



REPUBLIC OF KENYA

THE NATIONAL TREASURY AND PLANNING

Quarterly Economic and Budgetary Review

**First Quarter, Financial Year 2019/2020
Period ending 30th September, 2019**

November 2019 Edition



Quarterly Economic and Budgetary Review



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ACKNOWLEDGEMENT

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LIST OF ABBREVIATIONS AND ACRONYMS

ADB	African Development Bank
ADF	Asian Development Fund
AGPO	Access to Government Procurement Opportunities
A-I-A	Appropriation-in-Aid
AMISOM	African Union Mission in Somalia
ARUD	Agriculture, Rural and Urban Development
BADEA	Arab Bank for Economic Development of Africa
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CF	Contingency Fund
CFS	Consolidated Fund Services
EAPC	East African Portland Cement
EBU	Extra Budgetary Units
EEC	European Economic Community
EIB	European Investment Bank
EI&ICT	Energy, Infrastructure and Information Communication Technology
EPW&NR	Environment Protection, Water and Natural Resource
ES	Equitable Share
DANIDA	Danish International Development Agency
FSE	Free Secondary Education
FY	Financial Year
GDP	Gross Domestic Product
GECA	General Economic and Commercial Affairs
GFSM	Government Finance Statistics Manual
GJLO	Governance, Justice, Law and Order
GOP	Gross Operating Balance
ICT	Information, Communication and Technology
IDA	International Development Association
IDF	Import Declaration Fee
IFAD	International Fund For Agricultural Development
IMF	International Monetary Fund
KNBS	Kenya National Bureau of Statistics
Ksh	Kenya Shillings
MDAs	Ministries, Departments and Agencies
Mn	Million

NDA	Net Domestic Assets
NDF	Nordic Development Fund
NFA	Net Foreign Assets
NIS	National Intelligence Service
NLB	Net Lending/ Borrowing
NOB	Net Operating Balance
NSE	Nairobi Securities Exchange
O & M	Operation and Maintenance
OPEC	Oil Producing and Exporting Countries
PAIR	Public Administration and International Affairs
PAYE	Pay as You Earn
PDL	Petroleum Development Levy
QEBR	Quarterly Economic and Budgetary Review
RDL	Railway Development Levy
RML	Road Maintenance Levy
SGR	Standard Gauge Railway
SOEs	State Owned Enterprises
SPC&R	Social Protection, Culture and Recreation
TARDA	Tana River Development Authority
UK	United Kingdom
US\$	United States Dollar
VAT	Value Added Tax

LEGAL BASIS FOR THE QUARTERLY ECONOMIC AND BUDGETARY REVIEW

The Quarterly Economic and Budgetary Review Report is Published in accordance with Section 83 of the Public Finance Management Act, 2012. It states as follows:

83. (1) An accounting officer for a national government entity shall prepare a report for each quarter of the financial year in respect of the entity.

(2) In preparing a quarterly report for a national government entity, the accounting officer shall ensure that the report—

(a) Contains information on the financial and non-financial performance of the entity; and

(b) Is in a form that complies with the standards prescribed and published by the Accounting Standards Board from time to time.

(3) Not later than fifteen days after the end of each quarter, the accounting officer shall submit the quarterly report to the Cabinet Secretary responsible for the entity and the National Treasury.

(4) The Cabinet Secretary responsible for an entity shall forward a copy of the report to the Cabinet Secretary and Controller of Budget.

(5) Not later than forty five days after the end of each quarter, the National Treasury shall—

(a) consolidate the quarterly reports and submit them to the National Assembly and a copy of the reports to the Controller of Budget, Auditor-General and the Commission on Revenue Allocation; and

(b) Publish and publicize the reports.

(6) In the case of an entity that is a state corporation, the accounting officer for the corporation shall submit the quarterly report to the Cabinet Secretary responsible for the corporation who shall, upon approving it, forward a copy to the Cabinet Secretary.

HIGHLIGHTS OF THE 2019/20 FIRST QUARTER, QUARTERLY ECONOMIC AND BUDGETARY REVIEW REPORT

1. **Economic growth**

The economy remains resilient and recorded a fairly stable growth of 5.6 percent in the second quarter of 2019 compared to a growth of 6.4 percent in the corresponding quarter of 2018. This growth was mostly supported by a strong performance in the service sector industries such as information and communication, transportation, construction, accommodation and food services, financial and insurance activities.

2. **Stable prices**

The macro-economic environment remained stable with low and stable inflation rates within the 5.0 (+/-2.5) percent target, and a competitive exchange rate to support exports. Year-on-year overall inflation remained stable at 3.8 percent in September 2019 lower than the 5.7 percent in September 2018. The decline in inflation in September 2019 was mainly on account of reduction in prices of some food products due to increased supply.

3. **Balance of Payments**

The overall balance of payments position was a deficit of US\$ 1,254.6 million (1.3 percent of GDP) in the year to September 2019 from a deficit of US\$ 771.0 million (0.9 percent of GDP) in the year to September 2018. The increase in deficit was occasioned by a deterioration in the financial account that more than offset the improvements in the current account. The current account deficit narrowed by 15.4 percent to a deficit of US\$ 3,754 million in the year to September 2019 compared to a deficit of US\$ 4,436.8 million in the year to September 2018. As a percentage of GDP, the current account deficit narrowed down to 3.9 percent in September 2019, from 5.0 percent in September 2018.

4. **Foreign Exchange Reserves**

The banking system's foreign exchange holding remained strong at US\$ 13,274 million in September 2019 from US\$ 11,861 million in September, 2018. The official foreign exchange reserves held by the Central Bank improved to US\$ 9,632 million (6 months of import cover) in September 2019 compared to US\$ 8,545 million (5.6 months of import cover) in September 2018. Commercial banks holdings stood at US\$ 3,642 million in September 2019 up from US\$ 3,316 million in September 2018.

5. **Money and Credit**

Broad money supply, M3, slowed down to a growth of 6.5 percent in the year to September 2019 compared to a growth of 8.5 percent in the year to September 2018. The slowdown was due to the decline in both Net Foreign Assets (NFA) and Net Domestic Assets (NDA). The decline in growth of NDAs was largely attributed to the decrease in growth of net domestic credit to the other public sector.

6. **Capital Markets**

Activity in the capital market slowed down with equity share prices declining as shown by the NSE 20 Share Index, which stood at 2,432 points by end September 2019 compared to 2,876 points by end September, 2018. The depressed share prices resulted in lower market capitalization of Ksh 2,190 billion from Ksh 2,211 billion over the same period in 2018.

7. Revenue Collection

The National Government cumulative revenue collection including A-I-A for the period between July-September 2019 amounted to Ksh 421.2 billion (equivalent to 4.1 percent of GDP) against a target of Ksh 495 billion (equivalent to 4.8 percent of GDP). It was below target by Ksh 73.9 billion mainly due to shortfalls in all major tax heads and A-I-A.

8. Expenditure and Net Lending

The total expenditure and net lending inclusive of transfers to county governments for the period ending 30th September, 2019 amounted to Ksh 544.6 billion. This was Ksh 21 billion below the target of Ksh 565.6 billion which was largely attributed to low absorption of wages and salaries and development projects funds by the National Government.

9. Guaranteed Loans

Between July - September 2019, the National Government paid a total of KSh 330 million on account of guaranteed loans against a projected debt service of Ksh 316.2 million.

10. Fiscal Balance

The fiscal balance, on a commitment basis (excluding grants), amounted to a deficit of Ksh 123.5 billion (equivalent to 1.2 percent of GDP), as at the end of September 2019.

11. External Financing

The Net Foreign Financing amounted to a net borrowing of Ksh 13.1 billion (equivalent to 0.9 percent of the GDP) during the quarter ending 30th September 2019.

12. Net Domestic Borrowing

Net domestic financing amounted to a net borrowing of Ksh 80.8 billion (equivalent to 0.8 percent of GDP) in the quarter ending 30th September 2019.

13. Domestic Debt Stock

Total gross domestic debt stock increased by 12.4 percent from Ksh 2,540.7 billion as at end of September 2018 to Ksh 2,856.6 billion by the end of September 2019.

14. External Debt Stock

The total external debt stock, including the International Sovereign Bond, stood at Ksh 3,111.8 billion by the end of September 2019. The debt stock comprised of commercial debt (34.3 percent including International Sovereign Bond), multilateral debt (32.9 percent), bilateral debt (32.2 percent), and suppliers' credit debt (0.6 percent).



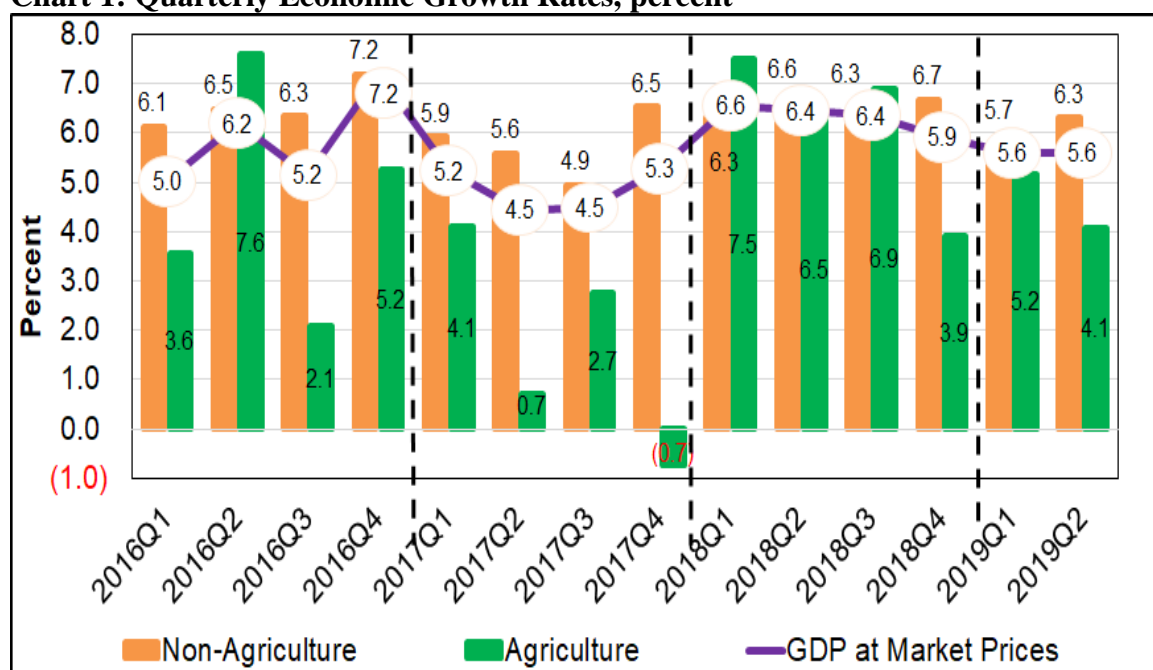
RECENT ECONOMIC DEVELOPMENTS

1.0 RECENT ECONOMIC DEVELOPMENTS

1.1 Economic Growth

1. The economy remains resilient recording a fairly stable growth of 5.6 percent in the second quarter of 2019 compared to a growth of 6.4 percent in the corresponding quarter of 2018. This growth was mostly supported by a strong performance in the service sector industries such as information and communication, transportation, construction, accommodation and food services, financial and insurance activities.

Chart 1: Quarterly Economic Growth Rates, percent



Source of Data: Kenya National Bureau of Statistics

2. Agriculture sector grew by 4.1 percent in the second quarter of 2019, this was a slowdown compared to a 6.5 percent growth in the same quarter of 2018. The sector's growth was hampered by contraction in volumes of fruits, vegetables and tea production occasioned by lower than expected rainfall. Nevertheless, the sector's performance was supported by increased production of cut flower, coffee and sugarcane. The contribution of Agricultural sector to real GDP growth was 1 percent in the second quarter of 2019 compared to 1.5 percent in the same quarter of 2018.

3. The Non-agricultural sector (service and industry) remained robust in the second quarter of 2019, growing by 6.3 percent mainly supported by the services sector. This growth was however, slower than the 6.6 percent growth in the same quarter in 2018 mainly due to deteriorated activities in accommodation and food services and electricity and water supply sectors. The sector contributed 4.1 percent to real GDP growth in the second quarter of 2019 compared to a contribution of 4.3 percent in the same quarter of 2018. (Table 1).

RECENT ECONOMIC DEVELOPMENTS

Table 1: Sectoral GDP performance

Sectors	Real GDP Growth by Sectors								Sector Contribution to Real GDP Growth							
	2016		2017		2018		2019		2016		2017		2018		2019	
	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2
Primary Industry	3.7	7.6	4.2	0.8	7.3	6.4	5.1	4.2	1.0	1.9	1.1	0.2	2.0	1.5	1.4	1.0
Agriculture, Forestry and Fishing	3.6	7.6	4.1	0.7	7.5	6.5	5.2	4.1	1.0	1.8	1.1	0.2	2.0	1.5	1.4	1.0
Mining and Quarrying	5.8	9.4	5.8	4.3	2.4	2.9	2.2	5.7	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.1
Secondary Sector (Industry)	4.7	6.5	4.3	3.8	5.0	5.5	4.3	5.3	0.8	1.2	0.8	0.7	0.9	1.0	0.7	1.0
Manufacturing	1.4	4.9	1.6	0.1	3.8	4.7	3.2	4.2	0.2	0.5	0.2	0.0	0.4	0.5	0.3	0.4
Electricity and Water supply	10.3	11.5	8.2	8.3	6.5	8.4	6.1	5.6	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Construction	9.2	7.3	7.9	9.1	6.6	5.4	5.6	7.2	0.4	0.4	0.4	0.5	0.3	0.3	0.3	0.4
Tertiary sector (Services)	6.7	6.2	6.1	5.7	6.6	6.8	5.9	6.6	3.1	3.0	2.9	2.8	3.1	3.3	2.8	3.2
Wholesale and Retail trade	2.9	1.8	3.4	5.0	5.9	6.2	5.5	5.8	0.2	0.1	0.2	0.4	0.4	0.4	0.4	0.4
Accommodation and Restaurant	8.3	14.0	24.2	12.3	13.1	15.4	10.1	10.6	0.1	0.1	0.3	0.1	0.2	0.1	0.1	0.1
Transport and Storage	8.2	5.9	7.3	6.5	8.5	8.4	6.7	7.2	0.5	0.4	0.4	0.4	0.5	0.6	0.4	0.5
Information and Communication	10.5	9.0	13.4	11.5	12.5	11.0	10.5	11.6	0.4	0.3	0.5	0.4	0.5	0.4	0.4	0.4
Financial and Insurance	7.8	7.5	3.8	3.3	5.2	4.6	5.0	6.7	0.5	0.4	0.2	0.2	0.3	0.3	0.3	0.4
Public Administration	6.0	7.2	3.8	4.8	6.2	5.9	6.5	6.0	0.2	0.3	0.1	0.2	0.2	0.3	0.2	0.3
Others	6.7	6.6	5.4	5.5	5.0	6.2	4.6	5.7	1.3	1.3	1.1	1.1	1.0	1.3	0.9	1.2
of which Real Estate	9.6	8.9	6.4	6.3	5.3	4.6	4.2	5.4	0.7	0.7	0.5	0.5	0.4	0.4	0.3	0.4
Taxes less subsidies	2.2	1.7	4.0	6.0	5.7	5.5	5.8	4.5	0.2	0.2	0.4	0.7	0.6	0.6	0.6	0.5
GDP at market price	5.0	6.2	5.2	4.5	6.6	6.4	5.6	5.6	5.0	6.2	5.2	4.5	6.6	6.4	5.6	5.6
of which Non-Agriculture	6.1	6.5	5.9	5.6	6.3	6.6	5.7	6.3	3.8	4.2	3.7	3.6	4.0	4.3	3.6	4.1

Source of Data: Kenya National Bureau of Statistics

4. Services remained the main source of growth though it expanded at a slightly lower rate of 6.6 percent in the second quarter of 2019 compared to a growth of 6.8 percent in the same quarter of 2018. Growth in the Services sector was mainly supported by strong performance in accommodation and restaurants (10.6 percent), transport and storage (7.2 percent), and information and communication (11.6 percent). Growth improved in financial and insurance (6.7 percent) and real estate (5.4 percent), while wholesale and retail trade (5.8 percent) remained strong despite the slowdown relative to the same period in 2018. Services sector contributed 3.2 percent to real GDP growth in the second quarter of 2019 compared to the 3.3 percentage contribution in the same quarter of 2018.

