



THE NATIONAL TREASURY AND PLANNING

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PUBLIC DEBT MANAGEMENT REPORT 2020/2021

SEPTEMBER 2021

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FOREWORD

The *Annual Public Debt Management Report* is prepared in compliance with the Constitution of Kenya and the Public Finance Management Act (PFMA), 2012 that obligates reporting on public debt. *The 2021 Annual Public Debt Management Report* provides a broad analysis of the developments in public debt and borrowing during the fiscal year 2020/2021. The report covers the legal framework on public debt, public debt market reforms, the level of public debt, non-guaranteed debt, on-lent loans, status of implementation of the Medium-Term Debt Management Strategy (MTDS) 2020 and evaluates the outcome of the recent Debt Sustainability Analysis (DSA). The report highlights the changing structure of public debt portfolio and debt service during the period.

Total public and publicly guaranteed debt increased from Kshs 6.7 trillion in June 2020 to Kshs 7.7 trillion in June 2021 equivalent to 68.1 percent of GDP. As at June 2021, the debt comprised 52.0 percent external and 48.0 percent domestic debt. External debt is largely owed to multilateral creditors on concessional terms. The average maturity period, grace period and average interest rate on new external loan commitments were 23 years, 7 years and 2.1, percent respectively. The COVID-19 pandemic and containment measures worsened the fiscal position and heightened the need for borrowing to save lives and livelihood thus raising public debt levels. However public debt remains within sustainable levels and the debt burden is expected to decline over the medium term. The Government is implementing a tight fiscal consolidation policy to lower the rate of debt accumulation and overall debt to GDP ratio.

The National Treasury is working closely with the Central Bank of Kenya (CBK), Kenya Bankers' Association (KBA) and the Capital Markets Authority (CMA) among other stakeholders in improving operational efficiency within the domestic debt market. Specifically, the National Treasury and Planning is spearheading the implementation of Over-The-Counter (OTC) platforms and the establishing a new Central Securities Depositories (CSD) in collaboration with the Central Bank of Kenya. The CSD is set to improve liquidity in the debt market. Additionally, an Investor Relations Unit (IRU) has been established within the Public Debt Management Office (PDMO) to dissemination of transparent, accurate and timely information on public debt and borrowing (including grants) to development partners, investors and general public. The PDMO has further advanced other reforms in the financial markets that are being implemented in collaboration with other key stakeholders.

The Government has demonstrated its commitment to providing accurate and timely debt information to the public and as such the contents of this report will provide insights into the size, structure and dynamics of public debt management in Kenya.



HON. (AMB.) UKUR K. YATANI, EGH

CABINET SECRETARY/THE NATIONAL TREASURY AND PLANNING

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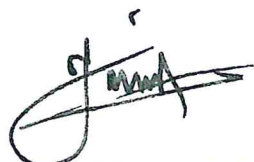
The *2021 Annual Public Debt Report* prepared by the National Treasury and Planning presents major developments in Kenya's public debt for the FY 2020/21.

Prudent public debt management is critical for all sovereigns especially those classified as developing countries. The National Treasury has been implementing comprehensive public debt reform agenda to strengthen public debt management. The debt management reforms supported by both multilateral and bilateral agencies involve streamlining public debt management processes and building capacity to perform functions in line with international best practice. Progressively, the reforms are bearing fruit and the Government is committed towards achievement of desired outcomes.

This report seeks to promote fiscal transparency, minimize information asymmetries on public debt and strengthens good governance by allowing more detailed scrutiny of debt management by oversight bodies, the general public and international community. In enhancing these best practices in public debt management, there is a better chance for improved investor confidence and sovereign credit rating.

The institutional capacity for public debt management has significantly increased but the challenge remains in attracting and retaining human resource in this highly specialized field. Sustained capacity building supported by robust IT Systems and underlying infrastructure in important in the current environment following the adverse effects of Covid - 19 pandemic on the country's fiscal position.

I wish to recognize the role played by the PDMO in coordinating the production of this report. This report and other publications on public debt are available on the National Treasury website: www.treasury.go.ke.



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ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
A-I-A	Appropriation in Aid
ATM	Average Time to Maturity
BPS	Budget Policy Statement
CBK	Central Bank of Kenya
CBR	Central Bank Rates
CI	Composite Index
CMA	Capital Markets Authority
COB	Controller of Budget
COVID-19	Coronavirus Disease 2019
CRA	Commission on Revenue Allocation
CSD	Central Securities Depositories
CUB	Committed Undisbursed Balance
DPO	Development Policy Operations
DPS&RM	Debt Policy, Strategy and Risk Management Department
DSA	Debt Sustainability Analysis
EAPC	East African Portland Cement
EAPCC	East African Portland Cement
EBR	Economic Budget Review
ECF	Extended Credit Facility
EFF	Extended Fund Facility
FCCL	Fiscal Commitments and Contingent Liabilities
FY	Financial year
GBP	Sterling Pound
GDP	Gross Domestic Product
GoK	Government of Kenya
IBEC	Intergovernmental Budget and Economic Council
IDA	International Development Association
IFB	Infrastructure Bond
IMF	International Monetary Fund
IRU	Investor Relations Unit
ISB	International Sovereign Bond
JKUAT	Jomo Kenyatta University of Advanced Technology
KAA	Kenya Airports Authority
KBA	Kenya Bankers' Association
KBC	Kenya Broadcasting Corporation
KenGen	Kenya Electricity Generating Company
KMC	Kenya Meat Commission
KPC	Kenya Pipeline Company
KPLC	Kenya Power and Lighting Company
KU	Kenyatta University
MCDAs	Ministries, Counties, Departments and Government Agencies
MSMEs	Micro, Small and Medium Enterprises
MTDS	Medium Term Debt Management Strategy

NBFI	Non-Bank Financial Institution
NSE	Nairobi Securities Exchange
NSSF	National Social Security Fund
OAG	Office of the Auditor General
OTC	Over-The-Counter
PCK	Postal Corporation of Kenya
PDMO	Public Debt Management Office
PFF	Project Facilitation Fund
PFMA	Public Finance Management Act
PPA	Power Purchase Agreements
PPG	Public and Publicly Guaranteed
PPP	Public Private Partnership
PPPs	Public-Private Partnerships
PRG	Partial Risk Guarantees
PV	Present Value
Q4	Quarter four
QEBR	Quarterly Economic Budget Review
SBLC	Stand By letter of Credit
SGR	Standard Gauge Railway
SLB	Securities Lending and Borrowing
SOEs	State Owned Enterprises
T-Bills	Treasury Bills
TDS	Total Debt Service
TEDS	Total External Debt Service
TMD	Treasury Mobile Direct
UON	University of Nairobi
USD	United States Dollar

EXECUTIVE SUMMARY

The outstanding public and publicly guaranteed debt has grown steadily over the years. As at end June 2021, the public debt stood at Kshs 7,696,635 million rising from Kshs 6,693,338 million in June 2020. The debt to GDP ratio increased from 65.8 percent in June 2020 to 68.1 percent in June 2021. External debt to GDP ratio rose from 34.4 percent in June 2020 to 35.4 percent in June 2021, while domestic debt as a percentage of GDP was at 32.7 percent in June 2021 rising from 31.2 percent in June 2020. The ratio of debt service to revenue increased from 41.4 percent in June 2020 to 50.0 percent in June 2021. Treasury bills and Treasury bonds are the main instruments for contracting domestic debt. Treasury bonds accounted for 77.1 percent of total domestic debt while Treasury bills share was 20.7 percent. Commercial banks were the main holders of domestic debt at 49.1 percent while non-bank financial institutions held 47.7 percent. Reforms in domestic debt market have improved market liquidity and broadened investor base. Secondary market trading for Government securities rose from Kshs. 513,300 million in June 2020 to Kshs. 637,000 million in June 2021.

The PDMO has implemented measures diversifying foreign currency mix to minimize the exchange rate risks exposure in the external debt portfolio. The proportion of external debt held in US Dollar declined from 67.3 percent in June 2020 to 66.0 percent in June 2021. The share of external debt in Euro rose to 19.4 percent as at end June 2021 from 18.0 percent in June 2020. As at end June 2021, 6.3 percent of external debt was denominated in Japanese Yen, 5.6 percent in Yuan, 2.5 percent in Sterling Pounds while other currencies accounted for 0.2 percent.

The stock of on-lent loans by the Government to State owned enterprises (SOE) increased from Kshs 867,005 million in June 2020 to Kshs 921,930 million as at end June 2021. Public non-guaranteed debt contracted by SOEs was Kshs. 104,843 million as at end December 2020. This comprised loans obtained by SOEs from local banks and external creditors.

The PDMO is mandated under the *PPP Act 2013* to assess the fiscal risks and contingent liabilities associated with PPP projects. The Government has not issued any direct loan guarantees on PPP projects but provided an indemnity to backstop Partial Risk Guarantees (PRGs). As at end June 2021, the total PRGs covered by indemnity agreements were Kshs 19,602 million. The Government is committed to promoting the PPP mode of financing to bridge the funding gap for capital projects.

The recently conducted Debt Sustainability Analysis (DSA) revised the debt carrying capacity from strong to medium signifying that the country's debt remains sustainable but with heightened risk of debt distress. The Government commitment to fiscal consolidation, implementation of public debt reforms and promotion of local exports will improve debt indicators sustainably.

The 2020 MTDS set out to reduce refinancing risk by lengthening the maturity profile of debt and increasing the uptake of concessional external loans. The debt strategy sets the optimal financing ratio for net external financing at 60 percent and net domestic borrowing to 40 percent. Government domestic borrowing will constitute more Treasury bonds than bills to lower risk and costs. The successful implementation of the debt management strategy resulted in net domestic financing of 65.8 percent of total net financing while net external borrowing was 34.2 percent as at end June, 2021. The ratio of Treasury bills to bonds was 21:79. Net borrowing to finance the fiscal deficit was Kshs 879,599 million comprising Kshs 323,310 million external borrowing and Kshs 556,289 million domestic borrowing.

The PDMO is mandated under the PFM Act, 2012 to prepare and submit the Annual Public Debt Management Report to the Cabinet Secretary National Treasury. The office is organised in three key distinct but interdependent departments in accordance with the international best practice. The Government has been implementing reforms towards strengthening the institutional arrangements for public debt by aligning functions to the relevant departments, promoting development of domestic debt market and has established Investor Relations Unit to manage and coordinate investor relations. The Unit will promote debt market transparency, increase investor base and maintain prudent risk level of debt.

CHAPTER ONE

LEGAL AND INSTITUTIONAL SET UP FOR PUBLIC DEBT MANAGEMENT

1.1 Legal Framework

The legal framework for the management of public debt is the Constitution of Kenya 2010, the Public Finance Management Act (PFMA), 2012 and the PFMA Regulations, 2015. Section 214 (2) of the Constitution defines public debt as all financial obligations attendant to loans raised or guaranteed and securities issued or guaranteed by the national government. Section 201 of the Constitution stipulates principles that guide all aspects of public finance management. The principles which apply to public borrowing and debt management are as follows:

- a) Openness and accountability in borrowing and management of public debt;
- b) Promotion of an equitable society;
- c) Equitable sharing of the burdens and benefits of the use of resources and public borrowing between present and future generations;
- d) Prudent and responsible use of public money; and
- e) Responsible borrowing and management of public debt and accurate fiscal reporting.

The PFMA 2012 mandates the Cabinet Secretary responsible for finance on behalf of the national government to borrow or raise money from any reputable source for purposes of economic management and development of the country. The Act also mandates the Cabinet Secretary to guarantee loans of government entities and private institutions with approval of Parliament.

The legal provision in Section 62 of the PFMA 2012 establishes the PDMO within the National Treasury with the following objectives.

- a) Minimise the cost of public debt management and borrowing over the long-term taking account of risk;
- b) Promote the development of the market institutions for Government debt securities; and,
- c) Ensure the sharing of the benefits and costs of public debt between the current and future generations.

The PFMA 2015 regulations require that PDMO prepares the Annual Debt Management Report which shall include outstanding guarantees, outstanding lending and government On-lending by Government. Other important reports prepared by PDMO include:

- a) annual Medium Term Debt Management Strategy
- b) Debt Statistical Bulletins;
- c) Public Debt Register

Public debt management is guided by the Public Debt and Borrowing Policy of 2020 which is anchored in the Constitution of Kenya and PFMA 2012 and the underlying regulations. It provides for a strong accountability framework in borrowing and management of the public debt portfolio. The policy also seeks to promote the development of the domestic market for Government debt securities.

1.2 Institutional Framework of Public Debt Management

The institutional set up for managing public debt and borrowing includes the Parliament, the Cabinet, the Cabinet Secretary responsible for Finance and the PDMO. Parliament stands at the apex of governance structure for public debt management. The role of Parliament includes among others: enacting laws governing public debt management; approving Annual Budget Estimates, Budget Policy Statement (BPS) and MTDS; setting the public debt ceiling; annual government borrowing limit; setting borrowing thresholds of both levels of government; approving Government guarantees and providing oversight on public debt management.

The Cabinet considers and approves various policy documents which include the public debt and borrowing policy, the Annual Budget Estimates, BPS, MTDS and new projects in accordance with the relevant laws and guidelines.

The Cabinet Secretary is mandated to borrow and issue sovereign guarantees on behalf of the Government. The responsibilities of the cabinet secretary are clearly defined in Section 46 of the PFMA, 2012.

Section 62 of the *PFMA, 2012* establishes PDMO whilst Section 64 provides the operational independence in the management of public debt and day-to-day operations of the Office.

1.3 Organizational Structure of Public Debt Management Office

PDMO is one of the Directorates of the National Treasury, headed by a Director General who reports to the Principal Secretary. It is organized in three (3) technical inter-dependent departments namely the Resource Mobilization Department, Debt Policy, Strategy and Risk Management Department, and Debt Recording and Settlement Department.

The *Resource Mobilization Department* is mandated to mobilize external and domestic resources to bridge the budget deficit, prepare and implement the National Government borrowing plan, undertake coordination and investor relations activities, process government guarantees and ensure effective disbursement of borrowed funds.

The *Debt Policy, Strategy and Risk Management Department* undertakes portfolio analysis, formulating the MTDS, producing several debt reports to comply with the statutory requirements, handle fiscal commitments related to Public Private Partnerships (PPPs), contingent liability management and coordinate domestic debt market development.

The *Debt Recording and Settlement Department* maintains a reliable debt database, process and settles debt service, reconciles debt records, prepares financial statements on public debt, maintains and report public debt register including certification of the level of the country's indebtedness.

1.4 Relationship of PDMO with other Agencies

PDMO interacts with other agencies in conducting its day-to-day operations. The key agencies include; Ministries, Counties, Departments and Government Agencies (MCDAs), lenders, development partners, investors and rating agencies.

PDMO monitors County Government debt operations, process guarantee requests and assists County Governments on debt management and borrowing. The CBK acts as the Fiscal Agent to the National Treasury, as well as the registrar of government domestic debt securities.

The Office of the Attorney General provides legal clearances and opinions on financial contracts, framework agreements and Memoranda of Understanding (MOUs) as required by the relevant laws. MCDAs participate in the loan negotiation process for financing projects under their mandate and ensure compliance with all relevant laws governing optimal utilization of proceeds from loans and grants. PDMO assess and advises on fiscal risks and contingent liabilities associated with PPP projects.

Furthermore, PDMO collaborates with the Capital Market Authority (CMA) in developing a robust and vibrant domestic debt market for Government securities. PDMO submits the MTDS to the Commission on Revenue Allocation (CRA) and the Intergovernmental Budget and Economic Council (IBEC) as required under the relevant laws.

The Office of the Auditor General (OAG) audits all public debt management operations in accordance with the law. The Controller of Budget (COB) authorizes the withdrawal of funds for debt management operations.

1.5 Reforms to Strengthen the PDMO

Section 64(1) (c) of the PFMA,2012 states that the Cabinet Secretary shall ensure that the Public Debt Management Office has the resources and skills to manage the debt and borrowing according to international best practice.

The Government has been implementing deep institutional reforms aimed at improving legal and institutional structures, internal processes and tools to manage public debt portfolio.

The reforms are supported by both multi-lateral and bilateral development partners through technical assistance to strengthen capacity in public debt management and enhance debt transparency and accountability.

CHAPTER TWO

DEBT MARKET REFORMS

2.1 Introduction

The National Treasury continues to spearhead the implementation of reforms to improve management of Government domestic and external debt. The aim is to ensure debt is contracted at the *least possible cost consistent with a prudent degree of risk while at the same time promoting development of the debt market*. The reforms identified for implementation have been through collaborative partnerships among various stakeholders including regulators, investors and other market players to support market development.

2.2 Domestic debt market reforms

The Government has identified a number of strategic reforms aimed at increasing efficiency of the domestic debt market. The reforms at various stages of implementation include.

2.2.1 Enhancement of market infrastructure

The purpose of this reform agenda is to automate processes at both primary and secondary markets, including deployment of a new Central Securities Depository (CSD) system by the CBK. This will reduce primary market auction cycle, create an efficient payment and settlement system and provide convenient access to government debt securities by both institutional and retail investors.

The National Treasury in collaboration with the CBK has implemented the Treasury Mobile Direct (TMD) and the M-Akiba bond programs. The roll out of TMD enables retail investors to bid in an automated platform for ease of accessing government securities. The National Treasury and the CBK is developing new auction rules for Government debt instruments consistent with best practices to guide the primary market operations.

Plans are underway to automate the auction process for institutional investors through the Bloomberg terminals and transfer of funds through internet banking. These initiatives will lead to eventual separation of the retail and institutional investors market. Subsequently, institutional investors will support the development of a strong base for primary dealership to improve efficiency in the issuance of Government debt securities.

2.2.2 Enhancement of the market structure

To increase liquidity, price discovery and transparency, the Over-The-Counter (OTC) trading platform is being established to complement the exchange trading platform at the Nairobi Securities Exchange (NSE).

Currently, only Treasury bills are trading OTC in T24 platform at CBK. However, a two-way quote system is envisaged in the debt reform program

2.2.3 Product enhancement

The objective is to increase liquidity and promote use of Government debt securities in the money market. This will be achieved through restructuring the interbank repo to provide for transfer of ownership of securities provided as collateral and introduction of Securities Lending and Borrowing (SLB). Additionally, the CMA in collaboration with the National Treasury amended laws and regulations to allow short selling and revised the Master Repurchase Agreement to allow transfer of ownership of encumbered security.

The issuance of fewer but large size benchmark bonds at the primary market will continue to foster market liquidity and the development of the benchmark yield curve. The Government has continued to implement the benchmark bond program to ensure concentration of liquidity around benchmark bonds and improve the management of debt portfolio. The benchmark bond program is ongoing and has been a success.

2.3 Cross-cutting reforms in the management of external and domestic debt

2.3.1 Government Sinking Fund

Regulation 206 (1) of the Public Finance Management Regulations, 2015, establishes the *Government Sinking Fund* to be used for redemption of loans and Government debt securities. The National Treasury has developed draft guidelines for the operationalization of the Sinking Fund and subsequently gazetted them. The Fund will be established once the ongoing public review process is completed and guidelines considered and approved by Parliament.

2.3.2 Investor Relations Unit (IRU)

In September 2020, an *Investor Relations Unit (IRU)* was established at PDMO and is responsible for both Investor Relations and Donor Co-ordination. The IRU is committed to

providing information on borrowing and public debt under the four (4) key principles of Sovereign Investor Relations namely:

1. Transparency - the publication of all information, data and decision in suitable format
2. Accessibility - the availability of Government and its officers to explain information, data and decision.
3. Predictability - publishing information on a timely basis
4. Accuracy - producing data and information that is as accurate and comprehensive as possible.

The IRU intends to improve communication with investors through dissemination of information. The IRU website (iru@treasury.go.ke) provides investors with a single-entry point to a wide range of information disseminated by the government.

CHAPTER THREE

RISK MANAGEMENT FRAMEWORK FOR PUBLIC DEBT

3.1 Risk management framework

The government has made tremendous steps in the management of risks related to public debt. The National Treasury is in the process of developing a risk management framework that sets out how risks associated with debt are identified, quantified and mitigated. The concept of risk management refers to the process of identifying, analysing and mitigating risks that threaten the achievement of objectives of an institution. It involves maximization of upside potential and minimizing the consequences of negative events.

There are many types of risks associated with debt which include; operational risk, market risk, default risk, liquidity risk among others. Other risks may be exogenous and therefore determined outside the institution.

3.2 Risk register

The National Treasury has proposed to maintain a dynamic risk register which shall be updated on an ongoing basis. Each functional unit shall be required to maintain a risk register of risks they are better placed to manage. Every risk shall have a risk owner identified and recorded in the risk register. The owner will assume ultimate responsibility and implementation of the proposed actions to minimize adverse effects. In order to develop and nurture a risk sensitive culture in PDMO, staff will adopt values and norms that are consistent with the acceptable risk tolerance levels.

3.3 Risk assessment

The criteria to measure risk is computed in terms of impact and probability. This is because risks arise from uncertain events or actions that lead to non-achievement of the stated objectives. The risk management framework sets out a clear outline on how risk ratings, rankings, descriptions and timelines are determined and recommends the actions necessary to mitigate the adverse effects of the risk.

Risk management and governance are of paramount importance to the National Treasury in view of the decision criteria that policy makers use in determining the level and magnitude of debt. The PDMO through the DPS&RM will provide the overall direction to the risk management processes and make periodic reports and recommendations to the Cabinet

Secretary. Table 3.3-1 shows the risk assessment matrix commonly used in qualitative evaluation.

Table 3.3-1: Qualitative risk assessment matrix

Risk	Likelihood	Impact	Mitigation Plan	Limitations
Cost	High	High	Contingent cost variation	Set cost variation limits by law
Performance	Low	High	Performance guarantee	Issued by non-reputable banks which may fail to honour its obligations
Operational	Low	High	Division of labour	Too much interdependence
Market	Low	High	Advertising, improve service delivery to curb competition	Competition from other service providers
Governance	Medium	Medium	Guiding policies	Operationalization of developed policies
Strategic	High	High	Design new strategy conforming to new developments	Operationalization of new strategies
Legal	Medium	Medium	Repeal / amend laws to suit project	slow adjudication of cases
External Hazards	Medium	High	Preparedness and response actions	management of response strategies

Source: National Treasury

Government losses arising from inadequate operational controls should be managed according to sound business practices, including well-articulated responsibilities for staff and clear monitoring and control policies and reporting arrangements. DPS&RM department is mandated to monitor and review significant operational and enterprise-wide risks associated with debt operations.

The hallmark of prudent debt management is the existence of an accurate and comprehensive management information system with proper safeguards. Staff involved in debt management should be remunerated commensurate with the prevailing risk levels. Likewise, PDMO will develop sound business recovery procedures manual to be used to streamline and standardise operations lending debt management activities to audit process which is an essential part of enhancing debt transparency.

3.4 Risk classification

Risk classification is based on the duration of occurrence and hence defined as near term if they are within one year, medium-term if they occur between one to three years and long-term if they occur beyond three years. Risks whose potential of occurrence is high should be identified and suitable measures put in place to alleviate their effects. However, near-term risks require urgent but careful planning on priority basis compared to either medium or long-term risks. The likelihood of occurrence of risks therefore becomes a standard yardstick upon which appropriate mitigation measures are anchored.

