



**THE NATIONAL TREASURY**

**THE BUDGET SUMMARY FOR THE FISCAL YEAR 2017/18 AND THE  
SUPPORTING INFORMATION**

**February 2017**

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# THE BUDGET SUMMARY FOR THE FISCAL YEAR 2017/18 AND THE SUPPORTING INFORMATION

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## I. BACKGROUND

1. The Constitution of Kenya and the Public Finance Management (PFM) Act, 2012, require the Cabinet Secretary responsible for finance to submit to the National Assembly the Budget Estimates of the National Government for the next financial year at least two months before the end of the financial year to be tabled in the National Assembly, together with other information and documents supporting the submitted estimates. However, the budget for the FY 2017/18 is being prepared under a revised Budget Calendar that has taken into account the preparation for the 2017 General Election. In this regard therefore, the estimates for the FY 2017/18 are being submitted to the National Assembly earlier (Feb 2017) than usual to allow for timely deliberation and approval by the Parliament in line with the revised budget calendar.

2. In this regard, the National Treasury has prepared the following information and documents for the FY 2017/18 budget estimates in line with the PFM Act:

- Policy framework for the FY 2017/18 budget and the Medium Term;
- A Statement by the National Treasury specifying the measures taken by the National Government to implement the recommendations made by the National Assembly with respect to the budget for the previous financial year;
- Highlights of the 2017/18 budget;
- An explanation of how the National Treasury will enforce the fiscal responsibility principles and the financial objectives over the Medium Term;
- A memorandum by Cabinet Secretary on the resolutions adopted by the National Assembly on the 2017 Budget Policy Statement;
- Information regarding loans, guarantees and other liabilities;
- Revenue and expenditure from the Equalization Fund and compliance with the policy developed by the Commission on Revenue Allocation;
- Revenue allocations to County Governments from the National Government's share in terms of Article 202 of the Constitution, including conditional and unconditional transfers;
- Estimates of revenue and expenditure for state corporation for the FY ending 30th June, 2018; and
- All estimated revenue by broad economic classification.

## **II. POLICY FRAMEWORK FOR THE FY 2017/18 BUDGET AND THE MEDIUM TERM**

### **Underlying assumptions underpinning the FY 2017/18 Budget**

#### ***Global Outlook***

3. The 2017/18 Budget has been prepared against a backdrop of sluggish global economic growth due to new shocks that are affecting the advanced and the developing economies. The shocks include uncertainties surrounding the policy stance of the incoming U.S. administration and its global ramifications; the Britain's vote in favor of leaving the European Union (Brexit); and the tightening of the US monetary policy and its implication for global capital flows; ongoing realignments among emerging and developing economies, such as adjustment of commodity exporters to a protracted decline in the terms of trade; slow-moving trends, such as demographics and the evolution of productivity growth; as well as noneconomic factors, such as geopolitical risks and political uncertainty.

4. Global growth for 2016 is therefore estimated at 3.1 percent, a slowdown from a growth of 3.2 percent recorded in 2015. Growth is expected to recover gradually to 3.4 percent in 2017 going forward, especially in emerging market and developing economies. Key drivers of this growth will be new developments in emerging market and developing economies, as the stressed macroeconomic conditions in advanced economies start to gradually normalize.

#### ***Kenya's Growth Prospects***

5. The domestic economy continues to exhibit resilience despite the slowdown in global growth. The economy grew by 5.6 percent in 2015, an improvement from a growth of 5.3 percent in 2014. This growth momentum continued in 2016 with a growth estimate of 6.0 percent. The economy grew by 5.7 percent in the third quarter of 2016 from a growth of 6.2 percent and 5.9 percent in the second and first quarters of 2016, respectively. The growth in the third quarter of 2016 was supported by improved performance in: accommodation and restaurant (13.8 percent), transport and storage (10.3 percent), information and communication (8.5 percent) and wholesale and retail trade (6.8 percent). Other sectors, particularly agriculture, forestry and fishing, mining, manufacturing, electricity and water supply, construction, financial and insurance and real estate, grew at slightly lower rates than their corresponding rates in the same quarter in 2015.