5. The performance of industry slowed down to a growth of 5.3 percent in the second quarter of 2019 compared to a growth of 5.5 percent in the second quarter of 2018 following decreased activities in the manufacturing and electricity and water supply sectors. The sectors slowed down mainly on account of delayed rains that affected agro processing and electricity generation. The construction sector grew by 7.2 percent in the second quarter of 2019 compared to a growth of 5.4 percent in the corresponding quarter of 2018. The growth was supported by the continued public infrastructural developments. Cement consumption increased during the same period reflecting improvements in the construction activities. The industry sector contributed 1 percent to growth in the second quarter of 2019, largely driven by the construction and manufacturing sectors with each contributing 0.4 percent to real GDP growth.

RECENT ECONOMIC DEVELOPMENTS

1.2 Inflation

6. Year-on-year overall inflation remained within the Government target range at 3.8 percent in September 2019 from 5.7 percent in September 2018. The inflation rate for September 2019 was lower than the 5.0 percent rate recorded in August 2019 reflecting lower prices of food crops such as carrots, cabbages and tomatoes, due to improved supply. Overall annual average inflation remained within Government target range at 5.2 percent in September 2019 compared to the 4.5 percent registered in September 2018 (Chart 2a).

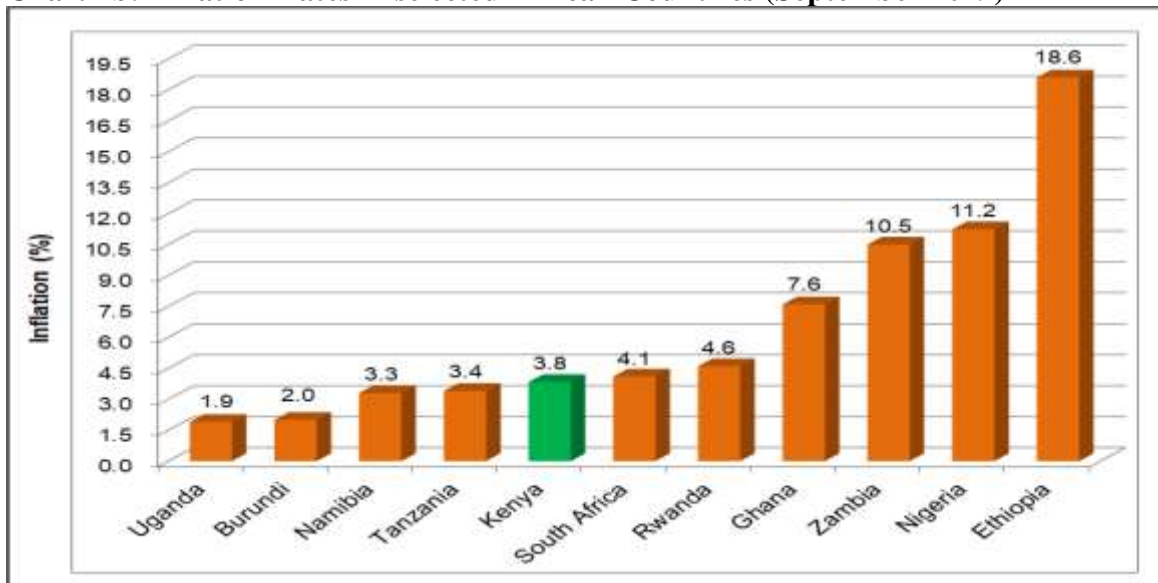
Chart 2a: Inflation Rate



Source of Data: Kenya National Bureau of Statistics

7. Kenya's rate of inflation compares favorably with the rest of Sub-Saharan African countries and its peers such as Nigeria and Ghana whose inflation rates were 11.2 percent and 7.6 percent, respectively in September 2019 (Chart 2b).

Chart 2b: Inflation Rates in selected African Countries (September 2019)



Source of Data: National Central Banks

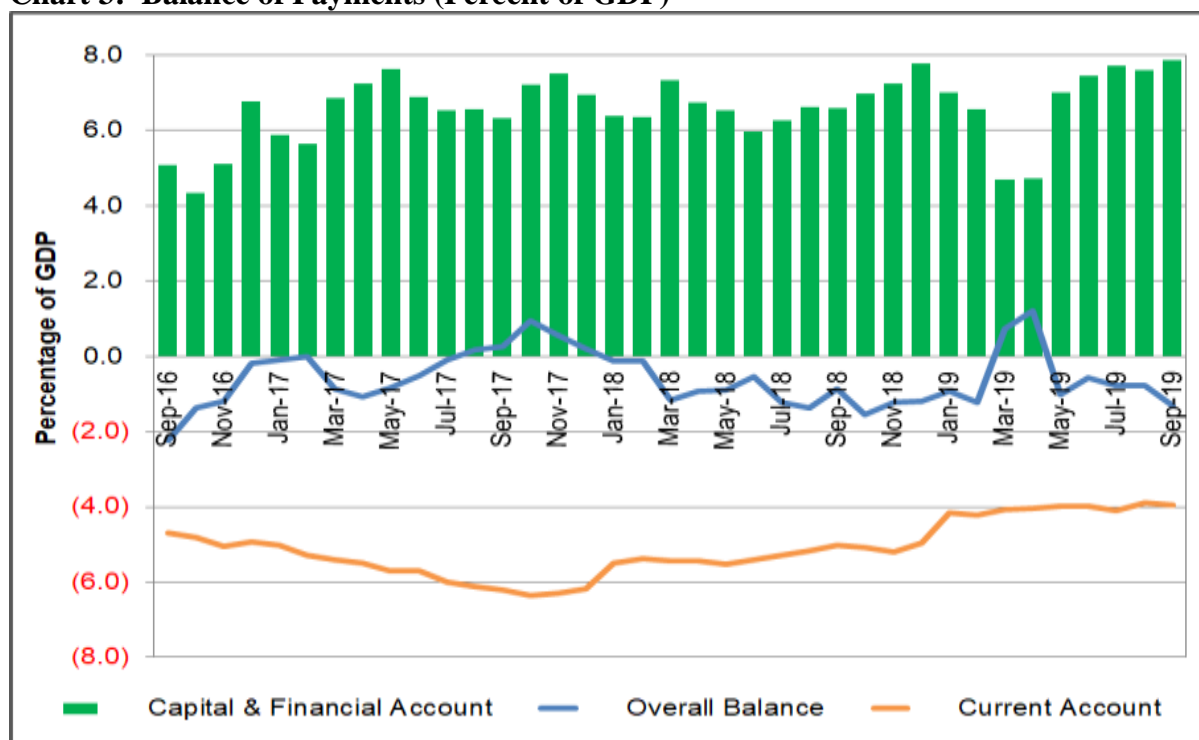
RECENT ECONOMIC DEVELOPMENTS

1.3 Balance of Payments

8. The overall balance of payments position recorded a deficit of US\$ 1,254.6 million (1.3 percent of GDP) in the year to September 2019 from a deficit of US\$ 771.0 million (0.9 percent of GDP) in the year to September 2018 (**Chart 3**). The increase in deficit was occasioned by a deterioration in the financial account that more than offset the improvements in the current account.

9. Stock of the financial account amounted to US\$ 7,252.5 million in September 2019 compared with US\$ 5,559.2 million in September 2018. The financial inflows were mainly in the form of other investments, direct investments and portfolio investments which stood at US\$ 4,571.0 million, US\$ 1,517.5 million and US\$ 1,159.7 million, respectively in September 2019. Other investment inflows mainly include foreign financing for Government infrastructure projects. Similarly, the capital account deteriorated by US\$ 34.7 million to US\$ 211.2 million in the year to September 2019, reflecting a decline in project grants.

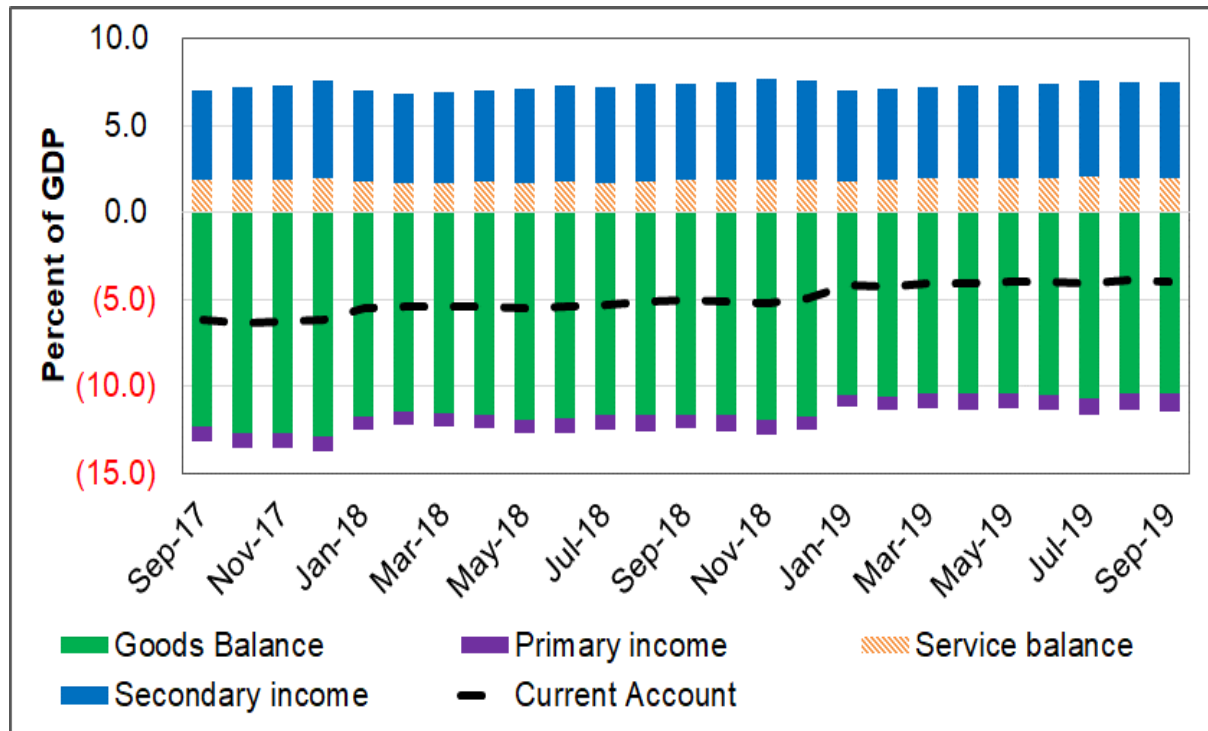
Chart 3: Balance of Payments (Percent of GDP)



Source of Data: Central Bank of Kenya

10. The current account deficit narrowed by 15.4 percent to a deficit of US\$ 3,754.6 million in the year to September 2019 compared to a deficit of US\$ 4,436.8 million in the year to September 2018. This reflects resilient performance of exports particularly horticulture and manufactured goods, strong diaspora remittances, higher receipt from tourism and transport services and lower imports of food and SGR-related equipment. As a percentage of GDP, the current account deficit narrowed down to 4 percent in September 2019, from 5.0 percent in September 2018. The current account deficit is expected to narrow to 4.5 percent in 2019 (**Chart 4**).

Chart 4: Balance of Current Account (Percent of GDP)



Source of Data: Central Bank of Kenya

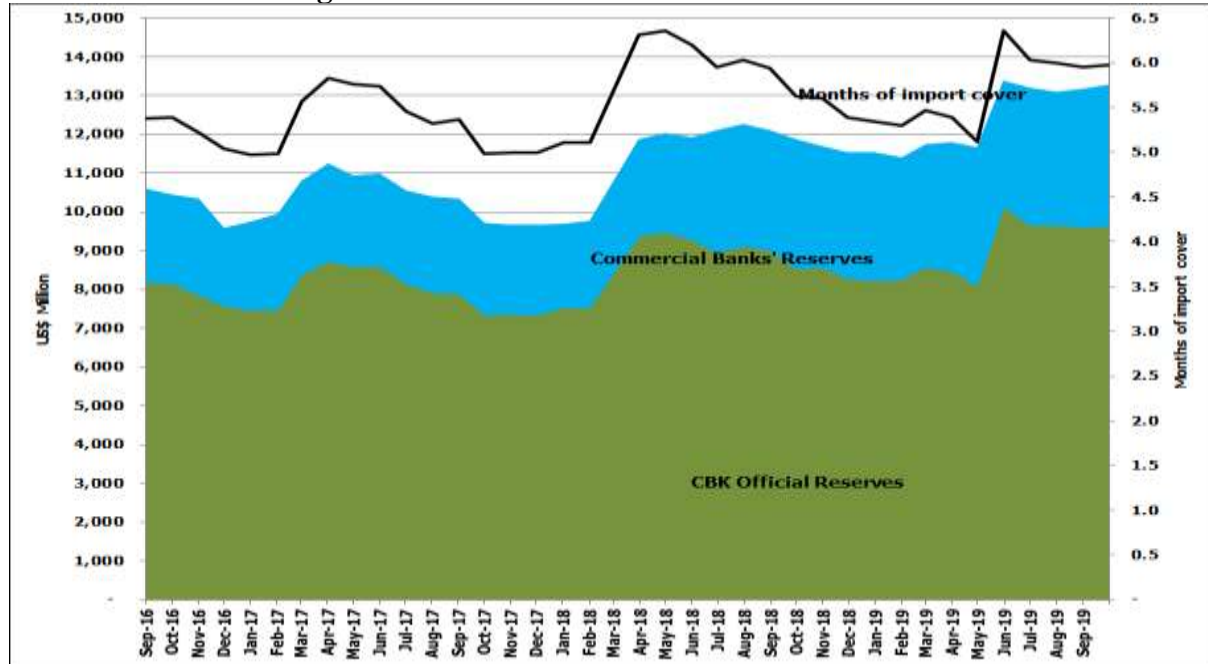
11. The deficit in the merchandise account improved by US\$ 352.7 million to US\$ 9,888.7 million in the year to September 2019 reflecting a decline in merchandise imports. Net services recorded an improvement of 12.4 percent in the year to September 2019 mainly on account of higher receipts from transport and travels.

1.4 Foreign Exchange Reserves

12. The CBK foreign exchange reserves continue to provide an adequate buffer against short-term shocks in the foreign exchange market. By end September 2019, the official reserves stood at US\$ 9,632 million (6.0 months of import cover), while commercial banks holdings were at US\$ 3,642 million in September 2019 up from US\$ 3,316 million in September 2018. The banking system’s foreign exchange holding therefore, remained strong at US\$ 13,274 million in September 2019 from US\$11,861 million in September 2018 (Chart 5).

