REPUBLIC OF KENYA

THE NATIONAL TREASURY AND PLANNING

ANNUAL PUBLIC DEBT MANAGEMENT REPORT 2018/19

SEPTEMBER 2019

TABLE OF CONTENTS

FOREWORD

This report highlights the public debt developments during the Fiscal Year 2018/2019 including total public debt portfolio, composition and structure of the debt as well as debt service obligations. The report also includes guaranteed public debt, on-lent loans, debt management strategy and debt sustainability analysis. The report provides a broad view of the costs and risks characteristics of Kenya's public debt and debt related transactions. This 2018/2019 Annual Public Debt Management Report is part of the reporting requirements for public debt under the PFM Act.

In nominal terms, debt levels have been increasing and stood at Kshs 5.8 trillion which is 61.1 per cent of GDP as at end June 2019. The debt stock comprises 53 per cent external and 47 per cent domestic.

The country's external debt is composed largely of long tenors although recent large value commercial loans/sovereign bonds have affected the average time to maturity. As at end of June 2019, the average maturity, grace period and average interest rate on new external loan commitments were 15 years, 6 years and 4 per cent respectively. Overall, these terms reflect increasing stock of commercial borrowing terms in recent years after Kenya attained the lower middle income status in 2014 compared to the highly concessional or "soft" terms of borrowing in earlier years. The major currency composition of Kenya's public debt are in the United States Dollar (USD), Euro, Japanese Yen, Chinese Yuan and Sterling Pound.

The Government has continued to implement reforms in the public debt management office (PDMO) that have led to creation of three separate offices (Front, Middle and Back office) in line with international best practice. Other reforms in the financial markets are being implemented in collaboration with other key stakeholders.

HON. AMB. UKUR K. YATTANI
Ag. CABINET SECRETARY
THE NATIONAL TREASURY AND PLANNING

ACKNOWLEDGEMENT

The Government continues to strengthen the legal, regulatory and institutional arrangement for public debt management. The coverage and scope of this report reflects the National Treasury's commitment to both transparency in reporting and accountability in the management of public debt. Further information on public debt is available in a number of official publications hosted on the Treasury website: www.treasury.go.ke

I wish to recognize the role played by the Department of Debt Policy, Strategy and Risk Management in the Directorate of Public Debt Management Office.

We hope that the Report will provide valuable information and enhance understanding of public debt management in Kenya.

DR. JULIUS MUIA
PRINCIPAL SECREATRY
NATIONAL TREASURY

Legal basis for the publication of the Annual Public Debt Management Report

The Annual Public Debt Management Report is published in accordance with:

Section 64 (2) (c) of the Public Finance Management Act(PFMA) which states that the PDMO shall prepare statistical and analytical reports on debt and borrowing and submit to the Cabinet Secretary and the Commission on Revenue Allocation.

Section 200 of the PFMA Regulations which states that not later than three months after the end of each financial year, the Cabinet Secretary shall prepare and submit an annual report to Parliament on public debt in the format set by the Cabinet Secretary. The annual public debt report shall include the following information:

Review of previous year's financing of budget deficit;
Composition of External debt;
Publicly guaranteed debt;
On-lent loans and contingent liabilities;

Debt strategy and debt sustainability

Outlook for the Medium Term; and

Any commitment fees and penalties paid on any undisbursed amounts of a loan.

ABBREVIATIONS AND ACRONYMS

ADF	African Development Fund
ADB	African Development Bank
A-I-A	Appropriation in Aid
ATM	Average Time to Maturity
BPS	Budget Policy Statement
CBK	Central Bank of Kenya
CCN	City Council of Nairobi
CPIA	Country Policy and Institutional Assessment
DSF	Debt Sustainability Framework
DSA	Debt Sustainability Analysis
EAC	East Africa Community
FCCL	Fiscal Commitments and Contingent Liabilities
FY	Financial year
GBP	Sterling Pound
GDP	Gross Domestic Product
GoK	Government of Kenya
IDA	International Development Association
IFB	Infrastructure Bond
IMF	International Monetary Fund
IPPs	Independent Power Producers
ISB	International Sovereign Bond
KBC	Kenya Broadcasting Corporation
KenGen	Kenya Electricity Generating Company
MTDS	Medium Term Debt Management Strategy
NBFI	Non-Bank Financial Institution
NSSF	National Social Security Fund
PDMO	Public Debt Management Office
PFMA	Public Finance Management Act
PRG	Partial Risk Guarantees
PPG	Public and Publicly Guaranteed
PFF	Project Facilitation Fund
PPP	Public Private Partnership
PV	Present Value
SGR	Standard Gauge Railway
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TEDS	Total External Debt Service
UK	United Kingdom
USA	United States of America
USD	United States Dollar

EXECUTIVE SUMMARY

Kenya's economy has remained resilient amid several shock effects arising from intermittent droughts, floods and the global economic slowdown. The Gross Domestic Product (GDP) expanded by 4.9 percent in 2017 and by 6.3 percent in 2018. The growth is attributable to multi-sectoral growth notably the agricultural sector, manufacturing sector and the transport and service sector.

Over the last three years, the outstanding total public and publicly guaranteed debt has been growing steadily. The National Government debt stood at Kshs 4,406,863 million, Kshs 5,047,234 million and Kshs 5,809,076 million as at end of 2017, 2018 and 2019 respectively. As a percentage of GDP, the growth of debt ranged from 42.1 percent as at end of June 2013 to 61.1 percent as at end of June 2019. Domestic debt as a percentage of GDP ranged from 23.4 percent as at end June 2013 to stand at 29.3 percent as at end June 2019. On the other hand, external debt (including guaranteed debt) as a percentage of GDP ranged from 18.8 percent as at end of June 2013 to stand at 31.8 percent as at end of June 2019. The ratio of debt service to revenue has increased steadily from 18.6 percent at end June 2013 to stand at 42.8 percent as at end June 2019.

Domestic debt is composed mainly of Treasury Bills and Bonds. As at end June 2019, Treasury Bills accounted for 34.3 percent of total stock of domestic debt while the Treasury bonds accounted for 62.8 percent. The largest holders of domestic debt are commercial banks at 50.8 percent followed, by non-banking institutions at 45.3 percent as at end of June 2019. For a long time, commercial banks have dominated the government domestic debt market. The Government has instituted conscious steps towards increasing participation of investors in Government securities market. This has seen the launch of more innovative instruments such as M-Akiba bond.

The secondary market activity for government securities has been on the rise with an annual turnover of Kshs 536.5 billion in 2019 compared to Kshs 455.2 billion in 2018. The investor base in the secondary market has been growing steadily supported by the entry of M-Akiba bond.

Currency composition of debt is of importance in managing concentration risks. As at end of June 2019, about 70.3 percent of debt was denominated in the USD, 17.4 percent in Euro, 5.4 percent in Yuan, 4.3 percent in Japanese Yen, 2.4 percent in Sterling Pounds while other currencies accounted for 0.3 percent. Major creditors included China at 22 percent of total debt, International Sovereign bond at 21 percent and World Bank at 20 percent.

The on-lent loan portfolio declined from Kshs 823,178 million as at end June 2018 to stand at Kshs 797,847 million as at end June 2019. This decline is attributed to continued repayment of principle and interest on existing loan portfolio.

The Government is currently developing a PPP framework as a means to providing public service outside public revenues.

CHAPTER ONE
NATIONAL GOVERNMENT'S FISCAL DEFICIT FINANCING AND PUBLIC DEBT

1.1. Economy

Kenya's real gross domestic product (GDP) is estimated to have grown by 6.3 per cent in 2018 up from a growth of 4.9 per cent in 2017. The higher growth rate was attributable to increased and improved agricultural production, enhanced manufacturing activities, sustained growth in transportation and vibrant service sector.

The growth was underlined by a relatively stable macroeconomic environment in 2018. Inflation was within the target of 5±2.5% at 4.7 per cent in 2018 compared to 8.0 per cent in 2017 as a result of considerable stability in food prices. The current account deficit narrowed to Kshs 441.8 billion in 2018 compared to Kshs 503.4 billion in 2017 mainly due to a lower growth of imports of goods and services.

1.2. Fiscal Balance

The overall actual fiscal balance in the FY 2018/19 was a deficit of Kshs 721,054 million (7.6 per cent of GDP) and was financed through external borrowing of Kshs 414,518 million (4.4 per cent of GDP), net domestic financing of Kshs 303,658 million (3.2 per cent of GDP) and other domestic financing of Kshs 2,878 million (Table 1-1).

Table 1-1: Kenya Financing Fiscal Balance (Kshs million)

Financing item	2016/17		2017/18		2018/19	
	Kshs million	As % of GDP	Kshs million	As % of GDP	Kshs million	As % of GDP
Net Foreign Financing	385,745	5.0	331,641	3.7	414,518	4.36
Net Domestic financing	309,760	4.0	273,710	3.1	303,658	3.19
Other Domestic Financing[1]	1,751	0.0	2,623	0.03	2,878	0.03
Total	697,256	9.0	607,974	6.9	721,054	7.58

Source: *National Treasury, QEBR Q4, 2019*

1.3. Fiscal performance

At the close of the FY, total cumulative revenue collection including appropriation in aid (A-I-A) was Ksh 1,671.1 billion (17.6 percent of GDP) which is Ksh 123.5 billion below the target of Ksh 1,794.5 billion (18.9 percent of GDP). The shortfall was mainly attributable to shortfalls in both the ordinary revenues and the ministerial A-I-A by Ksh 91.2 billion and Ksh 32.3 billion, respectively.

Total expenditures and net lending by end of June 2019 was Ksh 2,405.9 billion against the target of Ksh 2,555.1 billion, translating into under-expenditure of Ksh 149.2 billion. The under-expenditure was occasioned by the lower absorptions recorded in both the recurrent (wages and salaries, pensions and operations and maintenance) and development expenditures by the National Government.

[1] Same as Domestic Loan Repayments (Receipts). Reference: QEBR fourth quarter 2019

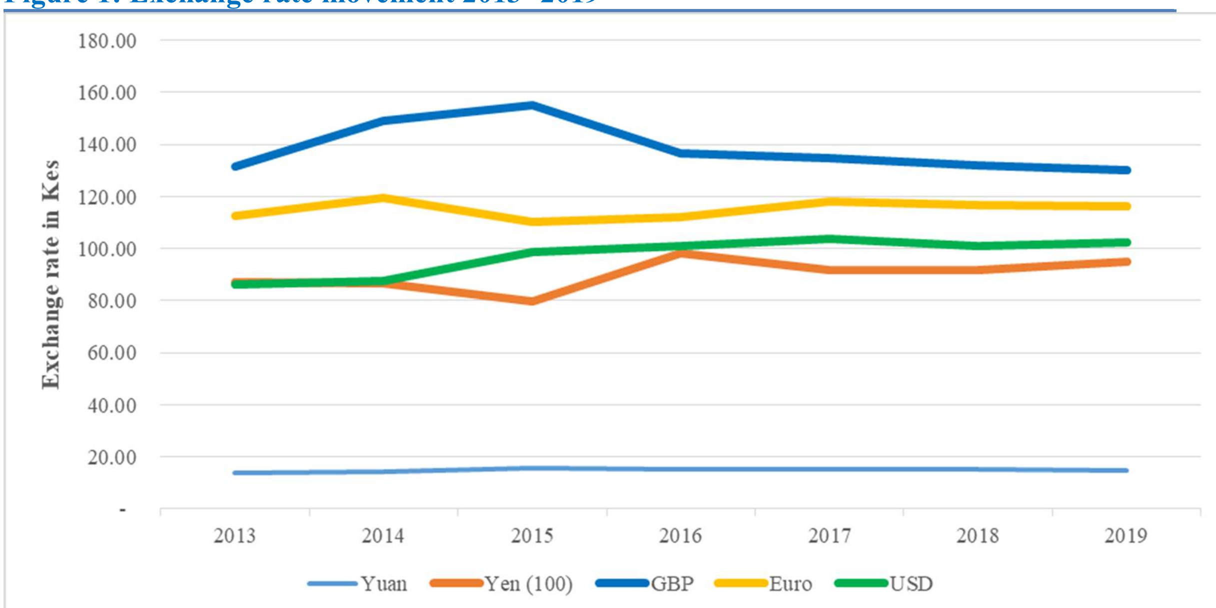
The fiscal outcome for the FY 2018/19 budget complied with the fiscal responsibility principles and financial objectives set out in the PFM Act, 2012. The Government also maintained public debt and obligations at a sustainable level while managing fiscal risks prudently. The fiscal framework strategy was aimed to support fiscal consolidation plan. The plan will see a gradual reduction of fiscal deficit over the medium-term aims to reduce budget deficit and strengthen debt sustainability position while supporting economic growth. This, ultimately, reduces proportion of public debt to GDP and creates fiscal space over the medium term.

1.4. Kenya shilling Exchange Rate Developments against major world currencies

The Kenya Shilling has recorded a cumulative depreciation of 18.9 percent against the USD between end 2013 and end of 2019. This has largely been driven by domestic demand pressures as well as external factors, in particular the strengthening of the USD driven by rising yields on US Treasury instruments, which adversely impacted the currency markets in emerging market and frontier economies, including Kenya. During the year, Kenya shilling recorded a cumulative depreciation of 3.5 percent against the Euro (EUR), 9.1 per cent against Yen, 6.3 per cent against Yuan over the same period. However, the Kenya shilling appreciated against British Pound Sterling (GBP) by 1.0 per cent.

Depreciation of USD leads to both higher external debt stock and external debt service since over 70 per cent of Kenya's debt is denominated in USD.

