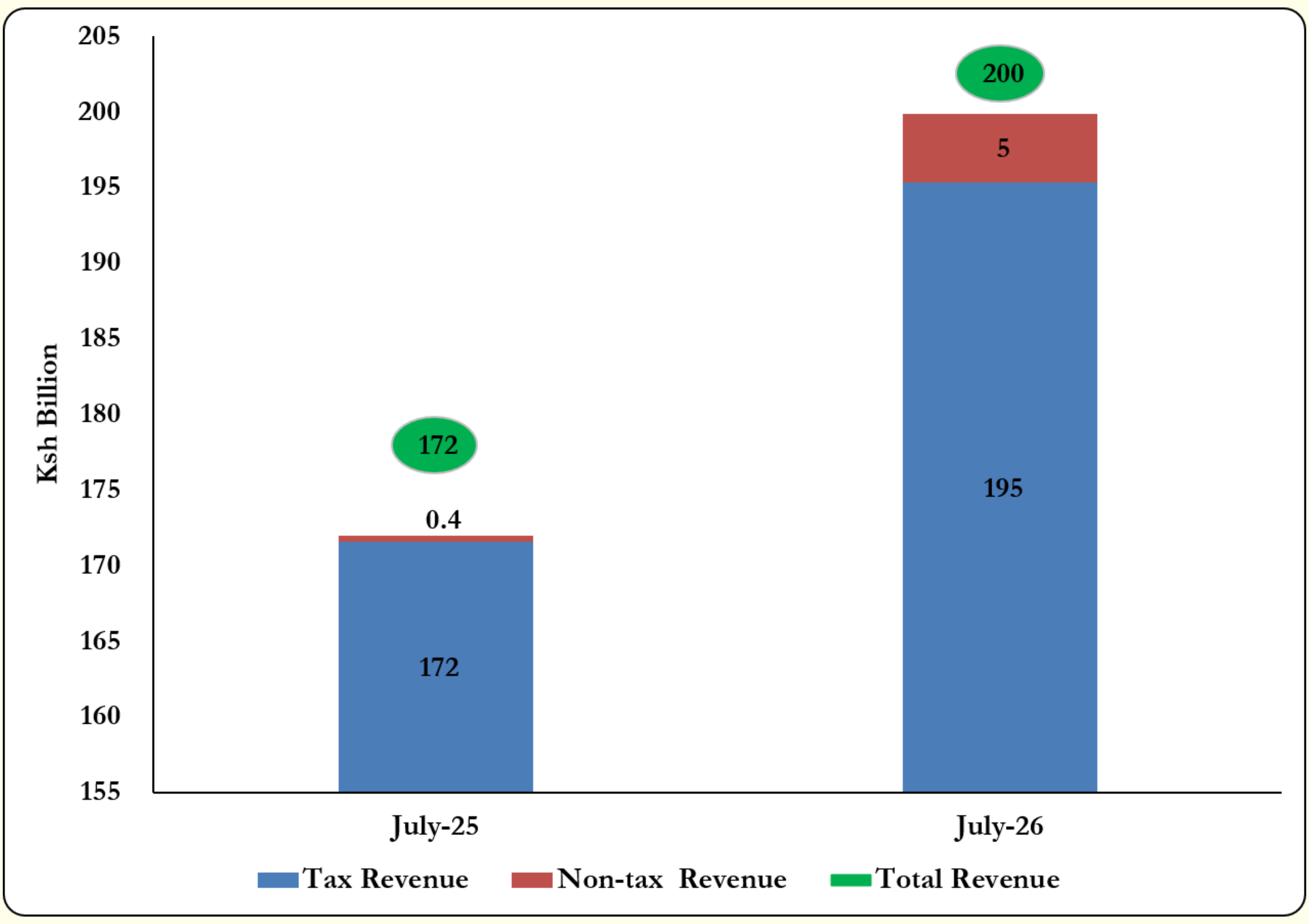
KSh 115.2 Billion
The KSh 115.2 billion deficit was covered by borrowing: government borrowed KSh 138.2 billion, nearly five times the KSh 29.3 billion spent on development, suggesting that borrowed funds were likely used to cover recurrent spending

KSh 138.2 Billion
Domestic borrowing in July up by 105.5 percent compared with July 2025; zero external borrowing

4.5 Billion
Daily Domestic Borrowing by the Government in July 2026

KSh 21.4 Billion
County equitable share disbursed and first July disbursement to counties in three financial years.

Total revenue (Tax+ non-tax) collection recorded a 16 percent growth in July 2026 compared with the same period last year



In the first month of FY 2026/27, the government collected KSh 195.3 billion, a 13.9 percent increase compared with the same period last year, representing 6.8 percent of the annual target of KSh 2,858.7 billion.