RECENT ECONOMIC DEVELOPMENTS

Chart 5: Official Foreign Reserves

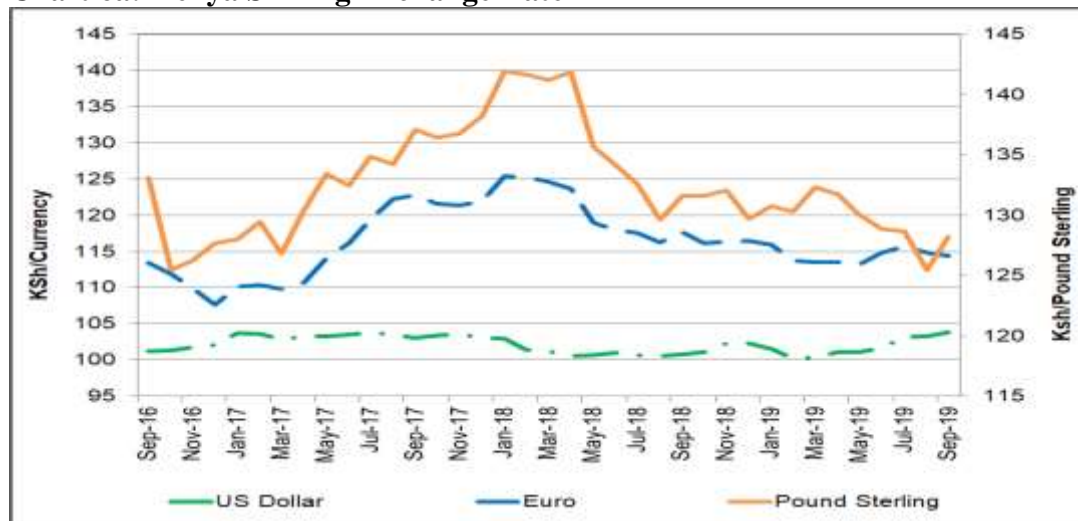


Source of Data: Central Bank of Kenya

1.5 Exchange Rates

13. The Kenya Shilling has been relatively stable supported by continued narrowing of the current account deficit and adequate foreign reserve buffer. It appreciated against the Euro and the Sterling Pound, exchanging at an average of Ksh 114.4 and Ksh 128.2 in September 2019 from Ksh 117.7 and Ksh 131.7 in September 2018, respectively. However, against the US Dollar, the Shilling weakened to exchange at Ksh 103.8 in September 2019 compared to Ksh 100.8 in September 2018. The depreciation of the Shilling to the dollar is attributed to increased demand for import and excess liquidity in the money market (**Chart 6a**).

Chart 6a: Kenya Shilling Exchange Rate

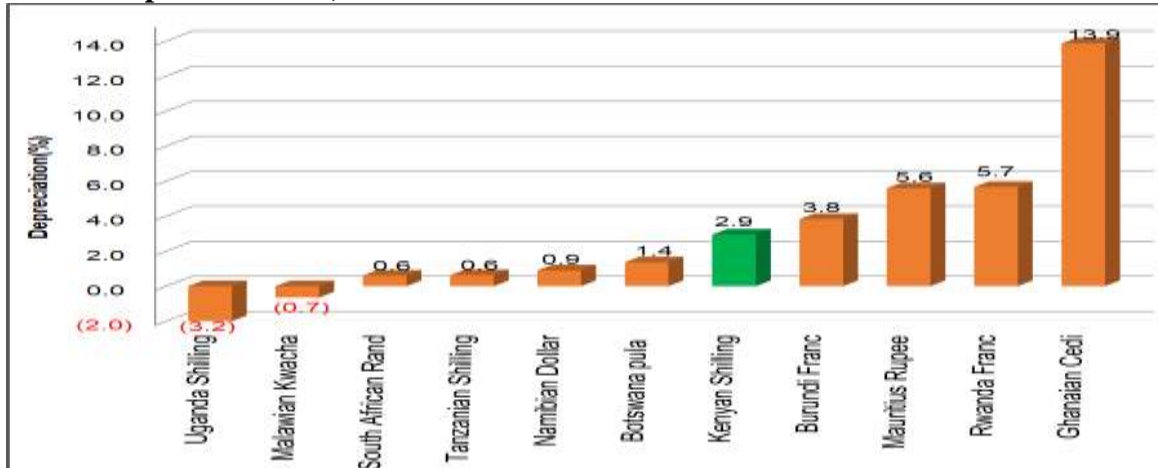


Source of Data: Central Bank of Kenya

RECENT ECONOMIC DEVELOPMENTS

14. The Kenyan Shilling exchange rate has continued to display relatively less volatility, compared to most Sub-Saharan African currencies (Chart 6b). This stability reflects strong inflows from tea and horticulture exports, sturdy diaspora remittances and tourism receipts.

Chart 6b: Performance of selected Currencies against the US Dollar (September 2018 to September 2019)



Source of Data: National Central Banks

1.6 Money and Credit

15. Broad money supply, M3, slowed down to a growth of 6.5 percent in the year to September 2019 compared to a growth of 8.5 percent in the year to September 2018. The slowdown in growth of M3 in the year to September 2019 was due to the decline in both net foreign assets (NFA) and net domestic assets (NDA). The dampening growth in NDA was largely reflected in the decreased growth of net domestic credit to other public sector. Despite the slowdown, growth in M3 was supported by an improvement in the growth of the rate of demand deposits, foreign currency deposits time and savings deposits and despite a decline in the currency outside banks.

RECENT ECONOMIC DEVELOPMENTS

Table 2: Money and Credit Developments (12 Months to July, Ksh billion)

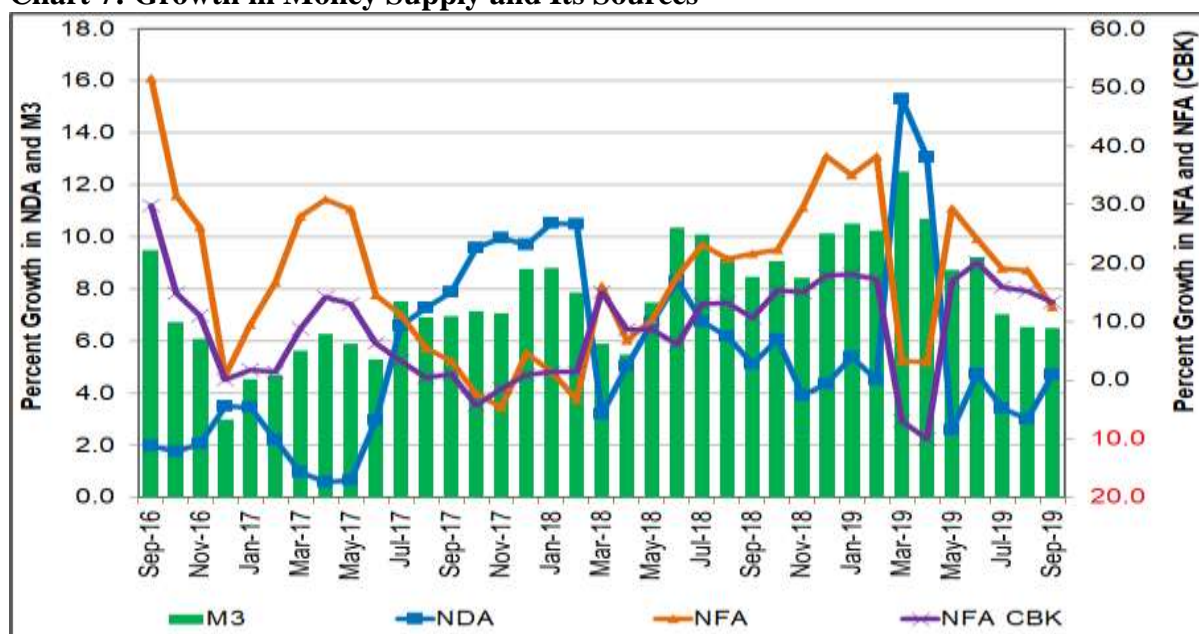
	2017 Sept.	2018 Sept.	2019 Sept.	Absolute Change		percent change	
				2017-2018 Sept.	2018-2019 Sept.	12 months to Sep-18	12 months to Sep-19
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	1,371.3	1,379.5	1,459.7	8.2	80.2	0.6	5.8
1.1 currency outside banks	209.2	214.4	157.7	5.2	-56.6	2.5	-26.4
1.2 Demand deposits	1,102.4	1,094.4	1,231.6	-8.1	137.2	-0.7	12.5
1.3 Other deposits at CBK	59.7	70.8	70.4	11.1	-0.4	18.6	-0.6
2. Money supply, M2 (1+2.1)	2,509.7	2,705.2	2,892.6	195.5	187.4	7.8	6.9
2.1 Time and savings deposits	1,138.4	1,325.7	1,432.9	187.3	107.2	16.5	8.1
Money supply, M3 (1+2)	3,006.2	3,261.1	3,473.4	254.9	212.3	8.5	6.5
3.1 Foreign currency deposits	496.4	555.9	580.8	59.4	24.9	12.0	4.5
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	610.1	742.1	835.4	132.0	93.4	21.6	12.6
1.1 Central Bank	694.6	768.3	871.5	73.7	103.2	10.6	13.4
1.2 Banking Institutions	-84.6	-26.2	-36.1	58.3	-9.8	-69.0	37.4
2. Net domestic assets (2.1+2.2)	2,396.1	2,519.0	2,637.9	122.9	118.9	5.1	4.7
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	3,103.6	3,282.5	3,566.6	178.9	284.0	5.8	8.7
2.1.1 Government (net)	674.3	770.2	894.3	95.9	124.1	14.2	16.1
2.1.2 Other public sector	113.7	108.3	99.8	-5.4	-8.5	-4.7	-7.8
2.1.3 Private sector	2,315.6	2,404.0	2,572.4	88.4	168.4	3.8	7.0
2.2 Other assets net	-707.5	-763.5	-928.6	-56.0	-165.1	7.9	21.6

Source of Data: Central Bank of Kenya

16. Net Foreign Assets (NFA) of the banking system in the year to September 2019 grew by 12.6 percent, a deterioration, compared to a growth of 21.6 percent in the year to September 2018 (**Chart 7**). The increase in NFA of the Central Bank reflected receipts of proceeds from the Euro bond. On the other hand, reduction in NFA of commercial banks, partly reflected deceleration in growth of their deposit holdings with non-resident banks alongside increased borrowings from non-residents.

17. Net Domestic Assets (NDA) declined to register a growth of 4.7 percent in the year to September 2019 from a growth of 5.1 percent over a similar period in 2018. This largely reflects a decline in net credit flows to other public sectors. However, net credit flows to the government and the private sector increased during the review period.

Chart 7: Growth in Money Supply and Its Sources



Source of Data: Central Bank of Kenya

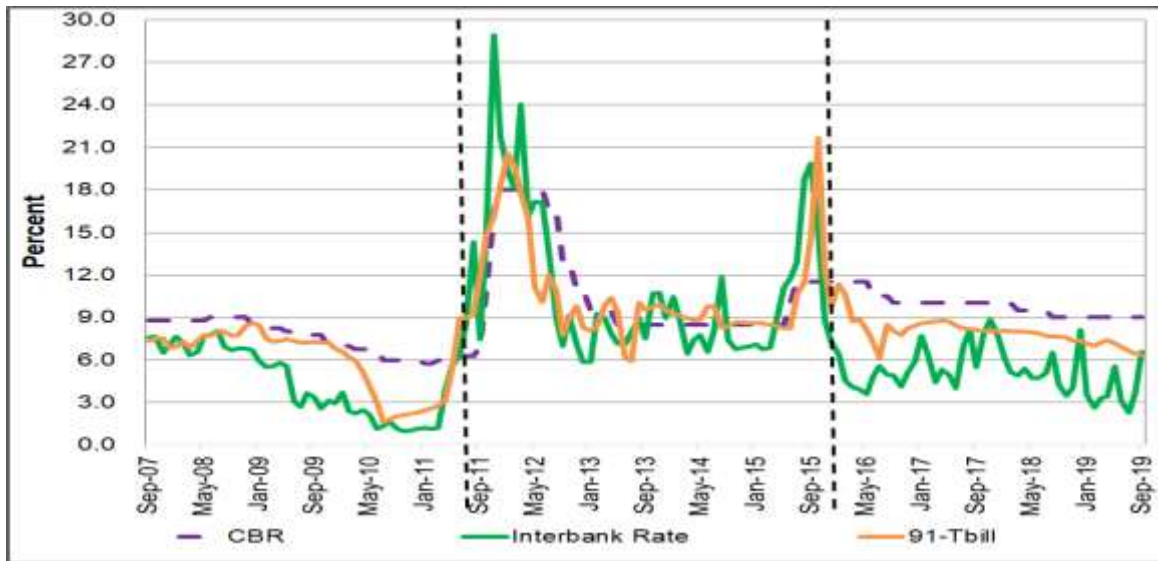
18. Annual credit to the private sector grew by 7.1 percent in the year to September 2019, compared to a growth of 3.8 percent in the year to September 2018. In particular, credit to consumer durables, manufacturing, trade, private household, and finance and insurance sectors experienced strong growth of 28.4 percent, 7.5 percent, 7.6 percent, 8.8 percent, and 14.5 percent, respectively. This offset the substantial loan repayments recorded in the building and construction and mining and quarrying sectors in the year to September 2019.

1.7 Interest Rates

19. Short-term interest rates have remained fairly low and stable. The Monetary Policy Committee in September 2019 retained the Central Bank Rate at 9.0 percent. The interbank rate increased to 6.6 percent in September 2019 compared to the 4.3 percent recorded in September 2018 due to tightening liquidity conditions in the money market (Chart 8).

RECENT ECONOMIC DEVELOPMENTS

Chart 8: Short-Term Interest Rates



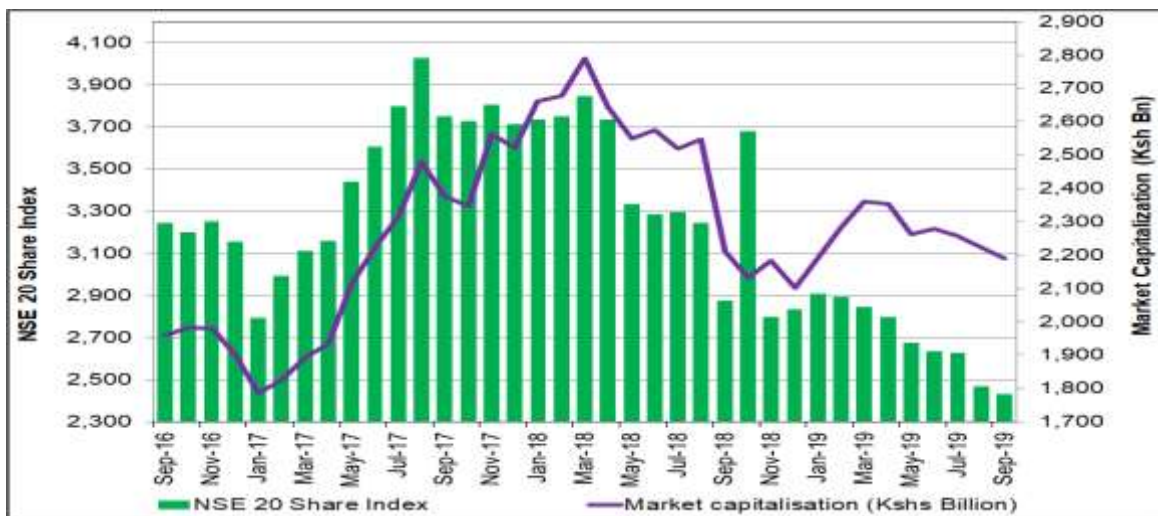
Source of Data: Central Bank of Kenya

20. The 91-day Treasury Bill rate declined to 6.4 percent in September 2019 from 7.6 in September 2018 indicating that the implementation of Government domestic borrowing program supported market stability.

1.8 Capital Markets

21. Activity in the capital market slowed down with equity share prices declining as shown by the NSE 20 Share Index, which stood at 2,432 points by end September, 2019 compared to 2,876 points by end September, 2018. The depressed share prices resulted in lower market capitalization of Ksh 2,190 billion from Ksh 2,211 billion over the same period in 2018. The declining performance reflects the concerns on global and domestic growth prospects, with both projected to decline accompanied by expected capital outflows in search of safer havens.

