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Anna Mwangi

Quarterly Economic and Budgetary Review

Fourth Quarter, Financial Year 2020/2021
Period Ending 30th June, 2021

August 2021 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

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

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.

HIGHLIGHTS OF THE FOURTH QUARTERLY ECONOMIC AND BUDGETARY REVIEW REPORT IN THE 2020/21 FY

1. Economic growth

The impact of COVID-19 pandemic on the economy and the attendant containment measures slowed down economic growth in 2020. Economic growth in the first three quarters of 2020 contracted by an average of 0.4 percent compared to an average growth of 5.3 percent over the same period in 2019. Leading economic indicators for the fourth quarter of 2020 and the first quarter of 2021 point to strong recovery from the adverse impact of the COVID-19 pandemic.

2. Stable prices

Year-on-year overall inflation rate remained low, stable and within the Government target range of 5+/-2.5 percent. The inflation rate increased in June 2021 but remained within the target range. It increased to 6.3 percent from 4.6 percent in June 2020, mainly on account of higher food and fuel prices

3. Interest Rates

Short-term interest rates remained fairly low and stable. The Central Bank Rate was retained at 7.0 percent to signal lower lending rates. The money market was relatively liquid in June 2021 supported by government payments, which offset tax remittances. As such, the interbank rate remained low but increased slightly to 4.6 percent in June 2021 from 3.3 percent in June 2020

4. Money and Credit

Broad money supply, M3, grew by 7.6 percent in the year to May 2021 compared to a growth of 9.9 percent in May 2020. The growth in M3 was attributed to an increase in the Net Domestic Assets particularly improvement in net credit flows to the government and the private sector.

5. Current Account

The current account deficit was at USD 5,361.8 million (5.4 percent of GDP) in the year to May 2021 from USD 5,137.5 million (5.2 percent of GDP) in the year to May 2020. The current account balance was supported by an improvement in the merchandise account balance, the net primary income balance and the net secondary income balance.

6. Foreign Exchange Reserves

The official foreign exchange reserves held by the Central Bank was at USD 7,871.6 million (4.8 months of import cover) in May 2021 compared with US\$ 9,738.3 million (5.9 months of import cover) in May 2020. This fulfils the requirement to maintain the 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 was at 1,928 points by end of June 2021, a slight decline compared to 1,942 points by end June 2020. However, market capitalization increased from Ksh 2,104 billion to Ksh 2,702 billion over the same period indicating increased trading activities.

8. Revenue Collection

The National Government's cumulative revenue collection including A-I-A for the period between July 2020-June 2021 amounted to KSh. 1,783.7 billion (16.0 percent of GDP) against a target of KSh. 1,837.8 billion. The revenue was below target by KSh. 54.1 billion mainly due to underperformance in ministerial A-I-A, other revenue, corporate income tax and excise duty.

9. Expenditure and Net Lending

The total expenditure and net lending inclusive of transfers to County Governments for the period ending 30th June, 2021 amounted to KSh. 2,755.8 billion, against a target of KSh. 2,886.9 billion. The resultant under expenditure of KSh. 131.1 billion is mainly attributed to lower absorption recorded in recurrent and development expenditures 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 June 2021, all guaranteed debts were performing.

11. Fiscal Balance

The fiscal balance excluding grants (on a commitment basis) amounted to a deficit of KSh. 972.1 billion (8.7 percent of GDP), as at the end of June, 2021.

12. External Financing

The Net Foreign Financing amounted to KSh. 323.3 billion (2.9 percent of the GDP) during the period ending 30th June, 2021.

13. Net Domestic Borrowing

Net domestic financing amounted to a net borrowing of KSh. 626 billion (5.6 percent of GDP) in the period ending 30th June, 2021.

14. Domestic Debt Stock

The stock of gross domestic debt increased by KSh. 519.6 billion from KSh. 3,178.4 billion in June 2020 to KSh. 3,698 billion in June, 2021.

15. External Debt Stock

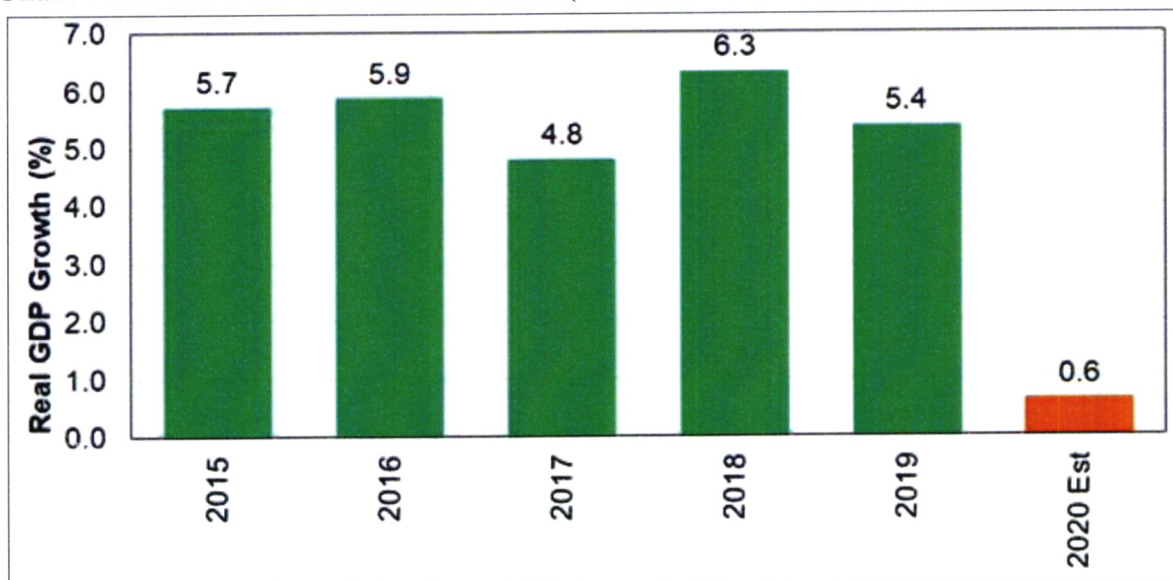
The total external debt stock, including the International Sovereign Bond, stood at KSh. 4,015.3 billion by the end of June, 2021. The debt stock comprised of multilateral debt (41.3 percent), commercial debt (29.8 percent), bilateral debt (28.4 percent) and suppliers' credit (0.4 percent).

1.0 RECENT ECONOMIC DEVELOPMENTS

1.1 Economic Growth

1. In 2020, the Kenyan economy was adversely affected by the outbreak of Covid-19 Pandemic and the swift containment measures, which disrupted economic activities. Additionally, Kenya faced two (2) other shocks: The invasion of swarms of desert locusts that damaged crops; and floods following receipt of more than normal rainfall in May 2020. As a result, growth in 2020 is estimated to have contracted by 0.6 percent from a growth of 5.4 percent in 2019 (Chart 1).

Chart 1: Annual Real GDP Growth rates (Percent)



Source of Data: Kenya National Bureau of Statistics

Economic performance in the first three quarters of 2020

2. Economic growth in the first three quarters of 2020 contracted by an average of 0.4 percent compared to an average growth of 5.3 percent over the same period in 2019 (Table 1). The overall performance of the economy during the first three quarters of 2020 was cushioned from a deeper slump by improved growths in Mining and Quarrying activities (12.6 percent); Construction (8.6 percent); Health Services (7.3 percent) and Agriculture, Forestry and Fishing activities (6.4 percent). Other sectors of the economy that supported growth in the first three quarters of 2020 despite their slowed positive growth rates compared to the same period in 2019 are Information and Communication (7.5 percent); Financial and Insurance activities (5.3 percent); Real Estate Activities (4.0 percent) and Electricity and water supply (3.3 percent).

3. The contraction of the economy in the first three quarters of 2020 was mainly as a result of significant contractions in the services sectors especially Accommodation and Restaurant (-45.1 percent), Education (-31.2 percent), Wholesale and retail trade (-1.3 percent) and transport and Storage (-0.9 percent). However, the performance in quarter three (3) of 2020, albeit constrained was relatively better compared to quarter two (2) of the same year due to partial easing of COVID-19 containment measures.

Table 1: Sectoral GDP performance

Sectors	Sector Growth (%)											
	2018				2019				2020			
	Q1	Q2	Q3	Q1-Q3	Q1	Q2	Q3	Q1-Q3	Q1	Q2	Q3	Q1-Q3
Primary Industry	6.7	5.9	6.5	6.4	3.9	2.2	4.9	3.6	5.9	7.4	6.9	6.7
Agriculture, Forestry and Fishing	6.9	6.0	6.7	6.5	4.0	2.0	5.0	3.6	5.8	7.3	6.3	6.4
Mining and Quarrying	3.1	3.5	3.2	3.2	1.4	5.0	3.4	3.2	9.5	10.0	18.2	12.6
Secondary Sector (Industry)	5.1	5.4	6.1	5.5	4.2	5.5	5.1	5.0	4.1	(1.0)	4.2	2.4
Manufacturing	4.1	4.6	4.8	4.5	2.3	4.1	3.9	3.5	2.9	(3.9)	(3.2)	(1.4)
Electricity and Water supply	6.1	8.3	8.1	7.5	7.8	7.3	6.4	7.2	6.3	(0.6)	4.7	3.3
Construction	6.7	5.6	7.3	6.5	6.1	7.2	6.6	6.6	5.3	3.9	16.2	8.6
Tertiary sector (Services)	6.2	6.0	6.6	6.2	6.3	6.8	6.7	6.6	5.5	(11.0)	(4.7)	(3.5)
Wholesale and Retail trade	5.6	6.5	7.3	6.5	6.3	7.8	6.1	6.7	6.4	(7.0)	(2.5)	(1.3)
Accommodation and Restaurant	13.3	15.1	15.5	14.5	11.0	12.1	9.9	10.9	(9.3)	(83.2)	(57.9)	(45.1)
Transport and Storage	6.5	6.6	8.5	7.2	6.4	7.6	7.6	7.2	6.1	(11.4)	2.9	(0.9)
Information and Communication	13.2	11.7	9.8	11.7	10.0	7.5	8.0	8.6	9.8	4.6	7.3	7.5
Financial and Insurance	4.0	3.5	5.1	4.2	6.3	5.2	8.1	6.5	6.2	4.2	5.3	5.3
Public Administration	5.5	6.1	7.1	6.3	8.9	8.7	8.4	8.7	6.7	5.7	9.6	7.3
Others	5.1	5.0	4.9	5.0	4.8	5.8	5.6	5.4	4.7	(19.2)	(13.0)	(9.3)
of which Real Estate	5.2	4.5	3.8	4.5	4.7	6.0	5.5	5.4	4.4	2.3	5.3	4.0
Education	5.3	5.2	5.5	5.4	4.3	6.0	6.0	5.4	5.3	(56.2)	(41.9)	(31.2)
Health	4.1	3.4	5.3	4.3	5.4	6.2	5.5	5.7	5.8	10.3	5.6	7.3
Taxes less subsidies	6.1	6.0	6.2	6.1	4.7	4.0	4.2	4.3	3.4	(14.2)	(4.2)	(5.2)
Real GDP	6.3	6.1	6.5	6.3	5.2	5.1	5.8	5.3	5.2	(5.5)	(1.1)	(0.4)
of which Non-Agriculture	6.2	6.1	6.5	6.3	5.7	6.4	6.3	6.1	5.2	(8.4)	(2.5)	(2.0)

Source of Data: Kenya National Bureau of Statistics

Leading Economic Indicators for fourth quarter of 2020

4. Economic indicators by sector for the fourth quarter of 2020 point to strong recovery from the adverse impact of the COVID-19 pandemic that significantly affected the second and the third quarters of 2020. However, performance of some service sectors were expected to remain subdued due to the COVID-19 containment measures which prevailed during the quarter under review.

5. **Agriculture sector** is expected to have performed well following favorable weather conditions which prevailed during the fourth quarter of 2020, resulting in improved production of key crops. Compared to the same quarter of 2019, horticultural exports increased by 60.5 percent, supported by increased demand and production. Tea production also increased by 5.9 percent during the review period. However, coffee sales declined by 2.6 percent in the fourth quarter of 2020 compared to the same quarter in 2019.

6. **Industrial activity** is expected to have recovered strongly as reflected in the economic indicators in the construction, Manufacturing and Electricity and Water sectors. Cement production increased by 39.6 percent in the fourth quarter of 2020 compared to the previous quarter in 2019 pointing to a strong recovery in the manufacturing sector. The increased electricity demand by other sectors of the economy, led to an increase in electricity production by 3.9 percent compared to the same quarter in 2019. The growth in generation was mainly in hydroelectricity, wind electricity and solar. The construction sector also remained vibrant as reflected by the strong growth of the cement consumption. The Purchasers managers Index readings, for the fourth quarter of 2020 was at 51.4 signaling an improvement in business conditions in the fourth quarter.

7. **The services sector** was expected to be on a recovery path in the fourth quarter of 2020. Its growth is expected to remain subdued due to poor performance of key services sectors. Accommodation and restaurant services remained subdued due to the 72.9 percent

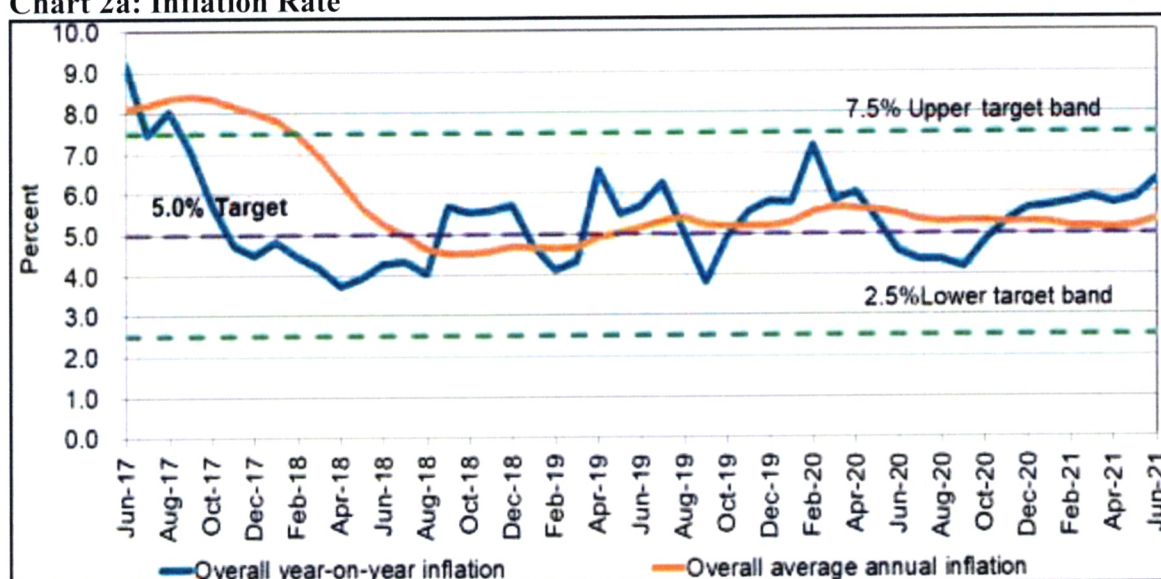
RECENT ECONOMIC DEVELOPMENTS

decline in the overall tourist arrival at the Jomo Kenyatta International Airport in Nairobi, and Moi International Airport in Mombasa, in the fourth quarter of 2020 compared to the same quarter in 2019. However, this was a 33.4 percent increase compared to the third quarter of 2020 following resumption of domestic and international flights.

1.2 Inflation

8. Year-on-year overall inflation rate remained low, stable and within the Government target range of 5 ± 2.5 percent since end 2017. The inflation rate increased in June 2021 but remained within the target range. It increased to 6.3 percent from 4.6 percent in June 2020, mainly on account of higher food and fuel prices. Similarly, overall annual average inflation remained within Government target range at 5.3 percent in June 2021 compared to the 5.5 percent recorded in June 2020 (Chart 2a).

