



**Republic of Kenya**

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**THE NATIONAL TREASURY AND PLANNING**

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# **Quarterly Economic and Budgetary Review**

**First Half, Financial Year 2021/2022  
Period Ending 31<sup>st</sup> December, 2021**

**February 2022 Edition**



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## ACKNOWLEDGEMENT

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

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

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KNBS	Kenya National Bureau of Statistics
KSh.	Kenya Shillings
MDAs	Ministries, Departments and Agencies
Mn	Million
NDA	Net Domestic Assets
NDF	Nordic Development Fund
NFA	Net Foreign Assets/Non-Financial Assets
NIS	National Intelligence Service
NLB	Net Lending/ Borrowing
NOB	Net Operating Balance
NSE	Nairobi Securities Exchange
O & M	Operation and Maintenance
OPEC	Oil Producing and Exporting Countries
PAIR	Public Administration and International Affairs
PAYE	Pay as You Earn
PDL	Petroleum Development Levy
QEBR	Quarterly Economic and Budgetary Review
RDL	Railway Development Levy
RML	Road Maintenance Levy
SAGAS	Semi-Autonomous Government Agencies
SC	State Corporations
SGR	Standard Gauge Railway
SOEs	State Owned Enterprises
SPC&R	Social Protection, Culture and Recreation
TARDA	Tana River Development Authority
UK	United Kingdom
US\$	United States Dollar
VAT	Value Added Tax
O/W	Of Which

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## LEGAL BASIS FOR THE QUARTERLY ECONOMIC AND BUDGETARY REVIEW REPORT

**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 SECOND QUARTERLY ECONOMIC AND BUDGETARY REVIEW REPORT IN THE 2021/22 FINANCIAL YEAR

## 1. Economic growth

The economy recovered strongly in the first three quarters of 2021, as economic activities picked up following the easing of COVID-19 restrictions and the reopening of the economy as well as implementation of targeted stimulus interventions by the Government. The economy strengthened to grow by 2.0 percent in the first quarter, and accelerated to 11.9 percent in the second quarter and 9.9 percent in the third quarter. Overall, the economy grew by an average of 7.8 percent in the three quarters of 2021 (January to September 2021).

## 2. Stable prices

Year-on-year overall inflation rate remained low, stable and within the Government target range of 5+/-2.5 percent. In December 2021, it increased marginally to 5.7 percent from 5.6 percent in December 2020 driven by relatively higher fuel and food prices.

## 3. Interest Rates

Short-term interest rates remained fairly low and stable. The Central Bank Rate was retained at 7.00 percent as the accommodative monetary policy stance remained appropriate given that inflationary expectations are well anchored within target range and is in line with the ongoing economic recovery. As such, the average lending rate was at 12.2 percent in December 2021 from 12.0 percent in December 2020 while the average deposit rate was at 6.5 percent from 6.3 percent over the same period.

## 4. Money and Credit

Broad money supply, M3, moderated to a growth of 6.1 percent in the year to December 2021 compared to a growth of 13.2 percent in the year to December 2020. The slowdown was due to a relatively lower Net Foreign Assets (NFA).

## 5. Current Account

The current account deficit was at USD 6,028.0 million (5.7 percent of GDP) in December 2021 compared to USD 4,618.8 million (4.7 percent of GDP) in December 2020. The current account balance was supported by an improvement in the net receipts on the services account, net primary income balance and the net secondary income balance.

## 6. Foreign Exchange Reserves

The official foreign exchange reserves held by the Central Bank increased to USD 9,490.9 million (5.6 months of import cover) in December 2021 compared to USD 8,297.3 million (5.1 months of import cover) in December 2020. This fulfilled the requirement to maintain reserves at minimum of 4.0 months of imports cover to provide adequate buffer against short term shocks in the foreign exchange market.

## 7. Capital Markets

The NSE 20 Share Index stood at 1,903 points by end of December 2021, an improvement compared to 1,868 points by end December 2020. Market capitalization also increased to KSh. 2,593 billion from KSh. 2,337 billion over the same period indicating increased trading activities.



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## **8. Revenue Collection**

The National Government's cumulative revenue collection including A-I-A for the period between July – December, 2021 amounted to KSh. 1,032 billion (8.2 percent of GDP) against a target of KSh. 989.7 billion. The revenue was above the set target by KSh. 42.5 billion on account of over performance on all tax revenues except income tax and import duty.

## **9. Expenditure and Net Lending**

The total expenditure and net lending inclusive of transfers to County Governments for the period ending 31<sup>st</sup> December, 2021 amounted to KSh. 1,364.9 billion, against a target of KSh. 1,451.2 billion. The resultant under expenditure of KSh. 86.3 billion is mainly attributed to lower absorption recorded in development expenditures (Ministerial AIA) by the National Government and lower than targeted transfers to County Governments.

## **10. Guaranteed Debt**

The government did not service any guaranteed debt on behalf of Parastatals during the period under review. As at the end of December, 2021, all guaranteed debts were performing.

## **11. Fiscal Balance**

The fiscal balance excluding grants (on a commitment basis) amounted to a deficit of KSh. 332.7 billion (2.6 percent of GDP), as at the end December, 2021.

## **12. External Financing**

The Net Foreign Financing amounted to KSh. 12.9 billion (0.1 percent of the GDP) during the period under review.

## **13. Net Domestic Borrowing**

Net domestic financing amounted to a net borrowing of KSh299.3 billion (2.4 percent of GDP) in the period ending 31<sup>st</sup> December, 2021.

## **14. Domestic Debt Stock**

The stock of gross domestic debt increased by KSh. 543.8 billion from KSh. 3,488.5 billion in December, 2020 to KSh. 4,032.4 billion in December, 2021.

## **15. External Debt Stock**

The total external debt stock, including the International Sovereign Bond, stood at KSh. 4,174.4 billion by the end of December, 2021. The debt stock comprised of multilateral debt (42.7 percent), commercial debt (29.0 percent), bilateral debt (28.1 percent) and suppliers' credit (0.3 percent).



## 1.0 RECENT ECONOMIC DEVELOPMENTS

### 1.1 Economic Growth

1. The economy continues to recover strongly in 2021, as economic activities picked up following the easing of COVID-19 restrictions and the reopening of the economy as well as implementation of targeted stimulus interventions by the Government. As a result, the economy strengthened to grow by 2.0 percent in the first quarter, and accelerated to 11.9 percent in the second quarter and 9.9 percent in the third quarter. Overall, the economy grew by an average of 7.8 percent in the three quarters of 2021 (January to September 2021) compared to a contraction of 0.8 percent in a similar period of 2020 (**Table 1**).

2. In the third quarter of 2021, the economy grew by 9.9 percent from a contraction of 2.1 percent over the same period in 2020. The strong performance was supported by continued recovery in manufacturing, transport and storage, education, accommodation and food services, and wholesale and retail trade. However, agricultural production was constrained during the quarter due to drought conditions in most parts of the country.

**Table 1: Sectoral GDP Growth rate (percent)**

Sectors	2019					2020					2021			
	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Q1-Q3
Primary Industry	4.5	3.4	0.9	1.6	2.7	4.4	4.9	4.3	6.0	4.9	0.7	0.1	(0.4)	0.2
Agriculture, Forestry and Fishing	4.8	3.2	0.7	1.3	2.6	4.3	4.9	4.2	5.8	4.8	(0.1)	(0.7)	(1.8)	(0.8)
Mining and Quarrying	(1.2)	7.0	5.5	6.4	4.3	6.4	4.4	7.0	9.2	6.7	16.4	17.7	25.1	19.6
Secondary Sector (Industry)	3.2	4.2	3.5	2.6	3.4	4.7	(0.5)	3.3	7.7	3.8	3.8	7.8	7.6	6.3
Manufacturing	2.5	4.1	2.6	0.9	2.5	2.2	(4.7)	(1.7)	3.8	(0.1)	1.6	9.4	9.5	6.7
Electricity and Water supply	3.0	1.5	1.5	0.9	1.7	1.5	(4.7)	0.2	3.5	0.1	2.0	5.2	4.5	3.9
Construction	4.6	5.5	6.1	6.2	5.6	10.4	8.2	12.5	16.2	11.8	7.8	6.5	6.4	6.9
Tertiary sector (Services)	6.7	7.6	6.6	5.9	6.7	3.8	(6.7)	(4.6)	(1.0)	(2.2)	1.9	16.1	12.2	9.9
Wholesale and Retail trade	4.6	6.4	5.3	4.8	5.3	4.9	(4.2)	(5.0)	2.6	(0.4)	7.4	9.5	6.9	7.9
Accommodation and Restaurant	15.6	11.7	11.9	17.6	14.3	(8.1)	(56.8)	(63.4)	(62.2)	(47.7)	(48.6)	9.4	24.8	(19.5)
Transport and Storage	6.8	8.8	4.6	5.2	6.3	2.2	(16.8)	(10.1)	(6.1)	(7.8)	(9.1)	17.4	13.0	6.3
Information and Communication	9.5	7.5	7.1	6.1	7.5	5.6	2.6	3.2	7.6	4.8	16.1	25.3	5.8	15.2
Financial and Insurance	6.1	8.0	9.3	4.4	6.9	7.5	4.4	3.0	7.4	5.6	8.3	12.3	6.7	9.1
Public Administration	9.0	10.8	10.2	9.7	9.9	4.0	2.7	6.3	8.4	5.3	9.1	13.0	6.9	9.7
Others	6.1	6.3	6.0	5.6	6.2	3.4	(7.9)	(5.6)	(3.2)	(3.5)	1.5	19.4	18.4	12.8
of which Real Estate	7.0	7.0	6.7	6.2	6.7	5.4	4.6	3.7	2.7	4.1	4.5	4.9	5.2	4.9
Education	3.8	3.4	5.6	6.2	4.7	1.8	(22.4)	(17.4)	(5.3)	(10.8)	10.0	67.6	64.7	44.3
Health	5.7	6.1	6.8	6.4	6.2	7.4	9.8	5.2	4.7	6.7	9.1	10.0	8.4	9.2
Taxes less subsidies	(1.5)	5.3	4.3	6.7	3.7	5.1	(20.8)	(8.5)	(6.4)	(7.9)	2.0	21.9	18.2	13.4
Real GDP	4.8	5.9	4.8	4.4	5.0	4.4	(4.7)	(2.1)	1.2	(0.3)	2.0	11.9	9.9	7.8
of which Non-Agriculture	5.6	6.8	5.9	4.8	5.8	4.3	(5.5)	(2.8)	1.2	(0.7)	2.6	15.0	11.9	9.7

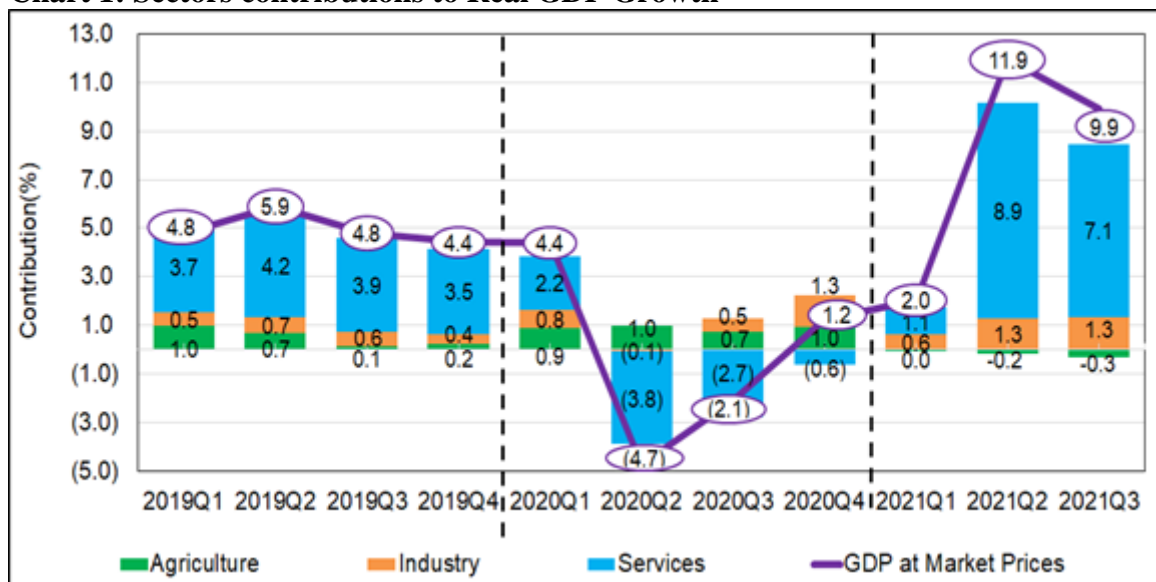
Source of Data: Kenya National Bureau of Statistics

3. Activities in **agriculture, forestry and fishing** sector recorded a slowdown in the third quarter of 2021 mainly on account of less than expected rainfall during the period. The sector is estimated to have contracted by 1.8 percent in the third quarter of 2021 compared to a growth of 4.2 percent in the corresponding quarter of 2020 (**Table 1**). This was evident in the significant decline in fruit exports, cane deliveries, tea production and coffee exports. In addition, the unfavourable weather conditions experienced in most parts of the country impacted negatively on production of food crops. The sector's performance

## RECENT ECONOMIC DEVELOPMENTS

was somewhat supported from a steeper contraction by increased milk production as well as increase in exports of cut flower and vegetable during the quarter under review. The sector's contribution to GDP growth was at -0.3 percentage points in the third quarter of 2021 compared to 0.7 percentage points over the same period in 2020 (**Chart 1**).

**Chart 1: Sectors contributions to Real GDP Growth**



Source of Data: Kenya National Bureau of Statistics

4. The performance of the **industry sector** improved to a growth of 7.6 percent in the third quarter of 2021 compared to a growth of 3.3 percent in the third quarter of 2020 (**Table 1**). This was mainly on account of improved performance of the manufacturing and electricity and water supply sub-sectors despite a slowdown in the construction sector. The industry sector accounted for 1.3 percentage points of growth in the third quarter of 2021 compared to 0.5 percentage point contribution to GDP over the same period in 2020 (**Chart 1**).

5. Manufacturing sub-sector grew by 9.5 percent in the third quarter of 2021 compared to a 1.7 percent contraction in the same period of 2020. The improved performance was supported by the food sub-sector. Electricity and water supply sector recorded a strong growth of 4.5 percent in the third quarter of 2021 compared to a marginal growth of 0.2 percent in the corresponding quarter of 2020. The increase in electricity generation was notable from all sources except hydro. Manufacturing accounted for 0.8 percentage points of growth in the third quarter of 2021.

6. Construction sector slowed down to a growth of 6.4 percent in the third quarter of 2021 compared to 12.5 percent growth in the third quarter of 2020. This was due to a decline in import of quantities of some construction materials such as petroleum bitumen and iron and steel during the review period. However, cement consumption increased by 27.5 percent in the third quarter of 2021, pointing to sustenance of activities in the sector.

7. The activities in the **services sector** improved significantly due to the 2020 base effect. This sector was the most hit by the COVID-19 pandemic in 2020. The sector grew by 12.2 percent in the third quarter of 2021 compared to a contraction of 4.6 percent in the third quarter of 2020 (**Table 1**). The strong growth was largely characterized by

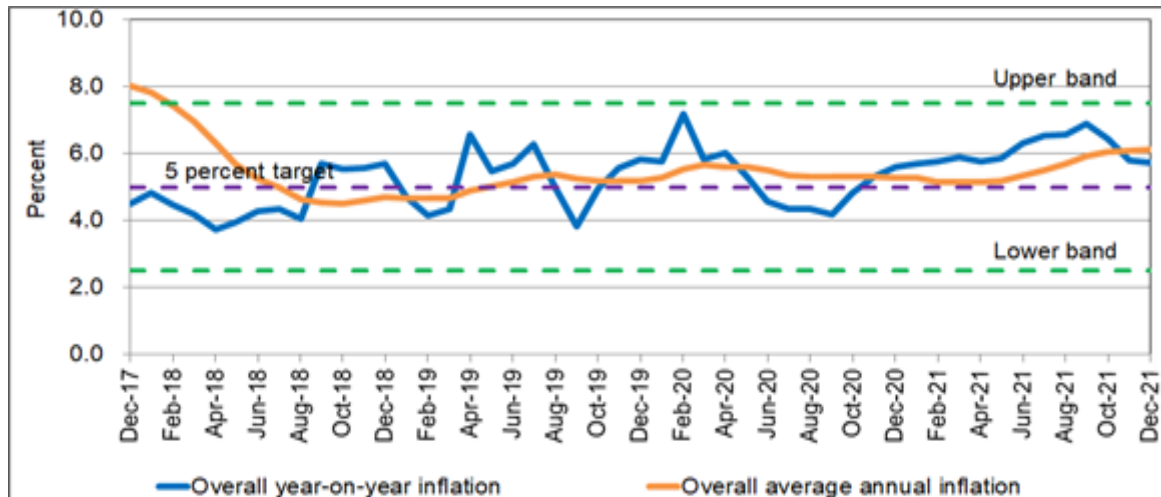
## RECENT ECONOMIC DEVELOPMENTS

substantial improvements in education, accommodation and restaurant, transport and storage, wholesale and retail trade, financial and insurance and information and communication. The services sector contributed 7.1 percentage point to real GDP growth in the third quarter of 2021 compared to the -2.7 percentage point contribution in the same quarter of 2020.

### 1.2 Inflation

8. Year-on-year overall inflation rate has remained low, stable and within the policy target range of 5+/-2.5 percent since end 2017. The year-on-year inflation rate increased marginally to 5.7 percent in December 2021 from 5.6 percent in December 2020 driven by relatively higher fuel and food prices. Similarly, overall annual average inflation also remained within Government target range at 6.1 percent in December 2021 compared to the 5.3 percent recorded in December 2020 (**Chart 2a**).