For any risk management framework to achieve reliability in debt management operations, it must adopt a two-thronged approach namely qualitative and quantitative. This is mainly because of the nature of risks inherent in debt management strategies employed at different levels. Whereas risks take different forms and magnitude as a result of a common stimuli, it is necessary to disaggregate the causal effects in order to have a better understanding of the source of the risk and therefore apply the relevant counter strategies.

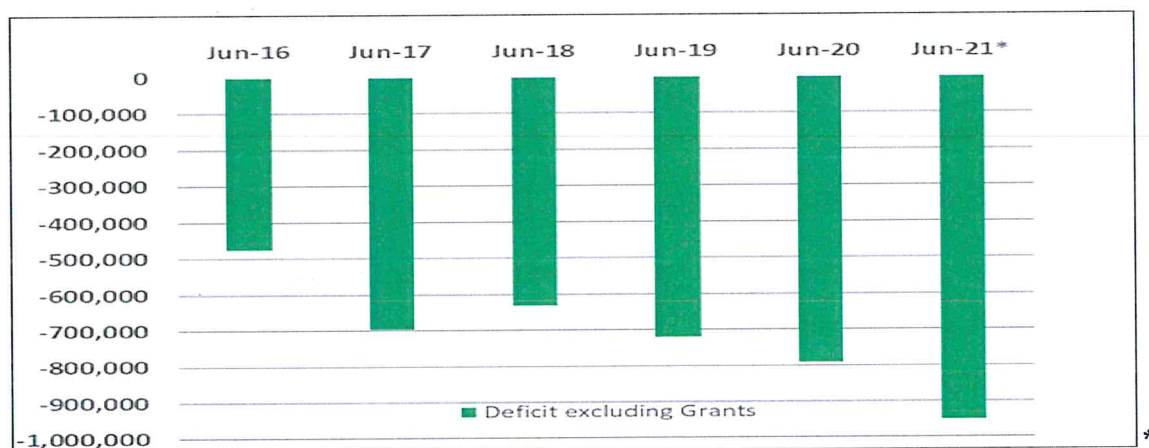
CHAPTER FOUR

FISCAL DEFICITS AND PUBLIC DEBT

4.1 Fiscal Balance

The actual fiscal balance for the FY 2020/21 amounted to Kshs 950,235 million equivalent to 8.5 percent of GDP up from Kshs 790,804 million (7.8 percent of GDP) in FY 2019/20. This was below the target deficit of 8.7 percent of GDP (Table 4.1-1).

Figure 4.1-1: Fiscal deficit trends



*Provisional

Source: National Treasury, QEBR Q4, 2021

Table 4.1-1: Kenya Financing Fiscal Balance (Kshs million)

Financing item	2018/19		2019/20		2020/21*	
	Kshs million	As % of GDP	Kshs million	As % of GDP	Kshs million	As % of GDP
Net Foreign Financing	414,518	4.4	340,431	3.3	323,310	2.9
Net Domestic financing	306,536	3.2	450,373	4.4	626,926	5.6
Total	721,054	7.6	790,804	7.8	950,235	8.5

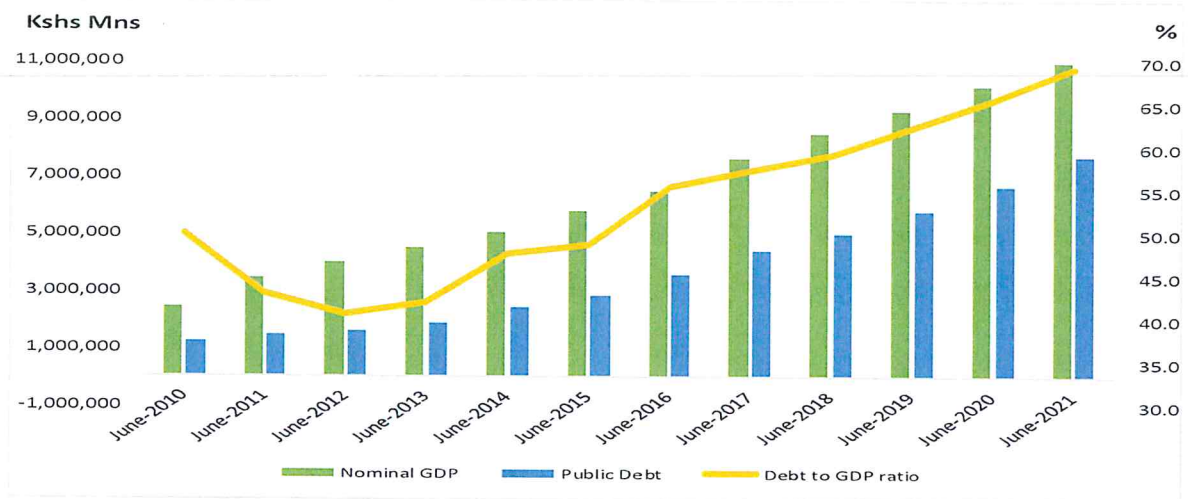
* Provisional

Source: National Treasury, QEBR Q4, 2021

4.2 Factors Driving Growth in Public Debt

The stock of public debt has been on an upward trend over time and it is reflected by a steady rise of nominal debt to GDP ratio from the year 2012 to date. Nominal debt - GDP declined from 50 percent in June 2010 to 41 percent in June 2012 (Figure 4.2.1) but subsequently increased majorly on account of debt funding for infrastructure projects and gradual depreciation in exchange rate.

Figure 4.2.1 Evolution of public debt and debt to GDP ratio



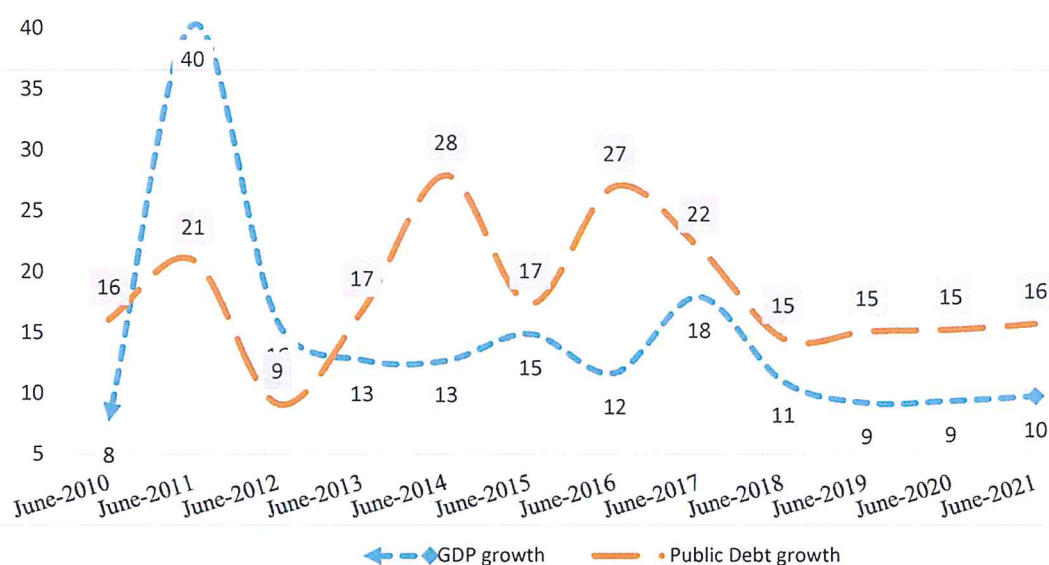
Source: National Treasury

4.3 Comparison of Growth of Public Debt to Growth in GDP (2012-2021)

As from June 2012, growth in debt has been consistently higher than growth of GDP peaking at 28 percent in June 2014, declining slightly to 27 percent in June 2016 and averaging at 15 percent between June 2018 and June 2021. During the same period, GDP grew by an average 9.8 percent (figure 4.3-1). The diverging growth rates implies that the stock of debt will eventually exceed the stock of GDP. Unless the fiscal deficits decline over time. The sustainable thresholds of debt to GDP for Kenya are 55 percent (Total) and 40 percent external debt.

To mitigate this risk public expenditure and fiscal deficits must be kept under check so as to keep growth in debt to a more sustainable path.

Figure 4.3.1 GDP and Public Debt Growth (%)

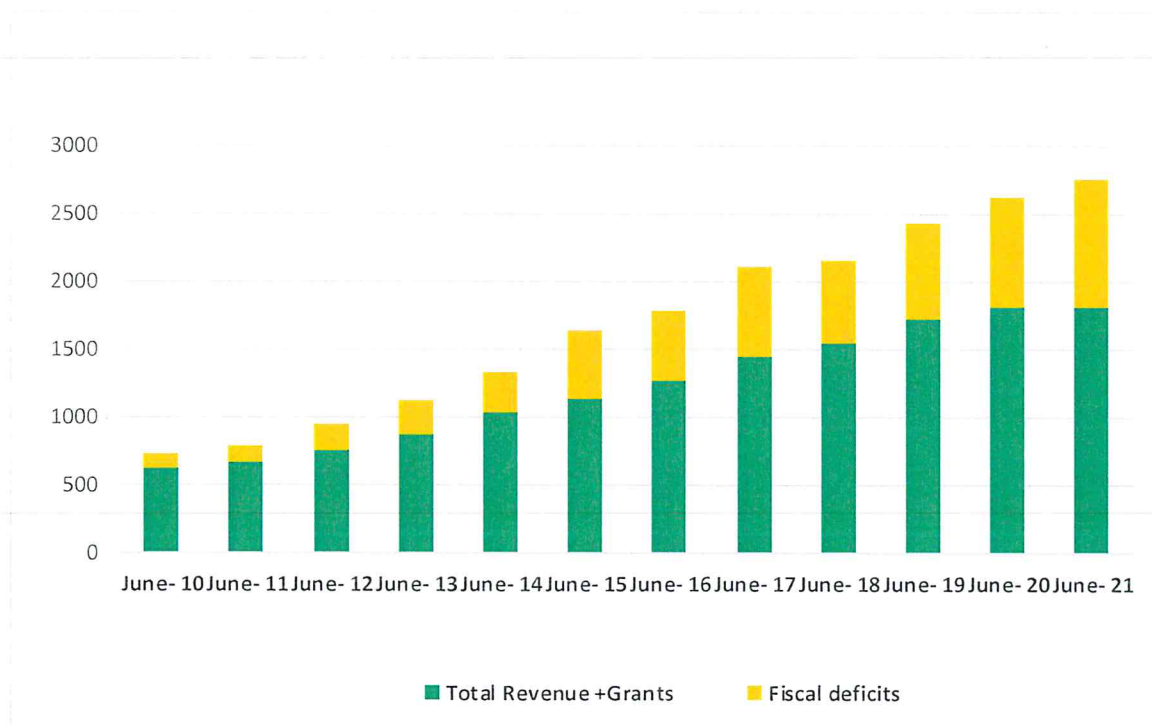


Source: National Treasury

4.4 Evolution of public expenditure, fiscal deficits and revenue

As illustrated in the figure 4.4-1, the overall public expenditure has increased by Kshs. 1,957,500 million between the June 2010 to June 2021 representing a 270 percent increase while the average Government revenue plus grants increased by only 51.0 percent during the same period, as such the fiscal deficits on commitment basis increased from Ksh.107,600 million in June 2010 to Ksh. 934,000 in June 2021 representing a 768.0 percent increase. The divergent growth rates between public expenditure and revenues including grants (fiscal deficits) have heightened the accumulation of public debt to the current levels. On the flip side of public debt is the total net public expenditure over and above revenues and grants during the same period. Growth in public expenditure is increasingly funded by debt

Figure 4.4.1 Composition of public expenditure (revenue and debt funded) 2010-2021 (Kshs. Billions)

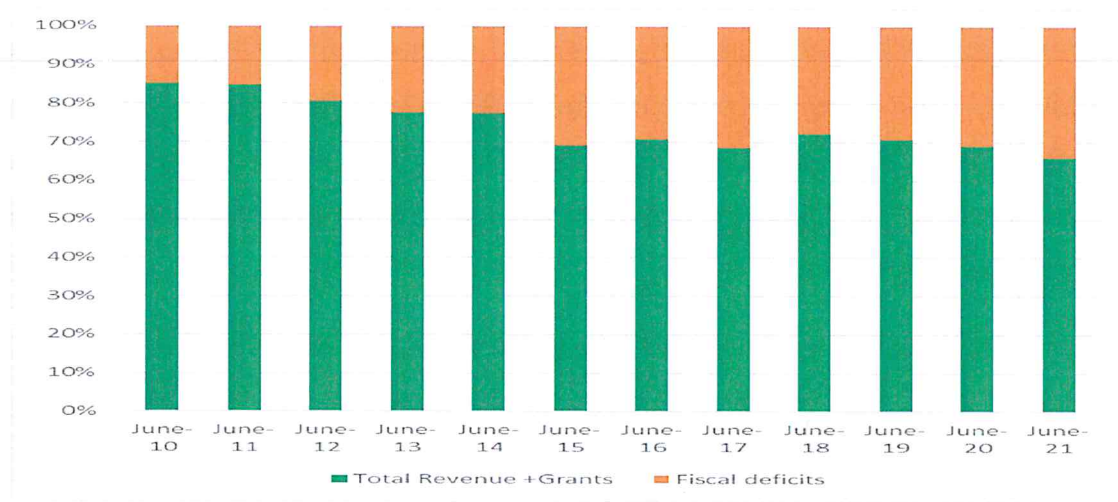


Source: National Treasury (BROP)

As illustrated in figure 4.4-2, the share of fiscal deficits as percentage of total public expenditure has increased gradually from 14.8 percent in June 2010 to 34.0 percent in June 2021 while revenues as a percentage of expenditure declined from 85.1 percent in June 2010 to 66.0 percent in June 2021.

High fiscal deficits due to high public expenditure pressures resulted in growth in debt as a percentage of GDP. There is urgent need to cut down on public expenditures and boost efforts to revamp revenue collection so as to cut down fiscal deficit and bring down growth in public debt to a more sustainable path.

Figure 4.4-2: Revenue plus grants and Fiscal deficit as a percentage of total Expenditure

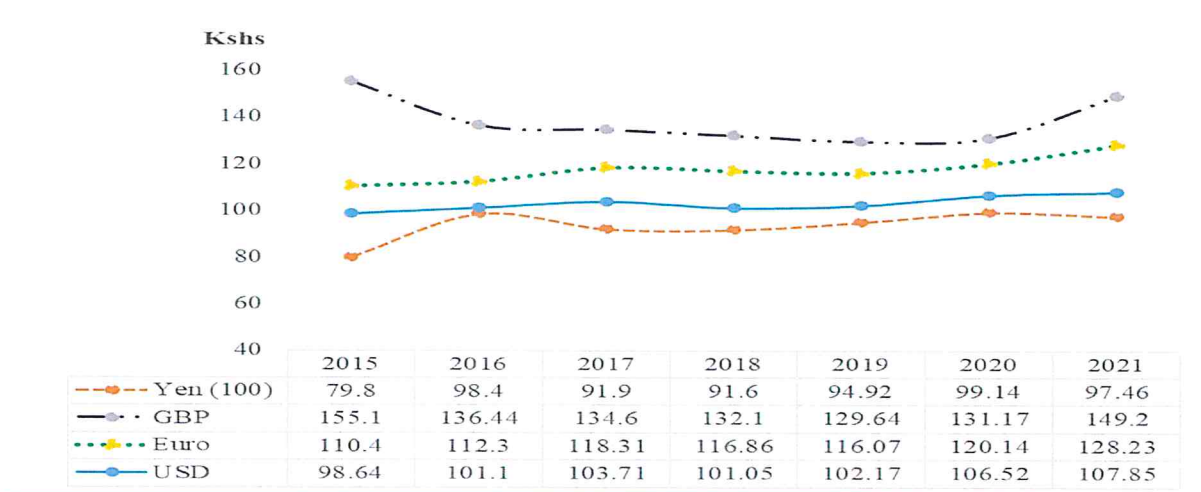


Source: National Treasury (BROP)

4.5 Exchange rate movement and debt

The foreign exchange rate has remained relatively stable but was partly affected by the negative economic impact of the COVID-19 pandemic. The stability of the Shilling was supported by increased remittances and adequate foreign exchange reserves. In this regard, the Kenya Shilling to the US Dollar exchanged at Kshs 107.85 in June 2021 compared to Kshs 106.52 in June 2020. The Kenya Shilling exchanged against the Sterling Pound and Euro at Ksh.131.17 and Ksh.120.14 in June 2020 compared to Ksh.149.20 and Ksh.128.23 in June 2021 respectively.

Figure 4.5-1 Exchange rate of Kenya Shilling against selected Currencies



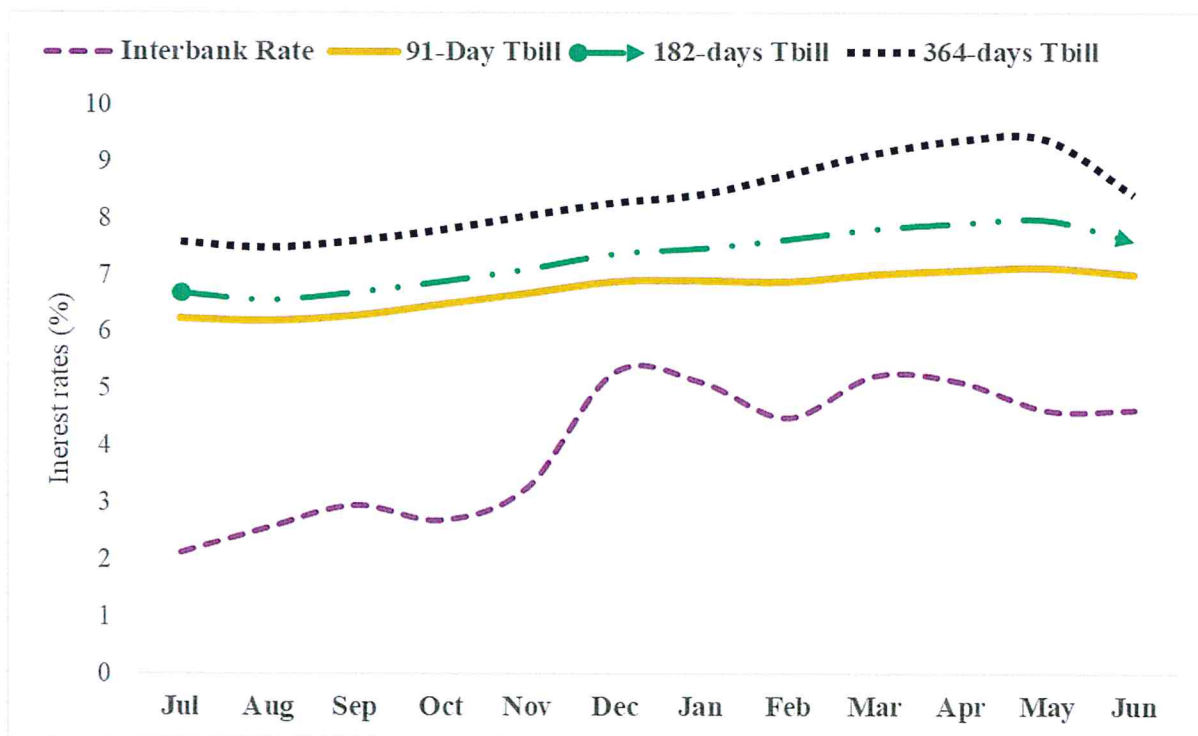
Source: Central Bank of Kenya

4.6 Debt cost: Short-term interest rates

The average interest rate for 91-day treasury bills was 6.7 percent in FY2020/21 compared to 6.7 percent in FY2019/20. The 182-day treasury bills rate declined to 7.3 percent from 7.4 percent while the 364-day treasury bills increased to 8.4 percent from 8.2 percent over the same period. Similarly, the treasury bills for 91-day, 182-day and 364-day highest rate were 7.2 percent, 8.0 percent and 9.5 percent and the lowest rate of 6.0 percent, 6.4 percent and 7.4 percent respectively (Figure 4.6-1).

The interbank rate remained low but increased slightly to 4.6 percent in June 2021 from 3.3 percent in June 2020. The improved liquidity in the money market 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. The CBR was retained at 7.0 percent throughout the year to maintain low and stable lending rates. Outstanding government overdraft at CBK is charged at CBR rate. FY 2020/21 overdraft ceiling Kshs. 75,453 million.

Figure 4.6-1: Comparative short-term interest rates between July 2020 and June 2021



Source: Central Bank of Kenya

4.7 Total Public Debt

The total public debt as at June, 2021 stood at Kshs 7,696,635 million (or 68.1percent of GDP) against a debt ceiling of Kshs 9,000,000 million. This is exclusive of Committed Undisbursed Balance (CUB) of Kshs 1,293,852 million. The government is actively undertaking debt portfolio management measures to reduce refinancing and settlement risks, and lower the overall cost of borrowing to create the necessary fiscal space to provide the much-needed resources without undermining fiscal sustainability. The measures include reprofiling and repricing debts, borrowing more through treasury bonds with long term maturities, utilizing treasury bills solely for cash management and setting up and operationalizing the Sinking Fund. The stock of public debt increased by Kshs 1,003,297 million from Kshs 6,693,338 million as at end June 2020.

Total external and domestic debt as a percentage of total debt was 52.0 percent and 48.0 percent as at June 2021 compared to 52.5 percent and 47.5 percent in June 2020 respectively (Table 4.7-1). The increase in public debt stock was mainly attributed to increased disbursements geared towards budget support, COVID-19 pandemic containment measures, financing of ongoing and new development projects and exchange rate fluctuations.