Chart 2a: Inflation Rate

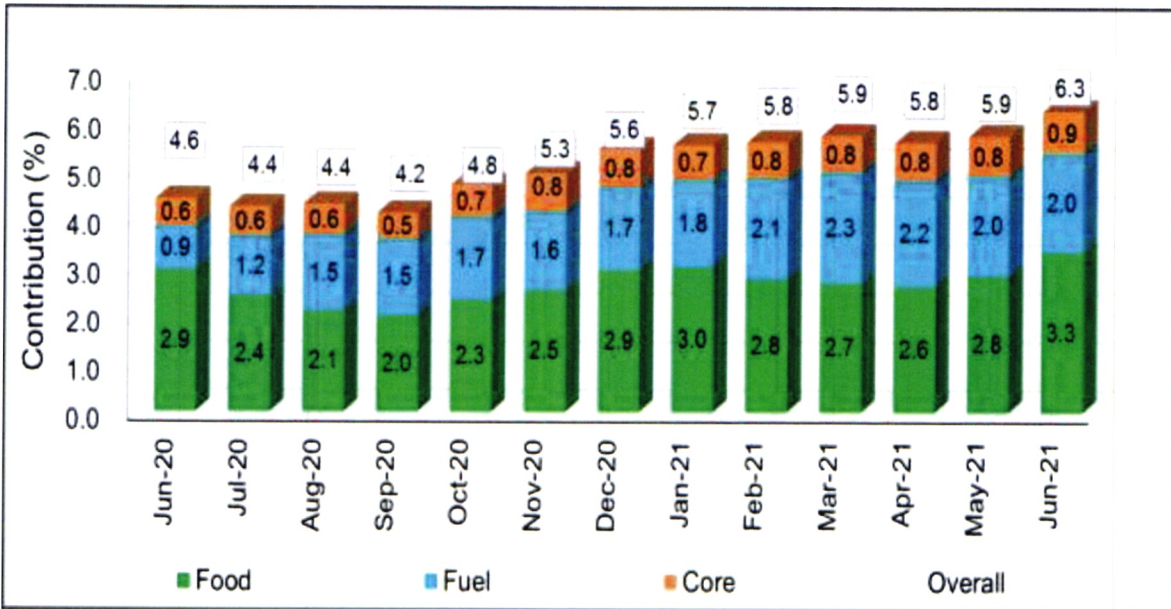


Source of Data: Kenya National Bureau of Statistics

9. The contribution of core inflation to overall inflation has been low and stable, consistent with the muted demand pressures in the economy on account of prudent monetary policies. It rose marginally to 0.9 percentage points in June 2021 from 0.6 percentage points in June 2020, reflective of a pick-up in economic activity (Chart 2b).

10. Food inflation remained the main driver of overall inflation in June 2021, contributing 3.3 percentage points, an increase, compared to a contribution of 2.9 percentage points in June 2020. The increase is on account of a rise in prices of key food items particularly melons, spinach, sukumawiki and irish potatoes. Fuel inflation contributed 2.0 percentage points to overall inflation in June 2021 compared to 0.9 percentage points in June 2020 following a pickup in international oil prices. Fuel inflation in June 2021 was driven by increased fares attributed to a rise in petrol prices and higher electricity costs.

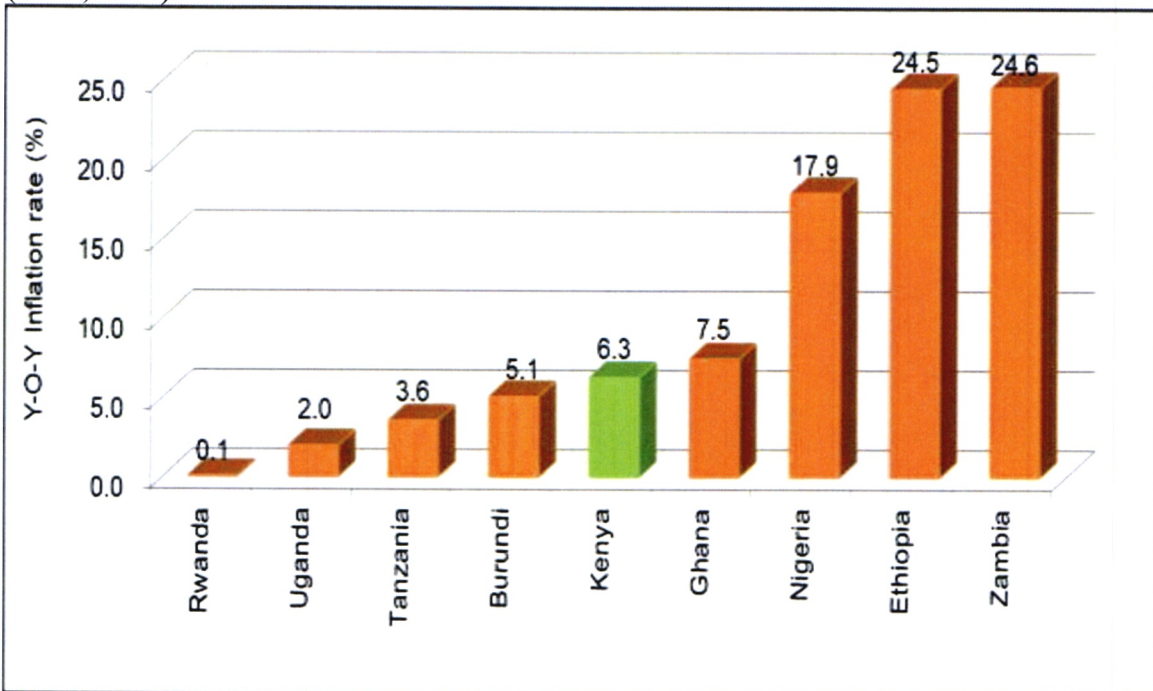
Chart 2b: Contribution to Overall Year-on-Year Inflation



Source of Data: Kenya National Bureau of Statistics

11. Kenya’s year-on year inflation rate compares favorably with the rest of Sub-Saharan Africa countries. In June 2021, Kenya recorded a lower inflation rate than Ghana, Nigeria, Zambia, and Ethiopia (Chart 2c).

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



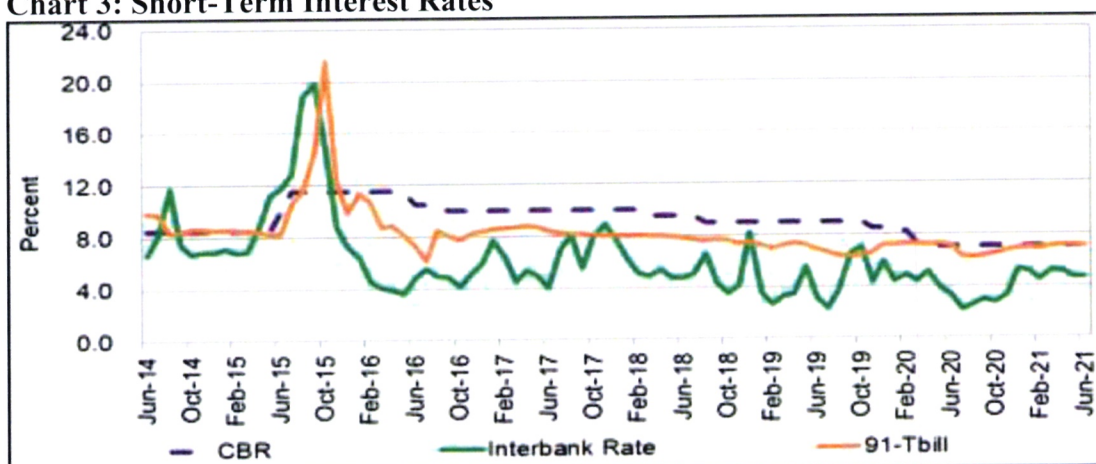
Source of Data: National Central Banks

RECENT ECONOMIC DEVELOPMENTS

1.3 Interest Rates

12. Short-term interest rates remained fairly low and stable. The Central Bank Rate was retained at 7.0 percent to signal lower lending rates in order to support credit access by borrowers especially the Small and Medium Enterprises distressed by COVID-19 pandemic. The money market was relatively liquid in June 2021 supported by government payments. As such, the interbank rate remained low but increased slightly to 4.6 percent in June 2021 from 3.3 percent in June 2020 (**Chart 3**).

Chart 3: Short-Term Interest Rates



Source of Data: Central Bank of Kenya

13. Interest rates on the Treasury bills remained relatively stable. In June 2021 the 91-day Treasury Bills rate was at 7.0 percent compared to 7.0 percent in June 2020. Over the same period, the 182-day Treasury Bills rate declined to 7.6 percent from 7.9 percent while the 364-day decreased to 8.4 percent from 8.9 percent.

14. The improved liquidity in the money market has resulted in stable commercial bank rates. The average lending rate remained stable at 12.0 percent in June 2021 compared to 11.9 percent in June 2020 while the average deposit rates declined to 6.4 percent from 6.9 percent over the same period.

1.4 Money and Credit

15. Broad money supply, M3, grew by 7.6 percent in the year to May 2021, a decline compared to a growth of 9.9 percent in May 2020 (**Table 2**). The growth in M3 was attributed to an increase in the Net Domestic Assets particularly improvement in net credit flows to the government and the private sector.

Table 2: Money and Credit Developments (12 Months to May 2021 Ksh. Billion)

	2019 May	2020 May	2021 May	Absolute Change		Percent Change	
				2019-2020 May	2020-2021 May	2019-2020 May	2020-2021 May
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	1,495.7	1,602.1	1,726.8	106.3	124.7	7.1	7.8
1.1 currency outside banks (M0)	222.0	197.9	225.8	(24.1)	27.9	(10.9)	14.1
1.2 Demand deposits	1,190.4	1,293.7	1,407.3	103.3	113.6	8.7	8.8
1.3 Other deposits at CBK	83.4	110.5	93.7	27.2	(16.8)	32.6	(15.2)
2. Money supply, M2 (1+2.1)	2,838.3	3,081.3	3,294.2	243.0	212.8	8.6	6.9
2.1 Time and savings deposits	1,342.5	1,479.2	1,567.4	136.7	88.2	10.2	6.0
Money supply, M3 (2+3.1)	3,416.2	3,752.8	4,039.6	336.5	286.8	9.9	7.6
3.1 Foreign currency deposits	577.9	671.5	745.4	93.5	74.0	16.2	11.0
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	934.4	852.0	613.2	(82.4)	(238.8)	(8.8)	(28.0)
1.1 Central Bank	953.3	862.1	654.8	(91.2)	(207.3)	(9.6)	(24.0)
1.2 Banking Institutions	(18.9)	(10.1)	(41.6)	8.8	(31.5)	46.6	(312.4)
2. Net domestic assets (2.1+2.2)	2,481.8	2,900.8	3,426.4	418.9	525.6	16.9	18.1
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	3,353.1	3,819.6	4,464.0	466.5	644.4	13.9	16.9
2.1.1 Government (net)	775.3	1,047.1	1,508.4	271.8	461.3	35.1	44.1
2.1.2 Other public sector	101.6	93.7	87.4	(7.9)	(6.3)	(7.8)	(6.7)
2.1.3 Private sector	2,476.2	2,678.8	2,868.2	202.6	189.4	8.2	7.1
2.2 Other assets net	(871.2)	(918.8)	(1,037.6)	(47.6)	(118.8)	(5.5)	(12.9)

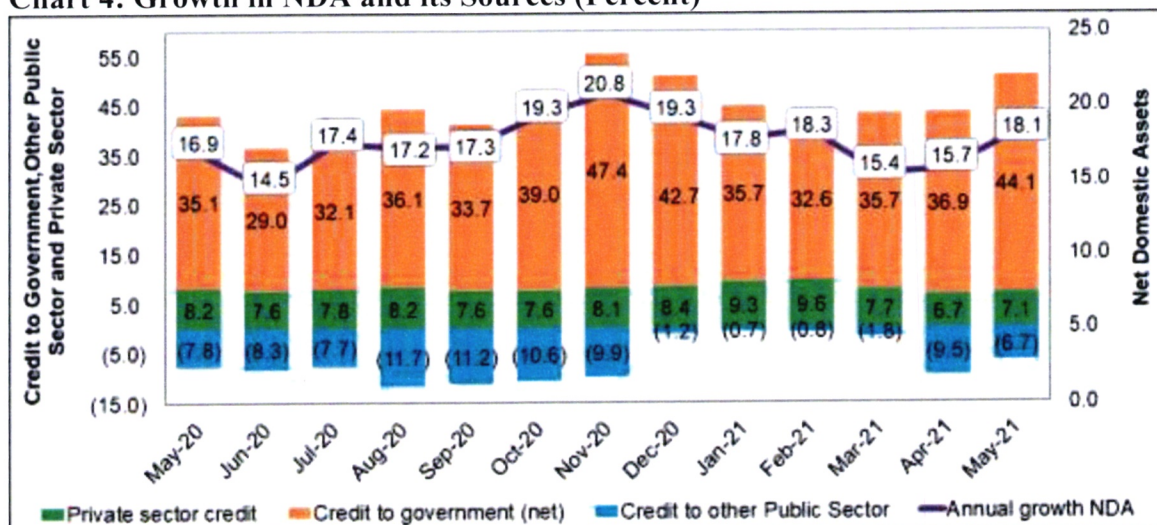
Source of Data: Central Bank of Kenya

16. Meanwhile, Net Domestic Assets (NDA) increased to register a growth of 18.1 percent in the year to May 2021 from a growth of 16.9 percent over a similar period in 2020 (**Table 2, Chart 4**). This was largely due to an improvement in net credit flows to both the Government and the private sectors. The increased net lending to Government was on account of Government spending resulting in lower deposit holding at the Central Bank of Kenya. However, net credit flows to other public sectors declined during the review period.

17. Private sector credit grew by 7.1 percent in the 12 months to May 2021 compared to a growth of 8.2 percent in the year to May 2020. The slowdown was due to the adverse effects of the end March, 2021 third wave COVID-19 containment measures on economic activities. Strong credit growth was mainly observed in consumer durables; transport and communication; business services; finance and insurance; real estate and agriculture. 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 sector.

18. Net Foreign Assets (NFA) of the banking system in the year to May 2021 contracted by 28.0 percent, compared to a contraction of 8.8 percent in the year to May 2020. The contraction in growth of the NFA was reflected in the contraction of the foreign currency reserves held by the Central Bank. The NFA of commercial banks also declined during the review period as a result of a decrease in the deposits abroad.

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



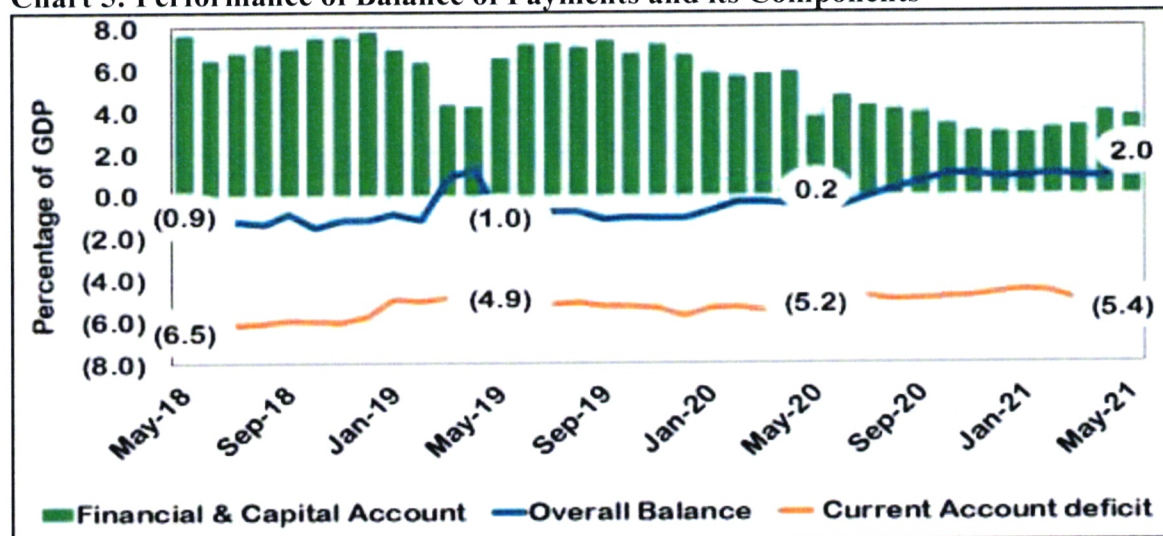
Source of Data: Central Bank of Kenya

1.5 Balance of Payments

19. The overall balance of payments position improved to a surplus of USD 1,970.0 million (2.0 percent of GDP) in the year to May 2021 from a surplus of USD 210.5 million (0.2 percent of GDP) in the year to May 2020 (Chart 5). This was mainly due to improvement in merchandise account and the capital account despite a decline in receipts from services.