**Chart 2a: Inflation Rate**

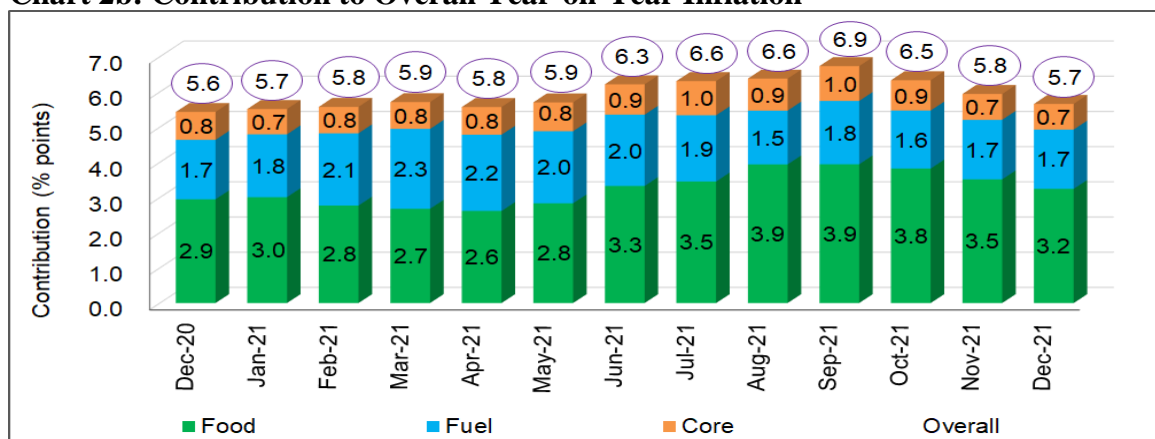


Source of Data: Kenya National Bureau of Statistics

9. Food inflation remain the main driver of overall inflation in December 2021, contributing 3.2 percentage points, an increase, compared to a contribution of 2.9 percentage points in December 2020 (**Chart 2b**). The increase was mainly attributed to dry weather conditions and supply constraints that resulted in a rise in prices of key food items particularly cooking oil (salad), peas, onions, lemons, white bread, carrots, Irish potatoes, mangoes and tomatoes. Fuel inflation remained stable and contributed 1.7 percentage points to year-on-year overall inflation in December 2021 same as in December 2020. However, there was notable increase in the prices of petrol, diesel and electricity in December 2021 compared to the same period in 2020.

## RECENT ECONOMIC DEVELOPMENTS

**Chart 2b: Contribution to Overall Year-on-Year Inflation**

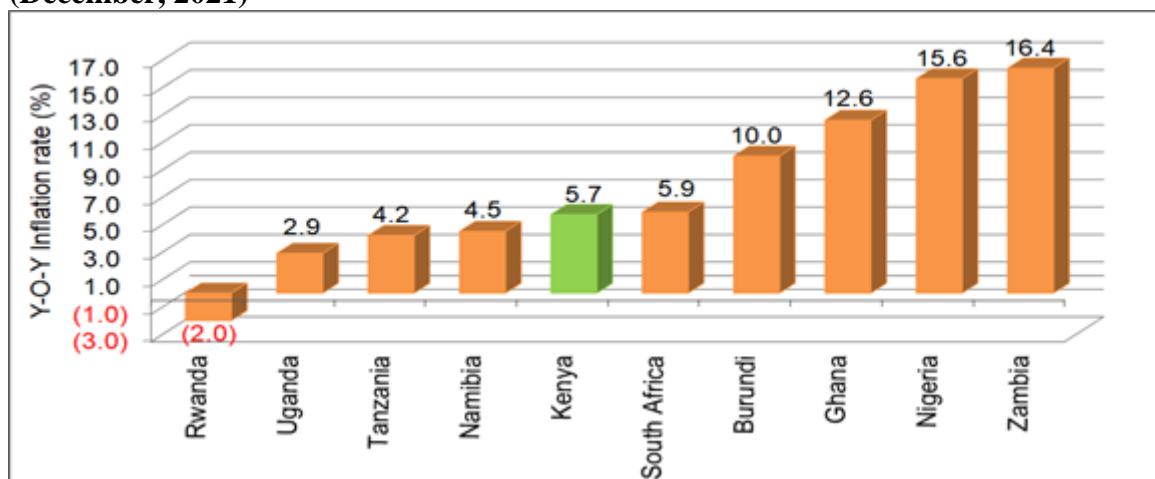


Source of Data: Kenya National Bureau of Statistics

10. The contribution of core inflation to year-on-year overall inflation has been low and stable, consistent with the muted demand pressures in the economy on account of prudent monetary policies. The contribution of core inflation to overall inflation decreased marginally to 0.7 percentage points in December 2021 from 0.8 percentage points in December 2020.

11. Kenya's year-on-year overall inflation rate compares favorably with the rest of Sub-Saharan African countries. In December 2021, Kenya recorded a lower inflation rate than South Africa, Burundi, Ghana, Nigeria and Zambia (**Chart 2c**).

**Chart 2c: Year on Year Inflation Rates of selected Sub-Saharan African Countries (December, 2021)**



Source of Data: National Central Banks

### 1.3 Interest Rates

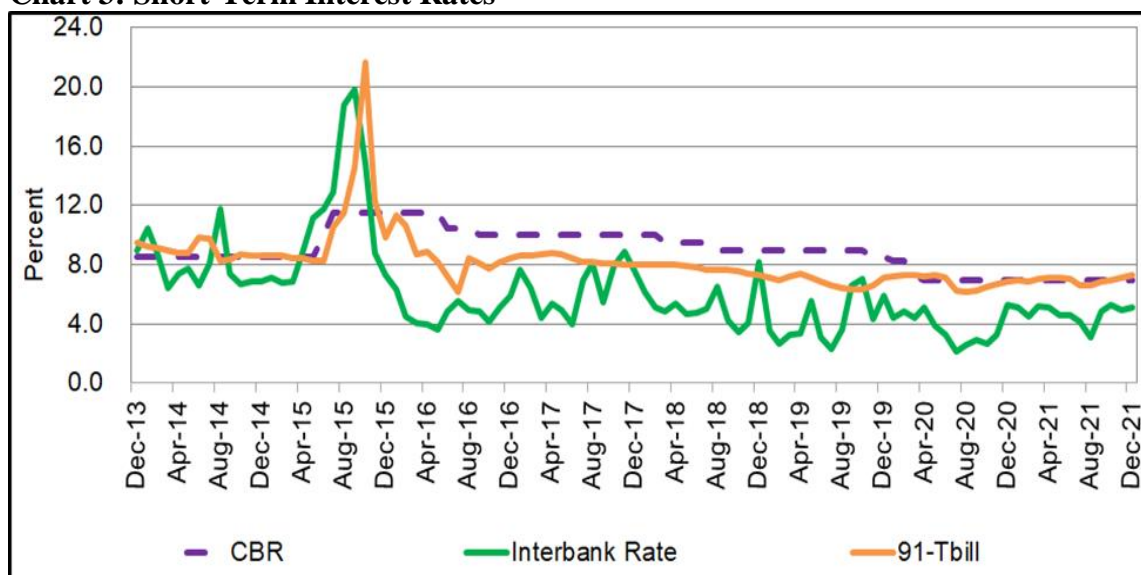
12. The Central Bank Rate was retained at 7.00 percent as the accommodative monetary policy stance remained appropriate given that inflationary expectations are well anchored within target range and is in line with the ongoing economic recovery. Short-term interest rates remained fairly low and stable supported by ample liquidity in the money market reflecting tax remittances in December 2021. As such, the interbank rate

## RECENT ECONOMIC DEVELOPMENTS

remained low at 5.1 percent in December 2021 from 5.3 percent in December 2020 (**Chart 3**).

13. Interest rates on the Treasury bills remained relatively stable in December 2021. The 91-day Treasury Bills rate was at 7.3 percent in December 2021 compared to 6.9 percent in December 2020. Over the same period, the 182-day Treasury Bills rate increased to 8.0 percent from 7.4 percent while the 364-day also increased to 9.2 percent from 8.3 percent.

**Chart 3: Short-Term Interest Rates**



Source of Data: Central Bank of Kenya

14. Commercial banks' lending rates remained relatively stable in December 2021 supported by the accommodative monetary policy stance. The average lending rate was at 12.2 percent in December 2021 from 12.0 percent in December 2020 while the average deposit rate increased 6.5 percent from 6.3 percent over the same period. Consequently, the average interest rate spread remained stable at 5.7 percent over the review period.

### 1.4 Money and Credit

15. Broad money supply, M3, moderated to a growth of 6.1 percent in the year to December 2021 compared to a growth of 13.2 percent in the year to December 2020 (**Table 2**). The slowdown was due to a relatively lower Net Foreign Assets (NFA).

16. Net Domestic Assets (NDA) registered a growth of 12.4 percent in the year to December 2021, a slowdown compared to a growth of 19.3 percent over a similar period in 2020 (**Table 2, Chart 4**). This moderation is mainly due to a slowdown in the growth of net lending to government resulting from increased deposits at the Central Bank due to lower payments relative to receipts. Growth in the net credit flows to the private sector and other public sectors improved during the review period.



## RECENT ECONOMIC DEVELOPMENTS

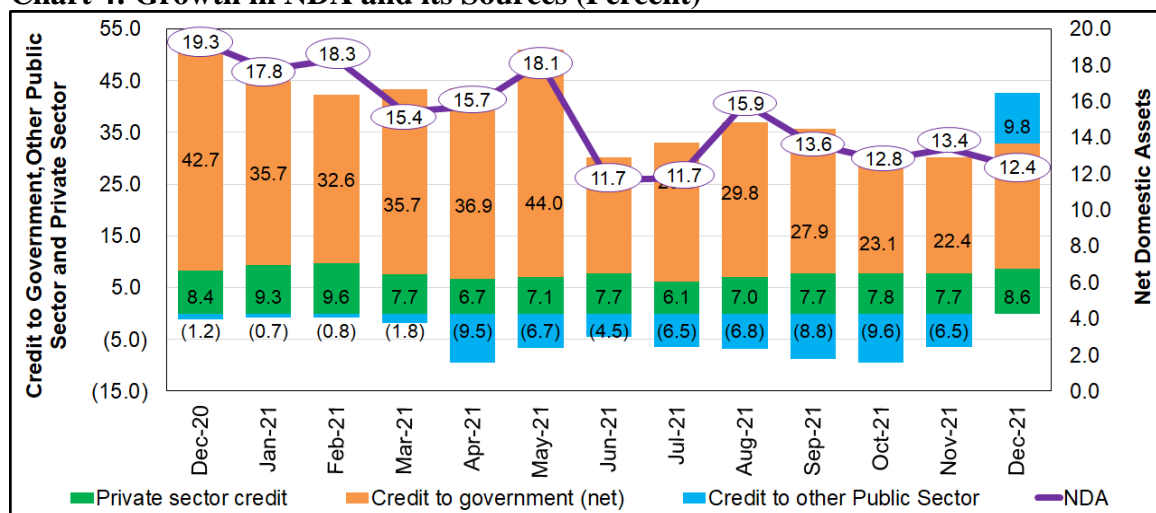
**Table 2: Money and Credit Developments (12 Months to December 2021 KSh. Billion)**

				Change		Percent Change	
	2019 December	2020 December	2021 December	2019-2020 December	2020-2021 December	2019-2020 December	2020-2021 December
<b>COMPONENTS OF M3</b>							
1. Money supply, M1 (1.1+1.2+1.3)	1,525.2	1,720.1	1,848.1	194.9	128.0	12.8	7.4
1.1 currency outside banks (M0)	198.6	233.7	253.5	35.1	19.8	17.7	8.5
1.2 Demand deposits	1,253.3	1,385.8	1,486.2	132.5	100.4	10.6	7.2
1.3 Other deposits at CBK	73.4	100.7	108.4	27.3	7.7	37.2	7.7
2. Money supply, M2 (1+2.1)	2,904.4	3,250.2	3,431.6	345.9	181.3	11.9	5.6
2.1 Time and savings deposits	1,379.1	1,530.1	1,583.5	151.0	53.4	10.9	3.5
<b>Money supply, M3 (2+3.1)</b>	<b>3,524.0</b>	<b>3,990.9</b>	<b>4,235.2</b>	<b>466.9</b>	<b>244.3</b>	<b>13.2</b>	<b>6.1</b>
3.1 Foreign currency deposits	619.7	740.7	803.7	121.0	63.0	19.5	8.5
<b>SOURCES OF M3</b>							
1. Net foreign assets (1.1+1.2)	804.5	746.9	590.1	(57.5)	(156.9)	(7.1)	(21.0)
1.1 Central Bank	833.3	738.5	700.6	(94.8)	(37.9)	(11.4)	(5.1)
1.2 Banking Institutions	(28.8)	8.5	(110.5)	37.3	(118.9)	(129.3)	(1,406.7)
2. Net domestic assets (2.1+2.2)	2,719.6	3,244.0	3,645.1	524.4	401.2	19.3	12.4
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	3,628.1	4,245.8	4,823.0	617.7	577.2	17.0	13.6
2.1.1 Government (net)	941.2	1,343.3	1,669.7	402.1	326.4	42.7	24.3
2.1.2 Other public sector	92.3	91.2	100.1	(1.1)	8.9	(1.2)	9.8
2.1.3 Private sector	2,594.6	2,811.3	3,053.2	216.7	241.9	8.4	8.6
2.2 Other assets net	(908.5)	(1,001.8)	(1,177.9)	(93.3)	(176.1)	10.3	17.6

Source of Data: Central Bank of Kenya

17. Private sector credit improved to a growth of 8.6 percent in the 12 months to December 2021 compared to a growth of 8.4 percent in the year to December 2020. All economic sectors registered positive credit growth rates reflecting improved demand as economic activities picked up in 2021. Strong credit growth was mainly observed in transport and communication, manufacturing, trade (8.5 percent), consumer durables and business services. The Credit Guarantee Scheme for the vulnerable Micro, Small and Medium Enterprises (MSMEs) that was launched in October 2020, continues to de-risk lending by commercial banks and is critical to increasing credit flow to the private sector.

**Chart 4: Growth in NDA and its Sources (Percent)**



Source of Data: Central Bank of Kenya



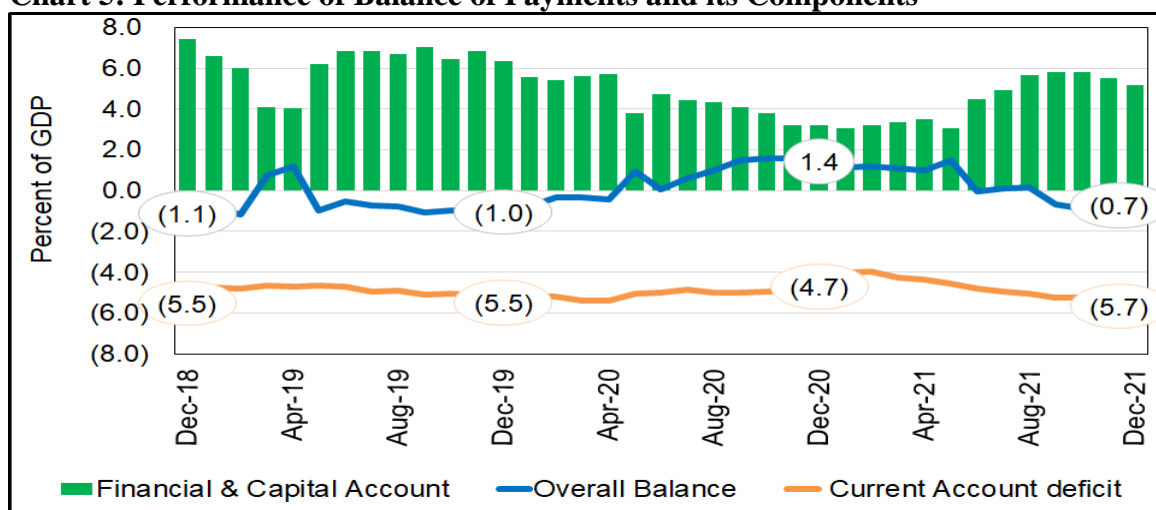
## RECENT ECONOMIC DEVELOPMENTS

18. Net Foreign Assets (NFA) of the banking system in the year to December 2021 contracted by 21.0 percent, compared to a contraction of 7.1 percent in the year to December 2020. The decline in NFA of the Central Bank was largely due to scheduled debt service and other central bank operations. The NFA of commercial banks also declined during the review period as a result of a decrease in deposits abroad.

### 1.5 Balance of Payments

19. The overall balance of payments position declined to a deficit of USD 757.8 million (0.7 percent of GDP) in December 2021 from a surplus of USD 1,426.8 million (1.4 percent of GDP) in December 2020 (**Chart 5**). This was mainly due to a decline in the merchandise account reflecting increased imports of oil and other intermediate goods.

**Chart 5: Performance of Balance of Payments and its Components**



Source of Data: Central Bank of Kenya

20. The current account deficit was at USD 6,028.0 million (5.7 percent of GDP) in December 2021 compared to USD 4,618.8 million (4.7 percent of GDP) in December 2020. The current account balance was supported by an improvement in the net receipts on the services account, net primary income balance and the net secondary income balance.

21. The balance in the merchandise account declined by USD 3,009.5 million to a deficit of USD 11,439.7 million in December 2021 mainly due to increased payments on imports despite an improvement in the export earnings (**Table 3**). In the year to December 2021, exports grew by 11.0 percent primarily driven by increased receipts from exports of horticulture and manufactured goods. On the other hand, imports of goods increased by 25.4 percent in the year to December 2021 mainly due to increases in imports of oil and other intermediate goods.