Figure 1: Exchange rate movement 2013 -2019



Source: Central Bank of Kenya

Table 1: **Exchange rate 2013 -2019**

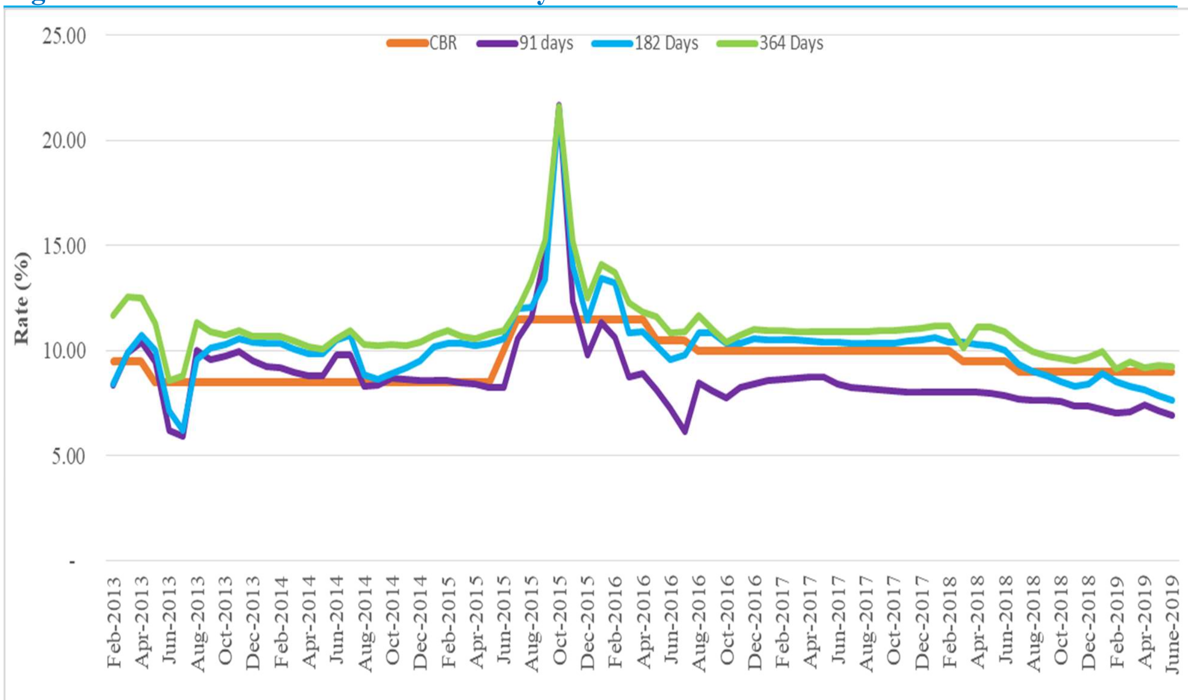
	2013	2014	2015	2016	2017	2018	2019
Yuan	14.00	14.12	15.90	15.21	15.29	15.27	14.88
Yen (100)	87.00	86.50	79.80	98.40	91.90	91.60	94.90

GBP	131.34	149.20	155.10	136.44	134.60	132.10	129.96
Euro	112.40	119.55	110.40	112.30	118.31	116.86	116.31
USD	86.01	87.63	98.64	101.10	103.71	101.05	102.30

1.5. Cost of Short Term Domestic Public Debt and Central Bank Rate

Increased liquidity in the domestic market led to downward adjustment of domestic interest rates from April 2016, as can be seen in Figure 2. During the fiscal year, the 364 days Treasury Bills average cost was 9.69 per cent, 182 days Treasury Bills average cost was 8.59 per cent while 91 days Treasury Bills was 7.37 per cent.

Figure 2. Central Bank Rate and Treasury Bills Rate from 2013 to June 2019



1.6. Total Public Debt

As at end June 2019, the outstanding total public debt, including publicly guaranteed debt, was at Kshs 5,808,591 million (Table 1-2) compared to Kshs 5,047,234 million as at end June 2018. Domestic debt increased by Ksh 306,617 million to Kshs 2,785,452 million as at end June 2019. On the other hand, external debt (including guaranteed debt) increased by 17.7 per cent to Kshs 3,023,139 million at end June 2019 from Kshs 2,568,398 million at end June 2018. The increase was largely on account of Kshs 373.4 billion of commercial borrowing during the fiscal year 2018/19 and exchange rate depreciation. Domestic and external debt accounted for 48.0 per cent and 52.0 per cent of total public debt respectively at end of June 2019 compared to 49.1 percent and 50.9 percent respectively at end June 2018.

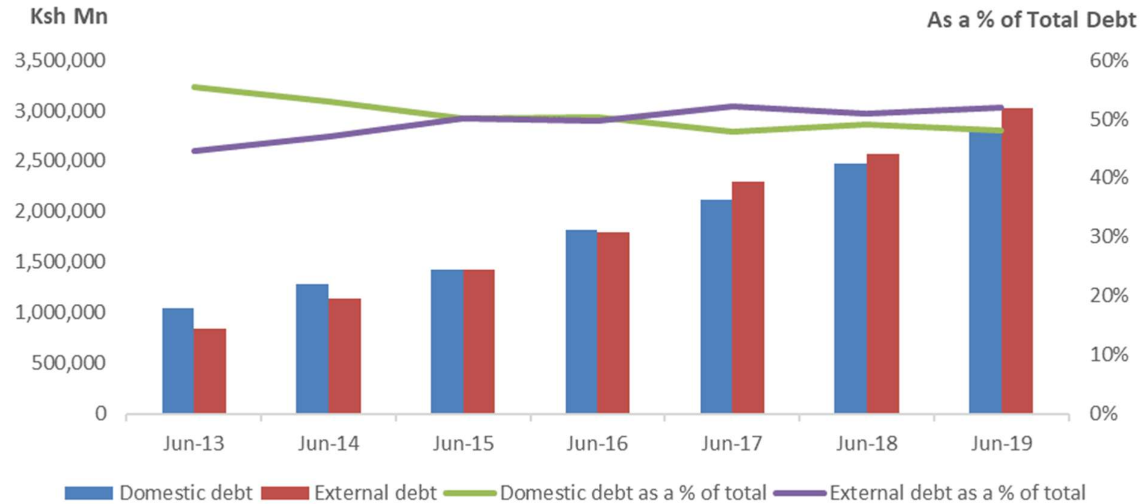
Table 1-2: Trends in Kenya's Total Public Debt in (Kshs million)

DEBT TYPE	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19
DOMESTIC DEBT							
Central Bank	39,170	65,700	63,335	99,856	54,506	110,782	109,607
Commercial Banks	524,505	617,221	730,419	927,307	1,142,889	1,266,457	1,414,431
Sub-total: Banks	563,675	682,921	793,754	1,027,163	1,197,395	1,377,239	1,524,038
Non-bank Financial Institutions	486,880	601,406	626,690	787,970	915,315	1,101,596	1,261,899
Total Domestic	**1,050,555**	**1,284,327**	**1,420,444**	**1,815,133**	**2,112,710**	**2,478,835**	**2,785,937**
As a % of GDP	23.4%	25.5%	24.4%	27.1%	27.6%	28.0%	29.3%
As a % of total debt	55.5%	53.0%	50.0%	50.3%	47.9%	49.1%	48.0%
EXTERNAL DEBT							
Bilateral	217,970	248,636	405,562	491,864	669,839.70	759,016.70	917,980.46
Multilateral	507,920	593,397	680,192	794,797.50	839,721.70	825,298.70	909,791.39
Commercial Banks	58,928	234,799	276,937	432,377	634,108.90	830,652.10	1,019,029.88
Suppliers Credits	15,207	16,452	16,628	16,628	15,303.10	16,725.20	16,931.81
Sub-Total	**800,025**	**1,093,284**	**1,379,319**	**1,735,667**	**2,158,973.4**	**2,431,692.7**	**2,863,733.54**
GUARANTEE DEBT							
Bilateral	39,667	41,278	39,495	56,487	52,728.80	56,371.20	78,078.78
Multilateral	3,870	3,943	4,439	4,044	4,667.00	4,547.30	4,603.42
Commercial	0	0	0	0	77,783.80	75,787.50	76,723.73
Sub-Total	**43,537**	**45,221**	**43,934**	**60,531**	**135,179.60**	**136,706**	**159,405.93**
Total External debt	**843,562**	**1,138,505**	**1,423,252**	**1,796,198**	**2,294,153**	**2,568,398.7**	**3,023,139.47**
As a % of GDP	18.8%	22.6%	24.4%	26.8%	30.0%	29.0%	31.8%
As a % of total debt	44.5%	47.0%	50.0%	49.7%	52.1%	50.9%	52.0%
GRAND TOTAL	**1,894,117**	**2,422,832**	**2,843,696**	**3,611,331**	**4,406,863**	**5,047,234**	**5,809,076**
Total debt As a % of GDP	42.1%	48.0%	48.8%	53.8%	57.5%	57.1%	61.1%
Memorandum item							
GDP (in Kshs million)	4,496,000	5,044,236	5,831,528	6,709,671	7,658,138	8,845,854	9,510,446

Source: *National Treasury and Central Bank of Kenya*

In nominal terms, total public debt was 61.1 per cent of GDP as at end June 2019 compared to 57.1 per cent as at end June 2018 (Table 1-2 and Fig. 1-1). This increase was as a result of public debt growing faster than the GDP. As at end June 2019 domestic debt was 29.3 per cent of GDP compared to 28.0 per cent in 2018, while external debt stood at 31.8 per cent of GDP, compared to 29.0 per cent of GDP in June 2018.

Figure 1-1: Kenya's public and publicly guaranteed debt stock: June 2013-2019 (Kshs Millions)



Source: *National Treasury and Central Bank of Kenya*

1.7. Public Debt Service

The total public debt service payments as at end June 2019 amounted to Kshs 640.829 million. The ratio of debt service to revenues was 42.8 per cent by end June 2019 compared to 33.8 per cent by end June 2018 (Table 1-3 and Figure 1-2). This was as a result of heavy external commercial debt maturing during 2018/19. The increase was largely on account of higher repayments done during the year on external syndicated debt and maturity of the 2014 debut Eurobond of USD750 million that matured in June, 2019.

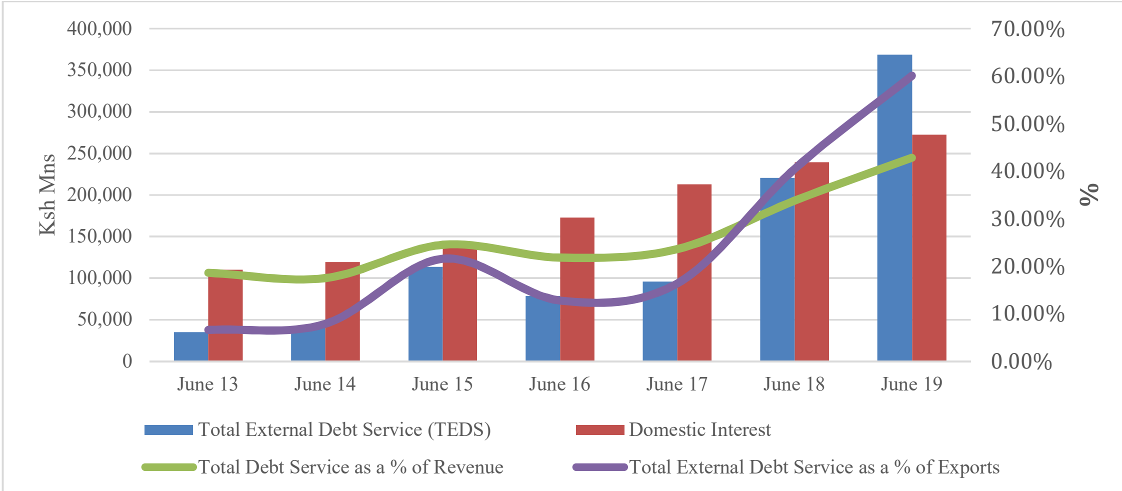
External and domestic debt service stood at Kshs 368,478 million and Kshs 272,351 million, respectively, as at end of June 2019. As a proportion of the total public debt service, external and domestic debt service was 57.5 per cent and 42.5 per cent as at end June 2019 compared to 48.9 per cent and 51.9 per cent respectively as at end June 2018.

Table 1-3: Total Public Debt Service (Kshs million)

	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19
External Principal	23,993	25,800	80,214	36,015	37,256	138,989	265,106
External Interest	11,051	15,600	33,330	42,568	58,367	81,649	103,372
Total External Debt Service (TEDS)	35,044	41,400	113,544	78,583	95,623	220,638	368,478
TEDS as a % of Total Debt Service (TDS)	24.1%	25.8%	44.8%	31.3%	31.0%	47.9%	57.5%
Domestic Interest	110,184	119,200	139,727	172,857	212,865	239,497	272,351
Domestic Interest as a % of TDS	75.9%	74.2%	55.2%	68.7%	69.0%	52.1%	42.5%
Total Debt Service (TDS)	**145,228**	**160,600**	**253,271**	**251,440**	**308,488**	**460,135**	**640,829**
Ordinary Revenue	779,436	918,990	1,031,819	1,152,972	1,306,568	1,362,786	1,496,930
Export Earnings (goods only)	528,900	523,059	524,992	615,125	583,219	544,666	612,900
Total Debt Service as a % of Revenue	18.6%	17.5%	24.5%	21.8%	23.6%	33.8%	42.8%
Total External Debt Service as a % of Exports	6.6%	7.9%	21.6%	12.8%	16.4%	40.5%	60.1%

Source: *National Treasury and Central Bank of Kenya*

Figure 1-2: Kenya Domestic and External Debt Service, (Kshs million)



Source: *National Treasury and Central Bank of Kenya*

1.8. Cost and Risk Characteristics of Public Debt

Analysis of the cost and risk indicators of the public debt indicates that annual total interest payment in 2018/19 was 3.9 per cent of GDP of which interest payment on external debt accounted for 1.1 per cent and interest payment on domestic debt accounted for 2.8 per cent. Interest cost of total debt stock was 19.1% of total revenue (Table 1-4).

The weighted average interest rate on external debt portfolio was at 4.4 percent while weighted average interest rate on domestic stock was at 11.3 percent. The weighted average interest rate of the total debt stock was 7.7 percent.

Table 1-4: Kenya Public Debt: Cost and risk indicators of existing debt, as at end FY 2018/19

Risk Indicators		External debt	Domestic debt	Total debt
Public Debt (in millions of KSHS)		**3,023,139.5**	**2,785,937**	**5,809,076.5**
Public Debt (in millions of USD)		**29,552.2**	**27,228.7**	**56,780.9**
Nominal debt as % GDP		**31.8**	**29.3**	**61.1**
NPV* of debt as % of GDP		**26.7**	**24.0**	**50.7**
Cost of debt	Interest payment as % GDP	1.1	2.8	3.9
	Interest payment as % Total Revenue	7.7	19.1	26.8
	Weighted Av. IR (%)	4.4	11.3	7.7
Refinancing risk	ATM (years)	10.1	4.7	7.4
	Debt maturing in 1yr (% of total)	12.6	42.7	27.4
	Debt maturing in 1yr (% of total revenue)	22.2	72.6	94.8
	Debt maturing in 1yr (% of GDP)	3.2	10.5	13.8
Interest rate risk	ATR (years)	9.7	4.7	7.3
	Debt re-fixing in 1yr (% of total)	22.5	42.7	32.4
	Fixed rate debt (% of total)	84.2	100.0	91.9
FX risk	FX debt (% of total debt)	52.0	0	52.0

*Net of total government deposits and public and publicly guaranteed debt.
Source: *National Treasury and Central Bank of Kenya*

The foreign exchange risk (exposure) is high since 52.0 per cent of the total debt is denominated in foreign currency. Net Present Value (NPV) of debt as a percentage of GDP was 50.7.

CHAPTER TWO
DOMESTIC DEBT

2.1 Domestic Debt Stock

Domestic debt encompasses instruments issued by the National Government in the domestic debt market and it entails total stock of Government securities (Treasury Bills and Bonds), Pre-1997 Government debt and Government Overdraft facility at the Central Bank of Kenya to be used by Government of Kenya for cash management purposes. The chapter examines the National Government domestic debt in detail.

As at end June 2019, the stock of domestic debt stood at Kshs 2,785,936 million reflecting an increase of 12.4 per cent from June 2018 position (Kshs 2,478,835 million) (Table 2-1 and Figure 2-1). The increase in the stock was as a result of net domestic borrowing of Kshs 307,101 million during the fiscal year to fund part of the approved government budget deficit.