Chart 9: Performance at the NSE



Source of Data: Nairobi Securities Exchange

FISCAL DEVELOPMENTS

2.0 FISCAL DEVELOPMENTS

2.1 Revenue

22. By the end of September 2019, total revenue collected including A-I-A amounted to Ksh 421.2 billion against a target of Ksh 495 billion (**Table 3**). The revenue was below target by Ksh 73.9 billion mainly due to underperformance of all major tax heads and A-I-A. Ordinary revenue collection was Ksh 384.4 billion against a target of Ksh 444.5 billion, which was Ksh 60.2 billion below the target (**Chart 10**). The A-I-A collected was below target by Ksh 13.7 billion during the quarter under review. The underperformance of A-I-A was mainly due to under reporting in the Ministerial expenditure returns for the period under review. The Railway Development Levy collection amounted to Ksh 5.5 billion against a target of Ksh 7 billion. Compared to the last FY, total revenue collection increased by 15.1 percent. The revenue data in Government Finance Statistics Manual 2014 (GFSM 2014) format is shown in annex II.

Table 3: Government Revenue and External Grants, Period Ending 30th September, 2019 (Ksh Millions)

	2018/2019 Actual	2019/2020		Deviation Ksh	Deviation in percentage
		Actual	Target		
Total Revenue (a+b)	365,995	421,159	495,032	(73,873)	(14.92)
(a) Ordinary Revenue	332,221	384,351	444,522	(60,171)	(13.54)
Import Duty	25,760	25,729	32,979	(7,250)	(21.98)
Excise Duty	42,795	49,725	57,130	(7,406)	(12.96)
PAYE	89,804	98,199	110,598	(12,399)	(11.21)
Other Income Tax	69,308	82,522	100,663	(18,141)	(18.02)
VAT Local	52,049	59,462	65,496	(6,034)	(9.21)
VAT Imports	40,591	46,317	55,026	(8,709)	(15.83)
Investment Revenue	-	6,087	1,077	5,010	465.16
Traffic Revenue	864	1,092	807	285	35.31
Taxes on Intl. Trade & Trans.(IDF)	5,848	5,750	8,618	(2,868)	(33.28)
Others ¹	5,202	9,468	12,126	(2,659)	(21.92)
(b) Appropriation in Aid ²	33,774	36,808	50,510	(13,702)	(27.13)
o/w Railway Development Levy	5,446	5,538	6,966	(1,429)	(20.51)
(c) External Grants	3,578	2,802	7,784	(4,982)	(64.00)
Total Revenue and External Grants	369,573	423,961	502,815	(78,854)	(15.68)
Total Revenue and External Grants as a percentage of GDP	3.95	4.09	4.86	-	-

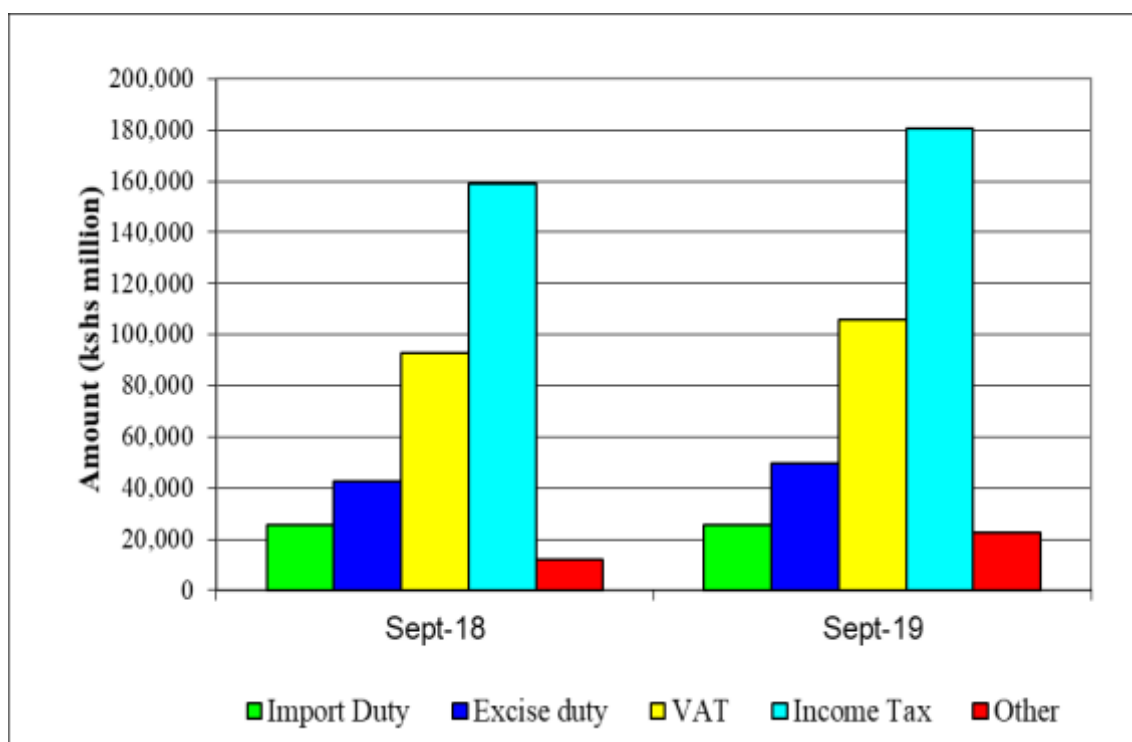
1/ includes rent on land/buildings, fines and forfeitures, other taxes, reimbursements and other fund contributions, fees, and miscellaneous revenue.

2/ includes receipts from Road Maintenance Levy Fund and A-I-A from Universities

Source: National Treasury

23. As a proportion of GDP, the total revenue and grants in the period under review was 4.1 percent compared to 4.0 percent in the corresponding period in the FY 2018/19. External grants amounted to Ksh 2.8 billion against a target of Ksh 7.8 billion, representing an under performance of Ksh 5 billion.

Chart 10: Ordinary Revenue by Sources, Period Ending 30th September, 2019



Source: National Treasury

2.2 Expenditure

24. The total expenditure and net lending for the period under review amounted to Ksh 544.6 billion, against a target of Ksh 565.6 billion. The shortfall of Ksh 21 billion is attributed mainly to lower absorption recorded in development expenditures by the National Government (**Table 4 and Chart 11**). Recurrent expenditure for National Government amounted to Ksh 381.3 billion (excluding Ksh 9.9 billion for Parliament and Judiciary), against a target of Ksh 374.4 billion leading to an over expenditure of Ksh 7 billion. The over expenditure was mainly due to above target payments of operation and maintenance and domestic interest by Ksh 8.8 billion and Ksh 4 billion respectively.

FISCAL DEVELOPMENTS

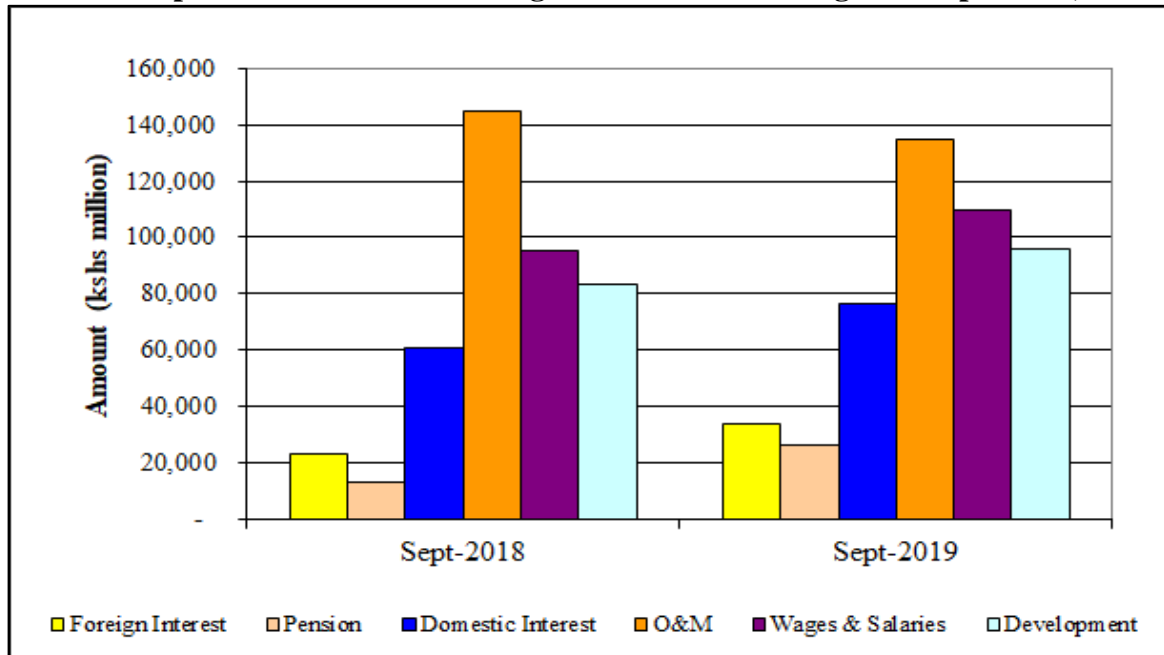
Table 4: Expenditure and Net Lending, Period Ending 30th September, 2019 (Ksh Millions)

	2018/2019 Actual	2019/2020		Deviation	% Growth
		Actual	Targets		
1. RECURRENT	336,759	381,281	374,376	6,906	13.2
Domestic Interest	61,119	76,250	72,270	3,980	24.8
Foreign Interest	22,979	34,163	33,934	228	48.7
Pensions & Other CFS	13,122	26,259	27,047	(789)	100.1
Wages and Salaries	94,978	109,719	115,020	(5,301)	15.5
Operation and Maintenance	144,561	134,890	126,104	8,786	(6.7)
O/W: Appropriation-in-Aid	33,774	24,483	32,304	(7,821)	(27.5)
2. DEVELOPMENT	83,555	95,900	124,643	(28,742)	14.8
Development Projects (Net)	48,327	57,508	66,470	(8,962)	19.0
Payment of Guaranteed Loans	-	330	-	330	-
Appropriation-in-Aid	33,360	38,062	56,684	(18,622)	14.1
3. County Governments	23,532	57,542	53,445	4,097	144.5
4. Parliamentary Service	5,964	6,934	9,395	(2,460)	16.3
5. Judicial Service	2,650	2,967	3,758	(790)	12.0
6. Equalization Fund	1,868	-	1,489	(1,489)	-
7. CF	-	-	-	-	-
TOTAL EXPENDITURE	452,460	544,626	565,617	(20,991)	20.4

Source: National Treasury

25. Foreign interest payments amounted to Ksh 34.2 billion, an increase compared to Ksh 23 billion in the same period over the FY2018/19. The domestic interest payments totalled to Ksh 76.3 billion, which was higher than the Ksh 61.1 billion paid in the corresponding period in the previous financial year. The expenditure data in GFSM 2014 format is shown in annexes III and IV.

Chart 11: Expenditure and Net Lending for the Period Ending 30th September, 2019



Source: National Treasury

26. The total ministerial and other public agencies expenditure including A.I.A was Ksh 348.3 billion against a target of Ksh 482.2 billion. Recurrent expenditure was Ksh 257 billion against a target of Ksh 306.2 billion, while development expenditure amounted to Ksh 91.3 billion against a target of Ksh 176.1 billion. The percentage of total expenditures to the target was 72.2 percent while the percentage of total expenditures to the target for recurrent and development were 83.9 percent and 51.9 percent respectively, as at the end of the period under review. The discrepancy between actual and target expenditures was partly due to the non-capture of the parastatals and other government entities expenditures hence under reporting by Ministries/government agencies. These ministerial expenditures are therefore, provisional.

27. As at the period ending 30th September, 2019, recurrent expenditures by the State department for Early Learning and Basic Education, State department for University Education; Teachers Service Commission; State department for Vocational and Technical Training and the Ministry of Health (Social Sector) accounted for 50.6 percent of total recurrent expenditure. In addition, the State Department for Interior and the Ministry of Defence accounted for 9.9 percent and 7.2 percent of total recurrent expenditure respectively.

28. Analysis of development outlay indicates that the State Department for Infrastructure (with 34.9 percent) accounted for the largest share of the total development expenditure, followed by the State Department for Energy (with 20.9 percent), Ministry of water and Sanitation (with 14.2 percent), State Department for Transport (with 7.0 percent), and the State Department for ICT & Innovation (with 5.5 percent). The development expenditure by the large Ministries were below target because of non-inclusion of expenditure from the sub National and some donor funded projects. **Table 5** shows the recurrent and development expenditures by State Departments, Ministries and Commissions for the period under review.

FISCAL DEVELOPMENTS

Table 5: Ministerial Expenditures, Period Ending 30th September, 2019 (Ksh Millions)