## RECENT ECONOMIC DEVELOPMENTS

**Table 3: Balance of Payments (USD Million)**

							Year to December 2021		Percent of GDP	
	Dec-19	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	change	Percent Change	Dec-20	Dec-21
<b>Overall Balance</b>	(1,059.4)	1,426.8	1,196.1	(57.5)	(745.6)	(757.8)	(2,184.6)	(153.1)	1.4	(0.7)
<b>A) Current Account</b>	(5,541.2)	(4,618.8)	(4,713.5)	(5,368.5)	(5,739.5)	(6,028.0)	(1,409.2)	30.5	(4.7)	(5.7)
<i>Merchandise Account (a-b)</i>	(10,679.5)	(8,430.2)	(8,822.5)	(9,598.4)	(10,409.3)	(11,439.7)	(3,009.5)	35.7	(8.6)	(10.7)
a) Goods: exports	5,871.9	6,062.0	6,038.2	6,400.4	6,501.7	6,729.2	667.2	11.0	6.2	6.3
b) Goods: imports	16,551.4	14,492.2	14,860.7	15,998.8	16,910.9	18,168.9	3,676.7	25.4	14.7	17.0
<i>Net Services (c-d)</i>	1,767.4	355.1	267.6	239.7	319.1	739.1	384.0	108.1	0.4	0.7
c) Services: credit	5,621.5	3,731.8	3,616.2	3,839.7	4,159.3	4,859.4	1,127.6	30.2	3.8	4.6
d) Services: debit	3,854.1	3,376.7	3,348.7	3,600.0	3,840.2	4,120.3	743.6	22.0	3.4	3.9
<i>Net Primary Income (e-f)</i>	(1,914.1)	(1,494.0)	(1,290.2)	(1,405.9)	(1,390.9)	(1,487.9)	6.1	(0.4)	(1.5)	(1.4)
e) Primary income: credit	229.6	143.7	120.6	135.7	126.4	128.8	(14.9)	(10.4)	0.1	0.1
f) Primary income: debit	2,143.7	1,637.7	1,410.8	1,541.6	1,517.3	1,616.7	(21.0)	(1.3)	1.7	1.5
<i>Net Secondary Income</i>	5,285.0	4,950.3	5,131.6	5,396.1	5,741.5	6,160.5	1,210.1	24.4	5.0	5.8
g) Secondary income: credit	5,339.7	5,026.0	5,218.9	5,505.3	5,873.3	6,270.8	1,244.8	24.8	5.1	5.9
h) Secondary income: debit	54.7	75.7	87.3	109.2	131.9	110.3	34.7	45.8	0.1	0.1
<b>B) Capital Account</b>	207.7	131.2	179.4	205.6	204.8	195.1	63.8	48.6	0.1	0.2
<b>C) Financial Account</b>	(6,238.9)	(3,022.6)	(3,515.9)	(4,816.6)	(6,107.9)	(5,301.5)	(2,279.0)	75.4	(3.1)	(5.0)

Source of Data: Central Bank of Kenya

22. Net receipts on the services account improved by USD 384.0 million to USD 739.1 million in December 2021 compared to USD 355.1 million in a similar period in 2020. This was mainly on account of an increase in receipts from transport and tourism as international travel continued to improve. The balance on the primary account narrowed by USD 6.1 million to a deficit of USD 1,487.9 million in December 2021, on account of higher reinvestment income related outflows. Net Secondary income remained resilient and increased by USD 1,210.1 million during the review period supported by remittances.

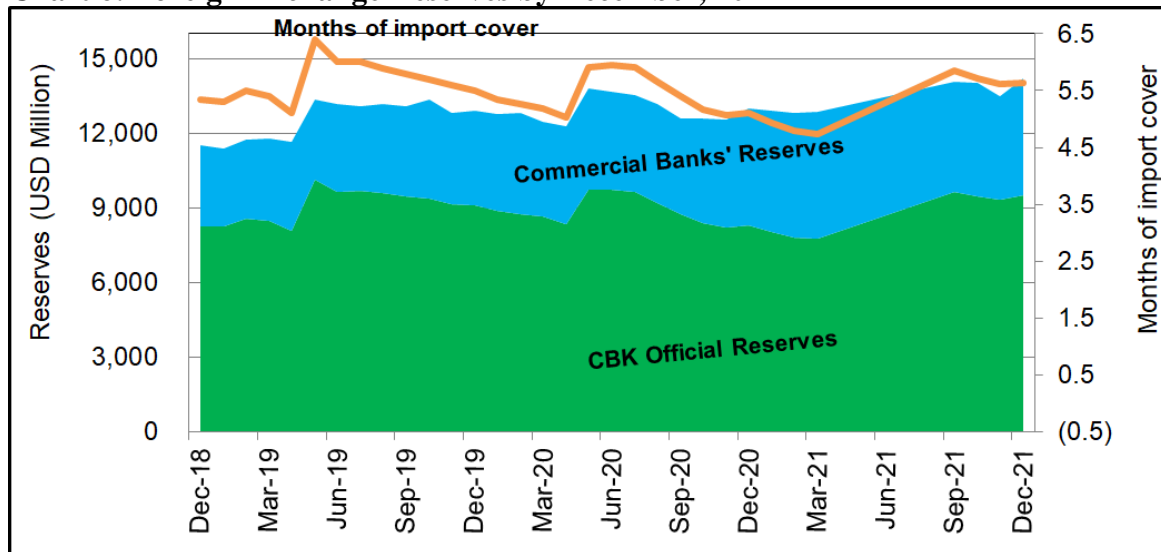
23. The capital account balance improved by USD 63.8 million and registered a surplus of USD 195.1 million in December 2021. Net financial inflows also improved to USD 5,301.5 million in December 2021 compared to USD 3,022.6 million in December 2020. The net financial inflows were mainly in the form of other investments, portfolio investments and financial derivatives. Direct investments recorded net financial outflows during the same period.

### 1.6 Foreign Exchange Reserves

24. The banking system's foreign exchange holdings remained strong at USD 14,219.1 million in December 2021 from USD 12,991.9 million in December 2020. The official foreign exchange reserves held by the Central Bank increased to USD 9,490.9 million (5.6 months of import cover) in December 2021 compared to USD 8,297.3 million (5.1 months of import cover) in December 2020 (**Chart 6**).

25. The official reserves fulfil the requirement to maintain reserves at minimum of 4.0 months of imports cover to provide adequate buffer against short term shocks in the foreign exchange market. Commercial banks holdings also increased to USD 4,728.2 million in December 2021 from USD 4,694.6 million in December 2020.

**Chart 6: Foreign Exchange Reserves by December, 2021**

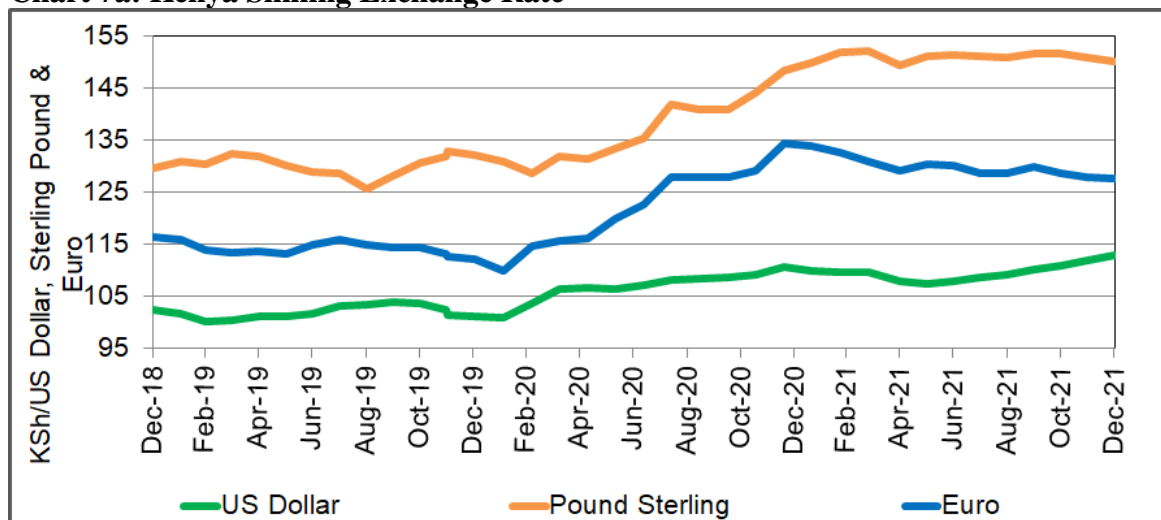


Source of Data: Central Bank of Kenya

### 1.7 Exchange Rates

26. The foreign exchange market has largely remained stable but slightly affected by tight global financial conditions attributed to uncertainty with regard to the COVID-19 pandemic. In this regard, the Kenya Shilling to the US Dollar exchanged at KSh. 112.9 in December 2021 compared to KSh. 110.6 in December 2020. Over the same period, the Euro exchanged at KSh. 127.6 compared to KSh. 133.8 while the Sterling Pound exchanged at KSh. 150.2 from KSh. 148.4 (**Chart 7a**).

**Chart 7a: Kenya Shilling Exchange Rate**



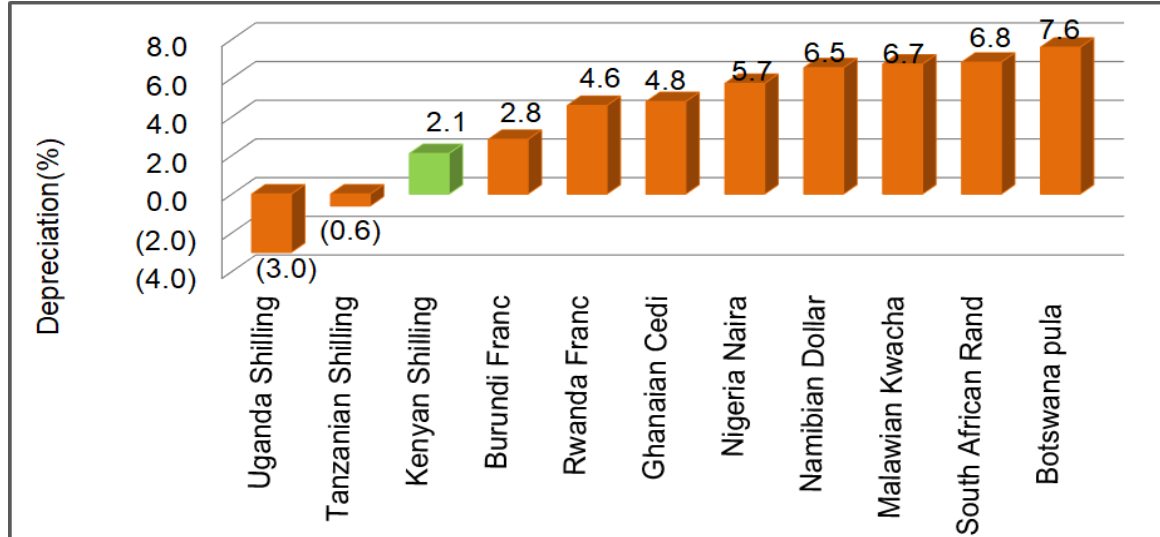
Source of Data: Central Bank of Kenya

27. In comparison to most Sub-Saharan Africa currencies, the Kenya Shilling has remained relatively stable weakening by 2.1 percent against the US Dollar (**Chart 7b**). This depreciation of the Kenya Shilling was lower than that of Burundi Franc, Rwanda Franc, Ghanaian Cedi, Nigerian Naira, Namibian Dollar, Malawian Kwacha, South African

## RECENT ECONOMIC DEVELOPMENTS

Rand and Botswana Pula. The stability in the Kenya Shilling was supported by increased remittances, adequate foreign exchange reserves and favorable horticultural exports.

**Chart 7b: Performance of Selected Sub-Saharan Countries Currencies against the US Dollar (December, 2020 to December, 2021)**

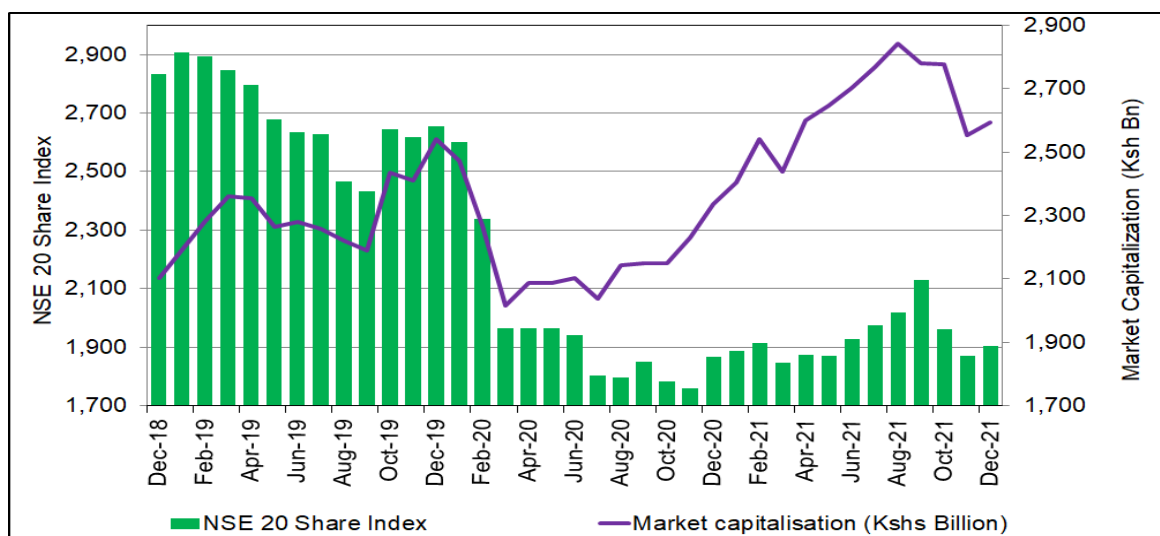


Source of Data: National Central Banks

### 1.8 Capital Markets

28. Activity in the capital markets improved in December 2021 compared to December 2020, with equity share prices increasing as shown by the NSE 20 Share Index. The NSE 20 Share Index stood at 1,903 points by end of December 2021, an increase compared to 1,868 points by end December 2020. Market capitalization also increased to KSh. 2,593 billion from KSh. 2,337 billion over the same period indicating increased trading activities (**Chart 8**).

**Chart 8: Performance at the NSE by end December, 2021.**



Source of Data: Nairobi Securities Exchange

## 2.0 FISCAL DEVELOPMENTS

### 2.1 Revenue

29. By the end of December, 2021, total revenue collected including A-I-A amounted to KSh. 1,032.2 billion against a target of KSh. 989.7 billion (**Table 4**). The revenue collection was above the set target by KSh. 42.5 billion. All revenue categories recorded over performance during the period under review except other income tax, investment income and import duty which underperformed by KSh. 10.9 billion, KSh. 1.5 billion and KSh. 0.4 billion respectively. The total revenue inclusive of the ministerial A-I-A recorded a growth of 27.3 percent compared to a contraction of 12.9 percent recorded in December 2020. This performance reflects recovery in the economy which is largely attributed to relaxation of the Covid-19 containment measures. Ordinary revenue collection was KSh. 902.5 billion against a target of KSh. 865.3 billion, KSh. 37.2 billion above the target (**Chart 9**).

30. The ministerial A-I-A collected amounted to KSh. 129.7 billion against a target of KSh. 124.4 billion, KSh. 5.3 billion above the target. The good performance of A-I-A was mainly due to timely reporting of SAGAs' A.I.A through the expenditure returns for the period under review. The Railway Development Levy collection amounted to KSh. 16.9 billion against a target of KSh. 15.1 billion. The revenue data in Government Finance Statistics Manual 2014 (GFSM 2014) format is shown in annex II.

**Table 4: Government Revenue and External Grants, Period Ending 31<sup>st</sup> December, 2021 (KSh. Millions)**

	2020/2021 Actual	2021/2022		Deviation KSh.	% Growth
		Actual*	Target		
<b>Total Revenue (a+b)</b>	<b>810,552</b>	<b>1,032,163</b>	<b>989,697</b>	<b>42,466</b>	<b>27.3</b>
<b>(a) Ordinary Revenue</b>	<b>726,415</b>	<b>902,460</b>	<b>865,255</b>	<b>37,205</b>	<b>24.2</b>
Import Duty	51,799	56,781	57,203	(422)	9.6
Excise Duty	102,779	123,676	114,693	8,983	20.3
PAYE	152,617	219,651	209,762	9,889	43.9
Other Income Tax	156,622	186,665	197,585	(10,920)	19.2
VAT Local	85,867	120,071	119,542	529	39.8
VAT Imports	93,206	129,315	107,770	21,546	38.7
Investment Revenue	32,173	19,665	21,129	(1,464)	(38.9)
Traffic Revenue	2,328	2,260	2,048	212	(2.9)
Taxes on Intl. Trade & Trans.(IDF Fee)	18,264	22,955	15,351	7,604	25.7
Others <sup>1</sup>	30,760	21,420	20,171	1,249	(30.4)
<b>(b) Appropriation In Aid <sup>2</sup></b>	<b>84,137</b>	<b>129,703</b>	<b>124,442</b>	<b>5,261</b>	<b>54.2</b>
o/w Railway Development Levy	13,406	16,877	15,062	1,815	25.9
<b>(c) External Grants</b>	<b>8,500</b>	<b>11,985</b>	<b>25,766</b>	<b>(13,781)</b>	<b>41.0</b>
<b>Total Revenue and External Grants</b>	<b>819,052</b>	<b>1,044,148</b>	<b>1,015,463</b>	<b>28,685</b>	<b>27.5</b>
<b>Total Revenue and External Grants as a percentage of GDP</b>	<b>7.25</b>	<b>8.27</b>	<b>8.04</b>	<b>-</b>	<b>-</b>

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

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

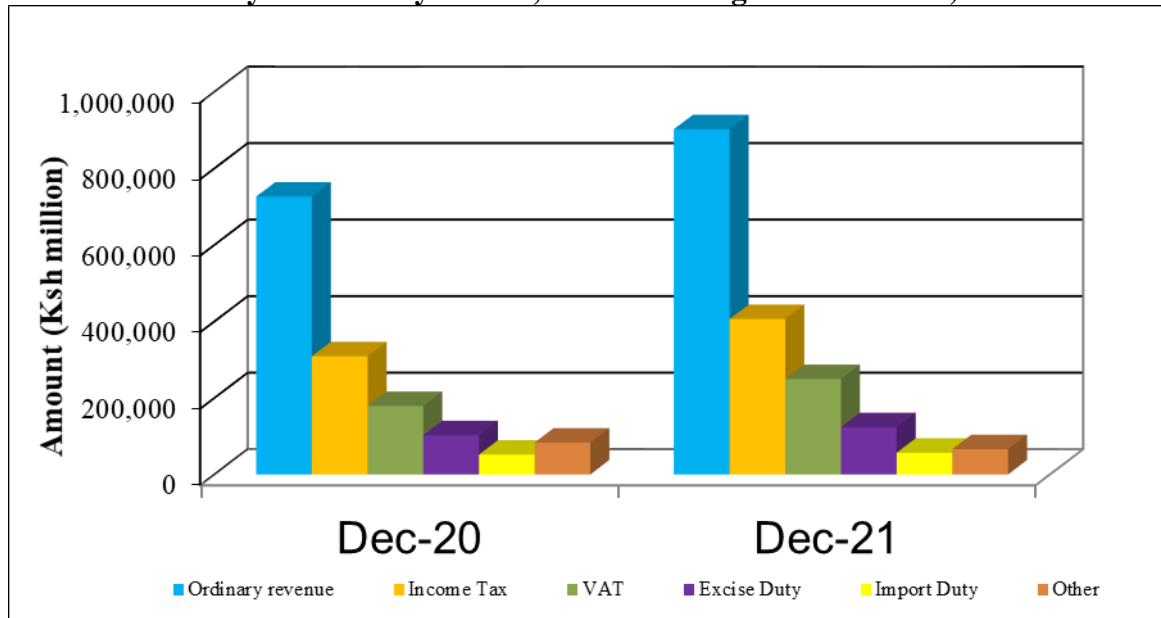
\*Provisional

Source of Data: National Treasury

## FISCAL DEVELOPMENTS

31. As a proportion of GDP, the total revenue and grants in the period under review was 8.3 percent compared to 7.3 percent in the corresponding period in the FY 2020/21. Total grants amounted to KSh. 12.0 billion against a target of KSh. 25.8 billion, which is an under performance of KSh.13.8 billion.