Table 2-1: Outstanding Domestic Debt (Kshs million)

	Instrument	Jun-15		Jun-16		Jun-17		Jun-18		Jun-19	
		Kshs	% of stock	Kshs	% of stock	Kshs	% of stock	Kshs	% of stock	Kshs	% of stock
	Total Stock of Domestic Debt (A+B)	1,420,444	100	1,815,133	100	2,112,710	100	2,478,835	100	2,785,936	100
A	Government Securities(1-3)	1,381,267	97.2	1,765,688	97.3	2,101,579	99.5	2,414,388	97.4	2,702,853	97.0
1)	Treasury Bills	318,929	22.5	588,088	32.4	744,155	35.2	878,622	35.4	954,250	34.3
	Banking Institutions	217,742	15.3	382,447	21.1	436,511	20.7	502,606	20.3	598,071	21.5
	Others	101,187	7.1	205,641	11.3	307,644	14.6	376,016	15.2	356,179	12.8
2)	Treasury Bonds	1,035,662	72.9	1,152,041	63.5	1,332,418	63.1	1,511,872	61.0	1,748,603	62.8
	Banking Institutions	510,228	35.9	569,781	31.4	725,372	34.3	786,361	31.7	842,952	30.3
	Others	525,434	37	582,260	32.1	607,603	28.8	725,511	29.3	905,650	32.5
3)	Pre-1997 Government Debt	26,676	1.9	25,559	1.4	24,449	1.2	23,894	1.0	22,229	0.8
B.	Others*	39,177	2.8	49,446	2.7	11,132	0.5	64,447	2.6	60,855	2.2
	Of which CBK Overdraft	36,494	2.6	44,204	2.4	0	0	56,849	2.3	57,328	2.1

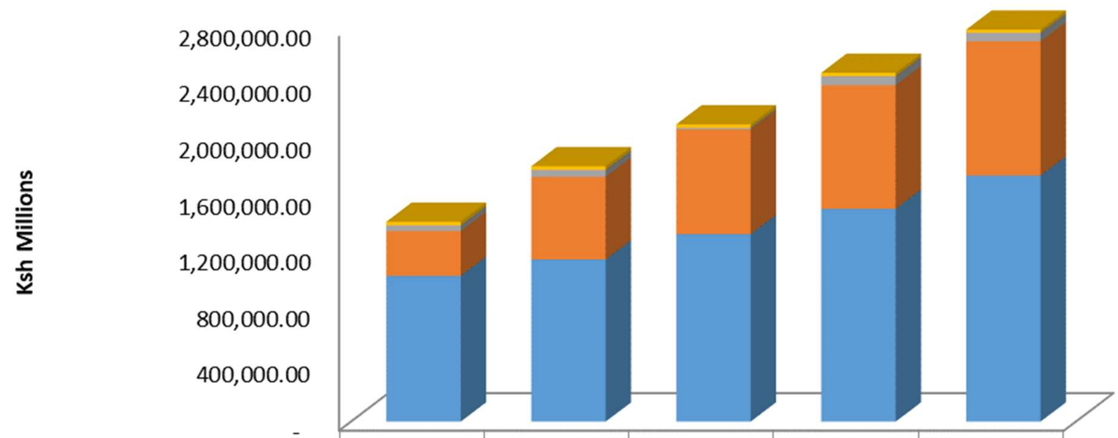
Source: Central Bank of Kenya

**Others consist of CBK Overdraft to GoK, cleared items awaiting transfer to PMG, commercial bank advances and Tax Reserve Certificates*

2.1 Domestic Debt by Instrument

Out of the total stock of domestic debt, Treasury bills and bonds accounted for 34.3 per cent and 62.8 per cent at end June 2019 compared to 35.4 per cent and 61.0 per cent respectively during a similar period in 2018 (Figure 2-1).

Figure 2-1: Stock of Domestic debt

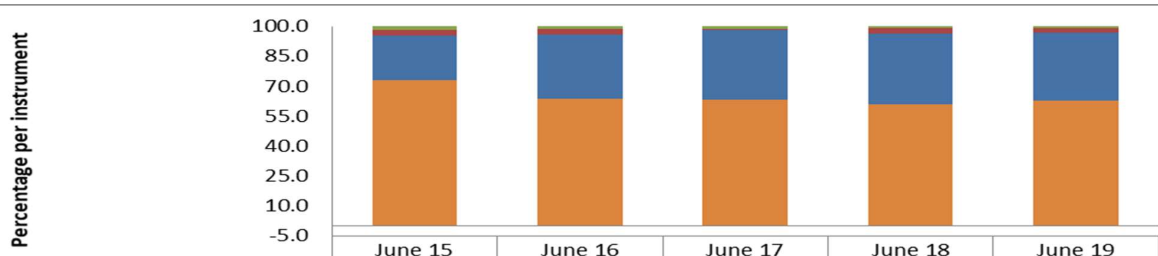


	June 15	June 16	June 17	June 18	June 19
Pre-1997 Government Debt	26,676.00	25,559.00	24,449.00	23,894.00	22,228.76
Others*	39,177.00	49,446.00	11,132.00	64,447.00	60,854.77
Treasury Bills	318,929.00	588,088.00	744,155.00	878,622.00	954,250.00
Treasury Bonds	1,035,662.00	1,152,041.00	1,332,418.00	1,511,872.00	1,748,602.57

Source: Central Bank of Kenya

During the year under review, Kshs 1,665 million was used to offset the Pre-1997 Government debt. As a result, the proportion of Pre-1997 CBK Government debt dropped to 0.8 per cent of total domestic debt by June 2019 compared to 1.0 per cent drop during a similar period in 2018.

Figure 2-2: Domestic Debt by Instrument



	June 15	June 16	June 17	June 18	June 19
Pre-1997 Government Debt	1.9	1.4	1.2	1.0	0.8
Others*	2.8	2.7	0.5	2.6	2.2
Treasury Bills	22.5	32.4	35.2	35.4	34.3
Treasury Bonds	72.9	63.5	63.1	61.0	62.8

Source: Central Bank of Kenya

2.2 Domestic Debt by Holder

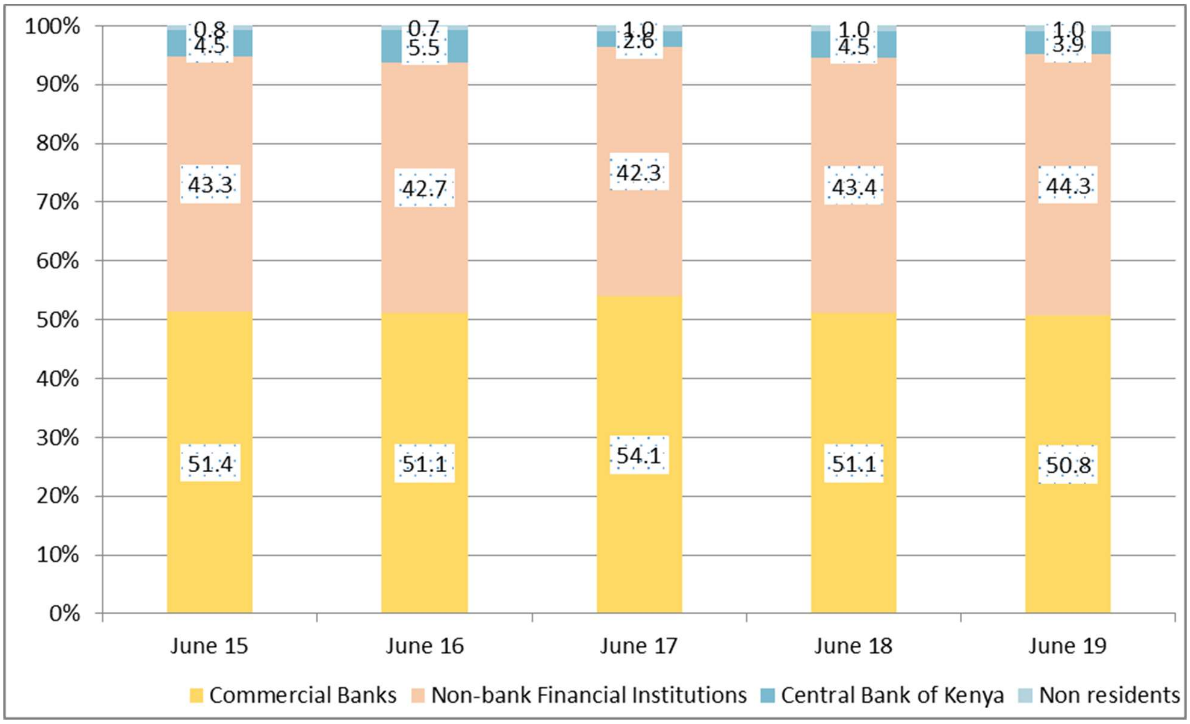
As at end June 2019, Commercial banks holdings (including Central bank Overdraft facility) of government securities in the domestic debt market declined marginally to 54.7 per cent as compared to 55.6 per cent in June 2018. On the other hand, the Non-bank (Non-residents and non-bank Financial Institutions including insurance companies, and pensions funds) holdings increased marginally from 43.4 percent as at June 2018 to 44.3 per cent as at end June 2019. The non-residents holdings remaining constant at 1.0 per cent in the same period. (Table 2-2 and Figure 2-3).

Table 2-2: **Domestic Debt by Holder (Kshs Million)**

Description		Jun-15	Jun-16	Jun-17	Jun-18	Jun-19
Banks	**Kshs**	**793,754**	**1,027,163**	**1,197,395**	**1,377,239**	**1,524,037**
	% of total	55.9	56.6	56.7	55.6	54.7
Central Bank of Kenya	Kshs	63,335	99,856	54,506	110,782	109,607
	% of total	4.5	5.5	2.6	4.5	3.9
Commercial Banks	Kshs	730,419	927,307	1,142,889	12,66457	1,414,431
	% of total	51.4	51.1	54.1	51.1	50.8
Non-banks	**Kshs**	**626,689**	**787,970**	**915,315**	**1,101,596**	**1,261,899**
	% of total	44.1	43.4	43.3	44.4	45.3
Non residents	Kshs	10,664	13,027	22,100	25,308	27,984
	% of total	0.8	0.7	1.0	1.0	1.0
Non-bank Financial Institutions	Kshs	616, 025	774,943	893,215	1,076,288	1,233,915
	% of total	43.3	42.7	42.3	43.4	44.3
Total	**Kshs**	**1,420,444**	**1,815,133**	**2,112,710**	**2,478,835**	**2,785,936**
	% of total	100	100	100	100	100

Source: *Central Bank of Kenya*

Figure 2-3: Domestic Debt by Holder



Source: Central Bank of Kenya

2.3 Total Domestic Debt by Holder

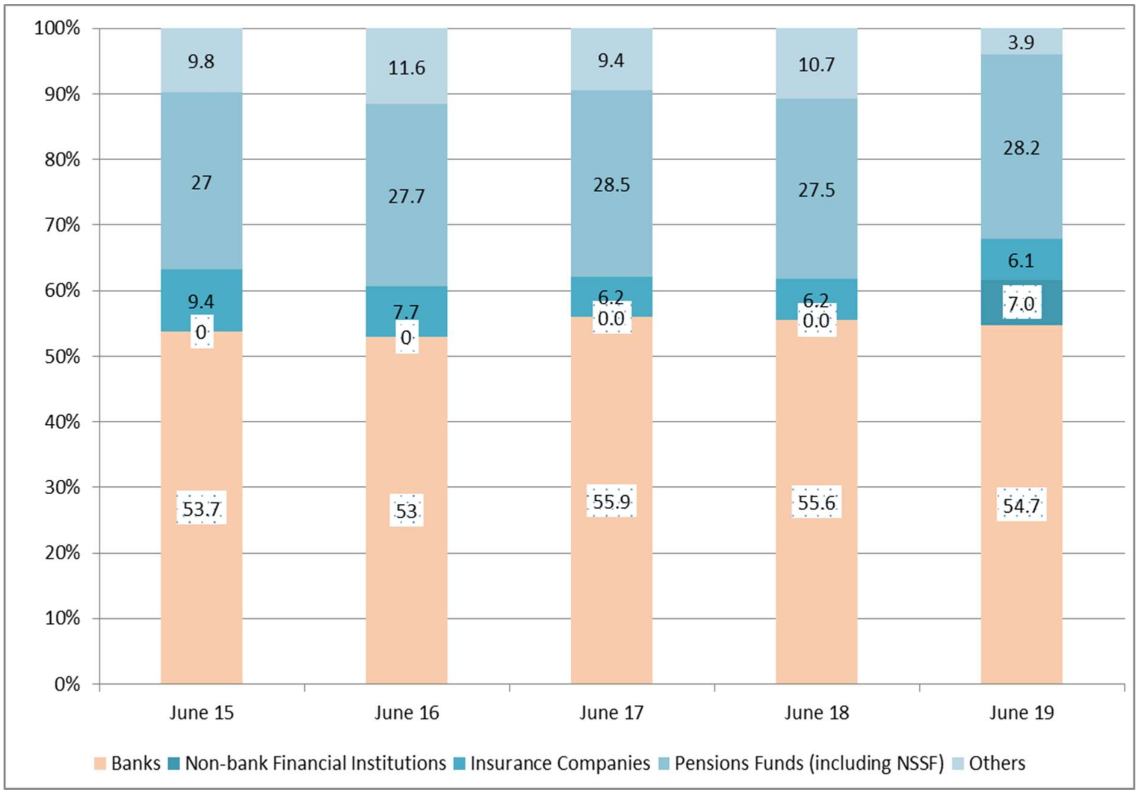
As recorded in the previous year, commercial banks maintained their dominance in the domestic government debt market, out of the total Treasury bills and bonds, commercial banks were the major holders with 50.8 per cent in June 2019 compared to 51.1 per cent in June 2018. Pensions Funds (including NSSF) accounted for 28.2 per cent of Treasury bills and bonds in June 2019 compared to 27.5 per cent in June 2018 (Table 2-3 and Figure 2-4).

Table 2-3: Outstanding Domestic Debt Stock by Holders (Kshs million)

Holder	Jun-15		Jun-16		Jun-17		Jun-18		Jun-19	
	Kshs	%	Kshs	%	Kshs	%	Kshs	%	Kshs	%
Banks	727,931	53.7	922,214	53.0	1,161,883	55.9	1,377,239	55.6	1,524,037	54.7
Non-Bank Financial Institutions (NBFIs)	320	0	183	0.0	183	0.0	183	0.0	194,782	7.0
Insurance Companies	127,889	9.4	134,392	7.7	128,570	6.2	154,509	6.2	170,833	6.1
Pensions Funds (including NSSF)	366,303	27.0	481,693	27.7	591,758	28.5	681,783	27.5	786,541	28.2
Others	132,154	9.8	201,648	11.6	194,885	9.4	265,121	10.7	109,743	3.9
Total	**1,354,597**	**100**	**1,740,130**	**53.0**	**2,077,280**	**100**	**2,478,835**	**100**	**2,785,936**	**100**

Source: Central Bank of Kenya

Figure 2-4: Outstanding Domestic Debt Stock by Holders.



Source: Central Bank of Kenya

2.4 Treasury Bills by Holder

The stock of Treasury bills increased by 8.6 per cent to Kshs 954,250 million in June 2019 from Kshs 878,622 million in June 2018. The proportion of Treasury bills held by commercial banks increased by 19.0 per cent to Kshs 598,071 million from Kshs 502,606 million during the same period (Table 2-4). Holdings by pension fund institutions decreased by 5.5 per cent while proportion held by insurance companies decreased to 1.9 per cent from 2.4 per cent during the same accounting period.