6. The economy is projected to expand by 5.9 percent in 2017 from the estimated 6.0 percent in 2016. This growth momentum will be maintained over the medium term supported by output in agriculture, ongoing recovery of tourism and completion of key public projects in roads, rail and energy generation. In addition, the strong consumer demand and private sector investment as well as a stable macroeconomic environment in the country will help reinforce this growth. The

economy is expected to have generated more new jobs in 2016 from the 841,600 jobs created in 2015.

7. In order to sustain the stable economic growth, the government will continue to maintain macroeconomic stability during the FY 2017/18 and the medium term. Our macroeconomic performance remains broadly stable with the annual average inflation rate standing at 6.5 percent in 2016 which is within the target. Interest rates are expected to remain stable while the Kenya exchange rate is expected to remain competitive.

8. This FY 2017/18 budget will implement the third Medium Term Plan of Vision 2030 that is currently under preparation. As such, the policy goals, priority programs and fiscal framework in this budget reflect emerging realities and priorities in the MTP.

9. The economic policy of the government in the FY 2017/18 budget and the medium term is to consolidate the economic gains of the Transformation Agenda that was started four years ago. The Agenda will achieve higher and sustainable growth, generate employment and reduce poverty and inequality enabling Kenya realize faster the aspirations under Vision 2030.

10. The policies and reform measures for FY 2017/18 budget as expounded in the 2017 Budget Policy Statement continues to focus on: sustaining conducive business environment for investment opportunities; continued spending in infrastructure to unlock constraints to growth; sustaining sectoral spending for employment creation; sustained investment in social services for the welfare of Kenyans; enhancing service delivery through devolution; and continued structural reforms in the public sector, financial sector and business regulation for better service delivery.

11. We have realized tremendous achievements from the past investments in these policy areas. These include among others: improved infrastructure particularly construction of the Standard Gauge Railway which is near completion, construction of 1,194km of new roads, rehabilitation of 523km of existing roads, completion of the first phase of second container terminal at the Mombasa port, an addition of 615MW of electricity to the national grid and an enhanced electricity connection. We have also greatly improved the business environment for investment opportunities, enhanced security through modernizing police equipment and improving police mobility, and heightened the fight against corruption.

12. In addition, the Government has greatly transformed the Agricultural sector towards mechanization in order to ensure food security. We have also remarkably improved financial access among Kenyans. On social services, the Government has made great progress in improving welfare of all Kenyans through improved services in health care, education and caring for the vulnerable groups.

13. Despite the achievements, our economy remains vulnerable to shocks, especially those originating from domestic sources such as drought and external sources particularly the slower global growth and uncertainties surrounding the low international commodity prices. Should these shocks materialize like the current draught situation, we will adjust our macroeconomic policies, and/or access precautionary funding from the International Monetary Fund under the Standby Arrangement and Standby Credit Facility to provide support.

***Fiscal Policy Framework for FY 2017/18 and the Medium Term***

14. The 2017 Medium-Term Fiscal Policy aims at supporting rapid and inclusive economic growth, ensuring a sustainable debt position while supporting the devolved system of Government for effective delivery of services. Our fiscal policy also indicates our deliberate convergence path towards the East African Community Monetary Union protocol's fiscal targets. Specifically, the fiscal policy underpinning the FY 2017/18 Budget and the Medium Term aims at raising revenue to 21.6 percent of GDP while containing growth of total expenditure (**Table 1**).