**Chart 9: Ordinary Revenue by Source, Period Ending 31<sup>st</sup> December, 2021**



Source of Data: National Treasury

## 2.2 Expenditure

32. The total expenditure and net lending for the period under review amounted to KSh. 1,364.9 billion, against a target of KSh. 1,451.2 billion. The resultant under expenditure of KSh. 86.3 billion is attributed to lower absorption recorded in development expenditures (A-I-A) by the National Government and below target transfers to County Governments. Recurrent expenditure for National Government amounted to KSh. 963.1 (excluding KSh. 22.1 billion for Parliament and Judiciary), against a target of KSh. 934.1 billion which was KSh. 29.0 billion above the set target. The over expenditure in recurrent category was mainly due to higher than targeted domestic interest payments and operations and maintenance expenditures (**Table 5 and Chart 10**).

## FISCAL DEVELOPMENTS

**Table 5: Expenditure and Net Lending, Period Ending 31<sup>st</sup> December, 2021 (KSh. Millions)**

	2020/2021 Actual	2021/2022		Deviation	% Growth
		Actual*	Targets		
<b>1. RECURRENT</b>	<b>818,241</b>	<b>963,077</b>	<b>934,073</b>	<b>29,004</b>	<b>17.7</b>
Domestic Interest	186,746	217,282	203,864	13,418	16.4
Foreign Interest	61,064	57,296	57,992	(695)	(6.2)
Pensions & Other CFS	53,821	60,725	65,389	(4,664)	12.8
Wages and Salaries	238,207	246,981	263,056	(16,075)	3.7
Operation and Maintenance	278,403	380,794	343,772	37,021	36.8
O/W: Appropriation-in-Aid	40,864	86,489	76,609	9,880	111.6
<b>2. DEVELOPMENT</b>	<b>262,778</b>	<b>234,689</b>	<b>292,715</b>	<b>(58,026)</b>	<b>(10.7)</b>
Development Projects (Net)	160,271	152,129	157,259	(5,130)	(5.1)
Payment of Guaranteed Loans	-	-	-	-	-
Appropriation-in-Aid	102,506	82,560	132,681	(50,121)	(19.5)
3. County Governments	128,691	144,983	196,164	(51,181)	12.7
4. Parliamentary Service	3,504	15,671	17,909	(2,238)	347.2
5. Judicial Service	1,630	6,459	7,792	(1,333)	296.3
6. Equalization Fund	-	-	2,775	(2,775)	-
7. CF	-	-	2,500	(2,500)	-
<b>TOTAL EXPENDITURE</b>	<b>1,214,844</b>	<b>1,364,879</b>	<b>1,451,153</b>	<b>(86,274)</b>	<b>12.4</b>

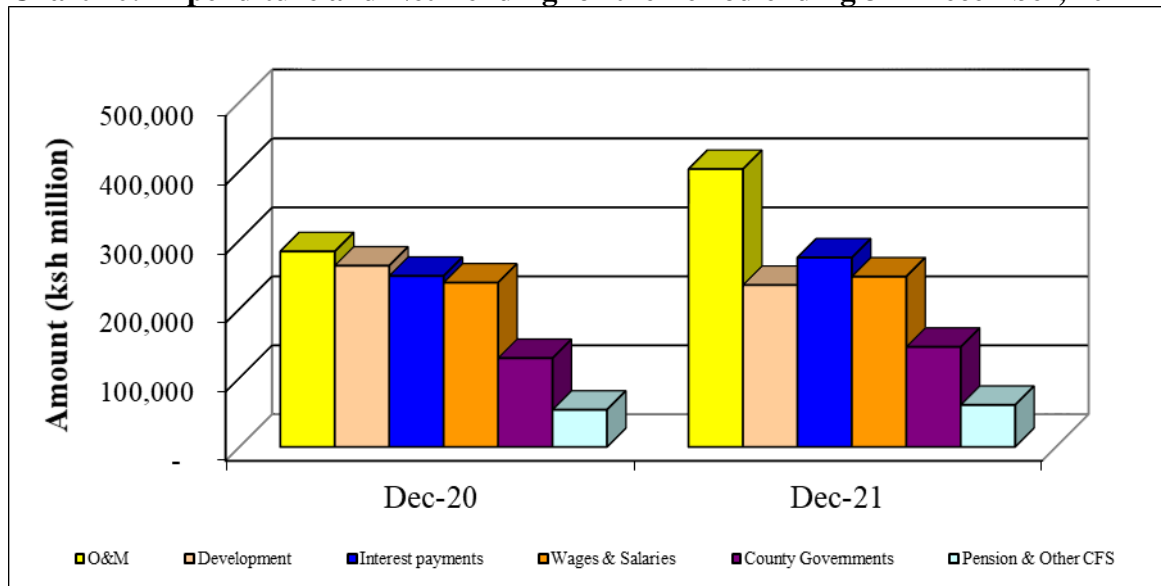
\*Provisional

Source of Data: National Treasury

33. Foreign interest payments amounted to KSh. 57.3 billion, lower than KSh. 61.1 billion paid over the same period in the FY2020/21. The domestic interest payments amounted to KSh. 217.3 billion, which was higher than the KSh. 186.7 billion paid in the corresponding period in the previous financial year. The expenditure data in GFSM 2014 format is shown in annexes III and IV.



**Chart 10: Expenditure and Net Lending for the Period ending 31<sup>st</sup> December, 2021**



Source of Data: National Treasury

### 2.2.1 National Government Expenditures by Public Agencies

34. The total ministerial and other public agencies expenditure including A.I.A was KSh. 872.2 billion against a target of KSh. 979.6 billion. Recurrent expenditure was KSh. 638.9 billion against a target of KSh. 642.7 billion, while development expenditure amounted to KSh. 233.3 billion against a target of KSh. 336.9 billion. The percentage of total expenditures to the target was 89.0 percent while the percentage of total expenditures to the target for recurrent and development were 99.4 percent and 69.3 percent respectively, as at the end of the period under review. The discrepancy between actual and target expenditures was partly due to the non-capture of the parastatals and some other government entities expenditures. These ministerial expenditures are therefore, provisional.

35. As at 31<sup>st</sup> December, 2021, recurrent expenditures by the State Department for Early Learning and Basic Education, State Department for University Education; Teachers Service Commission; State Department for Vocational and Technical Training and the Ministry of Health (Social Sector) accounted for 43.6 percent of total recurrent expenditure. In addition, Ministry of Defence and the State Department for Interior and Citizen Services accounted for 10.0 percent and 9.9 percent of total recurrent expenditure respectively.

36. Analysis of development outlay indicates that the State Department for infrastructure accounted for the largest share of the total development expenditure (21.3 percent), followed by the National Treasury (13.3 percent), Ministry of water, Sanitation and irrigation (12.1 percent), Ministry of Health (9.6 percent) and the State Department for Planning (9.0 percent). The expenditures by large Ministries/State Departments were below target because of under reporting of expenditure from the sub-national, parastatals and some donor funded projects. **Table 6** shows the recurrent and development expenditures by Ministries, State Departments and other government entities for the period under review.



## FISCAL DEVELOPMENTS

**Table 6: National Government Expenditures by Public Agencies, Period Ending 31<sup>st</sup> December, 2021 (KSh. Millions)**

Budget Head	MINISTRY/DEPARTMENT/COMMISSIONS	Dec-21			Dec-21			Dec-21			% of Total Exp. To Target
		Recurrent			Development			Total			
		Actual*	Target	Variance	Actual*	Target	Variance	Actual*	Target	Variance	
1011	Executive Office of the President	12,121	12,634	(513)	5,888	4,664	1,225	18,009	17,297	712	104.1
1021	State Department for Interior and Citizen Services	63,533	65,738	(2,205)	3,754	3,642	112	67,287	69,380	(2,093)	97.0
1023	State Department for Correctional Services	11,704	14,375	(2,671)	40	455	(415)	11,743	14,829	(3,086)	79.2
1032	State Department for Devolution	1,961	1,477	484	709	870	(161)	2,670	2,347	324	113.8
1035	State Department for Development of the ASAL	520	531	(11)	3,014	4,540	(1,526)	3,534	5,071	(1,537)	69.7
1041	Ministry of Defence	64,184	58,866	5,318	4,618	2,540	2,078	68,802	61,406	7,396	112.0
1052	Ministry of Foreign Affairs	4,731	8,512	(3,781)	84	898	(814)	4,816	9,410	(4,594)	51.2
1064	State Department for Vocational and Technical Training	6,251	9,324	(3,072)	956	2,324	(1,368)	7,208	11,648	(4,440)	61.9
1065	State Department for University Education	46,831	45,529	1,302	1,501	2,178	(677)	48,332	47,706	626	101.3
1066	State Department for Early Learning & Basic Education	46,482	45,782	700	3,578	6,712	(3,134)	50,060	52,494	(2,434)	95.4
1068	State Department for Post Training and Skills Development	102	134	(32)	-	-	-	102	134	(32)	76.3
1071	The National Treasury	27,112	28,705	(1,592)	30,966	51,076	(20,110)	58,078	79,781	(21,703)	72.8
1072	State Department for Planning	1,763	1,799	(36)	21,071	21,202	(131)	22,834	23,001	(167)	99.3
1081	Ministry of Health	33,881	32,435	1,446	22,340	28,291	(5,951)	56,222	60,726	(4,505)	92.6
1091	State Department for Infrastructure	38,151	28,585	9,566	49,644	69,017	(19,373)	87,795	97,602	(9,807)	90.0
1092	State Department for Transport	165	4,714	(4,549)	349	673	(324)	514	5,387	(4,873)	9.5
1093	State Department for Shipping and Maritime	1,020	1,019	1	8	375	(368)	1,027	1,394	(366)	73.7
1094	State Department for Housing & Urban Development	493	617	(124)	6,860	7,027	(167)	7,353	7,644	(291)	96.2
1095	State Department for Public Works	1,661	1,556	105	466	564	(98)	2,127	2,120	7	100.4
1108	Ministry of Environment and Forestry	4,984	5,241	(256)	1,617	2,123	(506)	6,601	7,364	(763)	89.6
1109	Ministry of Water & Sanitation and Irrigation	2,382	3,198	(816)	28,140	36,229	(8,089)	30,522	39,427	(8,905)	77.4
1112	Ministry of Lands and Physical Planning	1,344	1,522	(178)	1,345	1,216	130	2,690	2,738	(48)	98.2
1122	State Department for Information Communication Technology	880	793	87	7,927	10,602	(2,675)	8,807	11,395	(2,588)	77.3
1123	State Department for Broadcasting & Telecommunication	2,715	3,328	(614)	225	248	(24)	2,939	3,577	(638)	82.2
1132	State Department for Sports	826	669	157	5,665	7,574	(1,909)	6,491	8,243	(1,753)	78.7
1134	State Department for Culture and Heritage	1,337	1,466	(128)	25	28	(3)	1,362	1,494	(131)	91.2
1152	Ministry of Energy	853	3,318	(2,465)	12,830	33,624	(20,794)	13,684	36,942	(23,258)	37.0
1162	State Department for Livestock	1,565	1,714	(149)	1,117	2,826	(1,709)	2,682	4,540	(1,858)	59.1
1166	State Department for Fisheries, Aquaculture & the Blue Economy	1,076	1,134	(57)	1,014	5,368	(4,355)	2,090	6,502	(4,412)	32.1
1169	State Department for Crop Development & Agriculture	5,167	6,718	(1,552)	8,146	15,748	(7,602)	13,312	22,467	(9,154)	59.3
1173	State Department for Cooperatives	201	613	(412)	148	262	(114)	349	875	(526)	39.9
1174	State Department for Trade and Enterprise Development	1,035	1,143	(108)	537	870	(333)	1,572	2,013	(441)	78.1
1175	State Department for Industrialization	1,079	1,556	(477)	899	1,636	(737)	1,978	3,193	(1,214)	62.0
1184	State Department for Labour	774	1,391	(617)	299	1,280	(981)	1,073	2,672	(1,598)	40.2
1185	State Department for Social Protection, Pensions & Social Security	12,047	15,243	(3,196)	528	1,541	(1,013)	12,575	16,784	(4,209)	74.9
1194	Ministry of Petroleum and Mining	11,769	3,983	7,786	907	1,463	(556)	12,676	5,446	7,230	232.8
1202	State Department for Tourism	2,037	2,604	(566)	141	238	(97)	2,178	2,841	(663)	76.7
1203	State Department for Wildlife	2,485	3,806	(1,321)	144	316	(173)	2,629	4,122	(1,494)	63.8
1212	State Department for Gender	600	518	82	1,181	1,316	(135)	1,781	1,834	(53)	97.1
1213	State Department for Public Service	11,323	9,163	2,160	247	284	(37)	11,569	9,447	2,123	122.5
1214	State Department for Youth Affairs	695	720	(25)	1,616	1,605	11	2,311	2,325	(14)	99.4
1221	State Department for East African Community	303	305	(2)	591	548	43	894	853	41	104.8
1222	State Department for Regional and Northern Corridor Development	1,124	1,393	(268)	-	-	-	1,124	1,393	(268)	80.7
1252	State Law Office and Department of Justice	2,079	2,489	(410)	47	91	(43)	2,126	2,580	(454)	82.4
1261	The Judiciary	6,218	7,502	(1,283)	1,126	1,167	(41)	7,344	8,668	(1,324)	84.7
1271	Ethics and Anti-Corruption Commission	1,763	1,629	134	29	34	(5)	1,792	1,663	129	107.7
1281	National Intelligence Service	24,068	21,226	2,843	18	75	(57)	24,086	21,301	2,786	113.1
1291	Office of the Director of Public Prosecutions	1,537	1,663	(126)	-	-	-	1,537	1,663	(126)	92.4
1311	Office of the Registrar of Political Parties	1,178	981	197	16	19	(3)	1,194	1,000	194	119.4
1321	Witness Protection Agency	169	245	(75)	-	-	-	169	245	(75)	69.2
2011	Kenya National Commission on Human Rights	186	204	(18)	-	-	-	186	204	(18)	91.0
2021	National Land Commission	688	722	(34)	-	-	-	688	722	(34)	95.3
2031	Independent Electoral and Boundaries Commission	3,502	7,113	(3,611)	-	-	-	3,502	7,113	(3,611)	49.2
2041	Parliamentary Service Commission	3,335	3,306	29	46	63	(16)	3,381	3,369	12	100.4
2042	National Assembly	9,978	11,751	(1,773)	-	-	-	9,978	11,751	(1,773)	84.9
2043	Parliamentary Joint Services	2,358	2,851	(493)	-	-	-	2,358	2,851	(493)	82.7
2051	Judicial Service Commission	241	291	(50)	818	1,033	(215)	1,059	1,324	(265)	80.0
2061	The Commission on Revenue Allocation	214	243	(28)	-	-	-	214	243	(28)	88.3
2071	Public Service Commission	1,109	1,186	(77)	-	-	-	1,109	1,186	(77)	93.5
2081	Salaries and Remuneration Commission	226	311	(84)	6	10	(3)	233	320	(88)	72.6
2091	Teachers Service Commission	144,926	140,530	4,397	-	-	-	144,926	140,530	4,397	103.1
2101	National Police Service Commission	359	397	(38)	65	323	(258)	424	720	(295)	59.0
2111	Auditor General	2,266	2,853	(587)	-	-	-	2,266	2,853	(587)	79.4
2112	Office of the Controller of Budget	212	345	(133)	-	100	(100)	212	445	(233)	47.7
2131	The Commission on Administrative Justice	299	307	(8)	-	-	-	299	307	(8)	97.3
2141	National Gender and Equality Commission	226	218	7	-	-	-	226	218	7	103.4
2151	Independent Policing Oversight Authority	451	475	(24)	-	-	-	451	475	(24)	95.0
	<b>Total</b>	<b>638,860</b>	<b>642,705</b>	<b>(3,845)</b>	<b>233,307</b>	<b>336,906</b>	<b>(103,599)</b>	<b>872,168</b>	<b>979,611</b>	<b>(107,444)</b>	<b>89.0</b>