Table 0-1: Outstanding Stock of Treasury Bills by Holder (Ksh million)

Holder	Jun-15		June 16		June-17		June-18		June-19	
	Ksh M	%	Ksh M	%	Ksh M	%	Ksh M	%	Ksh M	%
Commercial Banks	217,742	68.3	361,859	61.5	436,511	58.7	502,606	57.2	598,071	62.7
NBFIs	0	0	0	0	0	0.0	0.0	0.0	0	
Insurance companies	20,849	6.5	18,356	3.1	13,747	1.8	21,172	2.4	18,225	1.9
Pensions Funds (including NSSF)	40,946	12.8	117,948	20	179,456	24.1	180,140	20.5	170,298	17.8
Others	39,392	12.4	89,924	15	114,441	15.4	174,705	19.9	167,657	17.6
Total	**318,929**	**100**	**588,088**	**100**	**744,155**	**100**	**878,622**	**100**	**954,250**	**100**

Source: *Central Bank of Kenya*

2.5 Treasury Bonds by Holder

There was notable increase in the stock of outstanding Treasury Bonds by 15.7 per cent from Kshs 1,511,873 million in June 2018 to Kshs 1,748,603 million in June 2019. The total holdings increased in nominal terms but as a percentage of the total, pension funds holding increased to 35.2 per cent from 33.2 per cent while commercial banks declined to 48.2 per cent from 52.0 per in the previous fiscal year (Table 2 5).

Table 2-5: Outstanding Stock of Treasury Bonds by Holder (Kshs million)

Holder	Jun-15		June 16		June-17		June-18		June-19	
	Kshs M	%	Kshs M	%	Kshs M	%	Kshs M	%	Kshs M	%
Commercial Banks	510,228	49.3	560,335	48.6	724,814	54.4	786,361	52.0	842,952	48.2
NBFIs	320	0	183	0	322	0.0	183	0.0	183	0.0
Insurance companies	107,040	10.3	116,035	10.1	114,673	8.6	133,337	8.8	152,608	8.7
Pensions Funds (including NSSF)	325,357	31.4	363,745	31.6	412,303	30.9	501,643	33.2	616,243	35.2
Others	92,717	9	111,723	9.7	80,306	6.0	90,348	6.0	136,616	7.8
Total	**1,035,662**	**100**	**1,152,041**	**100**	**1,332,417**	**100**	**1,511,873**	**100**	**1,748,603**	**100**

Source: *Central Bank of Kenya*

2.6 Treasury Bills and Bonds by Tenor

Analysing the total stock of Government securities, Treasury bonds accounted for a larger percentage compared to Treasury bills as at end June 2019. Bonds with tenor of 1-5 years, 6-9 years and 10 years or more accounted for 33.7 per cent, 16.7 per cent and 14.1 per cent respectively reflecting investors preference for medium to long term instruments (Figure 2-5).

Figure 2-5: Outstanding Government Securities by Tenor

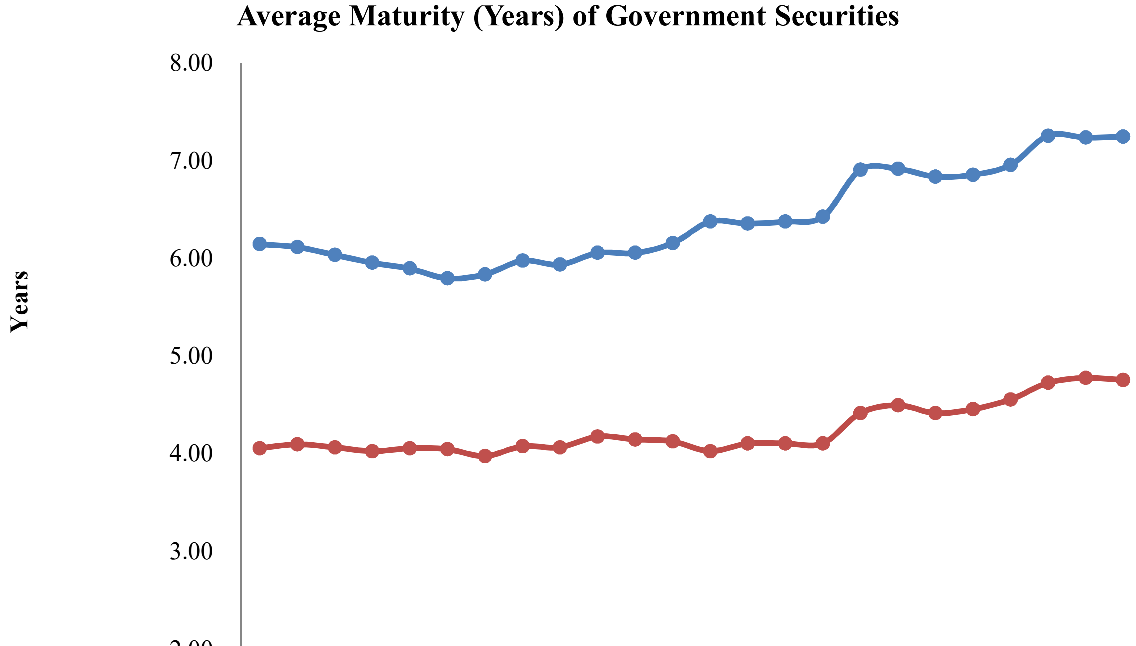
	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19
Bonds (>=10 years)	35.1	35.1	21.6	36.1	40.8	43.8	47.9
Bonds (6-9 years)	10.9	9.6	16.2	6.7	5.2	4.9	4.4
Bonds (1-5 years)	27.6	30.6	38.5	23.1	18.2	16.5	12.3
Treasury bills (<1 year)	26.4	24.7	23.7	34	35.8	34.8	35.4

Source: *Central Bank of Kenya*

2.7 Treasury Bills and Bonds by Time to Maturity

Looking at refinancing risk in terms of the average time to maturity on government paper, average maturity of all Government securities as at June 2019 was 4.76 years compared to 4.78 years in June 2018. Treasury bonds was 7.25 years which is in line with the Medium Term Debt strategy (MTDS) of issuing medium to long term bonds (Figure 2 6).

Figure 2-6: Average Time to Maturity of Government Securities



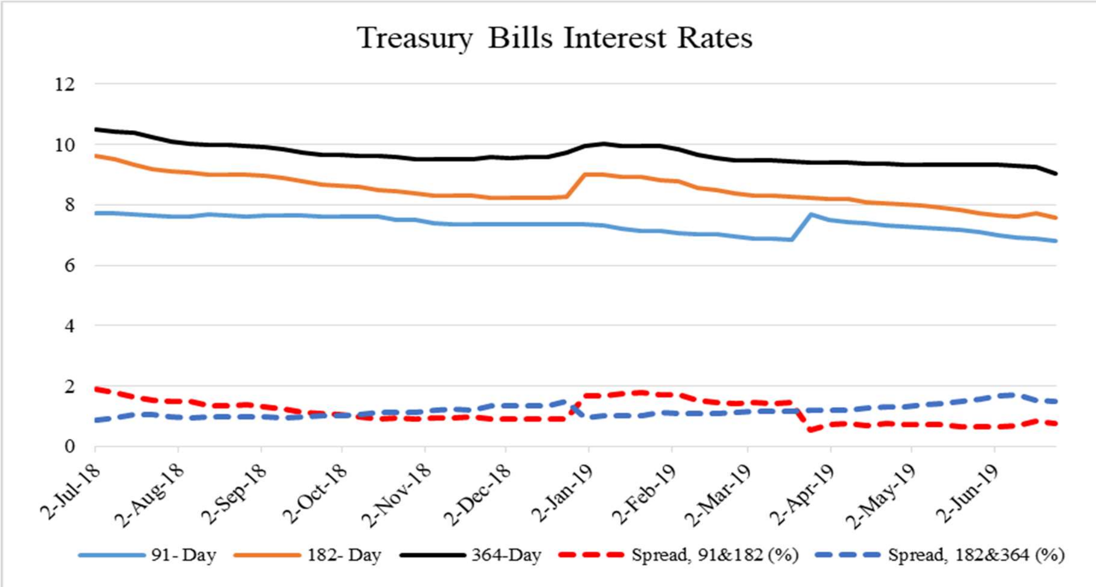
	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19
ATM* - T.bills & bonds (Years)	6.15	6.12	6.04	5.96	5.90	5.80	5.84	5.98	5.94	6.06	6.06	6.16	6.38	6.36	6.38	6.43	6.91	6.92	6.84	6.86	6.96	7.26	7.24	7.25
ATM* - T.bills & bonds (Years)	4.06	4.10	4.07	4.03	4.06	4.05	3.98	4.08	4.07	4.18	4.15	4.13	4.03	4.11	4.11	4.11	4.42	4.50	4.42	4.46	4.56	4.73	4.78	4.76

Source: *Central Bank of Kenya*

2.8 Average Interest Rates on Treasury Bills

As indicated in Figure 2-7 analysis shows a decline on the average interest rate for the 91-day, 182-day and 364-day Treasury bills by 91.9 basis points, 202.9 basis points and 143.8 basis points to 6.814 per cent, 7.578 per cent and 9.05 per cent in June 2019 from 7.733 per cent, 9.607 per cent and 10.488 per cent respectively in June 2018. However, in general Treasury bills interest rates maintained a stable stance throughout the year mainly as a result of the interest rates capping regime that has been in operation since 2016.

Figure 2-7: Treasury Bills Interest Rates

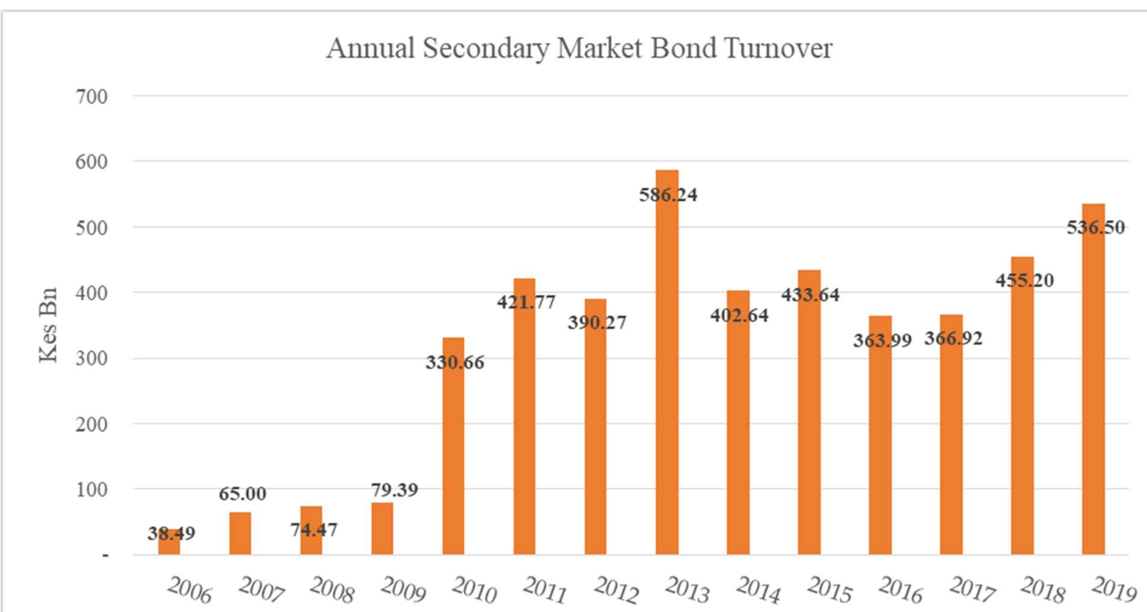


Source: *Central Bank of Kenya*

2.9 Government Securities Trading

As shown figure 2-8 secondary trading of Government bonds has shown tremendous improvement since FY 2006. Turnover was Kshs 536.5 billion in FY2019 compared to Kshs 455,201 million in FY 2018 and this is attributed to increased liquidity in the instruments issued at the primary and effects of entrenchment of interest rate caps.

Figure 2-8: Annual Treasury Bonds Trading, June 2006-June 2019



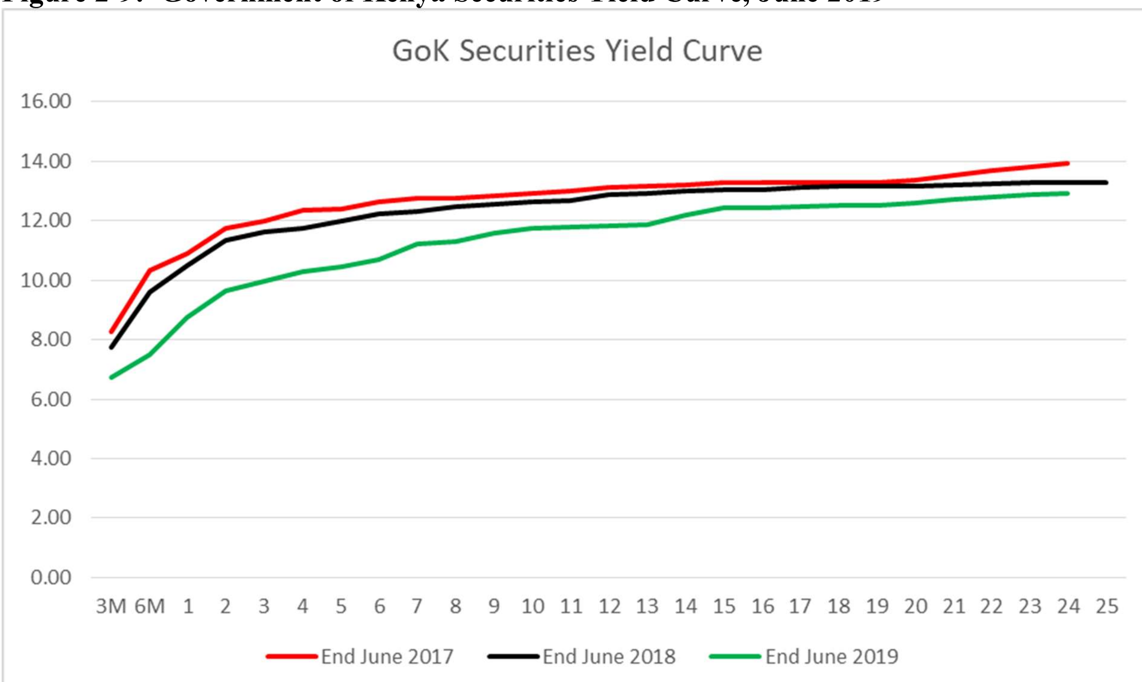
Source: *Central Bank of Kenya*

Figure 2-11 illustrate trading activity is concentrated in the medium to long segments of the yield curve with the bulk of it in benchmark maturities of 5 and 10 years. This outcome is attributed to the gains of effective implementation of the benchmark bonds and Infrastructure bonds programs as well as effects of the interest rates caps. Average maturity of all Government securities as at June 2019 was 4.76 years

2.10 Government Securities Yield Curve

The outcome of the Treasury bond auctions during the year under review, showed increased market appetite for Treasury bonds. This was as a result of stability brought about by interest rates caps as well as general market stability and competition which led to a parallel downward shift of the yield curve during the year to June 2019 from the June 2018 level (Figure 2-9) with a larger spread on the short segment than the long end, and reflecting rapid decline in the market yields (Figure 2-9).

