

**Republic of Kenya**

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**THE NATIONAL TREASURY**

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# **Quarterly Economic and Budgetary Review**

**First Quarter, Financial Year 2016/2017  
Period ending 30<sup>th</sup> September, 2016**

**November 2016 Edition**

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

A-I-A	Appropriation in Aid
CBK	Central Bank of Kenya
FISM	Financial Services Indirectly Measured
FY	Fiscal Year
GDP	Gross Domestic Product
IMF	International Monetary Fund
KNBS	Kenya National Bureau of Statistics
KShs	Kenya Shillings
Mn	Million
NDA	Net Domestic Assets
NFA	Net Foreign Assets
NSE	Nairobi Securities Exchange
RDL	Railway Development Levy

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## Legal basis for the publication of the Quarterly Economic and Budgetary Review Report (QEBR)

**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.

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## **HIGHLIGHTS OF THE QUARTERLY ECONOMIC AND BUDGETARY REVIEW: FIRST QUARTER, 2016/2017**

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### **1. Economic Growth**

The economy remained resilient in 2016 with a growth of 6.2 per cent in the second quarter of 2016 compared to a growth of 5.9 per cent in the first quarter of 2016, which was an improvement from the 5.6 percent growth in 2015. The growth in the second quarter of 2016 was largely supported by growths in agriculture, mining, electricity and water supply, transport and storage, accommodation and restaurant and information and communication.

### **2. Inflation**

Overall month on month inflation decreased to 6.3 per cent (within target range) in September and August 2016 from 6.4 per cent in July 2016

### **3. Balance of Payments**

The overall balance of payments position recorded a deficit of US\$ 1,226 million in the year to August 2016 from a surplus of US\$ 716 million in the year to August 2015

### **4. Foreign Exchange Reserves**

The banking system's total foreign exchange holdings increased by 11.8 per cent to US\$ 10,354 million in August 2016 from US\$ 9,265 million in August 2015

### **5. Money and Credit**

The banking system's total foreign exchange holdings increased by 11.8 per cent to US\$ 10,354 million in August 2016 from US\$ 9,265 million in August 2015

### **6. Capital Markets**

The capital market recorded mixed performance in both equities and bonds market segments in the year to September 2016. Activities at the stock market slowed down with the Nairobi Securities Exchange (NSE) 20 share index recording 3,243 points in September 2016 compared to 4,174 points in September 2015

### **7. Total Revenue Collection**

The National Government cumulative revenue collection including A-I-A for the period July 2016 to September 2016 amounted to KShs. 313.6 billion (equivalent to 4.2 per cent of GDP) against a target of KShs. 328.0 billion or 4.4 per cent of GDP. This represented an underperformance of KShs. 14.4 billion mainly due to shortfalls in Income Tax (PAYE), A-I-A collection, VAT (Imports) and Import duty.

### **8. Government Expenditure and Net Lending**

The total cumulative expenditure and net lending inclusive of transfers to county governments for the period ending 30<sup>th</sup> September, 2016 amounted to KShs. 387.6 billion. This was KShs. 139.3 billion below the target of KShs. 526.9 billion and was largely attributed to low absorption levels in operations and maintenance, and wages and salaries for the National Government. Expenditure on foreign financed development programmes/projects and County Governments were below target.

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**9. Guaranteed Loans**

Between July 2016 and September 2016, the National Government paid a total of KShs. 163.5 million on account of guaranteed loans against the projected debt service of KShs. 156.1 million.

**10. Overall Fiscal Balance**

The cumulative overall fiscal balance, on a commitment basis (excluding grants), amounted to a deficit of KShs. 74.0 billion (equivalent to 0.99 per cent of GDP), as at end-September 2016.

**11. External Financing**

Between July 2016 and September 2016, external financing amounted to a net borrowing of KShs. 39.2 billion.

**12. Net Domestic Borrowing**

Net domestic financing amounted to a net borrowing of KShs. 49.4 billion (equivalent to 0.7 per cent of GDP) in the period ending 30<sup>th</sup> September 2016.

**13. Domestic Debt**

Total gross domestic debt stock increased by 33.6 per cent from KShs. 1,388.0 billion as at end-September 2015 to KShs. 1,854.6 billion by the end-September 2016.

**14. External Debt**

The total external debt stock, including the International Sovereign Bond, stood at KShs. 1,712.0 billion at the period ending September 2016. The debt stock comprised of multilateral debt (42.0 per cent), bilateral debt (31.6 per cent), Suppliers Credit debt (0.5 per cent), and Commercial banks' debt (25.9 per cent-incl. International Sovereign Bond)

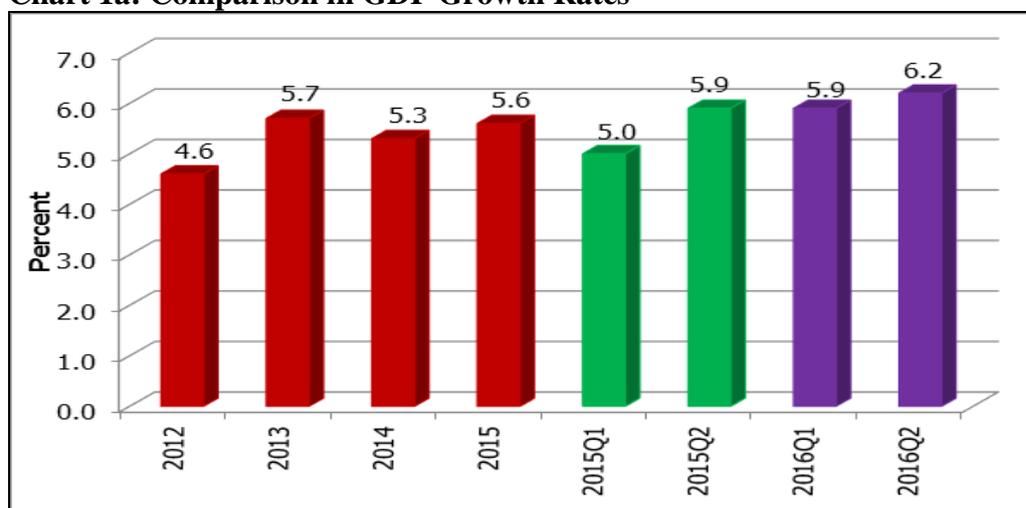
## RECENT ECONOMIC DEVELOPMENTS

### 1.0 RECENT ECONOMIC DEVELOPMENTS

#### 1.1 Economic Growth

1. The economy remained resilient in 2016 with a growth of 6.2 per cent in the second quarter compared to a 5.9 per cent growth in the first quarter, this was an improvement from a growth of 5.6 percent in 2015 (**Chart 1a**). The growth in the second quarter of 2016 was supported by improved performance in; agriculture, forestry and fishing (5.5 per cent), mining and quarrying (11.5 per cent), transport and storage (8.8 per cent), electricity and water supply (10.8 per cent), accommodation and restaurant (15.3 per cent), wholesale and retail trade (6.1 per cent) and information and communication (8.6 per cent). Growth in other sectors, particularly manufacturing, construction, finance and insurance and real estate, remained robust in the quarter to June 2016.

**Chart 1a: Comparison in GDP Growth Rates**



Source: KNBS

2. The accommodation and restaurant sector had a significant improvement in growth to 15.3 per cent in the second quarter of 2016, up from a contraction of 5.0 per cent in the same quarter in 2015, largely on account of a considerable boost from conference tourism as well as improved security situation. The recovery has also been enhanced by rigorous marketing initiatives that have been implemented over time (**Chart 1b**).

3. The electricity and water supply sector grew by 10.8 per cent in the second quarter of 2016 compared to a growth of 9.2 per cent in the same quarter of 2015. This increased growth was primarily due to the continued substitution of the thermal electricity generation with the relatively cheaper sources such as hydro and geothermal sources coupled with favourable weather conditions experienced in the quarter under review.

4. The transport and storage sector improved growth of 8.8 per cent in the second quarter of 2016 from 6.8 per cent in the same quarter 2015 is attributed to the favourable prices of fuel that resulted to lower retail prices for petroleum products coupled with the continued improvement in the road network leading to a general increase in commuter services. Air transport activities remained curtailed in the quarter under review partly due to a significant decline in the volume of cargo handled.

## RECENT ECONOMIC DEVELOPMENTS

5. The information and communication sector improved by 8.6 per cent in the second quarter of 2016 compared to 7.0 per cent growth in the same quarter of 2015. The sustained growth in this sector has been on account of strong performance in mobile telephony sub-sector.

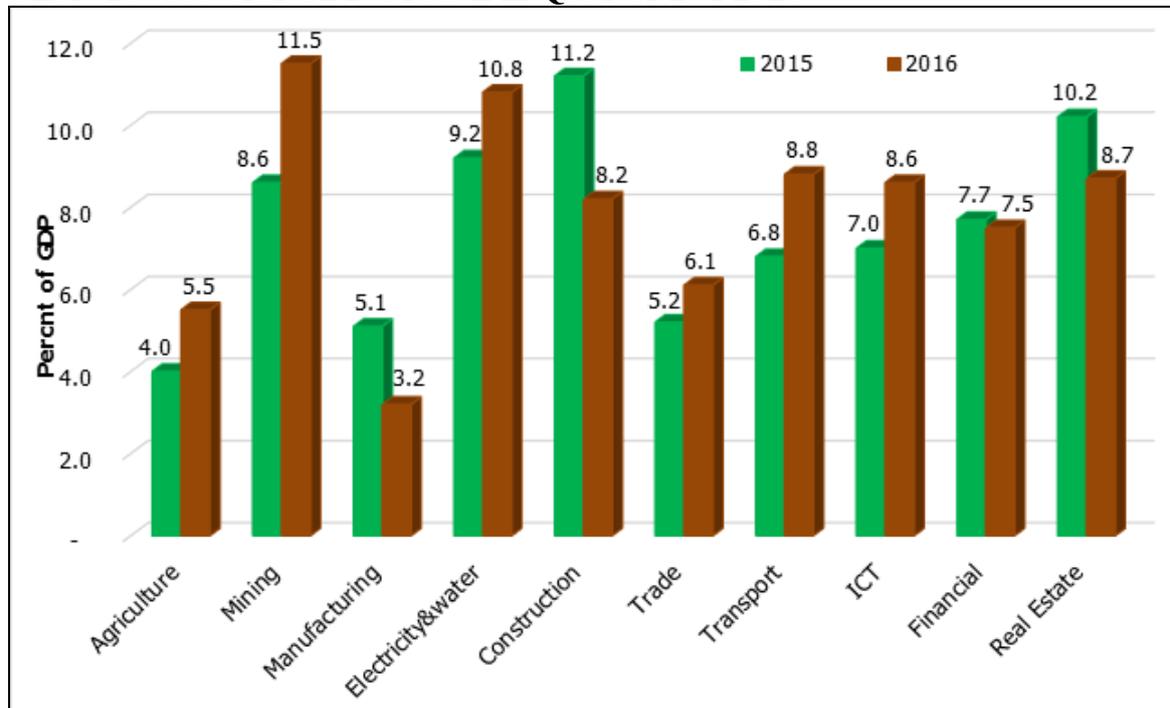
6. Agriculture, forestry and fishing sector recorded an improved growth of 5.5 per cent in the second quarter of 2016 compared to a growth of 4.0 per cent in the same period in 2015, boosted by improved crop and livestock production against a backdrop of good weather and abundant rainfall. In addition, total value of export earnings from horticulture, coffee and tea also increased during the review period.

7. The construction sector recorded a growth of 8.2 per cent in the second quarter of 2016, a slowdown from a growth of 11.2 per cent in the second quarter of 2015. The slower growth is on account of reduced activities in the construction of the Standard Gauge Railway (SGR) as its completion draws nearer and a slowdown in private sector development in the real estate sector and is mirrored in the decreased cement consumption and decline of credit to the sector by commercial banks.

8. Financial and insurance sector recorded a growth of 7.5 per cent in the second quarter of 2016 a slowdown from a growth of 7.7 per cent registered in a similar period of 2015. This slowdown in growth may partly be explained by the decline in domestic credit to the private sector due to the high cost of lending.

9. The manufacturing sector registered a slow growth of 3.2 per cent in the second quarter of 2016 compared to a growth of 5.1 per cent in a similar period in 2015. The growth in the sector was dampened by a decline in the production of soft drinks, manufacture of textiles and clothing and assembly of motor vehicles.

**Chart 1b: Sectoral GDP Growth in Quarter 2 of 2016**



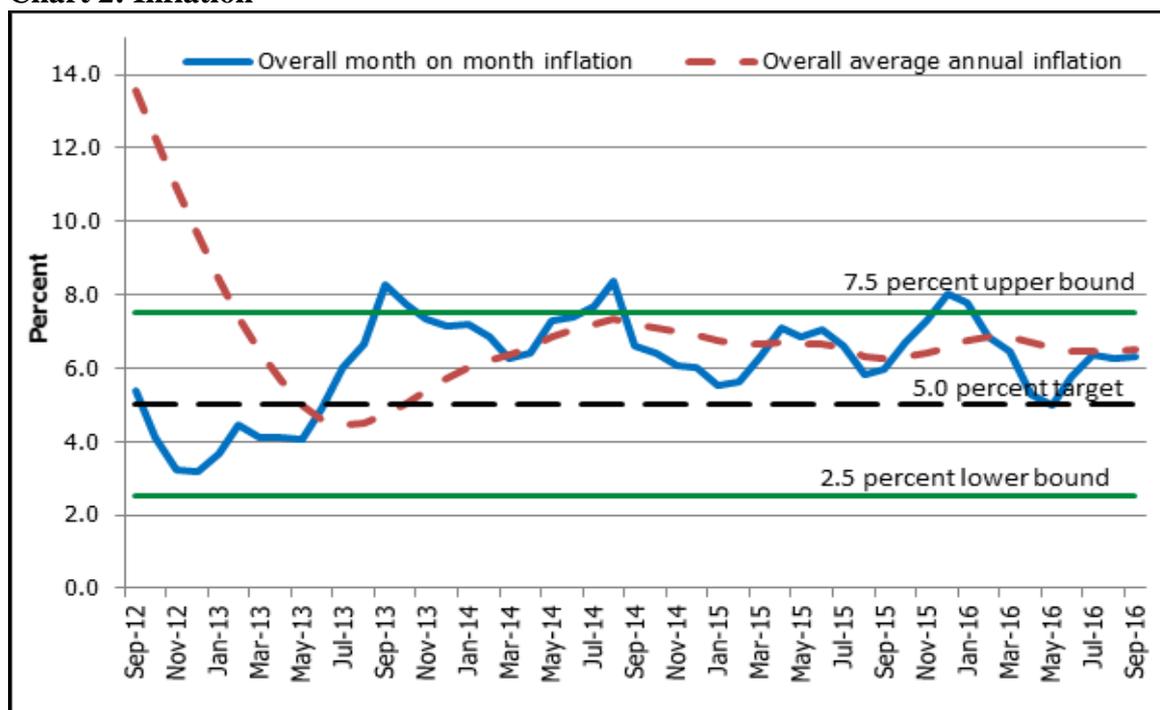
Source: KNBS

## RECENT ECONOMIC DEVELOPMENTS

### 1.2 Inflation

10. Overall month on month inflation decreased to 6.3 per cent (within target range) in September and August 2016 from 6.4 per cent in July 2016 (**Chart 2**). The decline in inflation in September and August 2016 was explained by the decline in the prices fuel, in particular petrol, cooking gas and electricity despite the notable increase in the prices of food items. On average, the annual inflation rate stood at 6.5 per cent in September 2016 compared to 6.3 per cent in September 2015.

**Chart 2: Inflation**



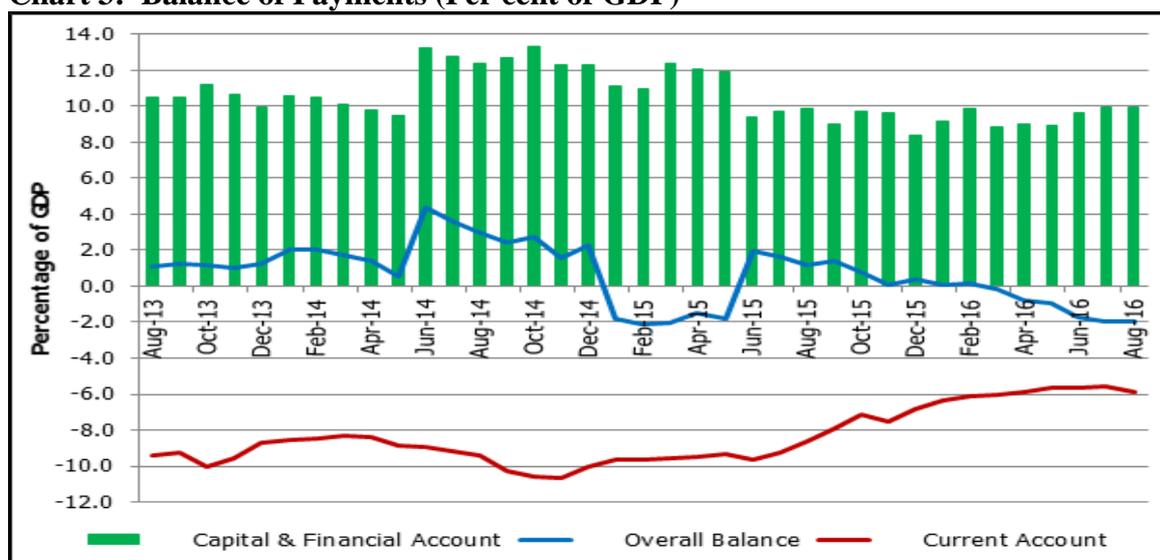
Source: KNBS

### 1.3 Balance of Payments

11. The overall balance of payments position recorded a deficit of US\$ 1,226 million in the year to August 2016 from a surplus of US\$ 716 million in the year to August 2015 (**chart 3**). The current account balance improved to a deficit of US\$ 3,747 million in the year to August 2016 from a deficit of US\$ 5,277 million in the year to August 2015 (**Table 1**). This is attributed to a 22.5 per cent improvement in the value of the merchandise account reflecting a decline in payments for merchandise imports. As a share to GDP, the current account deficit improved to 5.9 per cent in August 2016 from 7.9 per cent in August 2015.