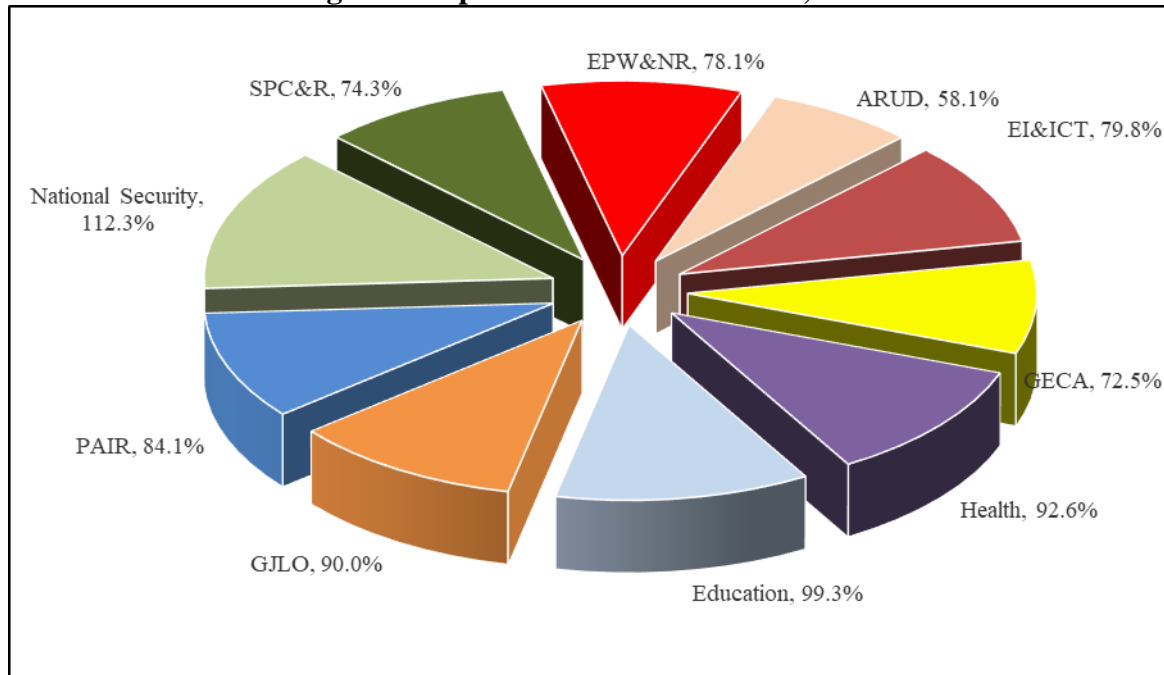
\*Provisional

Source of Data: National Treasury

## FISCAL DEVELOPMENTS

37. During the period under review, National Security sector recorded the highest absorption at 112.3 percent followed by Education at 99.3 percent and Health at 92.6 percent. Agriculture, Rural and Urban Development recorded the lowest absorption of 58.1 percent (Chart 11).

**Chart 11: Sectoral Budget Absorption as at 31<sup>st</sup> December, 2021**



Source of Data: National Treasury

### 2.2.1 Pending Bills

38. The total outstanding national government pending bills as at 31<sup>st</sup> December, 2021 amounted to KSh. 467.7 billion. These comprise of KSh. 414.2 billion (88.6 percent) and KSh. 53.5 billion (11.4 percent) for the State Corporations (SC) and Ministries/State Departments/other government entities respectively. The SC pending bills include payment to contractors/projects, suppliers, unremitted statutory and other deductions, pension arrears for Local Authorities Pension Trust, and others. The highest percentage of the SCs pending bills (53.0 percent) belong to Contractor/Projects and Suppliers. Ministries/State Departments and other government Agencies pending bills constitutes mainly of historical pending bills as at December 2021.

39. The National Government policy on clearance of pending bills continues to be in force. All MDAs are therefore, expected to continue with prioritization of payment of the pending bills by settling them as a first charge in the current Financial year budget in line with the Treasury Circular No. 7/2019.

### 2.2.2 Guaranteed Debt Service

40. The government did not service any guaranteed debt during the period under review since cumulative principal and interest payments of guaranteed loans to parastatals

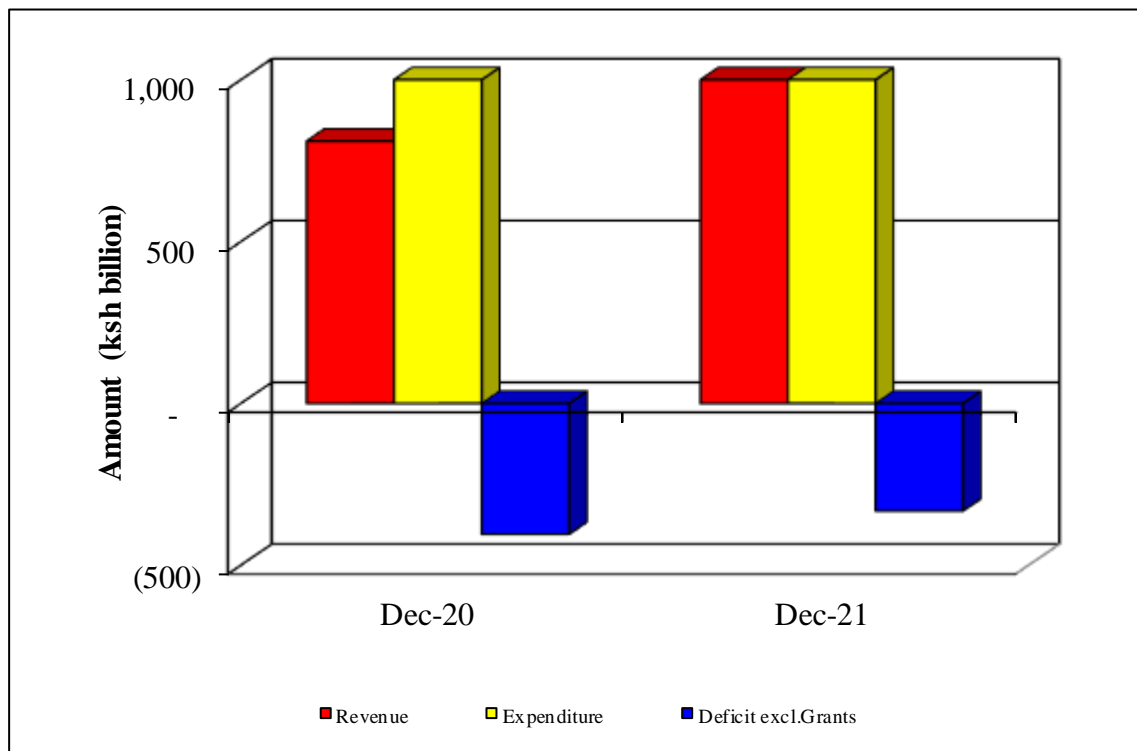
## FISCAL DEVELOPMENTS

with liquidity problems were fully paid. As at end December 2021, all existing guaranteed debts were performing.

### 2.3 Fiscal Outturn

41. During the period July to December 2021, the fiscal balance (on commitment basis and excluding grants) amounted to KSh. 332.7 billion (2.6 percent of GDP) against a targeted deficit of KSh. 461.5 billion (3.7 percent of GDP) (**Chart 12 and Table 8**). The fiscal balance (on a commitment basis and including grants) stood at 2.5 percent of GDP against a target deficit of 3.5 percent of GDP.

**Chart 12: Fiscal Balance as at 31<sup>st</sup> December, 2021**



**Source of Data:** National Treasury

42. Over the same period in FY2020/21, the fiscal deficit including grants (on commitment basis) stood at KSh. 395.8 billion (3.5 percent of GDP). The fiscal outturn in the last six FYs and the Printed Estimates for the FY 2021/22 are shown in **Annex I**. Further, GFSM 2014 Compliant Budgetary Central Government fiscal data for the FY 2021/22 are shown in annexes V and VI.

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**Table 8: Budget Outturn, Cumulative Ending 31<sup>st</sup> December, 2021 (KSh. Millions)**

	2020/2021	2021/2022		Deviation	% growth	2021/2022 as a % of GDP		2020/2021 Actual as a % of GDP
	Actual	Actual*	Targets			Actual	Targets	
<b>A. TOTAL REVENUE AND GRANTS</b>	<b>819,052</b>	<b>1,044,148</b>	<b>1,015,463</b>	<b>28,685</b>	<b>27.5</b>	<b>8.3</b>	<b>8.0</b>	<b>7.2</b>
<b>1. Revenue</b>	<b>810,552</b>	<b>1,032,163</b>	<b>989,697</b>	<b>42,466</b>	<b>27.3</b>	<b>8.2</b>	<b>7.8</b>	<b>7.2</b>
Ordinary Revenue	726,415	902,460	865,255	37,205	24.2	7.1	6.9	6.4
Import Duty	51,799	56,781	57,203	(422)	9.6	0.4	0.5	0.5
Excise Duty	102,779	123,676	114,693	8,983	20.3	1.0	0.9	0.9
Income tax	309,239	406,317	407,348	(1,031)	31.4	3.2	3.2	2.7
VAT	179,073	249,387	227,312	22,075	39.3	2.0	1.8	1.6
Investment Revenue	29,673	19,665	21,129	(1,464)	(33.7)	0.2	0.2	0.3
Others	53,853	46,635	37,570	9,065	(13.4)	0.4	0.3	0.5
Appropriation-in-Aid	84,137	129,703	124,442	5,261	54.2	1.0	1.0	0.7
<b>2. Grants</b>	<b>8,500</b>	<b>11,985</b>	<b>25,766</b>	<b>(13,781)</b>	<b>41.0</b>	<b>0.1</b>	<b>0.2</b>	<b>0.1</b>
AMISOM Receipts	1,451	1,846	547	1,298	-	0.0	0.0	0.0
Nairobi County to NMS	0	4,017	9,416					
Revenue	3,161	2,454	5,022	(2,568)	(22.4)	0.0	0.0	0.0
Appropriation-in-Aid	3,888	3,668	10,780	(7,112)	(5.7)	0.0	0.1	0.0
<b>B. EXPENDITURE AND NET LENDING</b>	<b>1,214,844</b>	<b>1,364,879</b>	<b>1,451,153</b>	<b>(86,274)</b>	<b>12.4</b>	<b>10.8</b>	<b>11.5</b>	<b>10.7</b>
<b>1. Recurrent</b>	<b>823,376</b>	<b>985,207</b>	<b>959,774</b>	<b>25,433</b>	<b>19.7</b>	<b>7.8</b>	<b>7.6</b>	<b>7.3</b>
Domestic Interest	186,746	217,282	203,864	13,418	16.4	1.7	1.6	1.7
Foreign Interest	61,064	57,296	57,992	(695)	(6.2)	0.5	0.5	0.5
Pension & Other CFS	53,821	60,725	65,389	(4,664)	12.8	0.5	0.5	0.5
Wages and Salaries	238,207	246,981	263,056	(16,075)	3.7	2.0	2.1	2.1
O & M/Others	283,538	402,924	369,473	33,450	42.1	3.2	2.9	2.5
<b>2. Development and Net Lending</b>	<b>262,778</b>	<b>234,689</b>	<b>292,715</b>	<b>(58,026)</b>	<b>(10.7)</b>	<b>1.9</b>	<b>2.3</b>	<b>2.3</b>
O/W Domestically financed	173,014	176,393	165,385	11,008	2.0	1.4	1.3	1.5
Foreign financed	89,764	58,295	124,554	(66,259)	(35.1)	0.5	1.0	0.8
3. Equalization Fund	0	-	2,775	(2,775)	-	0.0	0.0	0.0
4. County Governments	128,691	144,983	196,164	(51,181)	12.7	1.1	1.6	1.1
5. CF	-	-	2,500	(2,500)	-	0.0	0.0	0.0
<b>C. DEFICIT EXCL. GRANT (Commitment basis)</b>	<b>(404,292)</b>	<b>(332,716)</b>	<b>(461,457)</b>	<b>128,741</b>	<b>(17.7)</b>	<b>(2.6)</b>	<b>(3.7)</b>	<b>(3.6)</b>
<b>D. DEFICIT INCL. GRANTS (Commitment basis)</b>	<b>(395,792)</b>	<b>(320,731)</b>	<b>(435,691)</b>	<b>114,959</b>	<b>(19.0)</b>	<b>(2.5)</b>	<b>(3.5)</b>	<b>(3.5)</b>
<b>E. ADJUSTMENT TO CASH BASIS</b>	<b>36,268</b>	<b>27,125</b>	<b>-</b>	<b>27,125</b>		<b>0.2</b>	<b>-</b>	<b>0.3</b>
<b>F. DEFICIT INCL. GRANTS (Cash basis)</b>	<b>(359,524)</b>	<b>(293,607)</b>	<b>(435,691)</b>	<b>142,084</b>	<b>(18.3)</b>	<b>(2.3)</b>	<b>(3.5)</b>	<b>(3.2)</b>
<i>Discrepancy</i>	-	18,545	-					
<b>G. FINANCING</b>	<b>359,524</b>	<b>312,151</b>	<b>435,691</b>	<b>(123,539)</b>	<b>(13.2)</b>	<b>2.5</b>	<b>3.5</b>	<b>3.2</b>
<b>1. Net Foreign financing</b>	<b>14,533</b>	<b>12,866</b>	<b>33,150</b>	<b>(20,284)</b>	<b>(11.5)</b>	<b>0.1</b>	<b>0.3</b>	<b>0.1</b>
Disbursements	95,244	92,912	472,370	(379,458)	(2.4)	0.7	3.7	0.8
Programme Loans	3,578	40,739	1,150	39,589	-	0.3	0.0	0.0
Project Cash Loans	31,585	10,971	39,622	(28,651)	(65.3)	0.1	0.3	0.3
Project Loans AIA	42,175	41,202	80,598	(39,396)	(2.3)	0.3	0.6	0.4
Project Loans SGR_PHASE_1&2A_AIA	11,514	0	0	-	-	-	-	0.1
Commercial Financing	6,391	0	351,000	(351,000)	-	-	2.8	0.1
Debt repayment - Principal	(80,711)	(80,046)	(439,220)	359,173	(0.8)	(0.6)	(3.5)	(0.7)
<b>2. Net Domestic Financing</b>	<b>344,991</b>	<b>299,285</b>	<b>402,540</b>	<b>(103,255)</b>	<b>(13.2)</b>	<b>2.4</b>	<b>3.2</b>	<b>3.1</b>
Government Securities	327,273	340,476	404,407	(63,931)	4.0	2.7	3.2	2.9
Government Overdraft & Others	1,564	(7)	-	(7)	-	0.0	-	0.0
Movement in Government Deposits	16,617	86,222	(1,713)	87,935	-	0.7	(0.0)	0.1
Domestic Loan Repayments (Net Receipts)	91	2,539	401	2,138	2,692.9	0.0	0.0	0.0
Domestic Loan Repayment	(555)	(555)	(555)	-	-	0.0	(0.0)	(0.0)
Other Accounts Payable		(129,389)	-					
<b>MEMO ITEM</b>								
<b>GDP ESTIMATE</b>	<b>11,304,149.09</b>	<b>12,628,069.17</b>	<b>12,628,069.17</b>	<b>-</b>	<b>11.71</b>	<b>100.00</b>	<b>100</b>	<b>100.00</b>

\*Provisional

Source of Data: National Treasury

## FISCAL DEVELOPMENTS

### 2.4 Financing

#### 2.4.1 External Financing

43. During the period ending December, 2021, net foreign financing amounted to KSh. 12.9 billion (**Table 9**). Total disbursements (inflows) including Appropriations-in-Aid amounted to KSh. 92.9 billion against a target of KSh. 472.4 billion. The deviation from target was occasioned by delay in issuance of Eurobond for debt market operations. The actual total disbursement comprised of KSh. 41.2 billion Project Loans A.I.A, program loans KSh. 40.7 billion and KSh. 11.0 billion Project Loans-Cash. The External repayments (outflows) of principal debt amounted to KSh. 80.0 billion. The amount comprised of principal repayments due to commercial institutions, bilateral sources and multilateral sources amounting to KSh. 37.4 billion, KSh. 26.7 billion and KSh. 15.9 billion respectively.