20. The current account remained stable in the year to May 2021. The current account deficit was at USD 5,361.8 million (5.4 percent of GDP) compared to USD 5,137.5 million (5.2 percent of GDP) in the year to May 2020. The current account balance was supported by an improvement in the merchandise account balance, the net primary income balance and the net secondary income balance.

Chart 5: Performance of Balance of Payments and its Components



Source of Data: Central Bank of Kenya

RECENT ECONOMIC DEVELOPMENTS

21. The balance in the merchandise account improved by USD 425.9 million to a deficit of USD 9,265.8 million in the year to May 2021 mainly due to reduced payments on imports, and improved export earnings (**Table 3**). In the year to May 2021, exports grew by 5.5 percent primarily driven by increased receipts from exports of horticulture and manufactured goods. On the other hand, imports declined by 0.5 percent in the year to May 2021 mainly reflecting lower imports of oil products due to relatively high international oil prices. Although oil prices increased from a low level in April 2020 due to a COVID-19 demand shock, they remained below the pre-COVID levels.

Table 3: Balance of Payments (USD Million)

								Year to May 2021		Percent of GDP	
	2020				2021			absolute	Percent		
	May-19	May-20	Sep-20	Dec-20	Mar-21	Apr-21	May-21	change	Change	May-20	May-21
Overall Balance	(986.2)	210.5	622.1	784.3	859.0	790.3	1,970.0	1,759.5	89.3	0.2	2.0
A) Current Account	(4,714.3)	(5,137.5)	(4,882.7)	(4,564.1)	(4,995.1)	(5,084.5)	(5,361.8)	(224.3)	(4.2)	(5.2)	(5.4)
Merchandise Account (a-b)	(10,128.3)	(9,691.8)	(8,940.4)	(8,349.5)	(8,767.1)	(8,969.2)	(9,265.8)	425.9	4.6	(9.7)	(9.3)
a) Goods: exports	5,953.8	5,975.9	6,015.9	6,060.8	6,035.4	6,176.6	6,326.5	350.6	5.5	6.0	6.4
b) Goods: imports	16,082.1	15,667.7	14,956.3	14,410.3	14,802.5	15,145.9	15,592.3	(75.4)	(0.5)	15.7	15.7
Net Services (c-d)	1,915.2	1,157.5	605.2	238.6	(41.7)	(73.8)	(146.2)	(1,303.7)	(891.7)	1.2	(0.1)
c) Services: credit	5,723.2	4,969.8	4,288.8	3,834.0	3,525.2	3,578.3	3,599.4	(1,370.4)	(38.1)	5.0	3.6
d) Services: debit	3,808.1	3,812.3	3,683.6	3,595.3	3,567.0	3,652.1	3,745.6	(66.7)	(1.8)	3.8	3.8
Net Primary Income (e-f)	(1,696.6)	(1,739.8)	(1,534.9)	(1,428.1)	(1,332.8)	(1,331.5)	(1,346.9)	392.9	29.2	(1.7)	(1.4)
e) Primary income: credit	219.5	208.6	171.9	147.6	128.0	128.3	130.6	(77.9)	(59.7)	0.2	0.1
f) Primary income: debit	1,916.0	1,948.3	1,706.8	1,575.8	1,460.9	1,459.7	1,477.5	(470.8)	(31.9)	2.0	1.5
Net Secondary Income	5,195.4	5,136.6	4,987.5	4,974.8	5,146.5	5,290.0	5,397.1	260.5	4.8	5.1	5.4
g) Secondary income: credit	5,247.4	5,188.6	5,042.4	5,026.3	5,194.0	5,337.3	5,445.1	256.5	4.7	5.2	5.5
h) Secondary income: debit	52.0	52.0	55.0	51.5	47.5	47.3	48.0	(4.1)	(8.4)	0.1	0.0
B) Capital Account	217.6	161.3	155.1	130.4	190.2	268.2	251.2	89.8	35.8	0.2	0.3
C) Financial Account	(6,058.1)	(3,564.5)	(3,726.2)	(2,783.4)	(3,014.0)	(3,666.8)	(3,503.6)	61.0	1.7	(3.6)	(3.5)

Source of Data: Central Bank of Kenya

22. Net receipts on the services account declined by USD 1,303.7 million to a deficit of USD 146.2 million in the year to May 2021 compared to a surplus of USD 1,157.5 million in a similar period in 2020 mainly on account of lower receipts from transport and travel services. The balance on the primary account narrowed by USD 392.9 million to a deficit of USD 1,346.9 million in the year to May 2021 from a deficit of USD 1,739.8 million in a similar period in 2020, due to lower reinvestment related outflows. Secondary income inflows remained resilient and increased by USD 260.5 million during the review period supported by remittances.

23. The capital account balance improved and registered a surplus of USD 251.2 million in the year to May 2021, a growth of 55.7 percent, compared to a surplus of USD 161.3 million over the same period in 2020 (**Table 3**). Net financial inflows were at USD 3,503.6 million in May 2021 compared to USD 3,564.5 million in May 2020. The net financial inflows were mainly in the form of other investments net inflows which stood at USD 4,716.5 million in May 2021. Direct investments, portfolio investments and financial investments recorded net financial outflows during the same period.

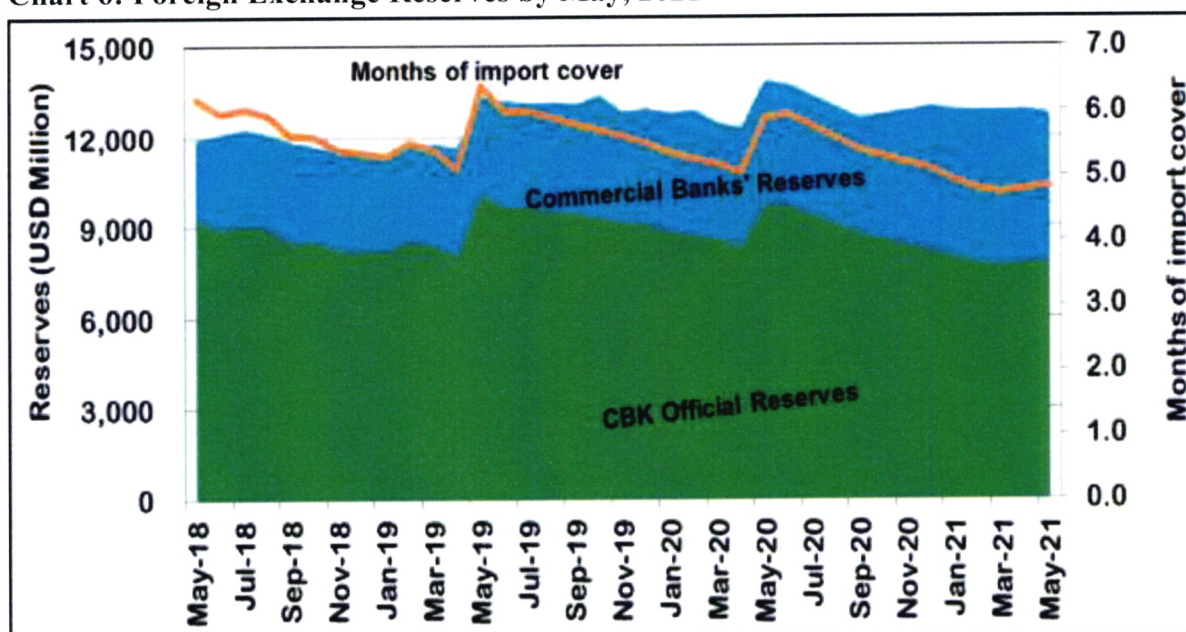
RECENT ECONOMIC DEVELOPMENTS

1.6 Foreign Exchange Reserves

24. The banking system's foreign exchange holdings remained strong at USD 12,745.4 million in May 2021 from USD 13,805.7 million in May 2020. The official foreign exchange reserves held by the Central Bank was at USD 7,871.6 million (4.8 months of import cover) in May 2021 compared to US\$ 9,738.3 million (5.9 months of import cover) in May 2020 (Chart 6).

25. The official reserves fulfils 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 increased to USD 4,873.8 million in May 2021 from USD 4,067.3 million in May 2020.

Chart 6: Foreign Exchange Reserves by May, 2021



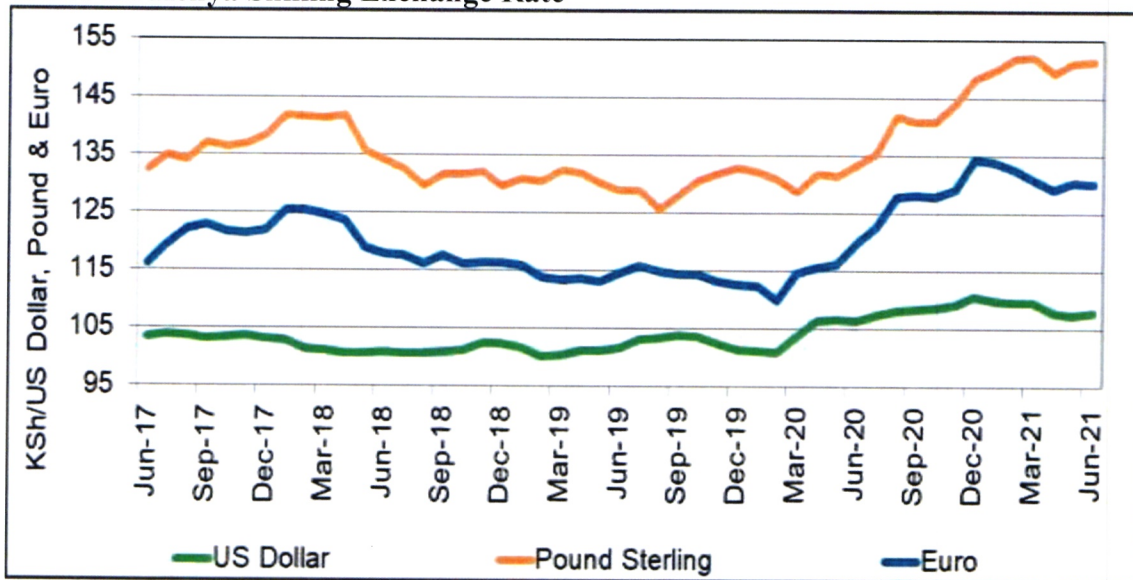
Source of Data: Central Bank of Kenya

1.7 Exchange Rates

26. The foreign exchange market has largely remained stable but partly 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 107.8 in June 2021 compared to Ksh 106.4 in June 2020 (Chart 7a).

RECENT ECONOMIC DEVELOPMENTS

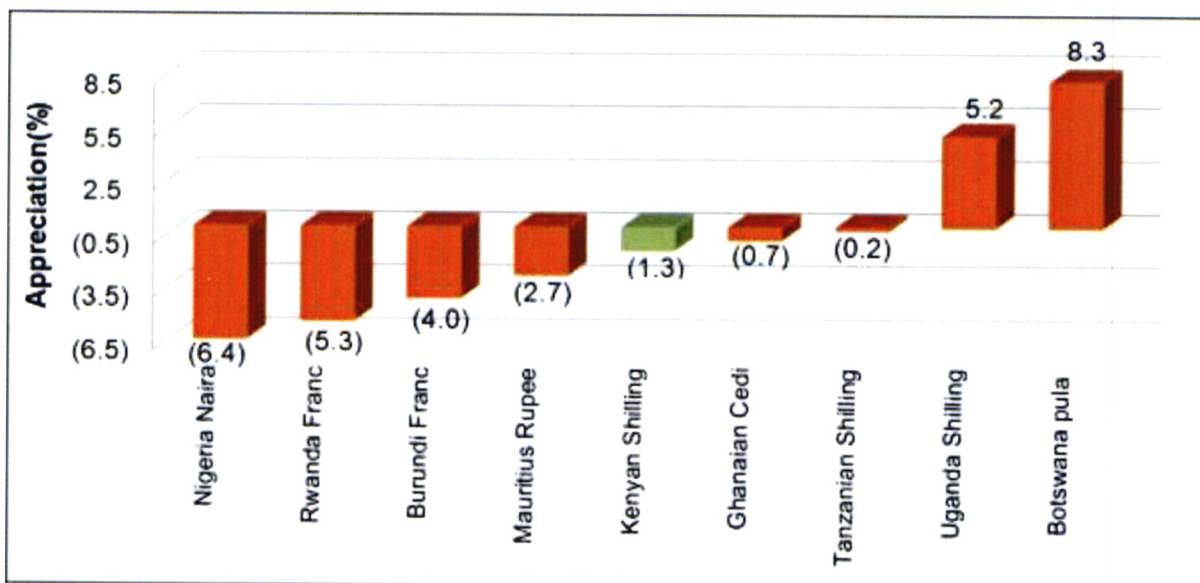
Chart 7a: Kenya Shilling Exchange Rate



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 only 1.3 percent against the US Dollar (**Chart 7b**). The depreciation of the Kenya Shilling was lower than that of Rwanda Franc, Nigerian Naira, Mauritius Rupee and Burundi franc. The stability of the Kenya Shilling was supported by increased remittances and adequate foreign exchange reserves.

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



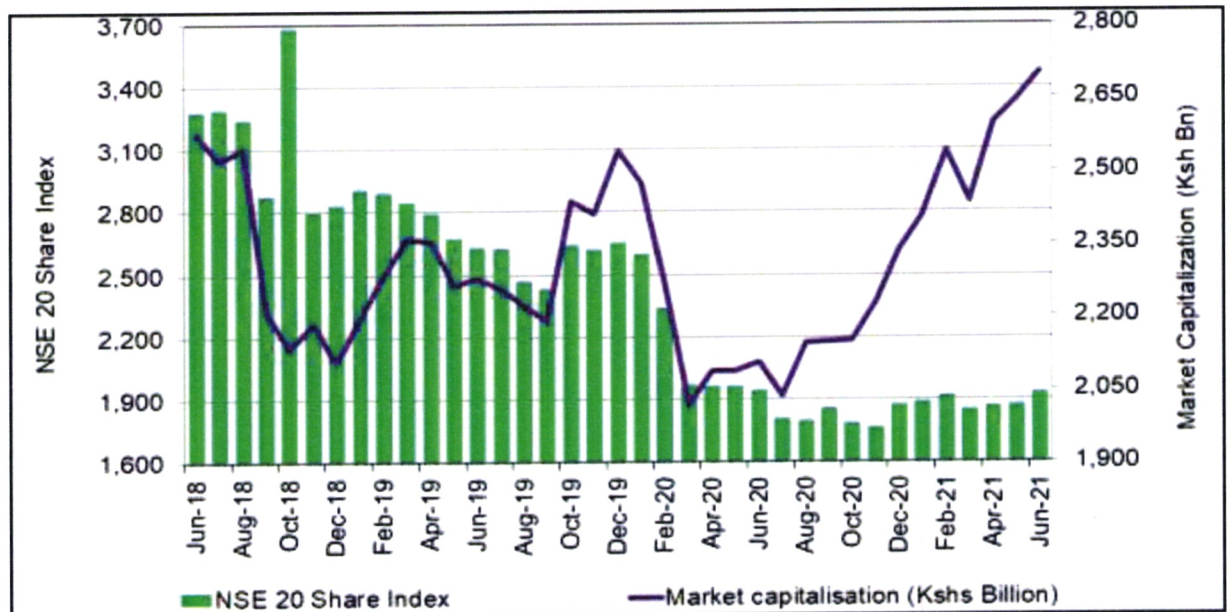
Source of Data: National Central Banks

RECENT ECONOMIC DEVELOPMENTS

1.8 Capital Markets

28. Activity in the capital markets remained robust in the year to June 2021 despite the decline in equity share prices as shown by the NSE 20 Share Index. The NSE 20 Share Index was at 1,928 points by end of June 2021, a slight decline compared to 1,942 points by end June 2020. However, market capitalization increased from Ksh 2,104 billion to Ksh 2,702 billion over the same period indicating increased trading activities (**Chart 8**).