Figure 2-9: Government of Kenya Securities Yield Curve, June 2019



Source: *Central Bank of Kenya*

Issuance of benchmark bonds for longer dated tenors has helped in reducing refinancing risks of total outstanding debt through lengthening the maturity profile. A stable and reliable yield curve provides a pricing reference to all issuers of fixed income securities.

2.11 Interest Payments on Domestic Debt

As at June 2019, the total interest payments and other charges on the overall domestic debt stood at to Kshs 272,351 million. This is an increase of Kshs 32,854 million from the previous fiscal year position (Table 2-6). Treasury bills and bonds interest payments account for 30 per cent and 68 per cent, respectively, of total domestic debt service as at end June 2019. There was a marginal decrease in the ratio of domestic interest payment to domestic revenue during the period under review but as a percentage of GDP, the ratio increased.

Table 2-6: Interest Payments on Domestic Debt (Kshs Million)

Type of Debt	June 2015	June 2016	June 2017	June 2018	June 2019
Treasury Bills	24,714	37,491	66,270	66,545	81,876
Treasury Bonds	108,948	127,496	144,566	167,030	184,771
CBK Commission	3,000	3,000	3,000	3,000	3,000
Pre - 1997 Debt	825	794	759	725	707.1
Others (Overdraft)	2,240	4,077	1270	2,197	1,996.9
Total	**139,727**	**172,857**	**212,865**	**239,497**	**272,351**
Ratios (Per cent)					
Domestic Interest/Revenue	13.5	14.9	15.2	17.6	16.8
Domestic Interest/GDP	2.4	2.6	2.8	2.7	2.9

Source: *Central Bank of Kenya*

CHAPTER THREE
EXTERNAL DEBT

3.1 Total Public Debt

Kenya's national government external debt stock stood at Kshs 2,863,733 million in June 2019 from Kshs 2,431,693 million in June 2018, a rise of 15.1 percent (Table 3.1 and Figure 3-1). Disbursements from international sovereign bond issues, commercial banks syndicated loans, multilateral and bilateral creditors as well as foreign exchange rate movements contributed to the increase.

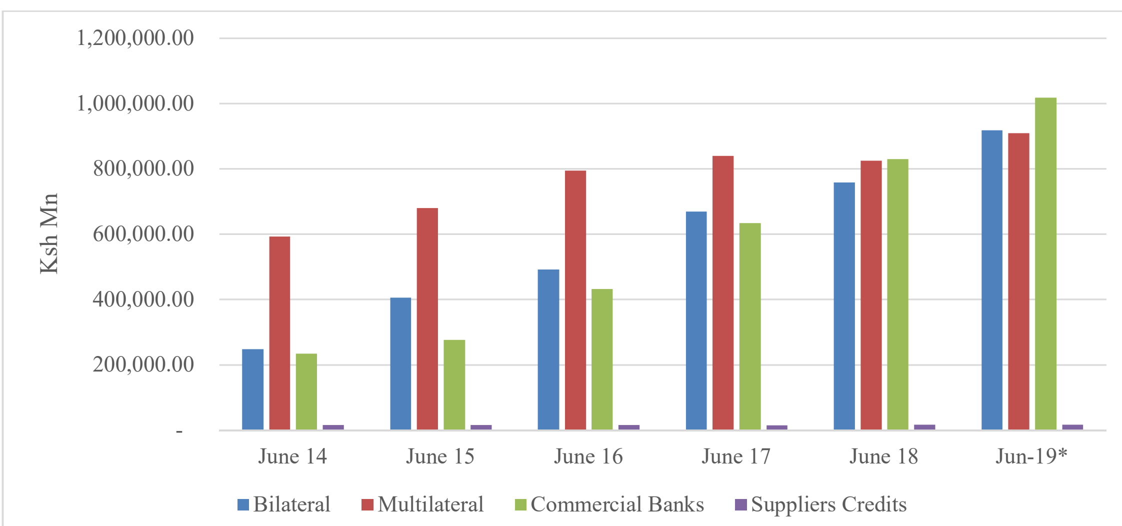
Table 3-1: External Debt by Creditor Type (Kshs Million)

Creditor type	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19*
External Debt						
Bilateral	248,636	405,562	491,864	669,840	759,017	917,980
Multilateral	593,397	680,192	794,797	839,721	825,299	909,791
Commercial Banks	234,799	276,937	432,377	634,109	830,652	1,019,030
Suppliers Credits	16,452	16,628	16,628	15,303	16,725	16,932
Sub-Total	**1,093,284**	**1,379,319**	**1,735,667**	**2,158,973**	**2,431,693**	**2,863,733**

*Provisional

Source: *National Treasury*

Figure 3-1: National Government External Debt by Creditor Type (Kshs Million)



Source: *National Treasury*

3.2 Structure of National Government External Debt

a. Classification by Creditor Category

Table 3-2: Classification by Creditor Category (percent)

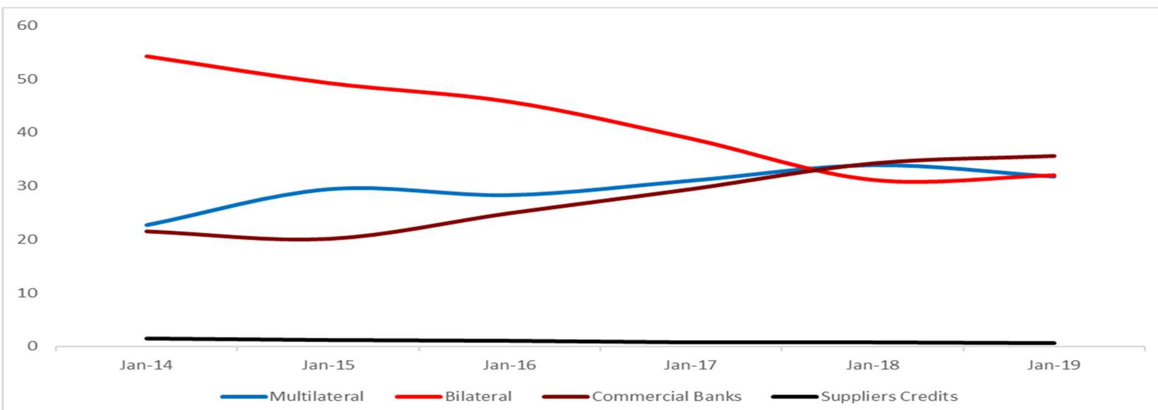
Category	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19*
Multilateral	22.7	29.4	28.3	31	33.9	31.8
Bilateral	54.3	49.3	45.8	38.9	31.2	32.1
Commercial Banks	21.5	20.1	24.9	29.4	34.2	35.6
Suppliers Credits	1.5	1.2	1	0.7	0.7	0.6

*Provisional

Source: *National Treasury*

The share of debt from bilateral creditors and commercial banks increased from 31.2 per cent and 34.2 per cent to 32.1 per cent and 35.6 per cent respectively between June 2018 and June 2019. During the same period, the share of multilateral creditors decreased to 31.8 per cent from 33.9 per cent. (Table 3-2 and Figure 3-2).

Figure 3-2: National Government External Debt by Creditor Category

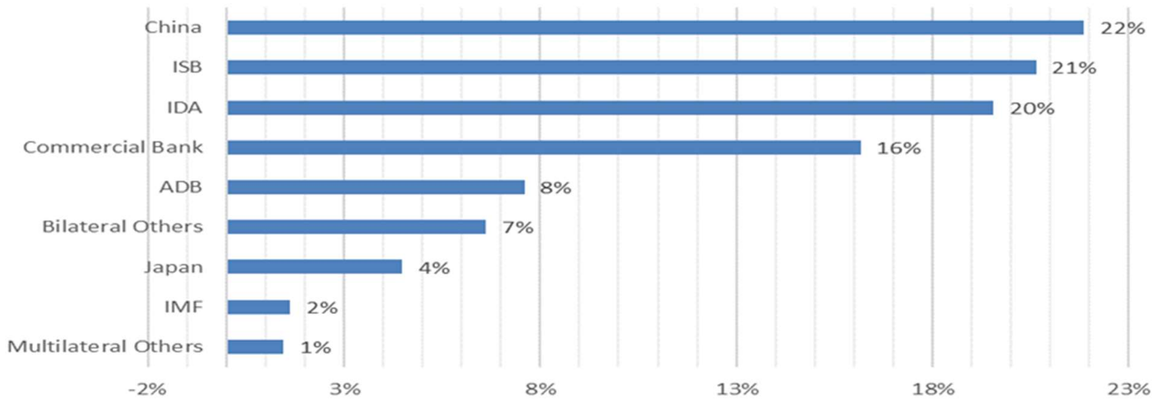


Source: *National Treasury*

b. Classification by Major Creditors

Classification by major creditors in Figure 3.3 shows that as at end June 2019, the main sources of Kenya's external debt were China, International Sovereign Bond (ISB) holders, World Bank (IDA) and Commercial Banks at 22 percent, 21 per cent, 20 per cent and 16 per cent respectively accounting for 79 percent of total external debt. Major Paris Club creditors include France, Japan, Italy, Germany and Belgium while non-Paris lenders include Saudi Arabia and Kuwait. African Development Bank and IMF are the other major multilateral creditors after the World Bank.

Figure 3-3: Classification by Major Creditors

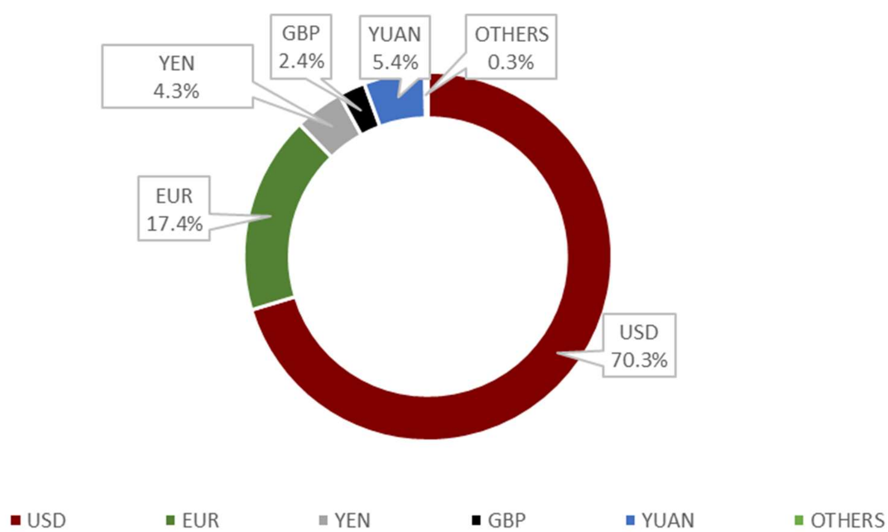


Source: *National Treasury*

c. Classification by Currency

The currency composition of external debt as at end of June 2019(Figure 3 4).shows that the United States Dollar (USD) dominates the portfolio at 70.3 per cent. Other currencies are the Euro, Chinese Yuan, Japanese Yen and the Sterling Pound (GBP) accounting for 17.4 per cent, 5.4 per cent, 4.3 per cent and 2.4 per cent respectively while other currencies accounted for 0.3 per. A diversified currency mix mitigates against exchange rate risks on external debt.

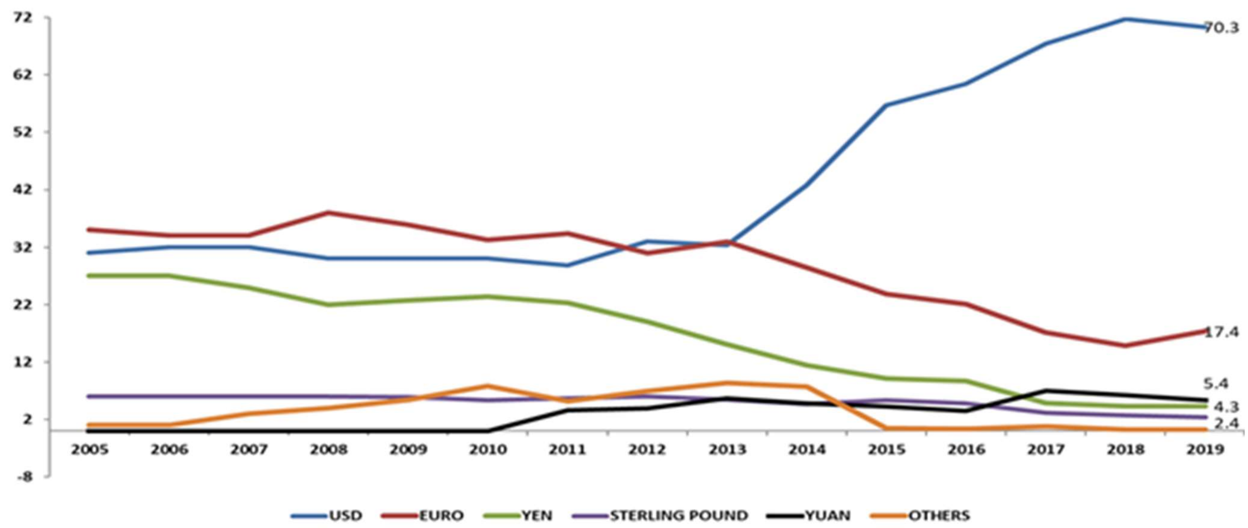
Figure 3-4: Currency composition of National Government External Debt, end June 2019



Source: *National Treasury*

It is noteworthy that the USD rise to dominance began in 2012 (Figure 3-5) mainly due to various USD denominated loans and international sovereign bonds contracted or issued during the period 2012 to 2019.

Figure 3-5: Trends in Currency Composition of External Debt



Source: *National Treasury*

3.3 Maturity Structure of external debt

Table 3-3 shows that by end of June 2019, over 75 per cent of the debt had maturity longer than 10 years and only 3 per cent had maturing within 4 years. Longer average term-to-maturity of loans minimizes refinancing risks by allowing the government more time to repay its obligations.

Table 3-3: Outstanding External Debt by Maturity Structure

Remaining Maturity	June 2012	June 2013	June 2014	June 2015	June 2016	June 2017	June 2018	June 2019
1 -4 years	6.6	7.9	14.7	8.2	11.4	15.4	6.7	2.9
5-10 years	15.8	16.9	22.9	25.5	24.7	22.5	21.9	20.7
Over 10 years	77.6	75.3	62.4	66.3	63.9	62.1	71.4	76.3

Source: The National Treasury

3.4 External Debt Service

Principal and interest payments on public external debt amounted to Kshs 368,478 million in FY2018/2019, from Kshs 219,220 million in FY2017/2018 (Table 3-4). This increase was on account of high principal payments to commercial creditors and sovereign bond holders as the five-year bond issued in 2014 matured in June 2019.