**Table 9: External Financing, Period Ending December, 2021 (KSh. Millions)**

	Quarter 1	Quarter 2	Cumulative December 2021	
	2021/22	2021/22	Actual*	Target
<b>DISBURSEMENTS:</b>	<b>19,111</b>	<b>73,801</b>	<b>92,912</b>	<b>472,370</b>
Project Cash loans	5,237	5,734	10,971	39,622
Project loans A-I-A	13,874	27,328	41,202	80,598
Project Loans SGR_PHASE_1_AIA	-	-	-	-
Project Loans SGR_PHASE_2A_AIA	-	-	-	-
Commercial Financing	-	-	-	351,000
Semi concessional Loans	-	-	-	-
Programme Loans	-	40,739	40,739	1,150
<b>EXTERNAL REPAYMENTS:</b>	<b>47,266</b>	<b>32,781</b>	<b>80,046</b>	<b>439,220</b>
Bilateral(incl. Italy Debt SWAP)	21,055	5,659	26,714	36,607
Multilateral (excl. IMF)	8,257	7,669	15,926	14,500
Commercial	17,954	19,452	37,406	388,113
<b>NET FOREIGN FINANCING</b>	<b>(28,155)</b>	<b>41,020</b>	<b>12,866</b>	<b>33,150</b>

\*Provisional

Source of Data: National Treasury

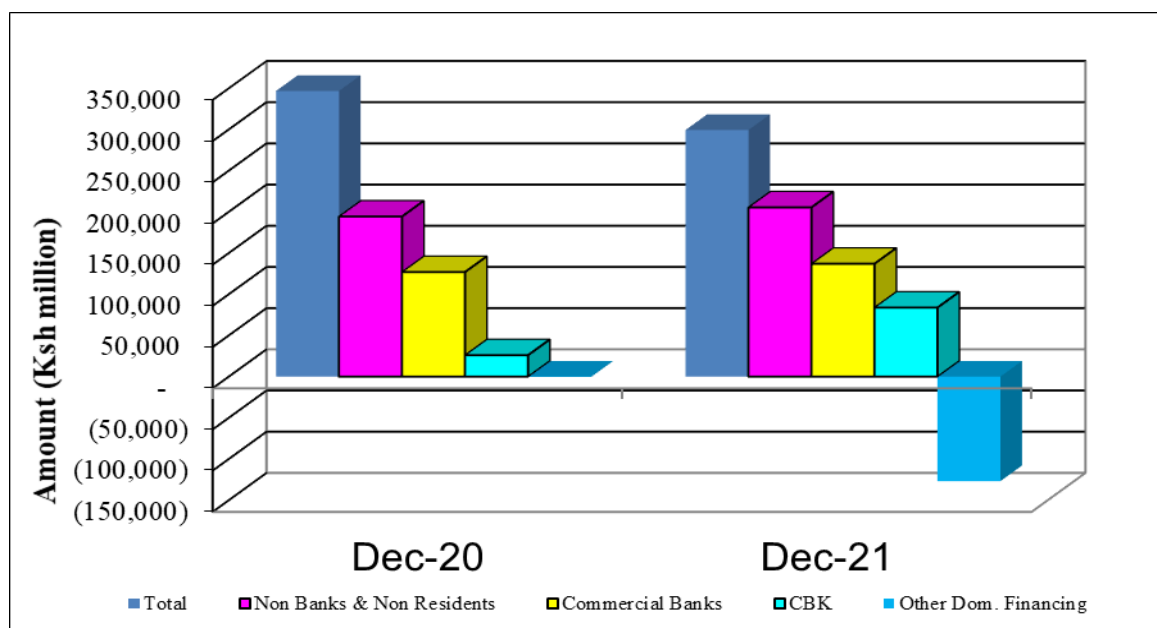
#### 2.4.2 Domestic Financing

44. As at 31<sup>st</sup> December, 2021, net domestic borrowing amounted to KSh. 299.3 billion (**Table 10**) against a target of KSh. 402.5 billion (**Table 8**). The borrowing comprised of KSh. 204.7 billion from Non-Banking Financial Institutions, KSh. 137.0 billion from commercial banks, KSh. 83.8 billion from the Central bank, KSh. 0.7 billion from Non-Residents. The amount also comprised of KSh. 126.9 billion on domestic loan repayments and other accounts payable (other domestic financing). During the same period in FY 2020/21, the net domestic borrowing amounted to KSh. 346.7 billion, comprising of KSh. 193.5 billion from Non-Banking Financial Institutions, KSh. 126.9

## FISCAL DEVELOPMENTS

billion from Commercial Banks, KSh. 26.0 billion from the Central Bank of Kenya and KSh. 0.9 billion from Non-Residents. (Table 10 and Chart 13).

**Chart 13: Domestic Financing for the Period Ending 31<sup>st</sup> December, 2021**



Source of Data: Central Bank of Kenya

45. The stock of Treasury Bills held by commercial banks, the Central Bank, Non-Banks and Non-residents recorded a net decrease of KSh. 21.0 billion, KSh. 2.7 billion, KSh.2.8 billion and KSh. 0.6 billion respectively. The stock of Fixed Rate Bonds held by commercial banks and Non-Banks recorded a net increase of KSh. 33.1 billion and 4.2 billion respectively while those held by and Non-Residents and the Central bank recorded a net decrease of KSh. 0.9 billion and KSh. 0.3 billion respectively (Table 10).

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**Table 10: Domestic Financing, Period Ending 31<sup>st</sup> December, 2021 (KSh. Millions)**

DEBT INSTRUMENT	December 2019	March 2020	June 2020	September 2020	December 2020	March 2021	June 2021*	September 2021*	December 2021*
<b>1. CENTRAL BANK</b>	<b>9,967</b>	<b>73,708</b>	<b>41,946</b>	<b>(116,684)</b>	<b>25,972</b>	<b>38,808</b>	<b>(67,907)</b>	<b>30,003</b>	<b>83,759</b>
Overdraft	6,397	(3,146)	(10,178)	9,057	448	2,133	12,130	(4,169)	33
Treasury bills rediscounts			-	10	4,445	420	418	7,559	1,751
Fixed rate Bonds			-	1	(45)	(280)	(280)	(0)	(75)
Items on Transit	(31)	(28)	4	(23)	(30)	(32)	(1)	(26)	(37)
Frozen Account	-	-	(555)	-	-	(555)	(1,110)	-	(555)
Less Govt Deposits	3,602	76,882	52,675	(125,729)	21,154	37,123	(79,063)	26,640	82,642
<b>2. COM. BANKS</b>	<b>80,201</b>	<b>155,240</b>	<b>235,444</b>	<b>152,077</b>	<b>126,895</b>	<b>171,031</b>	<b>230,926</b>	<b>105,164</b>	<b>136,951</b>
Advances	(1,045)	(621)	(1,231)	440	74	1,193	1,035	45	(3)
Treasury bills	(26,084)	(820)	(7,751)	17,743	(29,842)	(97,160)	(102,520)	(1,930)	(50,843)
Fixed rate Bonds	65,743	117,436	138,821	86,704	104,910	167,129	177,513	56,341	137,984
Infrastructure Bonds	40,664	40,664	108,455	54,024	54,024	104,759	153,386	51,790	46,233
Less Govt Deposits	922	(1,418)	(2,851)	(6,834)	(2,270)	(4,889)	(4,188)	(1,082)	3,580
Advances by Treasury			-	-	-	-	5,701	-	-
<b>3. NON BANKS</b>	<b>78,096</b>	<b>134,879</b>	<b>165,762</b>	<b>117,764</b>	<b>193,468</b>	<b>255,604</b>	<b>327,018</b>	<b>130,822</b>	<b>204,744</b>
Treasury bills	(45,760)	(50,890)	(52,684)	(3,195)	4,221	(10,181)	(2,032)	(3,786)	1,465
TRCs			-	-	-	-	(69)	-	-
Fixed rate Bonds	108,673	170,586	179,004	97,937	166,092	218,953	249,657	93,193	170,290
Infrastructure Bonds	14,919	14,919	39,328	23,918	24,051	47,727	80,357	41,415	32,990
M-Akiba Bond and others	264	264	114	(896)	(896)	(896)	(896)	-	-
<b>4. NON RESIDENTS</b>	<b>2,632</b>	<b>3,607</b>	<b>5,178</b>	<b>1,047</b>	<b>868</b>	<b>859</b>	<b>1,241</b>	<b>3,004</b>	<b>681</b>
Treasury bills	792	881	(145)	(478)	(1,369)	(2,490)	(2,609)	618	(2,008)
Fixed rate Bonds	1,465	2,350	3,198	904	1,750	2,659	2,626	452	846
Infrastructure Bond	376	376	2,125	620	487	690	1,225	1,934	1,843
<b>5. NET CREDIT</b>	<b>170,896</b>	<b>367,434</b>	<b>448,331</b>	<b>154,203</b>	<b>347,204</b>	<b>466,303</b>	<b>491,278</b>	<b>268,992</b>	<b>426,136</b>
<b>6. OTHER DOMESTIC FINANCING</b>									
Domestic Loan Repayments (Net)	1,590	2,154	2,044	(512)	(464)	229	135,648	(128,962)	(126,850)
RDL Deposits	-	-	-	(1,287)					
<b>7. NET DOMESTIC FINANCING</b>	<b>172,486</b>	<b>369,588</b>	<b>450,375</b>	<b>152,404</b>	<b>346,740</b>	<b>466,532</b>	<b>626,926</b>	<b>140,030</b>	<b>299,285</b>

Notes:

\*provisional

Treasury Bills as reflected here are given at cost value as opposed to Table 12 given at face value.

Source of Data: Central Bank of Kenya

### 3.0 PUBLIC DEBT

#### 3.1 Overall Debt Position

46. The gross public debt as at 31<sup>st</sup> December, 2021 increased by KSh. 924.9 billion to KSh. 8,206.7 billion compared to KSh. 7,281.8 billion as at end of December 2020. The gross public debt comprised of 50.9 percent external debt and 49.1 percent domestic debt. The increase in the public debt is attributed to external loan disbursements; exchange rate fluctuations; and uptake of domestic debt during the period. The net public debt was KSh. 7,745.5 billion by end of the period under review (Table 11).

**Table 11: Kenya's Public and Publicly Guaranteed Debt, December, 2019 to December, 2021 (KSh. Millions)**

DEBT SOURCE	Dec-19	Mar-20	Jun-20	Sept-20	Dec-20*	Mar- 21*	Jun- 21*	Sep-21*	Dec-21*
<b>EXTERNAL</b>									
BILATERAL	1,037,538	1,060,610	1,074,257	1,102,890	1,156,991	1,142,718	1,140,529	1,149,211	1,171,701
MULTILATERAL	1,023,821	1,075,901	1,321,629	1,421,840	1,498,837	1,495,606	1,659,411	1,699,358	1,782,085
COMMERCIAL BANKS	1,028,691	1,058,796	1,102,294	1,120,803	1,119,388	1,113,417	1,187,439	1,196,248	1,208,283
SUPPLIERS CREDIT	16,773	17,328	17,630	17,958	18,069	18,126	12,162	13,669	12,303
<b>SUB – TOTAL EXTERNAL</b>	<b>3,106,823</b>	<b>3,212,635</b>	<b>3,515,810</b>	<b>3,663,491</b>	<b>3,793,285</b>	<b>3,769,867</b>	<b>3,999,542</b>	<b>4,058,486</b>	<b>4,174,372</b>
<b>DOMESTIC:</b>									
CENTRAL BANK	94,200	84,565	76,419	85,463	81,237	78,104	87,575	90,938	88,692
COMMERCIAL BANKS	1,491,907	1,571,064	1,653,194	1,808,043	1,769,185	1,776,713	1,814,199	1,917,628	1,943,018
<b>TOTAL BANKS</b>	<b>1,586,108</b>	<b>1,655,629</b>	<b>1,729,613</b>	<b>1,893,507</b>	<b>1,850,422</b>	<b>1,854,817</b>	<b>1,901,774</b>	<b>2,008,565</b>	<b>2,031,710</b>
NON BANKS & NON RESIDENTS	1,358,344	1,416,909	1,448,809	1,563,600	1,638,119	1,715,023	1,795,319	1,929,212	2,000,658
<b>SUB-TOTAL DOMESTIC</b>	<b>2,944,451</b>	<b>3,072,537</b>	<b>3,178,421</b>	<b>3,457,107</b>	<b>3,488,541</b>	<b>3,569,841</b>	<b>3,697,093</b>	<b>3,937,777</b>	<b>4,032,368</b>
<b>GRAND TOTAL GROSS</b>	<b>6,051,274</b>	<b>6,285,172</b>	<b>6,694,231</b>	<b>7,120,598</b>	<b>7,281,826</b>	<b>7,339,708</b>	<b>7,696,635</b>	<b>7,996,263</b>	<b>8,206,740</b>
LESS ON-LENDING	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	-	-	-
LESS GOVERNMENT DEPOSITS	(524,752)	(457,623)	(497,609)	(614,353)	(440,630)	(416,765)	(556,430)	(544,187)	(461,273)
<b>GRAND TOTAL NET</b>	<b>5,520,822</b>	<b>5,821,848</b>	<b>6,190,921</b>	<b>6,500,544</b>	<b>6,835,495</b>	<b>6,917,242</b>	<b>7,140,205</b>	<b>7,452,076</b>	<b>7,745,467</b>

\* Provisional

Source of Data: National Treasury

#### 3.2 Domestic Debt

47. The stock of gross domestic debt increased by KSh. 543.8 billion from KSh. 3,488.5 billion in December, 2020 to KSh. 4,032.4 billion in December, 2021. The net domestic debt was KSh. 3,571.1 billion by end of the period under review (Table 12).



## FISCAL DEVELOPMENTS

**Table 12: Stock of Domestic Debt as at December, 2021 (KSh. Millions)**

DEBT SOURCE	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21*	Sep-21*	Dec-21*
<b>1.CENTRAL BANK</b>	<b>94,200</b>	<b>84,565</b>	<b>76,419</b>	<b>85,463</b>	<b>81,237</b>	<b>78,104</b>	<b>87,575</b>	<b>90,938</b>	<b>88,692</b>
Overdraft	63,724	54,182	47,150	56,206	47,598	49,283	59,279	55,110	59,313
Frozen Govt Accounts	22,229	22,229	21,119	21,119	21,119	20,564	20,009	20,009	19,454
Treasury bills / bonds rediscounts	153	56	120	130	4,565	539	537	8,096	2,288
Items on Transit	5	9	40	17	11	9	39	13	2
Fixed rate bonds	8,089	8,090	7,990	7,991	7,945	7,710	7,710	7,710	7,636
<b>2.COM.BANKS</b>	<b>1,491,907</b>	<b>1,571,064</b>	<b>1,653,194</b>	<b>1,808,043</b>	<b>1,769,185</b>	<b>1,776,713</b>	<b>1,814,199</b>	<b>1,917,628</b>	<b>1,943,018</b>
Advances	2,447	2,790	2,007	2,717	2,699	3,551	2,455	2,352	2,209
Treasury Bills	549,732	576,426	567,096	580,609	531,648	458,025	452,353	446,726	395,241
Fixed Rate T. Bonds	641,650	693,770	714,224	799,624	818,384	881,349	892,067	949,437	1,032,012
Special Bonds	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Savings and Development Bond	7,648	7,648	7,648	7,648	7,648	7,648	7,648	7,648	7,648
Infrastructure Bonds	285,430	285,430	357,218	412,445	403,805	421,141	454,675	506,465	500,908
<b>3. NON BANKS</b>	<b>1,327,771</b>	<b>1,385,334</b>	<b>1,415,655</b>	<b>1,529,485</b>	<b>1,604,276</b>	<b>1,683,332</b>	<b>1,764,233</b>	<b>1,895,111</b>	<b>1,968,944</b>
Treasury Bills	320,789	315,773	313,250	307,307	313,782	298,809	308,072	303,598	309,282
Fixed Rate T. Bonds	760,980	823,558	831,008	927,277	995,461	1,049,257	1,080,520	1,174,719	1,252,633
Tax Reserve Certificate	69	69	69	69	69	69	-	-	-
Infrastructure Bonds	224,313	224,313	249,856	274,252	274,384	314,616	355,061	396,214	386,450
Savings and Development Bond	20,580	20,580	20,580	20,580	20,580	20,580	20,580	20,580	20,580
M- Akiba Bond	1,041	1,041	891	(0)	(0)	(0)	(0)	(0)	(0)
<b>4. NON RESIDENTS</b>	<b>30,572</b>	<b>31,574</b>	<b>33,154</b>	<b>34,115</b>	<b>33,844</b>	<b>31,692</b>	<b>31,086</b>	<b>34,101</b>	<b>31,714</b>
Treasury Bills	8,261	8,368	7,231	6,688	5,720	4,525	4,412	5,034	2,339
Fixed Rate T. Bonds	13,932	14,827	15,675	16,552	17,381	18,319	18,288	18,747	19,146
Savings and Development Bond	9	9	9	9	9	9	9	9	9
Infrastructure Bonds	8,371	8,371	10,239	10,866	10,734	8,839	8,377	10,311	10,220
<b>5. TOTAL GROSS DEBT</b>	<b>2,944,451</b>	<b>3,072,537</b>	<b>3,178,421</b>	<b>3,457,107</b>	<b>3,488,541</b>	<b>3,569,841</b>	<b>3,697,093</b>	<b>3,937,777</b>	<b>4,032,368</b>
6. LESS ON-LENDING	5,701	5,701	5,701	5,701	5,701	5,701	-	-	-
7. Less Govt Deposits	524,752	457,623	497,609	614,353	440,630	416,765	556,430	544,187	461,273
<b>8. TOTAL NET DEBT</b>	<b>2,413,999</b>	<b>2,609,213</b>	<b>2,675,111</b>	<b>2,837,053</b>	<b>3,042,210</b>	<b>3,147,375</b>	<b>3,140,663</b>	<b>3,393,590</b>	<b>3,571,095</b>

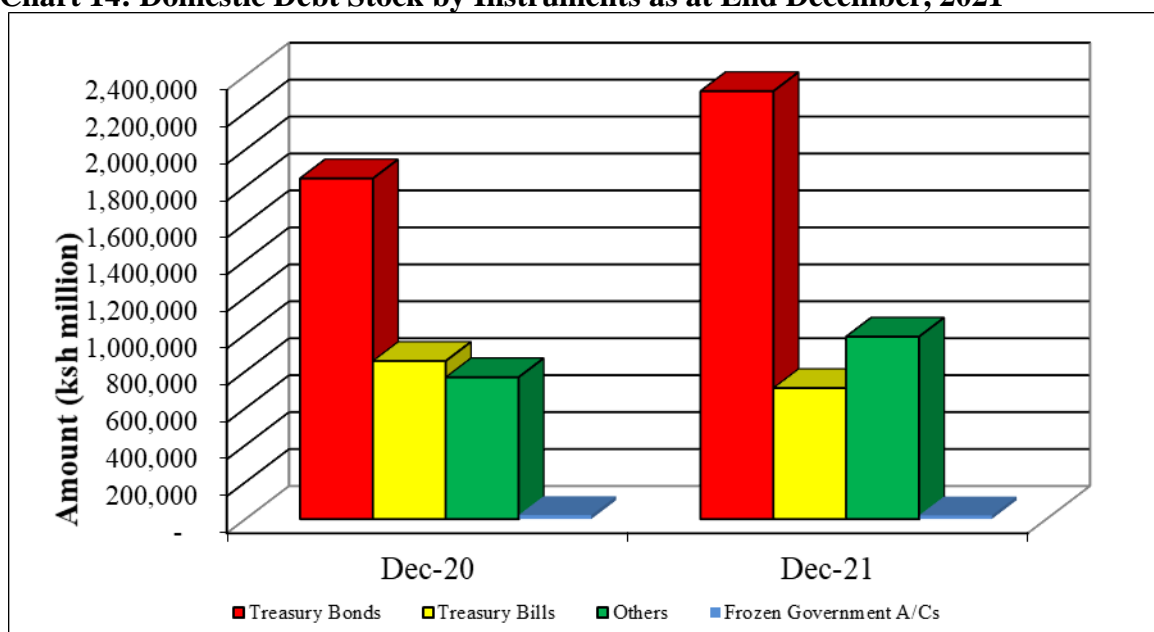
\* Provisional

Treasury Bills reflected here are at face value as opposed to Table 10, given at cost

Source of Data: Central Bank of Kenya

48. The stock of Treasury Bills held by Central Bank, Commercial Banks, Non-Banking Financial Institution and Non-Residents declined by KSh. 146.6 billion from KSh. 855.7 billion in December, 2020 to KSh. 709.2 billion in December, 2021. The total stock of Treasury Bonds, which include Floating, Fixed Rate, Special and Zero-Coupon Bonds, increased by KSh. 472.3 billion from KSh. 1,844.2 billion in December, 2020 to KSh. 2,316.4 billion in December, 2021 (**Chart 14**).