Table 4.6-1: Trends in Kenya's Total Public Debt in (Kshs million)

DEBT TYPE	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21*
DOMESTIC DEBT							
Central Bank	63,335	99,856	54,506	110,782	109,607	98,878	87,575
Commercial Banks	730,419	927,307	1,142,889	1,266,457	1,414,275	1,653,194	1,814,199
Sub-total: Banks	793,754	1,027,163	1,197,395	1,377,239	1,524,037	1,752,072	1,901,774
Non-Banks	626,690	787,970	915,315	1,101,596	1,261,899	1,425,454	1,795,319
Total Gross Domestic	1,420,444	1,815,133	2,112,710	2,478,835	2,785,937	3,177,526	3,697,093
As a % of GDP	24.4%	27.1%	27.5%	29.2%	29.7%	31.2%	32.7%
As a % of total debt	50.0%	50.3%	47.9%	49.1%	48.0%	47.5%	48.0%
EXTERNAL DEBT							
Bilateral	405,562	491,864	669,839.70	759,016.70	917,980.46	993,696	1,064,272
Multilateral	680,192	794,797.50	839,721.70	825,298.70	909,791.39	1,316,835	1,659,411
Commercial Banks	276,937	432,377	634,108.90	830,652.10	1,019,029.88	1,022,402	1,106,476
Suppliers Credits	16,628	16,628	15,303.10	16,725.20	16,931.81	17,631	12,162
Sub-Total	1,379,319	1,735,667	2,158,973.4	2,431,692.7	2,863,733.54	3,350,564	3,842,322
GUARANTEE DEBT							
Bilateral	39,495	56,487	52,728.80	56,371.20	78,078.78	80,562	76,257

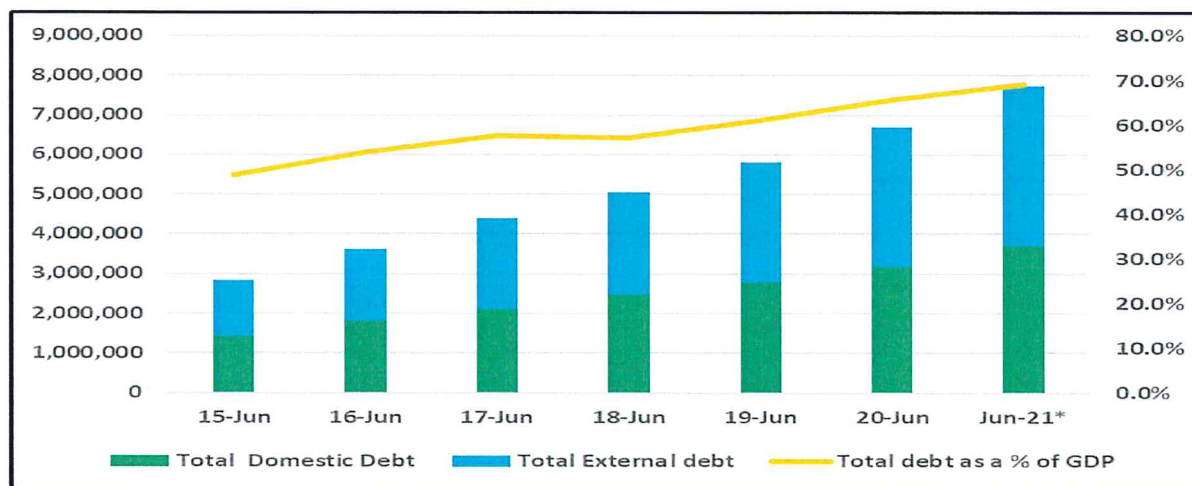
Commercial	0	0	77,783.80	75,787.50	76,723.73	79,892	80,963
Sub-Total	43,934	60,531	135,179.60	136,706	159,405.93	165,248	157,220
Total External debt	1,423,253	1,796,198	2,294,153	2,568,398.7	3,023,139.47	3,515,812	3,999,542
As a % of GDP	24.4%	26.8%	29.9%	30.2%	32.3%	34.4%	35.4%
As a % of total debt	50.0%	49.7%	52.1%	50.9%	52.0%	52.5%	52.0%
GRAND TOTAL	2,843,696	3,611,331	4,406,863	5,047,234	5,809,076	6,693,338	7,696,635
Total debt as a % of GDP	48.8%	53.8%	57.4%	59.4%	62.0%	65.8%	68.1%
Memorandum item							
Nominal GDP at Market Price (in Kshs million)	5,831,528	6,709,671	7,677,228.9	8,500,582.1	9,367,317.4	10,175,225.8	11,304,100

*Provisional

Source: National Treasury and Central Bank of Kenya

Figure 4.7-1 below depicts rising share of external debt to the total debt as compared to the domestic debt. By June 2021 the composition of external debt to the total debt was at 52.0 percent while the domestic debt to the total debt was 48.0 percent. The marginal change of debt composition from the previous year's distribution is reflective of a conscious effort to minimise the cost of borrowing.

Figure 4.7-1: Public Debt Stock and Public Debt to GDP: June 2015-2021 (Ksh. Mn)



*Provisional

Source: National Treasury and Central Bank of Kenya

4.8 Debt Service

The total public debt service increased from Kshs 651,473 million as at end June 2020 to Kshs 780,628 million as at end June 2021. As a percentage of total debt service, external debt

service decreased from 34.3 percent as at end June 2020 to 30.1 percent as at June 2021 while domestic debt service rose from 65.7 percent in June 2020 to 69.9 percent in June 2021.

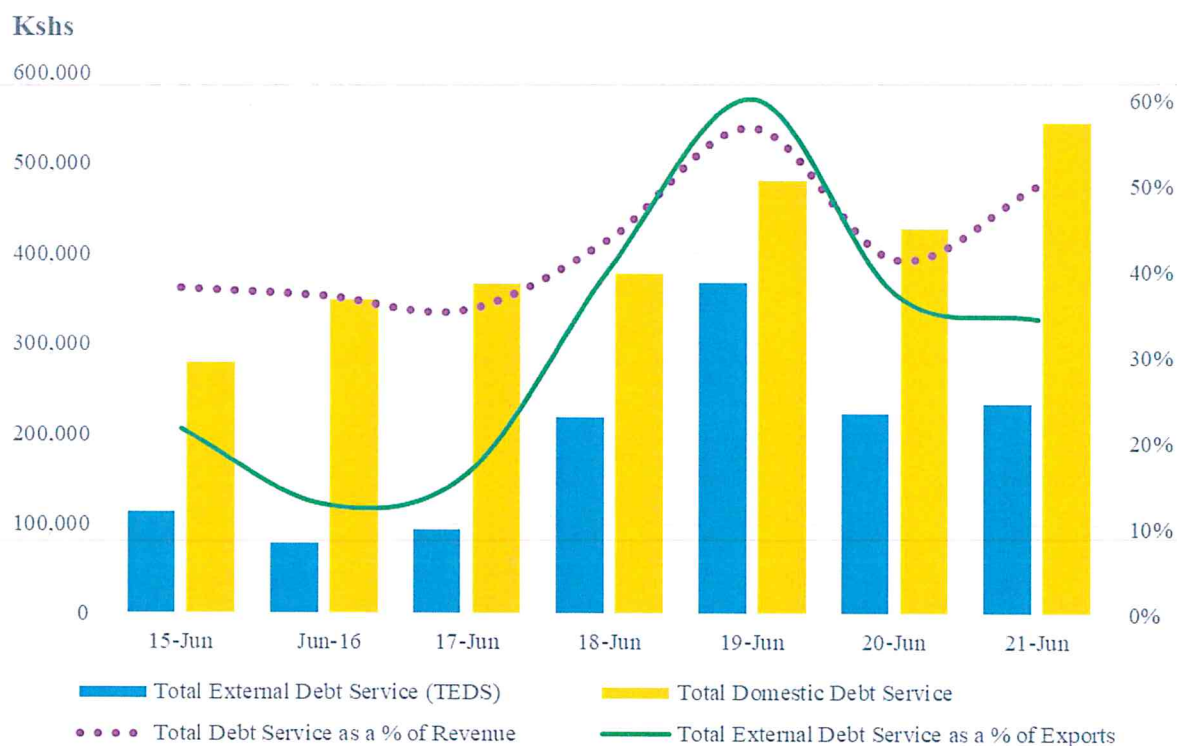
Table 4.8-1: Total Public Debt Service (Kshs million)

	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21*
External Principal	80,214	36,015	35,921	137,645	265,106	101,600	128,278
External Interest	33,330	42,568	58,259	81,574	103,372	121,840	106,312
Total External Debt Service (TEDS)	113,544	78,583	94,180	219,220	368,478	223,440	234,590
TEDS as a % of Total Debt Service (TDS)	<i>29.0%</i>	<i>18.4%</i>	<i>20.6%</i>	<i>36.9%</i>	<i>43.3%</i>	<i>34.3%</i>	<i>30.1%</i>
Domestic Interest	139,727	172,857	212,865	239,497	272,351	315,453	388,830
Treasury bond Redemption	138,891	176,153	154,722	138,373	209,242	112,580	157,208
Total Domestic Debt Service	278,618	349,010	367,587	377,870	481,593	428,033	546,038
Domestic Debt Service as a % of TDS	<i>71.0%</i>	<i>81.6%</i>	<i>79.4%</i>	<i>63.1%</i>	<i>56.7%</i>	<i>65.7%</i>	<i>69.9%</i>
Total Debt Service (TDS)	392,162	427,593	463,210	598,508	850,071	651,473	780,628
Ordinary Revenue	1,031,819	1,152,544	1,306,568	1,365,063	1,500,482	1,573,732	1,562,015
Export Earnings (goods only)	524,992	615,125	583,219	544,666	612,900	596,677	680,731
Total Debt Service as a % of Revenue	<i>38.0%</i>	<i>37.1%</i>	<i>35.5%</i>	<i>43.8%</i>	<i>56.7%</i>	<i>41.4%</i>	<i>50.0%</i>
Total External Debt Service as a % of Exports	<i>21.6%</i>	<i>12.8%</i>	<i>16.4%</i>	<i>40.5%</i>	<i>60.1%</i>	<i>37.4%</i>	<i>34.4%</i>

**Provisional*

Source: National Treasury and Central Bank of Kenya

Figure 4.8-1: Total Public Debt Service (Kshs million)



Source: National Treasury and Central Bank of Kenya

The total debt service as a percentage of ordinary revenue rose from 41.4 percent in FY 2019/20 to 50.0 percent in FY 2020/21. The total external debt service as a percentage of exports decreased to 34.5 percent in FY 2020/21 against 37.4 percent in FY 2019/20.

The total domestic debt service amounted to Kshs 546,038 million while external debt service was Kshs 234,590 million as at end June 2021.

4.9 Debt Growth Ratios

Table 4.9-1 below indicates that debt as a percentage of GDP increased from 66.0 percent in June 2020 to 68.1 percent in June 2021. Fiscal deficit as a percentage of GDP increased marginally over the period with June 2021 recording 8.4 percent against 8.0 percent in June 2020. Total Ordinary Revenue as a percentage of GDP declined marginally by 1.6 percent from 15.40 percent in June 2020 to 13.8 percent in June 2021 (Figure 4.9-1).

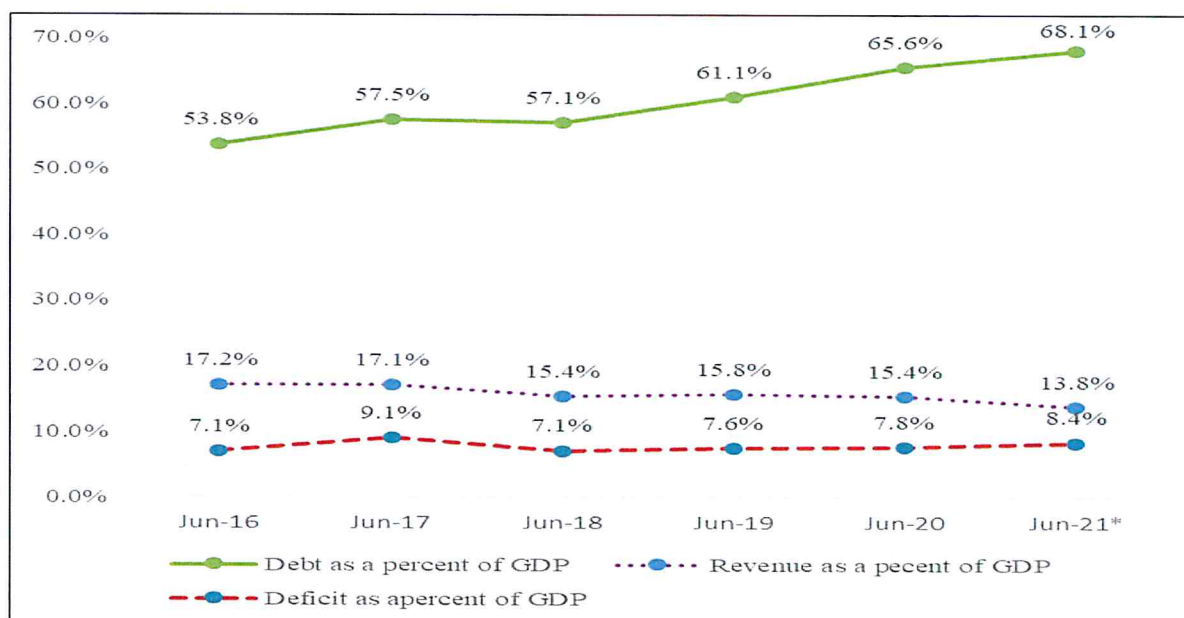
Table 4.9-1: Revenue, Debt and Fiscal Deficit as percentages of GDP

	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21*
Deficit excluding Grants	474,570	697,217	631,081	721,058	790,804	950,235
GDP (in Kshs million)	6,709,671	7,658,138	8,845,854	9,510,446	10,196,618	11,304,100
Ordinary revenue	1,152,544	1,306,568	1,365,063	1,500,482	1,573,732	1,562,015
Total public debt	3,611,331	4,406,863	5,047,234	5,809,076	6,693,338	7,696,635
Revenue as a percent of GDP	17.2%	17.1%	15.4%	15.8%	15.4%	13.8%
Debt as a percent of GDP	53.8%	57.5%	57.1%	61.1%	65.6%	68.1%
Deficit as a percent of GDP	7.1%	9.1%	7.1%	7.6%	7.8%	8.4%

*Provisional

Source: National Treasury and Central Bank of Kenya

Figure 4.9-1: Revenue, Debt and Fiscal Deficit as percent of GDP



*Provisional

Source: National Treasury and Central Bank of Kenya

CHAPTER FIVE

DOMESTIC DEBT

5.1 Domestic Debt Stock

The stock of domestic debt stood at Kshs. 3,697,093 million as at June 2021 from Kshs. 3,177,526 million in June 2020. The increase was attributed to a net domestic borrowing of Kshs. 519,567 million during the fiscal year to fund government budget. Treasury bills reduced to Kshs. 765,375 million in June 2021 from Kshs 887,142 million in June 2020 and treasury bonds increased to Kshs. 2,849,936 million in June 2021 from Kshs 2,219,444 million in June 2020. The reduction in treasury bills and increase in treasury bonds was in line with 2020 and 2021 MTDS which intended to lengthen the maturity structure and reduce the rollover risk. The pre-1997 debt reduced to Kshs. 20,009 million in June 2021 from Kshs. 21,674 million as at end June 2020 as a result of repayment of Kshs. 1,665 million. The Central Bank overdraft to the government increased to Kshs. 59,279 million as at end June 2021 from Kshs. 47,150 million by end June 2020.

Table 5.1-1: Outstanding Domestic Debt (in Kshs million): June 2018 to June 2021

	Instrument	June-18		June-19		June-20		June-21*	
		Kshs	% of stock	Kshs	% of stock	Kshs	% of stock	Kshs	% of stock
	Total Domestic Debt (A+B)	2,478,835	100	2,785,483	100	3,177,526	100	3,697,093	100
A	Government Securities (1+2+3)	2,414,388	97.4	2,702,853	97	3,128,260	98.4	3,635,319	98.3
1)	Treasury Bills	878,622	35.4	954,250	34.3	887,142	27.9	765,375	20.7
	Banking Institutions	502,606	20.3	598,071	21.5	587,684	18.5	452,891	12.2
	Others	376,016	15.2	356,179	12.8	299,458	9.4	312,484	8.5
2)	Treasury Bonds	1,511,872	61	1,748,603	62.8	2,219,444	69.8	2,849,936	77.1
	Banking Institutions	786,361	31.7	842,952	30.3	1,093,517	34.4	1,367,100	37.0
	Others	725,511	29.3	905,650	32.5	1,125,927	35.4	1,482,835	40.1
3)	Pre-1997 Government Debt	23,894	1	22,229	0.8	21,674	0.7	20,009	0.5
B.	<u>Others</u> ¹	64,447	2.6	60,855	2.2	49,267	1.6	61,774	1.7
	Of which CBK Overdraft	56,849	2.3	57,328	2.1	47,150	1.5	59,279	1.6

*Provisional

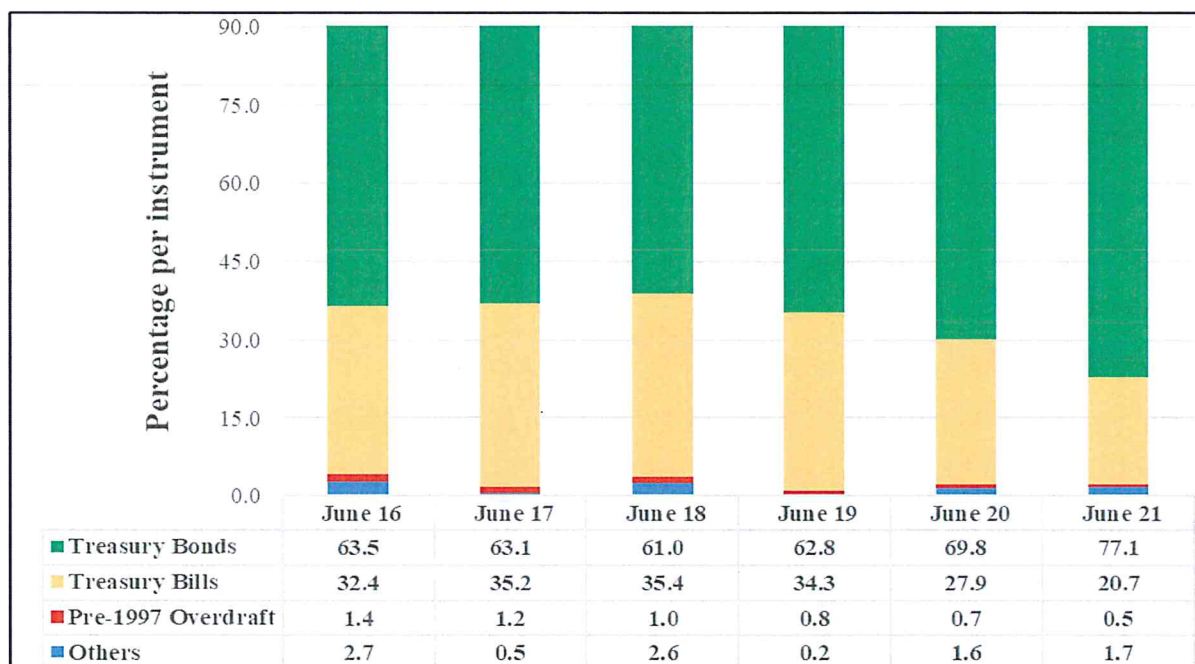
Source: Central Bank of Kenya

¹ Consists of CBK Overdraft to GoK, uncleared items awaiting transfer to PMG, commercial bank advances and Tax Reserve Certificates

5.2 Domestic Debt by Instrument

The total domestic debt by instrument is composed of treasury bills, treasury bonds, pre-1997 and others which include government overdraft. Treasury bonds accounted for 77.1 percent of the total outstanding domestic debt in June 2021 which was an increase of 7.3 percent from June 2020. Treasury bills holding declined to 20.7 percent in June 2021 from 27.9 percent in June 2020 (Figure 5.2-1). The proportion of pre-1997 debt declined due to repayment while the proportion of others (includes government overdraft) increased slightly during the period under review.

Figure 5.2-1: Domestic Debt by Instruments



Source: Central Bank of Kenya

5.3 Domestic Debt by Holder

Banks holding of government debt securities decreased to 51.4 percent as at end of June 2021, from 55.1 percent in June 2020. The holding of non-bank financial institutions increased to 47.7 percent as at end June 2021 from 48.6 percent in June 2020 and non-residents holding declined to 0.8 percent in June 2021 from 1.0 percent in June 2020 (Table 5.3-1).

Table 5.3-1: Domestic Debt by Holder (Kshs Million)

Description		Jun-17	Jun-18	Jun-19	Jun-20	Jun-21*
1. Banks	% of total	56.7	55.6	54.7	55.1	51.4
	Kshs	1,197,395	1,377,239	1,524,037	1,752,072	1,901,774
i Central Bank of Kenya	% of total	2.6	4.5	3.9	3.1	2.4
	Kshs	54,506	110,782	109,607	98,878	87,575
ii Commercial Banks	% of total	54.1	51.1	50.8	52.0	49.1
	Kshs	1,142,889	1,266,457	1,414,275	1,653,194	1,814,199
2. Non-banks	% of total	43.3	44.4	45.3	44.9	48.6
	Kshs	915,315	1,101,596	1,261,899	1,425,454	1,795,319
i Non residents	% of total	1.0	1.0	1.0	1.0	0.8
	Kshs	22,100	25,308	27,984	33,154	31,086
ii Non-bank Financial Institutions	% of total	42.3	43.4	44.3	43.8	47.7
	Kshs	893,215	1,076,288	1,233,915	1,392,300	1,764,233
Total = 1+2	Kshs	2,112,710	2,478,835	2,785,483	3,177,526	3,697,093
	% of total	100	100	100	100	100.0

*Provisional

Source: Central Bank of Kenya

Domestic debt stock held by pension funds increased to Kshs. 1,135,049 million in June 2021 from Kshs. 923,094 million in June 2020. The stock held by the insurance companies increased to Kshs. 246,351 million in June 2021 from Kshs. 192,216 million in June 2020. (Table 5.3-2 and Figure 5.3-1).

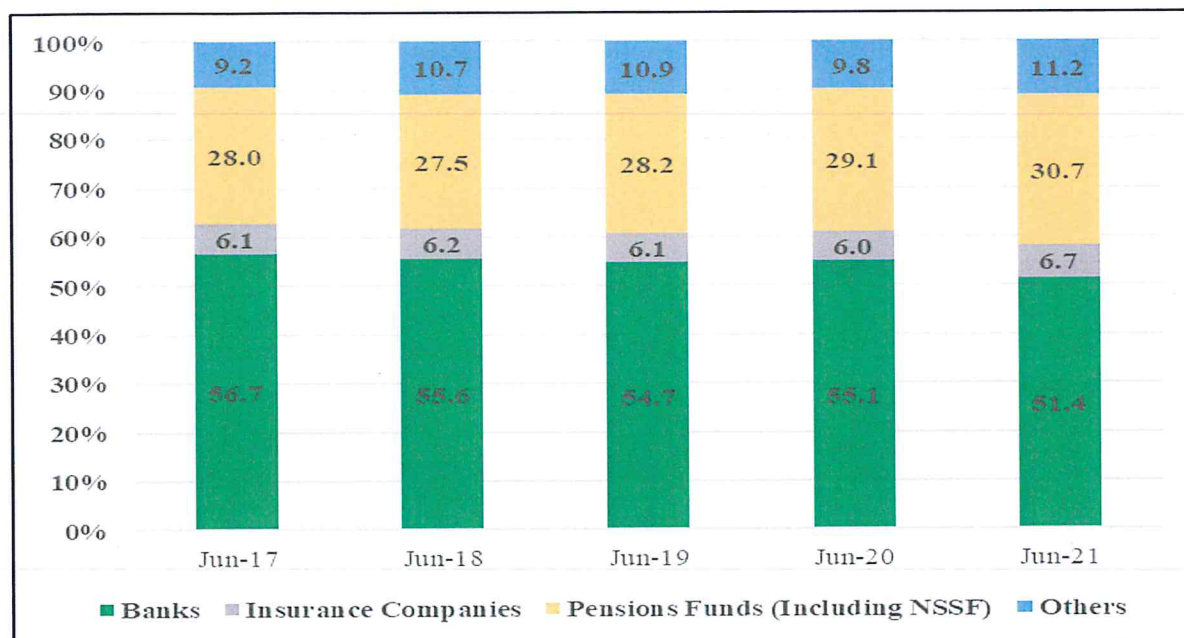
Table 5.3-2: Outstanding Domestic Debt Stock by Holders (Kshs million)

Holder	Jun-17		Jun-18		Jun-19		Jun-20		Jun-21*	
	Kshs	%	Kshs	%	Kshs	%	Kshs	%	Kshs	%
Banks	1,196,395	56.7	1,377,239	55.6	1,524,037	54.7	1,752,072	55.1	1,901,774	51.4
Non-Bank Financial Institutions (NBFIs)	183	0	183	0	183	0	183	0	183	0
Insurance Companies	128,420	6.1	154,509	6.2	170,833	6.1	192,216	6.0	246,351	6.7
Pension Funds (Including NSSF)	591,758	28.0	681,783	27.5	786,541	28.2	923,094	29.1	1,135,049	30.7
Others	194,885	9.2	265,121	10.7	304,342	10.9	309,960	9.8	413,737	11.2
Total	2,111,641	100	2,478,835	100	2,785,936	100	3,177,526	100	3,697,093	100

*Provisional

Source: Central Bank of Kenya

Figure 5.3-1: Outstanding Domestic Debt Stock by Holders



Source: Central Bank of Kenya

5.4 Treasury Bills by Holder

The CBK and commercial banks accounted for 59.2 percent of the treasury bills stock in June 2021 from 66.2 percent in June 2020. Holdings by pension funds increased to 18.9 percent in June 2021 from 18.1 percent in June 2020 while proportion held by insurance companies remained at 0.9 percent during the period. Other Treasury Bill holders comprising of parastatals, building societies, retail investors and non-residents accounted for 21.0 percent. (Table 5.4-1).