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



Source of Data: Nairobi Securities Exchange

FISCAL DEVELOPMENTS

2.0 FISCAL DEVELOPMENTS

2.1 Revenue

29. By the end of June 2021, total revenue collected including A-I-A amounted to KSh. 1,783.7 billion against a target of KSh. 1,837.8 billion (Table 4). The revenue was below target by KSh. 54.1 billion mainly due to underperformance of Ministerial A-I-A, other revenue, other income taxes and lower than expected collections from Government state agencies. The total revenue inclusive of the ministerial A-I-A contracted by 0.7 percent compared to a growth of 5.4 percent recorded in June 2020. This performance is largely attributed to effects of COVID-19 pandemic which has adversely affected economic activities since March 2020. Ordinary revenue collection was KSh. 1,562 billion against a target of KSh. 1,578.8 billion, KSh. 16.8 billion below the target (Chart 9).

30. The ministerial A-I-A collected was below target by KSh. 37.3 billion during the period under review. The underperformance of A-I-A was mainly due to underreporting of SAGAs' A.I.A through the ministerial expenditure returns for the period under review. The Railway Development Levy collection amounted to KSh. 28.5 billion against a target of KSh. 27.2 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 30th June, 2021 (KSh. Millions)

	2019/2020 Actual	2020/2021		Deviation KSh.	% Growth
		Actual*	Target		
Total Revenue (a+b)	1,795,978	1,783,747	1,837,835	(54,089)	(0.7)
(a) Ordinary Revenue	1,573,732	1,562,015	1,578,787	(16,772)	(0.7)
Import Duty	98,022	108,375	102,418	5,957	10.6
Excise Duty	195,270	216,325	217,984	(1,659)	10.8
PAYE	399,201	363,343	361,025	2,318	(9.0)
Other Income Tax	307,735	330,709	335,985	(5,276)	7.5
VAT Local	213,884	197,072	197,606	(534)	(7.9)
VAT Imports	169,829	213,687	205,493	8,194	25.8
Investment Revenue	46,045	43,762	32,568	11,195	(5.0)
Withdrawal of Equity	70,101	4,122	24,400	(20,278)	(94.1)
Traffic Revenue	3,573	4,600	3,948	652	28.8
Taxes on Intl. Trade & Trans.(IDF Fee)	29,994	39,743	35,642	4,101	32.5
Others ¹	40,077.48	40,277	61,718	(21,441)	0.5
(b) Appropriation In Aid ²	222,246	221,732	259,048	(37,317)	(0.2)
o/w Railway Development Levy	23,258	28,504	27,158	1,346	22.6
(c) External Grants	19,820	31,320	72,797	(41,476)	58.0
Total Revenue and External Grants	1,815,798	1,815,067	1,910,632	(95,565)	(0.0)
Total Revenue and External Grants as a percentage of GDP	17.81	16.25	17.11	-	-

^{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

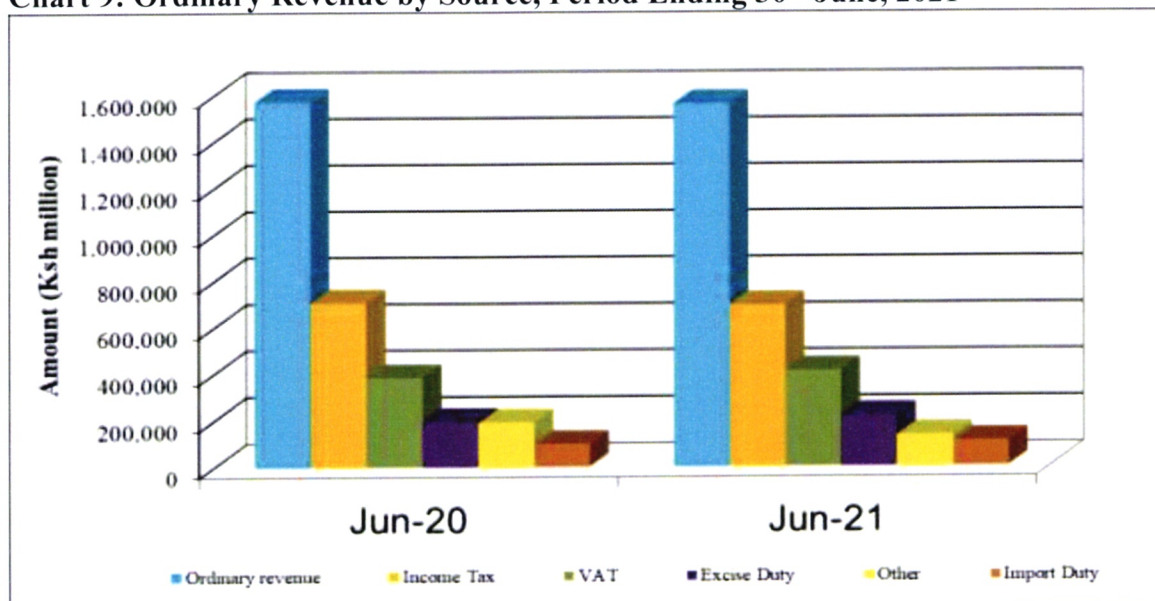
*Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

31. As a proportion of GDP, the total revenue and grants in the period under review was 16.3 percent compared to 17.8 percent in the corresponding period in the FY 2019/20. Total grants amounted to KSh. 31.3 billion against a target of KSh. 72.8 billion, which is an under performance by KSh.41.5 billion.

Chart 9: Ordinary Revenue by Source, Period Ending 30th June, 2021



Source of Data: National Treasury

2.2 Expenditure

32. The total expenditure and net lending for the period under review amounted to KSh. 2,755.8 billion, against a target of KSh. 2,886.9 billion. The resultant under expenditure of KSh. 131.1 billion is attributed to lower absorption recorded in recurrent and development expenditures by the National Government and below target transfers to County Governments. Recurrent expenditure for National Government amounted to KSh. 1,753.6 billion (excluding KSh. 43.5 billion for Parliament and Judiciary), against a target of KSh. 1,771 billion leading to an under expenditure of KSh. 17.4 billion. The under expenditure in recurrent category was mainly due to below target expenditure in operations and maintenance, wages and salaries, below target payments on foreign interest and pension payments. The below target expenditure was also attributed to the scaled down operations of the National Government due to Covid-19 Pandemic and exchange rate fluctuations (Table 5 and Chart 10).

FISCAL DEVELOPMENTS

Table 5: Expenditure and Net Lending, Period Ending 30th June, 2021 (KSh. Millions)

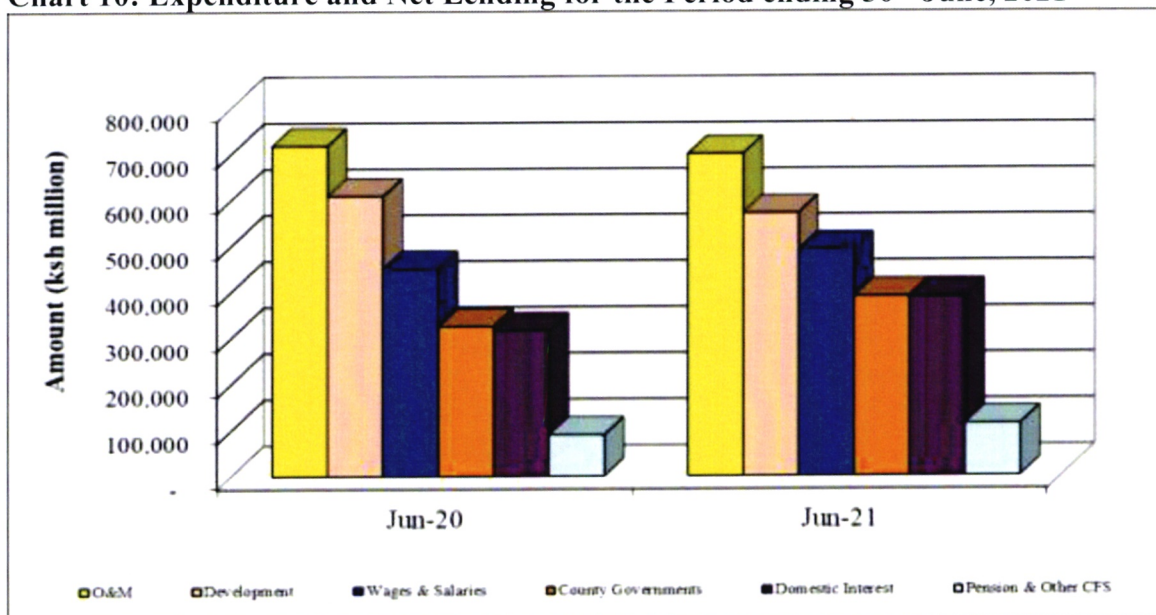
	2019/2020 Actual	2020/2021		Deviation	% Growth
		Actual*	Targets		
1. RECURRENT	1,652,882	1,753,583	1,770,991	(17,408)	6.1
Domestic Interest	315,362	388,830	353,139	35,690	23.3
Foreign Interest	121,840	106,312	107,737	(1,424)	(12.7)
Pensions & Other CFS	89,605	112,872	115,310	(2,439)	26.0
Wages and Salaries	449,927	489,728	493,914	(4,185)	8.8
Operation and Maintenance	676,147	655,841	700,891	(45,050)	(3.0)
O/W: Appropriation-in-Aid	155,857	134,087	158,738	(24,651)	(14.0)
2. DEVELOPMENT	608,079	569,889	668,347	(98,459)	(6.3)
Development Projects (Net)	389,570.51	355,231	409,880	(54,648)	(8.8)
Payment of Guaranteed Loans	661	-	-	-	(100.0)
Appropriation-in-Aid	217,847	214,657	258,468	(43,811)	(1.5)
3. County Governments	325,278	388,853	398,924	(10,072)	19.5
4. Parliamentary Service	28,525	29,191	33,485	(4,295)	2.3
5. Judicial Service	12,713	14,289	15,106	(817)	12.4
6. Equalization Fund	-	-	-	-	-
7. CF	-	-	-	-	-
TOTAL EXPENDITURE	2,627,477	2,755,804	2,886,855	(131,050)	4.9

*Provisional

Source of Data: National Treasury

33. Foreign interest payments amounted to KSh. 106.3 billion, lower than KSh. 121.8 billion paid over the same period in the FY2019/20. The domestic interest payments totalled to KSh. 388.8 billion, which was higher than the KSh. 315.4 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 30th June, 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. 1,801.6 billion against a target of KSh. 1,963.5 billion. Recurrent expenditure was KSh. 1,203.2 billion against a target of KSh. 1,258.4 billion, while development expenditure amounted to KSh. 598.3 billion against a target of KSh. 705.1 billion. The percentage of total expenditures to the target was 91.8 percent while the percentage of total expenditures to the target for recurrent and development were 95.6 percent and 84.9 percent respectively, as at the end of the period under review. The discrepancy between actual and target expenditures was partly due to the non-capture of the parastatals and some other government entities expenditures. These ministerial expenditures are therefore, provisional.

35. As at the period ending 30th June, 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 43.5 percent of total recurrent expenditure. In addition, the State Department for Interior and the Ministry of Defence accounted for 10.1 percent and 9.4 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 (21.7 percent), followed by the State Department for Transport (11.1 percent), Ministry of water, Sanitation and irrigation (10.5 percent) State Department for Planning (9.3 percent) and the Ministry of Energy (8.8 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 30th June, 2021 (KSh. Millions)

