FY 26/27 Budget Performance

Exchequer releases September 2026

Key developments in Q-1 of FY 2026/27

1 Revenues(tax +non-tax) in Q-1 FY 2026/27 increased relative to the same period last year

Total revenue grew by 14.1 percent to KSh 656.2 billion, reaching 22.0 percent of the annual target, with September recording the highest monthly tax collection of the quarter at KSh 258.3 billion.

2 Front-loaded domestic borrowing is financing debt obligations at a higher cost

Domestic borrowing reached 36.1 per cent of its annual target in three months, illustrating the government's continued reliance on the domestic market.

3 MDAs' Development disbursements increased significantly in the first quarter of FY 2026/27

MDAs' Development releases surged by 141.3 per cent to KSh 104.5 billion, compared with the same period last year; however, 14 MDA's did not receive any disbursements.

4 Timely enactment of the County Allocation of Revenue Act improved the release of county funds

Counties received KSh 96.3 billion, 45.6 percent more than in the first quarter of FY 2025/26. A departure from past trends is that counties received their July transfers with transfers starting in July 2026 after the County Allocation of Revenue Act, 2026 was assented to on 29 June 2026.

5 Debt service declined in the first quarter, but higher payments are expected later in the financial year

Debt service declined by 3.7 per cent to KSh 490.5 billion, compared with FY 2025/26 first quarter, reaching 21.8 per cent of the annual target.

Q-1 FY 2025/26 at Glance

KSh 1,160.6 Billion

Total disbursements (MDAs + counties + CFS), an increase of 13.5 percent compared with the first quarter of FY 2025/26

KSh 656.2 Billion

Total revenue (tax + non-tax), up 14.1 percent compared with the first quarter of FY 2025/26