Table 5.4-1: Outstanding Stock of Treasury Bills by Holder (Kshs million)

Holder	Jun-17		Jun-18		Jun-19		Jun-20		Jun-21*	
	Kshs	%	Kshs	%	Kshs	%	Kshs	%	Kshs	%
Banks ²	436,511	58.7	502,606	57.2	598,071	62.7	587,684	66.2	452,891	59.2
NBFIs	-	-	-	-	-	-	-	-	-	-
Insurance companies	13,747	1.8	21,172	2.4	18,225	1.9	7,640	0.9	7,176	0.9
Pensions Funds (including NSSF)	179,456	24.1	180,140	20.5	170,298	17.8	161,007	18.1	144,434	18.9
Others	114,441	15.4	174,705	19.9	167,657	17.6	130,811	14.7	160,874	21.0
Total	744,155	100	878,623	100	954,251	100	887,142	100	765,375	100

*Provisional

Source: Central Bank of Kenya

² Banks refer to CBK and commercial banks

5.5 Treasury Bonds by Holder

The outstanding stock of Treasury Bonds holdings by Banks declined to 48.0 percent in June 2021 from 49.3 percent in June 2020. Pension funds holding increased to 34.8 percent in June 2021 from 34.3 percent in June 2020 while insurance companies holding was at 8.4 percent in June 2021 from 8.3 percent in June 2020. Other Treasury Bond holders had 8.9 percent of the total in June 2021 (Table 5.5-1).

Table 5.5-1: Outstanding Stock of Treasury Bonds by Holder (Kshs million)

Holder	Jun-17		Jun-18		Jun-19		Jun-20		Jun-21*	
	Kshs	%	Kshs	%	Kshs	%	Kshs	%	Kshs	%
Banks	724,814	54.4	786,361	52	842,952	48.2	1,093,517	49.3	1,367,100	48.0
NBFIs	183	0	183	0	183	0	183	0	183	0.0
Insurance companies	114,673	8.6	133,337	8.8	152,608	8.7	184,576	8.3	239,174	8.4
Pensions Funds (including NSSF)	412,303	30.9	501,643	33.2	616,243	35.2	762,088	34.3	990,615	34.8
Others	80,887	6.0	90,348	6.0	136,616	7.8	179,080	8.1	252,863	8.9
Total	1,332,860	100	1,511,873	100	1,748,603	100	2,219,444	100	2,849,936	100

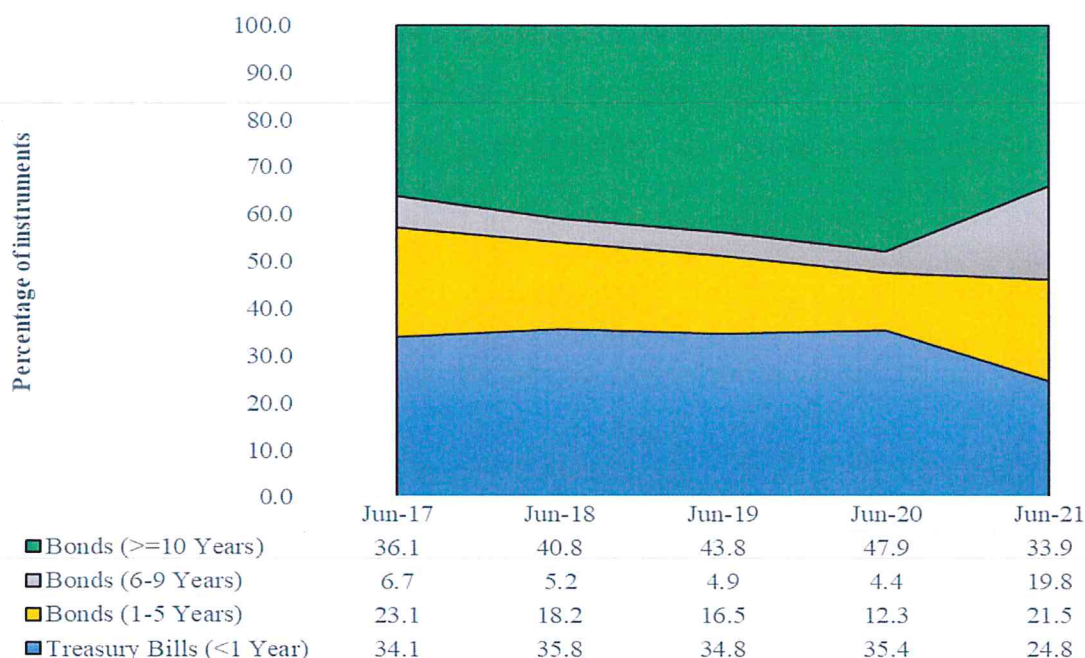
*Provisional

Source: Central Bank of Kenya

5.6 Treasury Bills and Treasury Bonds by Tenor

The Treasury Bills and Bonds with maturity of less than a year accounted for 24.8 percent of the domestic debt in June 2021 from 35.4 percent in June 2020. This is in line with 2020 MTDS which aimed to reduce the stock of Treasury bills. The proportion of treasury bonds of between 1-5 years increased from 12.3 percent in June 2020 to 21.5 percent in June 2021. The share of treasury bonds of between 6-9 years increased to 19.8 percent in June 2021 from 4.4 percent in June 2020. On the other hand, treasury bonds with maturity of more than 10 years decreased to 33.9 percent in June 2021 from 47.9 percent in June 2020 (Figure 5.6-1).

Figure 5.6-1: Government Domestic Debt Securities by Tenor

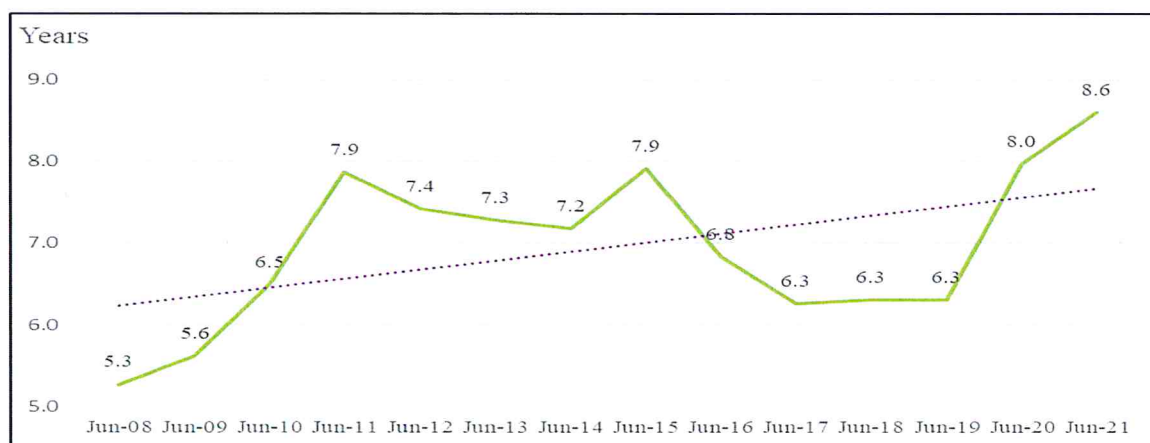


Source: Central Bank of Kenya

5.7 Treasury Bills and Bonds by Time to Maturity

The Average Time to Maturity (ATM) on Treasury Bonds increased to 8.6 years in June 2021 from 8.0 years in June 2020. This is in line with the objective of lengthening the maturity of debt.

Figure 5.7-1: Average Time to Maturity of Treasury Bonds

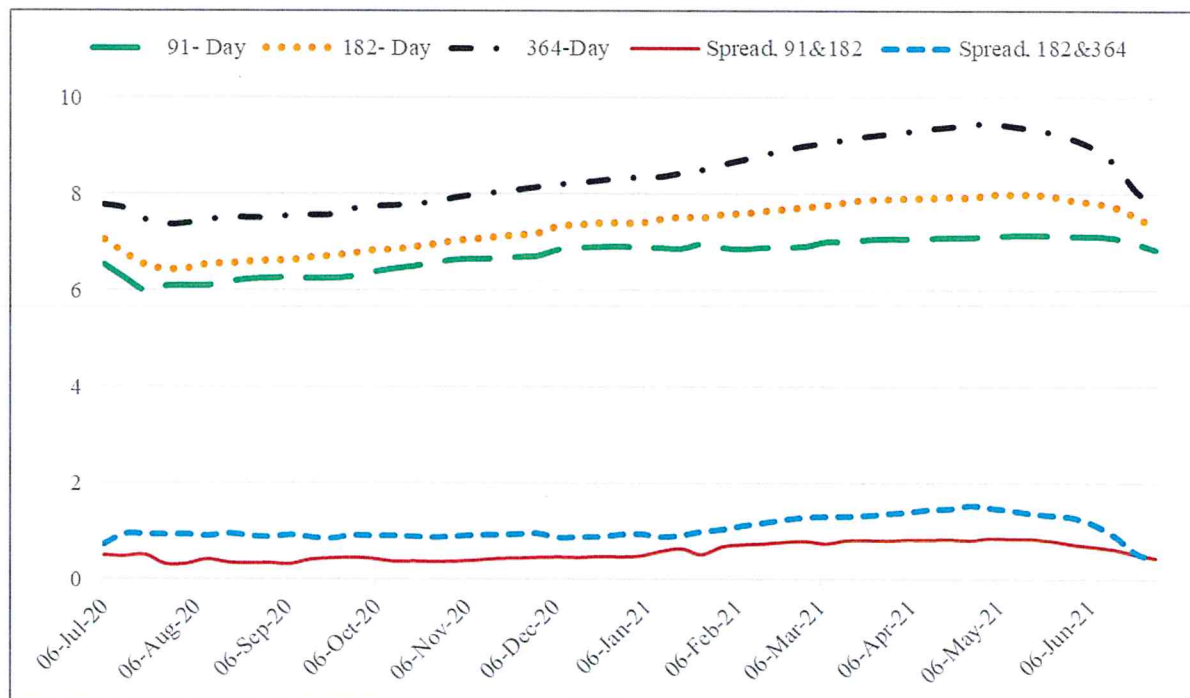


Source: Central Bank of Kenya

5.8 Average Interest Rates on Treasury Bills

Overall, average interest rates for the 91-day, 182-day and 364-day Treasury Bills rate were 6.7 percent, 7.4 percent and 8.2 percent per annum in June 2020 as compared to 6.7 percent, 7.3 percent and 8.4 percent in June 2021 respectively (Figure 5.8-1).

Figure 5.8-1: Average Interest Rates and spreads on Treasury Bills: Fiscal Year 2020/21

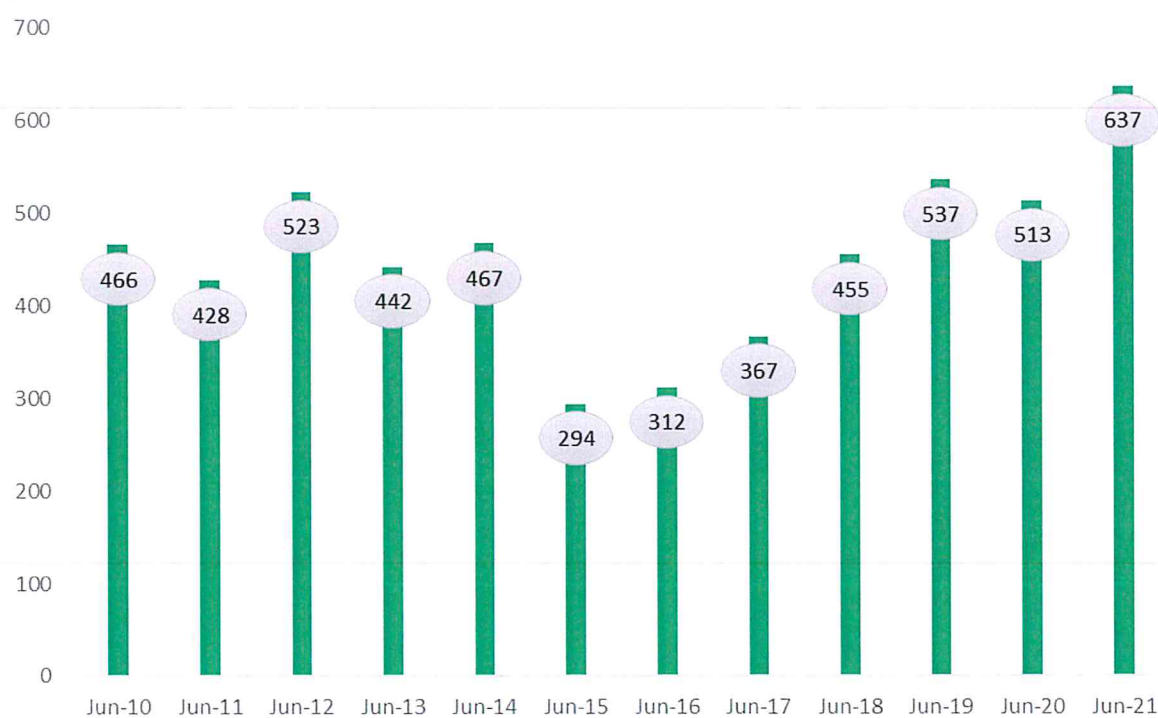


Source: Central Bank of Kenya

5.9 Government Securities Trading

The annual stock turnover of bonds increased by Kshs 123,700 million in June 2021 to Kshs 637,000 million as compared to Kshs 513,300 million traded in June 2020 (Figure 5.9-1). The improvement in stock turnover in the secondary market is due to the reforms being undertaken by the government.

Figure 5.9-1: Annual Treasury Bonds Trading, June 2010-June 2021

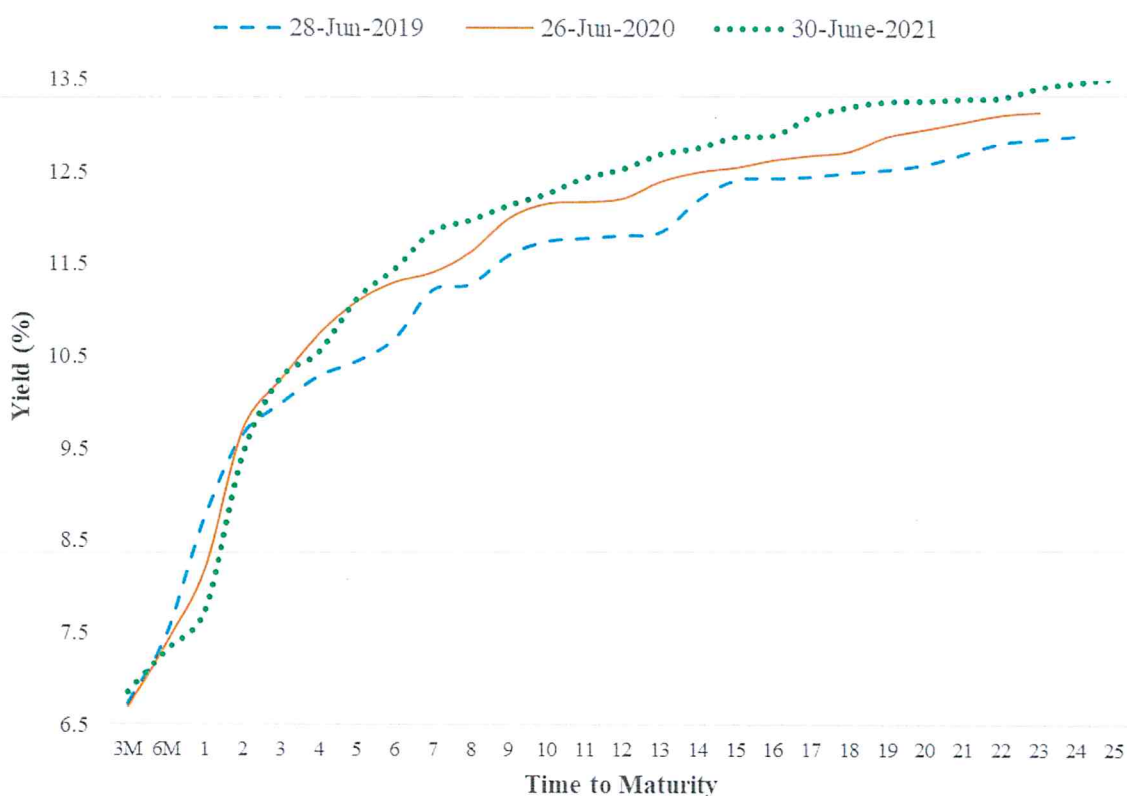


Source: Central Bank of Kenya

5.10 Government Securities Yield Curve

The government issued Treasury Bills and Bonds to raise resources for financing the Budget as shown in Figure 5.10-1. The yield curve had a downward shift at the shorter end but shifted upwards at the medium to long-end. This was attributed to investors shifting their preference of short-term investments to high yielding long-term securities to lock in higher yield in relation to the uncertainty of the COVID-19 pandemic effects and the upcoming general election in 2022.

Figure 5.10-1: Government of Kenya Securities Yield Curve, June 2021



Source: National Securities Exchange

5.11 Interest Payments on Domestic Debt

Interest payment on Treasury Bills reduced from Kshs. 80,517 million in June 2020 to Kshs. 74,903 million in June 2021 while interest payment on Treasury Bonds increased from Kshs. 228,028 million to Kshs. 308,412 million during the same period. The decline in interest cost of Treasury Bills was as a result of reduced stock and interest rates. Meanwhile, the increase in interest cost of treasury bonds was due to increased stock. The total interest payments and other charges on the overall domestic debt stood at Kshs 388,834 million as at end June 2021 from Kshs. 315,453 million in June 2020 (Table 5.11-1).

The ratios of domestic interest payments to revenue and GDP continued to grow showing an increase in domestic debt burden. By end June 2021, the ratios of domestic interest payments to total revenue and GDP increased to 21.8 percent and 3.4 percent from 18.2 percent and 3.1 percent in June 2020 respectively.

Table 5.11-1: Interest Payments on Domestic Debt (Kshs Million)

Type of Debt	June	June	June	June	June
	2017	2018	2019	2020	2021*
Treasury Bills	66,270	66,545	81,876	80,517	74,903
Treasury Bonds	144,566	167,030	184,771	228,028	308,412
CBK Commission	3,000	3,000	3,000	3,000	3,000
Pre - 1997 Debt	759	725	707	669	628
Others (Overdraft)	1,270	2,197	1,997	3,239	1,892
Total	212,865	239,497	272,351	315,453	388,834
Ratios (Percent)					
Domestic Interest/Revenue	15.2	17.6	16.8	18.2	21.8
Domestic Interest/GDP	2.8	2.7	2.9	3.1	3.4

*Provisional

Source: Central Bank of Kenya

CHAPTER SIX

EXTERNAL DEBT

6.1 Public external debt

Public external debt stock increased by 14.7 percent from Kshs 3,350,564 million in June 2020 to Kshs 3,842,322 million in June 2021 (Table 6.1-1). The increase was attributed to disbursements from multilateral and bilateral creditors. The disputed external commercial debt (Suppliers' Credit) is estimated at Kshs 12,162 million which is 0.3 percent of total external debt as at end June 2021.

Table 6.1-1: External Debt by Creditor Type (Kshs Million)

<i>Creditor type</i>	<i>Jun-15</i>	<i>Jun-16</i>	<i>Jun-17</i>	<i>Jun-18</i>	<i>Jun-19</i>	<i>Jun-20</i>	<i>Jun-21*</i>
Bilateral	405,562	491,864	669,840	759,017	917,980	993,696	1,064,272
Multilateral	680,192	794,797	839,721	825,299	909,791	1,316,835	1,659,411
Commercial Banks	276,937	432,377	634,109	830,652	1,019,030	1,022,402	1,106,476
Suppliers' Credit	16,628	16,628	15,303	16,725	16,932	17,631	12,162
Total	1,379,319	1,735,667	2,158,973	2,431,693	2,863,733	3,350,564	3,842,322
As a percentage of total external debt							
Bilateral	29.4	28.3	31	31.2	32.1	29.7	27.7
Multilateral	49.3	45.8	38.9	33.9	31.8	39.3	43.2
Commercial Banks	20.1	24.9	29.4	34.2	35.6	30.5	28.8
Suppliers Credits	1.2	1	0.7	0.7	0.6	0.5	0.3

**Provisional*

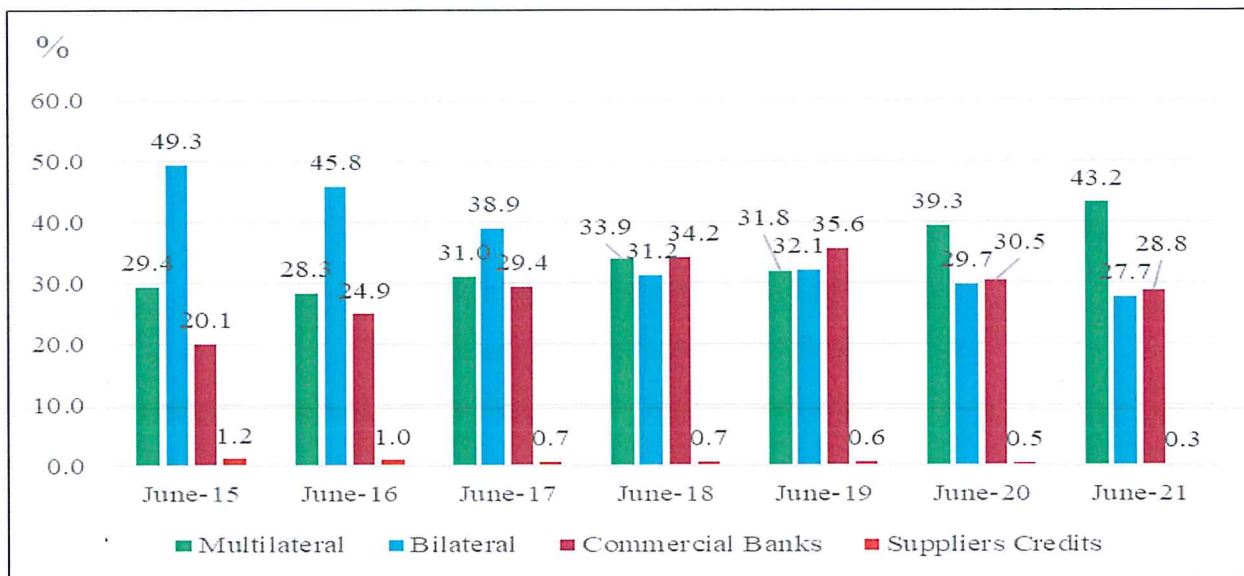
Source: National Treasury

6.1.1 Classification of external debt by creditor category

The share of multilateral creditors increased to 43.2 percent in June 2021 from 39.3 percent in June 2020. The rise of multilateral debt stock is due to government contracting concessional debt from the World Bank (WB), International Monetary Fund (IMF) and African Development Bank (AfDB). This is consistent with the 2021 debt management strategy. The share of debt from

bilateral creditors and commercial banks³ decreased from 29.7 percent and 30.5 percent to 27.7 percent and 28.8 percent respectively between June 2020 and June 2021 (Table 6.1-1 and Figure 6.1-1). The share of debt from suppliers' credit was 0.3 percent in June 2021.