Budget Head	MINISTRY/DEPARTMENT/COMMISSIONS	Jun-21			Jun-21			Jun-21			% of Total Exp To Target
		Recurrent			Development			Total			
		Actual*	Target	Variance	Actual*	Target	Variance	Actual*	Target	Variance	
1011	Executive Office of the President	29,545	26,897	2,647	11,759	14,040	(2,281)	41,304	40,937	366	100.9
1021	State Department for Interior and Citizen Services	120,876	129,398	(8,522)	3,983	4,027	(44)	124,859	133,425	(8,566)	93.6
1023	State Department for Correctional Services	22,777	26,867	(4,090)	45	258	(212)	22,822	27,125	(4,302)	84.1
1032	State Department for Devolution	1,021	1,029	(9)	5,320	8,161	(2,840)	6,341	9,190	(2,849)	69.0
1035	State Department for Development of the ASAL	945	971	(26)	3,897	7,765	(3,868)	4,842	8,736	(3,894)	55.4
1041	Ministry of Defence	112,512	112,519	(7)	9,670	9,743	(73)	122,183	122,262	(79)	99.9
1052	Ministry of Foreign Affairs	10,329	16,203	(5,874)	411	1,129	(719)	10,739	17,332	(6,593)	62.0
1064	State Department for Vocational and Technical	18,278	18,392	(114)	5,334	6,294	(960)	23,613	24,686	(1,073)	95.7
1065	State Department for University Education	75,552	87,836	(12,284)	3,968	4,363	(394)	79,520	92,198	(12,678)	86.2
1066	State Department for Early Learning & Basic	88,324	88,224	99	5,905	8,930	(3,026)	94,228	97,155	(2,926)	97.0
1068	State Department for Post Training and Skills	124	126	(2)	-	-	-	124	126	(2)	98.4
1071	The National Treasury	52,268	55,746	(3,479)	47,812	58,780	(10,967)	100,080	114,526	(14,446)	87.4
1072	State Department for Planning	3,178	3,244	(66)	55,750	55,929	(179)	58,928	59,173	(245)	99.8
1081	Ministry of Health	66,452	68,034	(1,582)	40,051	52,865	(12,814)	106,503	120,899	(14,396)	88.1
1091	State Department for Infrastructure	73,989	67,159	6,831	129,750	133,372	(3,622)	203,739	200,531	3,208	101.6
1092	State Department for Transport	4,028	7,260	(3,232)	66,267	66,981	(714)	70,295	74,241	(3,946)	94.7
1093	State Department for Shipping and Maritime	2,101	1,647	454	-	565	(565)	2,101	2,212	(111)	95.0
1094	State Department for Housing & Urban Development	981	992	(11)	25,637	27,245	(1,608)	26,618	28,237	(1,618)	94.3
1095	State Department for Public Works	2,318	2,269	49	724	827	(103)	3,042	3,096	(54)	98.3
1108	Ministry of Environment and Forestry	9,900	10,222	(321)	2,637	3,753	(1,116)	12,537	13,974	(1,437)	89.7
1109	Ministry of Water & Sanitation and Irrigation	3,775	6,077	(2,302)	62,904	75,724	(12,820)	66,679	81,801	(15,122)	81.5
1112	Ministry of Lands and Physical Planning	2,639	2,829	(190)	3,246	3,299	(53)	5,885	6,128	(243)	96.0
1122	State Department for Information Communication Tech	1,595	1,641	(46)	16,328	19,449	(3,121)	17,923	21,090	(3,167)	85.0
1123	State Department for Broadcasting & Telecommunicat	6,870	7,759	(889)	283	282	1	7,153	8,042	(889)	89.0
1132	State Department for Sports	1,461	1,397	64	3,078	7,381	(4,303)	4,539	8,778	(4,239)	51.7
1134	State Department for Culture and Heritage	2,328	2,457	(129)	32	32	(0)	2,361	2,490	(129)	94.8
1152	Ministry of Energy	2,388	6,343	(3,954)	52,844	72,822	(19,978)	55,233	79,164	(23,932)	69.8
1162	State Department for Livestock	2,114	2,310	(196)	1,563	2,167	(604)	3,678	4,477	(800)	82.1
1166	State Department for Fisheries, Aquaculture & the Blue	2,210	2,436	(226)	1,566	2,896	(1,330)	3,776	5,332	(1,556)	70.8
1169	State Department for Crop Development & Agricultural	21,072	23,354	(2,282)	13,731	26,687	(12,957)	34,803	50,042	(15,239)	69.5
1173	State Department for Cooperatives	905	922	(17)	761	762	(1)	1,665	1,684	(18)	98.9
1174	State Department for Trade and Enterprise Developme	2,025	2,165	(139)	1,261	1,286	(24)	3,287	3,450	(164)	95.3
1175	State Department for Industrialization	2,091	2,987	(896)	2,336	3,640	(1,303)	4,427	6,627	(2,199)	66.8
1184	State Department for Labour	1,486	2,635	(1,150)	808	1,232	(424)	2,293	3,867	(1,574)	59.3
1185	State Department for Social Protection, Pensions & Se	29,987	30,455	(468)	1,222	2,280	(1,058)	31,208	32,735	(1,526)	95.3
1192	State Department for Mining	415	548	(133)	76	81	(4)	492	629	(137)	78.2
1193	State Department for Petroleum	1,831	1,840	(9)	2,650	3,177	(527)	4,481	5,017	(536)	89.3
1202	State Department for Tourism	2,508	6,091	(3,583)	3,413	3,464	(51)	5,921	9,555	(3,635)	62.0
1203	State Department for Wildlife	9,085	9,105	(20)	453	650	(197)	9,538	9,755	(217)	97.8
1212	State Department for Gender	929	1,084	(155)	2,246	2,258	(12)	3,175	3,342	(167)	95.0
1213	State Department for Public Service	13,445	14,625	(1,180)	1,022	998	24	14,467	15,623	(1,156)	92.6
1214	State Department for Youth Affairs	1,300	1,305	(5)	1,896	2,098	(202)	3,196	3,403	(207)	93.9
1221	State Department for East African Community	483	511	(28)	-	-	-	483	511	(28)	94.5
1222	State Department for Regional and Northern Corridor I	2,050	2,357	(307)	1,083	1,258	(175)	3,133	3,615	(482)	86.7
1252	State Law Office and Department of Justice	4,476	4,811	(335)	71	80	(9)	4,547	4,891	(344)	93.0
1261	The Judiciary	13,787	14,575	(789)	1,601	2,558	(958)	15,387	17,133	(1,746)	89.8
1271	Ethics and Anti-Corruption Commission	3,225	3,272	(47)	13	41	(28)	3,238	3,313	(75)	97.7
1281	National Intelligence Service	45,160	45,551	(391)	-	-	-	45,160	45,551	(391)	99.1
1291	Office of the Director of Public Prosecutions	3,035	3,282	(247)	40	49	(9)	3,075	3,331	(256)	92.3
1311	Office of the Registrar of Political Parties	1,295	1,306	(11)	-	-	-	1,295	1,306	(11)	99.2
1321	Witness Protection Agency	372	462	(91)	-	-	-	372	462	(91)	80.4
2011	Kenya National Commission on Human Rights	365	374	(8)	-	-	-	365	374	(8)	97.8
2021	National Land Commission	1,110	1,112	(3)	-	-	-	1,110	1,112	(3)	99.8
2031	Independent Electoral and Boundaries Commission	4,926	5,309	(383)	71	75	(4)	4,997	5,384	(387)	92.8
2041	Parliamentary Service Commission	5,357	6,272	(914)	-	-	-	5,357	6,272	(914)	85.4
2042	National Assembly	19,134	21,615	(2,482)	-	-	-	19,134	21,615	(2,482)	88.5
2043	Parliamentary Joint Services	4,699	5,598	(899)	2,512	2,866	(354)	7,211	8,464	(1,253)	85.2
2051	Judicial Service Commission	503	531	(28)	-	-	-	503	531	(28)	94.7
2061	The Commission on Revenue Allocation	314	319	(5)	-	-	-	314	319	(5)	98.4
2071	Public Service Commission	2,136	2,177	(40)	19	19	(0)	2,156	2,196	(40)	98.2
2081	Salaries and Remuneration Commission	437	460	(23)	-	-	-	437	460	(23)	95.0
2091	Teachers Service Commission	274,794	274,950	(156)	97	240	(143)	274,891	275,190	(299)	99.9
2101	National Police Service Commission	624	645	(21)	-	-	-	624	645	(21)	96.8
2111	Auditor General	5,017	5,328	(311)	197	197	(0)	5,214	5,525	(311)	94.4
2121	Office of the Controller of Budget	541	566	(25)	-	-	-	541	566	(25)	95.5
2131	The Commission on Administrative Justice	459	474	(15)	-	-	-	459	474	(15)	96.8
2141	National Gender and Equality Commission	354	372	(18)	-	3	(3)	354	375	(20)	94.5
2151	Independent Policing Oversight Authority	619	803	(183)	-	-	-	619	803	(183)	77.2
	Total	1,203,233	1,258,434	(55,201)	598,341	705,076	(106,735)	1,801,575	1,963,510	(161,935)	91.8

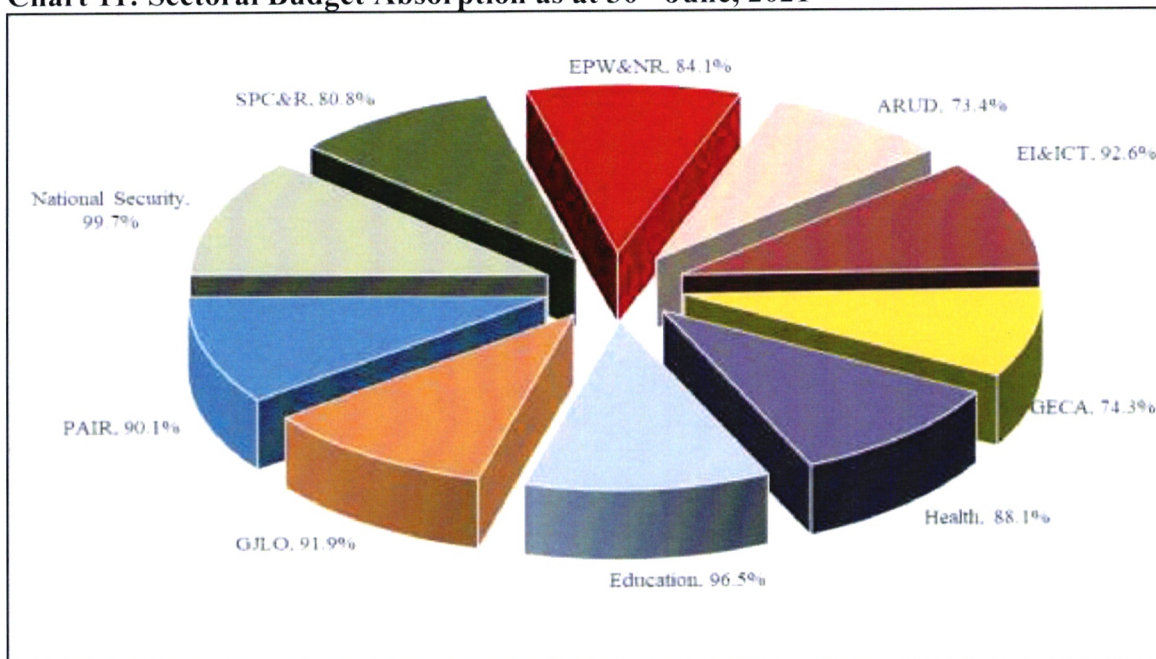
*Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

37. During the period under review, National Security recorded the highest absorption of 99.7 percent, followed by Education at 96.5 percent and Energy, Infrastructure and ICT (EI&ICT) at 92.6 percent. Agriculture, Rural and Urban Development (ARUD) recorded the lowest absorption of 73.4 percent (Chart 11).

Chart 11: Sectoral Budget Absorption as at 30th June, 2021



Source of Data: National Treasury

2.2.2 Pending Bills

38. The total outstanding national government pending bills as at 30th June, 2021 amounted to KSh. 359.5 billion. These comprise of KSh. 323.2 billion (89.9 percent) and KSh. 36.4 billion (10.1 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 (69.9 percent) belong to Contractor/Projects and Suppliers. Ministries/State Departments and other government entities pending bills constitutes mainly of historical pending bills as at the end of the 2020/21 Financial Year. 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 line with the Treasury Circular No. 7/2019. Submissions of pending bills from MDAs for FY 2020/21 is still ongoing and a more comprehensive report will be published in the 1st Quarter report for FY 2021/22. These numbers are therefore provisional.

2.2.3 Guaranteed Debt Service

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

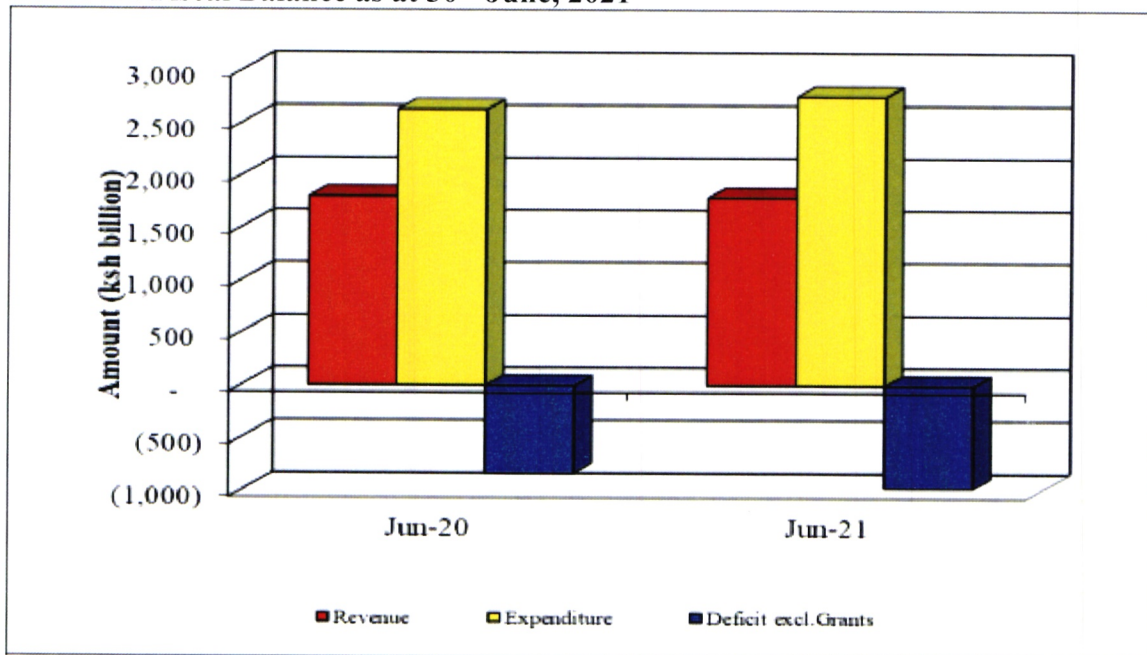
FISCAL DEVELOPMENTS

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

2.3 Fiscal Outturn

40. Between 1st July, 2020 and 30th June, 2021, the fiscal balance (on commitment basis and excluding grants) amounted to KSh. 972.1 billion (8.7 percent of GDP) against a targeted deficit of KSh. 1,049 billion (9.4 percent of GDP) (**Chart 12 and Table 8**). The fiscal balance (on a commitment basis and including grants) stood at 8.4 percent of GDP against a target deficit of 8.7 percent of GDP.

Chart 12: Fiscal Balance as at 30th June, 2021



Source of Data: National Treasury

41. Over the same period in FY2019/20, the fiscal deficit including grants (on commitment basis) stood at KSh. 811.7 billion (8.0 percent of GDP). The fiscal outturn in the last six FYs, the Printed Estimates and the Supplementary estimates for the FY 2020/21 are shown in **Annex I**. Further, GFSM 2014 Compliant Budgetary Central Government fiscal data for the FY 2020/21 are shown in annexes V and VI.

FISCAL DEVELOPMENTS

Table 8: Budget Outturn, Cumulative Ending 30th June, 2021 (KSh. Millions)

	2019/2020	2020/2021		Deviation	% growth	2020/2021 as a % of GDP		2019/2020 Actual as a % of GDP
	Actual	Actual*	Targets			Actual	Targets	
A. TOTAL REVENUE AND GRANTS	1,815,798	1,815,067	1,910,632	(95,565)	(0.0)	16.3	17.1	17.8
1. Revenue	1,795,978	1,783,747	1,837,835	(54,089)	(0.7)	16.0	16.5	17.6
Ordinary Revenue	1,573,732	1,562,015	1,578,787	(16,772)	(0.7)	14.0	14.1	15.4
Import Duty	98,022	108,375	102,418	5,957	10.6	1.0	0.9	1.0
Excise Duty	195,270	216,325	217,984	(1,659)	10.8	1.9	2.0	1.9
Income tax	706,936	694,053	697,010	(2,958)	(1.8)	6.2	6.2	6.9
VAT	383,713	410,758	403,099	7,660	7.0	3.7	3.6	3.8
Investment Revenue	43,762	43,762	32,568	11,195	-	0.4	0.3	0.4
Others	146,028	88,742	125,708	(36,966)	(39.2)	0.8	1.1	1.4
Appropriation-in-Aid	222,246	221,732	259,048	(37,317)	(0.2)	2.0	2.3	2.2
2. Grants	19,820	31,320	72,797	(41,476)	58.0	0.3	0.7	0.2
AMISOM Receipts	4,639	8,943	8,736	207	-	0.0	0.1	0.0
Nairobi County to NMS	-	0	23,930	-	-	-	-	-
Revenue	9,623	9,378	16,304	(6,925)	(2.5)	0.1	0.1	0.1
Appropriation-in-Aid	5,558	12,999	23,827	(10,828)	133.9	0.1	0.2	0.1
B. EXPENDITURE AND NET LENDING	2,627,477	2,755,804	2,886,855	(131,050)	4.9	24.7	25.8	25.8
1. Recurrent	1,694,120	1,797,063	1,819,583	(22,520)	6.1	16.1	16.3	16.6
Domestic Interest	315,362	388,830	353,139	35,690	23.3	3.5	3.2	3.1
Foreign Interest	121,840	106,312	107,737	(1,424)	(12.7)	1.0	1.0	1.2
Pension & Other CFS	89,605	112,872	115,310	(2,439)	26.0	1.0	1.0	0.9
Wages and Salaries	449,927	489,728	493,914	(4,185)	8.8	4.4	4.4	4.4
O & M/Others	717,386	699,321	749,483	(50,162)	(2.5)	6.3	6.7	7.0
2. Development and Net Lending	608,079	569,889	668,347	(98,459)	(6.3)	5.1	6.0	6.0
O/W Domestically financed	409,784	392,301	417,803	(25,502)	(4.3)	3.5	3.7	4.0
Foreign financed	197,634	177,588	250,545	(72,957)	(10.1)	1.6	2.2	1.9
3. Equalization Fund	0	-	0	-	-	0.0	-	0.0
4. County Governments	325,278	388,853	398,924	(10,072)	19.5	3.5	3.6	3.2
5. CF	-	-	-	-	-	0.0	-	0.0
C. DEFICIT EXCL. GRANT (Commitment basis)	(831,499)	(972,058)	(1,049,020)	76,962	16.9	(8.7)	(9.4)	(8.2)
D. DEFICIT INCL. GRANTS (Commitment basis)	(811,679)	(940,737)	(976,223)	35,485	15.9	(8.4)	(8.7)	(8.0)
E. ADJUSTMENT TO CASH BASIS	11,801	7,097	-	7,097	(39.9)	0.1	-	0.1
F. DEFICIT INCL. GRANTS (Cash basis)	(799,878)	(933,640)	(976,223)	42,582	16.7	(8.4)	(8.7)	(7.8)
Discrepancy	(9,074)	16,595	-	-	-	-	-	-
G. FINANCING	790,804	950,235	976,223	(25,987)	20.2	8.5	8.7	7.8
1. Net Foreign financing	340,431	323,310	417,553	(94,243)	(5.0)	2.9	3.7	3.3
Disbursements	442,031	451,587	769,570	(317,983)	2.2	4.0	6.9	4.3
Programme Loans	239,026	168,644	185,307	(16,664)	(29.4)	1.5	1.7	2.3
Project Cash Loans	47,798	52,351	90,712	(38,361)	9.5	0.5	0.8	0.5
Project Loans AIA	104,525	104,787	131,136	(26,350)	0.3	0.9	1.2	1.0
Project Loans SGR_PHASE_1&2A_AIA	44,812	11,514	11,921	(407)	-	0	0.1	0.4
Commercial Financing	5,870	114,292	350,493	(236,201)	-	1	3.1	0.1
Debt repayment - Principal	(101,600)	(128,278)	(352,017)	223,739	26.3	(1.1)	(3.2)	(1.0)
2. Net Domestic Financing	450,373	626,926	558,670	68,256	39.2	5.6	5.0	4.4
Government Securities	399,060	556,289.2	509,975	46,314	39.4	5.0	4.6	3.9
Government Overdraft & Others	-	13,649.4	-	13,649	-	0.1	-	0.0
Movement in Government Deposits	49,824	51,838.5	48,020	3,819	-	0.5	0.4	0.5
Domestic Loan Repayments (Net Receipts)	2,599	6,258.8	1,785	4,474	140.8	0.1	0.0	0.0
Domestic Loan Repayment	(1,110)	(1,110.0)	(1,110)	(0)	-	0.0	(0.0)	(0.0)
MEMO ITEM								
GDP ESTIMATE	10,196,618.48	11,168,511.00	11,168,511.00	-	9.53	100.00	100	100.00

*Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

2.4 Financing

2.4.1 External Financing

42. During the period under review, net external financing amounted to KSh. 323.3 billion (**Table 9**). Total disbursements (inflows) including Appropriations-in-Aid amounted to KSh. 451.6 billion for the period ending 30th June, 2021 against a target of KSh. 769.6 billion. The actual total disbursement included KSh. 168.6 billion program loans, KSh. 114.3 billion commercial financing, KSh 116.3 billion Project Loans A.I.A and KSh. 52.4 billion Project Loans-Cash. The External repayments (outflows) of principal debt amounted to KSh. 128.3 billion. The amount comprised of principal repayments due to commercial institutions, bilateral and multilateral sources amounting to KSh. 65.6 billion, KSh. 37.5 billion and KSh. 25.1 billion respectively.

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

	Quarter 1 2020/21	Quarter 2 2020/21	Quarter 3 2020/21	Quarter 4 2020/21	Cumulative June 2021	
	Actual	Actual	Actual	Actual*	Actual*	Target
DISBURSEMENTS:	24,777.04	70,466.60	29,667	326,676	451,587	769,570
Project Cash loans	8,684.25	22,900.95	19,253.87	1,511.87	52,350.94	90,712.36
Project loans A-I-A	16,092.78	26,082.35	6,892.13	55,719.32	104,786.58	131,136.13
Project Loans SGR _PHASE_1_AIA	-	4,643.48	-	-	4,643.48	4,643.48
Project Loans SGR _PHASE_2A_AIA	-	6,871.00	-	-	6,871.00	7,278.00
Commercial Financing	-	6,390.53	-	107,901.13	114,291.66	350,492.79
Semi concessional Loans	-	-	-	-	-	-
Programme Loans	-	3,578.30	3,521.28	161,544.07	168,643.65	185,307.28
EXTERNAL REPAYMENTS:	47,414.41	33,296.17	23,029.55	24,537.60	128,277.73	352,017.19
Bilateral(incl. Italy Debt SWAP)	21,397.61	7,781.45	2,629.37	5,709.35	37,517.78	36,675.91
Multilateral (excl. IMF)	7,393.35	4,311.34	5,235.36	8,181.69	25,121.73	25,329.36
Commercial	18,623.46	21,203.38	15,164.83	10,646.56	65,638.22	290,011.91
NET FOREIGN FINANCING	-22,637.37	37,170.43	6,637.73	302,138.80	323,309.58	417,552.85

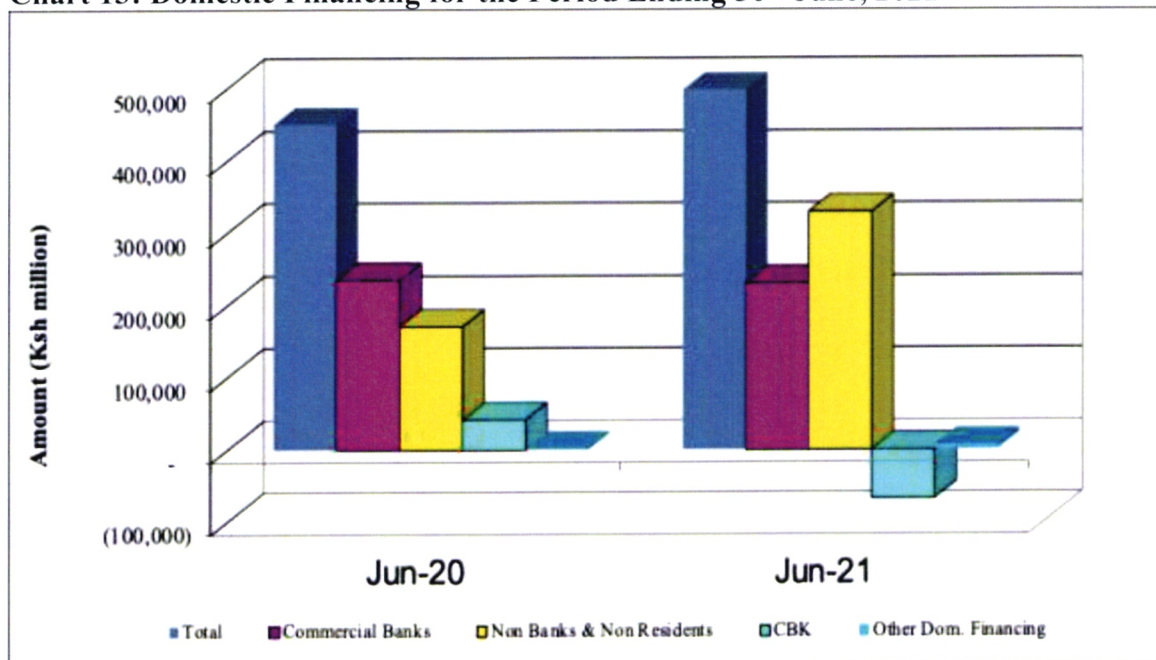
*Provisional

Source of Data: National Treasury

2.4.2 Domestic Financing

43. By the end of June 2021, net domestic borrowing amounted to KSh. 497.5 billion (**Table 10**) against a target borrowing of KSh. 558.7 billion (**Table 8**). The borrowing comprised of KSh. 327 billion from Non-Banking Financial Institutions, KSh. 230.9 billion from commercial banks, KSh. 1.2 billion from Non-Residents, KSh. 6.3 billion from other domestic financing and a net repayment to CBK of Ksh.67.9 billion. Comparatively, for the same period in FY 2019/20, the domestic borrowing amounted to KSh. 450.4 billion, comprising of KSh. 235.4 billion from Commercial Banks, KSh. 165.8 billion from Non-Banking Financial Institutions, KSh. 41.9 billion from the Central Bank of Kenya, and KSh. 5.2 billion from Non-Residents while the Government deposit to CBK amounted to KSh. 2 billion from other domestic sources (**Table 10 and Chart 13**).

Chart 13: Domestic Financing for the Period Ending 30th June, 2021



Source of Data: Central Bank of Kenya

44. The stock of Treasury Bills held by commercial banks and Non-Residents recorded a net decrease of KSh. 94.8 and KSh. 2.5 billion respectively while those held by Non-Banks and the Central Bank increased by KSh.50.7 billion and KSh. 0.4 billion respectively. The stock of Fixed Rate Bonds held by Non-Banks and Commercial Banks recorded a net increase of KSh. 70.7 billion and KSh. 38.7 billion respectively while those held by Non-Residents recorded a net decrease of KSh. 0.6 (Table 10).

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Table 10: Domestic Financing, Period Ending 30th June, 2021 (KSh. Millions)

Debt Instrument	June 2020	September 2020 ³	December 2020 ³	March 2021 ³	June 2021*
1. CENTRAL BANK	41,946	(116,684)	25,972	38,808	(67,907)
Overdraft	(10,178)	9,057	448	2,133	12,130
Treasury bills rediscounts	-	10	4,445	420	418
Fixed rate Bonds	-	1	(45)	(280)	(280)
Items on Transit	4	(23)	(30)	(32)	(1)
Frozen Account	(555)	-	-	(555)	(1,110)
Less Govt Deposits	52,675	(125,729)	21,154	37,123	(79,063)
2. COM. BANKS	235,444	152,077	126,895	171,031	230,926
Advances	(1,231)	440	74	1,193	1,035
Treasury bills	(7,751)	17,743	(29,842)	(97,160)	(102,520)
Fixed rate Bonds	138,821	86,704	104,910	167,129	177,513
Infrastructure Bonds	108,455	54,024	54,024	104,759	153,386
Less Govt Deposits	(2,851)	(6,834)	(2,270)	(4,889)	(4,188)
Advances by Treasury	-	-	-	-	5,701
3. NON BANKS	165,762	117,764	193,468	255,604	327,018
Treasury bills	(52,684)	(3,195)	4,221	(10,181)	(2,032)
TRCs	-	-	-	-	(69)
Fixed rate Bonds	179,004	97,937	166,092	218,953	249,657
Infrastructure Bonds	39,328	23,918	24,051	47,727	80,357
M-Akiba Bond and others	114	(896)	(896)	(896)	(896)
4. NON RESIDENTS	5,178	1,047	868	859	1,241
Treasury bills	(145)	(478)	(1,369)	(2,490)	(2,609)
Fixed rate Bonds	3,198	904	1,750	2,659	2,626
Infrastructure Bond	2,125	620	487	690	1,225
5. NET CREDIT	448,331	154,203	347,204	466,303	491,278
6. Other Domestic Financing					
Domestic Loan Repayments (Net)	2,044	(512)	(464)	229	6,259
RDL Deposits	-	(1,287)			
7. NET DOMESTIC FINANCING	450,375	152,404	346,740	466,532	497,536

Notes:

- Treasury Bills as reflected here are given at cost value as opposed to Table 12 given at face value.
- The Net Domestic Financing (NDF) figure is different from the one in the budget outturn (table 8) due to difference in financial year closure dates between the Central Bank and the National Treasury.

*provisional

3/Revised

Source of Data: Central Bank of Kenya

3.0 PUBLIC DEBT

3.1 Overall Debt Position

45. The gross public debt as at 30th June, 2021 increased by KSh. 1,019.1 billion to KSh. 7,713.3 billion compared to KSh. 6,694.2 billion as at end of June 2020. The gross public debt comprised of 52.1 percent external debt and 47.9 percent domestic debt. The increase in the public debt is attributed to external loan disbursements; exchange rate fluctuations; and increase in the uptake of domestic debt during the period. The net public debt was KSh. 7,149.8 billion by end of the period under review (Table 11).

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

DEBT SOURCE	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sept-20	Dec-20*	Mar- 21*	Jun- 21*
EXTERNAL									
BILATERAL	996,059	1,024,092	1,037,538	1,060,609	1,074,257	1,102,890	1,156,991	1,142,718	1,142,122
MULTILATERAL	914,394	1,001,817	1,023,821	1,075,901	1,321,629	1,421,840	1,498,837	1,495,606	1,659,681
COMMERCIAL BANKS	1,095,753	1,068,664	1,028,691	1,058,796	1,102,294	1,120,803	1,119,388	1,113,417	1,195,646
SUPPLIERS CREDIT	16,932	17,194	16,773	17,328	17,630	17,958	18,069	18,126	17,851
SUB - TOTAL EXTERNAL	3,023,138	3,111,767	3,106,823	3,212,634	3,515,810	3,663,491	3,793,285	3,769,867	4,015,299
DOMESTIC:									
CENTRAL BANK	109,607	120,494	115,972	106,433	76,419	85,463	81,237	78,104	87,575
COMMERCIAL BANKS	1,414,275	1,417,997	1,491,438	1,570,594	1,653,194	1,808,043	1,769,185	1,776,713	1,815,144
TOTAL BANKS	1,523,882	1,538,492	1,607,410	1,677,028	1,729,613	1,893,507	1,850,422	1,854,817	1,902,719
NON BANKS & NON RESIDENTS	1,261,601	1,313,148	1,334,694	1,393,162	1,448,809	1,563,600	1,638,119	1,715,023	1,795,319
SUB-TOTAL DOMESTIC	2,785,483	2,851,639	2,942,104	3,070,189	3,178,421	3,457,107	3,488,541	3,569,841	3,698,038
GRAND TOTAL GROSS	5,808,621	5,963,406	6,048,927	6,282,823	6,694,231	7,120,598	7,281,826	7,339,708	7,713,338
LESS ON-LENDING	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	-
LESS GOVERNMENT DEPOSITS	(501,728)	(516,182)	(524,752)	(457,623)	(497,609)	(614,353)	(440,630)	(416,765)	(563,583)
GRAND TOTAL NET	5,301,192	5,441,523	5,518,474	5,819,499	6,190,921	6,500,544	6,835,495	6,917,242	7,149,755

*Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

3.2 Domestic Debt

46. The stock of gross domestic debt increased by KSh. 519.6 billion from KSh. 3,178.4 billion in June 2020 to KSh. 3,698 billion in June, 2021. The net domestic debt was KSh. 3,134.5 billion by end of the period under review (Table 12).