Budget Head	MINISTRY/DEPARTMENT/COMMISSIONS	Sep-19		Variance	Sep-19		Variance	Sep-19		Variance	% of Total Expenditure to Target
		Recurrent			Development			Total			
		Actual*	Target	Actual*	Target	Actual*	Target				
1011	The Presidency	1,774	2,246	(472)	113	584	(471)	1,887	2,830	(943)	66.7
1021	State Department for Interior	25,553	32,274	(6,721)	1,229	2,524	(1,295)	26,782	34,799	(8,016)	77.0
1023	State Department for Correctional Services	4,529	6,526	(1,998)	-	239	(239)	4,529	6,766	(2,237)	66.9
1024	State Department for Immigration and Citizen Services	331	530	(200)	-	348	(348)	331	878	(547)	37.7
1032	State Department for Devolution	815	248	567	12	1,850	(1,838)	827	2,098	(1,271)	39.4
1035	State Department for Development of the ASAL	224	265	(41)	352	965	(613)	576	1,230	(654)	46.9
1041	Ministry of Defence	18,570	26,133	(7,563)	-	4,270	(4,270)	18,570	30,403	(11,833)	61.1
1052	Ministry of Foreign Affairs	1,897	4,322	(2,425)	58	489	(432)	1,955	4,812	(2,857)	40.6
1064	State Department for Vocational and Technical Training	2,868	4,285	(1,416)	415	2,295	(1,880)	3,283	6,579	(3,296)	49.9
1065	State Department for University Education	23,718	27,205	(3,487)	160	2,310	(2,150)	23,878	29,515	(5,637)	80.9
1066	State Department for Early Learning & Basic Education	31,546	22,554	8,993	26	1,766	(1,740)	31,572	24,320	7,253	129.8
1068	State Department for Post Training and Skills Development	22	50	(29)	-	-	-	22	50	(29)	43.1
1071	The National Treasury	7,730	19,660	(11,930)	1,400	9,318	(7,918)	9,129	28,978	(19,848)	31.5
1072	State Department for Planning	8,242	2,976	5,266	54	10,990	(10,937)	8,295	13,966	(5,670)	59.4
1081	Ministry of Health	7,232	14,521	(7,289)	713	8,660	(7,947)	7,946	23,181	(15,235)	34.3
1091	State Department for Infrastructure	17,021	15,363	1,658	31,870	31,241	629	48,891	46,604	2,287	104.9
1092	State Department for Transport	206	2,455	(2,249)	6,401	21,003	(14,602)	6,607	23,458	(16,851)	28.2
1093	State Department for Shipping and Maritime	31	411	(379)	-	185	(185)	31	596	(564)	5.2
1094	State Department for Housing & Urban Development	165	251	(86)	2,029	7,630	(5,600)	2,195	7,881	(5,686)	27.9
1095	State Department for Public Works	486	583	(96)	-	526	(526)	486	1,108	(622)	43.9
1107	Ministry of Water and Sanitation	868	1,383	(515)	13,000	14,243	(1,243)	13,868	15,626	(1,759)	88.7
1108	Ministry of Environment and Forestry	1,562	2,545	(983)	648	1,800	(1,152)	2,210	4,345	(2,135)	50.9
1112	Ministry of Lands and Physical Planning	488	754	(256)	43	899	(856)	541	1,653	(1,112)	32.7
1122	State Department for Information Communications and Technology & Innovation	635	761	(126)	4,989	6,298	(1,309)	5,624	7,059	(1,435)	79.7
1123	State Department for Broadcasting & Telecommunications	620	1,103	(483)	12	187	(174)	632	1,290	(657)	49.0
1132	State Department for Sports	245	315	(70)	463	3,475	(3,012)	708	3,790	(3,082)	18.7
1134	State Department for Culture and Heritage	568	755	(187)	-	138	(138)	568	893	(325)	63.6
1152	State Department for Energy	494	1,438	(944)	19,121	17,917	1,205	19,615	19,355	261	101.3
1162	State Department for Livestock	397	535	(138)	36	1,212	(1,176)	433	1,747	(1,314)	24.8
1165	State Department for Crop Development	809	1,046	(236)	408	4,512	(4,105)	1,218	5,558	(4,340)	21.9
1166	State Department for Fisheries, Aquaculture & the Blue Economy	360	443	(82)	7	1,224	(1,217)	367	1,666	(1,299)	22.0
1167	State Department for Irrigation	119	245	(125)	2,699	2,125	574	2,818	2,369	449	119.0
1168	State Department for Agricultural Research	1,075	1,390	(315)	142	199	(57)	1,217	1,589	(372)	76.6
1173	State Department for Cooperatives	70	183	(113)	169	932	(763)	239	1,115	(876)	21.4
1174	State Department for Trade	249	423	(175)	-	115	(115)	249	538	(290)	46.2
1175	State Department for Industrialization	573	860	(287)	1,857	1,479	378	2,429	2,339	90	103.9
1184	State Department for Labour	354	736	(382)	294	823	(529)	648	1,558	(911)	41.6
1185	State Department for Social Protection, Pensions & Senior Citizens Affairs	1,040	4,956	(3,916)	-	3,622	(3,622)	1,040	8,578	(7,538)	12.1
1192	State Department for Mining	128	158	(30)	14	144	(130)	142	302	(160)	47.0
1193	State Department for Petroleum	49	67	(18)	98	1,360	(1,262)	147	1,427	(1,280)	10.3
1202	State Department for Tourism	259	1,586	(1,327)	-	383	(383)	259	1,969	(1,710)	13.2
1203	State Department for Wildlife	707	1,947	(1,240)	242	342	(100)	949	2,289	(1,340)	41.4
1212	State Department for Gender	323	415	(92)	-	708	(708)	323	1,123	(800)	28.8
1213	State Department for Public Service	309	2,103	(1,794)	-	374	(374)	309	2,477	(2,168)	12.5
1214	State Department for Youth	2,283	2,859	(476)	1,740	1,490	250	4,123	4,349	(226)	94.8
1221	State Department for East African Community	99	168	(69)	-	811	(811)	99	978	(879)	10.1
1222	State Department for Regional and Northern Corridor Development	327	533	(206)	-	-	-	327	533	(206)	61.3
1252	State Law Office and Department of Justice	761	1,276	(514)	-	58	(58)	761	1,333	(572)	57.1
1261	The Judiciary	2,885	3,617	(732)	484	1,098	(613)	3,369	4,714	(1,345)	71.5
1271	Ethics and Anti-Corruption Commission	1,202	735	466	-	6	(6)	1,202	742	460	102.1
1281	National Intelligence Service	8,200	9,415	(1,215)	-	-	-	8,200	9,415	(1,215)	87.1
1291	Office of the Director of Public Prosecutions	501	734	(233)	-	27	(27)	501	761	(260)	65.8
1313	Office of the Registrar of Political Parties	297	325	(27)	-	-	-	297	325	(27)	91.5
1321	Witness Protection Agency	69	120	(51)	-	-	-	69	120	(51)	57.6
2011	Kenya National Commission on Human Rights	77	96	(19)	-	-	-	77	96	(19)	80.4
2021	National Land Commission	263	327	(64)	22	-	22	285	327	(42)	87.2
2031	Independent Electoral and Boundaries Commission	969	1,190	(221)	-	11	(11)	969	1,201	(232)	80.7
2041	Parliamentary Service Commission	2,732	3,412	(679)	-	766	(766)	2,732	4,178	(1,446)	65.4
2042	National Assembly	4,202	5,983	(1,781)	-	-	-	4,202	5,983	(1,781)	70.2
2051	Judicial Service Commission	83	141	(58)	-	-	-	83	141	(58)	58.6
2061	The Commission on Revenue Allocation	84	117	(33)	-	-	-	84	117	(33)	71.5
2071	Public Service Commission	244	543	(298)	-	16	(16)	244	559	(315)	43.7
2081	Salaries and Remuneration Commission	79	113	(34)	-	-	-	79	113	(34)	69.8
2091	Teachers Service Commission	64,574	63,224	1,350	-	14	(14)	64,574	63,238	1,336	102.1
2101	National Police Service Commission	114	184	(70)	-	-	-	114	184	(70)	61.9
2111	Auditor General	1,065	1,372	(307)	-	56	(56)	1,065	1,428	(363)	74.6
2121	Office of the Controller of Budget	104	176	(72)	-	-	-	104	176	(72)	59.3
2131	The Commission on Administrative Justice	106	141	(35)	-	-	-	106	141	(35)	75.2
2141	National Gender and Equality Commission	88	122	(34)	-	-	-	88	122	(34)	72.0
2151	Independent Policing Oversight Authority	202	223	(22)	-	1	(1)	202	224	(23)	89.9
	Total	256,983	306,152	(49,169)	91,319	176,053	(84,735)	348,302	482,205	(133,903)	72.2

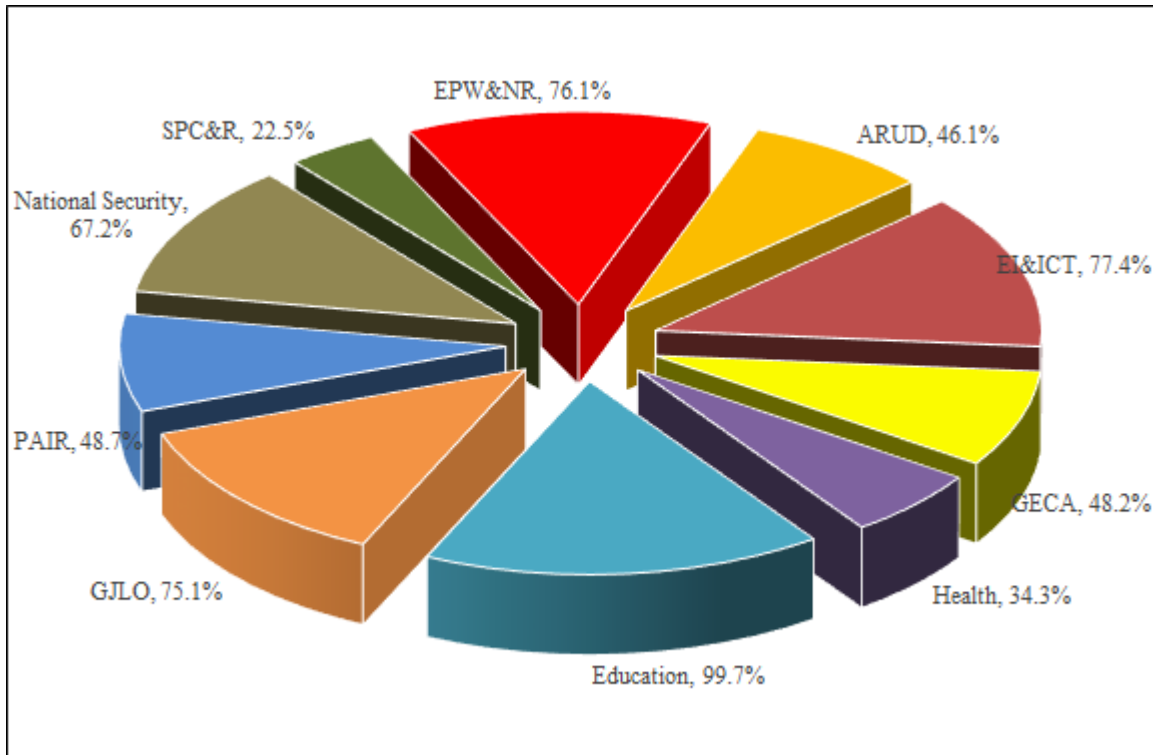
*Provisional

Source: National Treasury

FISCAL DEVELOPMENTS

29. During the period under review, the Education Sector recorded the highest absorption of 99.7 percent of total ministerial budget, followed by Environmental Protection, Water and Natural Resources Sector with 76.1 percent. Whereas, Social Protection, Culture and Recreation recorded the lowest absorption of 22.5 percent. (Chart 12)

Chart 12: Absorption of the Ministerial Budget per Sector as at 30th September, 2019



Data Source: National Treasury

2.2.1 Pending Bills

30. The total outstanding pending bills including expenditure carry overs as at the end of FY 2018/19 amounted to Ksh 94.5 billion. This comprised of Ksh 92.2 billion and Ksh 2.3 billion non-AGPO and AGPO pending bills and expenditure carry overs respectively. In line with the Treasury Circular No. 7/2019, the expenditure carry overs emanating from FY 2018/19 should be treated as a first charge in the FY 2019/20 budget.

2.2.2 Guaranteed Loans to Parastatals

31. Cumulative principal and interest payments of guaranteed loans to parastatals with liquidity problems amounted to Ksh 330 million against a payment target of Ksh 316.2 (Table 6) in the quarter ending 30th September, 2019.

FISCAL DEVELOPMENTS

Table 6: Schedule and Actual Payments on Guaranteed Debt for the Period Ending 30th September, 2019 (Ksh Millions)

Borrower	Quarter I (2019/20)				Cumm. September 2019*	
	Projected		Actual		Projected	Actual
	Principal	Interest	Principal	Interest		
EAPC	170.95	4.27	178.20	4.50	175.23	182.70
TARDA	137.52	3.47	143.40	3.61	140.99	147.01
TOTAL (QTR)	308.48	7.74	321.60	8.11	316.22	329.71

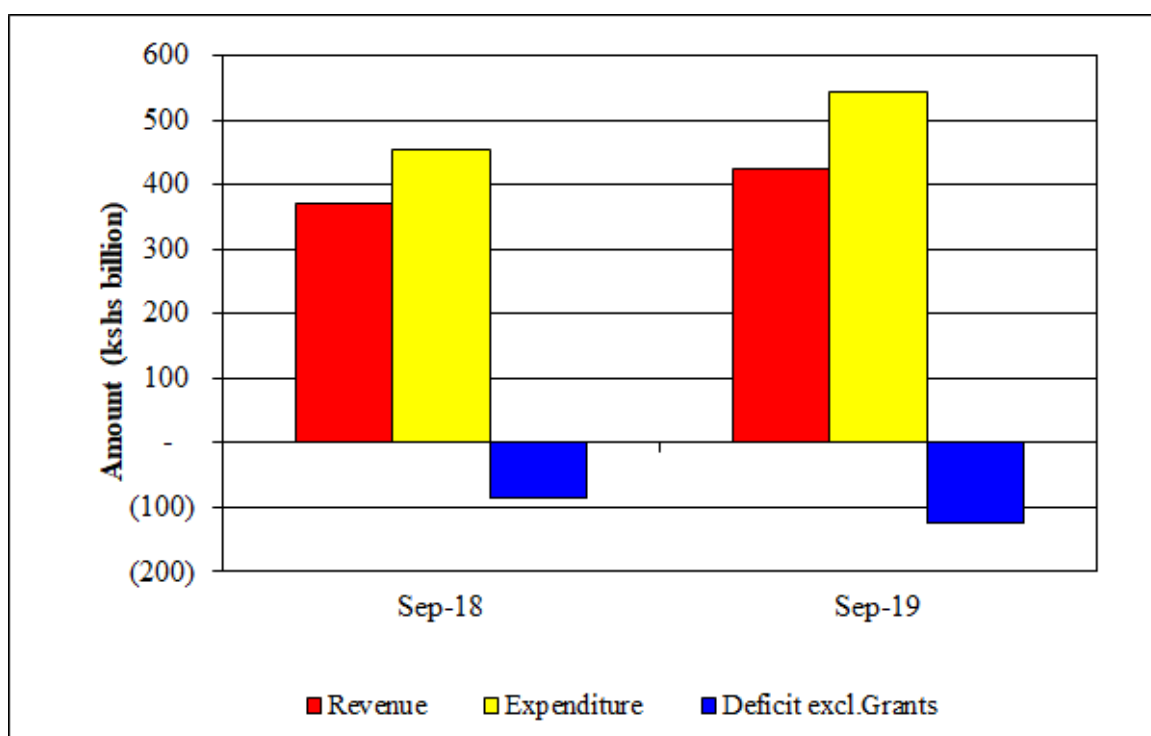
* Provisional

Source: National Treasury

2.3 Fiscal Outturn

32. Between 1st July, 2019 and 30th September, 2019, the fiscal balance (on commitment basis and excluding grants) amounted to Ksh 123.5 billion (which is equivalent to 1.2 percent of GDP) against a targeted deficit of Ksh 70.6 billion (which is equivalent to 0.7 percent of GDP) (**Chart 13 and Table 7**). The fiscal balance (including grants and on a commitment basis) also stood at 1.2 percent of GDP against a targeted deficit of 0.6 percent of GDP.

Chart 13: Fiscal Balance as at 30th September 2019



Source: National Treasury

33. Over the same period in FY2018/19, the fiscal deficit including grants (on commitment basis) stood at Ksh 82.9 billion (equivalent to 0.9 percent of GDP). The fiscal outturn in the last six financial years, the printed budget for the FY 2019/20 and the revised budget for the FY 2019/20 as per the 2019 BROP is presented in **Annex I**. Further, GFSM 2014 Compliant Budgetary Central Government fiscal data for the first quarter of FY2019/20 are shown in annexes V and VI.