Figure 6.1-1: External Debt by Creditor Type (Percent)



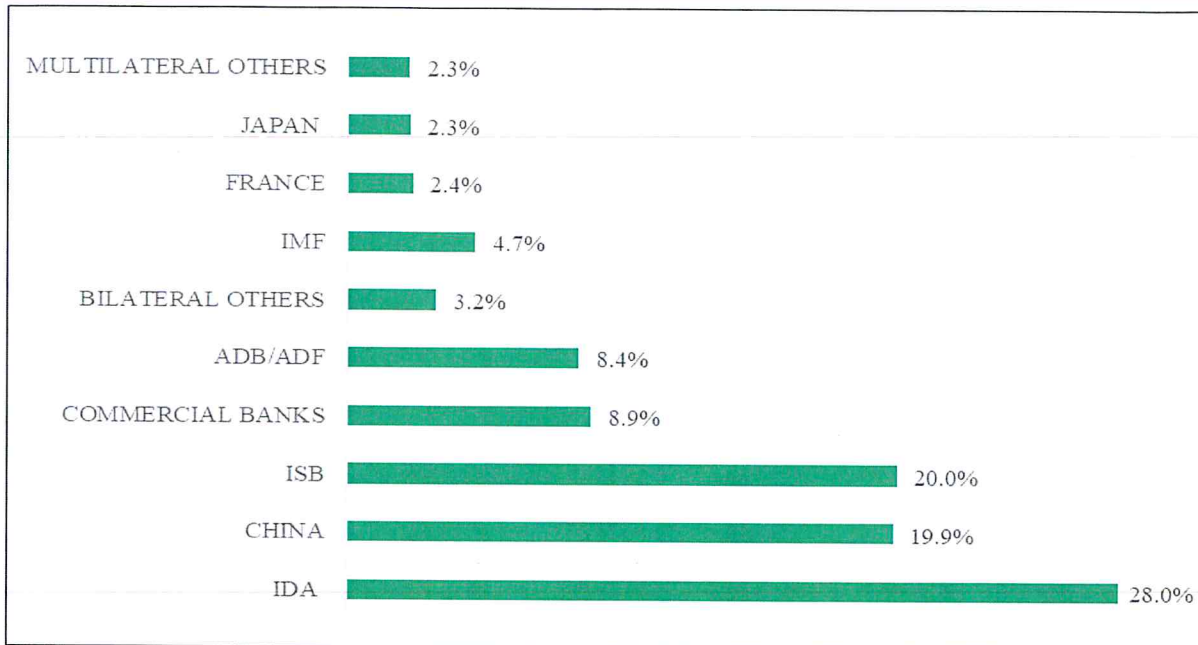
Source: National Treasury

6.1.2 Classification by Major Creditor

Figure 6.1-2 shows classification by creditors. The major creditors as at end June 2021 are; International Development Association (IDA), International Sovereign Bond (ISB) holders China, and syndicated loans, each with weights of 28.0 percent, 20.0 percent, 19.9 percent and 8.9 percent respectively.

³ Commercial Banks refer to Syndicated Loans and ISB Market

Figure 6.1-2: Classification by Major Creditors

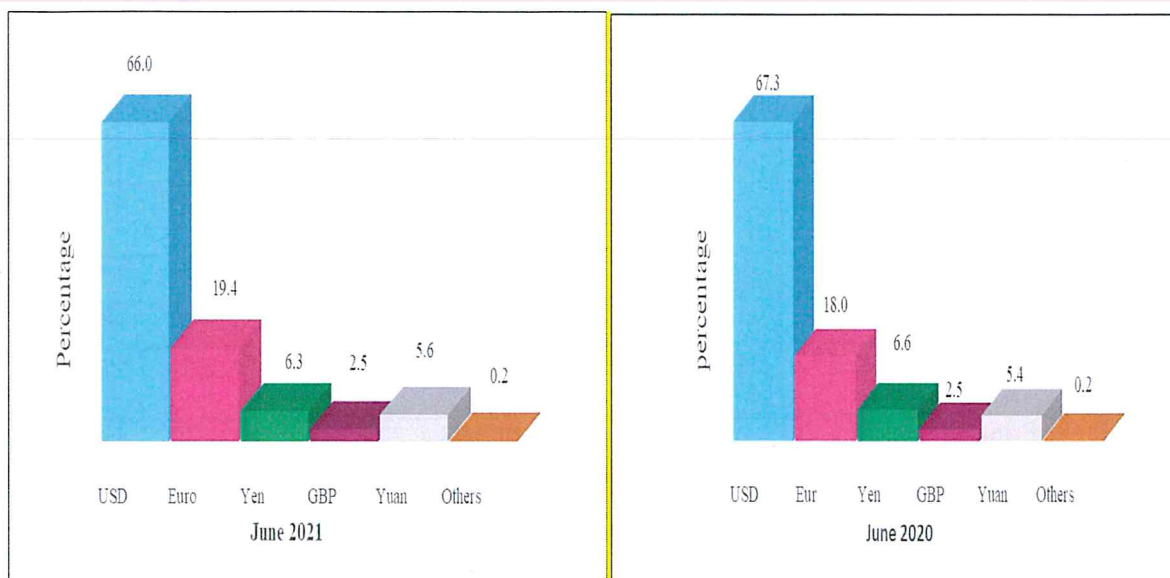


Source: National Treasury

6.1.3 Classification by Currency

The proportion of external debt held in US Dollar (USD) declined from 67.3 percent in June 2020 to 66.0 percent in June 2021. The share of external debt in Euro rose to 19.4 percent as at end June 2021 from 18.0 percent in June 2020. The composition of external debt held in Japanese Yen was 6.3 percent, Chinese Yuan was 5.6 percent and the Sterling Pound (GBP) was 2.5 percent while other currencies accounted for 0.2 percent. The government is making every effort to minimise its external exposure to exchange rate fluctuations by selecting the optimal risk minimising currency composition of debt. This has been made possible by decreasing the uptake of debt denominated in USD and promoting exports of goods and services.

Figure 6.1-3: Currency composition of External Debt end June 2021



Source: National Treasury

6.1.4 Maturity Structure of external debt

Table 6.1-2 shows the outstanding external debt by maturity structure. At the end of the FY 2020/21 debt maturing in less than 4 years, 5-10 years and over 10 years account for 0.1 percent, 17.3 percent and 82.6 percent of total external debt stock respectively. This implies that a large proportion of external debt is long term.

Table 6.1-4: Outstanding External Debt by Maturity Structure (percent)

Remaining Maturity	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21
1 -4 years	14.7	8.2	11.4	15.4	6.7	2.9	9.0	0.1
5-10 years	22.9	25.5	24.7	22.5	21.9	20.7	27.8	17.3
Over 10 years	62.4	66.3	63.9	62.1	71.4	76.3	63.1	82.6

Source: National Treasury

6.2 External Debt Service

Principal and interest payments on external debt amounted to Kshs. 234,590 million in FY2020/21 from Kshs 223,440 million in FY2019/20 (Table 6.2-1). The increase was on account of higher repayments on commercial and multilateral debt. Commercial debt service rose from Kshs 120,377 million in June 2020 to Kshs 138,151 million in June 2021. This accounted for a large proportion of external debt payments at 58.9 percent which was as a result of maturing commercial debt obligations. During the FY 2020/21 the government spent Kshs. 1,813.47 million to pay commitment fees on CUB.

Table 6.2-1: External Debt Service Payments by Creditor Category (Kshs million)

Creditor		June-15	June-16	June-17	June-18	June-19	June-20	June-21*
Multilateral	Principal	13,349	15,424	15,821	16,205	17,786	18,782	25,122
	Interest	4,881	5,641	5,764	6,038	7,422	9,788	15,324
	Sub Total	18,230	21,065	21,585	22,243	25,208	28,571	40,446
Bilateral	Principal	13,097	19,789	19,329	21,357	30,119	40,149	37,518
	Interest	10,574	15,270	22,613	30,255	33,379	34,344	18,475
	Sub Total	23,671	35,059	41,942	51,613	63,498	74,492	55,993
Commercial	Principal	53,768	802	771	100,083	217,201	42,669	65,638
	Interest	17,875	21,657	29,882	45,281	62,571	77,708	72,513
	Sub Total	71,643	22,460	30,653	145,364	279,772	120,377	138,151
Grand Total	Principal	80,214	36,015	35,921	137,645	265,106	101,600	128,278
	Interest	33,330	42,568	58,259	81,574	103,372	121,840	106,312
	Total	113,544	78,583	94,180	219,220	368,478	223,440	234,590
As a percentage of total external debt service								
Multilateral		16.1	26.8	22.9	10.1	6.8	12.8	17.2
Bilateral		20.8	44.6	44.5	23.5	17.2	33.3	23.9
Commercial		63.1	28.6	32.5	66.3	75.9	53.9	58.9
Total		100	100	100	100	100	100	100

*Provisional

Source: The National Treasury

6.3 Average Terms of New External Loan Commitments

The average terms of new external debt commitments are indicated on Table 6.3-1. The average maturity, grace period and average interest rate on new external loan commitments as at end of June 2021, were 23.3 years, 7.4 years and 2.1 percent respectively. These terms are consistent with the objective of lengthening maturity of debt.

Table 6.3-1: Average terms of new external loan commitments

Terms	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21
Average Maturity (years)	18.1	21.0	20.3	17.6	20.8	15.3	26.2	23.3
Grace Period (years)	6.2	6.4	6.2	4.5	10.3	5.6	7.4	7.4
Average Interest Rate (%)	2.6	2.5	2.6	2.6	3.9	3.9	0.5	2.1

Source: National Treasury

6.4 External Loans Disbursements

Disbursements on external project loans and A-I-A increased by 5.6 percent to Kshs 467,157 million as at end June 2021 from Kshs 442,403 million in June 2020 mainly due to increase in disbursements from commercial sources. The disbursements included; Kshs 77,492 million for project loans revenue, Kshs 95,215 million for project loans A-I-A, Kshs 4,643 million for Project loans A-I-A in SGR, Kshs 6,871 million for Project loans A-I-A in SGR Phase2A, Kshs 114,292 million commercial financing and Kshs 168,644 million programme loans (Table 6.4-1).

Table 6.4-1: External Loans Disbursements (Kshs million)

Type of disbursement	June-2016		June-2017		June-2018		June-2019		June-2020		June-2021	
	Kshs	%	Kshs	%	Kshs	%	Kshs	%	Kshs	%	Kshs	%
Project Cash Loans	43,654	14.3	30,908	7.3	24,214	5.5	41,681	6.1	47,798	10.8	77,492	16.6
Project loans A-I-A	55,369	18.2	86,322	20.5	162,872	36.9	100,622	14.8	104,525	23.6	95,215	20.4
Project loans A-I-A, SGR	52,357	17.2	111,367	26.4	54,000	12.2	35,201	5.2	12,242	2.8	4,643	1.0
Project loans A-I-A, SGR - Phase 2A	-	-	-	-	-	-	44,759	6.6	32,569	7.4	6,871	1.5
Commercial Financing	145,031	47.6	186,303	44.2	200,000	45.3	373,712	54.9	5,870	1.3	114,292	24.5
Programme loans	8,574	2.8	6,767	1.6	-	-	84,784	12.5	239,399	54.1	168,644	36.1
Total	304,986	100	421,667	100	441,086	100	680,759	100	442,403	100	467,157	100

Source: The National Treasury

6.5 New loans contracted in the FY2020/2021

During the FY 2020/21 the Government contracted twenty-two (22) new loans. Eleven of the loans were from multilateral lenders, ten from bilateral lenders and one from International Sovereign Bond investors consistent with the Government debt management strategy of contracting cheaper (concessional) sources of financing. The total value of the 22 new loans signed was equivalent to Kshs. 435,232 million.

6.6 Publicly Guaranteed Debt

The total outstanding government guaranteed debt declined to Kshs 157,220 million in June 2021 from Kshs 165,248 million at end June 2020 (Table 6.6-1). During the FY 2020/21, the national government entities with guaranteed debts did not issue unpaid call-ups hence no payment was made on their behalf.

Table 6.6-1: Stock of publicly guaranteed external debt by creditor category (Kshs millions)

Creditor Category	Jun 14	Jun 15	Jun 16	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21*
Commercial	-	-	-	77,784	75,787	76,724	79,892	80,963
Bilateral	41,278	39,495	56,487	52,729	56,371	78,079	80,562	76,257
Multilateral	3,943	4,439	4,044	4,667	4,547	4,603	4,794	
Total	45,221	43,934	60,531	135,180	136,705	159,406	165,248	157,220

**Provisional*

Source: National Treasury

CHAPTER SEVEN

PUBLIC NON-GUARANTEED DEBT

7.1 Introduction

To promote debt transparency and accountability the government is committed to expand coverage in reporting of non-guaranteed public sector debt through a gradual approach.

7.2 Public sector non-guaranteed debt

Public sector non-guaranteed debt covers debts contracted by State Owned Enterprises (SOEs) with a sound financial position subject to the National Treasury approval. Such SOEs borrow to finance strategic and high priority projects in the government development agenda. The non-guaranteed loans therefore pose a contingent liability risk and potential fiscal commitments to the national government.

There are 260 state corporations in Kenya and a recent financial analysis done by the National Treasury identified 18 state corporations that pose potential fiscal risks to the National government. These include; Athi Water Works Development Agency (AWWDA), East African Portland Cement (EAPCC), Jomo Kenyatta University of Advanced Technology (JKUAT), Kenya Electricity Generating Company (KenGen), Kenya Airports Authority (KAA), Kenya Broadcasting Corporation (KBC), Kenya National Examination Council (KNEC), Kenya Pipeline Company (KPC), Kenya Ports Authority (KPA), Kenya Post Office Savings Bank (KPOSB), Kenya Power and Lighting Company (KPLC), Kenya Railways Company (KRC), Kenya Wildlife Service (KWS), Kenyatta National Hospital (KNH), Kenyatta University (KU), Moi University, Postal Corporation Of Kenya (PCK) and the University of Nairobi (UON).

These 18 entities have both on lent, guaranteed and non-guaranteed debt out of which only 9 SOEs have contracted non-guaranteed debt.

7.3 Structure of non-guaranteed Loans

The total debt stock of non-guaranteed public debt for the nine (9) SOEs stood at Kshs 104,843 million of which domestic debt was Kshs 90,779 million while external debt was Kshs 14,064 million at the end of June 2020. This brings the total public, publicly guaranteed and non-guaranteed debt to Kshs 7,801,478 which is 69.0 percent of GDP.

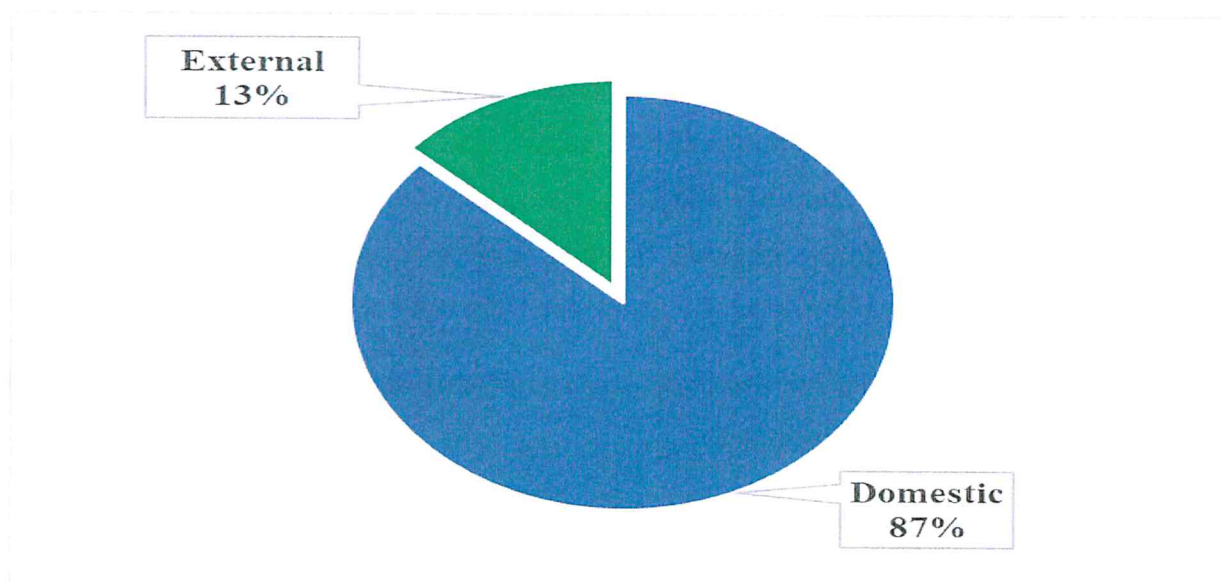
Table 7.3-1: Public sector non-guaranteed debt (Kshs million)

STATE CORPORATION		Domestic	External	Total
1	East African Portland Cement	1,750		1,750
2	Jomo Kenyatta University of Advanced Technology	2,739		2,739
3	Kenya Airports Authority		11,824	11,824
4	Kenya Electricity Generating Company	11,381	2,241	13,621
5	Kenya Pipeline Company	19,000		19,000
6	Kenya Power and Lighting Company	53,842		53,842
7	Kenyatta University	1,264		1,264
8	Postal Corporation of Kenya	20		20
9	University of Nairobi	783		783
Grand Total		90,779	14,064	104,843

Source: National Treasury

The domestic debt comprised of 87 percent of commercial loans mainly obtained from local banks while external debt was 13 percent contracted from Agence Française de Development (AFD) and HSBC London (Figure 7.2-1).

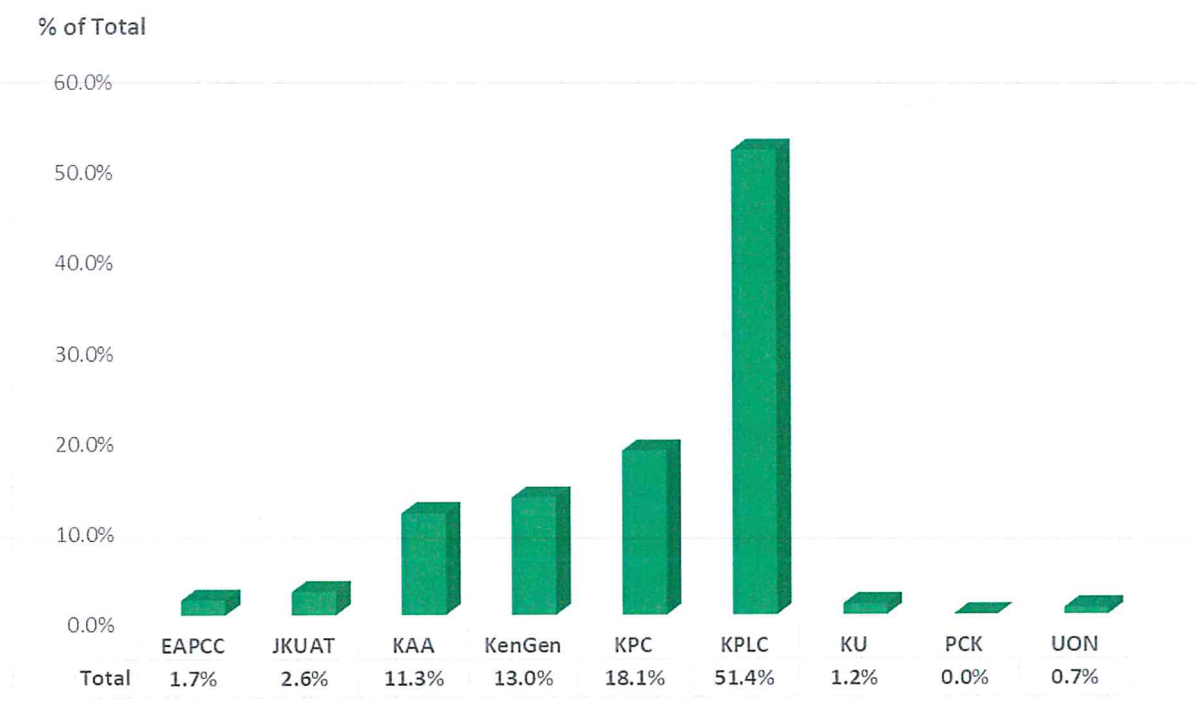
Figure 7.3-1: Composition of non-guaranteed debt



Source: National Treasury

As a proportion of total non-guaranteed debt stock, majority existed in the energy sector with KPLC, KPC and KenGen holding 51.4 percent, 18.1 percent and 13.0 percent respectively. The transport sector represented by KAA had 11.3 percent while the education sector represented by JKUAT, KU and UON collectively had 4.5 percent. The remaining balance represented by EAPCC and PCK accounted for 1.7 percent and 0.02 percent (Figure 7.3-2).

Figure 7.3-2: Composition of non-guaranteed Loans in (Kshs millions)



Source: National Treasury

7.4 Maturity Structure of non-guaranteed loans

Table 7.4-1 shows the outstanding non-guaranteed debt by maturity structure. Debt maturing in less than 4 years, 5-10 and over 10 years accounts for 45.7 percent, 43.0 percent and 11.3 percent of total non-guaranteed debt respectively.