KSh 565.6 Billion

Domestic borrowing, up 36 percent compared with the first quarter of FY 2025/26

KSh 490.5 Billion

Debt service, down 3.7 percent compared with the first quarter of FY 2025/26

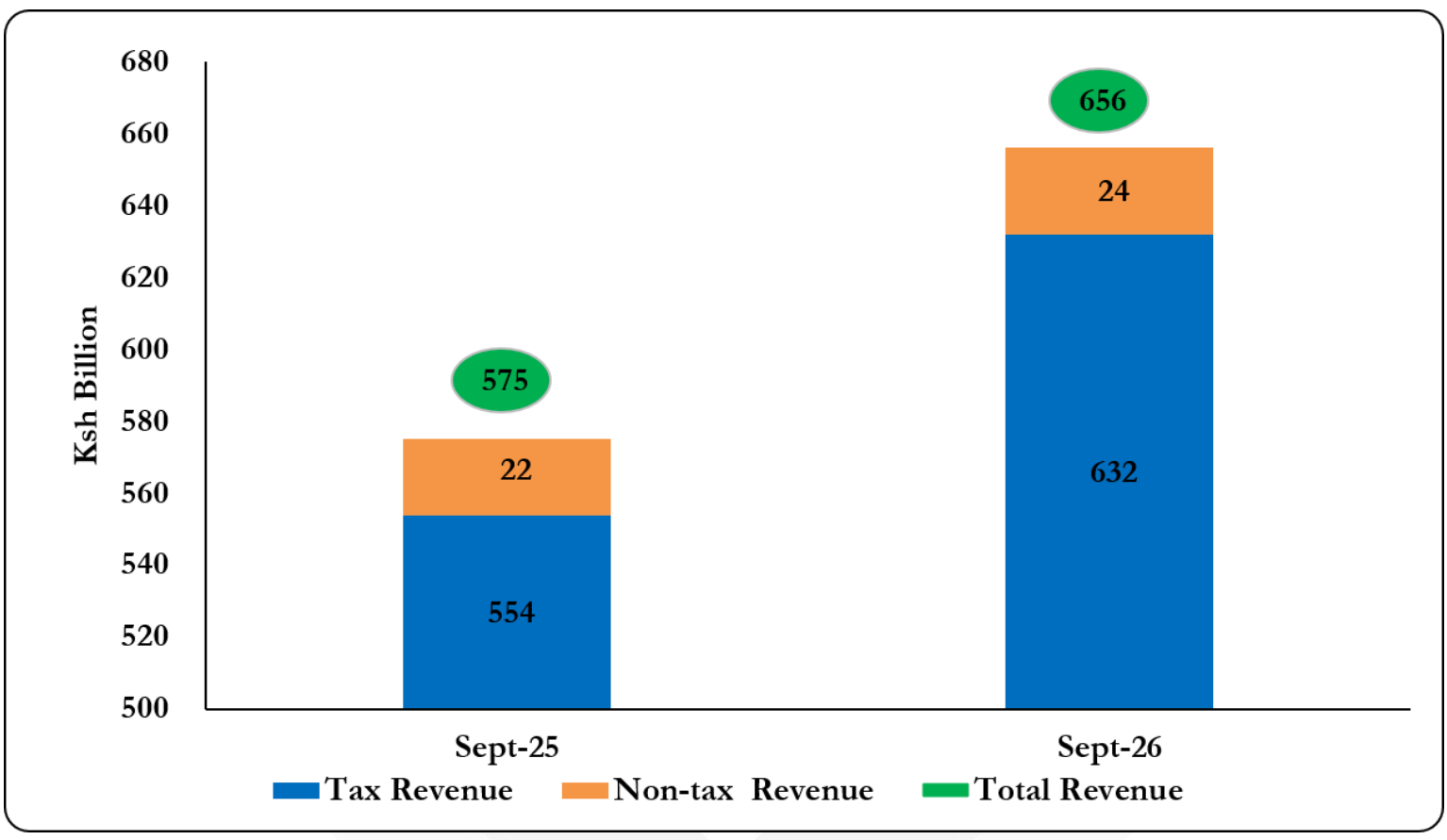
KSh 6.2 Billion

Average daily domestic borrowing in the first quarter of FY 2026/27

KSh 96.3 Billion

County equitable share disbursed, up 45.6 percent compared with the first quarter of FY 2025/26

Total revenue (tax + non-tax) collection recorded growth of 14.1 percent in the first quarter of FY 2026/27 compared with the first quarter of FY 2025/26

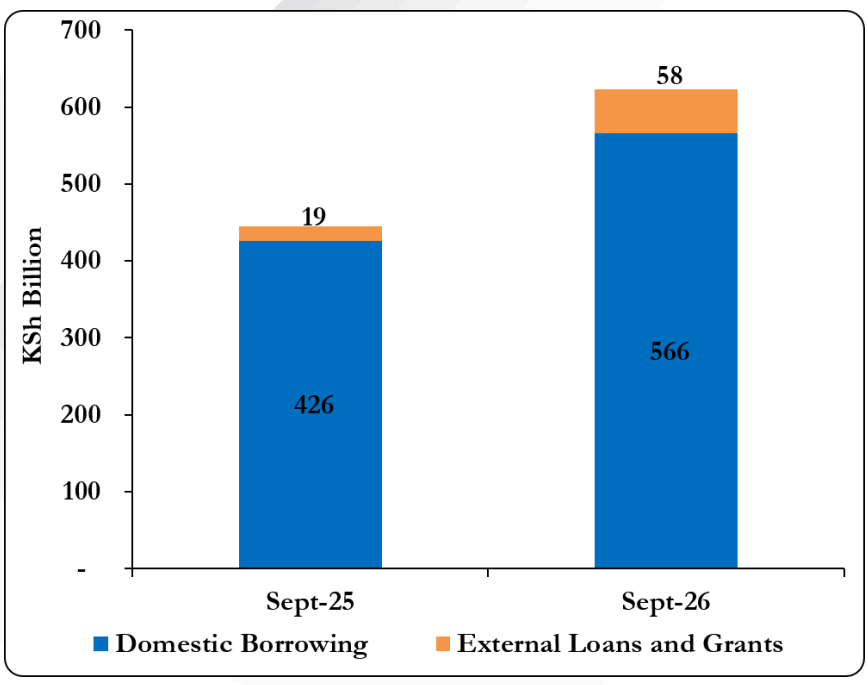


In the first quarter of FY 2026/27, the government collected KSh 632 billion in tax revenue, a 14.1 percent increase compared with KSh 554 billion in the first quarter of FY 2025/26, representing 22.1 percent of the annual target of KSh 2,858.7 billion.