FISCAL DEVELOPMENTS

Table 7: Budget Outturn, Cumulative Ending 30th September, 2019 (Ksh Millions)

	2018/2019 Actual	2019/2020		Deviation	% growth	2019/2020 as a % of GDP		2018/2019 Actual as a % of GDP
		Actual*	Targets			Actual	Targets	
A. TOTAL REVENUE AND GRANTS	369,573	423,961	502,815	(78,854)	14.72	4.09	4.86	3.95
1. Revenue	365,994	421,159	495,032	(73,873)	15.07	4.07	4.78	3.92
Ordinary Revenue	332,220	384,351	444,522	(60,171)	15.69	3.71	4.29	3.55
Import Duty	25,760	25,729	32,979	(7,250)	(0.12)	0.25	0.32	0.28
Excise Duty	42,795	49,725	57,130	(7,406)	16.19	0.48	0.55	0.46
Income tax	159,112	180,721	211,261	(30,541)	13.58	1.75	2.04	1.70
VAT	92,640	105,779	120,522	(14,743)	14.18	1.02	1.16	0.99
Investment Revenue	0	6,087	1,077	5,010	-	0.06	0.01	0.00
Others	11,913	16,310	21,552	(5,242)	36.91	0.16	0.21	0.13
Appropriation-in-Aid	33,774	36,808	50,510	(13,702)	8.98	0.36	0.49	0.36
2. Grants	3,579	2,802	7,784	(4,982)	(21.70)	0.03	0.08	0.04
AMISOM Receipts	-	-	322	(322)	-	0.00	0.00	0.00
Revenue	1,228	1,520	931	589	23.82	0.01	0.01	0.01
Appropriation-in-Aid	2,351	1,282	6,531	(5,250)	(45.48)	0.01	0.06	0.03
B. EXPENDITURE and NET LENDING	452,460	544,626	565,617	(20,991)	20.37	5.26	5.46	4.84
1. Recurrent	345,373	391,183	387,528	3,655	13.26	3.78	3.74	3.69
Domestic Interest	61,119	76,250	72,270	3,980	24.76	0.74	0.70	0.65
Foreign Interest	22,979	34,163	33,934	228	48.67	0.33	0.33	0.25
Pension & other CFS	13,122	26,259	27,047	(789)	100.11	0.25	0.26	0.14
Wages and Salaries	94,978	109,719	115,020	(5,301)	15.52	1.06	1.11	1.02
O & M/Others	153,175	144,792	139,257	5,536	(5.47)	1.40	1.34	1.64
2. Development and Net Lending	83,555	95,900	123,154	(27,254)	14.78	0.93	1.19	0.89
3. Equalization Fund	1,868	-	1,489	(1,489)	(100.00)	0.00	0.01	0.02
4. County Governments	23,532	57,542	53,445	4,097	144.53	0.56	0.52	0.25
5. CF	-	-	-	-	0.00	0.00	0.00	0.00
C. DEFICIT EXCL.GRANT (Commitment basis)	(86,466)	(123,467)	(70,585)	(52,882)	42.79	(1.19)	(0.68)	(0.92)
D. DEFICIT INCL.GRANTS (Commitment basis)	(82,887)	(120,665)	(62,801)	(57,864)	45.58	(1.17)	(0.61)	(0.89)
E. ADJUSTMENT TO CASH BASIS	(3,155)	25,509	-	25,509	-	0.25	0.00	(0.03)
F. DEFICIT INCL.GRANTS (Cash basis)	(86,042)	(95,156)	(62,801)	(32,354)	10.59	(0.92)	(0.61)	(0.92)
G. FINANCING	86,042	95,156	62,801	32,354	10.59	0.92	0.61	0.92
1. Net Foreign financing	16,832	13,148	8,053	5,095	(21.89)	0.13	0.08	0.18
Disbursements	29,962	32,206	39,921	(7,716)	7.49	0.31	0.39	0.32
Programme Loans	1834	2,009	46	1,963	9.55	0.02	0.29	0.02
Project Cash Loans	3,145	3,269	5,716	(2,447)	3.96	0.03	0.06	0.03
Project Loans AIA	21,495	26,927	30,052	(3,125)	25.27	0.26	0.29	0.23
Project Loans SGR_PHASE_1&2A_AIA	-	-	-	-	-	0.00	0.00	0.00
Commercial Financing	3,488	0	4,107	(4,107)	(100.00)	0.00	0.04	0.04
Debt repayment - Principal	(13,130)	(19,057)	(31,868)	12,811	45.14	(0.18)	(0.31)	(0.14)
2. Other Domestic Financing	-	1,240	-	1,240	-	0.01	0.00	0.00
3. NET DOMESTIC FINANCING	69,210	80,768	54,748	26,020	16.70	0.78	0.53	0.74
MEMO ITEM								
GDP ESTIMATE	9,348,273	10,355,352	10,355,352					

*Provisional

Source: National Treasury

2.4 Financing

2.4.1 External Financing

34. During the period under review, net external financing amounted to a net borrowing of Ksh 13.1 billion (**Table 8**). Total disbursements (inflows) including Appropriations-in-Aid amounted to Ksh 32.2 billion for the period ending 30th September, 2019 against a target of Ksh 39.9 billion. The actual total disbursement included Ksh 3.3 billion Project Loans-Cash, Ksh 26.9 billion Project Loans A.I.A., and Ksh 2 billion Programme Loans. External repayments (outflows) of principal debt amounted to Ksh 19.1 billion. The amount comprised of principal repayments due to bilateral, multilateral and commercial institutions amounting to Ksh 8.2 billion, Ksh 5.6 billion and Ksh 5.3 billion, respectively.

FISCAL DEVELOPMENTS

Table 8: External Financing, Period Ending 30th September, 2019 (Ksh Millions)

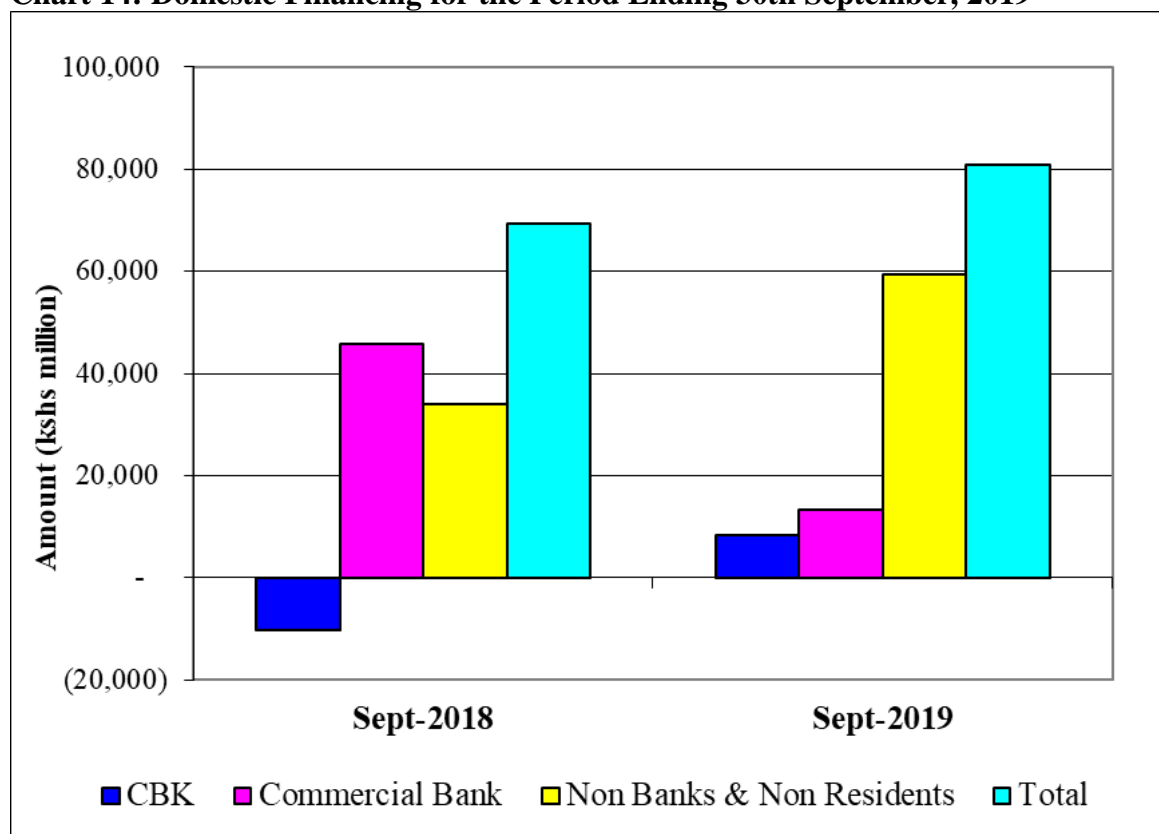
	Quarter I 2018/19	Quarter I 2019/20	Cumulative September 2019*	
	Actual	Actual	Actual	Target
DISBURSEMENTS:	29,962.00	32,205.62	32,205.62	39,921.47
Project Cash loans	3,145.00	3,269.47	3,269.47	5,716.44
Project loans A-I-A	21,495.00	26,926.98	26,926.98	30,051.61
Project Loans SGR_PHASE_1&2A_AIA	-	-	-	-
Commercial Financing	3,488.00	-	-	4,107.03
O/W Export Credit	3,488.00	-	-	4,107.03
Programme Loans	1,834.00	2,009.18	2,009.18	46.38
EXTERNAL REPAYMENTS:	13,129.69	19,057.47	19,057.47	31,868.19
Bilateral(incl. Italy Debt SWAP)	5,193.51	8,159.23	8,159.23	20,785.88
Multilateral (excl. IMF)	2,955.00	5,555.22	5,555.22	5,794.01
Commercial	4,981.18	5,343.01	5,343.01	5,288.30
NET FOREIGN FINANCING	16,832.31	13,148.16	13,148.16	8,053.28

Source: National Treasury

2.4.2 Domestic Financing

35. By the end of September 2019, net domestic borrowing amounted to Ksh 80.8 billion (**Table 9**) against a target borrowing of Ksh 54.7 billion (**Table 7**). The borrowing comprised of KSh 57.8 billion from Non-Banking Financial Institutions, Ksh 13.2 billion from commercial banks, Ksh 1.5 billion from Non-residents, and Ksh 8.3 billion from the Central Bank (**Table 9**). Comparatively, for the same period in 2018, the net domestic borrowing comprised of Ksh 33.7 billion from Non-Banking Financial Institutions, Ksh 45.7 billion from commercial banks, and Ksh 0.2 billion from Non-residents, and a repayment of Ksh 10.4 billion to the Central Bank (**Chart 14**).

Chart 14: Domestic Financing for the Period Ending 30th September, 2019



Data Source: Central Bank of Kenya

36. The stock of Treasury Bills held by Non-Banks and Commercial Banks recorded a net decrease of Ksh 2.9 billion and Ksh 19.6 respectively. While the stock of Treasury Bills held by Non-residents increased by Ksh 0.4 billion. The stock of Fixed Rate Bonds held by Commercial Banks increased by Ksh 36 billion, by Non-residents increased by Ksh 1.1 billion and those by non-Banks recorded a net increase of Ksh 64.5 billion.

FISCAL DEVELOPMENTS

Table 9: Domestic Financing, Period Ending 30th September, 2019 (Ksh Millions)

Debt Instrument	September 2018	December 2018	March 2019	June 2019	September 2019
1.CENTRAL BANK	(10,374)	93,676	99,728	13,601	8,255
Overdraft	(20,559)	7,975	(20,508)	478	10,904
Items on Transit	(14)	(6)	(9)	11	(16)
Frozen Account	-	-	-	(1,110)	-
Less Govt Deposits	10,199	85,707	120,245	14,221	(2,633)
2.COM. BANKS	45,734	(5,024)	104,122	126,948	13,200
Advances	126	629	(4,081)	(4,074)	29
Treasury bills	49,714	39,741	80,406	89,000	(19,592)
Fixed rate Bonds	(6,172)	(36,693)	27,525	38,894	36,010
Infrastructure Bonds	-	14,481	19,480	19,480	(8,097)
Less Govt Deposits	2,066	(23,182)	(19,208)	(16,354)	4,849
3. NON BANKS	33,675	41,215	111,570	160,266	57,802
Treasury bills	9,872	(22,619)	(14,166)	(16,345)	(2,926)
Fixed rate Bonds	23,803	55,638	106,104	156,797	64,515
Infrastructure Bonds	-	8,196	19,435	19,435	(4,051)
M-Akiba Bond	-	-	197	380	264
4. NON RESIDENTS	175	963	194	2,843	1,511
Treasury bills	(305)	102	(1,249)	(25)	443
Fixed rate Bonds	480	872	1,404	2,830	1,068
Infrastructure Bond	-	(11)	39	39	-
5. NET CREDIT	69,210	130,830	315,612	303,658	80,768

Note: Treasury Bills as reflected here are given at cost value as opposed to Table 13 given at face value.

Source: Central Bank of Kenya

3.0 PUBLIC DEBT

3.1 Overall Debt Position

37. The gross public debt as at 30th September, 2019 increased by Ksh 822.4 billion to Ksh 5,968.4 billion compared to Ksh 5,146 billion as at end of September 2018. The gross public debt comprised of 52 percent external debt and 48 percent domestic debt. The increase in the public debt is attributed to external loan disbursements and the uptake of domestic debt during the period. The net public debt was Ksh 5,446.5 billion by end of the period under review (Table 10).

FISCAL DEVELOPMENTS

Table 10: Kenya's Public and Publicly Guaranteed Debt, September 2017 to September 2019 (Ksh Millions)

DEBT SOURCE	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19*	Sep-19*
EXTERNAL									
BILATERAL	742,063	782,588	800,912	816,119	812,545	894,046	916,572	996,059	1,024,092
MULTILATERAL	842,814	841,847	836,766	820,966	877,730	874,680	846,587	914,394	1,001,817
COMMERCIAL BANKS	708,231	712,274	858,062	906,389	898,349	938,151	941,763	1,095,753	1,068,664
SUPPLIERS CREDIT	17,089	17,086	16,691	16,725	16,709	16,857	16,676	16,932	17,194
SUB - TOTAL	2,310,197	2,353,795	2,512,431	2,560,199	2,605,333	2,723,734	2,721,598	3,023,138	3,111,767
DOMESTIC:									
CENTRAL BANK	79,201	96,797	93,583	110,782	90,210	118,196	89,709	109,607	120,494
COMMERCIAL BANKS	1,144,536	1,124,950	1,226,866	1,266,457	1,315,333	1,289,558	1,397,771	1,414,431	1,415,011
TOTAL BANKS	1,223,738	1,221,747	1,320,449	1,377,238	1,405,543	1,407,755	1,487,480	1,524,038	1,535,505
NON BANKS & NON RESIDENTS	949,098	998,618	1,051,202	1,101,596	1,135,161	1,141,015	1,211,052	1,261,899	1,321,134
SUB-TOTAL	2,172,835	2,220,365	2,371,651	2,478,835	2,540,704	2,548,770	2,698,532	2,785,937	2,856,639
GRAND TOTAL GROSS	4,483,032	4,574,160	4,884,082	5,039,034	5,146,037	5,272,504	5,420,130	5,809,075	5,968,406
LESS ON-LENDING	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)
LESS GOVERNMENT DEPOSITS	(432,113)	(350,924)	(573,884)	(545,075)	(501,404)	(432,049)	(398,223)	(501,728)	(516,182)
GRAND TOTAL NET	4,045,218	4,217,535	4,304,497	4,488,257	4,638,932	4,834,754	5,016,206	5,301,646	5,446,522

*Provisional

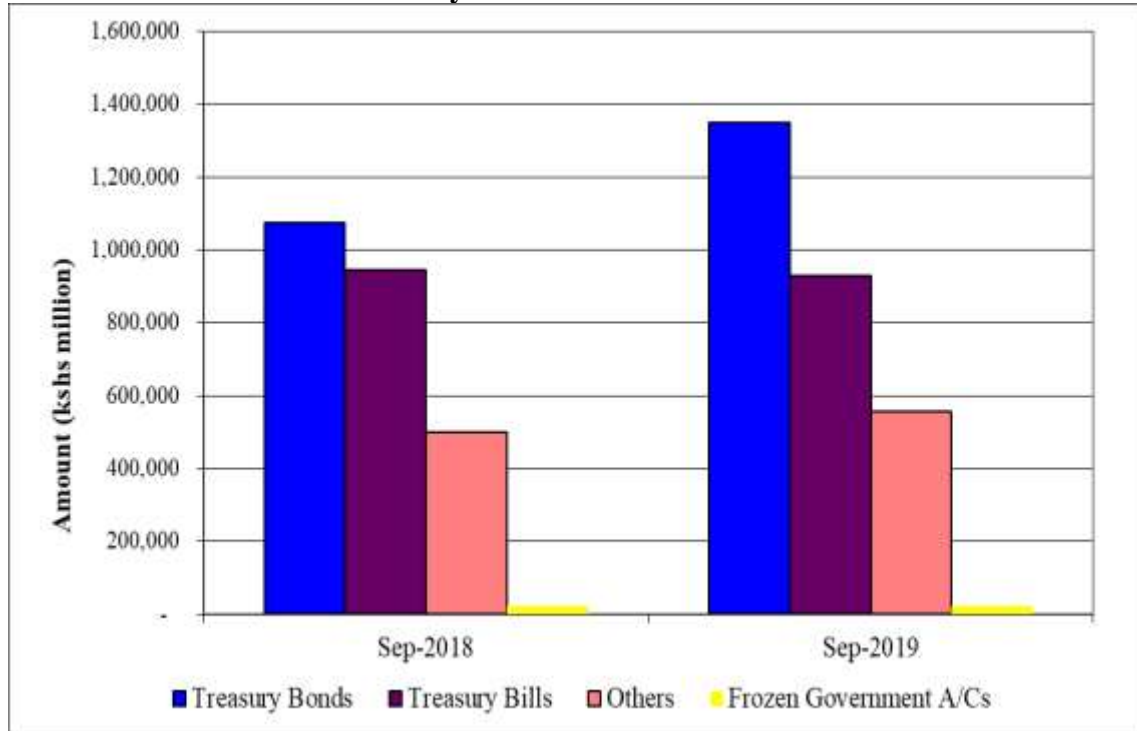
Source: National Treasury

3.2 Domestic Debt

38. The stock of Treasury Bills held by Central Bank, Commercial Banks, Non-Banking Financial Institution and Non Residents decreased by Ksh 15.2 billion from Ksh 944.1 billion in September 2018 to Ksh 928.9 billion in September 2019. The total stock of Treasury Bonds, which include Floating, Fixed Rate, Special and Zero Coupon Bonds, increased by Ksh 274.4 billion from Ksh 1,074.3 billion in September 2018 to Ksh 1,348.7 billion in September 2019 (**Chart 15**).