Table 7.4-1: Maturity Structure of non-guaranteed loans

Remaining Maturity	Outstanding Balance (Millions)	Percentage (%) of Outstanding
1-4 years	47,935	45.7%
5-10 years	45,108	43.0%
Over 10 years	11,801	11.3%
Grand Total	104,843	100.0%

Source: National Treasury

CHAPTER EIGHT

FISCAL COMMITMENTS AND CONTINGENT LIABILITIES

8.1 Introduction

Fiscal commitments to PPPs refer to payments made to safeguard against certain risks or reduce the cost of operation. This includes direct payments made by government to PPP which arise from PPP contracts such as capital contributions, subsidies and payment for services. On the other hand, fiscal commitments that relate to payment commitments whose occurrence, timing and magnitude depend on some uncertain future event, outside the control of government are referred to as contingent liabilities. Therefore, the financial obligations attendant to PPP projects constitute the Fiscal Commitments and Contingent Liabilities (FCCLs). PPPs are long-term contracts between a government or a government entity with a private party to build or acquire an asset, operate it for economic gains and later transfer it to the government/government entity.

The PPP Act 2013 provides mechanisms of addressing major infrastructure funding gap which cannot be financed through borrowing due to competing development needs. The Act allows participation of the private sector in financing, construction and operation or maintenance of public projects. PPPs are off balance sheet financing that have a potential to create fiscal risks when contingent government support measures materialise. Sections 35 (2) and 53 (4) of the PPP Act 2013 mandates PDMO to assess FCCLs' of proposed PPP projects after feasibility study and before financial close.

8.2 Government support measures with potential fiscal risks issued to existing PPP projects

It should be noted that the government has not issued a direct debt guarantee on the existing PPP projects. Consequently, the existing PPP projects supported by the national government have potential contingent liabilities. The main instrument of support measures granted by government is the Letter of Support which covers political risks that affect the operations of a project. Similarly, it covers termination of payments in case of a political event that renders a project non-operational. The Letter also covers payment of outstanding debt, equity injected in to the project and returns together with any breakage costs (see Annex 1 for list of PPP projects with respective support measures).

Another support measure with a potential of creating debt is the Indemnity Agreements issued by the national government to multilateral agencies backstopping Partial Risk Guarantees (PRGs). The existing PRGs have been issued by AfDB and World Bank to provide investor confidence

when financing projects. The total PRG's covered by Indemnity Agreements amounts to Kshs 19,602 million. This includes the principal PRG amount and excludes accrued interest that can be drawn in case the guarantee materialises (Table 8.2-1).

Table 8.2-1: Projects Issued with PRGs guaranteed SBLCs, Indemnity agreements

	Project description	Project cost Millions	PRG amount Millions	PRG Kshs Millions	Issuer
1	87MW Thika thermal power project	USD 146	USD 45	4,819	World Bank
2	83MW Triumph thermal power plant	USD 157	USD 45	4,819	World Bank
3	80MW Gulf thermal power plant	USD 108	USD 45	4,819	World Bank
4	OrPower4's 36MW Olkaria III	USD 212	Cancelled (USD 31)	-	World Bank
5	Proposed 300 MW Lake Turkana Wind Power	Euro 623	Euro 46	5,145	AfDB
6	Rabai Power Plant – 90 MW	USD 155			
	Total			19,602	

Source: National Treasury

CHAPTER NINE

DEBT SUSTAINABILITY ANALYSIS

9.1 Introduction

The National Treasury works closely with the World Bank and IMF to publish the annual results of the DSA. The scope of the DSA includes; both external and domestic debt incurred or guaranteed by the central government, stress tests that take into account contingent liabilities of SOEs, PPP debts and financial market shocks. It excludes legacy debt of the pre-devolution local governments.

9.2 Assumptions of the Debt Sustainability Analysis

The DSA was done with the assumptions that the economy will rebound from the COVID-19 shock to 6 percent over the medium to long term, supported by the reforms under the proposed Extended Fund Facility/Extended Credit Facility program. Further, the DSA assumed that the fiscal deficit is expected to decline to 1.2 percent of GDP in 2023 and reach a primary surplus of 0.5 percent of GDP in the medium term through fiscal consolidation. The government is committed to fiscal consolidation and tax reforms aimed at broadening the tax revenue base.

In addition, the DSA assumed a resilient performance of the current account supported by increased exports of tea, horticulture and lower global energy prices. Remittances were expected to perform well and tourism receipts to contract on account of the COVID-19 crisis.

9.3 Debt Carrying Capacity

Kenya's debt carrying capacity is assessed as Medium, given an estimated Composite Indicator (CI) of 3.01 from a strong debt carrying capacity of 3.12 as previously assessed due to decline in global economic growth. The carrying capacity determines external debt indicative thresholds and total public debt benchmark for the public and publicly guaranteed (PPG) debt.

9.4 Scenario Stress Tests

The DSA was done based on a two-tailored stress tests. The first test is a one-time debt shock that combines contingent liabilities from SOEs (2 percent of GDP), PPPs (1.1 percent of GDP) and a need for bank recapitalization (5 percent of GDP). The second stress test is a market financing shock which is applied to low-income countries with market access, such as Kenya. The scenario assesses rollover risks resulting from a deterioration in global risk sentiment, temporary nominal depreciation and shortening of maturities of new external commercial borrowing.

9.5 External Debt Sustainability

As indicated in Table 10.5-1, the present value (PV) of external debt-to-export and PPG of debt-service-to-exports indicators were breached under the baseline and the shock scenario. Both indicators remained above the thresholds throughout the medium-term projection period. This is due to Eurobond repayments in 2024 and 2028 and revision of the Kenya's debt carrying capacity as a result of the global shock.

Table 9.5-1: External Debt Sustainability

Indicators	Thresholds	2020	2021	2022	2023	2024	2025
PV of debt-to-GDP ratio	40	28.7	28.7	28.3	27.3	26.3	25.7
PV of debt-to-exports ratio	180	288.3	255.8	239.2	219.8	204.2	193.6
PPG Debt service-to-exports ratio	15	26.5	19.1	22.7	20.1	29.7	18.4
PPG Debt service-to-revenue ratio	18	15.5	13.0	15.8	14.0	21.0	13.1

Source: IMF Country Report No. 21/72, March 2021

9.6 Public Debt Sustainability

As a share of GDP, the PV of total public debt was above the 55 percent benchmark and projected to increase through to 2023 exacerbated by the COVID-19 global shock, and later start declining in the year 2024 (Table 9.6-1).

Table 9.6-1: Kenya's Public debt sustainability

Indicators	Benchmark	2020	2021	2022	2023	2024	2025
PV of debt-to-GDP ratio	55	62.4	63.0	64.2	63.4	62.9	61.1
PV of public debt-to-revenue and grants ratio		360.0	372.6	370.8	348.7	339.2	324.0
Debt service-to-revenue and grants ratio		52.2	47.6	61.9	68.3	79.3	72.0

Source: IMF Country Report No. 21/72, March 2021

9.7 Debt Sustainability Analysis Findings

Overall, Kenya's debt remains sustainable but with a high risk of debt distress. The debt ratios were worsened by the COVID-19 pandemic. However, debt ratios are projected to improve though gradually through; sustained fiscal consolidation, gradual recovery of exports and reforms under the EFF/ECF program aimed at enhancing competitiveness.

Active and effective implementation of the debt management framework through liability management and refinancing of future maturities on better terms will improve the overall debt profile. The government also will maximize concessional borrowing to finance investment projects and limit non-concessional financing to projects that have high social and economic returns. These investments will raise growth and export potential which will in turn support Kenya's external debt sustainability. Commitment to fiscal consolidation will reserve social and development spending, thus reduce risks. Further, implementation of reforms aimed at deepening of the domestic debt markets to enhance efficiency in the secondary markets and to lower the cost of government debt securities across the yield curve is encouraged.

9.8 Kenya's Debt Risk

Kenya's risk of debt distress remains high due to current global COVID-19 shock which has led to decrease in export and GDP growth as a result of Government fiscal response. The debt indicators worsened, especially those expressed in terms of exports. Potential risks related to SOEs will be closely monitored under the IMF program with assessment of debt-carrying capacity as medium, there will be sustained breaches of solvency and liquidity indicators under the baseline scenario i.e., the PV of external debt-to-exports and external debt service-to-exports ratios as well as PV of public debt-to-GDP. With a bigger breach of liquidity indicators in 2024 due to Eurobond repayment.

CHAPTER TEN

DEBT MANAGEMENT STRATEGY

10.1 Introduction

To guide borrowing in the fiscal year 2020/21, the 2020 MTDS was prepared as per Section 33 of the PFM Act 2012. The MTDS aimed at setting out the strategy of the national government over the period 2020/21-2022/23 with respect to the existing stock of debt and in financing the fiscal deficits as outlined in the 2020 Budget Policy Statement (BPS).

10.2 Review of implementation of 2020 MTDS

The 2020 MTDS focussed on reducing refinancing risk by lengthening the maturity profile of existing securities. It emphasized a shift of the financing needs to focus on more external sources with concessional funding. Furthermore, it highlighted gross external financing to constitute 60 percent and gross domestic borrowing 40 percent. The external borrowing strategy comprised 26 per cent concessional, 8 per cent semi-concessional and 4 per cent on commercial terms.

In regards to domestic financing strategy, treasury bonds were targeted as the main source of funding while treasury bills would only be used for cash management purposes and not as a budget financing instrument consistent with Section 15 (3) of the PFM Act 2012. As part of the refinancing risk management strategy, additional Treasury Bonds were to be issued over and above deficit financing and bonds redemption requirements to cover Treasury Bills maturities so as to achieve the desired debt re-profiling. The proportion of treasury bills was projected to decrease consistent with the strategy of reducing rollover and refinancing risks. This was to be achieved by way of reducing the volume and the frequency of issuance of Treasury Bills as a form of debt re-profiling.

In addition, the MTDS highlighted that fiscal deficit had to be kept below the rate of economic growth so as to reduce the overall cost of debt on the economy and safeguard debt sustainability. Funding of the fiscal deficits was to progressively shift away from domestic sources. Further to reducing the fiscal deficits, the MTDS underscored the importance of promoting Kenya's export competitiveness, facilitating increase in diaspora remittances and fast-tracking domestic debt market development as key ingredients to public debt sustainability.

The actual external borrowing comprised of 20.2 percent concessional, 0.7 percent semi concessional and 7.1 percent on commercial terms a slight deviation from 2020 MTDS strategy targets of 14.0 percent concessional, 1.0 percent semi concessional and 13.0 percent on

commercial terms. The amounts were borrowed majorly from multilateral lenders i.e., IDA and AfDB for Development Policy Operations and financing of COVID-19 containment measures, all on concessional terms. A total of USD 1,000 million was also contracted from the international capital market through issuance of a Sovereign Bond.

As at end of June 2021, the stock of Treasury Bills declined to Kshs. 765,375 million from Kshs 887,142 million in June 2020 and Treasury Bonds increased to Kshs. 2,849,936 million in June 2021 from Kshs 2,219,444 million in June 2020. The Average to Maturity of Treasury Bonds increased 8.6 years in June 2021 from 7.9 years in June 2020. This indicated the MTDS achieved its objective of lengthening the maturity profile hence reducing the refinancing risk. External borrowing was to be timed to coincide with scheduled maturities and Government cash requirements. The fiscal deficit in June 2021 was Kshs. 950,235 million from Kshs. 790,804 million in June 2020 which was an increment of Kshs. 159,431 million. The net foreign financing decreased to Kshs. 323,310 million in June 2021 from Kshs. 340,431 million in June 2020 while the net domestic financing increased to Kshs. 626,926 million in June 2021 from Kshs. 450,373 million in June 2020.

10.3 Highlights of the 2021 MTDS

The fiscal year, 2021/2022 borrowing is being guided by the 2021 MTDS. The 2021 MTDS was structured to achieve a net financing mix of 57 per cent from external sources and 43 per cent from domestic market.

The 2021 optimal debt management strategy differs from the 2020 strategy in terms of the composition of net financing in external and domestic debt portfolios. Net external and domestic financing accounts for 57 percent to 43 percent in the 2021 strategy compared to 60 percent to 40 percent in the 2020 strategy. In terms of gross borrowing, external and domestic financing accounts for 27 percent and 73 percent respectively. This strategy is underpinned by the need to move away from high interest cost of domestic debt.

The optimal strategy for 2021 for financing the fiscal deficit seeks to continue gradual reduction in the stock of Treasury bills and part of commercial debt in the external portfolio through liability management operations including switches. Further, the strategy further underpins the need to issue medium to long term bonds to lengthen the maturity structure thus reducing refinancing risk of borrowing as well as supporting domestic debt market development through benchmark bond program.

It considers the cost and risk trade-offs, the net borrowing to finance current fiscal deficit and the need to diversify the funding sources. The strategy has modest exposure levels to foreign exchange rate risk which is consistent with the plan to raise a large proportion of resources from external sources. The envisaged borrowing will continue to maximize concessional and semi-concessional debt from the external sources. The Strategy also envisages tapping into the international capital market.

The optimal 2021 debt management strategy underlying benefits to the market development included: higher financing proportion from the external capital therefore reducing crowding-out effect and eventually lower the cost of debt, lower the interest rate cost in the debt portfolio; lengthening the maturity profile of debt supports bond market development, gradual reduction of stock of Treasury bill and frequency of issuance to lower refinancing risk and rollover risks; creating fiscal flexibility; and, promoting bond market development.

The evaluation of performance of the 2021 MTDS will be provided in 2021/22 Annual Debt Management Report

CHAPTER ELEVEN

OUTLOOK FOR THE MEDIUM TERM

11.1 Public Debt Stock

The total public debt in nominal terms as at the end of June 2021 is Kshs 7,696,635 million and is projected to continue rising to Kshs 10,627,215 million in June 2025. As a percentage of GDP, total debt is projected to decrease to 62.0 percent in June 2025 from 68.1 percent currently as at June 2021. This is because the GDP is also projected to grow over the period.

Table 11.1-1: Projected Public Debt Stock in (Kshs Million)

Stock/Fiscal Years	2020/21*	2021/22	2022/23	2023/24	2024/25
External Debt	3,999,542	4,329,862	4,668,542	4,904,250	5,058,515
% of GDP	35.4	34.9	33.9	31.9	29.5
Domestic Debt	3,697,093	4,317,139.30	4,740,904.87	5,136,542	5,568,700
% of GDP	32.7	34.8	34.5	33.4	32.5
Total Public Debt	7,696,634	8,647,001	9,409,447	10,040,792	10,627,215
% of GDP	68.1	69.8	68.4	65.3	62
Nominal GDP	11,304,100	12,393,063	13,759,945	15,373,117	17,128,375
Ordinary Revenue	1,562,015	1,806,797	2,141,584	2,516,259	2,807,370

*Provisional

Source: National Treasury

External and domestic public debt continue to grow in nominal values but as a percentage of GDP they are projected to decline to 29.5 percent and 32.5 percent in June 2025 from 35.4 percent and 32.7 percent in June 2021 respectively.

11.2 Debt Service

As at June 2021, the total debt service was Kshs 780,628 million and is projected to continue increasing in nominal terms to Kshs 1,299,101 million in the FY 2024/25. As a proportion of revenue, the debt service is projected to decrease to 46.3 percent in FY2024/25 from 50.0 percent in FY2020/21 due to a project increase in revenue. Likewise, debt service as a percentage of GDP, is projected to increase to 7.6 percent in FY 2024/25 from 6.9 percent in FY 2020/21.

Despite the upward trend on overall nominal interest payments as a percent of GDP and revenue in the medium term, the same is expected to remain relatively constant at an average of 4.6 percent and 30.2 percent respectively.

Domestic interest is projected to increase to Kshs 614,956 million in FY 2024/25 from Kshs 388,829 million in FY 2020/21. However, as a percentage of revenue, domestic interest is projected to decrease to 21.9 percent in FY 2024/25 from 24.9 percent in the period under review. As a ratio of GDP, domestic interest will decrease to 3.6 percent in FY 2024/25 from 3.4 percent in FY2020/21.

Interest on external debt is projected to increase to Kshs 152,072 million in FY 2024/25 from Kshs 106,312 million in FY 2020/21. As a ratio of GDP and revenue, external interest will fall to 29.5 percent and 5.4 percent in FY 2024/25 from 36.2 percent and 6.8 percent in FY 2020/21 respectively.

Principal repayments on external debt are projected to increase from Kshs 128,277 million in FY2020/21 and peak to Kshs. 493,007 million in FY2023/24 due to the Eurobond repayments before falling to Kshs 294,765 million in FY2024/25. As a ratio of GDP and revenue, the external repayments will peak to 3.2 percent and 19.6 percent in FY 2023/24 from 1.1 percent and 8.2 percent in FY 2020/21 before decreasing to 1.7 percent and 10.5 percent FY 2024/25 respectively.

Table 11.2-1: Projected Debt Service (Kshs million)

Debt Service	Fiscal years	2020/21	2021/22	2022/23	2023/24	2024/25
Domestic interest	Amount (Kshs Million)	388,829	459,776	515,160	563,340	614,956
	% of GDP	3.4	3.7	3.7	3.7	3.6
	% of Revenue	24.9	25.4	24.1	22.4	21.9
External Interest	Amount (Kshs Million)	106,312	130,858	144,059	156,410	152,072
	% of GDP	0.9	1.1	1.0	1.0	0.9
	% of Revenue	6.8	7.2	6.7	6.2	5.4
Total Interest payments	Amount (Kshs Million)	495,141	590,634	659,219	719,750	767,028
	% of GDP	4.4	4.8	4.8	4.7	4.5
	% of Revenue	31.7	32.7	30.8	28.6	27.3
Domestic Treasury Bond Repayment	Amount (Kshs Million)	157,208	145,700	243,963	152,159	237,308
	% of GDP	10.1	9.3	13.5	7.1	9.4
	% of Revenue	1.4	1.3	2.0	1.1	1.5
External Principal Repayments	Amount (Kshs Million)	128,277	210,173	250,020	493,007	294,765
	% of GDP	1.1	1.7	1.8	3.2	1.7
	% of Revenue	8.2	11.6	11.7	19.6	10.5
Total Debt service	Amount (Kshs Million)	780,628	946,507	1,153,202	1,364,916	1,299,101
	% of Revenue	50.0	52.4	53.8	54.2	46.3
	% of GDP	6.9	7.6	8.4	8.9	7.6
Ordinary Revenue	Amount (Kshs Million)	1,562,015	1,806,797	2,141,584	2,516,259	2,807,370
Nominal GDP	Amount (Kshs Million)	11,304,100	12,393,063	13,759,945	15,373,117	17,128,374

Source: National Treasury

ANNEXES

Annex 1: Public Private Partnership (PPP) Projects with effective Project Agreements or Power Purchase Agreements (PPAs) Kenya, Government's Support Measures and Termination Terms

No.	Project Name	Project Description	Term (Years)	Project Value (\$ Min)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call on Government Support Measure (Y/N)
1	LOT 33 of the Road Annuity Programme	Construction and rehabilitation to bitumen standards the roads in Lot 33 (90.55km) Ngong-Kiserian-Isinya and Kajjado-Mashuru-Isara. This is being done under a Finance, Design, Build, Maintain and Transfer PPP arrangement	10	98.8	Date of contract execution: 16th November 2016 Financial Close: February 2018 Status: Construction was completed. Operations commenced on 1st November 2020.	Letter of Support covering political risks issued on 4th August 2017	-Debt Due -The NPV and -Sub-Contractor Costs	Y
2	Nairobi Expressway	Construction of the Mlolongo – JKIA- South C- Uhuru Highway – Westlands- James Gichuru (27Krn) section of A8 road, a dual carriageway with Class A standard. This is being done under Design, Construct, Finance, Operate, Maintain and Transfer PPP arrangement.	30	667.8	Date of contract execution: 15th October 2019 Financial Close: Pending Status: Early works are ongoing	Letter of Support covering political risks issued on 20th August 2020.	-Debt Due -The NPV and -Contract Breakage Costs	Y
INDEPENDENT POWER PRODUCERS (IPPs)								
3	Africa International 140 MW	25year Power Purchase Agreement on a Build, Own, Operate (BOO) basis at Longonot geothermal power project adjacent to Olkaria, Kenya	25	760	Date of contract execution: 3rd April 2013 Date of PPA Effectiveness: 2nd October 2015. Financial Close: Pending	Letter of support covering political risks issued on 29th January 2015.	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination 3. Net Present Value of 5 Years profits at 10%	N

4	Lake Turkana Wind Power – 300 MW	The wind turbine farm is being developed on BOO basis in Loyangalani, Marsabit West, on a 20 Year PPA with Kenya Power	20	847	Date of contract execution: 13 th May 2013 Financial Close: 24 th March, 2014 Status: Operational	Letter of support covering political risks issued on 28 th February, 2013 Indemnity Agreement LC to be replaced with Escrow Account	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination 3. Net Present Value of 5 Years profits at 10%	N
5	Gulf Power – 80.32 MW	The Heavy Fuel Oil (HFO) power plant developed on a BOO basis, in the Athi River region, on a 20-year PPA with KPLC.	20	108	Date of contract execution: 17 th December 2012 Financial Close: 18 th November, 2013 Status: Operational	Letter of support covering political risks issued on 2 nd July 2012 Indemnity Agreement covering PRG payments was signed on 14 th March 2013. PRG amount US\$ 35 Mn and Euros 7 Mn	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination 3. Net Present Value of 5 Years profits at 10%	N
6	Triumph Power – 83 MW	The Heavy Fuel Oil (HFO) power plant developed on a BOO basis, at Kientgela near the Athi River area of Mavoko, on a 20- year PPA with KPLC.	20	156.5	Date of contract execution: 14 th June 2012 Financial Close: 7 th August 2013 Status: Operational	Letter of support covering political risks issued on 2 nd July 2012 Indemnity Agreement covering PRG payments was signed on 5 th December 2012. PRG Amount US\$ 45 Mn	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination 3. Net Present Value of 5 Years profits at 10%	N
7	Thika Power - 87MW	The Heavy Fuel Oil (HFO) power plant is being developed on a BOO basis, at located near Thika town in Kiambu County, on a 20-year PPA with KPLC.	20	146	Date of contract execution: 2 nd July 2012 Financial Close: 11 th October 2012 Status: Operational from August 2013	Letter of support covering political risks issued on 2 nd July 2012 Indemnity Agreement covering PRG payments was signed on 28 th August 2014. PRG Amount US\$ 35 Mn and Euros 7.7 Mn	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination 3. Net Present Value of 5 Years profits at 10%	N
	Orpower 150MW Olkaria III Geothermal power plant** (Expanded 1 st plant	Description: 20 year – BOO, Geothermal, Location – Naivasha in Nakuru		***558	Date of contract execution: 26 th November 2014	Letter of support covering political risks issued on 16 th	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of	N