## RECENT ECONOMIC DEVELOPMENTS

**Chart 3: Balance of Payments (Per cent of GDP)**



Source: CBK

**Table 1: Balance of Payments (US\$ Million)**

ITEM	Year to August 2016			
	Year to AUG 2015	Year to AUG 2016	Absolute Change	Percentage Change
<b>A. Current Account, n.i.e. (2+(g-h))</b>	-5,277.0	-3,746.8	1,530	-29.0%
a. Goods: exports f.o.b.	5,941.2	5,841.8	-99	-1.7%
b. Goods: imports f.o.b.	16,535.3	14,050.0	-2,485	-15.0%
<b>Merchandise account (a-b)</b>	-10,594.1	-8,208.2	2,386.0	-22.5%
c. Services: credit	4,725.3	4,055.8	-670	-14.2%
d. Services: debit	2,392.3	2,615.2	223	9.3%
<b>1. Balance on goods and services (a-b)+(c-d)</b>	-8,261.1	-6,767.5	1,494	-18.1%
e. Primary income: credit	310.2	345.6	35	11.4%
f. Primary income: debit	777.4	768.4	-9	-1.2%
<b>2. Balance on goods, services, and primary income (1+(e-f))</b>	-8,728.3	-7,190.3	1,538	-17.6%
g. Secondary income, n. i. e.: credit	3,516.4	3,496.8	-20	-0.6%
h. Secondary income: debit	65.1	53.3	-12	-18.0%
<b>B. Capital Account, n.i.e.</b>	241.9	266.5	25	10.1%
<b>C. Financial Account, n.i.e.</b>	-5,797.5	-6,021.0	-224	3.9%
Direct investment: net	-1,091.8	-1,090.7	1	-0.1%
Portfolio investment: net	-980.5	3.9	984	-100.4%
Financial derivatives: net	0.0	0.0	0	
Other investment: net	-3,725.2	-4,934.3	-1,209	32.5%
<b>D. Net Errors and Omissions</b>	-1,477.9	-1,314.9	163	-11.0%
<b>E. Overall Balance (A+B-C+D)</b>	715.5	-1,225.8	-1,941	-271.3%
<b>F. Reserves and Related Items</b>	-715.5	1,225.8	1,941	-271.3%
<b>Gross Reserves</b>	9,265.4	10,354.5	1,089	11.8%
Official	6,962.9	8,144.0		
Commercial Banks	2,302.5	2,210.5		
Imports cover (calendar year)	4.4	5.9		
Import cover (36 mths imports)	4.4	5.5		

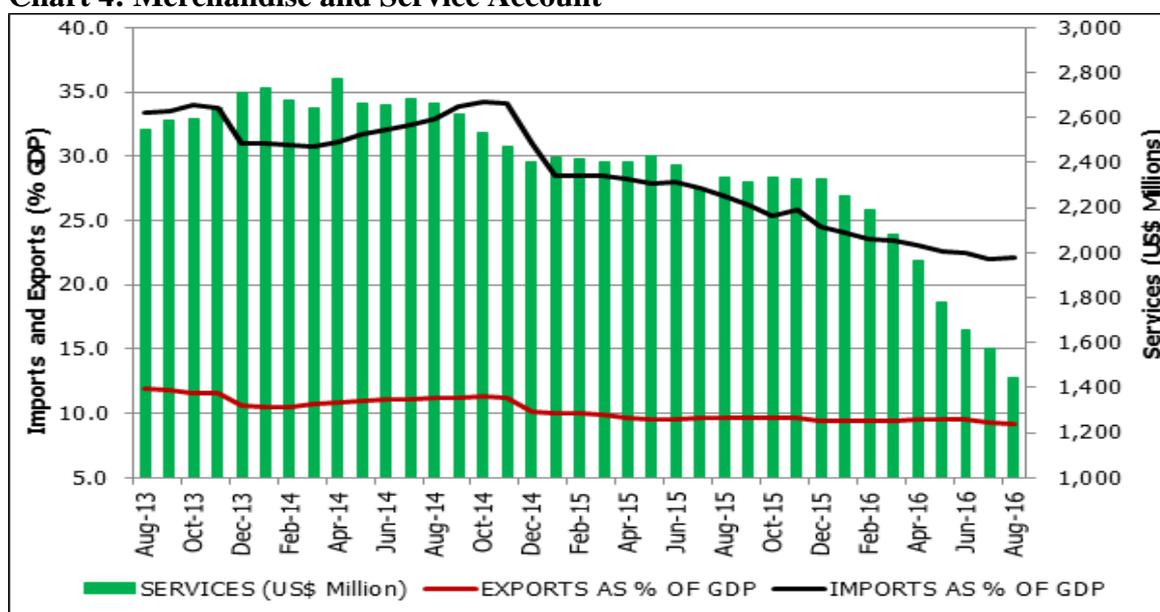
Source: CBK

## RECENT ECONOMIC DEVELOPMENTS

12. The merchandise account narrowed by US\$ 2,386 million to US\$ 8,208 million in the year to August 2016 reflecting a 14.2 per cent decline in the value of merchandise imports despite a 1.7 per cent decline in the value of merchandise exports (**Chart 4**). In particular, the value of imports decreased in August 2016 mainly due to lower oil import bill and a slowdown in consumer imports and importation of machinery and transport equipment. On the other hand, the decline in merchandise exports reflects decreased earnings mainly from coffee and oil products.

13. In the period August 2015 to August 2016, the inflows from the services declined by 14.2 per cent mainly due to lower receipts from transport services. On the upside, travel services improved in line with the recovery in tourist arrivals. Remittance inflows (secondary income) decreased by 0.6 per cent in August 2016.

**Chart 4: Merchandise and Service Account**



Source: CBK

14. Financial account flows increased to US\$ 6,021 million in August 2016 compared with US\$ 5,798 million in August 2015. Capital inflows were mainly in the form of direct investment and other investment which stood at US\$ 1,091 million and US\$ 4,934 million, respectively in August 2016. Other investment inflows mainly reflect foreign financing for Government infrastructure projects.

### 1.4 Foreign Exchange Reserves

15. The banking system's total foreign exchange holdings increased by 11.8 per cent to US\$ 10,354 million in August 2016 from US\$ 9,265 million in August 2015 (**Table 2 and Chart 5**). This was due to the increase of the Official reserves held by the Central Bank (constituting the bulk of the gross reserves) to US\$ 8,144 million (5.5 months of import cover) in August 2016 from US\$ 6,963 million (4.4 months of import cover) in August 2015. However, reserves held by commercial banks decreased to US\$ 2,211 million in 2016 from US\$ 2,303 million in 2015.

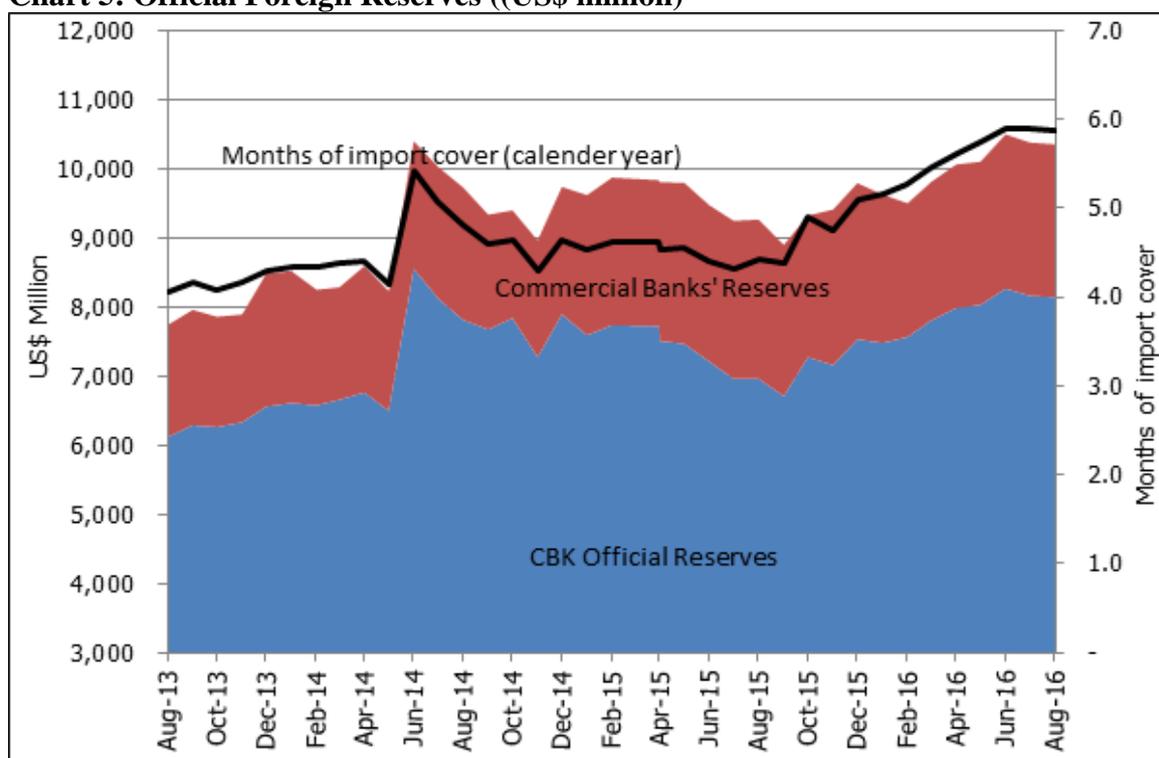
## RECENT ECONOMIC DEVELOPMENTS

**Table 2: Foreign Exchange Reserves (US\$ million)**

	Aug-15	Sep-15	Dec-15	Mar-16	Jun-16	Jul-16	Aug-16
Gross Foreign Exchange Reserves	9,265	8,899	9,794	9,809	10,499	10,381	10,354
Official	6,963	6,711	7,534	7,807	8,267	8,165	8,144
Commercial Banks	2,302	2,188	2,259	2,002	2,232	2,217	2,210
Import cover (36 mths imports)	4.37	4.21	4.77	5.03	5.45	5.45	5.49

Source: CBK

**Chart 5: Official Foreign Reserves ((US\$ million)**



Source: CBK

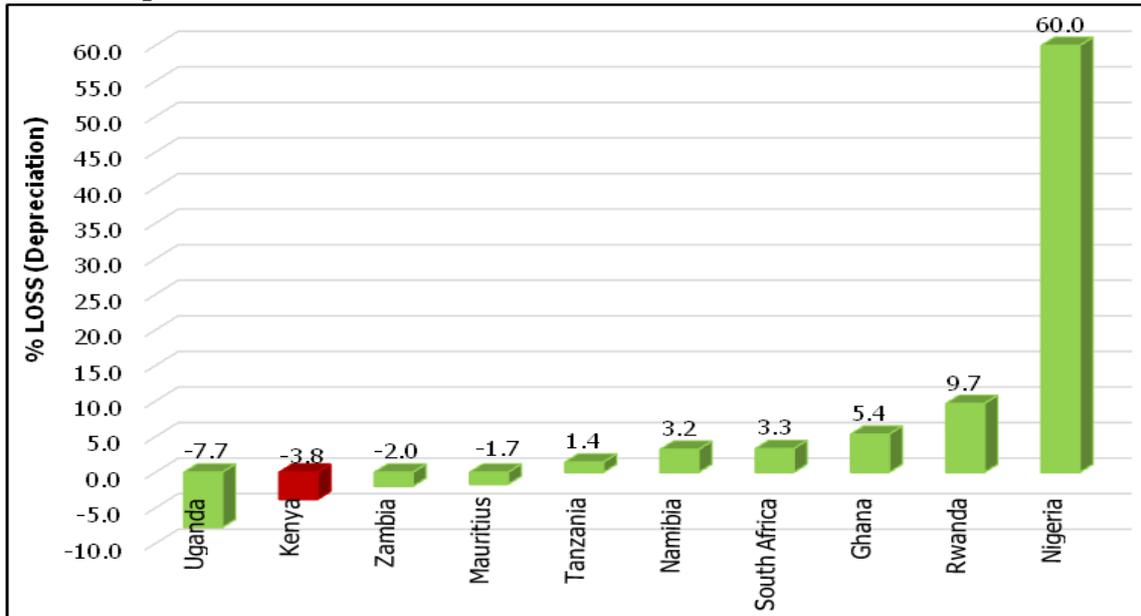
### 1.5 Exchange Rates

16. The Kenya Shilling exchange rate has continued to display relatively less volatility compared with the major regional currencies and strengthened by 3.8 per cent for the period September 2015 to September 2016 (**Chart 6a**). The stability of the Kenya shilling exchange rate reflects improved export earnings from tea and horticulture, a reduction in the imports of petroleum products due to lower oil prices, resilient Diaspora remittances and improved tourism performance.

17. In the region, large currency depreciations especially in Nigeria reflects challenging macroeconomic conditions as the countries adjust to lower commodity revenues.

## RECENT ECONOMIC DEVELOPMENTS

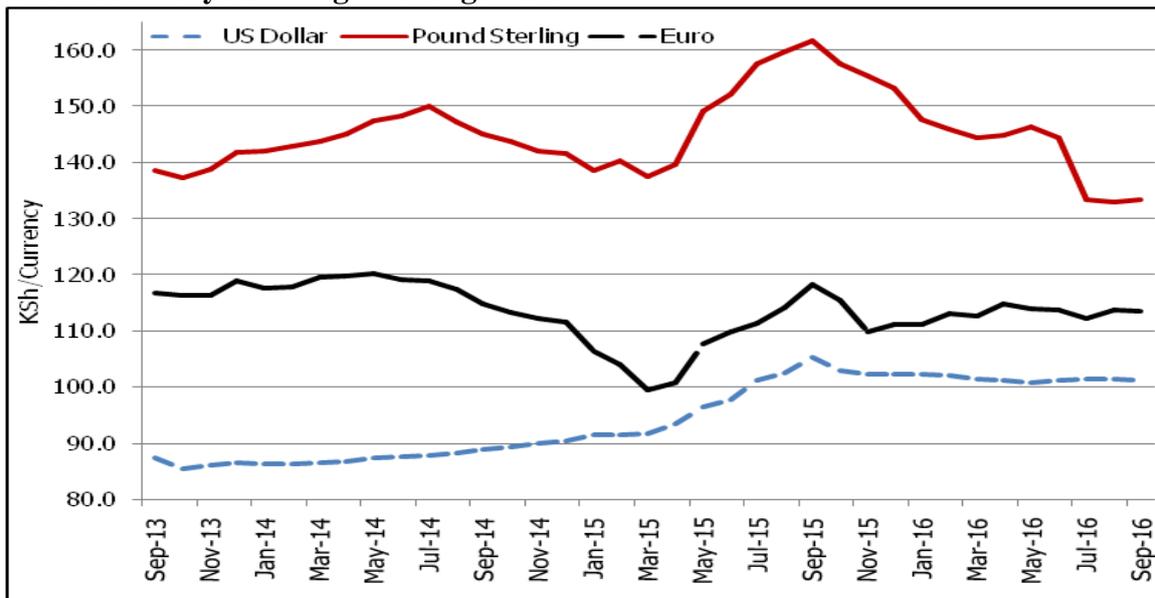
**Chart 6a: Performance of selected Currencies against the US Dollar (September 2015 to September 2016)**



*Source: Data from Various National Central Banks*

18. The Kenya Shilling exchange rate strengthened in September 2016 against major international currencies as world financial markets came under pressure after the result of Britain's vote to exit the European Union. The currency stabilized at Ksh 101.3 against the US dollar in September 2016 compared to Ksh 101.4 in August 2016 (**chart 6b**). Against the Euro, the exchange rate strengthened to Ksh 113.5 in September 2016 from Ksh 113.7 in August 2016. However, against the Sterling Pound, the shilling weakened to Ksh 133.2 in September 2016 from Ksh 132.9 in August 2016.