Table 3-4: External Debt Service Payments by Creditor Category (Kshs million)

Creditor		Jun-12	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19*
Multilateral	Principal	12,560	12,210	11,550	13,349	15,424	15,821	16,205	17,786
	Interest	3,781	3,702	5,580	4,881	5,641	5,764	6,038	7,422
	Sub Total	**16,341**	**15,912**	**17,130**	**18,230**	**21,065**	**21,585**	**22,243**	**25,208**
Bilateral	Principal	11,394	11,783	13,419	13,097	19,789	19,329	21,357	30,119
	Interest	3,570	5,012	6,640	10,574	15,270	22,613	30,255	33,379
	Sub Total	**14,964**	**16,795**	**20,059**	**23,671**	**35,059**	**41,942**	**51,613**	**63,498**
Commercial	Principal	0	0	831	53,768	802	771	100,083	217,201
	Interest	0	2,337	3,380	17,875	21,657	29,882	45,281	62,571
	Sub Total	**0**	**2,337**	**4,211**	**71,643**	**22,460**	**30,653**	**145,364**	**279,772**
Grand Total	Principal	23,954	23,993	25,800	80,214	36,015	35,921	137,645	265,106
	Interest	7,351	11,051	15,600	33,330	42,568	58,259	81,574	103,372
	Total	**31,305**	**35,044**	**41,400**	**113,544**	**78,583**	**94,180**	**219,220**	**368,478**
Percentage Distribution									
Multilateral		52.20%	45.40%	41.40%	16.10%	26.80%	22.60%	10.10%	6.84%
Bilateral		47.80%	47.90%	48.50%	20.80%	44.60%	45.40%	23.54%	17.23%
Commercial		0.00%	6.70%	10.20%	63.10%	28.60%	32.10%	66.10%	75.93%
Total		100.00%	100.00%	100.00%	100.00%	100.00%	100. %	100.00%	100.00%

*Provisional

Source: The National Treasury

3.5 Average Terms of New External Loan Commitments

The average maturity, grace period and average interest rate on new external loan commitments at end of June 2019, were 15 years, 6 years and 4 per cent respectively (Table 3-5). These are favourable borrowing terms and are in line with the Government's external debt strategy of contracting loans on highly concessional or "soft" terms. However, the new terms indicate increased commercial terms of loan terms partly attributed to Kenya's reclassification from low income to lower middle-income country. Average maturity is one of the measures of refinancing risk and The National Treasury will strive to lengthen time to maturity in line with its Medium Term Debt Strategy to reduce refinancing risk.

Table 3-5: Average Terms of New External Loan Commitments

Terms	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19
Average Maturity (years)	26.3	33.7	18.1	21.0	20.3	17.6	20.8	15.3
Grace Period (years)	6.2	8.0	6.2	6.4	6.2	4.5	10.3	5.6
Average Interest Rate (%)	0.8	1.2	2.6	2.5	2.6	2.6	3.9	3.9

Source: *National Treasury*

3.6 External Loans Disbursements

Disbursements on external project loans and A-I-A grew by 54 per cent to Kshs 680,759 million at end June 2019 from Kshs 441,086 million in June 2018 mainly due to increased disbursements for infrastructure projects. The main increase is from commercial sources (Table 3-6).

Table 3-6: External Loans Disbursements (Kshs million)

Type of disbursement	Jun-15		Jun-16		Jun-17		Jun-18		Jun-19	
	Kshs M	**%**	**Kshs M**	**%**	**Kshs M**	**%**	**Kshs M**	**%**	**Kshs M**	**%**
Project Cash Loans	8,600	2.8	43,654	14.3	30,908	7.3	24,214	5.5	41,681	6.1
Project loans A-I-A	151,400	49.6	55,369	18.2	86,322	20.5	162,872	36.9	100,622	14.8
Project loans A-I-A, SGR	-	-	52,357	17.2	111,367	26.4	54,000	12.2	35,201	5.2
Project loans A-I-A, SGR Phase 2A	-	-	-	-	-	-	-	-	44,759	6.6
Commercial Financing	145,000	47.5	145,031	47.6	186,303	44.2	200,000	45.3	373,712	54.9
Programme loans	-	-	8,574	2.8	6,767	1.6	-	-	84,784	12.5
Total	**305,000**	**100**	**304,986**	**100**	**421,667**	**100**	**441,086**	**100**	**680,759**	**100**

Source: The National Treasury

3.7 Publicly Guaranteed Debt

Publicly guaranteed debt refers to the debt held by county governments or national government public entities owed to foreign and local creditors but guaranteed by national government. The debts may be denominated in foreign or domestic currency. County governments can only borrow with a national government guarantee. As at end June 2019, only government public entities held external guaranteed debt as the national government had not guaranteed any county government debt.

a. Stock of Publicly Guaranteed Debt

The total outstanding Government guaranteed debt increased by Kshs 22,701 million to Kshs 159,406 million by June 2019 from Kshs 136,705 million at end June 2018 (Table 3-7). The increase is attributed to new disbursements and movements in foreign exchange rates.

Table 3-7: Stock of Publicly Guaranteed External Debt by Creditor Category

Creditor Category	Jun 13	Jun 14	Jun 15	Jun 16	Jun 17	Jun 18	Jun 19
Commercial	-	-	-	-	77,784	75,787	76,724
Bilateral	39,667	41,278	39,495	56,487	52,729	56,371	78,079
Multilateral	3,870	3,943	4,439	4,044	4,667	4,547	4,603
Total	**43,537**	**45,221**	**43,934**	**60,531**	**135,180**	**136,705**	**159,406**

*Provisional
Source: National Treasury

b. Payments by the Government on Publicly Guaranteed Debt

During the FY 2018/2019, Government paid Kshs 1,374 million as called up guaranteed debts owed by public enterprises that were in financial distress (Table 3-8). East Africa Portland Cement (EAPC), Tana and Athi River Development Authority (TARDA), and Kenya Broadcasting Corporation (KBC) account for 25.6 per cent, 20.5 percent, and 53.9 per cent, respectively, of the payments made in 2018/19.

Table 3-8: Payments by the Government on Guaranteed Debt (Kshs million)

Year	Borrower	Quarter I	Quarter II	Quarter III	Quarter IV	Total
2014/15	CCN	39	-	40	-	79
	TARDA	142	-	130	-	273
	KBC	-	325	-	339	664
	Total	181	325	170	339	1,015
2015/16	CCN	-	-	-	-	-
	TARDA	148	-	149	-	297
	KBC	-	356	-	398	753
	Total	148	356	149	398	1,050
2016/17	EAPC	-	199	188	-	387
	TARDA	164	-	146	-	309
	KBC	-	366	-	382	747
	Total	164	565	333	382	1,443
2017/18	EAPC	187		192		379
	TARDA	147		154		301
	KBC		369		370	739
	Total	334	369	346	369	1,419
2018/19	EAPC	176		176		352
	TARDA	140		142		282
	KBC		359		381	740
	Total	316	359	318	381	1,374

Source: *National Treasury*

The PFM Act, 2012 Section 61 and PFM Regulations Section 201 require that any money paid by the National Treasury in respect of a guarantee shall be a debt to the national government by the entity and is recoverable from the borrower whose loan was guaranteed.

3.8 Disputed External Commercial Debt

Kenya's debt register has disputed external commercial debt estimated at Kshs 16,932 million or 0.2 per cent of total public debt as at end June 2019. In August 2004, the Government suspended payments pending verification of the amount due on eighteen (18) suppliers' credit contracts, which constitutes the disputed external commercial debt.

Soon after the suspension, the Controller and Auditor General undertook a special audit on the contracts. In February 2005, the Ethics and Anti-Corruption Commission (EACC) began investigations on these contracts.

c. Audits on External Commercial Debts

The Controller and Auditor General's Special Audit Report was tabled in Parliament in May 2006. The findings indicated that procurement laws and regulations had been violated in the contracting process, that the projects were overpriced and in most cases, no credit was extended by the creditors. The Report recommended that professional valuation of works, goods and services be carried out to determine value for money.

In January 2007, the National Treasury contracted PricewaterhouseCoopers (PwC) to conduct forensic audit and valuation. PwC submitted the forensic audit and valuation report on 31st July, 2007. The PwC Report established that those contracts were procured in an irregular manner and that the pricing, financing, and other terms of the contract do not reflect terms obtainable on arm's length commercial transactions.

Specifically, the PwC Report cited:

i) Significant overpricing
ii) Serious contraventions of Kenya public expenditure law
iii) Circumstantial evidence that these contracts were corruptly procured
iv) Evidence of pre-financing (i.e. upfront payments) by the Government but paying interest on own funds.
v) Under-delivery of supplies provided under the contracts

As a precautionary measure, the Government sought to eliminate financial risk exposure on Promissory Notes issued under seven (7) contracts and the Minister for Finance, in consultation with the Attorney General, issued a Caveat Emptor in December 2007 informing all parties that the underlying contracts were fraudulent and hence the Promissory Notes were illegal and the Government would not honor them. The Caveat Emptor was circulated to banks worldwide through Society for Worldwide Interbank Financial Telecommunication (SWIFT) and placed in the local dailies.

d. Resolution strategy

Since 2008, government has been able to reach negotiated settlements on three contracts and mediation resolved two contracts. In four contracts where funds paid were refunded, or the execution of the projects had not commenced, the contracts were cancelled. Three contracts were fully paid. This leaves six contracts to be addressed where the Government has claims against the creditors and recovery proceedings have been initiated by the Attorney General's Office in collaboration with EACC. There are on-going civil and criminal court cases against the creditors.

e. Lessons Learnt from External Commercial Debt

Some key lessons have been learnt on this matter. These include: one, inadequate public financial management system, weakened budget formulation and implementation.

Secondly, weak institutional arrangement for public debt management undermined accountability and transparency in the contracting, disbursement and payment processing of external loans.

Third, weak legal framework on public procurement permitted single sourcing on account of national security concerns. Whereas restricted tendering system or single sourcing is not illegal per se, it has been found that it can be subject to abuse in absence of robust framework of checks and balances.

These weaknesses have been addressed through strict adherence to the Public Financial Management Act, 2012 and Public Financial Management Regulations 2015 coupled with multi agency consultations and due diligence during the procurement and contract negotiations of security related contracts.

CHAPTER FOUR

ON-LENT LOANS

4.1 Introduction
The National Treasury has been contracting loans from either external or domestic sources for on-lending to State Corporations. This arrangement takes into account the following considerations:

i. The strategic role played by the state corporation,

ii. the balance sheet of state corporation and the inability to attract competitive funding, and

iii. Is performing a social project that would be more efficiently executed on behalf of the Government.

4.2 Stock of On-Lent Loans

The Outstanding debt stock for all on-lent loans to State Corporations stood at Kshs 797,847 million as at the end June 2019 with a marginal decline by Kshs 25,331 from Kshs 823,178 translating to 3.08 per cent rise as shown in (Table 4-1).

Table 4-1: Stock of On-Lent Loans in (Kshs million)

Sector	June 2016	June 2017	June 2018	June 2019
Education	11,108	11,108	11,089	11,088
Finance	1,236	3,868	3,050	3,243
Water and Irrigation	56,251	61,782	105,069	79,174
Tourism	181	188	175	175
Energy and Petroleum	123,133	212,493	187,502	185,155
Transport and Infrastructure	363,179	501,383	500,180	475,695
Planning and Devolution	8,757	8,877	8,069	350
Agriculture, Livestock and Fisheries	7,241	10,286	7,568	4,586
Trade and Industry	454	457	457	2,140
Cooperative	729	931	476	402
Total	**572,249**	**811,372**	**823,178**	**797,847**

Source: *National Treasury*

4.3 On-Lent Loans (including Arrears)
The end June 2019 on-lent loan arrears including the outstanding principal stock was Kshs 57,309 million of which the outstanding stock, principal arrears and accrued interest accounted for Kshs 15,063 million, Kshs 15,697 million and Kshs 27,073 million, respectively (Table 4-2).

Table 4-2: On-Lent Loans (including Arrears) as at June 2019 (Kshs million)

Ministry/Sector	Outstanding loans	Principal Arrears	Accrued interest	Total
Finance	148	148	74	370
Education	169	169	32	370
Tourism	128	128	556	288
Water & Irrigation	87	214	-	301
Energy & Petroleum	-	-	-	-
Transport and Infrastructure	-	-	1,641	1,641
Trade and Industry	2,552	2,614	33	5,199
Cooperative	-	-	-	-
Planning & Devolution	7,973	8,418	14,391	30,782
Agriculture, Livestock & Fisheries	4,006	4,006	10,346	18,358
Total	**15,063**	**15,697**	**27,073**	**57,309**

Source: *National Treasury*

4.4 Repayment from On-Lent Loans

The Government received Kshs 5,096 million from on-lent loans during the FY2018/2019 out of which Kshs 2,919 million was principal and Kshs 2,177 million was interest (Table 4-3).

Table 4-3: Receipts from On-Lent Loans, by End June 2019 (Kshs million)

Organization	Principal receipts	Interest Receipts	Total
Co-operative Bank Ltd	74,101,758.00	12.110.186.80	86,211,944.80
Eldoret Water & Sewerage Co Ltd	22,496,364.00	0	22,496,364.00
Equity Bank Ltd	45,163,371.10	5,926,113.90	51,089,485.00
Faulu Micro Finance Bank Ltd	39,261,444.40	8,343,057.30	47,604,501.70
Kenya Airport Authority	197,305,296.60	95,523,350.60	292,828,647.20
Kenya Civil Aviation Authority	63,841,979.60	113,555,436.45	177,397,416.05
Kengen	1,012,981,337.60	1,619,400,436.35	2,632,381,773.95
Kenya Power & Lighting Co	1,333,262,124.75	274,292,840.25	1,607,554,965.00
Kenya Women Micro Bank Ltd	40,222,388.50	8,547,257.80	48,769,646.30
Nyeri Water & Sewerage	50,417,076.00	17,330,869.00	67,747,945.00
Rafiki Micro- Finance Bank ltd	18,588,763.80	3,943,737.35	22,532,501.15
Rift valley water service board	1,800,000.00	8,000,000.00	9,800,000.00
SMEP	19,759,277.80	4,198,847.20	23,958,125.00
Athi water service board	0	6,440,000.00	6,440,000.00
Total	**2,919,201.15**	**2,177,612,133.00**	**5,096,813,315.15**

CHAPTER FIVE
FISCAL COMMITMENTS AND CONTINGENT LIABILITIES

5.1 Recognizing Potential Fiscal Risks

The Government has embarked on innovations in financing infrastructure development through non-debt financing models such as Public Private Partnerships (PPP). However, these innovations have the ability to increase fiscal commitments and create contingent liabilities.

Through the Public Private Partnership (PPP) initiatives, the private sector has been facilitated to mobilize financing to implement projects that would have been otherwise undertaken by the Government. The PPP initiative has been used in the energy sector to finance Independent Power Producers (IPP).

Instruments of support and credit enhancement measures for the PPP framework include project development funding, availability payments, upfront capital grants, operational grants, revenue guarantees, Partial Risk Guarantees (PRG), etc.

The support provided by Government include issuance of Letters of Support[2] to protect the investors from political events. In the event of termination of a PPP due to a political event, the Government may be liable to compensate all or part of the materialized risks. To ensure approval of, and fiscal accountability in the management of, financial and any other form of Government support granted in the implementation of the country's PPP program, the PPP Committee has adopted a Fiscal Commitment and Contingent Liability (FCCL) Management Framework.