	63.8MW, 2 nd plant 39.6MW, 3 rd plant and 4 th Plant (29MW)	17.6 MW	Plant	County					Financial Close: January 1999 Status: Operational	April, 2015 Indemnity Agreement LC covering PRG payments of Amount US\$ 31Mn	termination 3. Losses incurred by the Seller	
9	Rabai Power Plant – 90 MW			20 year – BOOT, Thermal Power (Diesel) Plant. Located at Rabai in Kilifi County	20	155	Date of contract execution: September 2008 Financial Close: October, 2008 Status: Operational	Indemnity Agreement LC Account	Net Present Value of Non-Escalabe Capacity Changes for the remaining period to the expiry of the term discounted at 12% per annum	N		
10	Kipevu II 74MW			Located in Mombasa next to Kilindini seaport, the Heavy Fuel Oil (HFO) power plant is on BOO basis over a 20-year period	20	85	Date of contract execution: 28 th January 2000 Financial Close: Sept, 1999 Status: Operational	Indemnity Agreement	1. Net Present Value of Non-escalabe Capacity Changes for the remaining period to the expiry of the term discounted at 10% per annum. 2. Expenses incurred by the Seller as a result of termination. 3. The value of the stock of fuel and other consumables and spare parts at the Plant	N		
11	Imenti tea Factory Limited 0.28MW			Feed in Tariff Hydro Power Plant on a BOO basis PPA period – 20 years Location – Meru County	20	1.11	Date of contract execution: 1 st September 2009 Status: Operational	None	None	N		
12	Power Technology Solutions Ltd. Gikira Kianjora Small Hydro Power Stations 0.514MW			Feed in Tariff Hydro Power Plant on a BOO basis PPA period – 20 years Location – Nyeri County	20	2.01	Date of contract execution: 12 th June 2013 Status: Operational	None	None	N		
13	1050 MW Lamu Power Project			Located in Manda Bay, the Lamu Coal Power Plant is on a BOO basis over a 20-year period	25	2,000	Date of contract execution: 4 th August 2017 Status: PPA not yet effective	Letter of support covering political risks issued on 4 th August, 2017	1. Total amount outstanding and unpaid to all Financing Parties – Debt & Equity 2. NPV of 5 years profits at 10% discount rate 3. Redundancy payments/ Termination & Breakage costs 4. Value of unpaid construction works as at termination	N		
14	100 MW Kipeto Wind Power			Feed in Tariff Wind Power Plant on a BOO basis PPA period – 20 years Location - Kajiado County	20	323	Date of contract execution: 17 th June 2016 Status: Plant commissioning underway	Letter of support covering political risks issued on 4 th August 2017.	1. Total amount outstanding and unpaid to all Financing Parties – Debt & Equity 2. NPV of 5 years' profits at 10% discount rate 3. Redundancy payments/ Termination & Breakage costs 4. Value of unpaid construction works as at termination	N		

15	35MW Quantum Project	Geothermal Power	Located in Nakuru County, the Quantum Geothermal Power project is based on BOO arrangement over 20 years	25	90	Date of contract execution: 30 th October 2014 Status: Financial Close pending	Letter of support covering risks issued	<ol style="list-style-type: none"> Total amount outstanding and unpaid to all Financing Parties – Debt & Equity NPV of 5 years profits at 10% discount rate Redundancy payments/ Termination & Breakage costs Value of unpaid construction works as at termination 	N
16	40 MW Cedate Solar Power	Selenkei	Feed in Tariff Power Plant on a BOO basis PPA period – 20 years Location – Uasin Gishu County	20	77	Date of contract execution: 5 th June 2017 Status: Commissioning underway	Letter of support covering risks issued on 4 th August 2017.	<ol style="list-style-type: none"> The total project costs as derived from the audited Selenkei/Cedate Financial Model depreciated at 5% per annum. The compensation amount to Cedate/ Selenkei shall be limited in aggregate to an amount equal to net present value calculated at 10% discount rate of the audited profit of Selenkei for the last 5 years for the loss of return on equity. 	N
17	40 MW Solar Power	Selenkei	Feed in Tariff Power Plant on a BOO basis PPA period – 20 years Location – Uasin Gishu County	20	84	Date of contract execution: 5 th June 2017 Status: Commissioning underway	Letter of support covering risks issued on 4 th August 2017.		N
18	40 MW Solar Power Project	Malindi	Feed in Tariff Power Plant on a BOO basis PPA period – 20 years Location – Kilifi County	20	82	Date of contract execution: 5 th June 2017 Status: Under construction	Letter of support covering risks issued.	<ol style="list-style-type: none"> Total amount total amount outstanding and unpaid to all Financing Parties – Debt & Equity NPV of 5 years profits at 10% discount rate Redundancy payments/ Termination & Breakage costs Value of unpaid construction works as at termination 	N
19	40 MW Alen Power Project	Solar	Feed in Tariff Power Plant on BOO basis PPA period – 20 years Location – Uasin Gishu County	20	105	Date of contract execution: 5 th June 2017 Status: Review of Interconnection Facility designs underway.	Letter of support covering political risks issued on 14 th December 2017.	<ol style="list-style-type: none"> The total project costs as derived from the audited Financial Model depreciated at 5% per annum. The compensation amount to Alen shall be limited in aggregate to amount equal to net present value calculated at 10% discount rate of the audited profit of Alen for the last complete five (5) Contract Years prior to the date of termination of the PPA 	N

20	Chania Green Power Plant 50MW	Wind	Feed in Tariff Wind Power Plant on a BOO basis PPA period – 20 years Location – Kajjado County	20	102	Date of contract execution: 24 th August 2017 Status: Construction ongoing	Letter of support covering political risks issued on 26 th January 2018.	1. Total amount unpaid to all Financing Parties – Debt & Equity 2. All amounts paid to Seller by way of subscription in Seller capital, less dividends and other distribution made to shareholders of Seller 3. Redundancy payments/ Termination & Breakage costs 4. Value of unpaid construction works as at termination	N
21	Biogazole 2MW		Feed in Tariff, Biogas, 2MW Power Plant on a BOO basis PPA period – 20 years Location – Nakuru County	20	6	Date of contract execution: 25 th January 2016 Status: Operational		Monthly Damages, until the operating year when the agreement would have terminated by effluxion of time, an amount equivalent to the average monthly revenue which the seller would have earned.	N
22	Regen Terem		Feed in Tariff Power Plant 5.0MW on a BOO basis PPA period – 20 years Location – Bungoma County	20	20	Date of contract execution: 28 th January 2014 Status: Operational		Total project costs incurred by the Seller as at the time of termination, less 5% depreciation for every year of service from the Full Commercial Operation Date.	N
23	Chania Power 0.5MW		Feed in Tariff Hydro Power Plant on a BOO basis PPA period – 20 years Location – Murang'a County	20	1.4	Date of contract execution: 25 th May 2017 Status: under Commissioning		Total project costs incurred by the Seller as at the time of termination, less 5% depreciation for every year of service from the Full Commercial Operation Date. However, Seller and Buyer may agree on alternative arrangements.	N
24	Gura 2.8MW	(KTDA),	Feed in Tariff Hydro Power Plant on a BOO basis PPA period – 20 years Location – Nyeri County	20	12	Date of contract execution: 25 th May 2017 Status: Operational		All amounts owed between the parties shall be paid upon termination	N

Source: National Treasury

Annex 2: List of State Owned Enterprises (SOEs) with Non-Guaranteed Loans

SOE	CREDITOR NAME	PURPOSE	CREDITOR CATEGORY	LOAN CUR	LOAN AMOUNT	MATURITY	OUTSTANDING G BAL_CUR	OUTSTANDING BALANCE_FX	Kshs Millions	% Of Total
KAA	Agence Francaise De Developpement (AFD)	Upgrade facilities at JKIA	External	USD	90,000,000.00	5-10 years	KES	6,773,031,880.00	6,773	6.5%
KAA	Agence Francaise De Developpement (AFD)	Rehabilitation of Airside Pavements at MIA	External	USD	66,000,000.00	Over 10 years	KES	5,050,651,367.00	5,051	4.8%
JKUAT	KCB Bank	JKUAT Towers	Domestic	KSH	1,897,777,000.00	5-10 years	KES	1,456,388,000.00	1,456	1.4%
JKUAT	KCB Bank	Kenyatta Road 1	Domestic	KSH	1,800,000,000.00	1-4 years	KES	901,676,000.00	902	0.9%
JKUAT	KCB Bank	Kenyatta Road 2	Domestic	KSH	750,000,000.00	1-4 years	KES	380,976,000.00	381	0.4%
KU	Co-operative Bank	Term loan infrastructural developments	Domestic	KSH	820,000,000.00	1-4 years	KES	564,000,000.00	564	0.5%
KU	Equity Bank	Overdraft facility & Term Loan - for running the operations of the University (Kshs. 450 million -term loan and Kshs. 250 million-overdraft)	Domestic	KSH	700,000,000.00	1-4 years	KES	700,000,000.00	700	0.7%
KPLC	EQUITY BANK USD MEDIUM TERM LOAN	CAPEX	Domestic	USD	150,000,000.00	1-4 years	KES	4,063,000,000.00	4,063	3.9%
KPLC	RAND MERCHANT BANK	CAPEX	Domestic	USD	140,000,000.00	1-4 years	KES	1,258,200,000.00	1,258	1.2%
KPLC	STANDARD CHARTERED BANK	REFINANCING	Domestic	KSH	15,180,000,000.00	1-4 years	KES	7,590,000,000.00	7,590	7.2%
KPLC	STANDARD CHARTERED BANK USD/WB GUARANTEED LOAN	REFINANCING	Domestic	USD	350,000,000.00	5-10 years	KES	27,719,300,000.00	27,719	26.4%
KPLC	RAND MERCHANT BANK	CAPEX	Domestic	USD	70,000,000.00	1-4 years	KES	5,661,800,000.00	5,662	5.4%
KPLC	STANDARD CHARTERED BANK MONEY MARKET	WORKING CAPITAL	Domestic	KSH	800,000,000.00	1-4 years	KES	800,000,000.00	800	0.8%
KPLC	NCBA BANK	OVERDRAFT CONVERSION	Domestic	KSH	6,750,000,000.00	Over 10 years	KES	6,750,000,000.00	6,750	6.4%
KPC	Syndicated- Commercial Bank of Africa, Citibank N.A., CFC Stanbic Bank, Standard Chartered Bank, Rand Merchant Bank, Cooperative Bank of Kenya	Construction of Line V pipeline.	Domestic	KSH	35,000,000,000.00	1-4 years	KES	19,000,000,000.00	19,000	18.1%
KenGen	Cooperative Bank of Kenya	Drilling of 89 Geothermal Wells	Domestic	KSH	7,000,000,000.00	1-4 years	KES	2,333,333,336.00	2,333	2.2%
KenGen	PUBLIC INFRASTRUCTURE BOND OFFER -PIBO	Various Projects Project Tern Loan	Domestic	KSH	25,000,000,000.00	1-4 years	KES	-	-	0.0%
KenGen	Commercial Bank of Africa (NCBA)	Well heads	Domestic	USD	100,000,000.00	5-10 years	USD	78,445,742.90	8,356	8.0%
KenGen	Standard Chartered Bank of Kenya	Olkaria II 3rd Unit	Domestic	USD		1-4 years	USD			0.7%

KenGen	HSBC of London	Purchase of Rigs	External	USD	39,000,000.00	1-4 years	USD	6,486,481.65	691	1.440	1.4%
KenGen	Agence Francaise De Developpement (AFD)	Olkaria II 3rd Unit AFD	External	EUR	34,000,000.00	1-4 years	EUR	13,516,346.80	801	0.8%	
UON	ABSA Bank	ABSA BANK	Domestic	KSH	20,000,000.00	5-10 years	KES	6,666,666.56	783	0.7%	
PCK	CBA Bank	Working capital Loan (i) to improve payment services (KShs. 150 million); (ii) to improve Kisumu office (KShs. 50 million); (iii) to improve agency business (KShs. 50 million).	Domestic	KSH	950,000,000.00	5-10 years	KES	783,000,000.00	20	0.0%	
EAPCC	KCB Bank	The company had Kshs. 6.6Bn. loan with KCB which was partially liquidated - by Kshs. 4.85B - through the sale of land.	Domestic	KSH	250,000,000.00	1-4 years	KES	20,000,000.00	1,750	1.7%	
					6,600,000,000.00			1,750,000,000.00	104,843	100.0%	

Source: National Treasury

CBK Exchange Rate Used as at 30/06/2020

Annex 3: Outstanding Stock of T. Bonds as at 30-Jun-2021

ISSUE NUMBER	MATURITY DATE	FACE VALUE
FXD2/2016/005	19-Jul-21	24,395,300,000
FXD3/2016/005	20-Sep-21	23,051,050,000
IFB2/2009/012	22-Nov-21	5,388,325,000
FXD1/2007/015	7-Mar-22	3,654,600,000
SFX1/2007/015	13-May-22	6,000,000,000
FXD2/2007/015	6-Jun-22	7,236,950,000
FXD2/2007/015	6-Jun-22	25,445,650,000
FXD1/2012/010	13-Jun-22	443,150,000
FXD1/2012/010	13-Jun-22	5,298,850,000
FXD1/2012/010	13-Jun-22	11,061,750,000
FXD1/2012/010	13-Jun-22	18,469,950,000
FXD1/2017/005	22-Aug-22	12,109,150,000
FXD1/2017/005	22-Aug-22	17,490,000,000
FXD2/2017/005	17-Oct-22	13,492,100,000
FXD2/2017/005	17-Oct-22	7,220,000,000
FXD3/2007/015	7-Nov-22	7,841,100,000
FXD3/2007/015	7-Nov-22	10,189,100,000
FXD3/2007/015	7-Nov-22	14,927,900,000
FXD1/2021/002	9-Jan-23	55,851,550,000
FXD1/2008/015	13-Mar-23	7,380,900,000
FXD1/2008/015	13-Mar-23	4,695,250,000
FXD1/2008/015	13-Mar-23	2,692,550,000
FXD1/2008/015	13-Mar-23	20,021,100,000
FXD1/2018/005	20-Mar-23	23,055,800,000
FXD1/2018/005	20-Mar-23	7,739,750,000
FXD1/2013/010	19-Jun-23	12,121,350,000
FXD1/2013/010	19-Jun-23	521,700,000
FXD1/2013/010	19-Jun-23	11,909,050,000
FXD1/2013/010	19-Jun-23	4,737,700,000
FXD1/2013/010	19-Jun-23	9,958,400,000
IFB1/2011/012	18-Sep-23	11,735,500,000
FXD1/2014/010	15-Jan-24	15,030,150,000
FXD1/2014/010	15-Jan-24	15,587,650,000
FXD1/2014/010	15-Jan-24	5,234,350,000
FXD1/2019/005	19-Feb-24	20,587,250,000
FXD1/2019/005	19-Feb-24	44,772,250,000
FXD2/2019/005	6-May-24	39,201,400,000
FXD1/2009/015	7-Oct-24	9,420,450,000
FXD1/2009/015	7-Oct-24	11,806,950,000
FXD1/2009/015	7-Oct-24	10,725,050,000
IFB1/2017/007	18-Nov-24	41,469,450,000
IFB1/2015/009	2-Dec-24	16,480,150,000
FXD3/2019/005	9-Dec-24	18,737,950,000
FXD3/2019/005	9-Dec-24	9,747,300,000
FXD3/2019/005	9-Dec-24	16,345,250,000

FXD1/2010/015	10-Mar-25	10,206,450,000
FXD1/2010/015	10-Mar-25	12,129,800,000
FXD1/2010/015	10-Mar-25	5,000,000,000
FXD1/2010/015	10-Mar-25	357,650,000
FXD1/2020/005	5-May-25	20,774,600,000
FXD1/2020/005	5-May-25	8,960,350,000
FXD1/2020/005	5-May-25	8,842,900,000
IFB1/2016/009	12-May-25	28,035,400,000
IFB1/2013/012	15-Sep-25	27,925,350,000
FXD2/2010/015	8-Dec-25	7,329,350,000
FXD2/2010/015	8-Dec-25	6,183,750,000
FXD2/2010/015	8-Dec-25	11,686,700,000
IFB1/2020/006	25-May-26	20,226,650,000
FXD1/2016/010	17-Aug-26	18,306,450,000
IFB1/2014/012	12-Oct-26	27,045,950,000
IFB1/2015/012	15-Mar-27	33,486,550,000
FXD1/2017/010	19-Jul-27	5,178,850,000
FXD1/2017/010	19-Jul-27	7,014,300,000
FXD1/2017/010	19-Jul-27	5,488,450,000
FXD1/2017/010	19-Jul-27	6,307,250,000
FXD1/2017/010	19-Jul-27	624,700,000
FXD1/2017/010	19-Jul-27	5,388,400,000
FXD1/2017/010	19-Jul-27	5,172,450,000
FXD1/2012/015	6-Sep-27	21,089,450,000
FXD1/2012/015	6-Sep-27	6,004,150,000
FXD1/2012/015	6-Sep-27	21,843,500,000
FXD1/2012/015	6-Sep-27	8,721,250,000
FXD1/2012/015	6-Sep-27	2,564,900,000
FXD1/2013/015	7-Feb-28	5,875,700,000
FXD1/2013/015	7-Feb-28	7,507,100,000
FXD1/2013/015	7-Feb-28	15,582,800,000
FXD1/2013/015	7-Feb-28	13,172,850,000
FXD1/2013/015	7-Feb-28	9,648,100,000
FXD1/2013/015	7-Feb-28	7,152,850,000
FXD2/2013/015	10-Apr-28	17,385,850,000
FXD2/2013/015	10-Apr-28	9,615,400,000
FXD2/2013/015	10-Apr-28	9,186,600,000
FXD2/2013/015	10-Apr-28	3,688,750,000
FXD2/2013/015	10-Apr-28	25,515,300,000
FXD1/2008/020	5-Jun-28	1,912,250,000
FXD1/2008/020	5-Jun-28	7,613,900,000
FXD1/2008/020	5-Jun-28	10,834,800,000
FXD1/2008/020	5-Jun-28	9,683,350,000
FXD1/2008/020	5-Jun-28	8,100,800,000
FXD1/2018/010	14-Aug-28	19,363,100,000
FXD1/2018/010	14-Aug-28	21,221,500,000
FXD2/2018/010	4-Dec-28	26,143,600,000
FXD2/2018/010	4-Dec-28	6,623,550,000
FXD2/2018/010	4-Dec-28	20,133,950,000
FXD1/2019/010	12-Feb-29	32,800,400,000

FXD1/2019/010	12-Feb-29	19,243,600,000
FXD1/2019/010	12-Feb-29	15,480,850,000
IFB1/2017/012	12-Feb-29	14,330,400,000
FXD2/2019/010	2-Apr-29	51,325,000,000
IFB1/2020/009	2-Apr-29	78,973,600,000
FXD3/2019/010	6-Aug-29	45,005,050,000
FXD4/2019/010	12-Nov-29	28,344,450,000
FXD4/2019/010	12-Nov-29	8,082,100,000
FXD4/2019/010	12-Nov-29	32,923,550,000
FXD1/2011/020	5-May-31	8,138,500,000
FXD1/2011/020	5-May-31	1,227,300,000
FXD1/2011/020	5-May-31	8,404,900,000
FXD1/2011/020	5-May-31	19,258,700,000
IFB1/2020/011	11-Aug-31	80,249,600,000
IFB1/2016/015	6-Oct-31	40,029,650,000
FXD1/2012/020	1-Nov-32	3,461,350,000
FXD1/2012/020	1-Nov-32	4,956,500,000
FXD1/2012/020	1-Nov-32	10,882,700,000
FXD1/2012/020	1-Nov-32	9,363,050,000
FXD1/2012/020	1-Nov-32	2,060,550,000
FXD1/2012/020	1-Nov-32	13,857,500,000
FXD1/2012/020	1-Nov-32	23,555,300,000
FXD1/2012/020	1-Nov-32	4,054,300,000
FXD1/2012/020	1-Nov-32	6,465,800,000
IFB1/2018/015	10-Jan-33	41,184,800,000
FXD1/2018/015	9-May-33	13,223,850,000
FXD1/2018/015	9-May-33	17,482,750,000
FXD1/2018/015	9-May-33	15,116,850,000
FXD1/2018/015	9-May-33	3,431,400,000
FXD2/2018/015	3-Oct-33	7,848,300,000
FXD2/2018/015	3-Oct-33	21,216,050,000
FXD1/2019/015	9-Jan-34	14,716,500,000
FXD1/2019/015	9-Jan-34	15,850,150,000
FXD1/2019/015	9-Jan-34	48,530,200,000
FXD2/2019/015	24-Apr-34	19,314,450,000
FXD2/2019/015	24-Apr-34	17,227,200,000
FXD2/2019/015	24-Apr-34	5,905,650,000
FXD2/2019/015	24-Apr-34	9,747,500,000
FXD2/2019/015	24-Apr-34	7,421,600,000
FXD2/2019/015	24-Apr-34	6,131,200,000
FXD2/2019/015	24-Apr-34	15,897,150,000
FXD3/2019/015	10-Jul-34	50,552,950,000
FXD1/2020/015	5-Feb-35	5,191,250,000
FXD1/2020/015	5-Feb-35	44,725,900,000
FXD1/2010/025	28-May-35	20,192,500,000
IFB1/2019/016	8-Oct-35	71,028,550,000
FXD1/2016/020	1-Sep-36	12,761,200,000
IFB1/2021/016	5-Jan-37	80,958,350,000
FXD1/2018/020	1-Mar-38	8,564,250,000
FXD1/2018/020	1-Mar-38	7,841,300,000

FXD1/2018/020	1-Mar-38	6,856,600,000
FXD1/2018/020	1-Mar-38	8,321,600,000
FXD1/2018/020	1-Mar-38	27,450,400,000
FXD2/2018/020	5-Jul-38	10,635,550,000
FXD2/2018/020	5-Jul-38	5,211,100,000
FXD2/2018/020	5-Jul-38	40,221,850,000
FXD2/2018/020	5-Jul-38	33,130,100,000
IFB1/2018/020	25-Oct-38	36,787,300,000
FXD1/2019/020	21-Mar-39	9,018,150,000
FXD1/2019/020	21-Mar-39	14,541,900,000
FXD1/2019/020	21-Mar-39	13,741,000,000
IFB1/2021/018	21-Mar-39	81,785,600,000
SDB1/2011/030	21-Jan-41	8,718,100,000
SDB1/2011/030	21-Jan-41	10,041,550,000
SDB1/2011/030	21-Jan-41	3,376,800,000
SDB1/2011/030	21-Jan-41	1,752,500,000
SDB1/2011/030	21-Jan-41	2,003,350,000
SDB1/2011/030	21-Jan-41	667,900,000
SDB1/2011/030	21-Jan-41	19,000,000
SDB1/2011/030	21-Jan-41	712,400,000
SDB1/2011/030	21-Jan-41	853,100,000
FXD1/2018/025	25-May-43	5,152,600,000
FXD1/2018/025	25-May-43	22,991,850,000
FXD1/2018/025	25-May-43	15,073,650,000
FXD1/2018/025	25-May-43	43,156,400,000
FXD1/2018/025	25-May-43	7,952,200,000
IFB1/2019/025	22-Feb-44	16,828,650,000
FXD1/2021/025	9-Apr-46	14,243,500,000
FXD1/2021/025	9-Apr-46	5,015,600,000
Grand Total		2,849,935,625,000