**Table 1: Medium Term Fiscal Framework**

FY	2016/17		2017/18		2018/19	2019/20	2016/17		2017/18		2018/19	2019/20
	Printed Estimates	Rev. Estimates	BPS'2017	Budget	Proj.	Proj.	Printed Estimates	Rev. Estimates	BPS'2017	Budget	Proj.	Proj.
	Ksh million						As percentage of GDP					
<b>1.0 TOTAL EXPENDITURE AND NET LENDING</b>	<b>2,275,556</b>	<b>2,232,338</b>	<b>2,288,690</b>	<b>2,286,974</b>	<b>2,458,729</b>	<b>2,676,627</b>	<b>31.3</b>	<b>30.0</b>	<b>27.6</b>	<b>27.6</b>	<b>26.6</b>	<b>26.7</b>
1.1 Ministerial Recurrent Expenditure	857,526	918,861	977,853	988,968	1,055,024	1,135,072	11.8	12.4	11.8	11.9	11.4	11.3
o/w Wages & Salaries (civil Service and TSC)	360,776	360,776	398,815	365,021	434,708	456,444	5.0	4.9	4.8	4.4	4.7	4.6
Govts Contribution to Civil Service Pensions	-	-	17,947	17,947	22,822	23,963	0.0	0.0	0.2	0.2	0.2	0.2
1.2 Interest Payments and Pensions	310,957	293,880	361,219	356,892	381,984	425,477	4.3	4.0	4.4	4.3	4.1	4.2
1.3 Development Expenditure	815,161	727,685	634,795	638,379	685,826	754,603	11.2	9.8	7.7	7.7	7.4	7.5
o/w Domestically Financed	395,549	412,418	368,591	373,842	391,265	412,100	5.4	5.5	4.4	4.5	4.2	4.1
Foreign Financed	413,613	309,267	258,457	256,821	285,814	332,537	5.7	4.2	3.1	3.1	3.1	3.3
1.4 Net Lending	2,127	2,127	5,586	2,398	2,383	1,600	0.0	0.0	0.1	0.0	0.0	0.0
1.5 Contingency Fund	5,000	5,000	5,000	5,000	5,000	5,000	0.1	0.1	0.1	0.1	0.1	0.0
1.6 County Allocation	284,785	284,785	304,236	295,336	328,512	354,876	3.9	3.8	3.7	3.6	3.5	3.5
<b>2.0 TOTAL REVENUE</b>	<b>1,500,509</b>	<b>1,515,464</b>	<b>1,706,034</b>	<b>1,704,503</b>	<b>1,914,103</b>	<b>2,166,878</b>	<b>20.7</b>	<b>20.4</b>	<b>20.6</b>	<b>20.6</b>	<b>20.7</b>	<b>21.6</b>
2.1 Ordinary revenue	1,376,424	1,371,547	1,549,412	1,549,367	1,749,450	1,993,201	19.0	18.4	18.7	18.7	18.9	19.9
2.2 Ministerial A-I-A	124,085	143,917	156,622	155,136	164,654	173,677	1.7	1.9	1.9	1.9	1.8	1.7
<b>3.0 GRANTS</b>	<b>72,719</b>	<b>51,471</b>	<b>51,514</b>	<b>58,821</b>	<b>59,996</b>	<b>81,366</b>	<b>1.0</b>	<b>0.7</b>	<b>0.6</b>	<b>0.7</b>	<b>0.6</b>	<b>0.8</b>
3.1 AMISOM Receipts	6,440	6,440	6,100	6,100	6,100	5,000	0.1	0.1	0.1	0.1	0.1	0.0
3.2 Projects Grants	65,357	44,108	44,914	52,721	53,896	76,366	0.9	0.6	0.5	0.6	0.6	0.8
3.3 Italian Debt Swap	500	500	500	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0
3.4 County Health Facilities - DANIDA	422	422	-	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0
<b>4.0 DEFICIT</b>	<b>(702,328)</b>	<b>(665,404)</b>	<b>(531,142)</b>	<b>(523,650)</b>	<b>(484,629)</b>	<b>(428,383)</b>	<b>-9.7</b>	<b>-8.9</b>	<b>-6.4</b>	<b>-6.3</b>	<b>-5.2</b>	<b>-4.3</b>
<b>5.0 FINANCING</b>	<b>702,328</b>	<b>665,404</b>	<b>531,142</b>	<b>523,650</b>	<b>484,629</b>	<b>428,383</b>	<b>9.7</b>	<b>8.9</b>	<b>6.4</b>	<b>6.3</b>	<b>5.2</b>	<b>4.3</b>
5.1 Commercial Financing	153,778	153,778	150,000	150,000	125,000	53,229	2.1	2.1	1.8	1.8	1.4	0.5
5.2 Project Loans	348,256	265,159	213,544	204,100	231,918	256,171	4.8	3.6	2.6	2.5	2.5	2.6
5.3 Programme support	3,855	7,355	-	900	-	-	0.1	0.1	0.0	0.0	0.0	0.0
5.4 Foreign Payments	(43,623)	(43,623)	(142,460)	(149,046)	(231,952)	(111,556)	-0.6	-0.6	-1.7	-1.8	-2.5	-1.1
5.5 Domestic Financing other than Borrowing	3,956	2,629	(10,925)	(11,191)	(5,803)	(5,677)	0.1	0.0	-0.1	-0.1	-0.1	-0.1
5.6 Domestic Borrowing	236,105	280,105	320,983	328,887	365,466	236,217	3.3	3.8	3.9	4.0	3.9	2.4
<b>6.0 FINANCING GAP/DISCREPANCY</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Nominal GDP (Fiscal Year)	7,259,000	7,435,211	8,284,284	8,284,284	9,258,788	10,021,791	100.0	100.0	100.0	100.0	100.0	100.0