Non-tax revenue grew by 13.1 percent to KSh 24 billion, amounting to 19.2 percent of the annual target of KSh 127.1 billion.

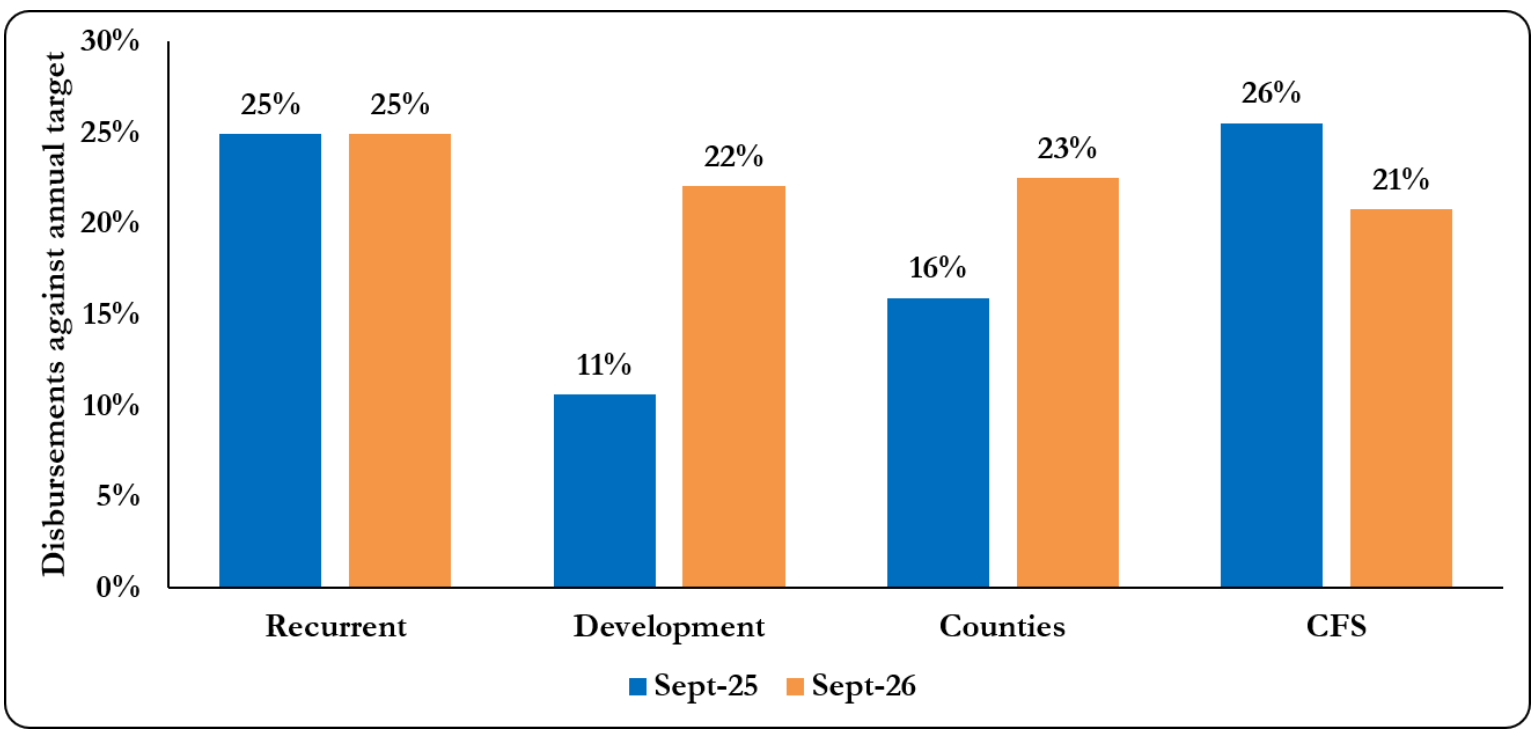
Source: Kenya Gazette(Vol. CXXVIII–No. 182)

Gross domestic borrowing grew by 32.8 percent in Q-1 FY 2026/27 compared with same period last year