**Chart 6b: Kenya Shilling Exchange Rate**



**Source: CBK**

## RECENT ECONOMIC DEVELOPMENTS

### 1.6 Money and Credit

19. Growth of broad money supply, M3, slowed to 8.1 per cent in the year to September 2016 compared to a growth of 13.5 per cent in the year to September 2015 (Table 3). The slowdown in the growth in the year to September 2016 was largely on account of a decline in the uptake of domestic credit both by the Government and the private sector.

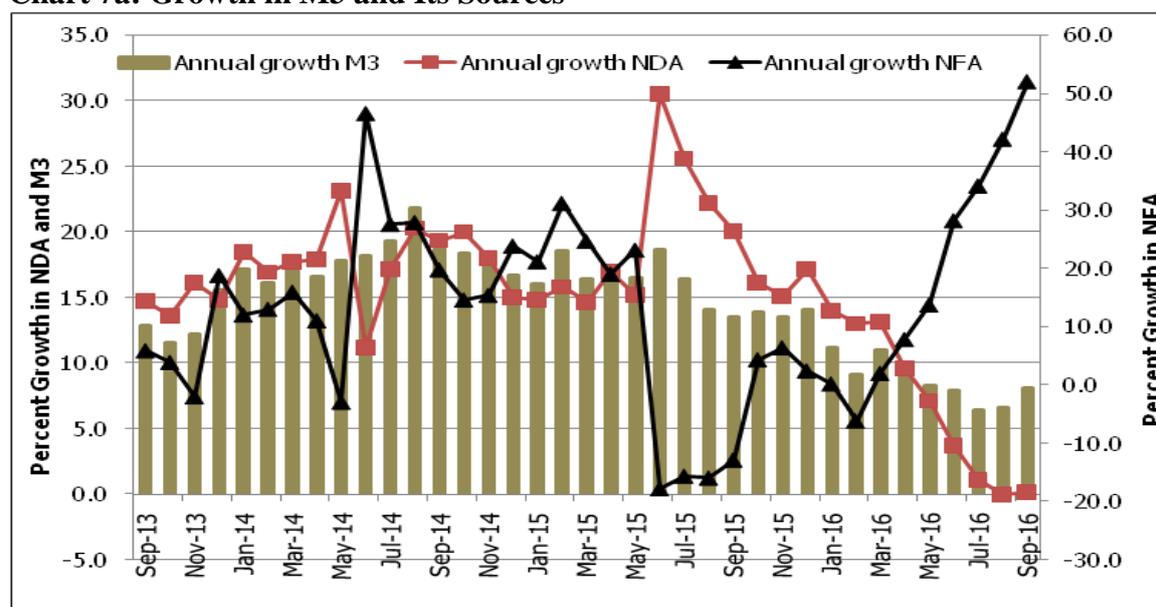
**Table 3: Money and Credit Developments, Ksh billion**

				Absolute Change		percent change	
	2014	2015	2016	2014-2015	2015-2016	12 months to	12 months to
	SEPT	SEPT	SEPT	SEPT	SEPT	Sep-15	Sep-16
<b>Money supply, M3 (1+2)</b>	<b>2,251.8</b>	<b>2,556.0</b>	<b>2,761.8</b>	<b>304.3</b>	<b>205.8</b>	<b>13.5</b>	<b>8.1</b>
<b>1. Net foreign assets (1.1+1.2)</b>	<b>446.5</b>	<b>389.3</b>	<b>591.9</b>	<b>-57.2</b>	<b>202.6</b>	<b>-12.8</b>	<b>52.0</b>
1.1 Central Bank	552.2	529.3	687.2	-23.0	157.9	-4.2	29.8
1.2 Banking Institutions	-105.7	-139.9	-95.3	-34.2	44.7	32.4	-31.9
<b>2. Net domestic assets (2.1+2.2)</b>	<b>1,805.3</b>	<b>2,166.7</b>	<b>2,169.9</b>	<b>361.5</b>	<b>3.2</b>	<b>20.0</b>	<b>0.1</b>
<b>2.1 Domestic credit (2.1.1+2.1.2+2.1.3)</b>	<b>2,259.4</b>	<b>2,785.3</b>	<b>2,851.8</b>	<b>526.0</b>	<b>66.4</b>	<b>23.3</b>	<b>2.4</b>
2.1.1 Government (net)	400.0	553.3	517.3	153.3	-36.0	38.3	-6.5
2.1.2 Other public sector	51.0	51.8	50.6	0.7	-1.2	1.4	-2.2
2.1.3 Private sector	1,808.3	2,180.3	2,283.9	372.0	103.6	20.6	4.8
<b>2.2 Other assets net</b>	<b>-454.1</b>	<b>-618.6</b>	<b>-681.8</b>	<b>-164.5</b>	<b>-63.2</b>	<b>36.2</b>	<b>10.2</b>

Source: CBK

20. NFA of the banking system grew by 52.0 per cent in the year to September 2016 from a contraction of 12.8 per cent over a similar period in 2015 following increased accumulation of foreign assets of the Central bank (Chart 7a). The foreign assets of the Central bank increased by an equivalent of Ksh 157.9 billion in the year to September 2016 while the foreign assets of the banking institutions increased by Ksh 44.7 billion during the same period.

**Chart 7a: Growth in M3 and Its Sources**



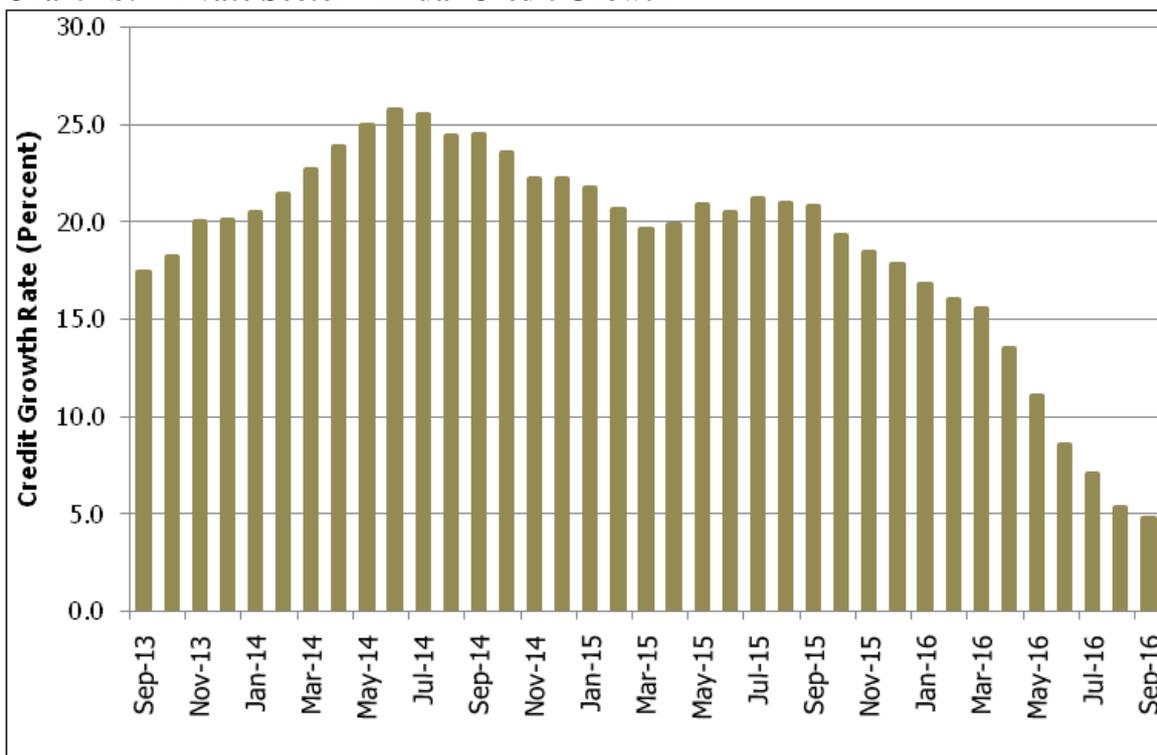
Source: CBK

## RECENT ECONOMIC DEVELOPMENTS

21. Meanwhile, the NDA of the banking system increased by 0.1 per cent in the year to September 2016 from the growth of 20.0 per cent over a similar period in 2015. The slowdown in 2016 is due to a decline in the growth of net domestic credit and the contraction in the other assets net of the banking system.

22. Domestic credit slowed to an annual growth of Ksh 66.4 billion (2.4 per cent) in the year to September 2016 compared with a growth of Ksh 526.0 billion (23.3 per cent) in September 2015. The slowdown was mainly attributed to a decline in lending to the Government of Ksh 36.0 billion, the private sector of Ksh 103.6 billion and the other public sectors by Ksh 1.2 billion. Bank credit to the private sector slowed to a growth of 4.8 per cent in the year to September 2016 from a 20.6 per cent growth in the same period in 2015 (**Chart 7b**).

**Chart 7b: Private Sector Annual Credit Growth**

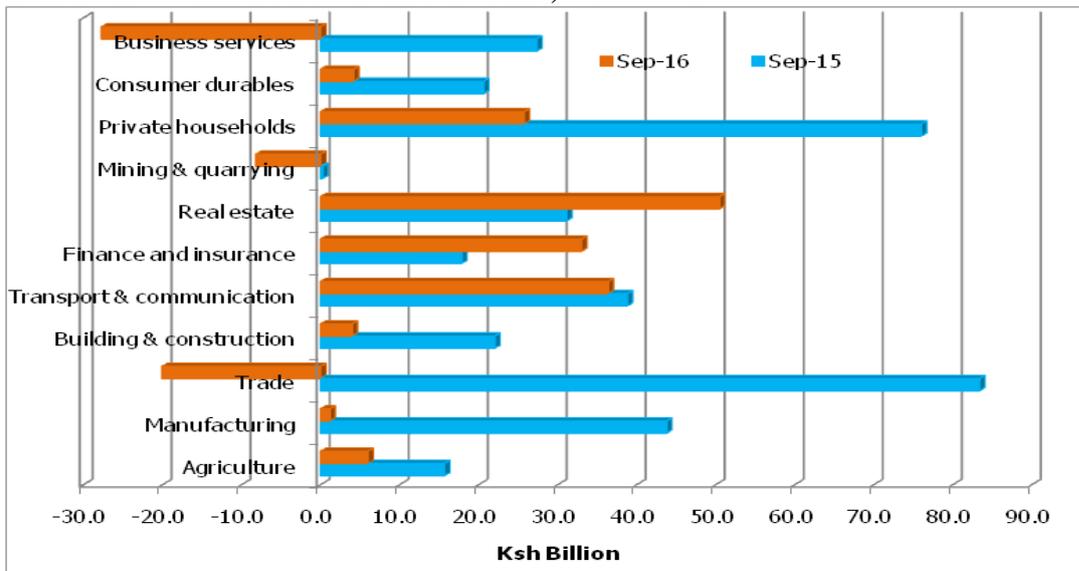


Source: CBK

23. As shown in **Chart 7c**, the 4.8 per cent annual growth of credit in September 2016 was supported by lending to the main sectors of the economy. However, all the sectors of the economy, except finance and insurance and real estate, experienced a slowdown in credit uptake compared to the same period in 2015 due to tight credit conditions. Annual credit uptake increased as follows during the period: finance and insurance (58.0 per cent); transport and communication (22.9 per cent); real estate (18.1 per cent); private households (7.1 per cent); agriculture ( 6.7 per cent); building and construction (4.0 per cent); consumer durables (3.2 per cent) and manufacturing (0.4 per cent). The sectors that experience a contraction in credit flows were; trade, mining and business services.

RECENT ECONOMIC DEVELOPMENTS

Chart 7c: Private Sector Credit Growth, Ksh Billion

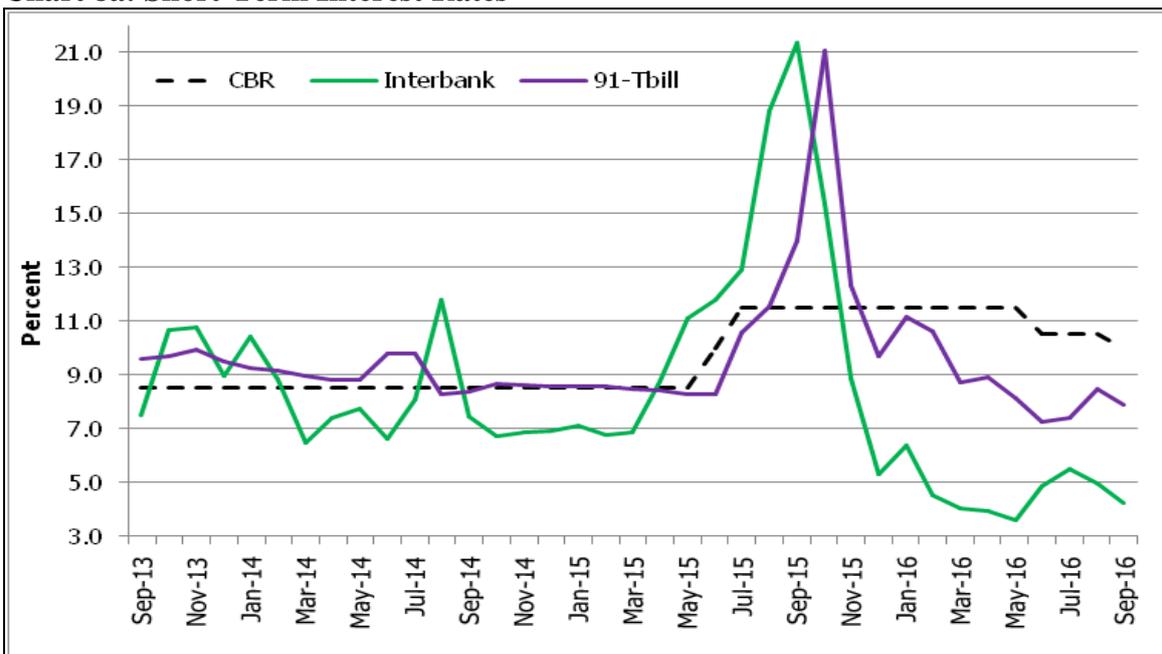


Source: CBK

1.7 Interest Rates

24. Short term interest rates remained low due to the improvement of liquidity conditions in the money market. The interbank rate declined to 4.9 per cent in September 2016 from 5.0 per cent in August 2016 (Chart 8a), while the 91-day Treasury bill rate declined to 8.1 per cent from 8.5 per cent over the same period. The 182 day Treasury bill also declined to 10.6 per cent in September 2016 from 11.0 per cent in August 2016 while the 364 day Treasury bill rate declined to 10.3 per cent from 11.7 per cent over the same period.

Chart 8a: Short-Term Interest Rates



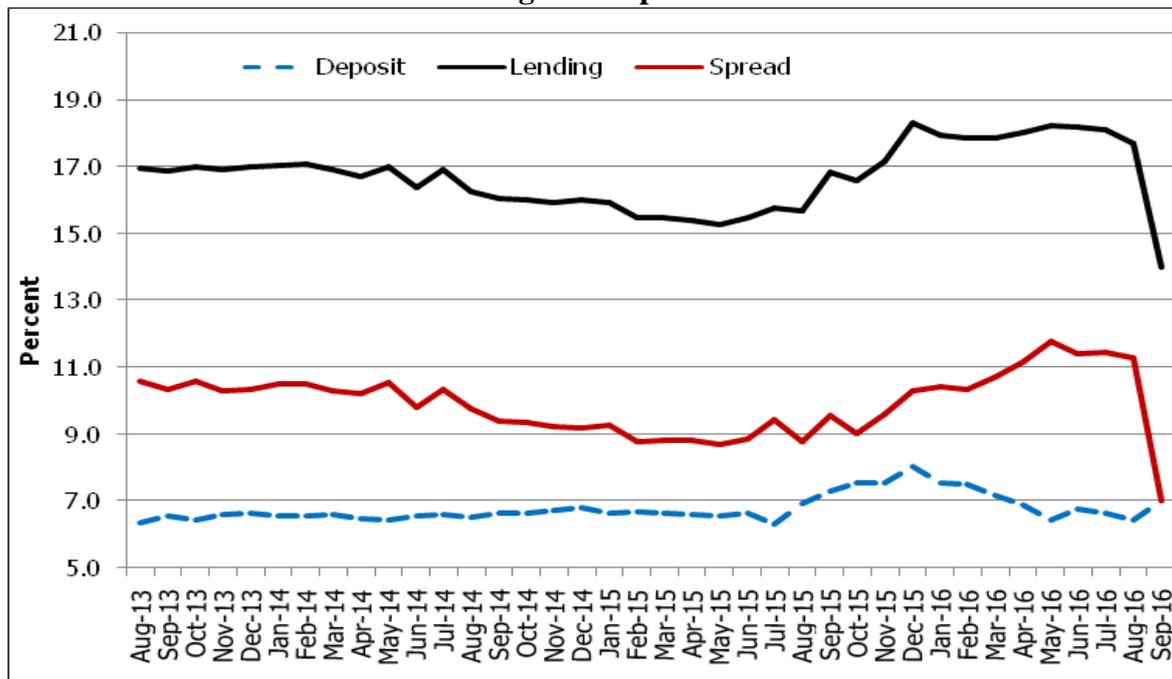
Source: CBK

## RECENT ECONOMIC DEVELOPMENTS

25. The average lending rates increased to 17.7 per cent in August 2016 from 15.7 per cent in August 2015 but declined to 14.0 per cent with effect from September 14, 2016 following the assent to the Banking (Amendment) Bill, 2015 on the capping of interest rates (**Chart 8b**). The deposit rate decreased to 6.4 per cent August 2016 from 6.9 per cent in August 2015, the deposit rate increased to 7.0 per cent by September 14, 2016 following assent to the Banking (Amendment) Bill, 2015 on the capping of interest rates. Consequently, interest rate narrowed from 11.3 per cent in August 2016 to 7.0 per cent by September 14, 2016.