FISCAL DEVELOPMENTS

Chart 15: Domestic Debt Stock by Instruments



Source: Data from CBK

39. The stock of gross domestic debt increased by Ksh 315.9 billion from Ksh 2,540.7 billion in September 2018 to Ksh 2,856.6 billion in September 2019 (**Table 11**).

FISCAL DEVELOPMENTS

Table 11: Stock of Domestic Debt by end of September 2019 (Ksh Millions)

DEBT SOURCE	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
1.CENTRAL BANK	79,201	96,797	93,583	110,782	90,210	118,196	89,709	109,607	120,494
Overdraft	24,717	42,316	39,655	56,849	36,291	64,824	36,896	57,328	68,232
Frozen Govt Accounts	24,449	24,449	23,894	23,894	23,894	23,339	22,784	22,229	22,229
Treasury bills / bonds rediscouts	20,588	20,588	20,588	20,588	20,588	20,588	20,588	20,588	20,588
Items on Transit	22	19	21	25	11	19	16	36	20
Fixed rate bonds	9,426	9,426	9,426	9,426	9,426	9,426	9,426	9,426	9,426
2.COM.BANKS	1,144,536	1,124,950	1,226,866	1,266,457	1,315,333	1,289,558	1,397,771	1,414,431	1,415,011
Advances	12,218	7,524	7,476	7,504	7,588	8,183	3,458	3,422	3,404
Treasury Bills	391,905	343,340	415,596	482,018	537,531	527,212	570,588	577,483	556,228
Fixed Rate T. Bonds	541,061	550,284	565,098	538,240	531,519	501,047	565,157	575,808	606,480
Special Bonds	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Savings and Development Bond	7,648	7,648	7,648	7,648	7,648	7,648	7,648	6,798	7,648
Infrastructure Bonds	186,704	211,154	226,047	226,047	226,047	240,468	245,920	245,920	236,251
3. NON BANKS	924,962	973,201	1,025,704	1,076,288	1,109,751	1,114,819	1,185,670	1,233,915	1,291,521
Treasury Bills	304,742	312,661	328,801	368,537	378,858	344,111	352,367	348,771	344,235
Fixed Rate T. Bonds	460,708	472,532	484,153	495,001	518,143	549,941	600,375	651,175	714,248
Tax Reserve Certificate	69	69	69	69	69	69	69	69	69
Infrastructure Bonds	138,464	166,962	191,703	191,703	191,703	199,720	211,685	211,685	211,344
Savings and Development Bond	20,580	20,580	20,580	20,580	20,580	20,580	20,580	21,433	20,580
M- Akiba Bond	398	398	398	398	398	398	595	782	1,046
4. NON RESIDENTS	24,136	25,417	25,498	25,308	25,410	26,197	25,382	27,984	29,613
Treasury Bills	7,567	8,134	7,714	7,479	7,104	7,510	6,113	7,408	7,858
Fixed Rate T. Bonds	8,955	9,401	9,716	9,762	10,239	10,631	11,162	12,470	13,533
Savings and Development Bond	9	9	9	9	9	9	9	7	9
Infrastructure Bonds	7,605	7,873	8,058	8,058	8,058	8,047	8,098	8,098	8,212
5. TOTAL DEBT	2,172,835	2,220,365	2,371,651	2,478,835	2,540,704	2,548,770	2,698,532	2,785,936	2,856,639
6. LESS ON-LENDING	5,701	5,701	5,701	5,701	5,701	5,701	5,701	5,701	5,701
7. Less Govt Deposits	432,113	350,924	573,884	545,075	501,404	432,049	398,223	501,728	516,182
8. NET DEBT	1,735,021	1,863,740	1,792,066	1,928,059	2,033,599	2,111,020	2,294,608	2,278,507	2,334,755

NOTE: Treasury Bills reflected here are at face value as opposed to Table 11, given at cost

Source: Central Bank of Kenya

3.3 External Public Debt

40. In dollar terms, external public debt stock increased by US\$. 5,498.9 million from US\$. 24,454.9 million in September 2018 to US\$. 29,953.8 million by the end of September 2019 (**Table 12 and Chart 16**). The increase is attributed to a rise in external disbursements made during the period. The debt stock comprised of 34.3 percent, 32.9 percent, 32.2 percent, and 0.6 percent of debt owed to commercial banks, multilateral institutions, bilateral and suppliers' credit, respectively.

FISCAL DEVELOPMENTS

Table 12: Kenya's External Public and Publicly Guaranteed Debt September 2017-September 2019 (US \$ Millions)

CREDITOR	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-19	Mar-19	Jun-19*	Sep-19*
<u>BILATERAL</u>									
AUSTRIA	5.11	4.38	4.54	5.72	6.64	0.83	9.34	17.63	17.65
BELGIUM	101.84	100.06	107.19	101.01	103.58	78.56	75.20	113.31	108.49
CANADA	5.19	4.07	4.07	4.05	2.83	1.52	1.52	1.08	1.08
DENMARK	12.66	12.01	12.41	11.63	10.00	9.37	8.39	8.55	7.45
FINLAND	16.05	16.15	16.73	16.25	16.69	19.02	16.00	17.56	15.58
FRANCE	687.89	622.52	642.57	611.44	599.02	612.22	668.45	709.38	679.88
GERMANY	314.25	324.67	336.29	268.93	274.11	341.96	360.65	364.39	338.66
ITALY	6.42	1.20	1.24	1.24	1.25	152.35	345.75	354.78	344.10
JAPAN	879.29	824.81	1,022.38	503.66	483.85	1,023.98	1,272.62	1,321.91	1,372.56
NETHERLANDS	15.78	11.03	10.99	10.67	9.07	4.33	3.31	3.35	2.19
UK	6.46	4.70	4.74	4.59	4.56	2.43	0.84	0.58	0.56
USA	30.98	29.25	29.29	29.17	26.45	25.06	20.75	20.42	18.12
CHINA	4,733.94	5,202.37	5,295.84	5,532.61	5,496.62	6,201.61	6,006.17	6,462.07	6,410.61
OTHERS	362.06	423.66	453.57	432.44	457.02	305.16	308.51	341.8	326.53
TOTAL BILATERAL	7,177.91	7,580.89	7,941.83	7,533.41	7,491.69	8,778.40	9,097.49	9,736.81	9,643.46
<u>MULTILATERAL</u>									
ADB/ADF	1,993.19	1,983.67	2,045.52	2,026.48	2,043.51	2,151.35	2,233.19	2,244.79	2,301.03
BADEA	28.16	29.63	29.51	29.81	34.63	32.17	34.53	36.08	36.21
EEC/EIB	197.09	197.56	201.48	192.53	194.86	184.16	173.89	168.53	160.53
IDA/IFAD	5,132.15	5,181.44	5,237.31	5,024.05	5,612.97	5,481.55	5,403.95	5,953.08	6,900.25
IMF**	760.79	711.84	732.26	708.45	699.40	676.41	501.48	481.02	407.37
OTHERS	51.99	50.79	51.28	50.07	63.86	62.61	55.80	55.01	52.49
TOTAL MULTILATERAL	8,163.36	8,154.92	8,297.36	8,031.39	8,649.23	8,588.25	8,402.85	8,938.51	9,857.88
COMMERCIAL BANKS¹	6,864.39	6,856.07	8,508.54	8,219.71	8,148.46	9,211.46	9,347.52	10,711.36	10,286.93
EXPORT CREDIT	165.51	165.51	165.51	165.51	165.51	165.51	165.51	165.51	165.51
GRAND TOTAL	22,371.18	22,757.39	24,913.24	23,950.02	24,454.89	26,743.62	27,013.37	29,552.19	29,953.79
In percentage of total debt									
BILATERAL	32.09	33.31	31.88	31.45	30.63	32.82	33.68	32.95	32.19
MULTILATERAL	36.49	35.83	33.31	33.53	35.37	32.11	31.11	30.25	32.91
COMMERCIAL BANKS ¹	30.68	30.13	34.15	34.32	33.32	34.44	34.60	36.25	34.34
EXPORT CREDIT	0.74	0.73	0.66	0.69	0.68	0.62	0.61	0.56	0.55
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

*Provisional

** include IMF item

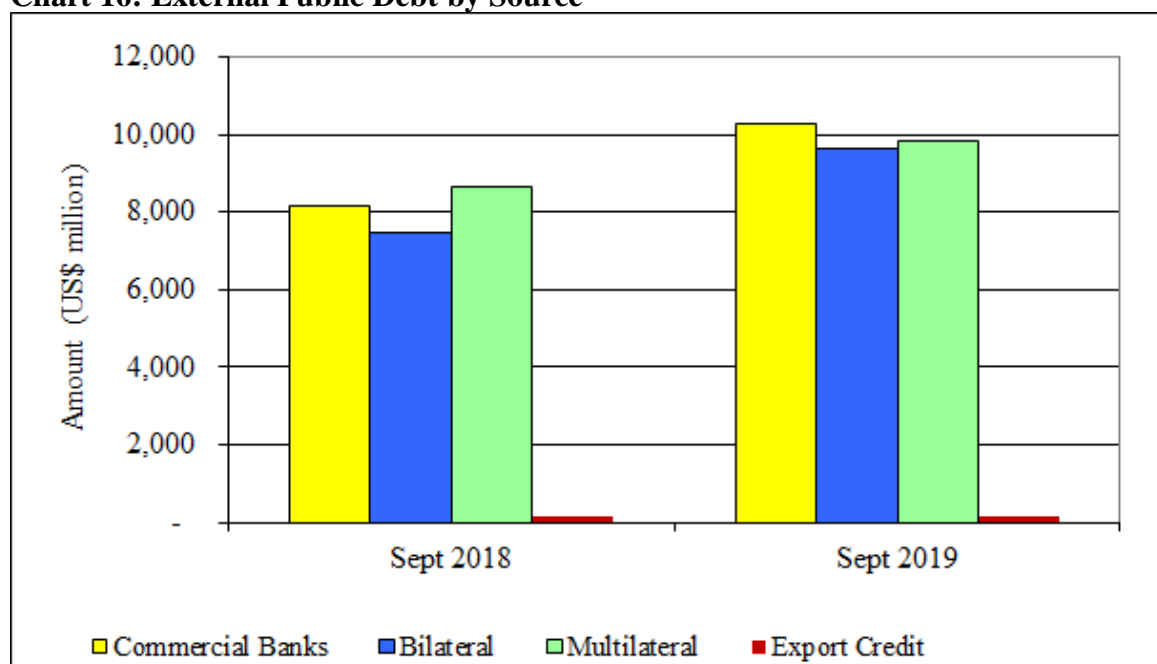
1/ incl. International Sovereign Bond

Note: The exchange rate as at end September 2019 was Ksh 103.89 per dollar.

Source: National Treasury

41. Compared to the same period in FY2018/19, external public debt stock from Commercial Banks, bilateral sources and multilateral institutions recorded an increase in September, 2019/20. External debt stock from suppliers' credit remained constant in September 2018 and September, 2019.

Chart 16: External Public Debt by Source



Source: National Treasury

3.3.1 External Debt Service

42. By the end of September 2019, the total cumulative debt service payments to external creditors amounted to Ksh 53.2 billion. This comprised of Ksh 19.1 billion (35.8 percent) principal and Ksh 34.2 billion (64.2 percent) interest (**Table 13**).

FISCAL DEVELOPMENTS

Table 13: External Debt Service, July 2019 – September 2019 (Ksh Million)

CATEGORY	PRINCIPAL*	INTEREST*	TOTAL*
BILATERAL			
AUSTRIA	-	4.44	4.44
ISRAEL	309.55	109.67	419.22
FRANCE	759.88	479.29	1,239.18
ITALY	-	406.04	406.04
JAPAN	370.26	108.63	478.90
SAUDI FUND	26.02	8.90	34.92
SPAIN	849.35	58.54	907.89
USA	84.73	13.69	98.42
ABU DHABI	35.15	1.98	37.13
BELGIUM	666.97	111.44	778.41
GERMANY	440.12	91.26	531.38
CHINA	3,746.04	14,132.09	17,878.13
KUWAIT	-	3.11	3.11
NETHERLANDS	128.14	4.28	132.41
POLAND	-	0.01	0.01
DENMARK	126.26	-	126.26
KOREA	-	5.05	5.05
INDIA	616.76	68.29	685.05
OTHERS/NEW LOANS	-	-	-
TOTAL BILATERAL	8,159.23	15,606.71	23,765.94
MULTILATERAL			
ADB/ADF	153.40	598.78	752.18
BADEA	86.26	17.99	104.25
EIB/EEC	732.22	213.16	945.38
IDA	4,327.61	2,031.21	6,358.82
OPEC	58.71	8.04	66.76
NDF	30.14	10.29	40.43
IFAD	166.88	68.21	235.09
**IMF	-	-	-
TOTAL MULTILATERAL	5,555.22	2,947.69	8,502.91
COMMERCIAL	5,343.01	15,608.46	20,951.47
GRAND TOTAL	19,057.47	34,162.86	53,220.32

* Provisional

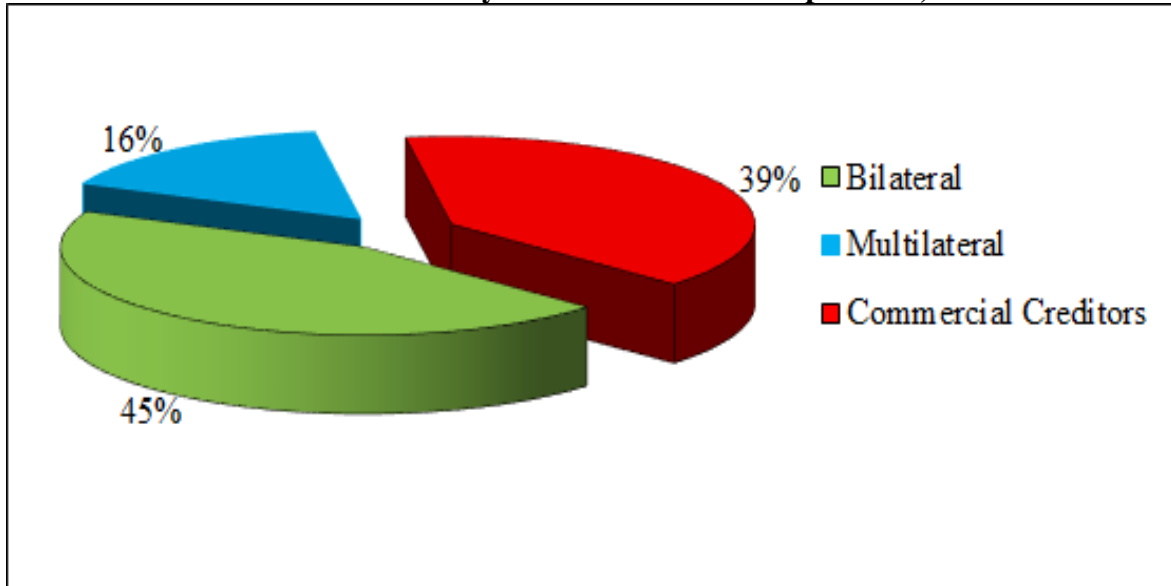
** IMF debt serviced by CBK

Source: National Treasury

FISCAL DEVELOPMENTS

43. By the end of September 2019, the total cumulative debt service payments to external creditors comprised of 45 percent, 39 percent and 16 percent of the total payments to bilateral, commercial and multilateral institutions respectively (**Chart 17**).