Non-tax revenue rebounded sharply to KSh 5 billion, more than ten times the KSh 0.4 billion collected in July 2025 amounting to 4 percent of the annual target of KSh 127.1 billion suggesting improved non-tax revenue mobilization.

Source: Kenya Gazette(Vol. CXXVIII—No. 140)

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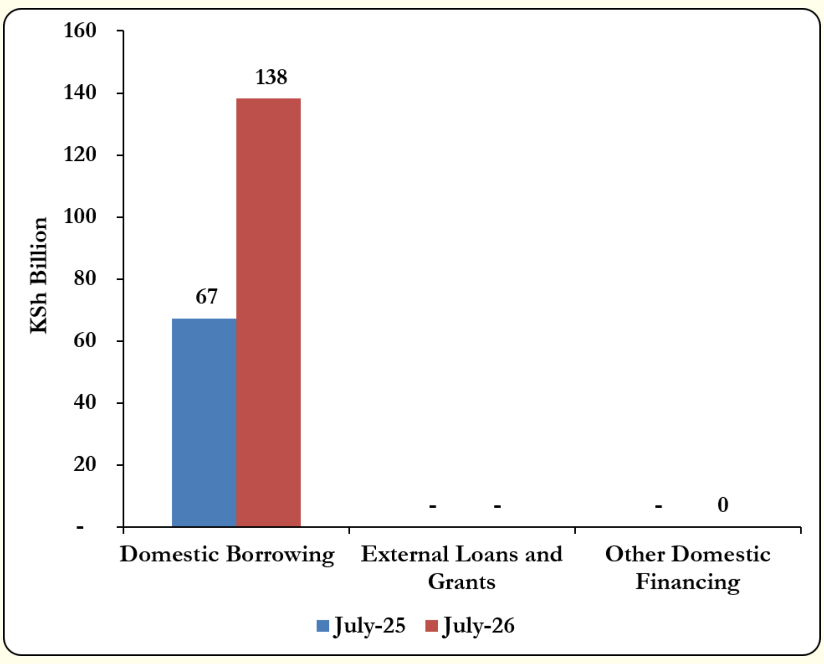
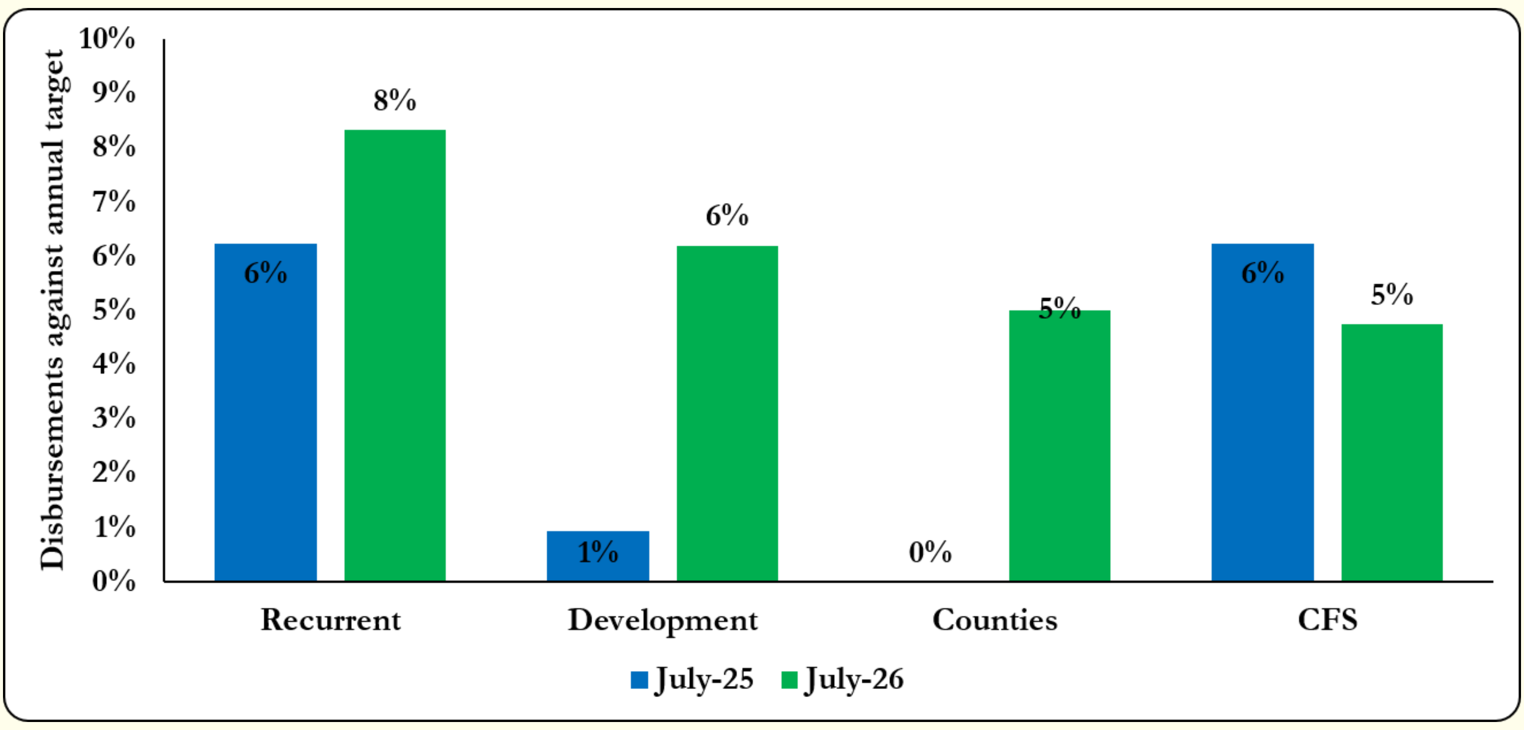
Gross domestic borrowing more than doubled in the first month of FY 2026/27 compared to the same period last year