NB. Ministerial Expenditures includes revised ceilings for Judiciary and Parliament

## Revenue Projections

15. The FY 2017/18 budget targets revenue collection including Appropriation-in-Aid (AIA) of Ksh 1,704.5 billion (20.6 percent of GDP) from Ksh 1,515.5 billion (20.4 percent of GDP) in the FY 2016/17. Ordinary revenues are projected at Ksh 1,549.4 billion (18.7 percent of GDP) in the FY 2017/18 up from the projected Ksh 1,371.5 billion (18.4 percent of GDP) in the FY 2016/17.

16. This performance will be underpinned by on-going reforms in tax policy and revenue administration, through automation and inter agency collaboration and connectivity. The Government will also complete the review of the Income Tax law so as to modernize it and align it to international practice.

## Expenditure Projections

17. The expenditures in FY 2017/18 are guided by the Medium Term Plan II of Vision 2030 and the strategic priorities of the Government. The Government will continue with rationalization of

public expenditures to enhance efficiency and productivity in service delivery by scrutinizing expenditures carefully to ensure quality alignment to the government economic transformation agenda and strategic interventions for national interest.

18. In the FY 2017/18, total expenditure and net lending are projected at Ksh 2,287.0 billion (or 27.6 percent of GDP) from the estimated Ksh 2,232.3 billion (30.0 percent of GDP) in the FY 2016/17 budget. Recurrent expenditures will amount to Ksh 1,345.9 billion (16.2 percent of GDP) compared with Ksh 1,212.7 billion (16.3 percent of GDP) in the FY 2016/17.

#### Development and Net Lending

19. The ceiling for development expenditures including foreign financed projects (including net lending) in nominal terms amounts to Ksh 640.8 billion in the FY 2017/18. Most of the outlays are expected to support critical infrastructure. Part of the development budget will be funded by project loans and grants from development partners, while the balance will be financed through domestic resources.

#### Contingency Fund

20. In line with the Constitution and the PFM Act 2012, a contingency provision of Ksh 5.0 billion has been provided for in the FY 2017/18 budget to cater for unforeseen expenditures.

#### Equalization Fund

21. In the FY 2017/18, the Equalization Fund has been allocated Ksh 7.7 billion to cater for critical development expenditure in water, roads, health, and energy in marginalized areas to improve services in those areas. The National Treasury has proposed utilization of these funds as per the recommendations of Commission on Revenue Allocation.

#### Deficit Financing

22. In the FY 2017/18 the fiscal deficit (excluding grants), is projected at Ksh 582.5 billion (equivalent to 7.0 percent of GDP) against the estimated fiscal deficit of Ksh 716.9 billion (9.6 percent of GDP) in the FY 2016/17. Including grants, the fiscal deficit is projected at Ksh 523.7 billion (6.3 percent of GDP) in the FY 2017/18 against the estimated fiscal deficit of Ksh 665.4 billion (8.9 percent of GDP) in the FY 2016/17. Excluding expenditures related to the Standard Gauge Railway (SGR) which is a one off expenditure, the deficit for the FY 2017/18 amounts to Ksh 469.6 billion or 5.7 percent of GDP.

23. The fiscal deficit in the FY 2017/18, will be financed by net external financing of Ksh 206.0 billion (2.5 percent of GDP), Ksh -11.2 billion or -0.1 percent of GDP (this comprises of Ksh 3.8

billion domestic loan receipts and Ksh 15 billion loan repayment to Central Bank of Kenya) and Ksh 328.9 billion (4.0 percent of GDP) from net domestic borrowing.