**Chart 14: Domestic Debt Stock by Instruments as at End December, 2021**



Source of Data: Central Bank of Kenya

### 3.3 External Public Debt

49. In dollar terms, external public debt stock increased by US\$. 2,149.2 million from US\$. 34,746.0 million as at December, 2020 to US\$. 36,895.2 million by the end of December, 2021 (**Table 13**). This comprised debt owed to multilateral lenders (42.7%), commercial banks (29.0 %), bilateral sources (28.1%) and Suppliers Credit (0.3%). The increase is attributed to increase in external loans disbursements and exchange rate fluctuations during the period.

## FISCAL DEVELOPMENTS

**Table 13: Kenya's External Public and Publicly Guaranteed Debt December, 2019 – December, 2021 (US\$ Millions)**

CREDITOR	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20*	Mar-21*	Jun-21*	Sep-21*	Dec-21*
<b>BILATERAL</b>									
AUSTRIA	18.62	12.84	13.14	13.52	14.18	13.57	13.33	12.98	12.28
BELGIUM	109.80	113.08	112.42	113.07	123.31	121.70	117.61	114.51	114.42
CANADA	0.58	0.58	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DENMARK	6.41	5.87	5.67	5.41	5.03	4.33	4.39	4.30	4.18
FINLAND	15.95	13.09	13.40	12.51	13.11	11.16	11.31	9.71	9.42
FRANCE	728.89	698.14	748.38	762.54	835.65	800.13	851.83	836.00	812.00
GERMANY	332.14	371.11	333.07	345.47	342.54	323.67	338.31	328.90	336.11
ITALY	351.90	342.57	349.64	365.49	383.17	366.88	371.85	364.79	353.78
JAPAN	1,353.47	1,385.84	1,423.97	1,489.84	1,525.90	1,447.97	1,474.72	1,463.17	1,416.58
NETHERLANDS	1.79	1.00	0.51	0.53	-	-	-	-	-
UK	0.32	0.30	-	-	-	-	-	-	-
USA	17.45	15.16	14.83	12.32	11.98	11.77	13.14	12.44	12.26
CHINA	6,840.23	6,746.26	6,753.13	6,731.17	7,016.85	7,013.42	7,056.92	6,917.51	6,951.45
OTHERS	325.62	570.92	316.66	313.28	326.17	320.06	321.73	337.12	333.61
<b>TOTAL BILATERAL</b>	<b>10,103.18</b>	<b>10,276.76</b>	<b>10,084.80</b>	<b>10,165.16</b>	<b>10,597.89</b>	<b>10,434.65</b>	<b>10,575.15</b>	<b>10,401.43</b>	<b>10,356.09</b>
<b>MULTILATERAL</b>									
ADB/ADF	2,393.60	2,404.62	2,475.99	2,726.74	2,910.65	2,886.38	2,988.35	3,024.74	3,187.81
BADEA	36.28	36.06	36.66	36.34	38.36	37.51	39.53	38.63	38.72
EEC/EIB	162.18	152.65	157.67	186.99	195.65	185.05	215.38	203.88	197.09
IBRD	-	-	250.00	250.00	296.11	294.15	294.98	293.90	297.56
IDA/IFAD	7,234.42	7,146.77	8,399.27	8,808.04	9,219.83	9,220.59	10,146.65	10,137.36	10,150.48
IMF**	360.66	341.14	1,038.33	1,047.10	1,016.70	985.04	1,652.44	1,635.00	1,834.49
OTHERS	51.40	49.46	49.13	49.66	51.86	48.32	48.97	47.26	44.83
<b>TOTAL MULTILATERAL</b>	<b>10,238.54</b>	<b>10,130.70</b>	<b>12,407.05</b>	<b>13,104.87</b>	<b>13,729.16</b>	<b>13,657.03</b>	<b>15,386.29</b>	<b>15,380.77</b>	<b>15,750.98</b>
<b>COMMERCIAL<sup>1</sup></b>	<b>10,151.24</b>	<b>10,113.38</b>	<b>10,348.00</b>	<b>10,330.26</b>	<b>10,253.45</b>	<b>10,167.10</b>	<b>11,010.10</b>	<b>10,827.15</b>	<b>10,679.43</b>
O/W International Sovereign Bond	-	-	-	-	-	-	7,106.58	7,100.00	7,106.28
<b>EXPORT CREDIT</b>	<b>165.51</b>	<b>165.51</b>	<b>165.51</b>	<b>165.51</b>	<b>165.51</b>	<b>165.51</b>	<b>112.77</b>	<b>123.71</b>	<b>108.74</b>
<b>GRAND TOTAL</b>	<b>30,658.48</b>	<b>30,686.36</b>	<b>33,005.37</b>	<b>33,765.80</b>	<b>34,746.02</b>	<b>34,424.30</b>	<b>37,084.30</b>	<b>36,733.07</b>	<b>36,895.24</b>
In percentage of total									
BILATERAL	32.95	33.49	30.56	30.10	30.50	30.31	28.52	28.32	28.07
MULTILATERAL	33.40	33.01	37.59	38.81	39.51	39.67	41.49	41.87	42.69
COMMERCIAL BANKS <sup>1</sup>	33.11	32.96	31.35	30.59	29.51	29.53	29.69	29.48	28.95
EXPORT CREDIT	0.54	0.54	0.50	0.49	0.48	0.48	0.30	0.34	0.29
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

\*Provisional

\*\* include IMF item

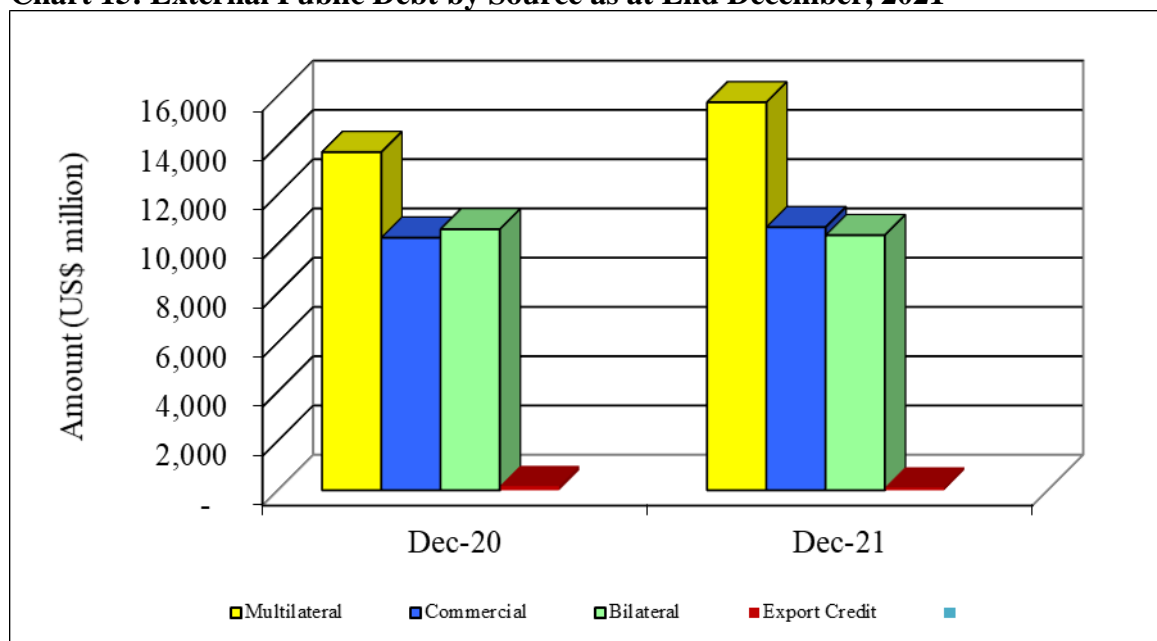
<sup>1</sup>/ incl. International Sovereign Bond

Note: The exchange rate as at end December, 2021 was KSh. 113.14 per dollar.

Source of Data: National Treasury

50. Compared to the same period in FY 2020/21, external public debt stock from multilateral institutions and commercial banks recorded an increase in the period ending December, 2021 while external debt stock from bilateral sources and suppliers' credit decreased by KSh. 241.8 million and KSh. 56.8 million respectively as at December, 2021 (Chart 15).

**Chart 15: External Public Debt by Source as at End December, 2021**



Source of Data: National Treasury

### 3.3.1 External Debt Service

51. By the end of December 2021, the total cumulative debt service payments to external creditors amounted to KSh. 137.3 billion. This comprised of KSh. 80.0 billion (58.3 percent) principal and KSh. 57.3 billion (41.7 percent) interest (**Table 14**).

## FISCAL DEVELOPMENTS

**Table 14: External Debt Service, July 2021 – December, 2021 (KSh. Million)**

CATEGORY	Sep-21			Dec-21		
	PRINCIPAL*	INTEREST*	TOTAL*	PRINCIPAL*	INTEREST*	TOTAL*
<b>BILATERAL</b>						
ABU DHABI	-	-	-	76.17	14.47	90.64
AUSTRIA	11.47	8.85	20.32	46.21	12.49	58.69
BELGIUM	529.71	42.41	572.12	962.94	118.62	1,081.56
CHINA	18,697.21	11,167.74	29,864.96	18,697.21	11,167.74	29,864.96
FRANCE	-	6.61	6.61	404.06	55.90	459.96
GERMANY	845.03	95.71	940.74	926.13	115.41	1,041.53
INDIA	324.02	42.02	366.04	324.02	45.73	369.74
ISRAEL	329.26	44.07	373.33	329.26	44.07	373.33
ITALY	-	2.62	2.62	4,387.53	996.34	5,383.87
JAPAN	-	0.72	0.72	-	0.93	0.93
KOREA	27.85	5.11	32.96	27.85	5.11	32.96
KUWAIT	55.34	0.84	56.18	110.99	17.65	128.65
POLAND	-	-	-	-	8.37	8.37
SAUDI ARABIA	-	-	-	52.26	12.83	65.09
SPAIN	198.93	41.99	240.92	310.97	74.52	385.49
USA	36.14	4.92	41.05	58.51	7.60	66.12
<b>TOTAL BILATERAL</b>	<b>21,054.96</b>	<b>11,463.60</b>	<b>32,518.56</b>	<b>26,714.11</b>	<b>12,697.77</b>	<b>39,411.88</b>
<b>MULTILATERAL</b>						
ADB/ADF	521.12	770.78	1,291.90	2,284.73	1,541.97	3,826.71
BADEA	50.72	10.72	61.44	132.44	17.13	149.57
EIB/EEC	824.77	229.81	1,054.58	945.06	273.72	1,218.78
IDA	6,183.80	2,572.25	8,756.05	11,717.34	6,876.43	18,593.77
OPEC	272.92	18.89	291.81	388.55	24.73	413.28
NDF	190.11	11.18	201.28	190.11	11.18	201.28
IFAD	213.32	67.47	280.79	267.93	90.13	358.06
IBRD	-	53.64	53.64	-	341.14	341.14
<b>TOTAL MULTILATERAL</b>	<b>8,256.76</b>	<b>3,734.75</b>	<b>11,991.50</b>	<b>15,926.16</b>	<b>9,176.44</b>	<b>25,102.60</b>
<b>COMMERCIAL</b>	<b>17,954</b>	<b>14,820</b>	<b>32,774.16</b>	<b>37,406.02</b>	<b>35,421.94</b>	<b>72,827.96</b>
<b>GRAND TOTAL</b>	<b>47,265.63</b>	<b>30,018.59</b>	<b>77,284.22</b>	<b>80,046.29</b>	<b>57,296.14</b>	<b>137,342.44</b>

\* Provisional

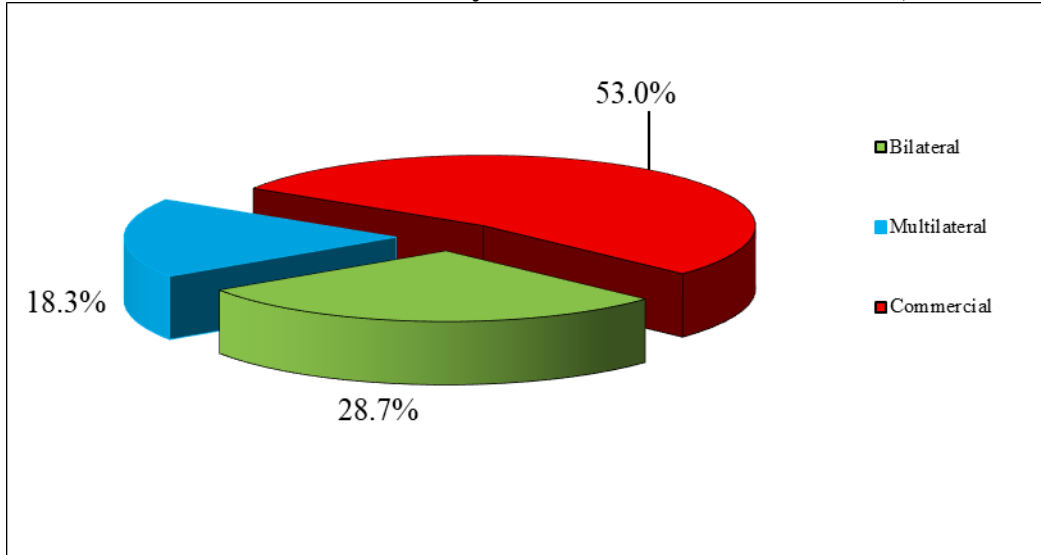
Source of Data: National Treasury

## FISCAL DEVELOPMENTS

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52. By the end of December 2021, the total cumulative debt service payments to external creditors comprised of 53.0 percent, 28.7 percent and 18.3 percent of the total payments to commercial, bilateral, and multilateral creditors respectively (**Chart 16**).