5.2 Relationship between PPP Unit and PDMO

The National Treasury through the Directorate of Public Debt Management Office (PDMO) of the National Treasury is responsible for mandatory evaluation of all proposed PPP projects for financial risks and contingent liabilities as a condition of project approval. Other functions of PDMO in relation to PPP projects include:

a) Confirmation of initial approval at feasibility stage based on preferred submission and final negotiated project structure;
b) Regular monitoring of all support measures for any amendment(s) or variation(s) to a project agreement's terms and conditions, project outputs or any waivers in the project agreement.

All guarantees and other security instruments provided under the PPP, together with all other contingent liabilities are integrated into the debt management framework. The National Treasury routinely assess contingent liabilities and is establishing systems for monitoring these projects with a view of ensuring continuous risk management, disclosure and reporting of all fiscal risks associated with PPPs. In addition, as part of increasing accountability and transparency within the PPP.

To mitigate the FCCL risks, the PPP Project Facilitation Fund (PFF), a revolving fund was established under the PPP Act to provide good governance framework to manage direct liabilities and contingent liabilities once it is operational. In addition, the monitoring function under both the

[2] These are actions or inaction of Government or any Governmental Authority which adversely and materially affects the operations of the PPPs.

PPP Unit and the PDMO of PPP project implementation is being strengthened through ongoing consultancy to provide an early warning system so as to cushion Government against any fiscal surprises.

CHAPTER SIX
PUBLIC DEBT MANAGEMENT STRATEGY AND DEBT SUSTAINABILITY

6.1 Public Debt Management Strategy

a. The Medium Term Debt Management Strategy

The Kenya Government through the National Treasury prepares the Medium-Term Debt Management Strategy (MTDS) in line with section 33 of the Public Finance Management Act (PFMA), 2012. The objective of Public debt management strategy are: (a) to minimize the cost of public debt management and borrowing over the long-term taking account of risk; (b) to promote the development of the market institutions for Government debt securities; and (c) to ensure the sharing of the benefits and costs of public debt between the current and future generations.

The FY 2018/2019 the Government's debt management strategy was to borrow 57 per cent of its financing needs from external sources focusing on medium term instruments and 43 per cent from domestic sources in gross terms. External borrowing is composed of 23 per cent concessional, 12 per cent semi concessional and 22 per cent on commercial terms. This strategy was arrived at after considering alternatives as presented in Box 1 below.

Box 1: FY 2018/19 MEDIUM TERM DEBT MANAGEMENT STRATEGY (MTDS) FORMULATION PROCESS (ALTERNATIVE BORROWING STRATEGIES & IDENTIFICATION OF OPTIMAL STRATEGY)

I. Alternative Borrowing Strategies

The FY 2018/19 MTDS evaluated the following four (4) possible debt financing strategies (Table 6-1):

Strategy 1 (S1): This strategy represented FY2017/18 borrowing mix, and was referred as the baseline strategy. Under the strategy, the fiscal deficit was to be met by borrowing from domestic and external borrowing. The composition was to be achieved by external commercial borrowing of US$ 2.79 billion in FY2018/19 and US$ 0.97 billion FY2019/20, in addition to the contracting of credit from concessional sources. On the domestic front, the objective was to lengthen the maturity profile of domestic debt by reducing the share of T-Bills in total net domestic financing ratio of 35:65 strategy as at June 2018. In a three-year period, the share of T-Bills in net domestic financing was to decrease to a level around 13 percent in 2020/21 from the current level of 35 percent.

Strategy 2 (S2): More domestic borrowing each year. This strategy increased the size of domestic borrowing by increasing the amounts to be issued in the domestic market as compared to S1. The increase in the amounts was meant to improve liquidity in the market and help develop domestic debt market.

Strategy 3 (S3): Increased issuance of domestic medium to long- term debt. As opposed to S2, this strategy increased the quantum on external borrowing while the domestic issuance was concentrated on the medium to long term tenors. This was aimed at reducing the refinancing risks associated with the short-term debt and also improving trading in the secondary market through increased volumes.

Strategy 4 (S4): Commercial borrowing. This strategy assumed accelerated borrowing from international capital markets or other commercial sources, while maintaining presence in the domestic market through sustained issuance of T bills and T-Bonds.

Table 6-1: Composition of Debt by Instrument under Alternative Debt Management Strategies as at end FY2018/19 (in per cent of outstanding portfolio)

Envisaged New debt	*2018/19 MTDS* *Existing debt*	S1	S2	S3	S4
Domestic	**50**	**43**	**51**	**44**	**41**
Treasury Bills	16	13	14	10	14
Treasury Bonds	33	30	37	34	27
External	**50**	**57**	**49**	**56**	**59**
Concessional	19	23	21	22	18
Semi-concessional	6	12	8	12	5
Commercial	25	22	20	22	36

FY 2018/19 MTDS

After a comprehensive analysis of all strategies, consequent the strategy 1 was identified as the optimal strategy which entails: 57 per cent external borrowing and 43 per cent domestic borrowing to finance the national government budget in gross terms. On the external debt, concessional is proposed at 23 per cent, semi-concessional 12 per cent and commercial 22 per cent; and on domestic side, issuance of long term instruments (more borrowing through medium term to long term treasury bonds and less through treasury bills) was recommended.
Source: *FY 2018/19 MTDS, National Treasury*

b. Implementation of the FY 2018/19 MTDS

As shown in Table 6-2, there were deviations of actual financing mix outturn compared to MTDS plan in FY2018/19.

Table 6-2: Planned Net Financing under MTDS and Actual Outturn (Per cent)

Financing source		2015/16	2016/17	2017/18	2018/19*
External	MTDS	45	60	60	57
	Actual	61	55	55	58
	Deviation	**-16**	**5**	**5**	**-1**
Domestic	MTDS	55	40	40	43
	Actual	*39*	45	45	42
	Deviation	**16**	**-5**	**-5**	**1**

*provisional
Source: *National Treasury*

6.2 Debt Sustainability

The Kenya Government through the National Treasury endeavours to maintain public debt and obligations at sustainable levels in line with section 15 (2) (d) of the Public Finance Management

(PFM) Act 2012. Public debt sustainability is the ability of a country to service its debt obligations as they fall due without disrupting its budget implementation.

In the Debt Sustainability Framework (DSF), countries are classified into one of three policy performance categories (Strong, Medium, and Poor) using the World Bank's Country Policy and Institutional Assessment (CPIA) index which uses different indicative thresholds for debt burdens depending on the quality of a country's policies and institutions. Kenya is rated a strong policy performer and being a lower middle-income country it is subject to public debt sustainability threshold of maximum of 70 percent Present Value of Debt/GDP.

c. Kenya's External Debt

Under the baseline scenario, Kenya's debt ratios listed in Table 6-3 indicates that external debt is within sustainable levels. The debt sustainability indicators show that Kenya faces a moderate risk of external debt distress. This is attributed to the high level of concessionality of current external debt and the positive outlook in other macroeconomic indicators. Debt sustainability is a forward looking assessment over the long term (20 years). All external debt sustainable ratios are projected to remain within sustainability thresholds.

Table 6-3: Kenya's External debt sustainability

Indicators	Thresholds	2017	2018	2019	2020	2021
PV of debt–to-GDP ratio	**55**	25.9	31.4	32.3	29.1	25.6
PV of debt-to-exports ratio	**240**	165.4	191.1	191.4	168.5	146.9
PPG Debt service-to-exports ratio	**21**	16.5	19.9	26.2	25.6	24.9
PPG Debt service-to-revenue ratio	**23**	13.3	16.2	21.6	22.0	21.6

Source: IMF Country Report No. 18/295, October 2018

d. Total Public Debt

Kenya's total public debt sustainability threshold on PV of Debt/GDP is 70 percent[3]. Kenya's total public debt as a proportion of GDP peaked in 2018 (Table 6-4) and is projected to gradually decrease over the medium term.

Indeed, total public debt as a proportion of GDP remains well below the Lower-Middle Income country debt sustainability benchmark of 70 percent to GDP in PV terms.

Table 6-4: Public debt sustainability

Indicator	Threshold	2017	2018	2019	2020	2021	2022
PV of public sector debt to GDP ratio	**70**	55.4	60.6	59.9	56.9	54.3	53.1

Source: IMF Country Report No. 18/295, May 2018

[3] The EAC public debt convergence criterion for PV of Debt/GDP is 50 percent.

Overall, debt sustainability analysis indicates that public sector debt continues to be sustainable although Kenya's current external debt risk of distress categorization has moved from low to moderate.

CHAPTER SEVEN
OUTLOOK FOR THE MEDIUM TERM

7.1 Public Debt Stock in the Medium Term

The total public debt in nominal terms was Kshs 5,809,074 million as at end June 2019 and is projected to increase to Kshs 6,254,500 million by June 2020 (Table 7-1). However, as a proportion of nominal GDP, public debt is projected to decrease to 49.2 per cent in June 2023 from 61.1 per cent in June 2019.

As a proportion of GDP, external public debt is projected to decrease to 25.1 per cent in June 2023 from 31.8 cent in June 2019. The domestic debt will decrease to 24.1 per cent in June 2023 from 29.3 per cent in June 2019.

Table 7-1: Projected Public Debt Stock in (Kshs million)

	2018/19	2019/20	2020/21	2021/22	2022/23
External Debt	3,023,138	3,188,100	3,472,400	3,699,500	3,945,100
% of GDP	31.8%	29.6%	28.5%	26.8%	25.1%
Domestic Debt	2,785,936	3,066,400	3,283,700	3,522,600	3,784,700
% of GDP	29.3%	28.5%	27.0%	25.5%	24.1%
Total Public Debt	**5,809,074.00**	**6,254,500.00**	**6,756,100.00**	**7,222,100.00**	**7,729,800.00**
% of GDP	61.1%	58.1%	55.5%	52.3%	49.2%
Memoranda items					
Nominal GDP	**9,510,446.46**	**10,765,655.37**	**12,168,830.87**	**13,807,522.01**	**15,696,500.84**

Source: *National Treasury, BPS 2019*

7.2 Debt Service in the Medium Term

In nominal terms, the total debt service as a proportion of revenue is projected to decrease to 26.3 per cent in 2022/23 from 38.9 per cent in 2018/19 (Table 7-2). As a percentage of GDP, total debt service is projected to decrease to 4.7 per cent in 2022/23 from 6.8 per cent in 2018/19.

Domestic interest is projected to increase to Kshs 287,800 million in 2019/20 from Kshs 277,351 million in 2018/19. However, as a percentage of revenue, domestic interest is projected to decrease to 15.3 per cent in 2019/20 from 16.8 per cent in 2018/19.

As a ratio of GDP, domestic interest will decrease to 2.4 per cent in 2022/23 from 2.9 per cent 2018/19.

Interest on external debt is projected to increase to Kshs 138,500 million in 2019/20 from Kshs 103,572 million in 2018/19. As a ratio of GDP, interest on external debt will rise to 1.3 per cent in 2019/20 from 1.1 per cent in 2018/19. This is as a result of lower maturities in 2019/20 compared to 2018/19.

Principal repayments on external debt is projected to decrease to Kshs 131,382 million in 2019/20 from Kshs 266,241 million in 2018/19. As a ratio of GDP, the external repayments will decrease to 1.2 per cent in 2019/20 from 2.8 per cent in 2018/19.

Table 7-2: Projected Debt Service (Kshs million)

	2018/19	2019/20	2020/21	2021/22	2022/23
Domestic Interest	272,351	287,800	315,000	359,400	374,400
% of GDP	2.9%	2.7%	2.6%	2.6%	2.4%
% of Revenue	16.5%	15.3%	14.7%	14.6%	13.4%
External Interest	**103,572**	**138,500**	**145,900**	**148,200**	**156,600**
% of GDP	1.1%	1.3%	1.2%	1.1%	1.0%
% of Revenue	6.3%	7.4%	6.8%	6.0%	5.6%
Total Interest	**375,923**	**426,300**	**460,900**	**507,600**	**531,000**
% of GDP	4.0%	1.3%	1.2%	1.1%	1.0%
% of Revenue	22.8%	7.4%	6.8%	6.0%	5.6%
External Principal	**266,241**	**131,382**	**180,619**	**222,287**	**204,839**
% of GDP	2.8%	1.2%	1.5%	1.6%	1.3%
% of Revenue	16.1%	7.0%	8.4%	9.0%	7.3%
Total debt service	**642,164**	**557,682**	**641,519**	**729,887**	**735,839**
% of GDP	6.8%	5.2%	5.3%	5.3%	4.7%
% of Revenue	38.9%	29.7%	29.9%	29.6%	26.3%
Revenue	**1,651,500.00**	**1,877,200.00**	**2,142,800.00**	**2,465,400.00**	**2,798,000.00**
GDP	**9,510,446.46**	**10,765,655.37**	**12,168,830.87**	**13,807,522.01**	**15,696,500.84**

Source: *National Treasury, BPS, 2019*

GLOSSARY

• **Concessionality**
A measure of the softness of a credit reflecting the benefit to the borrower compared to a loan at market rate. Technically, it is calculated as the difference between the nominal value and the present value of the debt service as of the date of disbursement, calculated at a discount rate applicable to the currency of the transaction and expressed as a percentage of the nominal value.

• **Debt Service**
The amount of funds used for repayment of principal and interest of a debt.

• **Debt Sustainability**
Sustainable debt is the level of debt which allows a debtor country to meet its current and future debt service obligations in full, without recourse to further debt relief or rescheduling, avoiding accumulation of arrears, while allowing an acceptable level of economic growth.

• **Debt Sustainability Analysis**
This is conducted in the context of medium-term scenarios. These scenarios are numerical evaluations that take account of expectations of the behaviour of economic variables and other factors to determine the conditions under which debt and other indicators would stabilize at reasonable levels, the major risks to the economy, and the need and scope for policy adjustment. In this analysis, macroeconomic uncertainties, such as the outlook for the current account, and policy uncertainties, such as for fiscal policy, tend to dominate the medium term outlook.

• **Disbursement**
The actual transfer of financial resources or of goods or services by the lender to the borrower.

• **Domestic Borrowing**
Government borrowing through issuance of local Government securities and direct borrowing from the Central Bank.

• **External Borrowing**
Government borrowing from both official (Government or Government agencies) and private institutions domiciled outside the country.

• **Government Securities**
Financial instruments used by the Government to raise funds from the primary market.

• **Present Value**
The present value (PV) is defined as the sum of all future cash flows (interest and principal) discounted at the appropriate market rate. For a loan, whenever the interest rate on a loan is lower than the market rate, the resulting PV is lower than its face value.

• **Primary Market**
This is a market where financial instruments are originated through initial issuance.

• **Public Debt**
This refers to outstanding financial obligations of the Government arising from past borrowing. It includes Government guaranteed debts to State Corporations and Local Authorities.

• **Domestic Debt**
Part of the overall debt owed by the Government to creditors domiciled in the economy. The debt includes money owed to commercial banks, non-bank financial institutions, individuals among others. The term domestic debt is used in relation to government obligation.

• **External Debt**
Part of the overall debt owed by the Government to creditors domiciled outside the economy. The debt includes money owed to private commercial banks, other governments, or international financial institutions such as the IMF and World Bank. The term external debt is used in relation to government obligation.