- Domestic borrowing rose by 105.5 per cent to KSh 138.2 billion in July 2026, up from KSh 67.3 billion in July 2025, reaching 8.8 per cent of the annual target of KSh 1,568.1 billion. This shields Kenya from external shocks, but domestic debt carries higher interest rates, so the sharp rise risks pushing debt-service costs up further.
- In July 2026, the government did not borrow externally maintaining the trend observed over the last three financial years.

MDAs' development, recurrent disbursements, and counties disbursements increased in July 2026 compared with July 2025



Counties received their equitable share within the first month of FY 2026/27 for the first time in three financial years, following the timely enactment of the Division of Revenue Act, 2026, in line with the recommended budget calendar. The Bill was introduced ahead of the 30 April constitutional deadline and assented to on 15 June 2026, before the financial year commenced on 1 July 2026, enabling the timely release of funds to county governments.

Development Exchequer disbursements surged by 671.7 percent year on year to KSh 29.3 billion in July 2026, up from KSh 3.8 billion in the same period last year, reaching 6.2 percent of the annual target of KSh 473 billion.

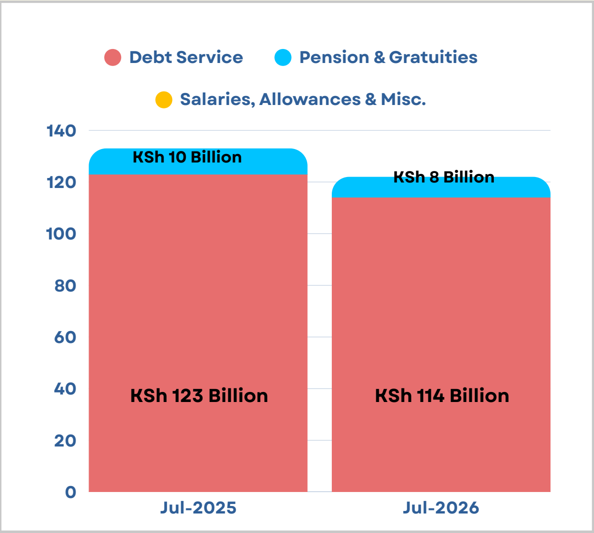
MDAs recurrent disbursements rose by 56 percent year-on-year to KSh 142.8 billion in July 2026, reaching 8.3 percent of the annual target of KSh 1,714.6 billion.

Ten MDAs received development disbursements in July 2026, with Sports receiving 96 percent of its annual target, while Lands & Physical Planning and Internal Security exceeded 40 percent, compared with two MDAs receiving development disbursements in July 2025.

13 of 87 MDA votes received more than 8 percent of their annual recurrent budget in July, led by Children Services at 21.7 percent and Basic Education at 20.2 percent.

In July 2026, consolidated fund services expenditure decreased by 9 per cent compared with the same period last year

- In the first month of FY 2026/27, debt service decreased by 8 percent, dropping from Ksh 123 billion to Ksh 114 billion, representing 5 percent of the annual target of Ksh 2,316 billion.
- Debt service is expected to increase significantly faster than the revenue needed to fund it. For FY2026/27, the annual debt-service target grew by 21.8 percent compared to only an 8.8 percent rise in tax revenue. This trend is a continuation of FY2025/26, when debt service grew almost twice as fast as tax revenue.



Source: Kenya Gazette(Vol. CXXVIII—No. 140)