26. The assented Bill provides for capping of interest rates that are applicable to banks' loans at 4.0 per cent above the base rate (currently at 10.0 per cent) and sets the minimum interest to be paid for a saving product at 70 per cent of the same base rate. Commercial banks have all complied with this new Act.

**Chart 8b: Commercial Banks Lending and Deposit Interest Rates**



Source: CBK

### 1.8 Capital Markets

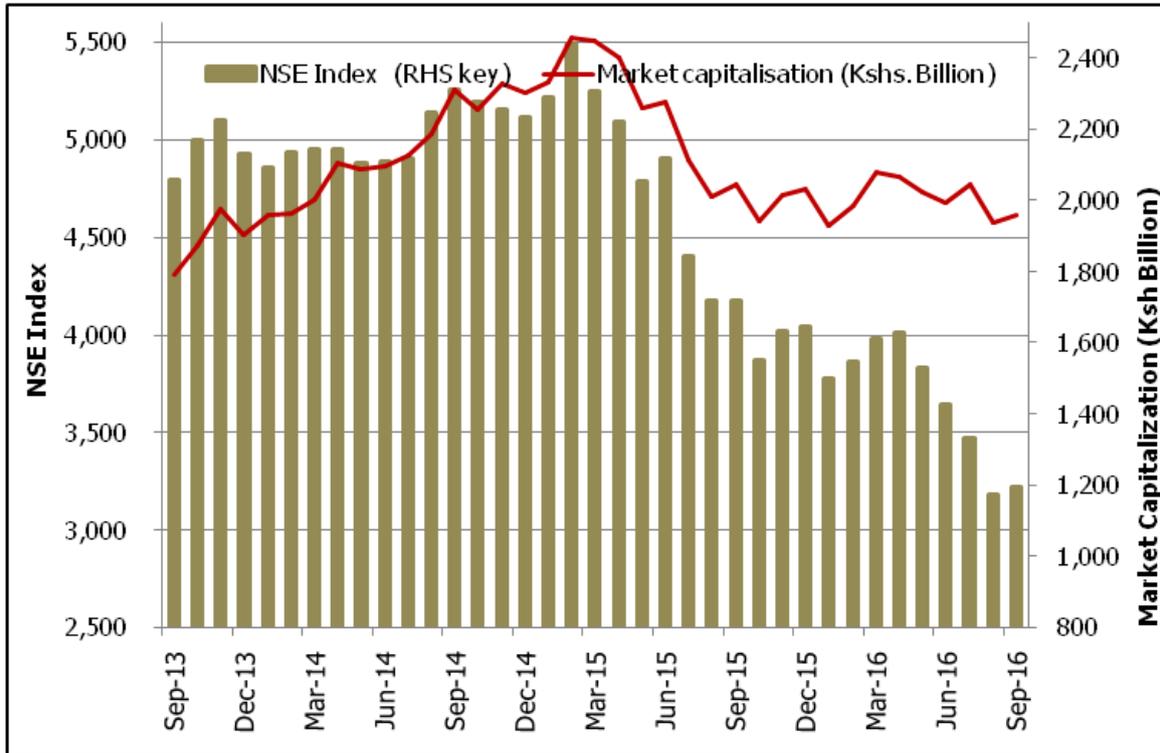
27. The capital market recorded mixed performance in both equities and bonds market segments in the year to September 2016. Activities at the stock market slowed down with the Nairobi Securities Exchange (NSE) 20 share index recording 3,243 points in September 2016 compared to 4,174 points in September 2015 (**Chart 9**). Market capitalization was at Ksh 1,959 billion in September 2016 compared to Ksh 2,046 billion in September 2015. The drop in market capitalization is as a result of an increase in share supply which depressed the overall share prices.

28. There has been a gradual recovery of the NSE reflecting restoration of market stability and improved confidence in the economy. The NSE index had been weighed down by the prolonged uncertainty in the global financial markets, and capital outflows from emerging and frontier market economies.

## RECENT ECONOMIC DEVELOPMENTS

29. The accent of the Banking Amendment Bill, 2015 on capping lending rates at no more than four per cent above the Central Bank Rate (CBR) into law, initially led to share prices of some banking institutions declining as investors sell off. This effect is temporary. The low interest rates will have a positive impact on credit flow to the private sectors creating more investment opportunities once implementation starts.

**Chart 9: Performance at the NSE**



Source: CBK

## FISCAL DEVELOPMENTS

### 2.0 FISCAL DEVELOPMENTS

#### 2.1 Revenue

30. By the end of September 2016, total cumulative revenue including A-I-A collected amounted to Ksh 313.6 billion against a target of Ksh 328.0 (*Table 5 and Chart 9*). This performance was below the target by KShs. 14.4 billion. Ordinary revenue collection was KShs. 294.5 billion against a target of KShs. 298.3 billion, which was KShs 3.8 billion below the target. The Railway Development Levy collection amounted to KShs. 4.4 billion against a target of KShs. 5.1 billion. Cumulative ministerial A-I-A recorded an under performance of KShs. 10.6 billion for the period under review. The A-I-A under performance reflects the problem of under reporting by the ministry's expenditure return for the period under review. However, compared to the last FY. The Revenue collection increased by 13.1 percentage.

**Table 5: Government Revenue and External Grants, Period Ending 30<sup>th</sup> September, 2016 (KShs. Million)**

	2015/2016 Actual	2016/17		Deviation KShs.	Deviation in percentage
		Actual	Target		
<b>Total Revenue (a+b)</b>	<b>277,223</b>	<b>313,645</b>	<b>328,012</b>	<b>(14,367)</b>	<b>(4.38)</b>
<b>(a) Ordinary Revenue</b>	<b>260,987</b>	<b>294,475</b>	<b>298,267</b>	<b>(3,791)</b>	<b>(1.27)</b>
Import Duty	19,422	19,969	22,634	<b>(2,665)</b>	(11.78)
Excise Duty	30,104	40,427	38,657	<b>1,770</b>	4.58
PAYE	63,017	68,038	72,517	<b>(4,479)</b>	(6.18)
Other Income Tax	63,737	72,817	66,166	<b>6,651</b>	10.05
VAT Local	35,388	47,106	41,938	<b>5,167</b>	12.32
VAT Imports	34,021	32,542	38,746	<b>(6,203)</b>	(16.01)
Investment Revenue	343	1,453	419	<b>1,034</b>	246.85
Traffic Revenue	1,000	645	1,130	<b>(484)</b>	(42.88)
Taxes on Intl. Trade & Trans.(IDF Fee)	6,793	5,875	7,644	<b>(1,769)</b>	(23.15)
Others <sup>1</sup>	7,162	5,603	8,417	<b>(2,813)</b>	(33.43)
<b>(b) Appropriation In Aid <sup>2</sup></b>	<b>16,237</b>	<b>19,169</b>	<b>29,745</b>	<b>(10,576)</b>	<b>(35.55)</b>
o/w Railway Development Levy	4,518	4,448	5,093	<b>(646)</b>	(12.67)
<b>(c) External Grants</b>	<b>3,401</b>	<b>1,478</b>	<b>16,570</b>	<b>(15,092)</b>	<b>(91.08)</b>
<b>Total Revenue and External Grants</b>	<b>280,624</b>	<b>315,123</b>	<b>344,582</b>	<b>(29,459)</b>	<b>(8.55)</b>
<b>Total Revenue and External Grants as a percentage of GDP</b>	<b>4.25</b>	<b>4.24</b>	<b>4.63</b>		-

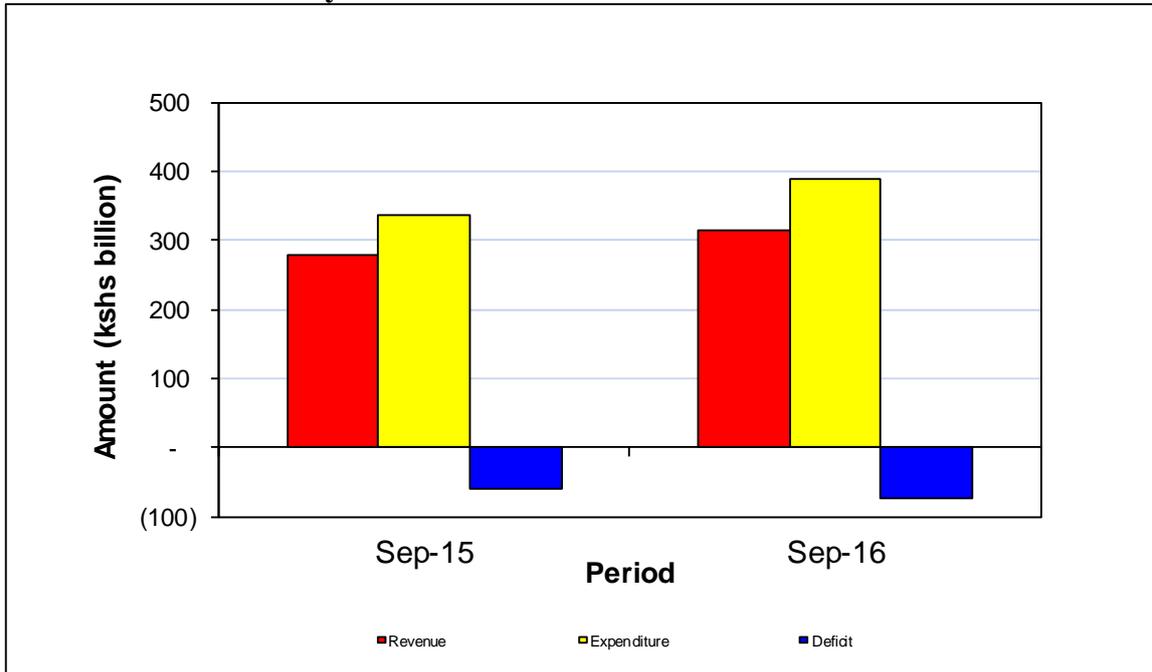
1/ includes rent of buildings, fines and forfeitures, other taxes, reimbursements and other fund contributions, and miscellaneous revenue.

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

**Source: National Treasury**

31. As a proportion of GDP, the total cumulative revenue and grants in the period under review amounted to 4.24 per cent compared to 4.25 per cent in the corresponding period of the FY 2015/16. External grants amounted to KShs. 1.5 billion against a target of KShs. 16.6 billion, representing an under performance of KShs. 15.1 billion.

**Chart 9: Total Ordinary Revenue**



Source: National Treasury

## 2.2 Expenditure

32. The total expenditure and net lending for the period under review amounted to KShs. 387.6 billion, against a target of KShs. 526.9 billion. The shortfall of KShs. 139.2 billion was attributed to lower absorption recorded in both recurrent and development expenditures by the National Government and County Governments. (**Table 6 and Chart 10**). Recurrent expenditure for National Government amounted to KShs. 230.2 billion (excl. KShs 7,486 billion for Parliament and Judiciary), against a target of KShs.287.9 billion, with underperformance recorded in wages and salaries, and Operation and Maintenance which accounted for KShs. 15.1 billion, and KShs. 38.8 billion, respectively.

33. Foreign interest payments amounted to KShs. 7.4 billion, compared to KShs. 5.6 billion in the same period of the 2015/16 FY. The domestic interest payments totalled KShs. 42.5 billion, which was higher than KShs. 37.4 billion paid in the corresponding period of the previous financial year.

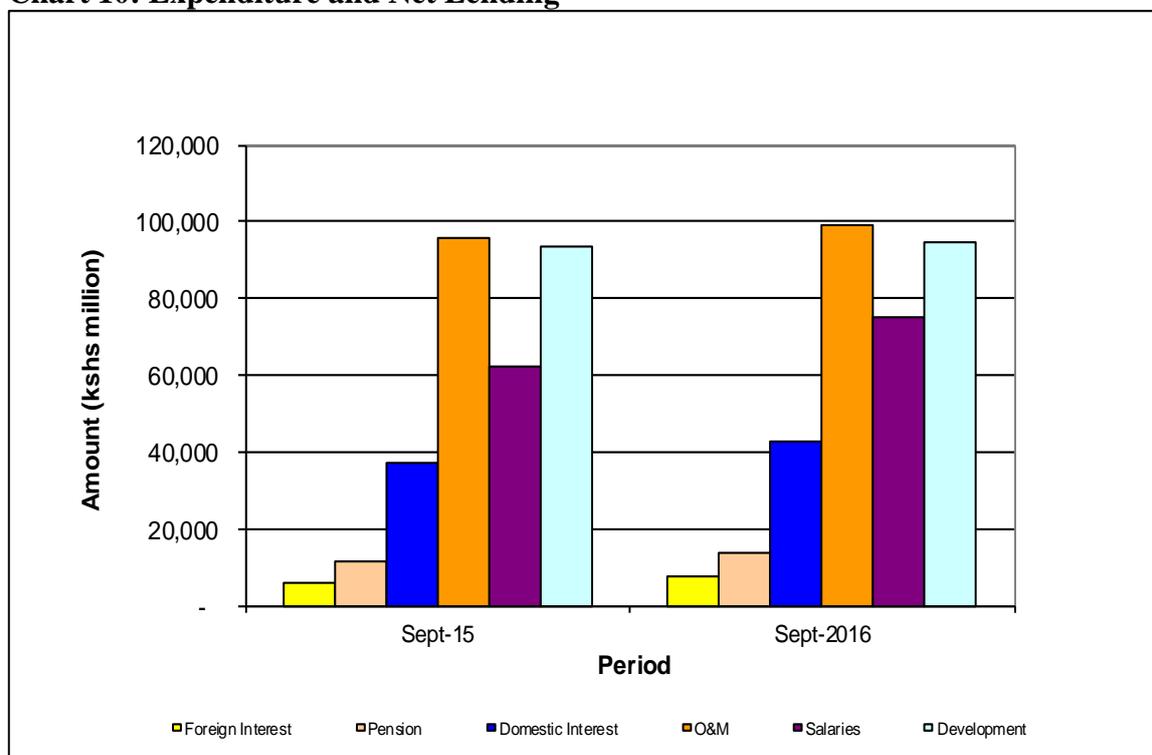
## FISCAL DEVELOPMENTS

**Table 6: Expenditure and Net Lending, Period Ending 30<sup>th</sup> September, 2016 (KShs. Million)**

	2015/2016 Actual	2016/17		Deviation	% Growth
		Actual	Targets		
<b>1. RECURRENT</b>	<b>208,966</b>	<b>230,227</b>	<b>287,900</b>	<b>(57,673)</b>	<b>10.2</b>
Domestic Interest	37,395	42,517	43,075	(558)	13.7
Foreign Interest	5,636	7,409	9,423	(2,014)	31.5
Pensions	11,494	13,828	15,030	(1,202)	20.3
Wages and Salaries	62,225	75,100	90,194	(15,094)	20.7
Operation and Maintenance	92,216	91,374	130,178	(38,804)	(0.9)
O/W : Appropriation-in-Aid	9,994	15,009	15,620	(610)	50.2
<b>2. DEVELOPMENT</b>	<b>93,706</b>	<b>94,553</b>	<b>153,741</b>	<b>(59,187)</b>	<b>0.9</b>
Development Projects (Net)	83,837	53,768	55,942	(2,174)	(35.9)
Payment of Guaranteed Loans	148	164	146	17	10.3
Appropriation-in-Aid	9,721	40,621	97,652	(57,031)	317.9
3. County Governments	31,388	55,347	73,858	(18,512)	76.3
4. Parliamentary Service	838	4,994	6,833	(1,838)	-
5. Judicial Service	2,477	2,492	3,327	(836)	-
6. Equalization Fund	-	-	1,500	(1,500)	-
7. CF	-	-	1,250	(1,250)	-
<b>TOTAL EXPENDITURE</b>	<b>337,375</b>	<b>387,612</b>	<b>526,908</b>	<b>(139,296)</b>	<b>14.9</b>

Source: National Treasury

**Chart 10: Expenditure and Net Lending**



Source: National Treasury

## FISCAL DEVELOPMENTS

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34. The total cumulative ministerial and other public agencies expenditure was KShs. 251.4 billion against a target of KShs. 405.0 billion. Recurrent expenditure was KShs. 159.7 billion against a target of KShs. 196.9 billion, while development expenditure was KShs. 91.6 billion against a target of KShs. 208.1 billion. The percentage of total expenditures to the target was 62.1 per cent (63.5 per cent recurrent and 36.5 per cent development) as at the end of the period under review. As indicated earlier, the discrepancy between actual and target expenditures partly reflect the non-capture of the district expenditures and hence under reporting by ministries. These ministerial expenditures are therefore, provisional.