Table 12: Stock of Domestic Debt by end of June, 2021 (KSh. Millions)

DEBT SOURCE	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20 ³	Sep-20 ³	Dec-20 ³	Mar-21 ³	Jun-21*
1.CENTRAL BANK	109,607	120,494	115,972	106,433	76,419	85,463	81,237	78,104	87,575
Overdraft	57,328	68,232	63,724	54,182	47,150	56,206	47,598	49,283	59,279
Frozen Govt Accounts	22,229	22,229	22,229	22,229	21,119	21,119	21,119	20,564	20,009
Treasury bills / bonds rediscounts	20,588	20,588	20,588	20,588	120	130	4,565	539	537
Items on Transit	36	20	5	9	40	17	11	9	39
Fixed rate bonds	9,426	9,426	9,426	9,426	7,990	7,991	7,945	7,710	7,710
2.COM.BANKS	1,414,275	1,417,997	1,491,438	1,570,594	1,653,194	1,808,043	1,769,185	1,776,713	1,815,144
Advances	3,422	3,404	2,447	2,790	2,007	2,717	2,699	3,551	3,400
Treasury Bills	577,483	556,228	549,732	576,426	567,096	580,609	531,648	458,025	452,353
Fixed Rate T. Bonds	575,939	611,920	641,650	693,770	714,224	799,624	818,384	881,349	892,067
Special Bonds	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Savings and Development Bond	6,798	7,648	7,648	7,648	7,648	7,648	7,648	7,648	7,648
Infrastructure Bonds	245,634	233,798	284,960	284,960	357,218	412,445	403,805	421,141	454,675
3. NON BANKS	1,233,618	1,283,764	1,304,121	1,361,587	1,415,655	1,529,485	1,604,276	1,683,332	1,764,233
Treasury Bills	348,771	344,235	300,354	295,241	313,250	307,307	313,782	298,809	308,072
Fixed Rate T. Bonds	651,235	715,520	759,642	822,221	831,008	927,277	995,461	1,049,257	1,080,520
Tax Reserve Certificate	69	69	69	69	69	69	69	69	-
Infrastructure Bonds	211,332	202,319	222,434	222,434	249,856	274,252	274,384	314,616	355,061
Savings and Development Bond	21,433	20,580	20,580	20,580	20,580	20,580	20,580	20,580	20,580
M- Akiba Bond	778	1,041	1,041	1,041	891	(0)	(0)	(0)	(0)
4. NON RESIDENTS	27,983	29,383	30,572	31,574	33,154	34,115	33,844	31,692	31,086
Treasury Bills	7,408	7,858	8,261	8,368	7,231	6,688	5,720	4,525	4,412
Fixed Rate T. Bonds	12,470	13,536	13,932	14,827	15,675	16,552	17,381	18,319	18,288
Savings and Development Bond	7	9	9	9	9	9	9	9	9
Infrastructure Bonds	8,097	7,980	8,371	8,371	10,239	10,866	10,734	8,839	8,377
5. TOTAL GROSS DEBT	2,785,483	2,851,639	2,942,104	3,070,189	3,178,421	3,457,107	3,488,541	3,569,841	3,698,038
6. LESS ON-LENDING	5,701	5,701	5,701	5,701	5,701	5,701	5,701	5,701	-
7. Less Govt Deposits	501,728	516,182	524,752	457,623	497,609	614,353	440,630	416,765	563,583
8. TOTAL NET DEBT	2,278,054	2,329,756	2,411,651	2,606,865	2,675,111	2,837,053	3,042,210	3,147,375	3,134,455

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

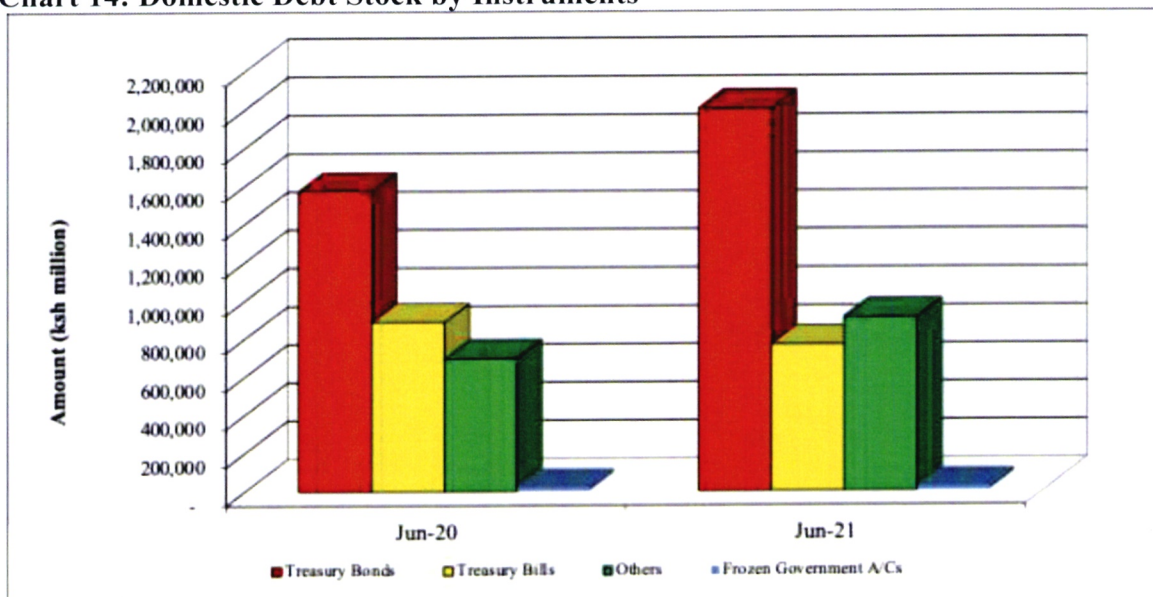
*Provisional

3/Revised

Source of Data: Central Bank of Kenya

47. The stock of Treasury Bills held by Central Bank, Commercial Banks, Non-Banking Financial Institution and Non-Residents declined by KSh. 122.3 billion from KSh. 887.7 billion in June 2020 to KSh. 765.4 billion in June 2021. The total stock of Treasury Bonds, which include Floating, Fixed Rate, Special and Zero Coupon Bonds, increased by KSh. 429.7 billion from KSh. 1,573.9 billion in June 2020 to KSh. 2,003.6 billion in June 2021 (Chart 14).

Chart 14: Domestic Debt Stock by Instruments



Source of Data: Central Bank of Kenya

3.3 External Public Debt

48. In dollar terms, external public debt stock increased by US\$. 4,225 million from US\$. 33,005.4 million by end of June 2020 to US\$. 37,230.4 million by the end of June, 2021 (**Table 13**). This comprised debt owed to multilateral (41.3%), commercial banks (29.8 %), bilateral (28.4%) and Suppliers Credit (0.4%). 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 June, 2019 – June, 2021 (US\$ Millions)

CREDITOR	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20*	Mar-21*	Jun-21*
<u>BILATERAL</u>									
AUSTRIA	17.63	17.65	18.62	12.84	13.14	13.52	14.18	13.57	13.64
BELGIUM	113.31	108.49	109.80	113.08	112.42	113.07	123.31	121.70	116.73
CANADA	1.08	1.08	0.58	0.58	0.00	0.00	0.00	0.00	0.00
DENMARK	8.55	7.45	6.41	5.87	5.67	5.41	5.03	4.33	4.38
FINLAND	17.56	15.58	15.95	13.09	13.40	12.51	13.11	11.16	11.30
FRANCE	709.38	679.88	728.89	698.14	748.38	762.54	835.65	800.13	845.07
GERMANY	364.39	338.66	332.14	371.11	333.07	345.47	342.54	323.67	332.76
ITALY	354.78	344.1	351.90	342.57	349.64	365.49	383.17	366.88	371.44
JAPAN	1,321.91	1,372.56	1,353.47	1,385.84	1,423.97	1,489.84	1,525.90	1,447.97	1,478.45
NETHERLANDS	3.35	2.19	1.79	1.00	0.51	0.53	-	-	-
UK	0.58	0.56	0.32	0.30	-	-	-	-	-
USA	20.42	18.12	17.45	15.16	14.83	12.32	11.98	11.77	11.77
CHINA	6,462.07	6,410.61	6,840.23	6,746.26	6,753.13	6,731.17	7,016.85	7,013.42	7,089.82
OTHERS	341.8	326.53	325.62	570.92	316.66	313.28	326.17	320.06	314.56
TOTAL BILATERAL	9,736.81	9,643.46	10,103.18	10,276.76	10,084.80	10,165.16	10,597.89	10,434.65	10,589.91
<u>MULTILATERAL</u>									
ADB/ADF	2,244.79	2,301.03	2,393.60	2,404.62	2,475.99	2,726.74	2,910.65	2,886.38	2,986.96
BADEA	36.08	36.21	36.28	36.06	36.66	36.34	38.36	37.51	39.46
EEC/EIB	168.53	160.53	162.18	152.65	157.67	186.99	195.65	185.05	199.96
IBRD	-	-	-	-	250.00	250.00	296.11	294.15	294.70
IDA/IFAD	5,953.08	6,900.25	7,234.42	7,146.77	8,399.27	8,808.04	9,219.83	9,220.59	10,167.83
IMF**	481.02	407.37	360.66	341.14	1,038.33	1,047.10	1,016.70	985.04	1,653.43
OTHERS	55.01	52.49	51.40	49.46	49.13	49.66	51.86	48.32	46.44
TOTAL MULTILATERAL	8,938.51	9,857.88	10,238.54	10,130.70	12,407.05	13,104.87	13,729.16	13,657.03	15,388.79
COMMERCIAL¹	10,711.36	10,286.93	10,151.24	10,113.38	10,348.00	10,330.26	10,253.45	10,167.10	11,086.20
O/W International Sovereign Bond	-	-	-	-	-	-	-	-	7,100.00
EXPORT CREDIT	165.51	165.51	165.51	165.51	165.51	165.51	165.51	165.51	165.51
GRAND TOTAL	29,552.19	29,953.79	30,658.48	30,686.36	33,005.37	33,765.80	34,746.02	34,424.30	37,230.41
In percentage of total									
BILATERAL	32.95	32.19	32.95	33.49	30.56	30.10	30.50	30.31	28.44
MULTILATERAL	30.25	32.91	33.40	33.01	37.59	38.81	39.51	39.67	41.33
COMMERCIAL BANKS ¹	36.25	34.34	33.11	32.96	31.35	30.59	29.51	29.53	29.78
EXPORT CREDIT	0.56	0.55	0.54	0.54	0.50	0.49	0.48	0.48	0.44
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

*Provisional

** include IMF item

1/ incl. International Sovereign Bond

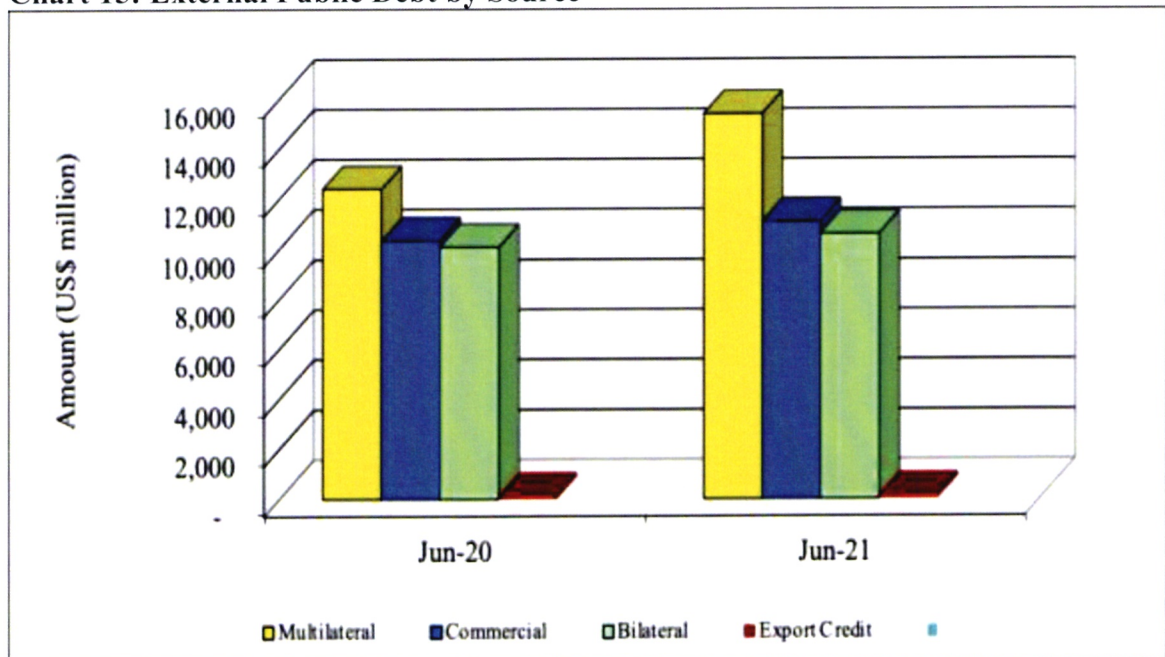
Note: The exchange rate as at end June 2021 was KSh. 107.9 per dollar.

Source of Data: National Treasury

FISCAL DEVELOPMENTS

49. Compared to the same period in FY 2019/20, external public debt stock from commercial banks, multilateral institutions and bilateral sources recorded an increase in the period ending June, 2021. External debt stock from suppliers' credit remained constant in June, 2020 and June, 2021 (**Chart 15**).

Chart 15: External Public Debt by Source



Source of Data: National Treasury

3.3.1 External Debt Service

50. By the end of June 2021, the total cumulative debt service payments to external creditors amounted to KSh. 234.6 billion. This comprised of KSh. 128.3 billion (54.7 percent) principal and KSh. 106.3 billion (45.3 percent) interest (**Table 14**).

FISCAL DEVELOPMENTS

Table 14: External Debt Service, July 2020 – June 2021 (KSh. Million)

CATEGORY	PRINCIPAL*	INTEREST*	TOTAL*
BILATERAL			
ABU DHABI	110.79	15.50	126.29
AUSTRIA	453.99	83.15	537.14
BELGIUM	1,959.00	250.37	2,209.37
CANADA	-	-	-
CHINA	16,842.47	14,405.83	31,248.31
DENMARK	97.23	-	97.23
FINLAND	313.27	-	313.27
FRANCE	3,761.31	924.62	4,685.93
GERMANY	1,454.66	430.37	1,885.03
INDIA	648.09	122.03	770.12
ISRAEL	646.47	114.50	760.96
ITALY	5,808.16	1,345.08	7,153.24
JAPAN	2,752.73	401.04	3,153.77
KOREA	85.65	14.38	100.03
KUWAIT	217.11	36.99	254.10
NETHERLANDS	420.56	45.46	466.02
POLAND	-	15.76	15.76
SAUDI ARABIA	101.73	25.16	126.89
SPAIN	1,568.46	216.57	1,785.03
UK	-	-	-
USA	276.09	28.42	304.51
TOTAL BILATERAL	37,517.78	18,475.22	55,993.00
MULTILATERAL			
ADB/ADF	3,924.24	3,252.17	7,176.41
BADEA	258.91	44.59	303.50
EIB/EEC	1,695.58	489.31	2,184.89
IDA	18,005.71	10,746.29	28,751.99
OPEC	753.08	63.66	816.74
NDF	67.67	22.46	90.12
IFAD	416.55	168.71	585.26
IBRD	-	536.73	536.73
TOTAL MULTILATERAL	25,121.73	15,323.91	40,445.64
COMMERCIAL	65,638.22	72,513.18	138,151.41
GRAND TOTAL	128,277.73	106,312.32	234,590.05

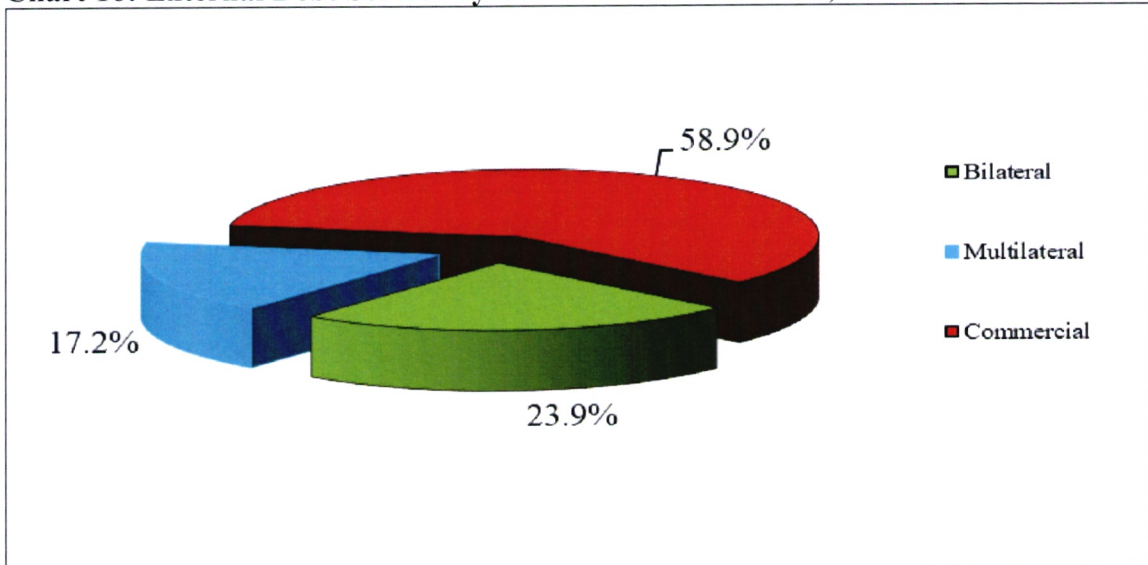
* Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

51. By the end of June 2021, the total cumulative debt service payments to external creditors comprised of 58.9 percent, 23.9 percent and 17.2 percent of the total payments to commercial, bilateral and multilateral creditors respectively (Chart 16).