• **Secondary Market**
This is a market where already issued financial instruments are traded.

• **Sovereign Bond**
A debt security issued by a national government within a given country and denominated in a foreign currency. The foreign currency used will most likely be a hard currency.

• **Suppliers' Credit**
An arrangement under which a supplier or exporter agrees to allow the customer to defer payment under a sales contract.

• **Treasury Bills**
It is a short-term borrowing instrument issued by the Government to finance the budget.

• **Treasury Bond**
This is a medium to long-term term debt instrument issued by the Government to finance the budget.

• **Yield Curve**
It is the relationship between the interest rate and maturity of bonds. A normal yield curve shows interest rates for short-term securities lower than interest rates for long-term securities.

APPENDICES

Appendix I: Stock of Publicly Guaranteed Debt by June 2019 (Kshs Million)

Agency	Year	Purpose of the loan	Creditor	Jun-15	Jun-16	Jun-17	Jun- 18	Jun-19
Nairobi City County	1985	Umoja II Housing Project	USA	-	-	-	-	-
Kenya Broadcasting Corporation	1989	KBC Modernization Project	Japan	2,404	2,224	1,386	1,035	357
Telkom Kenya Ltd	1990	Purchase of Microwave Telephone System	Canada	375	-	-	-	-
Tana and Athi River Development Authority	1990	Tana Delta Irrigation Project	Japan	1,172	1,156	811	673	279
East African Portland Cement	1990	Cement Plant Rehabilitation Project	Japan	1,457	1,438	1,008	836	346
KenGen Ltd	1995	Mombasa Diesel Generating Power Project	Japan	3,393	3,767	3,325	2,923	2,421
	1997	Sondu Miriu Hydropower Project	Japan	3,372	3,827	3,422	3,099	2,727
	2004	Sondu Miriu Hydropower Project II	Japan	8,005	9,534	8,753	8,404	8,207
	2007	Sondu Miriu Hydropower Project – Sang'oro Power Plant	Japan	3,416	4,218	3,972	3,827	3,760
	2010	Olkaria Unit 4 and 5 Geothermal Power Project	Japan	44	55	51	51	19,389
	2010	Rehabilitation and Expansion of the Hydropower Plant Kindaruma	Germany		3,514	3,302	2,970	2,607

	2011	Rehabilitation and Upgrade of the Geothermal Plant Olkaria	Germany		4,656	4,875	4,510	3,924
Kenya Ports Authority	2007	Mombasa Port Modernization Project	Japan	15,856	22,099	21,211	23,808	23,903
Kenya Railways	2008	Kenya Railways Concessioning	IDA	4,439	4,044	4,667	4,547	4,603
Kenya Ports Authority	2016	Kenya Port Development Project Phase 2	Japan			614	6,333	10,158
Kenya Airways	2017	Kenya Airways	Afrexim	0	0	77,784	75,787	76,724
Kenya Farmers Association	2005	Revival of KFA	Local banks	Unutilized	Unutilized	Unutilized		Unutilized
National Cereals & Produce Board (GSM-102)	2009	Importation of maize under GSM-102	USA	Unutilized	Unutilized	Unutilized		Unutilized
Total				**43,933**	**60,530**	**135,179**	**138,803**	**159,405**

Source: *National Treasury*

Appendix II: Public and Publicly Guaranteed External Debt by Creditor, Kshs Million

CREDITOR	Jun 14	Jun 15	Jun 16	Jun 17	June 18	June 19
1. BILATERAL						
AUSTRIA	717	743	1,030	513	578	1,803
BELGIUM	8,096	6,142	7,469	9,938	10,208	11,591
CANADA	1,349	1,270	809	538	409	111
DENMARK	1,992	1,437	1,541	1,356	1,175	875
FINLAND	94	71	269	1,712	1,642	1,796
GERMANY	26,571	22,559	-	31,669	34,655	37,277
ITALY	1,716	1,101	622	654	125	36,293
JAPAN	84,515	79,017	-	91,456	101,886	135,229
NETHERLANDS	2,702	1,960	2,350	1,753	1,079	343
UK	1,841	1,467	992	650	463	60
USA	4,542	4,462	4,035	3,497	2,947	2,089

CREDITOR	Jun 14	Jun 15	Jun 16	Jun 17	June 18	June 19
CHINA	80,859	252,039	313,127	478,607	559,071	661,059
OTHERS	13,341	13,756	31,385	36,963	53,822	107,534
TOTAL	**289,914**	**445,056**	**798,841**	**722,568**	**829,846**	**996,059**
ADB/ADF	102,118	161,532	179,227	197,490	204,776	229,638
EEC/EIB	20,657	20,625	21,073	20,399	19,455	17,241
IDA/IFAD	371,374	407,294	488,330	540,515	516,774	608,989
IMF	83,282	86,150	84,847	77,637	71,588	49,208
OTHERS	9,057	9,030	9,204	8,347	2,795	9,319
TOTAL	**597,340**	**320,871**	**492,908**	**844,389**	**815,388**	**914,395**
3. COMMERCIAL BANKS	**234,799**	**276,937**	**432,377**	**711,893**	**906,389**	**1,095,754**
4. EXPORT CREDIT	**16,452**	**16,628**	**16,628**	**15,303**	**16,725**	**16,932**
GRAND TOTAL	**1,138,505**	**1,423,252**	**1,796,198**	**2,294,153**	**2,568,299**	**3,023,139**

Source: *National Treasury*

APPENDIX III

Table 1: Outstanding Treasury Bonds

ISSUE NUMBER	MATURITY DATE	REDEMPTION AMOUNT
FXD1/2007/015	7/3/2022	3,654,600,000.00
FXD1/2008/015	13/03/2023	34,789,800,000.00
FXD1/2008/020	5/6/2028	38,145,100,000.00
FXD1/2009/015	7/10/2024	31,952,450,000.00
FXD1/2010/010	13/04/2020	19,394,150,000.00
FXD1/2010/015	10/3/2025	27,693,900,000.00
FXD1/2010/025	28/05/2035	20,192,500,000.00
FXD1/2011/020	5/5/2031	9,365,800,000.00
FXD1/2012/010	13/06/2022	35,273,700,000.00
FXD1/2012/015	6/9/2027	48,937,100,000.00
FXD1/2012/020	1/11/2032	44,581,650,000.00
FXD1/2013/010	19/06/2023	39,248,200,000.00
FXD1/2013/015	7/2/2028	42,138,450,000.00
FXD1/2014/010	15/01/2024	35,852,150,000.00
FXD1/2015/005	22/06/2020	30,956,050,000.00
FXD1/2016/005	19/04/2021	19,544,200,000.00
FXD1/2016/010	17/08/2026	18,306,450,000.00
FXD1/2016/020	1/9/2036	12,761,200,000.00

ISSUE NUMBER	MATURITY DATE	REDEMPTION AMOUNT
FXD1/2017/002	23/09/2019	31,806,400,000.00
FXD1/2017/005	22/08/2022	29,599,150,000.00
FXD1/2017/010	19/07/2027	35,174,400,000.00
FXD1/2018/005	20/03/2023	30,795,550,000.00
FXD1/2018/010	14/08/2028	40,584,600,000.00
FXD1/2018/015	9/5/2033	30,706,600,000.00
FXD1/2018/020	1/3/2038	23,262,150,000.00
FXD1/2018/025	25/05/2043	5,152,600,000.00
FXD1/2019/002	25/01/2021	31,120,850,000.00
FXD1/2019/005	19/02/2024	20,587,250,000.00
FXD1/2019/010	12/2/2029	32,800,400,000.00
FXD1/2019/015	9/1/2034	30,566,650,000.00
FXD1/2019/020	21/03/2039	9,018,150,000.00
FXD2/2007/015	6/6/2022	32,682,600,000.00
FXD2/2010/010	19/10/2020	33,387,900,000.00
FXD2/2010/015	8/12/2025	13,513,100,000.00
FXD2/2013/015	10/4/2028	39,876,600,000.00
FXD2/2015/005	23/11/2020	30,673,850,000.00
FXD2/2016/005	19/07/2021	24,395,300,000.00
FXD2/2017/005	17/10/2022	20,712,100,000.00
FXD2/2018/010	4/12/2028	32,767,150,000.00
FXD2/2018/015	3/10/2033	29,064,350,000.00
FXD2/2018/020	5/7/2038	15,846,650,000.00
FXD2/2019/005	6/5/2024	39,201,400,000.00
FXD2/2019/010	2/4/2029	51,325,000,000.00
FXD2/2019/015	24/04/2034	19,314,450,000.00
FXD3/2007/015	7/11/2022	32,958,100,000.00
FXD3/2016/005	20/09/2021	23,051,050,000.00
IFB1/2009/012	8/2/2021	7,868,365,500.00
IFB1/2011/012	18/09/2023	24,682,200,000.00
IFB1/2013/012	15/09/2025	27,925,350,000.00
IFB1/2014/012	12/10/2026	27,045,950,000.00
IFB1/2015/009	2/12/2024	25,119,550,000.00
IFB1/2015/012	15/03/2027	51,192,200,000.00
IFB1/2016/009	12/5/2025	36,303,200,000.00
IFB1/2016/015	6/10/2031	40,029,650,000.00
IFB1/2017/007	18/11/2024	41,469,450,000.00
IFB1/2017/012	12/2/2029	14,330,400,000.00
IFB1/2018/015	10/1/2033	41,184,800,000.00
IFB1/2018/020	25/10/2038	36,787,300,000.00
IFB2/2009/012	22/11/2021	5,388,325,000.00
IFB2/2010/009	19/08/2019	15,874,483,887.00
IFBI/2019/025	22/02/2044	16,828,650,000.00

ISSUE NUMBER	MATURITY DATE	REDEMPTION AMOUNT
MAB1/2017/003	6/4/2020	150,050,000.00
MAB2/2017/003	7/9/2020	627,750,000.00
SDB1/2011/030	21/01/2041	28,144,700,000.00
SFX1/2007/015	13/05/2022	6,000,000,000.00

Table 2: Outstanding Treasury Bills

ISSUE NUMBER	MATURITY DATE	REDEMPTION AMOUNT
2270/182	1/7/2019	2,696,350,000.00
2310/91	1/7/2019	983,550,000.00
2186/364	1/7/2019	23,305,500,000.00
2271/182	8/7/2019	3,453,200,000.00
2311/91	8/7/2019	2,868,350,000.00
2187/364	8/7/2019	21,569,100,000.00
2272/182	15/07/2019	19,598,600,000.00
2312/91	15/07/2019	4,988,200,000.00
2188/364	22/07/2019	23,504,050,000.00
2273/182	22/07/2019	13,964,100,000.00
2313/091	22/07/2019	4,215,850,000.00
2189/364	29/07/2019	14,534,600,000.00
2274/182	29/07/2019	3,248,150,000.00
2314/091	29/07/2019	7,561,000,000.00
2190/364	5/8/2019	9,124,150,000.00
2275/182	5/8/2019	8,359,750,000.00
2315/091	5/8/2019	1,126,850,000.00
2191/364	12/8/2019	11,676,300,000.00
2276/182	12/8/2019	9,314,350,000.00
2316/091	12/8/2019	3,580,700,000.00
2192/364	19/08/2019	11,090,900,000.00
2277/182	19/08/2019	10,104,200,000.00
2317/091	19/08/2019	1,994,850,000.00
2193/364	26/08/2019	15,128,200,000.00
2278/182	26/08/2019	10,348,950,000.00
2318/091	26/08/2019	5,922,400,000.00
2194/364	2/9/2019	16,078,650,000.00
2279/182	2/9/2019	8,025,600,000.00
2319/091	2/9/2019	2,370,600,000.00
2195/364	9/9/2019	16,637,900,000.00
2280/182	9/9/2019	3,989,000,000.00
2320/091	9/9/2019	933,500,000.00
2196/364	16/09/2019	12,533,600,000.00
2281/182	16/09/2019	4,910,700,000.00
2321/091	16/09/2019	1,078,200,000.00

ISSUE NUMBER	MATURITY DATE	REDEMPTION AMOUNT
2197/364	23/09/2019	12,757,650,000.00
2282/182	23/09/2019	5,822,850,000.00
2322/091	23/09/2019	2,399,850,000.00
2198/364	30/09/2019	10,320,850,000.00
2283/182	30/09/2019	6,129,750,000.00
2199/364	7/10/2019	16,531,550,000.00
2284/182	7/10/2019	10,440,150,000.00
2200/364	14/10/2019	6,949,900,000.00
2285/182	14/10/2019	5,730,850,000.00
2201/364	21/10/2019	5,139,800,000.00
2286/182	21/10/2019	4,868,900,000.00
2202/364	28/10/2019	11,567,750,000.00
2287/182	28/10/2019	14,630,950,000.00
2203/364	4/11/2019	15,795,650,000.00
2288/182	4/11/2019	1,236,450,000.00
2204/364	11/11/2019	15,756,850,000.00
2207/364	11/11/2019	9,925,000,000.00
2289/182	11/11/2019	4,576,600,000.00
2205/364	18/11/2019	12,957,300,000.00
2290/182	18/11/2019	823,550,000.00
2206/364	25/11/2019	6,803,450,000.00
2291/182	25/11/2019	4,812,950,000.00
2208/364	2/12/2019	2,853,150,000.00
2213/364	2/12/2019	10,535,000,000.00
2292/182	2/12/2019	2,540,450,000.00
2209/364	9/12/2019	2,992,050,000.00
2293/182	9/12/2019	869,200,000.00
2210/364	16/12/2019	3,157,450,000.00
2294/182	16/12/2019	2,956,500,000.00
2211/364	23/12/2019	13,900,750,000.00
2295/182	23/12/2019	1,214,750,000.00
2212/364	30/12/2019	8,060,450,000.00
2214/364	6/1/2020	13,010,900,000.00
2215/364	13/01/2020	26,085,300,000.00
2216/364	20/01/2020	10,392,150,000.00
2217/364	27/01/2020	20,247,700,000.00
2218/364	3/2/2020	24,053,650,000.00
2219/364	10/2/2020	18,240,350,000.00
2220/364	17/02/2020	17,585,500,000.00
2221/364	24/02/2020	8,590,450,000.00
2222/364	2/3/2020	6,543,850,000.00
2223/364	9/3/2020	16,402,450,000.00
2224/364	16/03/2020	17,647,600,000.00

ISSUE NUMBER	MATURITY DATE	REDEMPTION AMOUNT
2225/364	23/03/2020	29,105,800,000.00
2226/364	30/03/2020	25,858,150,000.00
2227/364	6/4/2020	32,602,250,000.00
2228/364	13/04/2020	19,389,200,000.00
2229/364	20/04/2020	10,549,250,000.00
2231/364	20/04/2020	1,715,000,000.00
2230/364	27/04/2020	4,835,600,000.00
2232/364	4/5/2020	10,320,050,000.00
2233/364	11/5/2020	6,485,450,000.00
2234/364	18/05/2020	15,039,650,000.00
2235/364	25/05/2020	20,211,350,000.00
2236/364	1/6/2020	25,558,700,000.00
2237/364	8/6/2020	16,272,800,000.00
2238/364	15/06/2020	7,689,400,000.00
2239/364	22/06/2020	6,883,750,000.00