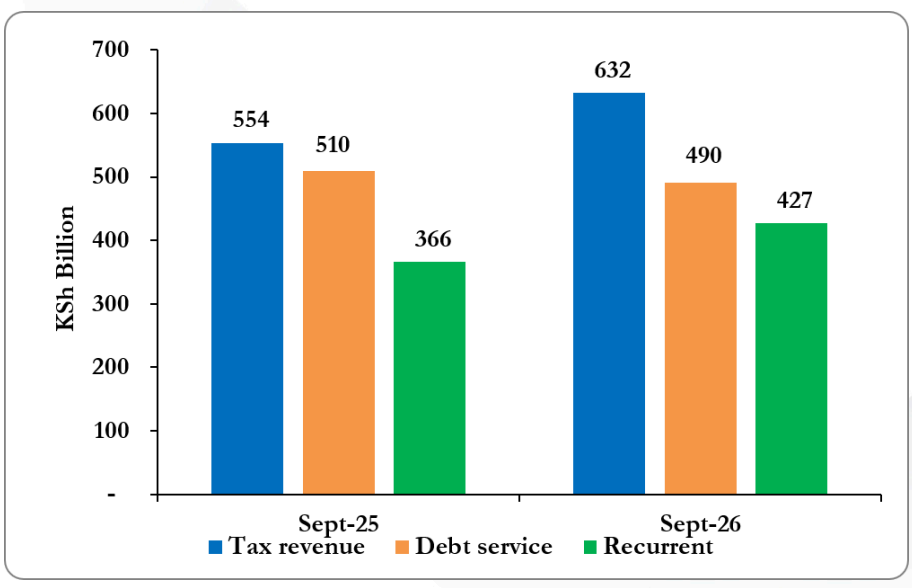
- Gross Domestic borrowing grew by 32.8 percent to KSh 566 billion, up from KSh 426 billion in the first quarter of FY 2025/26, reaching 36.1 percent of the annual target of KSh 1,568.1 billion.
- The growth was driven by Treasury bonds, which raised KSh 601.3 billion against KSh 430.0 billion offered, including KSh 312.0 billion from the August 2026 infrastructure bond, of which KSh 118.1 billion refinanced maturing bonds. This reduces exposure to exchange rate risk, but domestic debt carries higher interest rates, which may increase debt service costs.
- External loans and grants increased to KSh 58 billion from KSh 19 billion, 9.5 percent of the annual target of KSh 612.3 billion.

MDAs' development and Counties disbursements increased while Recurrent disbursemnt remained relatively constant in Q-1 FY 2026/27



- Total disbursements to MDAs grew by 29.8 percent to KSh 531.8 billion in the first quarter of FY 2026/27, up from KSh 409.8 billion in the first quarter of FY 2025/26, reaching 24.3 percent of the combined annual recurrent and development target of KSh 2,186.5 billion.
- MDAs' recurrent disbursements rose by 16.6 percent to KSh 427.2 billion, representing 24.9 percent of the annual target. Of the 87 MDA votes, 45 received at least 20 per cent of their recurrent budgets, led by Higher Education and Research at 43.9 percent, followed by the State Department for Children Services at 41.3 percent.
- Development disbursements surged by 141.3 percent to KSh 104.5 billion, with Sports receiving 96.1 percent of its annual budget, while Blue Economy and Fisheries and IEBC were among the 14 MDAs that did not receive any disbursement.
- Notably, 4 MDAs had received at least 50.0 percent of their annual allocations: the State Department for Sports (96.1 percent), Internal Security and National Administration (92.5 percent), Lands and Physical Planning (88.7 percent), and Tourism (50.0 percent).
- By September 2026, counties had received KSh 96.3 billion, or 22.5 percent of the KSh 428.0 billion allocation. This is a 45.6 percent increase on the same period last year and is fully in line with the National Treasury's county disbursement schedule.

BY september 2026, Consolidated Fund Services expenditure decreased by 2.6 percent compared with the same period last financial year



- In the first quarter of FY 2026/27, debt service of KSh 490 billion left only KSh 141 billion of tax revenue for essential public services and other Development operations, up from KSh 44 billion in the first quarter of FY 2025/26.
- This leaves far too little to fund recurrent disbursements to MDAs of KSh 427 billion and county transfers of KSh 96 billion. The government therefore continued to rely on borrowing, which reached KSh 625 billion in the quarter, further intensifying fiscal pressure.

Source: Kenya Gazette(Vol. CXXVIII–No. 182)