**Chart 16: External Debt Service by Creditors at end of December, 2021**



Source of Data: National Treasury

## 4.0. ANNEXES

## 4.1. Annex I: Fiscal Results, 2015/16 – 2021/2022 (KSh. Millions)

REVENUE/EXPENDITURE/FINANCING	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
			Actual			Prel. Actual	Printed Estimates
<b>A.TOTAL REVENUE</b>	<b>1,254,790</b>	<b>1,440,389</b>	<b>1,525,556</b>	<b>1,704,363</b>	<b>1,736,982</b>	<b>1,783,747</b>	<b>2,038,664</b>
<b>1.Ordinary Revenue</b>	<b>1,152,544</b>	<b>1,306,568</b>	<b>1,365,063</b>	<b>1,499,757</b>	<b>1,573,418</b>	<b>1,562,015</b>	<b>1,775,624</b>
Income Tax	560,762	625,050	640,546	685,330	706,936	694,053	834,472
VAT	289,213	339,034	357,129	414,143	383,713	410,758	472,907
Import Duty	79,638	89,943	93,685	106,875	98,022	108,375	118,954
Excise Duty	140,212	165,474	167,753	194,310	195,270	216,325	241,050
Other Revenue	82,719	87,067	105,950	99,099	189,477	132,504	108,241
2.Appropriation –in –Aid	102,247	133,820	160,493	204,606	163,564	221,732	263,040
<b>B.EXPENDITURE &amp; NET LENDING</b>	<b>1,804,520</b>	<b>2,111,896</b>	<b>2,146,843</b>	<b>2,433,707</b>	<b>2,565,444</b>	<b>2,749,464</b>	<b>3,030,326</b>
<b>1.Recurrent</b>	<b>1,036,636</b>	<b>1,165,037</b>	<b>1,349,896</b>	<b>1,531,083</b>	<b>1,645,222</b>	<b>1,796,588</b>	<b>1,991,947</b>
Wages and Salaries	307,421	336,636	388,938	417,526	449,927	493,029	526,112
Interest Payments	215,328	271,233	323,890	375,723	437,202	495,142	560,262
Domestic Interest	172,857	212,865	239,470	272,351	315,362	388,830	421,897
Foreign Interest Due	42,471	58,368	84,420	103,372	121,840	106,312	138,365
Pensions, etc	53,401	63,958	65,099	70,804	89,605	112,872	137,225
O & M/ Others	429,046	457,150	534,347	625,791	626,394	652,065	719,756
Of which Appropriation-in-Aid	71,915	58,536	109,861	147,765	106,958	133,612	167,075
<b>2.Development &amp; Net Lending</b>	<b>486,662</b>	<b>641,843</b>	<b>469,673</b>	<b>541,884</b>	<b>594,944</b>	<b>553,883</b>	<b>623,498</b>
Development Projects	343,338	392,217	255,213	289,029	389,571	339,226	344,035
Appropriation-in-Aid	134,757	241,183	211,931	243,408	204,712	214,657	272,637
3. Drought Development Expenditures/CF	5,000	-	-	-	-	-	-
4. Transfer to County Governments	276,223	305,016	327,274	360,740	325,278	398,993	409,881
5. Parliamentary Service	19,777	24,215	25,678	28,525	27,990	29,191	33,485
6. Judicial Service	11,662	11,846	11,944	12,713	14,103	14,289	15,106
7. Equalization Fund	6,400	6,000	-	6,962	-	-	6,825
8. Contingency Fund	-	-	-	-	-	-	5,000
<b>D.DEFICIT EXCL. GRANTS (Commitment)</b>	<b>(549,730)</b>	<b>(671,507)</b>	<b>(621,287)</b>	<b>(729,344)</b>	<b>(828,461)</b>	<b>(965,717)</b>	<b>(991,662)</b>
E.GRANTS	29,597	26,962	27,600	19,702	19,820	31,320	62,002
<b>F.DEFICIT INCL.GRANTS (Commitment Basis)</b>	<b>(520,133)</b>	<b>(644,546)</b>	<b>(593,687)</b>	<b>(709,642)</b>	<b>(808,642)</b>	<b>(934,397)</b>	<b>(929,659)</b>
G. ADJUSTMENT TO CASH BASIS	45,563	(14,169)	(34,678)	-	11,801	5,098	-
<b>H.DEFICIT INCL.GRANTS (Cash Basis)</b>	<b>(474,570)</b>	<b>(658,715)</b>	<b>(628,365)</b>	<b>(709,642)</b>	<b>(796,841)</b>	<b>(929,299)</b>	<b>(929,659)</b>
Discrepancy	(0)	38,502	2,716	11,416	(6,036)	20,936	-
<b>I.FINANCING</b>	<b>474,570</b>	<b>697,217</b>	<b>631,081</b>	<b>721,058</b>	<b>790,804</b>	<b>950,235</b>	<b>929,659</b>
Net Foreign Financing	269,924	385,745	354,977	414,518	340,431	323,310	271,182
Net Domestic Financing	204,646	311,472	276,104	306,540	450,373	626,926	658,477
<b>In Percentage of GDP</b>							
<b>A.TOTAL REVENUE</b>	<b>17.4</b>	<b>17.8</b>	<b>17.1</b>	<b>17.5</b>	<b>16.4</b>	<b>15.8</b>	<b>16.5</b>
<b>1.Ordinary Revenue</b>	<b>16.0</b>	<b>16.2</b>	<b>15.3</b>	<b>15.4</b>	<b>14.8</b>	<b>13.8</b>	<b>14.3</b>
Income Tax	7.8	7.7	7.2	7.0	6.7	6.1	6.7
VAT	4.0	4.2	4.0	4.2	3.6	3.6	3.8
Import Duty	1.1	1.1	1.1	1.1	0.9	1.0	1.0
Excise Duty	1.9	2.0	1.9	2.0	1.8	1.9	1.9
Other Revenue	1.1	1.1	1.2	1.0	1.8	1.2	0.9
2.Appropriation –in –Aid	1.4	1.7	1.8	2.1	1.5	2.0	2.1
<b>B. EXPENDITURE &amp; NET LENDING</b>	<b>25.0</b>	<b>26.1</b>	<b>24.1</b>	<b>25.0</b>	<b>24.2</b>	<b>24.3</b>	<b>24.5</b>
<b>1.Recurrent</b>	<b>14.3</b>	<b>14.4</b>	<b>15.1</b>	<b>15.7</b>	<b>15.5</b>	<b>15.9</b>	<b>16.1</b>
Wages and Salaries	4.3	4.2	4.4	4.3	4.2	4.4	4.2
Interest Payments	3.0	3.4	3.6	3.9	4.1	4.4	4.5
Domestic Interest	2.4	2.6	2.7	2.8	3.0	3.4	3.4
Foreign Interest Due	0.6	0.7	0.9	1.1	1.1	0.9	1.1
Pensions, etc	0.7	0.8	0.7	0.7	0.8	1.0	1.1
O & M/ Others	5.9	5.7	6.0	6.4	5.9	5.8	5.8
of which Appropriation-in-Aid	1.0	0.7	1.2	1.5	1.0	1.2	1.3
<b>2.Development &amp; Net Lending</b>	<b>6.7</b>	<b>7.9</b>	<b>5.3</b>	<b>5.6</b>	<b>5.6</b>	<b>4.9</b>	<b>5.0</b>
Development Projects	4.8	4.9	2.9	3.0	3.7	3.0	2.8
Appropriation-in-Aid	1.9	3.0	2.4	2.5	1.9	1.9	2.2
Payment of guaranteed loans	0.0	0.0	0.0	0.0	0.0	-	-
3. Drought Expenditures	0.1	-	-	-	-	-	-
4.Transfer to County Governments	3.8	3.8	3.7	3.7	3.1	3.5	3.3
5. Parliamentary Service	0.3	0.3	0.3	0.3	0.3	0.3	0.3
6. Judicial Service	0.2	0.1	0.1	0.1	0.1	0.1	0.1
7. Equalization Fund	0.1	0.1	-	0.1	-	-	0.1
<b>D.DEFICIT EXCL. GRANTS (Commitment)</b>	<b>(7.6)</b>	<b>(8.3)</b>	<b>(7.0)</b>	<b>(7.5)</b>	<b>(7.8)</b>	<b>(8.5)</b>	<b>(8.0)</b>
E.GRANTS	0.4	0.3	0.3	0.2	0.2	0.3	0.5
<b>F.DEFICIT INCL.GRANTS (Commitment Basis)</b>	<b>(7.2)</b>	<b>(8.0)</b>	<b>(6.7)</b>	<b>(7.3)</b>	<b>(7.6)</b>	<b>(8.3)</b>	<b>(7.5)</b>
G. ADJUSTMENT TO CASH BASIS	0.6	(0.2)	(0.4)	-	0.1	0.0	-
<b>H.DEFICIT INCL.GRANTS (Cash Basis)</b>	<b>(6.6)</b>	<b>(8.2)</b>	<b>(7.0)</b>	<b>(7.3)</b>	<b>(7.5)</b>	<b>(8.2)</b>	<b>(7.5)</b>
<b>I.FINANCING</b>	<b>6.6</b>	<b>8.6</b>	<b>7.1</b>	<b>7.4</b>	<b>7.4</b>	<b>8.4</b>	<b>7.5</b>
Foreign Financing	3.7	4.8	4.0	4.3	3.2	2.9	2.2
Net Domestic Financing	2.8	3.9	3.1	3.1	4.2	5.5	5.3
Memorandum Item:							
<b>Nominal GDP at Market price (Ksh. million)</b>	<b>7,225,483.7</b>	<b>8,081,061.0</b>	<b>8,922,319.6</b>	<b>9,745,599.5</b>	<b>10,620,841.4</b>	<b>11,304,149.1</b>	<b>12,393,063.2</b>

Source: National Treasury

## 4.2. GFSM 2014 COMPLIANT TABLES FOR BUDGETARY CENTRAL GOVERNMENT

### 4.2.1 Annex II: Revenue (KSh. Millions)

Description	Annual Budget	Prel. Actual	Prel. Actual
	Estimates FY2021/22	FY2021/22 Q1	FY2021/22 Q2
<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
<b>Revenue</b>	<b>2,100,666</b>	<b>512,957</b>	<b>1,044,148</b>
Taxes	1,830,010	454,731	945,270
<b>Taxes on income, profits, and capital gains</b>	<b>834,472</b>	<b>195,472</b>	<b>406,317</b>
Payable by individuals	435,927	105,695	219,651
Payable by corporations and other enterprises	398,545	89,776	186,665
<b>Taxes on goods and services</b>	<b>810,009</b>	<b>212,234</b>	<b>439,733</b>
General taxes on goods and services	481,076	124,718	258,144
Value-added taxes	472,907	120,378	249,387
Taxes on financial and capital transactions <sup>1</sup>	8,169	4,339	8,757
Excises <sup>2</sup>	328,933	87,516	181,589
<b>Taxes on international trade and transactions</b>	<b>185,530</b>	<b>47,025</b>	<b>99,221</b>
Customs and other import duties <sup>3</sup>	185,530	47,025	99,221
<b>Social contributions</b>	<b>473</b>	<b>121</b>	<b>241</b>
<b>Other social contributions</b>	<b>473</b>	<b>121</b>	<b>241</b>
Employee contributions	473	121	241
<b>Grants</b>	<b>62,002</b>	<b>6,655</b>	<b>11,985</b>
From foreign governments	40,253	3,886	6,122
Current	-	-	-
Capital	40,253	3,886	6,122
From international organizations	2,500	1,846	1,846
Current	2,500	1,846	1,846
Capital	-	-	-
From other general government units	19,250	924	4,017
Current	19,250	924	4,017
Capital	-	-	-
<b>Other revenue</b>	<b>208,180</b>	<b>51,450</b>	<b>86,653</b>
<b>Property income</b>	<b>37,282</b>	<b>19,418</b>	<b>22,157</b>
Interest	1,981	82	1,171
Dividends	29,996	18,747	19,665
Rent	5,305	590	1,321
<b>Sales of goods and services</b>	<b>167,081</b>	<b>31,512</b>	<b>62,838</b>
Administrative fees	167,081	31,512	62,838
<b>Fines, penalties, and forfeits</b>	<b>2,205</b>	<b>475</b>	<b>1,385</b>
<b>Miscellaneous and unidentified revenue</b>	<b>1,612</b>	<b>46</b>	<b>272</b>

1. Includes Capital Gains Tax and Stamp duty

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

3. Includes Import duty, RDL, IDF

Source: National Treasury



## 4.2.2. Annex III: Expense (KSh. Millions)

Description	Annual Budget Estimates FY2021/22	Prel. Actual FY2021/22 Q1	Prel. Actual FY2021/22 Q2
<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
<b>Expense</b>	<b>2,906,118</b>	<b>621,530</b>	<b>1,338,653</b>
<b>Compensation of employees</b>	<b>552,378</b>	<b>140,045</b>	<b>265,117</b>
Wages and salaries	527,133	126,583	247,099
<b>Social contributions</b>	<b>25,245</b>	<b>13,462</b>	<b>18,018</b>
Actual social contributions	25,245	13,462	18,018
<b>Use of goods and services</b>	<b>256,771</b>	<b>97,266</b>	<b>240,939</b>
O/W Defence and NIS	157,123	38,618	88,252
Free Secondary Education (FSE)	62,422	14,836	32,141
Free Primary Education (FPE)	12,001	2,620	6,484
<b>Interest</b>	<b>560,262</b>	<b>131,160</b>	<b>274,578</b>
To nonresidents	138,365	30,019	57,296
To residents other than general government	421,897	101,142	217,282
<b>Subsidies</b>	<b>2,875</b>	<b>5,620</b>	<b>12,329</b>
To public corporations	-	-	-
To private enterprises	2,875	5,620	12,329
<b>Grants</b>	<b>1,388,526</b>	<b>220,437</b>	<b>486,200</b>
<b>To international organizations</b>	<b>5,165</b>	<b>1,241</b>	<b>1,481</b>
Current	5,165	1,241	1,481
Capital	-	-	-
<b>To other general government units</b>	<b>1,383,361</b>	<b>219,196</b>	<b>484,718</b>
Current	800,071	102,939	254,493
O/W Transfer to County Governments (ES)	259,000	42,735	101,488
Transfer to Other levels of Government (Includes transfers to SOEs)	541,071	60,204	153,005
Capital	583,289	116,257	230,225
O/W Transfer to County Governments (ES)	111,000	18,315	43,495
Transfer to Other levels of Government (Includes transfers to SOEs)	472,289	97,942	186,730
<b>Social benefits</b>	<b>133,481</b>	<b>27,001</b>	<b>59,491</b>
Employer social benefits	133,481	27,001	59,491
<b>Other expense</b>	<b>11,825</b>	-	-
Miscellaneous other expense	11,825	-	-

Source: National Treasury

## 4.2.3. Annex IV: Transaction in Assets and Liabilities (KSh. Millions)

GFSM Code	Description	Annual Budget	Prel. Actual	Prel. Actual
		Estimates FY2021/22	FY2021/22 Q1	FY2021/22 Q2
	<i>Accounting method:</i>			
		<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
<b>3</b>	<b>Change in Net Worth: Transactions</b>	<b>(805,452)</b>	<b>(115,157)</b>	<b>(313,050)</b>
<b>31</b>	<b>Net acquisition of nonfinancial assets</b>	<b>124,207</b>	<b>10,132</b>	<b>26,226</b>
<b>311</b>	<b>Fixed assets</b>	<b>124,207</b>	<b>10,132</b>	<b>26,226</b>
3111	Buildings and structures	118,915	9,415	24,104
3113	Other fixed assets	5,293	717	2,122
<b>312</b>	<b>Inventories</b>	-	-	-
<b>32</b>	<b>Net acquisition of financial assets</b>	<b>3,141</b>	<b>(25,985)</b>	<b>(88,206)</b>
3212	Currency and deposits (Domestic)	3,141	(25,985)	(88,206)
<b>33</b>	<b>Net incurrence of liabilities</b>	<b>932,800</b>	<b>99,305</b>	<b>251,069</b>
<b>331</b>	<b>Domestic</b>	<b>661,618</b>	<b>127,459</b>	<b>238,204</b>
3313	Securities other than shares	661,618	247,585	340,476
3314	Loans	-	(4,151)	(7)
3318	Other Accounts Payable	-	(115,975)	(102,265)
<b>332</b>	<b>Foreign</b>	<b>271,182</b>	<b>(28,155)</b>	<b>12,866</b>
3323	Securities other than shares	475,318	-	-
3324	Loans	(204,136)	(28,155)	12,866

Source: National Treasury

## 4.2.4. Annex V: Statement of Sources and Uses of Cash (KSh. Millions)

Description	Annual Budget Estimates FY2021/22	Prel. Actual FY2021/22 Q1	Prel. Actual FY2021/22 Q2
<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
<b>Cash Flows from Operating Activities:</b>			
<b>Cash receipts from operating activities</b>	<b>2,100,666</b>	<b>512,957</b>	<b>1,044,148</b>
Taxes	1,830,010	454,731	945,270
Social contributions	473	121	241
Grants	62,002	6,655	11,985
Other receipts	208,180	51,450	86,653
<b>Cash payments for operating activities</b>	<b>2,906,118</b>	<b>621,530</b>	<b>1,338,653</b>
Compensation of employees	552,378	140,045	265,117
Purchases of goods and services	256,771	97,266	240,939
Interest	560,262	131,160	274,578
Subsidies	2,875	5,620	12,329
Grants	1,388,526	220,437	486,200
Social benefits	133,481	27,001	59,491
Other payments	11,825	-	-
<b>Net cash inflow from operating activities</b>	<b>(805,452)</b>	<b>(108,573)</b>	<b>(294,505)</b>
<b>Cash Flows from Investments in Nonfinancial Assets (NFAs):</b>			
<b>Purchases of nonfinancial assets</b>	<b>124,207</b>	<b>10,132</b>	<b>26,226</b>
Fixed assets	124,207	10,132	26,226
Strategic stocks	-	-	-
<b>Net cash outflow: investments in NFAs (31=31.1-31.2)</b>	<b>124,207</b>	<b>10,132</b>	<b>26,226</b>
<b>Cash surplus / deficit</b>	<b>(929,659)</b>	<b>(118,705)</b>	<b>(320,731)</b>
<b>Cash Flows from Financing Activities:</b>			
Net acquisition of financial assets other than cash	3,141	(25,985)	(88,206)
Domestic	3,141	(25,985)	(88,206)
Foreign	-	-	-
<b>Net incurrence of liabilities</b>	<b>932,800</b>	<b>99,305</b>	<b>251,069</b>
Domestic	661,618	127,459	238,204
Foreign	271,182	(28,155)	12,866
<b>Net cash inflow from financing activities</b>	<b>929,659</b>	<b>125,290</b>	<b>339,276</b>
<b>Net change in the stock of cash</b>	<b>(0)</b>	<b>6,585</b>	<b>18,545</b>
<b>Statistical Discrepancy<sup>4</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>4</sup>/Vertical check: Difference between cash surplus/deficit and total net cash inflow from financing activities

Source: National Treasury

## ANNEXES

## 4.2.5 Annex VI: Statement of Government Operations (KSh. Millions)

Description	Annual Budget	Prel. Actual	Prel. Actual
	Estimates FY2021/22	FY2021/22 Q1	FY2021/22 Q2
<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
<b>Transactions Affecting Net Worth:</b>			
<b>Revenue</b>	<b>2,100,666</b>	<b>512,957</b>	<b>1,044,148</b>
Taxes	1,830,010	454,731	945,270
Social contributions	473	121	241
Grants	62,002	6,655	11,985
Other revenue	208,180	51,450	86,653
<b>Expense</b>	<b>2,906,118</b>	<b>621,530</b>	<b>1,338,653</b>
Compensation of employees	552,378	140,045	265,117
Use of goods and services	256,771	97,266	240,939
Interest	560,262	131,160	274,578
Subsidies	2,875	5,620	12,329
Grants	1,388,526	220,437	486,200
Social benefits	133,481	27,001	59,491
Other expense	11,825	-	-
<b>Gross operating balance</b>	<b>(805,452)</b>	<b>(108,573)</b>	<b>(294,505)</b>
<b>Net operating balance</b>	<b>(805,452)</b>	<b>(108,573)</b>	<b>(294,505)</b>
<b>Transactions on Nonfinancial Assets:</b>			
<b>Net Acquisition of Nonfinancial Assets</b>	<b>124,207</b>	<b>10,132</b>	<b>26,226</b>
Fixed assets	124,207	10,132	26,226
Change in inventories	-	-	-
<b>Net lending / borrowing</b>	<b>(929,659)</b>	<b>(118,705)</b>	<b>(320,731)</b>
<b>Transactions on Financial Assets and Liabilities (Financing):</b>			
<b>Net acquisition of financial assets</b>	<b>3,141</b>	<b>(25,985)</b>	<b>(88,206)</b>
Domestic	3,141	(25,985)	(88,206)
Foreign	-	-	-
<b>Net incurrence of liabilities</b>	<b>932,800</b>	<b>99,305</b>	<b>251,069</b>
Domestic	661,618	127,459	238,204
Foreign	271,182	(28,155)	12,866
<b>Statistical Discrepancy</b> <sup>5</sup>	<b>-</b>	<b>6,585</b>	<b>18,545</b>

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

Source: National Treasury