35. As at the end of the period ending 30<sup>th</sup> September, 2016, expenditures by the Ministry of Education, Science and Technology; Teachers Service Commission and Ministry of Health (Social Sector) accounted for 43.1 per cent of total recurrent expenditure. While the State Department for Interior, and Ministry of Defence accounted for 9.3 per cent and 12.2 per cent respectively.

36. Analysis of development outlay indicates that the State Department for Transport (35.4 per cent) accounted for the largest share of the total development expenditures, followed by the the State Department for Planning and Statistics (14.9 per cent, mainly on CDF), the State Department for Energy (11.6) and the State Department infrastructure (10.3 per cent). The development expenditures in large ministries were below the target because of non-inclusion of expenditures from the districts and some donor funded projects. **Table 7** gives details of various Ministerial/Departmental and Commissions expenditures for the period under review.

## FISCAL DEVELOPMENTS

**Table 7: Ministerial Expenditures, Period Ending 30<sup>th</sup> September, 2016 (KShs. Million)**

MINISTRY/DEPARTMENT/COMMISSIONS	Sep-16		Variance	Sep-16		Variance	Sep-16		Variance	% total expenditure to total target
	Recurrent			Development			Total			
	Actual*	Target	Actual*	Target	Actual*	Target				
1011 The Presidency	1,229	1,910	(681)	36	120	(85)	1,265	2,031	(766)	62.3
1021 State Department for Interior	14,850	18,169	(3,319)	163	6,214	(6,051)	15,013	24,383	(9,370)	61.6
1023 State Department for Correctional Services	3,569	4,748	(1,179)	-	263	(263)	3,569	5,011	(1,441)	71.2
1032 State Department for Devolution	107	158	(51)	3	606	(603)	110	764	(653)	14.5
1033 State Department for Special Programmes	263	390	(128)	653	1,965	(1,312)	916	2,355	(1,439)	38.9
1034 State Department for Planning and Statistics	935	1,205	(269)	13,697	14,815	(1,117)	14,632	16,019	(1,387)	91.3
1041 Ministry of Defence	19,491	24,655	(5,164)	-	11	(11)	19,491	24,667	(5,175)	79.0
1052 Ministry of Foreign Affairs	7,440	4,029	3,411	-	750	(750)	7,440	4,779	2,661	155.7
1063 State Department for Basic Education	12,796	8,532	4,264	73	2,099	(2,026)	12,869	10,630	2,239	121.1
1064 State Department for Housing & Urban Development	533	574	(41)	260	1,050	(791)	793	1,625	(832)	48.8
1065 State Department for University Education	10,041	15,149	(5,108)	873	1,622	(750)	10,914	16,772	(5,858)	65.1
1071 The National Treasury	7,154	9,044	(1,890)	135	11,495	(11,360)	7,289	20,539	(13,250)	35.5
1081 Ministry of Health	4,601	7,232	(2,631)	1,977	3,910	(1,933)	6,578	11,142	(4,564)	59.0
1091 State Department for Infrastructure	2,362	7,244	(4,882)	9,414	36,928	(27,514)	11,776	44,172	(32,396)	26.7
1092 State Department for Transport	236	1,441	(1,205)	32,448	43,952	(11,503)	32,685	45,393	(12,708)	72.0
1093 State Department for Marine time Affairs	14	55	(40)	-	-	-	14	55	(40)	26.4
1094 State Department for Housing & Urban Development	129	205	(76)	3,034	4,822	(1,788)	3,163	5,027	(1,864)	62.9
1095 State Department for Public Works	111	104	6	-	512	(512)	111	616	(505)	18.0
1103 State Department for Water Services	181	855	(674)	165	9,902	(9,736)	346	10,757	(10,411)	3.2
1104 State Department for Irrigation	83	228	(145)	1,946	4,527	(2,580)	2,029	4,755	(2,726)	42.7
1105 State Department of Environment	420	744	(324)	113	1,062	(948)	533	1,806	(1,273)	29.5
1106 State Department for Natural Resources	1,122	2,826	(1,704)	55	898	(843)	1,176	3,724	(2,547)	31.6
1112 Ministry of Lands and Physical Planning	476	541	(65)	45	960	(916)	520	1,501	(981)	34.7
1122 State Department for Information Communication and Technology &	145	212	(67)	7,186	8,930	(1,745)	7,330	9,142	(1,812)	80.2
1123 State Department for Broadcasting & Telecommunications	296	475	(179)	292	165	128	588	639	(51)	92.0
1132 State Department for Sports Development	773	679	94	-	-	-	773	679	94	113.8
1133 State Department For Arts And Culture	532	649	(117)	-	247	(247)	532	895	(364)	59.4
1152 State Department of Energy	395	520	(124)	10,606	28,796	(18,190)	11,001	29,315	(18,314)	37.5
1153 State Department of Petroleum	5	21	(16)	40	1,052	(1,012)	44	1,073	(1,028)	4.1
1161 State Department for Agriculture	1,611	2,133	(522)	1,155	3,234	(2,079)	2,766	5,366	(2,601)	51.5
1162 State Department for Livestock	238	465	(227)	37	2,936	(2,898)	276	3,401	(3,125)	8.1
1164 State Department for Fisheries and The Blue Economy	329	408	(80)	479	869	(389)	808	1,277	(469)	63.3
1172 State Department for Investment and Industry	483	331	152	1,045	841	204	1,528	1,172	356	130.3
1173 State Department for Cooperatives	1	389	(388)	-	133	(133)	1	522	(521)	0.1
1174 State Department for Trade	361	649	(288)	25	61	(37)	386	710	(324)	54.3
1183 State Department for East African Integration	316	366	(49)	-	8	(8)	316	374	(58)	84.6
1184 State Department for Labour	22	311	(289)	-	119	(119)	22	430	(408)	5.1
1185 State Department for Social Protection	524	1,945	(1,421)	2,711	3,574	(863)	3,236	5,520	(2,284)	58.6
1191 Ministry of Mining	53	161	(108)	119	973	(854)	172	1,134	(961)	15.2
1201 Ministry of Tourism	297	588	(291)	875	1,211	(335)	1,173	1,798	(626)	65.2
1211 State Department of Public Service and Youth Affairs	1,659	4,406	(2,747)	1,192	3,162	(1,970)	2,851	7,568	(4,717)	37.7
1212 State Department for Gender	113	258	(144)	81	874	(793)	194	1,132	(938)	17.1
1252 State Law Office and Department of Justice	636	980	(344)	-	95	(95)	636	1,075	(439)	59.2
1261 The Judiciary	2,426	3,215	(789)	523	1,112	(589)	2,949	4,327	(1,378)	68.2
1271 Ethics and Anti-Corruption Commission	713	673	41	-	25	(25)	713	698	16	102.2
1281 National Intelligence Service	6,135	6,337	(202)	-	-	-	6,135	6,337	(202)	96.8
1291 Directorate of Public Prosecutions	320	253	66	-	12	(12)	320	265	54	120.4
1311 Registrar of Political Parties	123	193	(69)	-	-	-	123	193	(69)	64.0
1321 Witness Protection Agency	73	92	(19)	-	-	-	73	92	(19)	79.7
2011 Kenya National Commission on Human Rights	83	114	(31)	-	-	-	83	114	(31)	72.5
2021 National Land Commission	229	318	(89)	-	-	-	229	318	(89)	72.0
2031 Independent Electoral and Boundaries Commission	639	2,135	(1,496)	-	96	(96)	639	2,231	(1,592)	28.7
2041 Parliamentary Service Commission	1,887	2,612	(725)	180	1,038	(858)	2,067	3,650	(1,583)	56.6
2042 National Assembly	3,106	4,237	(1,131)	-	-	-	3,106	4,237	(1,131)	73.3
2051 Judicial Service Commission	65	113	(47)	-	-	-	65	113	(47)	58.0
2061 Commission on Revenue Allocation	57	84	(27)	-	-	-	57	84	(27)	67.7
2071 Public Service Commission	314	314	0	-	10	(10)	314	323	(9)	97.1
2081 Salaries and Remuneration Commission	87	117	(31)	-	-	-	87	117	(31)	74.0
2091 Teachers Service Commission	45,453	48,498	(3,045)	-	25	(25)	45,453	48,523	(3,070)	93.7
2101 National Police Service Commission	99	71	29	-	-	-	99	71	29	140.8
2111 Auditor General	737	1,085	(348)	7	56	(49)	744	1,141	(397)	65.2
2121 Controller of Budget	88	131	(44)	-	-	-	88	131	(44)	66.6
2131 The Commission on Administrative Justice	87	67	20	-	-	-	87	67	20	129.9
2141 National Gender and Equality Commission	49	102	(53)	-	-	-	49	102	(53)	48.3
2151 Independent Policing Oversight Authority	41	120	(79)	-	-	-	41	120	(79)	34.5
Total	159,743	196,864	(37,121)	91,644	208,133	(116,489)	251,387	404,997	(153,610)	62.1

\*Provisional

Source: National Treasury

### 2.2.1 Guaranteed Loans to Parastatals

37. Cumulative principal and interest payments of guaranteed loans to parastatals with liquidity problems amounted to KShs 163.5 million (principal and interest payments of Ksh 148.53 million and Ksh 14.97 million, respectively) against a payment target of KShs 156.10 million (Table 8) for period ending 30<sup>th</sup> September, 2016. This was only for KBC. TARDA payments are schedule from the second quarter.

## FISCAL DEVELOPMENTS

**Table 8: Schedule and actual payments on Guaranteed Debt for the period ending 30<sup>th</sup> September, 2016 (Kshs. Mn)**

Borrower	Quarter I				Cumm. Sept. 2016*	
	Projected		Actual		Projected	Actual
	Principal	Interest	Principal	Interest		
TARDA	-	-	-	-	-	-
KBC	145.14	10.96	148.53	14.97	156.10	163.50
<b>TOTAL (QTR)</b>	<b>145.14</b>	<b>10.96</b>	<b>148.53</b>	<b>14.97</b>	<b>156.10</b>	<b>163.50</b>

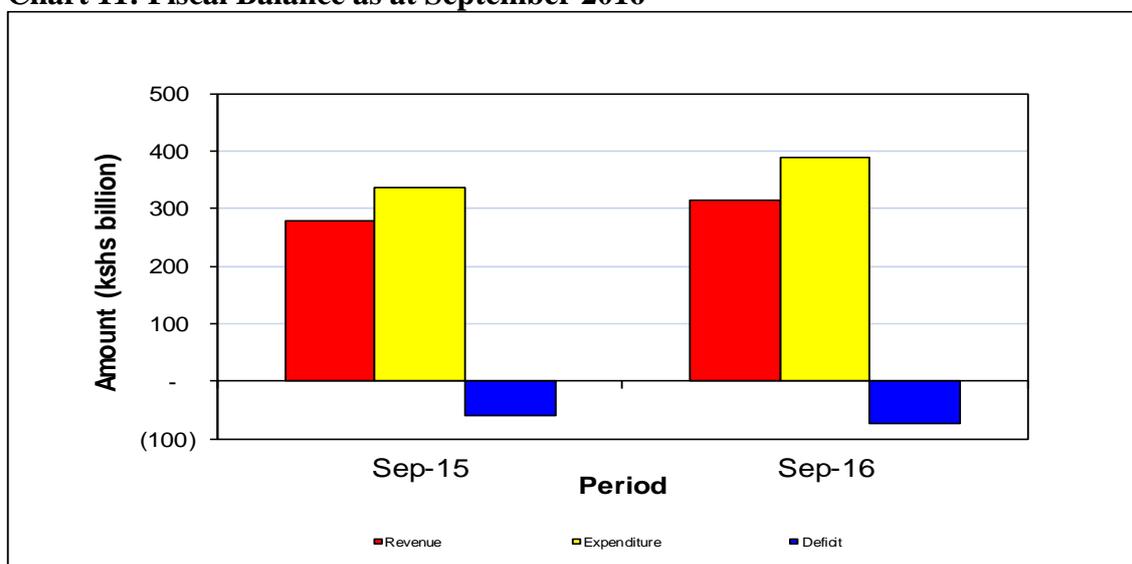
\* Provisional

Source: National Treasury

### 2.3 Fiscal Outturn

38. Between July 1, 2016 and September 30, 2016, cumulative overall fiscal balance (on a commitment basis and excluding grants), amounted to KShs. 74.0 billion (equivalent to 0.99 per cent of GDP) against a targeted deficit of KShs. 198.9 billion (equivalent to 2.3 per cent of GDP) (*Chart 11 and Table 9*). Over the same period in 2015, the fiscal deficit stood at KShs. 60.2 billion (equivalent to 0.91 per cent of GDP). Including grants, the fiscal balance (on a commitment basis) deficit stood at 0.97 per cent of GDP against a targeted deficit of 2.45 per cent of GDP. The Fiscal Outturns for the past years is provided as **Annex I**.