Chart 17: External Debt Service by Creditors at end of September, 2019



Source: National Treasury

4.0. ANNEXES

Annex I: Fiscal Results, 2013/14 – 2019/20 (Ksh Millions)

REVENUE/EXPENDITURE/FINANCING	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	
		Actual			Prel. Actual		Printed Estimates	BROP'19
A.TOTAL REVENUE	974,418	1,107,772	1,254,790	1,439,507	1,522,419	1,671,071	2,115,902	2,090,536
I.Ordinary Revenue	918,990	1,031,819	1,152,544	1,306,505	1,365,063	1,496,930	1,877,176	1,851,811
Income Tax	449,590	508,581	560,762	625,050	640,546	685,389	884,369	808,186
VAT	232,630	259,685	289,213	339,034	357,129	413,186	495,980	462,705
Import Duty	67,555	74,048	79,638	89,943	93,685	107,702	135,422	129,257
Excise Duty	102,029	115,872	140,212	165,474	167,753	194,289	242,245	266,455
Other Revenue	67,185	73,633	82,719	87,003	105,950	96,364	119,160	185,208
2 Appropriation –in –Aid	55,428	75,953	102,247	133,002	157,356	174,140	238,725	238,725
B.EXPENDITURE & NET LENDING	1,300,589	1,639,881	1,804,520	2,146,274	2,146,651	2,405,932	2,796,027	2,835,718
I.Recurrent	752,502	895,199	1,036,636	1,201,335	1,349,704	1,496,223	1,760,330	1,744,928
Wages and Salaries	281,197	297,978	307,421	336,636	388,938	417,526	483,541	483,541
Interest Payments	134,821	171,876	215,328	271,233	323,890	375,723	441,481	441,481
Domestic Interest	119,193	139,615	172,857	212,865	239,470	272,351	290,540	290,540
Foreign Interest Due	15,628	32,261	42,471	58,368	84,420	103,372	150,941	150,941
Pensions, etc	30,155	37,508	53,401	63,958	65,099	70,804	108,582	108,582
O & M/ Others	306,330	387,837	460,485	529,509	571,777	632,170	674,115	658,713
Of which Appropriation-in-Aid	28,205	50,566	71,915	94,834	109,669	112,906	162,588	162,588
2.Development & Net Lending	319,274	510,536	486,662	639,923	469,673	548,969	652,348	707,440
Development Projects	225,850	294,735	343,338	501,849	273,508	300,136	377,107	432,199
Appropriation-in-Aid	91,239	213,276	134,757	129,631	193,636	239,386	268,832	268,832
Payment of guaranteed loans	2,185	2,125	2,167	2,443	2,529	2,485	644	644
3. Drought Development Expenditures/CCF	-	4,951	5,000	-	-	-	5,000	5,000
4. Transfer to County Governments	193,390	229,195	276,223	305,016	327,274	360,740	378,350	378,350
5. Parliamentary Service	22,473	22,743	19,777	24,215	25,678	29,525	37,579	37,579
6. Judicial Service	12,951	11,887	11,662	11,846	11,944	12,713	15,032	15,032
7. Equalization Fund	-	400	6,400	6,000	-	6,962	5,765	5,765
D.DEFICIT EXCL. GRANTS (Commitment basis)	(326,172)	(532,109)	(549,730)	(706,768)	(624,232)	(734,862)	(680,125)	(745,181)
E.GRANTS	26,957	28,117	29,597	24,104	26,484	19,702	38,785	38,785
F.DEFICIT INCL.GRANTS (Commitment basis)	(299,214)	(503,992)	(520,133)	(682,663)	(597,748)	(715,160)	(641,341)	(706,397)
G. ADJUSTMENT TO CASH BASIS	(8,505)	32,513	45,563	(15,012)	(34,678)	(5,894)	-	66,170
H.DEFICIT INCL.GRANTS (cash basis)	(307,720)	(471,479)	(474,570)	(697,675)	(632,426)	(721,054)	(641,341)	(640,227)
I.FINANCING	307,720	471,479	474,570	697,676	631,309	721,054	641,341	640,227
Net Foreign Financing	104,726	217,479	269,924	386,202	354,977	414,518	331,313	331,313
Other Domestic Financing	1,267	2,897	2,389	2,269	2,623	2,878	3,213	3,213
Net Domestic Financing	201,727	251,102	202,257	309,205	273,710	303,658	306,814	305,700
Of which Sovereign Bond Deposits	-	-	-	-	-	-	-	-
Others	201,727	251,102	202,257	309,205	273,710	303,658	306,814	305,700
In Percentage of GDP								
A.TOTAL REVENUE	19.2	19.0	18.7	18.8	17.9	17.9	19.7	20.2
I.Ordinary Revenue	18.1	17.7	17.2	17.1	16.0	16.0	17.4	17.9
Income Tax	8.9	8.7	8.4	8.2	7.5	7.3	8.2	7.8
VAT	4.6	4.5	4.3	4.4	4.2	4.4	4.6	4.5
Import Duty	1.3	1.3	1.2	1.2	1.1	1.2	1.3	1.2
Excise Duty	2.0	2.0	2.1	2.2	2.0	2.1	2.3	2.6
Other Revenue	1.3	1.3	1.2	1.1	1.2	1.0	1.1	1.8
2 Appropriation –in –Aid	1.1	1.3	1.5	1.7	1.8	1.9	2.2	2.3
B. EXPENDITURE & NET LENDING	25.6	28.1	26.9	28.0	25.2	25.7	26.0	27.4
I.Recurrent	14.8	15.4	15.4	15.7	15.8	16.0	16.4	16.9
Wages and Salaries	5.5	5.1	4.6	4.4	4.6	4.5	4.5	4.7
Interest Payments	2.7	2.9	3.2	3.5	3.8	4.0	4.1	4.3
Domestic Interest	2.3	2.4	2.6	2.8	2.8	2.9	2.7	2.8
Foreign Interest Due	0.3	0.6	0.6	0.8	1.0	1.1	1.4	1.5
Pensions, etc	0.6	0.6	0.8	0.8	0.8	0.8	1.0	1.0
O & M/ Others	6.0	6.7	6.9	6.9	6.7	6.8	6.3	6.4
of which Appropriation-in-Aid	0.6	0.9	1.1	1.2	1.3	1.2	1.5	1.6
2.Development & Net Lending	6.3	8.8	7.3	8.4	5.5	5.9	6.1	6.8
Development Projects	4.5	5.1	5.1	6.6	3.2	3.2	3.5	4.2
Appropriation-in-Aid	1.8	3.7	2.0	1.7	2.3	2.6	2.5	2.6
Payment of guaranteed loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Drought Expenditures	-	0.1	0.1	-	-	-	0.0	0.0
4. Transitional Transfer to County	3.8	3.9	4.1	4.0	3.8	3.9	3.5	3.7
5. Parliamentary Service	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.4
6. Judicial Service	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.1
7. Equalization Fund	-	0.0	0.1	0.1	-	0.1	0.1	0.1
D.DEFICIT EXCL. GRANTS (Commitment basis)	(6.4)	(9.1)	(8.2)	(9.2)	(7.3)	(7.9)	(6.3)	(7.2)
E.GRANTS	0.5	0.5	0.4	0.3	0.3	0.2	0.4	0.4
F.DEFICIT INCL.GRANTS (Commitment basis)	(5.9)	(8.6)	(7.8)	(8.9)	(7.0)	(7.7)	(6.0)	(6.8)
G. ADJUSTMENT TO CASH BASIS	(0.2)	0.6	0.7	(0.2)	(0.4)	(0.1)	-	0.6
H.DEFICIT INCL.GRANTS (cash basis)	(6.1)	(8.1)	(7.1)	(9.1)	(7.4)	(7.7)	(6.0)	(6.2)
I.FINANCING	6.1	8.1	7.1	9.1	7.4	7.7	6.0	6.2
Foreign Financing	2.1	3.7	4.0	5.0	4.2	4.4	3.1	3.2
Other Domestic Financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NET DOMESTIC FINANCING	4.0	4.3	3.0	4.0	3.2	3.2	2.8	3.0
Of which Sovereign Bond Deposits	-	-	-	-	-	-	-	-
Others	4.0	4.3	3.0	4.0	3.2	3.2	2.8	3.0
Memorandum Item								
Nominal GDP at Market price (Ksh. million)	5,073,776.8	5,831,528.0	6,709,671.0	7,658,138.0	8,524,678.0	9,348,273.0	10,765,655.4	10,355,351.6

Note: BROP- Budget Review and Outlook Paper

Source: National Treasury

GFMSM 2014 COMPLIANT TABLES FOR BUDGETARY CENTRAL GOVERNMENT

Annex II: Revenue (Ksh Millions)

GFMSM Code	Description	Annual Budget Estimates FY2019/20	Prel. Actual FY2019/20 Q1
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>
1	Revenue	2,154,686	423,961
11	Taxes	1,914,170	394,014
111	Taxes on income, profits, and capital gains	884,369	180,721
1111	Payable by individuals	468,497	98,199
1112	Payable by corporations and other enterprises	415,872	82,522
114	Taxes on goods and services	836,645	176,277
1141	General taxes on goods and services	512,528	109,527
11411	Value-added taxes	495,980	105,779
11414	Taxes on financial and capital transactions ¹	16,548	3,748
1142	Excises ²	324,116	66,750
115	Taxes on international trade and transactions	193,156	37,017
1151	Customs and other import duties ³	193,156	37,017
12	Social contributions	1,128	48
122	Other social contributions	1,128	48
1221	Employee contributions	1,128	48
13	Grants	38,785	2,802
131	From foreign governments	33,785	2,802
1311	Current	-	-
1312	Capital	33,785	2,802
132	From international organizations	5,000	-
1321	Current	5,000	-
1322	Capital	-	-
14	Other revenue	200,604	27,097
141	Property income	39,030	8,046
1411	Interest	2,133	852
1412	Dividends	34,528	6,087
1415	Rent	2,369	1,107
142	Sales of goods and services	154,084	18,542
1422	Administrative fees	154,084	18,542
143	Fines, penalties, and forfeits	2,991	415
145	Miscellaneous and unidentified revenue	4,500	95

1/Includes Capital Gains Tax and Stamp duty

2/Includes Ordinary excise, RML, PDL, Electricity levy

3/ Includes Import duty, RDL, IDF

Source: National Treasury

Annex III: Expense (Ksh Millions)

GFSM Code	Description	Annual Budget	Prel. Actual
		Estimates FY2019/20	FY2019/20 Q1
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>
2	Expense	2,587,696	524,798
21	Compensation of employees	493,642	110,435
211	Wages and salaries	452,792	109,779
212	Social contributions	40,851	655
2121	Actual social contributions	40,851	655
22	Use of goods and services	393,496	100,516
	O/W Defence and NIS	142,191	26,554
	Free Secondary Education (FSE)	59,702	24,752
	Free Primary Education (FPE)	13,401	2,822
24	Interest	441,481	110,413
241	To nonresidents	150,941	34,163
242	To residents other than general government	290,540	76,250
25	Subsidies	1,953	129
251	To public corporations	1,953	129
252	To private enterprises	-	-
26	Grants	1,083,271	177,484
262	To international organizations	5,341	-
2621	Current	5,341	-
2622	Capital	-	-
263	To other general government units	1,077,929	177,484
2631	Current	592,034	90,220
	O/W Transfer to County Governments (ES)	217,000	38,550
	Transfer to Other levels of Government (SOEs)	375,034	51,671
2632	Capital	485,895	87,264
	O/W Transfer to County Governments (ES)	93,000	16,521
	Transfer to Other levels of Government (SOEs)	392,895	70,742
27	Social benefits	163,088	25,821
28	Other expense	10,765	-
282	Miscellaneous other expense	10,765	-

Source: National Treasury

Annex IV: Transaction in Assets and Liabilities (Ksh Millions)

GFSM Code	Description	Annual Budget Estimates FY2019/20	Prel. Actual FY2019/20 Q1
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>
3	Change in Net Worth: Transactions	(426,828)	(68,415)
31	Net acquisition of nonfinancial assets	200,923	19,498
311	Fixed assets	201,188	19,498
3111	Buildings and structures	194,741	18,740
3113	Other fixed assets	6,446	758
32	Net acquisition of financial assets	3,223	3,456
3212	Currency and deposits (Domestic)	3,223	3,456
33	Net incurrence of liabilities	630,974	91,369
331	Domestic	300,314	78,551
3313	Securities other than shares	300,314	67,635
3314	Loans	-	10,916
332	Foreign	330,660	12,818
3323	Securities other than shares	200,000	-
3324	Loans	130,660	12,818

Source: National Treasury

Annex V: Statement of Sources and Uses of Cash (Ksh Millions)

GFSM Code	Description	Annual Budget Estimates FY2019/20	Prel. Actual FY2019/20 Q1
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>
	Cash Flows from Operating Activities:		
1	Cash receipts from operating activities	2,154,686	423,961
11	Taxes	1,914,239	394,014
12	Social contributions	1,128	48
13	Grants	38,785	2,802
14	Other receipts	200,535	27,097
2	Cash payments for operating activities	2,587,696	524,798
21	Compensation of employees	493,642	110,435
22	Purchases of goods and services	393,496	100,516
24	Interest	441,481	110,413
25	Subsidies	1,953	129
26	Grants	1,083,271	177,484
27	Social benefits	163,088	25,821
28	Other payments	10,765	-
	Net cash inflow from operating activities	(433,009)	(100,837)
	Cash Flowa from Investments in Nonfinancial Assets (NFAs):		
31A	Purchases of nonfinancial assets	200,923	19,498
311A	Fixed assets	200,923	19,498
31	Net cash outflow: investments in NFAs (31=31.1-31.2)	200,923	19,498
	Cash surplus / deficit	(633,932)	(120,335)
	Cash Flows from Financing Activities:		
32x	Net acquisition of financial assets other than cash	3,223	3,456
321x	Domestic	3,223	3,456
322x	Foreign	-	-
33	Net incurrence of liabilities	630,974	91,369
331	Domestic	300,314	78,551
332	Foreign	330,660	12,818
NFB	Net cash inflow from financing activities	627,751	87,913
	Net change in the stock of cash	(6,181)	(32,422)
	Statistical Discrepancy⁴	-	-

⁴/Vertical check: Difference between cash surplus/deficit and total net cash inflow from financial activities

Source: National Treasury

Annex VI: Statement of Government Operations (Ksh Millions)

GFSM Code	Description	Annual Budget Estimates FY2019/20	Prel. Actual FY2019/20 Q1
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>
	Transactions Affecting Net Worth:		
1	Revenue	2,154,686	423,961
11	Taxes	1,914,239	394,014
12	Social contributions	1,128	48
13	Grants	38,785	2,802
14	Other revenue	200,535	27,097
2	Expense	2,587,696	524,798
21	Compensation of employees	493,642	110,435
22	Use of goods and services	393,496	100,516
24	Interest	441,481	110,413
25	Subsidies	1,953	129
26	Grants	1,083,271	177,484
27	Social benefits	163,088	25,821
28	Other expense	10,765	-
GOB	Gross operating balance	(433,009)	(100,837)
NOB	Net operating balance	(433,009)	(100,837)
	Transactions on Nonfinancial Assets:		
31	Net Acquisition of Nonfinancial Assets	200,923	19,498
311	Fixed assets	200,923	19,498
NLB	Net lending / borrowing	(633,932)	(120,335)
	Transactions on Financial Assets and Liabilities (Financing):		
32	Net acquisition of financial assets	3,223	3,456
321	Domestic	3,223	3,456
322	Foreign	-	-
33	Net incurrence of liabilities	630,974	91,369
331	Domestic	300,314	78,551
332	Foreign	330,660	12,818
	Statistical Discrepancy⁵	(6,181)	(32,422)

5/Vertical check: Difference between net lending/borrowing and financing

Source: National Treasury