Source: CBKEDW

Annex 4: Outstanding Stock of Treasury Bills as at 30 June 2021

ISSUE NUMBER	MATURITY DATE	FACE VALUE
2296/364	05-Jul-21	25,503,900,000.00
2375/182	05-Jul-21	591,750,000.00
2415/091	05-Jul-21	2,046,000,000.00
2297/364	12-Jul-21	22,209,200,000.00
2376/182	12-Jul-21	3,173,500,000.00
2416/091	12-Jul-21	3,214,000,000.00
2298/364	19-Jul-21	6,160,900,000.00
2377/182	19-Jul-21	8,400,300,000.00
2417/091	19-Jul-21	4,161,450,000.00
2299/364	26-Jul-21	25,369,300,000.00
2378/182	26-Jul-21	937,000,000.00
2418/091	26-Jul-21	3,720,500,000.00
2300/364	02-Aug-21	10,883,200,000.00
2379/182	02-Aug-21	2,042,100,000.00
2419/091	02-Aug-21	1,738,200,000.00
2301/364	09-Aug-21	14,323,900,000.00
2380/182	09-Aug-21	2,082,400,000.00
2420/091	09-Aug-21	1,867,300,000.00
2302/364	16-Aug-21	5,702,950,000.00
2381/182	16-Aug-21	4,377,000,000.00
2421/091	16-Aug-21	1,389,700,000.00
2303/364	23-Aug-21	6,648,850,000.00
2382/182	23-Aug-21	11,090,400,000.00
2422/091	23-Aug-21	4,706,700,000.00
2304/364	30-Aug-21	1,963,350,000.00
2383/182	30-Aug-21	7,616,800,000.00
2423/091	30-Aug-21	2,441,500,000.00
2305/364	06-Sep-21	6,442,700,000.00
2384/182	06-Sep-21	7,064,600,000.00
2424/091	06-Sep-21	1,364,300,000.00
2306/364	13-Sep-21	4,251,850,000.00
2385/182	13-Sep-21	6,299,500,000.00
2425/091	13-Sep-21	6,937,150,000.00
2307/364	20-Sep-21	9,481,250,000.00
2386/182	20-Sep-21	6,362,500,000.00
2426/091	20-Sep-21	4,563,450,000.00
2308/364	27-Sep-21	4,763,400,000.00
2387/182	27-Sep-21	3,171,050,000.00
2427/091	27-Sep-21	2,030,150,000.00

2309/364	04-Oct-21	2,518,700,000.00
2388/182	04-Oct-21	783,950,000.00
2310/364	11-Oct-21	15,167,450,000.00
2389/182	11-Oct-21	2,519,900,000.00
2311/364	18-Oct-21	16,966,500,000.00
2390/182	18-Oct-21	3,743,300,000.00
2312/364	25-Oct-21	8,765,650,000.00
2391/182	25-Oct-21	2,071,300,000.00
2313/364	01-Nov-21	11,503,850,000.00
2392/182	01-Nov-21	2,901,750,000.00
2314/364	08-Nov-21	22,376,950,000.00
2393/182	08-Nov-21	3,910,050,000.00
2315/364	15-Nov-21	14,109,700,000.00
2394/182	15-Nov-21	2,942,750,000.00
2316/364	22-Nov-21	13,064,100,000.00
2395/182	22-Nov-21	7,182,900,000.00
2317/364	29-Nov-21	4,285,400,000.00
2396/182	29-Nov-21	4,586,900,000.00
2320/364	06-Dec-21	5,086,500,000.00
2397/182	06-Dec-21	10,257,550,000.00
2321/364	13-Dec-21	5,586,200,000.00
2398/182	13-Dec-21	8,165,850,000.00
2322/364	20-Dec-21	5,362,500,000.00
2399/182	20-Dec-21	7,489,650,000.00
2323/364	27-Dec-21	2,194,200,000.00
2400/182	27-Dec-21	5,753,850,000.00
2324/364	03-Jan-22	4,283,050,000.00
2325/364	10-Jan-22	10,832,400,000.00
2326/364	17-Jan-22	14,387,200,000.00
2327/364	24-Jan-22	15,695,350,000.00
2328/364	31-Jan-22	14,547,350,000.00
2329/364	07-Feb-22	13,421,200,000.00
2330/364	14-Feb-22	15,300,200,000.00
2331/364	21-Feb-22	14,651,350,000.00
2332/364	28-Feb-22	15,793,150,000.00
2333/364	07-Mar-22	18,826,600,000.00
2334/364	14-Mar-22	13,288,500,000.00
2335/364	21-Mar-22	12,810,300,000.00
2336/364	28-Mar-22	13,805,100,000.00
2337/364	04-Apr-22	4,749,750,000.00
2338/364	11-Apr-22	15,850,300,000.00
2339/364	18-Apr-22	11,395,000,000.00
2340/364	25-Apr-22	8,490,300,000.00
2342/364	02-May-22	17,297,300,000.00

2343/364	09-May-22	16,610,550,000.00
2344/364	16-May-22	17,684,050,000.00
2345/364	23-May-22	11,778,250,000.00
2346/364	30-May-22	15,009,200,000.00
2347/364	06-Jun-22	12,678,750,000.00
2348/364	13-Jun-22	4,100,000,000.00
2349/364	20-Jun-22	5,971,800,000.00
2350/364	27-Jun-22	9,726,300,000.00
Grand Total		765,374,750,000.00

Source: CBK EDW

Annex 5: Public and Publicly Guaranteed External Debt by Creditor (Kshs Million)

CREDITOR	June-15	June-16	June-17	June-18	June-19	June-20	June-21
1. BILATERAL							
AUSTRIA	743	1,030	513	578	1,803	1,399	1,438
BELGIUM	6,142	7,469	9,938	10,208	11,591	11,975	12,684
CANADA	1,270	809	538	409	111	-	-
DENMARK	1,437	1,541	1,356	1,175	875	604	473
FINLAND	71	269	1,712	1,642	1,796	1,427	1,220
GERMANY	22,559	-	31,669	34,655	37,277	35,479	36,487
ITALY	1,101	622	654	125	36,293	37,244	40,104
JAPAN	79,017	-	91,456	101,886	135,229	151,685	159,048
NETHERLANDS	1,960	2,350	1,753	1,079	343	55	-
UK	1,467	992	650	463	60	-	-
USA	4,462	4,035	3,497	2,947	2,089	1,580	1,418
CHINA	252,039	313,127	478,607	559,071	661,059	719,359	761,089
OTHERS	13,756	31,385	36,963	53,822	107,534	113,451	126,568
TOTAL	445,056	798,841	722,568	829,846	996,059	1,074,257	1,140,529
2. MULTILATERAL							
ADB/ADF	161,532	179,227	197,490	204,776	229,638	263,749	322,293
EEC/EIB	20,625	21,073	20,399	19,455	17,241	16,796	23,229
IDA/IFAD/IBRD	407,294	488,330	540,515	516,774	608,989	921,341	1,126,130
IMF	86,150	84,847	77,637	71,588	49,208	110,605	178,215
OTHERS	9,030	9,204	8,347	2,795	9,319	9,138	9,544
TOTAL	320,871	492,908	844,389	815,388	914,395	1,321,629	1,659,411
3. COMMERCIAL BANKS	276,937	432,377	711,893	906,389	1,095,754	1,102,294	1,187,439
4. EXPORT CREDIT	16,628	16,628	15,303	16,725	16,932	17,631	12,162
GRAND TOTAL	1,423,252	1,796,198	2,294,153	2,568,299	3,023,139	3,515,811	3,999,542

Annex 6: List of new loans signed in FY2020-2021

N	Purpose of the Loan	Perceived benefits	Creditor	Original loan amount	Ksh Equivalent	Exchange rate	Loan Currency	Currency of payment	Agreement Date	Maturity Date	Disbursement during the period (Foreign currency)	Disbursement during the period in (Ksh)	Outstanding amount as at June, 2021	Grace period	Interest rate	Terms of repayment
1	Establishment of Bus Rapid Transit Line 5 Project	To finance the implementation of the project whose objective is to: Provide economically feasible Bus Rapid Transit (BRT); Secure the citizen's mobility, accessibility and safety and reduce the environmental effects caused by traffic congestion.	Export-Import Bank of Korea	59,000,000	6,363,150,000	107.85	USD	Korean Won	29th January 2021	20th January 2061	Not Disbursed	Not Disbursed	Nil	10 Years	Interest rate of the loan is 0.1 per cent per annum and the service charge of the loan is 0.1 per cent per annum on disbursed loan amount.	The loan will be repaid in 60 semi-annual instalments of KRW 1,092,592,593 from 20 th July 2031 through to 20 th January 2061
2	Nairobi ITS Establish ment and Junctions Improve ment Project Phase II	To finance the implementation of the project whose objective is to: Provide structural improvement of junctions and expansion of ITS; Enhance urban mobility and safety in Nairobi and Reduce social cost caused by traffic congestion.	Export-Import Bank of Korea	100,000,000	10,785,000,000.	107.85	USD	Korean Won	29th January 2021	20th January 2061	Not Disbursed	Not Disbursed	Nil	10 Years	Interest rate of the loan is 0.1 per cent per annum and the service charge of 0.1 per cent per annum on disbursed loan amount.	The loan will be repaid in 60 semi-annual instalments of KRW 1,851,851,851. 85 from 20 th July 2031 through to 20 th January 2061.

3	Nairobi TTS Establishment and Junctions Improvement Project	To finance the implementation of the project whose objective is to: Reduce social losses due to traffic congestion and enhance urban mobility in Nairobi through the development of TTS.	Export-Import Bank of Korea	61,000,000.00	6,578,850,000.00	107.85	USD	Korea Won	29th January 2021	20th January 2061	Not Disbursed	Not Disbursed	Nil	10 Years	Interest rate of the loan is 0.1 per cent per annum and the service charge of 0.1 per cent per annum on disbursed loan amount.	The loan will be repaid in 60 semi-annual instalments of KRW 1,129,629,630 from 20 th July 2031 through to 20 th January 2061.
4	Lake Victoria Water and Sanitation Project Kisumu	To finance eligible expenses: Production and distribution of drinking water; Sanitation and Governance and capacity building for KIWASCO and the County of Kisumu.	Agence Francaise Development	20,000,000.00	2,564,530,000.00	128.23	EUR	EUR	2nd October 2020	30th September 2040	Not Disbursed	Not Disbursed	Nil	6 Years	Interest rate applicable to each drawdown shall be the fixed reference rate increased or decreased by any fluctuation of the index rate for the period	The loan will be repaid in 28 equal semi-annual instalments of EUR 714,286 from 31 st March 2027 through to 30 th September 2040.
5	Ihanga Water Supply Project-Phase III	To finance materials/goods and services originating from Belgium.	KBC BANK NV	8,300,579.00	1,064,354,193.14	128.23	EUR	EUR	25th February 2021	30th September 2038	Not Disbursed	Not Disbursed	Nil	3 Years	A liquidity fee of 0.75 percent per annum calculated on the outstanding balance of the credit.	The loan will be repaid in 30 equal semi-annual instalments of EURO 276,686 from 31 st March 2024 through to 30 th September 2038.

6	LV WATSA N- KISUMU	To finance the project which consist the expansion of the water supply and rehabilitation and expansion of the wastewater system in the city of Kisumu, as well as certain satellite towns around the city including the construction of a new wastewater treatment works.	European Investment Bank	35,000,000.00	4,487,927,500.00	128.23	EUR	EUR	2nd October 2020	1st October 2041	Not Disbursed	Not Disbursed	Nil	1.5 Years	Interest shall be paid on the outstanding balance of each Tranche at an annual rate of interest equal to the higher of (a) the Fixed rate less 3%, unless this value is less than zero, in which case it will be set at zero and (b) 50% of the Fixed rate.	The loan will be repaid in 40 equal semi-annual instalments of EUR 875,000 from 1 st April 2022 through to 1 st October 2041.
7	Arid and Semi-Arid Land Rural Roads Project	To finance eligible expenses of the Project whose main objective is to: (i) Provide basic all-season road accessibility in the project area to facilitate transportation of people and goods in 6 ASAL counties (Kenya) (ii) Build capacity of local contractors and consultants in labour-based road construction methods (including improvement of roads) through training (iii) capacity building of the different persons/entities in charge in road maintenance. The specific objective of	Agence Francaise Development	60,000,000.00	7,693,590,000.00	128.23	EUR	EUR	2nd October 2020	31st May 2040	Not Disbursed	Not Disbursed	Nil	6 Years	Interest rate applicable to each drawdown shall be the fixed reference rate increased or decreased by any fluctuation of the index rate	The loan will be repaid in 26 equal semi-annual instalments of EUR 2,307,692 from November 2027 through to 31 st May 2040.

8	Samatar-Wajir Road Project	To support Kenya's north eastern province in achieving its full economic potential and improve the socio-economic welfare of its population through upgrading the Istolo – Modogashe – Wajir – Mandera road corridor, with a total length of 750 km, from the existing earth/gravel to bitumen standard. The Project's will be achieved through upgrading of the 90 km section between Samatar and Wajir town, which is a section of the corridor to an asphalt concrete standard with 7 m wide carriageway and 2 m wide shoulder on each side.	OPEC Fund for International Development	20,000,000.00	2,157,000,000.00	107.85	USD	USD	30th December 2020	15th May 2040	Not Disbursed	Not Disbursed	Nil	5 Years	The interest rate of 1.75% per annum and a service charge of 1 percent per annum charged on the principal amount of the Loan withdrawn and outstanding.	The loan will be repaid in 30 equal semi-annual instalments USD 666,667 from 15th November 2025 through to 15th May 2040.
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9	Horn of Africa Gateway Development Project	To improve: (i) Movement of people and goods and digital connectivity and access to social services to communities at designated locations along the targeted sections of the Isiolo-Mandera Regional Road Corridor; and (i) Capacity of selected transport related institutions in Kenya.	International Development Association	669,200,000.00	85,809,173,800.00	128.23	EUR	EUR	7th October, 2020	1st May 2050	11,000,000.00	Not Disbursed	1,410,491,500.00	1,410,491,500.00	5 Years	The interest rate of the loan is 1.25 percent per annum and the service charge is 0.75 percent per annum on the withdrawn credit balance	40 principal payments of EUR, to be paid semi-annually beginning from 1st November 2025 through to 1st May 2045 and 10 principal payments of 22,752,800 EUR to be paid semi-annually beginning from 1st November 2045 through to 1st May 2050
10	Samatar-Wajir Road Project	To upgrade the existing "Samatar-Wajir" road (90 km) to a first-degree bitumen standard (Category A), that connects "Samatar" town to "Wajir" town, that is wholly situated in Wajir County in the North Eastern Region. Wajir town is the administrative headquarter of Wajir County, as well as a link to the northern-east regions of the country and borders of the neighboring countries of Ethiopia and Somalia.	The Arab Bank for Economic Development in Africa	15,000,000.00	1,617,750,000.00	107.85	USD	USD	7th June 2021	30th June 2053	Not Disbursed	Not Disbursed	Nil	8 Years	The interest rate of the loan is 2 percent per annum on the principal amount of the loan withdrawn and outstanding	The loan will be repaid in 40 different semi-annual instalments starting from 1st September 2029 up to 1st March 2049.	

12	Samatar-Wajir Road Project	To construct 90km road between Samatar to Wajir. The road will enhance movement of people and goods between the Counties of Isiolo, Wajir, Garissa and Mandera.	Saudi Fund for Development	75,000,000.00	2,156,767,500.00	28.76	Saudi Riyals	Saudi Riyals	7th June 2021	31st May 2051	Not Disbursed	Not Disbursed	Nil	10 years	Interest rate of the loan is 1 per cent per annum on the principal amount of the loan withdrawn and outstanding.	The loan will be repaid in 40 equal semi-annual instalments of Saudi Riyals from 30th November 2031 through to 31st May 2051.
13	Supply of Medical Equipment and Associate Services to Public Healthcare Institutions in Kenya	To supply of medical equipment and associated services to the Moi Teaching and Referral Hospital (MTRH) of Eldoret and 6 sub-county hospitals, as well as the supply of medical equipment to fight COVID-19.	Government of The French Republic	33,000,000.00	4,231,474,500.00	128.23	EUR	EUR	27th August, 2020	20th December 2059	Not Disbursed	Not Disbursed	Nil	12 years	0.0067 percent per annum	56 principal payments of 589,285.71 EUR, to be paid semi-annually on June 30 and December 30, beginning from 30th December 2032 through to 30th June 2060
14	Phase II of the Medical Waste Management Project	To finance materials/goods and services originating from Belgium	CBC BANQUESA	9,271,590.24	1,188,863,565.91	128.23	EUR	EUR	25th June 2021	25th September 2036	Not Disbursed	Not Disbursed	Nil	3 years	The relieved interest rate of the loan is 0 per cent per annum.	The loan will be repaid in 24 equal consecutive semi-annual instalments of EUR 386,316.26 beginning from 25th March 2025 to 25th September 2036.
14	Financial Assistance for Medical Waste Treatment Plants	To finance the production, delivery and installation of 15 AMB Series 250 Ecosteryl medical waste treatment plants.	Government of the Kingdom of Belgium	10,000,000.00	1,282,265,000.00	128.23	EUR	EUR	12th May 2021	31st December 2060	Not Disbursed	Not Disbursed	Nil	20 years	The interest rate of the loan is 0 per cent per annum.	The loan will be repaid in 20 equal annual instalments of EUR 500,000 beginning 31st December 2041 to 31st December 2060

15	Health Sector Policy Loan for Attainment of the Universal Health Coverage (Phase 2)	To strengthen health financing and service delivery by facilitating priority policy actions towards the attainment of the Universal Health Coverage through policy dialogue and financial support, thereby contributing to promoting the economic stability and development efforts of Kenya.	Japan International Coopera Agency	80,000,000.00	7,796,504,000.00	97.46	JPK	JPK	27th August 2020	20th August 2050	Not Disbursed	Not Disbursed	Nil	11 Years	The interest rate of the loan is 0.95 percent per annum on the principal disbursed and outstanding for each interest period.	1 Principal Repayments of 1,951,600.00 JPY(100), to be paid on 20th August 2030 and 40 instalments of 1,951,210.00 beginning on 20th February 2031 through to 20th August 2050.
16	Second Informal Settlements Improve ment Project	To improve access to basic services and tenure security of residents in participating urban informal settlements and strengthen institutional capacity for slum upgrading in Kenya.	International Development Association	134,800,000.00	17,284,932,200.00	128.23	EUR	EUR	17th August 2020	April 15th 2050	Not Disbursed	Not Disbursed	Nil	5 Years	The interest rate of the loan is 1.25% percent per annum and service charge of 0.75 percent per annum on disbursed loan amount	40 Principal Repayments of 2,224,200.00 EURO, to be paid semi-annually on 15th May and 15th October, beginning in October 15th 2025 through to April 15th 2045 and 10 Principal Repayments of 4,583,200.00 EURO, beginning in October 15th 2045 through to April 15th 2050.
17	International Sovereign Bond 2021	To finance the budget under the development expenditure	Citi Group Global Markets Europe AG	1,000,000,000.00	107,850,000,000.00	107.85	USD	USD	14th June 2021	23rd January 2034	1,000,000,000.00	107,850,000,000.00	107,850,000,000.00	12 Years	The interest rate of the loan is 6.3 percent per annum on the disbursed amount	The loan will be repaid in 2 equal annual repayments of USD 500,000,000 from January 2033 through to 23rd January 2034.

18	Extended Fund Facility	To provide direct budget financing.	International Monetary Fund	339,250,000.00	52,190,015,432.25	153.84	SDR	SDR	2nd April 2021	25th June 2031	339,250,000.00	52,190,015,432.25	52,190,015,432.25	4 Years	No interest payment	The 1 st Tranche has 10 principal repayments of SDR 7,599,000, to be paid semi-annually from 6 th October 2025 to 6 th April 2031. The 2 nd Tranche has 10 principal repayments of SDR 8,685,000, to be paid semi-annually from 25 th December 2025 to 25 th June 2031.
19	Extended Credit Facility	To provide direct budget financing.	International Monetary Fund	162,840,000.00	25,051,207,407.48	153.84	SDR	SDR	1st April 2021	25th June 2031	162,840,000.00	25,051,207,407.48	25,051,207,407.48	4 Years	No interest payment	The 1 st Tranche has 10 principal repayments of SDR 7,599,000, to be paid semi-annually from 8 th October 2026 to 8 th April 2031. The 2 nd Tranche has 10 principal repayments of SDR 8,685,000, to be paid semi-annually from 25 th December 2026 to 25 th June 2031.
20	Accelerating Reforms for an Inclusive and Resilient Recovery Development Policy Financing	To facilitate fiscal and debt reforms to make spending more transparent and efficient and enhance domestic debt market performance; To facilitate electricity sector reforms to strengthen the cornerstone utility	International Development Association	750,000,000.00	80,887,500,000.00	107.85	USD	USD	14th June 2021	15th May 2051	750,000,000.00	80,887,500,000.00	80,887,500,000.00	5 Years	The interest rate of the loan is 1.25 percent per annum and the service charge is 0.75 percent per annum on the	The loan will be repaid in 40 equal semi-annual repayments of USD 1,237,500 from 15 th November 2026 through to 15 th May 2046 and 10 equal semi-annual

	(KPLC) and place Kenya on an efficient -green path; To facilitate natural capital reforms to strengthen environmental governance ,combat climate change and make land and water -resource use more efficient and equitable and sustainable; and to facilitate Human 99capital reforms to strengthen Kenya's health and education sectors and support an inclusive ,resilient recovery.								withdrawn credit balance.	instalments of USD 2,550,000 from 15 th November 2046 through to 15 th May 2051.					
E: AGRICULTURE															
21	Kenya Livestock Commerce ialization Project	To increase incomes of 110,000 poor livestock and pastoralist households (HHs), especially youth and women, in an environmentally-friendly manner, in selected project areas of the ten participating counties. This is to be achieved through: Climate-smart production for small livestock; and Support to livestock market development	International Fund for Agricultural Development	16,010,000.00	2,052,906,265.00	128.23	EUR	EUR	16th February 2021	Not Disbursed	Not Disbursed	Nil	5 Years	The loan will be repaid in 40 equal semi-annual repayments of EUR 400,250 from 1 st May 2026 through to 1 st November 2045.	
E: EDUCATION															
22	Technical and Vocational Education	To increase youth employment by improving the employability and competitiveness of Kenyan youth	African Development 999Fund	26,900,000.00	4,138,269,100.00	153.84	AUA	EUR	11th January , 2021	Not Disbursed	Not Disbursed	Nil	4 Years	The interest rate of the loan is 1 percent per annum and	The loan will be repaid in 50 equal consecutive semi-annual instalments

al Training and Entrepre- neurship (TVEETE) Project	through improved access to, quality and relevant Technical Education and Entrepreneurship Training (TVEET).			293,547,328,431.90								271,266,475.99 4.07	271,266,475.99 4.07			service charge of 0.75 percent per annum on disbursed loan amount.	AUA 538,000 from 15 th May 2025 through to 15 th November 2049.
Total																	