**Chart 11: Fiscal Balance as at September 2016**



Source: National Treasury

## FISCAL DEVELOPMENTS

**Table 9: Budget Outturn, Cumulative Ending 30<sup>th</sup> September, 2016 (KShs. Million)**

	2015/2016 Actual	2016/2017		Deviation	% growth	2016/2017 as a % of GDP		2015/2016 Actual as a % of GDP
		Actual*	Targets			Actual	Targets	
<b>A. TOTAL REVENUE AND GRANTS</b>	<b>280,624</b>	<b>315,123</b>	<b>344,582</b>	<b>(29,459)</b>	<b>12.29</b>	<b>4.24</b>	<b>4.63</b>	<b>4.25</b>
<b>1. Revenue</b>	<b>277,223</b>	<b>313,645</b>	<b>328,012</b>	<b>(14,367)</b>	<b>13.14</b>	<b>4.22</b>	<b>4.41</b>	<b>4.20</b>
Ordinary Revenue	260,987	294,475	298,267	(3,791)	12.83	3.96	4.01	3.95
Import Duty	19,422	19,969	22,634	(2,665)	2.81	0.27	0.30	0.29
Excise Duty	30,104	40,427	38,657	1,770	34.29	0.54	0.52	0.46
Income tax	126,754	140,855	138,682	2,173	11.12	1.89	1.87	1.92
VAT	69,409	79,648	80,684	(1,036)	14.75	1.07	1.09	1.05
Investment Revenue	343	1,453	419	1,034	-	0.02	0.01	0.01
Others	14,955	12,123	17,190	(5,067)	(18.93)	0.16	0.23	0.23
Appropriation-in-Aid	16,237	19,169	29,745	(10,576)	18.06	0.26	0.40	0.25
<b>2. Grants</b>	<b>3,401</b>	<b>1,478</b>	<b>16,570</b>	<b>(15,092)</b>	<b>(56.55)</b>	<b>0.02</b>	<b>0.22</b>	<b>0.05</b>
AMISOM Receipts	1,504	199	0	199	-	0.00	-	0.02
Revenue	252	687	4,197	(3,509)	172.64	0.01	0.06	0.00
Appropriation-in-Aid	1,146	592	12,142	(11,551)	(48.36)	0.01	0.16	0.02
Italian Debt Swap	499	-	125	0	-	0.00	-	0.00
County Health Facilities - DANIDA	0	0	106	0	-	0.00	-	0.00
<b>B. EXPENDITURE and NET LENDING</b>	<b>337,375</b>	<b>387,612</b>	<b>526,908</b>	<b>(139,296)</b>	<b>14.89</b>	<b>5.21</b>	<b>7.09</b>	<b>5.11</b>
<b>1. Recurrent</b>	<b>212,281</b>	<b>237,713</b>	<b>298,060</b>	<b>(60,347)</b>	<b>11.98</b>	<b>3.20</b>	<b>4.01</b>	<b>3.21</b>
Domestic Interest	37,395	42,517	43,075	(558)	13.70	0.57	0.58	0.57
Foreign Interest	5,636	7,409	9,423	(2,014)	31.45	0.10	0.13	0.09
Pension	11,494	13,828	15,030	(1,202)	20.30	0.19	0.20	0.17
Wages and Salaries	62,225	75,100	90,194	(15,094)	20.69	1.01	1.21	0.94
O & M/Others	95,531	98,860	140,338	(41,477)	3.48	1.33	1.89	1.45
<b>2. Development and Net Lending</b>	<b>93,706</b>	<b>94,553</b>	<b>152,241</b>	<b>(57,687)</b>	<b>0.90</b>	<b>1.27</b>	<b>2.05</b>	<b>1.42</b>
3. Equalization Fund	0	0	1,500	(1,500)	-	0.00	0.02	0.00
4. County Governments	31,388	55,347	73,858	(18,512)	76.33	0.74	0.99	0.48
<b>5. CF</b>	<b>0</b>	<b>0</b>	<b>1,250</b>	<b>(1,250)</b>	<b>-</b>	<b>0.00</b>	<b>0.02</b>	<b>0.00</b>
<b>C. DEFICIT EXCL.GRANT (Commitment basis)</b>	<b>(60,151)</b>	<b>(73,968)</b>	<b>(198,897)</b>	<b>124,929</b>	<b>22.97</b>	<b>(0.99)</b>	<b>(2.68)</b>	<b>(0.91)</b>
<b>D. DEFICIT INCL.GRANTS (Commitment basis)</b>	<b>(56,750)</b>	<b>(72,490)</b>	<b>(182,327)</b>	<b>109,837</b>	<b>27.73</b>	<b>(0.97)</b>	<b>(2.45)</b>	<b>(0.86)</b>
<b>E. ADJUSTMENT TO CASH BASIS</b>	<b>66,097</b>	<b>(16,346)</b>	<b>-</b>	<b>(16,346)</b>	<b>(124.73)</b>	<b>(0.22)</b>	<b>-</b>	<b>1.00</b>
<b>F. DEFICIT INCL.GRANTS (Cash basis)</b>	<b>9,347</b>	<b>(88,836)</b>	<b>(182,327)</b>	<b>93,491</b>	<b>(1,050.46)</b>	<b>(1.19)</b>	<b>(2.45)</b>	<b>0.14</b>
<b>G. FINANCING</b>	<b>-9,347</b>	<b>88,836</b>	<b>182,327</b>	<b>(93,491)</b>	<b>(1,050.47)</b>	<b>1.19</b>	<b>2.45</b>	<b>(0.14)</b>
<b>1. Foreign financing</b>	<b>4,775</b>	<b>39,165</b>	<b>85,187</b>	<b>(46,022)</b>	<b>720.16</b>	<b>0.53</b>	<b>1.15</b>	<b>0.07</b>
Disbursements	13,418	47,231	96,976	(49,745)	252.00	0.64	1.30	0.20
Programme Loans	0	0	989	(989)	-	0.00	0.01	0.00
Project Cash Loans	5,322	1,247	14,488	(13,241)	(76.57)	0.02	0.19	0.08
Project Loans AIA	8,095	8,188	35,917	(27,729)	1.14	0.11	0.48	0.12
Project Loans SGR _ AIA	0	27,682	35,468	(7,786)	-	0.00	0.48	0.00
Commercial Financing	0	10,114	10,114	-	-	0.00	0.14	0.00
O/W syndicated loan	0	0	0	-	-	0.00	-	0.00
Export Credit- Commercial Financing	0	0	0	-	-	0.00	-	0.00
Debt repayment - Principal	(8,642)	(8,065)	(11,789)	3,724	(6.68)	(0.11)	(0.16)	(0.13)
2. Other Domestic Financing	298	240	493	(253)	-	0.00	0.01	0.00
3. Kenya Airways	0	0	0	-	-	0.00	-	0.00
3. Euro Bond Balance	-	0	0	-	-	0.00	-	0.00
4. NET DOMESTIC FINANCING	-14,420	49,431	96,647	(47,216)	(442.80)	0.66	1.30	(0.22)
<b>MEMO ITEM</b>								
<b>GDP ESTIMATE</b>	<b>6,604,178.26</b>	<b>7,435,211.03</b>	<b>7,435,211.03</b>					

\*Provisional

Source: National Treasury

### 2.3.1. Government Financial Statistics (GFS) 2014

39. In line with the international best practice the Government is committed to improving the quality and coverage of its statistics, as such this QEBR has included a statement of Government operation in the GFSM 2014 format for budgetary Central Government (National Government) from 2015/16 to 2016/17. See annex II.

## FISCAL DEVELOPMENTS

### 2.4 Financing

#### 2.4.1 External Financing

40. Cumulative external financing for the period between July 1<sup>st</sup> 2016 and September 30<sup>th</sup> 2016 amounted to a net borrowing of KShs. 39.2 billion (*Table 10*). Total disbursements (inflows) including Appropriations-in-Aid amounted to KShs. 47.2 billion for the period ending 30<sup>th</sup> September, 2016 against a target of KShs. 97.0 billion. This amount included KShs. 1.2 billion Project cash loans, KShs. 8.2 billion project loans A.I.A., KShs. 27.7 billion project loans A.I.A. for SGR and KShs. 10.1 billion Commercial Financing. External repayments (outflows) of principal debt amounted to KShs. 8.1 billion. The amount comprises of principal repayments due to both bilateral and multilateral organizations amounting to Kshs 3.5 billion and Kshs 4.6 billion, respectively.

**Table 10: External Financing, Period Ending 30<sup>th</sup> September, 2016 (KShs. Million)**

	Quarter I 2015/16	Quarter I 2016/17	Cumulative September 2016*	
	Actual	Actual	Actual	Target
<b>DISBURSEMENTS:</b>	<b>13,417.80</b>	<b>47,230.74</b>	<b>47,230.74</b>	<b>96,976.22</b>
Project Cash loans	5,322.48	1,246.85	1,246.85	14,488.16
Project loans A-I-A	8,095.32	8,187.85	8,187.85	35,916.80
Project Loans SGR _ AIA		27,682.04	27,682.04	35,467.80
Commercial Financing		10,114.00	10,114.00	10,114.00
O/W syndicated loan			-	-
Export Credit			-	-
Programme Loans			-	989.45
<b>EXTERNAL REPAYMENTS:</b>	<b>8,642.49</b>	<b>8,065.43</b>	<b>8,065.43</b>	<b>8,065.43</b>
Bilateral (incl. Italy Debt SWAP)	3,657.34	3,511.16	3,511.16	3,511.16
Multilateral (excl. IMF)	4,985.15	4,554.27	4,554.27	4,554.27
Commercial	-	-	-	-
<b>NET FOREIGN FINANCING</b>	<b>4,775.31</b>	<b>39,165.31</b>	<b>39,165.31</b>	<b>88,910.79</b>

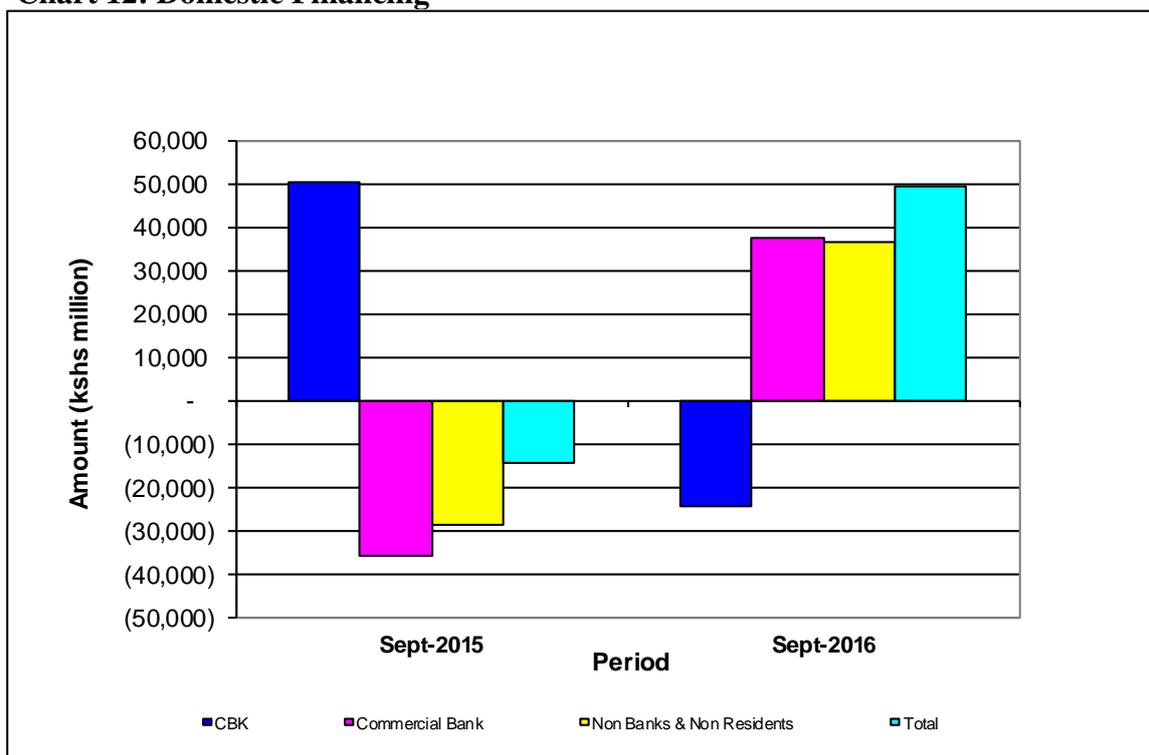
\*Provisional

Source: National Treasury

#### 2.4.2 Domestic Financing

41. By the end of September 2016, net domestic borrowing amounted to KShs. 49.4 billion against a target borrowing of Ksh 96.6 billion (*Table 9*). The borrowing comprised of KShs. 37.4 billion from Commercial Banks and KShs. 37.5 billion from Non-Banking Financial Institutions, and a repayment of KShs. 24.6 billion by the Central Bank and KShs. 873 million by Non Residents, (*Table 11*). Comparatively, for the same period in 2015, the net domestic repayment was kshs. 14.4 billion, comprising of net repayments of, KShs. 35.9 billion to commercial banks and KShs. 29.5 billion to non-banking financial institutions; and a borrowing of KShs. 50.2 billion from the Central Bank, and KShs. 743.0 million from Non-Residents (*chart 12*).

Chart 12: Domestic Financing



Source: Central Bank of Kenya

42. The stock of Treasury Bills held by Non- Banks and Commercial Banks recorded net increase of KShs. 10.7 billion, and KShs. 17.5 billion respectively, while the stock of Treasury Bills held by Non-residents decreased by KShs. 1.7 billion. The stock of Fixed Rate Bonds held by Commercial Banks, Non-Residents and non-Banks recorded a net increase of KShs. 29.0 billion, KShs. 822.0 million and KShs. 33.1 billion respectively.

## FISCAL DEVELOPMENTS

**Table 11: Domestic Financing, Period Ending 30<sup>th</sup> September, 2016 (KShs. Millions)**

	SEPTEMBER	DECEMBER	MARCH	JUNE	SEPTEMBER
	2015	2015	2016	2016	2016
<b>1. CENTRAL BANK</b>	<b>50,212</b>	<b>(39,720)</b>	<b>(52,186)</b>	<b>(128,376)</b>	<b>(24,582)</b>
Overdraft	9,430	8,738	9,961	7,709	(40,884)
Treasury bills rediscounts	25,506	20,549	20,549	20,549	-
Fixed rate Bonds	9,400	9,381	9,381	9,381	-
Items on Transit	(35)	(56)	(17)	(2)	(27)
Frozen Account	-	(562)	(562)	(1,117)	-
Less Govt Deposits	5,911	(77,771)	(91,498)	(164,896)	16,329
<b>2. COM. BANKS</b>	<b>(35,908)</b>	<b>27,925</b>	<b>88,402</b>	<b>187,152</b>	<b>37,357</b>
Advances	(938)	2,852	3,016	2,830	243
Treasury bills	(41,904)	23,774	70,428	131,164	17,528
Fixed rate Bonds	9,024	8,910	23,341	37,281	29,011
Special Bonds	-	-	-	-	-
Zero Coupon bonds	-	-	-	-	-
Infrastructure Bonds	(9,371)	(4,683)	(8,335)	9,978	(6,933)
Savings and Development Bond	-	-	-	-	-
Less Govt Deposits	7,281	(2,928)	(48)	5,899	(2,493)
<b>3. NON BANKS</b>	<b>(29,467)</b>	<b>37,673</b>	<b>73,248</b>	<b>139,440</b>	<b>37,529</b>
Treasury bills	(33,401)	16,266	45,132	92,163	10,704
Fixed rate Bonds	10,930	22,228	32,742	37,705	33,055
Zero Coupon bonds	-	-	-	-	-
Infrastructure Bonds	(6,996)	(821)	(4,627)	9,573	(6,230)
Savings and Development Bond	-	-	-	-	-
<b>4. NON RESIDENTS</b>	<b>743</b>	<b>1,820</b>	<b>1,106</b>	<b>4,576</b>	<b>(873)</b>
Treasury bills	634	1,215	(404)	(119)	(1,695)
Fixed rate Bonds	109	493	1,541	2,339	822
Infrastructure Bond	-	112	(30)	2,356	(0)
Savings and Development Bond	-	-	-	-	-
Zero Coupon bonds	-	-	-	-	-
<b>5. NET CREDIT</b>	<b>(14,419)</b>	<b>27,699</b>	<b>110,571</b>	<b>202,793</b>	<b>49,431</b>

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

43. The gross public debt increased by KShs. 628.3 billion from KShs. 2,938.2 billion as at end of September 2015 to KShs. 3,566.5 billion (equivalent to 47.97 per cent of GDP) by 30<sup>th</sup> September 2016, comprising of 48.0 per cent of external debt and 52.0 per cent of domestic debt. The overall increase is attributed to increased external debt due to exchange rate fluctuations, disbursements from external loans and more uptake of domestic debt during the period. Net public debt increased by KShs. 410.3 billion from KShs. 2,723.6 billion as at end of September 2015 to KShs. 3,133.9 billion (equivalent to 42.15 per cent of GDP) by period under review (*Table 12*).

## FISCAL DEVELOPMENTS

**Table 12: Kenya's Public and Publicly Guaranteed Debt, June 2014 to September 2016 (KShs. millions)**

	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sept-16*
<b>EXTERNAL</b>										
BILATERAL	289,914	278,547	389,083	384,607	445,057	482,203	481,282	478,883	539,181	540,589
MULTILATERAL	597,340	608,022	612,353	618,456	684,631	754,599	751,154	762,089	812,270	719,292
COMMERCIAL BANKS	234,799	185,163	255,188	259,746	276,937	295,642	366,231	360,175	442,598	442,886
SUPPLIERS CREDIT	16,451	16,096	15,959	15,298	16,628	17,788	16,516	16,359	9,206	9,206
<b>SUB-TOTAL</b>	<b>1,138,504</b>	<b>1,087,828</b>	<b>1,272,583</b>	<b>1,278,108</b>	<b>1,423,253</b>	<b>1,550,233</b>	<b>1,615,183</b>	<b>1,617,506</b>	<b>1,803,255</b>	<b>1,711,973</b>
<b>DOMESTIC:</b>										
CENTRAL BANK	65,700	63,580	58,286	64,835	63,335	107,637	101,386	102,648	99,856	58,945
COMMERCIAL BANKS	617,221	601,426	649,940	715,011	730,419	682,694	764,399	829,688	927,307	969,790
<b>TOTAL BANKS</b>	<b>682,921</b>	<b>665,006</b>	<b>708,227</b>	<b>779,846</b>	<b>793,755</b>	<b>790,331</b>	<b>865,785</b>	<b>932,336</b>	<b>1,027,163</b>	<b>1,028,735</b>
NON BANKS & NON RESIDENTS	601,406	595,868	599,723	617,280	626,689	597,635	674,232	714,192	787,970	825,820
<b>SUB-TOTAL</b>	<b>1,284,327</b>	<b>1,260,875</b>	<b>1,307,950</b>	<b>1,397,126</b>	<b>1,420,444</b>	<b>1,387,966</b>	<b>1,540,017</b>	<b>1,646,527</b>	<b>1,815,133</b>	<b>1,854,555</b>
<b>GRAND TOTAL GROSS</b>	<b>2,422,831</b>	<b>2,348,702</b>	<b>2,580,533</b>	<b>2,675,234</b>	<b>2,843,698</b>	<b>2,938,199</b>	<b>3,155,200</b>	<b>3,264,033</b>	<b>3,618,389</b>	<b>3,566,528</b>
LESS ON-LENDING	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)
LESS GOVERNMENT DEPOSITS	(199,815)	(239,554)	(298,879)	(275,083)	(236,565)	(208,869)	(305,496)	(320,041)	(394,856)	(426,911)
<b>GRAND TOTAL NET</b>	<b>2,217,315</b>	<b>2,103,447</b>	<b>2,275,953</b>	<b>2,394,449</b>	<b>2,601,432</b>	<b>2,723,628</b>	<b>2,844,004</b>	<b>2,938,291</b>	<b>3,217,832</b>	<b>3,133,916</b>