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



Source of Data: National Treasury

ANNEXES

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		
	Actual				Prel. Actual	Prel. Actual	SUPP II	Printed Estimates
A.TOTAL REVENUE	1,254,790	1,440,389	1,525,556	1,705,087	1,795,978	1,783,747	1,837,835	1,892,647
1.Ordinary Revenue	1,152,544	1,306,568	1,365,063	1,500,482	1,573,732	1,562,015	1,578,787	1,633,767
Income Tax	560,762	625,050	640,546	685,330	706,936	694,053	697,010	685,014
VAT	289,213	339,034	357,129	414,143	383,713	410,758	403,099	481,612
Import Duty	79,638	89,943	93,685	106,875	98,022	108,375	102,418	106,762
Excise Duty	140,212	165,474	167,753	194,310	195,270	216,325	217,984	241,378
Other Revenue	82,719	87,067	105,950	99,824	189,790	132,504	158,275	119,001
2.Appropriation –in –Aid	102,247	133,820	160,493	204,606	222,246	221,732	259,048	258,880
B.EXPENDITURE & NET LENDING	1,804,520	2,111,896	2,146,843	2,433,707	2,627,477	2,755,804	2,886,855	2,790,631
1.Recurrent	1,036,636	1,165,037	1,349,896	1,531,083	1,694,120	1,797,063	1,819,583	1,826,718
Wages and Salaries	307,421	336,636	388,938	417,526	449,927	489,728	493,914	481,665
Interest Payments	215,328	271,233	323,890	375,723	437,202	495,142	460,876	463,108
Domestic Interest	172,857	212,865	239,470	272,351	315,362	388,830	353,139	308,424
Foreign Interest Due	42,471	58,368	84,420	103,372	121,840	106,312	107,737	154,684
Pensions, etc	53,401	63,958	65,099	70,804	89,605	112,872	115,310	123,360
O & M/ Others	429,046	457,150	534,347	625,791	675,292	655,841	700,891	709,993
Of which Appropriation-in-Aid	71,915	58,536	109,861	147,765	155,857	132,130	155,432	177,177
2.Development & Net Lending	486,662	641,843	469,673	541,884	608,079	569,889	668,347	589,705
Development Projects	343,338	392,217	255,213	289,029	389,571	355,231	409,880	337,538
Appropriation-in-Aid	134,757	241,183	211,931	243,408	217,847	214,657	258,468	245,379
3. Drought Development Expenditures/CF	5,000	-	-	-	-	-	-	5,000
4. Transfer to County Governments	276,223	305,016	327,274	360,740	325,278	388,853	398,924	369,208
5. Parliamentary Service	19,777	24,215	25,678	28,525	27,990	29,191	33,485	33,485
6. Judicial Service	11,662	11,846	11,944	12,713	14,103	14,289	15,106	15,106
7. Equalization Fund	6,400	6,000	-	6,962	-	-	-	6,788
8. Contingency Fund	-	-	-	-	-	-	-	-
D.DEFICIT EXCL. GRANTS (Commitment)	(549,730)	(671,507)	(621,287)	(728,620)	(831,499)	(972,058)	(1,049,020)	(897,984)
E.GRANTS	29,597	26,962	27,600	19,702	19,820	31,320	-	56,841
F.DEFICIT INCL.GRANTS (Commitment Basis)	(520,133)	(644,546)	(593,687)	(708,918)	(811,679)	(940,737)	(1,049,020)	(841,143)
G. ADJUSTMENT TO CASH BASIS	45,563	(14,169)	(34,678)	-	11,801	5,098	-	-
H.DEFICIT INCL.GRANTS (Cash Basis)	(474,570)	(658,715)	(628,365)	(708,918)	(799,878)	(935,640)	(1,049,020)	(841,143)
Discrepancy	(0)	38,502	2,716	12,140	(9,074)	14,596	(72,797)	-
I.FINANCING	474,570	697,217	631,081	721,058	790,804	950,235	976,223	841,143
Net Foreign Financing	269,924	385,745	354,977	414,518	340,431	323,310	417,553	346,793
Net Domestic Financing	204,646	311,472	276,104	306,540	450,373	626,926	558,670	494,350
In Percentage of GDP								
A.TOTAL REVENUE	18.7	18.8	17.9	18.2	17.7	16.0	16.5	16.8
1.Ordinary Revenue	17.2	17.0	16.1	16.0	15.5	14.0	14.1	14.5
Income Tax	8.4	8.1	7.5	7.3	6.9	6.2	6.2	6.1
VAT	4.3	4.4	4.2	4.4	3.8	3.7	3.6	4.3
Import Duty	1.2	1.2	1.1	1.1	1.0	1.0	0.9	0.9
Excise Duty	2.1	2.2	2.0	2.1	1.9	1.9	2.0	2.1
Other Revenue	1.2	1.1	1.2	1.1	1.9	1.2	1.4	1.1
2.Appropriation –in –Aid	1.5	1.7	1.9	2.2	2.2	2.0	2.3	2.3
B. EXPENDITURE & NET LENDING	26.9	27.5	25.3	26.0	25.8	24.7	25.8	24.7
1.Recurrent	15.4	15.2	15.9	16.3	16.6	16.1	16.3	16.2
Wages and Salaries	4.6	4.4	4.6	4.5	4.4	4.4	4.4	4.3
Interest Payments	3.2	3.5	3.8	4.0	4.3	4.4	4.1	4.1
Domestic Interest	2.6	2.8	2.8	2.9	3.1	3.5	3.2	2.7
Foreign Interest Due	0.6	0.8	1.0	1.1	1.2	1.0	1.0	1.4
Pensions, etc	0.8	0.8	0.8	0.8	0.9	1.0	1.0	1.1
O & M/ Others	6.4	6.0	6.3	6.7	6.6	5.9	6.3	6.3
of which Appropriation-in-Aid	1.1	0.8	1.3	1.6	1.5	1.2	1.4	1.6
2.Development & Net Lending	7.3	8.4	5.5	5.8	6.0	5.1	6.0	5.2
Development Projects	5.1	5.1	3.0	3.1	3.8	3.2	3.7	3.0
Appropriation-in-Aid	2.0	3.1	2.5	2.6	2.1	1.9	2.3	2.2
Payment of guaranteed loans	0.0	0.0	0.0	0.0	0.0	-	-	-
3. Drought Expenditures	0.1	-	-	-	-	-	-	0.0
4. Transfer to County Governments	4.1	4.0	3.9	3.9	3.2	3.5	3.6	3.3
5. Parliamentary Service	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
6. Judicial Service	0.2	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
D.DEFICIT EXCL. GRANTS (Commitment)	(8.2)	(8.7)	(7.3)	(7.8)	(8.2)	(8.7)	(9.4)	(8.0)
E.GRANTS	0.4	0.4	0.3	0.2	0.2	0.3	-	0.5
F.DEFICIT INCL.GRANTS (Commitment Basis)	(7.8)	(8.4)	(7.0)	(7.6)	(8.0)	(8.4)	(9.4)	(7.5)
G.ADJUSTMENT TO CASH BASIS	0.7	(0.2)	(0.4)	-	0.1	0.0	-	-
H.DEFICIT INCL.GRANTS (Cash Basis)	(7.1)	(8.6)	(7.4)	(7.6)	(7.9)	(8.4)	(9.4)	(7.5)
I.FINANCING	7.1	9.1	7.4	7.7	7.8	8.5	8.7	7.5
Foreign Financing	4.0	5.0	4.2	4.4	3.3	2.9	3.7	3.1
Net Domestic Financing	3.1	4.1	3.2	3.3	4.4	5.6	5.0	4.4
Memorandum Item:								
Nominal GDP at Market price (Ksh. million)	6,709,671.0	7,677,228.9	8,500,582.1	9,367,317.4	10,175,225.8	11,168,511.0	11,168,511.0	11,275,797.0

Source: National Treasury

4.2. GFSM 2014 COMPLIANT TABLES FOR BUDGETARY CENTRAL GOVERNMENT

4.2.1 Annex II: Revenue (KSh. Millions)

GFSM Code	Description	Annual Budget Estimates FY2020/21	Prel. Actual FY2020/21 Q3	Prel. Actual FY2020/21 Q4
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
1	Revenue	1,949,488	1,263,637	1,815,067
11	Taxes	1,649,274	1,126,429	1,611,906
111	Taxes on income, profits, and capital gains	685,014	455,287	694,053
1111	Payable by individuals	376,991	251,584	363,343
1112	Payable by corporations and other enterprises	308,022	203,703	330,709
114	Taxes on goods and services	801,556	540,774	741,232
1141	General taxes on goods and services	498,951	303,818	426,264
11411	Value-added taxes	481,612	292,229	410,758
11414	Taxes on financial and capital transactions ¹	17,339	11,589	15,506
1142	Excises ²	302,605	236,956	314,968
115	Taxes on international trade and transactions	162,704	130,368	176,622
1151	Customs and other import duties ³	162,704	130,368	176,622
12	Social contributions	492	266	336
122	Other social contributions	492	266	336
1221	Employee contributions	492	266	336
13	Grants	56,841	18,351	31,320
131	From foreign governments	32,739	15,003	22,378
1311	Current	-	-	-
1312	Capital	32,739	15,003	22,378
132	From international organizations	8,182	3,347	8,943
1321	Current	8,182	3,347	8,943
1322	Capital	-	-	-
133	From other general government units	15,920	-	-
1331	Current	15,920	-	-
1332	Capital	-	-	-
14	Other revenue	242,880	118,592	171,504
141	Property income	48,103	48,192	54,277
1411	Interest	1,660	45	2,095
1412	Dividends	40,906	44,836	47,884
1415	Rent	5,538	3,312	4,297
142	Sales of goods and services	191,844	67,531	113,007
1422	Administrative fees	191,844	67,531	113,007
143	Fines, penalties, and forfeits	1,812	1,552	2,271
144	Miscellaneous and unidentified revenue	1,121	1,317	1,949

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

ANNEXES

4.2.2. Annex III: Expense (KSh. Millions)

GFSM Code	Description	Annual Budget Estimates FY2020/21	Prel. Actual FY2020/21 Q3	Prel. Actual FY2020/21 Q4
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
2	Expense	2,683,816	1,677,198	2,609,156
21	Compensation of employees	511,368	359,493	495,961
211	Wages and salaries	507,200	352,215	490,060
212	Social contributions	4,168	7,277	5,900
2121	Actual social contributions	4,168	7,277	5,900
22	Use of goods and services	246,797	229,625	386,220
	O/W Defence and NIS	145,324	105,942	157,673
	Free Secondary Education (FSE)	62,661	45,483	59,422
	Free Primary Education (FPE)	12,401	9,895	12,001
24	Interest	463,108	366,288	495,142
241	To nonresidents	154,684	80,183	106,312
242	To residents other than general government	308,424	286,106	388,830
25	Subsidies	2,047	1,502	3,626
251	To public corporations	-	-	-
252	To private enterprises	2,047	1,502	3,626
26	Grants	1,326,467	639,343	1,117,267
262	To international organizations	4,200	2,362	4,431
2621	Current	4,200	2,362	4,431
2622	Capital	-	-	-
263	To other general government units	1,322,267	636,981	1,112,836
2631	Current	776,269	378,586	631,761
	O/W Transfer to County Governments (ES)	221,550	129,464	242,351
	Transfer to Other levels of Government (Includes transfers to SOEs)	554,719	249,122	389,410
2632	Capital	545,998	258,395	481,074
	O/W Transfer to County Governments (ES)	94,950	55,485	103,865
	Transfer to Other levels of Government (Includes transfers to SOEs)	451,048	202,911	377,209
27	Social benefits	119,742	80,947	110,939
273	Employer social benefits	119,742	80,947	110,939
28	Other expense	14,288	-	-
282	Miscellaneous other expense	14,288	-	-

Source: National Treasury

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

Description	Annual Budget	Prel. Actual	Prel. Actual
	Estimates FY2020/21	FY2020/21 Q3	FY2020/21 Q4
<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
Change in Net Worth: Transactions	(735,582)	(401,975)	(798,387)
Net acquisition of nonfinancial assets	106,814	143,484	146,649
Fixed assets	95,646	137,699	141,065
Buildings and structures	93,258	135,275	136,529
Other fixed assets	2,388	2,423	4,536
Inventories	11,168	5,786	5,584
Net acquisition of financial assets	(627)	(33,115)	(46,690)
Currency and deposits (Domestic)	(627)	(33,115)	(46,690)
Net incurrence of liabilities	841,770	512,345	898,346
Domestic	494,977	491,174	575,036
Securities other than shares	494,977	431,330	556,289
Loans	-	3,849	13,649
Other Accounts Payable	-	55,995	5,098
Foreign	346,793	21,171	323,310
Securities other than shares	124,094	-	107,621
Loans	222,699	21,171	215,688

Source: National Treasury

ANNEXES

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

Description	Annual Budget Estimates FY2020/21	Prel. Actual FY2020/21 Q3	Prel. Actual FY2020/21 Q4
<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
Cash Flows from Operating Activities:			
Cash receipts from operating activities	1,949,488	1,263,637	1,815,067
Taxes	1,649,274	1,126,429	1,611,906
Social contributions	492	266	336
Grants	56,841	18,351	31,320
Other receipts	242,880	118,592	171,504
Cash payments for operating activities	2,683,816	1,677,198	2,609,156
Compensation of employees	511,368	359,493	495,961
Purchases of goods and services	246,797	229,625	386,220
Interest	463,108	366,288	495,142
Subsidies	2,047	1,502	3,626
Grants	1,326,467	639,343	1,117,267
Social benefits	119,742	80,947	110,939
Other payments	14,288	-	-
Net cash inflow from operating activities	(734,329)	(413,561)	(794,089)
Cash Flowa from Investments in Nonfinancial Assets (NFAs):			
Purchases of nonfinancial assets	106,814	143,484	146,649
Fixed assets	95,646	137,699	141,065
Strategic stocks	11,168	5,786	5,584
Net cash outflow: investments in NFAs (31=31.1-31.2)	106,814	143,484	146,649
Cash surplus / deficit	(841,143)	(557,045)	(940,737)
Cash Flows from Financing Activities:			
Net acquisition of financial assets other than cash	(627)	(33,115)	(46,690)
Domestic	(627)	(33,115)	(46,690)
Foreign	-	-	-
Net incurrence of liabilities	841,770	511,235	898,346
Domestic	494,977	490,064	575,036
Foreign	346,793	21,171	323,310
Net cash inflow from financing activities	842,397	544,349	945,036
Net change in the stock of cash	1,254	(12,696)	4,298
Statistical Discrepancy⁴	-	-	-

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

Source: National Treasury

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

GFSM Code	Description	Annual Budget Estimates FY2020/21	Prel. Actual FY2020/21 Q3	Prel. Actual FY2020/21 Q4
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
	Transactions Affecting Net Worth:			
1	Revenue	1,949,488	1,263,637	1,815,067
11	Taxes	1,649,274	1,126,429	1,611,906
12	Social contributions	492	266	336
13	Grants	56,841	18,351	31,320
14	Other revenue	242,880	118,592	171,504
2	Expense	2,683,816	1,677,198	2,609,156
21	Compensation of employees	511,368	359,493	495,961
22	Use of goods and services	246,797	229,625	386,220
24	Interest	463,108	366,288	495,142
25	Subsidies	2,047	1,502	3,626
26	Grants	1,326,467	639,343	1,117,267
27	Social benefits	119,742	80,947	110,939
28	Other expense	14,288	-	-
GOB	Gross operating balance	(734,329)	(413,561)	(794,089)
NOB	Net operating balance	(734,329)	(413,561)	(794,089)
	Transactions on Nonfinancial Assets:			
31	Net Acquisition of Nonfinancial Assets	106,814	143,484	146,649
311	Fixed assets	95,646	137,699	141,065
312	Change in inventories	11,168	5,786	5,584
NLB	Net lending / borrowing	(841,143)	(557,045)	(940,737)
	Transactions on Financial Assets and Liabilities (Financing):	842,397	544,349	945,036
32	Net acquisition of financial assets	(627)	(33,115)	(46,690)
321	Domestic	(627)	(33,115)	(46,690)
322	Foreign	-	-	-
33	Net incurrence of liabilities	841,770	511,235	898,346
331	Domestic	494,977	490,064	575,036
332	Foreign	346,793	21,171	323,310
	Statistical Discrepancy⁵	1,254	(12,696)	4,298

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

Source: National Treasury