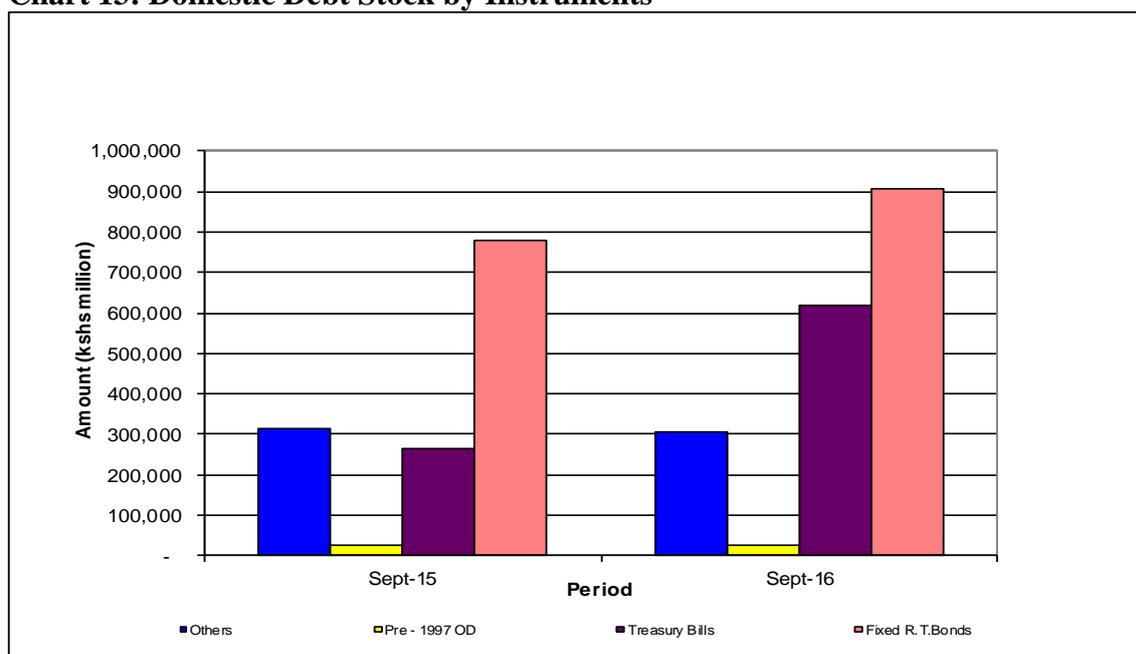
\*Provisional

Source: National Treasury

### 3.2 Domestic Debt

44. The stock of gross domestic debt increased by KShs. 466.6 billion from KShs. 1,388.0 billion in September 2015 to KShs. 1,854.6 billion in September 2016. The stock of Treasury Bills held by Central Bank, Commercial Banks, Non-Banking Financial Institution and Non Residents increased by KShs. 351.7 billion from KShs. 266.6 billion in September 2015 to KShs. 618.2 billion in September 2016, (**Table 13**). The total stock of Treasury Bonds, Floating, Fixed Rate, Special and Zero coupon Bonds, increased by KShs. 125.6 billion from KShs. 790.4 billion in September 2015 to KShs. 916.0 billion in September 2016 (**Chart 13**).

**Chart 13: Domestic Debt Stock by Instruments**



Source: Data from CBK

## FISCAL DEVELOPMENTS

**Table 13: Stock of Domestic Debt, First Quarter 2016/2017 (KShs. million)**

	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
<b>1.CENTRAL BANK</b>	<b>65,700</b>	<b>63,578</b>	<b>58,286</b>	<b>64,835</b>	<b>63,335</b>	<b>107,637</b>	<b>101,386</b>	<b>102,648</b>	<b>99,856</b>	<b>58,945</b>
Overdraft	37,238	34,374	30,929	37,398	36,494	45,924	45,233	46,455	44,204	3,319
Frozen Govt Accounts	28,334	27,779	27,231	27,231	26,676	26,676	26,114	26,114	25,559	25,559
Treasury bills / bonds rediscounts	13	1,358	64	95	39	25,545	20,588	20,588	20,588	20,588
Items on Transit	70	21	25	62	82	47	26	65	80	52
Fixed rate bonds	46	46	36	48	45	9,445	9,426	9,426	9,426	9,426
<b>2.COM.BANKS</b>	<b>617,221</b>	<b>601,426</b>	<b>649,940</b>	<b>715,011</b>	<b>730,419</b>	<b>682,694</b>	<b>764,399</b>	<b>829,688</b>	<b>927,307</b>	<b>969,790</b>
Advances	4,449	2,739	3,291	2,594	2,488	1,717	5,446	5,559	5,093	5,530
Stocks	-	-	-	-	-	-	-	-	-	-
Treasury Bills	176,437	161,528	191,132	236,776	217,703	172,346	244,167	296,347	361,859	382,112
Floating Rate T. Bonds	-	-	-	-	-	-	-	-	-	-
Fixed Rate T. Bonds	339,999	340,323	337,638	348,473	364,511	373,861	373,753	390,314	403,844	433,059
Special Bonds	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Zero Coupon Bonds	-	-	-	-	-	-	-	-	-	-
Savings and Development Bond	7,148	7,648	7,648	7,648	7,648	7,648	7,648	7,648	7,648	7,648
Infrastructure Bonds	79,188	79,188	100,231	109,519	128,069	117,122	123,385	119,820	138,863	131,441
<b>3. NON BANKS</b>	<b>586,481</b>	<b>584,058</b>	<b>585,917</b>	<b>604,389</b>	<b>616,025</b>	<b>586,102</b>	<b>661,652</b>	<b>702,233</b>	<b>774,943</b>	<b>813,800</b>
Stocks	-	-	-	-	-	-	-	-	-	-
Treasury Bills	111,513	104,780	89,838	96,446	94,478	61,237	117,923	149,588	199,033	210,788
Floating Rate T. Bonds	-	-	-	-	-	-	-	-	-	-
Fixed Rate T. Bonds	370,245	369,046	371,410	374,585	382,006	393,498	404,174	416,825	422,830	456,711
Tax Reserve Certificate	69	69	69	69	69	69	69	69	69	69
Zero Coupon Bonds	-	-	-	-	-	-	-	-	-	-
Infrastructure Bonds	89,583	89,583	104,020	112,709	118,892	110,718	118,906	115,171	132,431	125,652
Savings and Development Bond	15,072	20,580	20,580	20,580	20,580	20,580	20,580	20,580	20,580	20,580
<b>4. NON RESIDENTS</b>	<b>14,925</b>	<b>11,812</b>	<b>13,806</b>	<b>12,891</b>	<b>10,664</b>	<b>11,533</b>	<b>12,580</b>	<b>11,958</b>	<b>13,027</b>	<b>12,020</b>
Treasury Bills	11,443	8,374	10,370	8,959	6,709	7,469	8,132	6,370	6,608	4,760
Floating Rate T. Bonds	-	-	-	-	-	-	-	-	-	-
Fixed Rate T. Bonds	3,029	2,985	2,983	3,478	3,502	3,611	3,994	5,135	5,966	6,806
Zero Coupon Bonds	-	-	-	-	-	-	-	-	-	-
Savings and Development Bond	9	9	9	9	9	9	9	9	9	9
Infrastructure Bonds	445	445	445	445	445	445	445	445	445	445
<b>5. TOTAL DEBT</b>	<b>1,284,327</b>	<b>1,260,875</b>	<b>1,307,950</b>	<b>1,397,126</b>	<b>1,420,444</b>	<b>1,387,966</b>	<b>1,540,017</b>	<b>1,646,527</b>	<b>1,815,133</b>	<b>1,854,555</b>
6. LESS ON-LENDING	5,701	5,701	5,701	5,701	5,701	5,701	5,701	5,701	5,701	5,701
7. Less Govt Deposits	199,815	239,554	298,879	275,083	236,565	208,869	305,496	320,041	394,856	426,911
<b>8. NET DEBT</b>	<b>1,078,811</b>	<b>1,015,619</b>	<b>1,003,370</b>	<b>1,116,341</b>	<b>1,178,178</b>	<b>1,173,395</b>	<b>1,228,821</b>	<b>1,320,785</b>	<b>1,414,577</b>	<b>1,421,943</b>

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

45. In dollar terms, external public debt stock increased by US \$ 2,183.4 million from US\$ 14,723.1 million in September 2015 to US\$ 16,906.4 million by end of September 2016 (*Table 14 and Chart 14*). The debt stock comprised 31.6 per cent, 42.0 per cent, 25.9 per cent and 0.5 per cent of debt owed to bilateral, multilateral institutions, Commercial Banks and suppliers' credit, respectively. This increase is attributed to disbursements made during the period. Exchange rate end September 2016 Ksh/US\$= 101.26.

## FISCAL DEVELOPMENTS

**Table 14: Kenya's External Public and Publicly Guaranteed Debt June 2014-September 2016 (US \$ Million)**

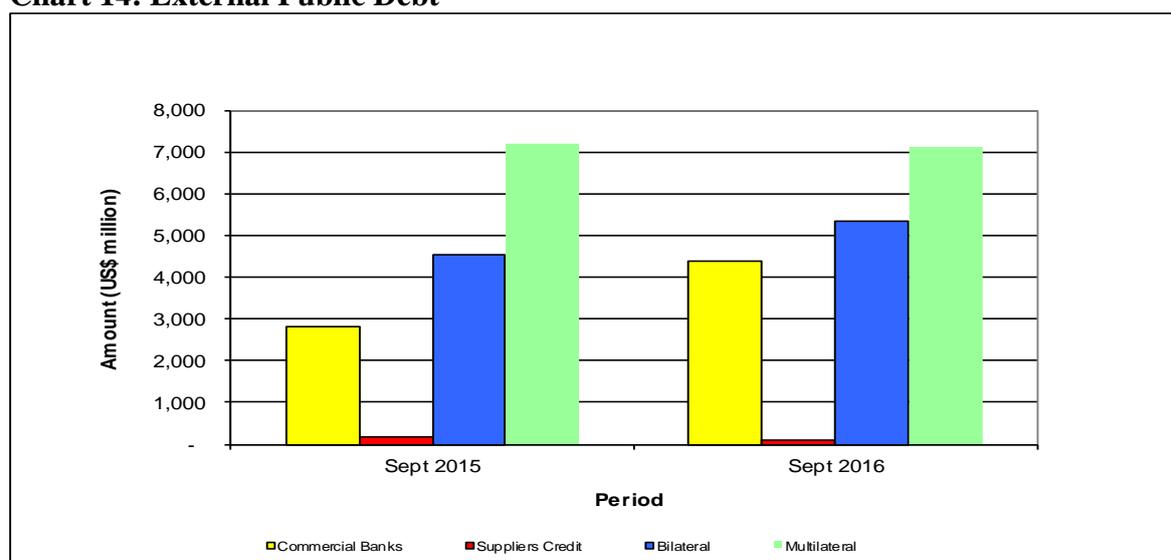
CREDITOR	Jun-14	Sep-14	Dec. 2014	Mar. 2015	Jun-15	Sep-15	Dec. 2015	Mar. 2016	Jun-16	Sept.-2016*
<b><u>BILATERAL</u></b>										
AUSTRIA	8.18	7.00	6.10	5.43	7.53	7.56	10.02	10.38	7.69	7.11
BELGIUM	92.40	81.06	72.16	64.79	62.26	73.03	68.01	66.18	72.16	70.61
CANADA	15.39	14.57	13.70	13.70	12.88	12.88	8.20	8.20	8.01	7.26
DENMARK	22.73	20.79	19.09	16.88	14.57	14.64	15.68	16.25	15.24	14.90
FINLAND	1.07	0.95	0.84	0.80	0.72	1.72	29.40	0.47	2.45	0.54
FRANCE	702.75	665.84	664.36	589.69	598.47	613.81	589.97	606.29	587.79	560.98
GERMANY	303.58	278.75	263.23	224.78	228.70	229.65	220.12	222.12	225.18	310.93
ITALY	19.59	12.66	12.11	10.83	11.17	6.39	13.43	8.81	6.15	28.84
JAPAN	964.48	875.26	794.31	803.01	801.06	814.31	795.64	835.50	1,025.20	948.15
NETHERLANDS	30.83	26.36	24.10	20.22	19.87	20.16	18.88	17.48	23.24	19.32
UK	21.01	18.58	16.29	15.47	14.87	14.33	12.44	12.02	9.81	9.43
USA	51.83	49.73	48.51	46.89	45.23	42.79	41.67	40.01	40.08	37.20
CHINA	922.76	922.30	2,221.16	2,214.53	2,555.16	2,536.23	2,734.72	3,141.41	3,097.14	3,080.55
OTHERS	152.08	146.09	138.65	138.33	139.46	147.16	145.92	170.06	212.89	242.71
<b>TOTAL BILATERAL</b>	<b>3,308.69</b>	<b>3,119.93</b>	<b>4,294.61</b>	<b>4,165.34</b>	<b>4,511.95</b>	<b>4,534.64</b>	<b>4,704.10</b>	<b>5,155.18</b>	<b>5,333.03</b>	<b>5,338.53</b>
<b><u>MULTILATERAL</u></b>										
ADB/ADF	1,165.37	1,249.11	1,253.70	1,438.45	1,523.02	1,617.33	1,645.79	1,732.41	1,967.01	1,719.63
BADEA	-	-	-	-	-	-	-	-	-	-
ECE/EIB	235.74	235.53	232.65	204.40	209.09	220.46	209.71	212.38	208.43	196.74
IBRD	-	-	-	-	-	-	-	-	-	-
IDA/IFAD	-	-	-	-	-	-	-	-	-	-
IMF**	4,316.49	4,341.29	4,342.33	4,176.27	4,243.70	4,409.66	4,564.97	4,684.74	4,928.48	4,890.65
OTHERS	950.42	883.96	833.30	786.53	873.38	871.74	860.55	845.21	839.22	208.39
OTHERS	148.35	100.44	97.05	92.32	91.55	92.49	60.82	90.83	91.01	87.89
<b>TOTAL MULTILATERAL</b>	<b>6,816.38</b>	<b>6,810.33</b>	<b>6,759.02</b>	<b>6,697.96</b>	<b>6,940.74</b>	<b>7,211.68</b>	<b>7,341.84</b>	<b>7,565.57</b>	<b>8,034.16</b>	<b>7,103.30</b>
<b>COMMERCIAL BANKS 1/</b>	<b>2,679.53</b>	<b>2,073.97</b>	<b>2,816.72</b>	<b>2,813.09</b>	<b>2,807.57</b>	<b>2,807.81</b>	<b>3,579.57</b>	<b>3,554.34</b>	<b>4,377.73</b>	<b>4,373.68</b>
<b>EXPORT CREDIT</b>	<b>187.75</b>	<b>180.29</b>	<b>176.15</b>	<b>165.68</b>	<b>168.58</b>	<b>168.94</b>	<b>161.43</b>	<b>161.43</b>	<b>91.06</b>	<b>90.91</b>
<b>GRAND TOTAL</b>	<b>12,992.35</b>	<b>12,184.52</b>	<b>14,046.50</b>	<b>13,842.07</b>	<b>14,428.84</b>	<b>14,723.07</b>	<b>15,786.94</b>	<b>16,436.52</b>	<b>17,835.97</b>	<b>16,906.42</b>
In percentage of total										
BILATERAL	25.47	25.61	30.57	30.09	31.27	30.80	29.80	31.36	29.90	31.58
MULTILATERAL	52.46	55.89	48.12	48.39	48.10	48.98	46.51	46.03	45.04	42.02
COMMERCIAL BANKS 1/	20.62	17.02	20.05	20.32	19.46	19.07	22.67	21.62	24.54	25.87
EXPORT CREDIT	1.45	1.48	1.25	1.20	1.17	1.15	1.02	0.98	0.51	0.54
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

\*Provisional

\*\* include IMF item

Source: National Treasury

**Chart 14: External Public Debt**



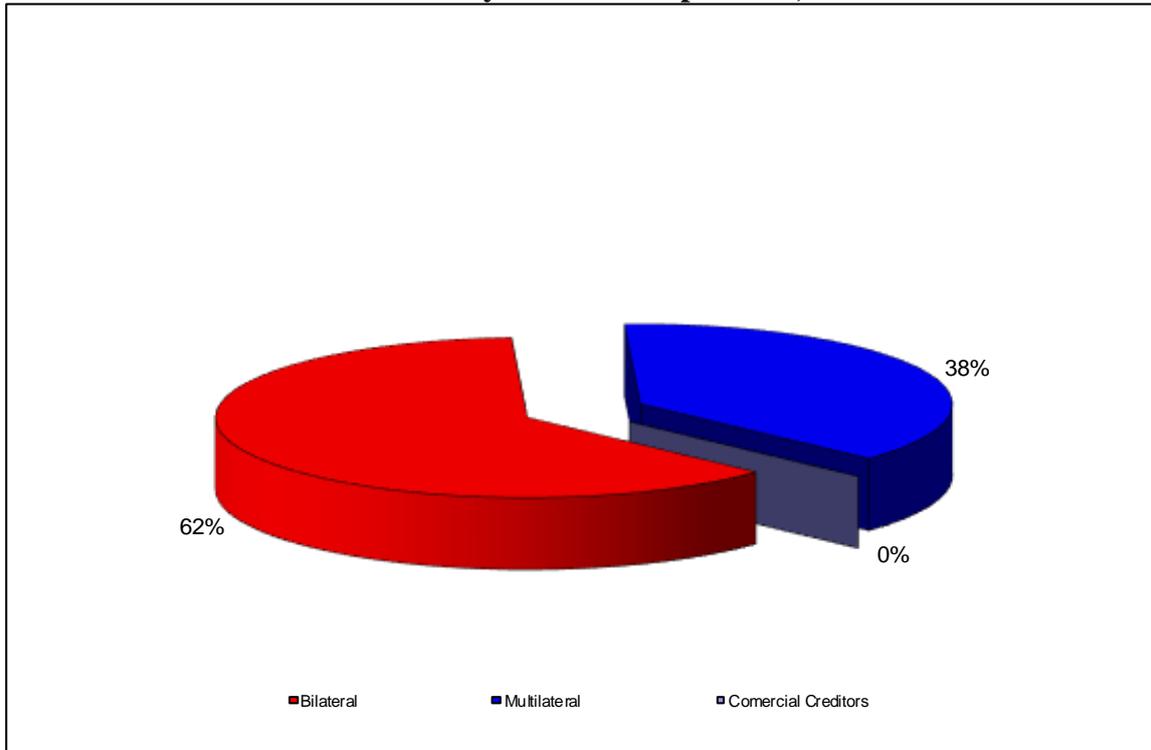
Source: National Treasury

## FISCAL DEVELOPMENTS

### 3.3.1 External Debt Service

46. At the end of September 2016, the total cumulative debt service payments to external creditors amounted to KShs 15.5 billion. This comprised of KShs 8.1 billion (52.1 per cent) principal and KShs 7.4 billion (47.9 per cent) interest (*Table 15 and chart 15*).

**Chart 15: External Debt Service by Creditors September, 2016**



Source: National Treasury

## FISCAL DEVELOPMENTS

**Table 15: External Debt Service, July – September 2016 (KShs. Million)**

CATEGORY	PRINCIPAL*	INTEREST*	TOTAL*
<b>BILATERAL</b>			
AUSTRIA		1.13	1.13
FINLAND	83.62	1.71	85.33
FRANCE	694.41	405.13	1,099.54
ITALY	-	0.60	0.60
JAPAN	859.26	125.50	984.76
SAUDI FUND	294.65	16.64	311.29
SPAIN	190.66	87.89	278.55
USA	50.24	17.98	68.22
CANADA		-	-
BELGIUM	162.95	12.95	175.90
GERMANY	-	11.38	11.38
CHINA	1,121.92	5,300.60	6,422.52
KUWAIT	51.18	4.73	55.91
NETHERLANDS	-	81.41	81.41
SWEDEN			-
SWITZERLAND			-
DENMARK			-
KOREA	-	5.42	5.42
UK	2.27	0.59	2.86
INDIA	-	32.35	32.35
OTHERS/NEW LOANS	-	13.97	13.97
<b>TOTAL BILATERAL</b>	<b>3,511.16</b>	<b>6,120.01</b>	<b>9,631.17</b>
<b>MULTILATERAL</b>		0.03	
ADB/ADF	86.03	294.42	380.45
BADEA	80.65	14.46	95.11
EIB/EEC	219.67	191.01	410.68
IDA	4,056.97	759.92	4,816.89
OPEC	30.04	0.41	30.45
NDF	30.07	10.94	41.01
IFAD	50.83	17.37	68.20
**IMF	-	-	-
<b>TOTAL MULTILATERAL</b>	<b>4,554.27</b>	<b>1,288.53</b>	<b>5,842.80</b>
<b>COMMERCIAL</b>	-	-	-
<b>GRAND TOTAL</b>	<b>8,065.43</b>	<b>7,408.54</b>	<b>15,473.97</b>

\* Provisional

\*\* IMF debt serviced by CBK

Source: National Treasury

## FISCAL RESULTS, 2010/11 – 2016/2017 (KShs. Millions)

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16*	2016/17
<b>A.TOTAL REVENUE</b>	659,603	748,128	866,505	974,418	1,106,378	1,219,054	1,500,509
1.Revenue	621,852	681,766	775,698	918,990	1,031,248	1,152,875	1,376,424
Income Tax	272,439	312,463	373,086	449,590	508,581	560,665	671,099
VAT	171,881	176,386	184,916	232,630	259,685	289,213	345,582
Import Duty	46,072	51,712	57,650	67,555	74,048	79,188	96,281
Excise Duty	80,567	78,884	85,660	102,029	115,872	139,540	169,310
Other Revenue	50,893	62,320	74,386	67,185	73,062	84,269	94,151
2.Appropriation –in –Aid	37,752	66,362	90,807	55,428	75,130	66,179	124,085
<b>B.EXPENDITURE &amp; NET LENDING</b>	819,767	945,313	1,132,126	1,300,589	1,639,199	1,768,453	2,275,556
1.Recurrent	584,126	650,414	816,365	752,502	860,569	1,014,050	1,168,483
Wages and Salaries	197,959	218,833	274,407	281,197	297,978	307,421	360,777
Interest Payments	78,876	81,913	121,235	134,821	171,876	215,329	250,786
Domestic Interest	71,887	71,873	110,184	119,193	139,615	172,857	197,267
Foreign Interest Due	6,989	10,039	11,051	15,628	32,261	42,471	53,520
Pensions, etc	26,670	26,082	27,611	30,155	37,508	53,401	60,169
Civil Service Reform	5	6	10	-	-	-	1,500
Operations & maintenance/ Others	280,616	323,580	393,102	306,330	353,206	437,899	495,250
Of which Appropriation-in-Aid	45,691	61,578	68,551	28,205	50,566	45,108	72,699
2.Development & Net Lending	234,566	294,899	305,978	319,274	509,713	453,925	817,289
Development Projects	183,658	190,116	186,231	225,850	278,676	300,686	411,396
Appropriation-in-Aid	48,379	102,144	117,346	91,239	228,511	145,071	403,766
Payment of guaranteed loans	2,529	2,639	2,400	2,185	2,125	2,167	2,127
3. Drought Development Expenditures/CCF	1,075	-	-	-	4,951	5,000	5,000
4. Transfer to County Governments	-	-	9,783	193,390	229,336	264,039	284,785
5. Parliamentary Service	-	-	-	22,473	22,743	19,777	-
6. Judicial Service	-	-	-	12,951	11,887	11,662	-
7. Equalization Fund	-	-	-	-	400	6,000	-
<b>D.DEFICIT EXCL. GRANTS (Commitment Basis)</b>	(160,164)	(197,185)	(265,621)	(326,172)	(532,821)	(549,398)	(775,047)
<b>E.GRANTS</b>	19,253	15,645	20,990	26,957	28,117	29,598	-
<b>F.DEFICIT INCL.GRANTS (Commitment basis)</b>	(140,910)	(181,540)	(244,631)	(299,214)	(504,703)	(519,801)	(775,047)
<b>G. ADJUSTMENT TO CASH BASIS</b>	20,765	3,752	(12,553)	(8,505)	33,129	45,231	-
<b>H.DEFICIT INCL.GRANTS (cash basis)</b>	(120,145)	(177,788)	(257,184)	(307,720)	(471,574)	(474,570)	(775,047)
<b>I.FINANCING</b>	120,145	177,788	257,184	307,720	471,574	474,570	702,328
Foreign Financing	28,602	112,575	85,306	104,726	217,479	269,924	462,267
Other Domestic Financing	1,160	1,813	2,102	1,267	2,992	2,389	3,956
<b>NET DOMESTIC FINANCING</b>	90,383	63,400	169,776	201,727	251,102	202,257	236,105
Of which Sovereign Bond Deposits	-	-	-	-	140,509	-	-
Others	-	-	-	-	110,593	-	-
In Percentage of GDP							
<b>A.TOTAL REVENUE</b>	19.13	18.73	19.24	19.21	19.04	18.46	20.18
1.Revenue	18.04	17.07	17.23	18.12	17.75	17.46	18.51
Income Tax	7.90	7.82	8.28	8.86	8.49	8.49	9.03
VAT	4.99	4.42	4.11	4.59	4.47	4.38	4.65
Import Duty	1.34	1.29	1.28	1.33	1.27	1.20	1.29
Excise Duty	2.34	1.98	1.90	2.01	1.99	2.11	2.28
Other Revenue	1.48	1.56	1.65	1.32	1.26	1.28	1.27
2.Appropriation –in –Aid	1.10	1.66	2.02	1.09	1.29	1.00	1.67
<b>B.EXPENDITURE &amp; NET LENDING</b>	23.78	23.67	25.14	25.64	28.21	26.78	30.61
1.Recurrent	16.94	16.29	18.13	14.84	14.81	15.35	15.72
Wages and Salaries	5.74	5.48	6.09	5.54	5.13	4.65	4.85
Interest Payments	2.29	2.05	2.69	2.66	2.96	3.26	3.37
Domestic Interest	2.09	1.80	2.45	2.35	2.40	2.62	2.65
Foreign Interest Due	0.20	0.25	0.25	0.31	0.56	0.64	0.72
Pensions	0.77	0.65	0.61	0.59	0.65	0.81	0.81
Civil Service Reform	0.00	0.00	0.00	-	-	-	0.02
O &M/ Others	8.14	8.10	8.73	6.04	6.08	6.63	6.66
of which Appropriation-in-Aid	1.33	1.54	1.52	0.56	0.87	0.68	0.98
2.Development & Net Lending	6.80	7.38	6.79	6.30	8.77	6.87	10.99
Development Projects	5.33	4.76	4.14	4.45	4.80	4.55	5.53
Appropriation-in-Aid	1.40	2.56	2.61	1.80	3.93	2.20	5.43
Payment of guaranteed loans	0.07	0.07	0.05	0.04	0.04	0.03	0.03
3. Drought Expenditures	0.03	-	-	-	0.09	0.08	0.07
4. Transitional Transfer to County Governments	-	-	0.22	3.81	3.95	4.00	3.83
5. Parliamentary Service	-	-	-	0.44	0.39	0.30	-
6. Judicial Service	-	-	-	0.26	0.20	0.18	-
7. Equalization Fund	-	-	-	-	0.01	0.09	-
<b>D.DEFICIT EXCL. GRANTS (Commitment Basis)</b>	(4.65)	(4.94)	(5.90)	(6.43)	(9.17)	(8.32)	(10.42)
<b>E.GRANTS</b>	0.56	0.39	0.47	0.53	0.48	0.45	-
<b>F.DEFICIT INCL.GRANTS (Commitment basis)</b>	(4.09)	(4.55)	(5.43)	(5.90)	(8.69)	(7.87)	(10.42)
<b>G.ADJUSTMENT TO CASH BASIS</b>	0.60	0.09	(0.28)	(0.17)	0.57	0.68	-
<b>H.DEFICIT INCL.GRANTS (cash basis)</b>	(3.48)	(4.45)	(5.71)	(6.07)	(8.11)	(7.19)	(10.42)
<b>I.FINANCING</b>	3.48	4.45	5.71	6.07	8.11	7.19	9.45
Foreign Financing	0.83	2.82	1.89	2.06	3.74	4.09	6.22
Other Domestic Financing	0.03	0.05	0.05	0.02	0.05	0.04	0.05
<b>NET DOMESTIC FINANCING</b>	2.62	1.59	3.77	3.98	4.32	3.06	3.18
Of which Sovereign Bond Deposits	-	-	-	-	2.42	-	-
Others	-	-	-	-	1.90	-	-
Memorandum Item:							
Nominal GDP at Market price (Kshs. million)	3,447,609.95	3,993,534.55	4,503,295.53	5,071,729.50	5,811,194.50	6,604,178.26	7,435,211.03

Note: \* indicate Preliminary results

Source: National Treasury

## ANNEX II

**BUDGET CENTRAL GOVERNMENT\***

	STATEMENT OF SOURCES AND USES OF CASH	FY 2015/16		FY 2016/17	FY 2015/16		FY 2016/17
		Preliminary Actual	Approved Estimates	Budget Estimates	Preliminary Actual	Approved Estimates	Budget Estimates
		Ksh millions			% of GDP		
<b>1</b>	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
	<b>Cash receipts from operating activities</b>	<b>1,256,361.4</b>	<b>1,365,884.9</b>	<b>1,573,228</b>	<b>19.0</b>	<b>20.7</b>	<b>21.2</b>
	Taxes	1,158,454.8	1,199,243.8	1,392,146	17.5	18.2	18.7
	Taxes on income, profits, and capital gains	560,664.7	577,985.3	671,099	8.5	8.8	9.0
	Taxes on property	3,898.8	5,335.7	6,159	0.1	0.1	0.1
	Taxes on goods & services	461,761.1	476,633.2	554,775	7.0	7.2	7.5
	Taxes on international trade & transactions	121,706.6	127,720.0	147,041	1.8	1.9	2.0
	Other taxes	10,423.5	11,569.6	13,071	0.2	0.2	0.2
	Social contributions	0.0	129.6	147	0.0	0.0	0.0
	Grants	37,307.2	65,973.3	72,719	0.6	1.0	1.0
	Other receipts	60,599.4	100,538.2	108,215	0.9	1.5	1.5
<b>2</b>	<b>Cash payments for operating activities</b>	<b>1,559,185.9</b>	<b>1,664,928.5</b>	<b>1,880,989</b>	<b>23.6</b>	<b>25.2</b>	<b>25.3</b>
	Compensation of employees	314,856.0	334,795.9	353,312	4.8	5.1	4.8
	Purchases of goods and services	133,262.4	170,653.0	192,671	2.0	2.6	2.6
	Interest	215,328.5	215,507.4	250,787	3.3	3.3	3.4
	Subsidies	30,299.6	30,300.0	31,553	0.5	0.5	0.4
	Grants	784,422.9	854,070.0	989,083	11.9	12.9	13.3
	Social benefits	52,049.5	53,022.2	58,583	0.8	0.8	0.8
	Other payments	28,966.9	6,580.0	5,000	0.4	0.1	0.1
<b>3</b>	<b>Net cash inflow from operating activities (3=1-2)</b>	<b>-302,824.5</b>	<b>-299,043.6</b>	<b>-307,761.4</b>	<b>-4.6</b>	<b>-4.5</b>	<b>-4.1</b>
	<b>CASH FLOWS FROM INVESTMENTS IN NONFINANCIAL ASSETS (NFAs):</b>						
<b>4</b>	<b>Purchases of nonfinancial assets</b>	<b>183,595.5</b>	<b>322,445.8</b>	<b>368,504.8</b>	<b>2.8</b>	<b>4.9</b>	<b>5.0</b>
	Fixed assets	182,473.1	321,323.4	366,925.0	2.8	4.9	4.9
	Strategic stocks	1,122.5	1,122.5	1,579.9	0.0	0.0	0.0
<b>5</b>	<b>Sales of nonfinancial assets</b>	<b>0.0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>6</b>	<b>Net cash outflow: investments in NFAs (6=4-5)</b>	<b>183,595.5</b>	<b>322,445.8</b>	<b>368,504.8</b>	<b>2.8</b>	<b>4.9</b>	<b>5.0</b>
	<b>Cash surplus / deficit (3-6)</b>	<b>-486,420.0</b>	<b>-621,489.5</b>	<b>-676,266.3</b>	<b>-7.4</b>	<b>-9.4</b>	<b>-9.1</b>
	<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>						
<b>7</b>	<b>Net acquisition of financial assets other than cash</b>	<b>30,172.3</b>	<b>32,510.4</b>	<b>14,617</b>	<b>0.5</b>	<b>0.5</b>	<b>0.2</b>
	Domestic	26,422.0	28,760.0	11,017	0.4	0.4	0.1
	Foreign	3,750.3	3,750.4	3,600	0.1	0.1	0.0
<b>8</b>	<b>Net incurrence of liabilities</b>	<b>626,996.6</b>	<b>661,990.4</b>	<b>696,244</b>	<b>9.5</b>	<b>10.0</b>	<b>9.4</b>
	Domestic	358,123.1	243,925.3	234,995	5.4	3.7	3.2
	Foreign	268,873.5	418,065.2	461,250	4.1	6.3	6.2
	<b>Net cash inflow from financing activities (8-7)</b>	<b>596,824.3</b>	<b>629,480.0</b>	<b>681,626.9</b>	<b>9.0</b>	<b>9.5</b>	<b>9.2</b>
	<b>Net change in the stock of cash</b>	<b>130,275.6</b>	<b>0.0</b>	<b>0.0</b>	<b>2.0</b>	<b>0.0</b>	<b>0.0</b>
	<b>Discrepancy</b>	<b>-19,871.4</b>	<b>7,990.6</b>	<b>5,360.7</b>	<b>-0.3</b>	<b>0.1</b>	<b>0.1</b>
	<b>Nominal GDP</b>	<b>6,604,178</b>	<b>6,604,178</b>	<b>7,435,211</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: National Treasury

\*National Government