24. Going forward, we remain committed to bringing the fiscal deficit down gradually from the 6.3 percent of GDP in FY 2017/18 to 5.2 percent of GDP in FY 2018/19 and below 4.0 percent of GDP in the medium term. This reduction will strengthen our debt sustainability position. We carefully evaluate our external and domestic debt to ensure we are in a position to service the same. A recent Debt sustainability Analysis concluded that Kenya continues to face low risk of debt distress, with the net present value of our public debt to GDP being below 50 percent.

### **III. MEASURES TAKEN BY THE NATIONAL GOVERNMENT IN IMPLEMENTING RECOMMENDATIONS MADE BY THE NATIONAL ASSEMBLY FOR PREVIOUS FINANCIAL YEAR(S)**

25. Section 38 (1) (f) of the PFM Act requires the National Treasury to submit a statement specifying the measures taken by the national government to implement any recommendations made by the National Assembly with respect to the budget for the previous financial year or years.

26. In the FY 2016/17 Budget Policy Statement, the National Assembly resolved that an intergovernmental framework be put in place to effectively deal with conditional grants including donor funded projects. Significant progress has been made towards the realization of this resolution. First, the National Treasury in consultation with County Government and other stakeholder has prepared Guidelines on the management of additional conditional and unconditional allocations to counties. These Guidelines are consistent with regulation 129 to 135 of the Public Finance Management (National Government) Regulations, 2015. Secondly, the National Treasury has strengthened Intergovernmental Fiscal Relations department through deployment of adequate personnel to provide the necessary technical support to the devolved units through the existing institutional frameworks.

27. The National Assembly also recommended that a framework for the disbursement of the equalization fund be expedited and finalized. Whereas no disbursement has previously been made from the Equalization Fund, there is progress towards the Fund's operationalization. The Fund was officially launched on 11<sup>th</sup> March 2016 and Parliament approved the Fund's Guidelines. Further, the National Treasury appointed the Fund's Administrator and opened the Equalization Fund Account at the Central Bank of Kenya (CBK). The Fund's Advisory Board has also been established.

28. During the MTEF consultative process, line Ministries, State Departments and Agencies received proposals for projects to be considered for funding in the FY 2016/17 and over the medium term in line with Article 204 of the Constitution, the Public Finance Management Act (2012) and the Equalization Fund Guidelines. These proposals were submitted to the Equalization Fund Advisory Board which, in December 2016, undertook consultations with County leaders and the public across all the 14 marginalized Counties. The objective of the consultations was to obtain public input in prioritizing the projects, based on the projects' potential impact on socio-economic well-being within the respective Counties. The Equalization Fund Advisory Board will now forward prioritized projects to the National Assembly for further consideration and approval.

29. In the FY 2016/17 BPS, the National Assembly resolved that there should be no new projects introduced after adoption of the BPS and that all expenditure adjustments in form of supplementary budget should be done on or before April of any given year. Consequently during the finalization of FY 2016/17 development budget, the National Treasury allocated resources to projects which were near completion to ensure that the citizens enjoy the benefits that accrue from such projects. We shall endeavor to prioritize and finish all the ongoing projects where possible within the Medium Term. The National Treasury also ensured that no new projects were taken on board except for very critical projects aimed at addressing emerging challenges. The National Treasury is committed to ensuring that any Supplementary budget is submitted to the National Assembly before April. In this regard, we submitted the FY 2016/17 supplementary Estimates to Parliament in December 2016 for approval to comply with this resolution.

30. The National Assembly resolved that Ksh 1 billion be earmarked for Economic Stimulus Programmes (ESP) in areas that have not benefited previously. Considering that there are stalled ESP projects, the National Treasury allocated Ksh 640 million for the completion of ESP Markets, ESP District Headquarters and Constituency Industrial Development Centers (CIDC) in the FY 2016/17 budget. This is to avoid taking up of new projects while ongoing projects are yet to be completed. In the FY 2017/18, more resources have been allocated towards completion of ESP District Headquarters, ESP Markets and Constituency Industrial Development Centers.

31. The National Assembly resolved that the National Treasury should provide details on projects, both on-going and earmarked by sectors, to be implemented using projected debt resources in the annual estimates. The National Treasury prepared the FY 2016/17 budget according to projects. All projects that the government is implementing, including in the Medium Term are included in the Annual Estimates with details on source of financing.

32. In the 2016 BPS, it was also resolved that the government pursues debt policies aimed at achieving fiscal consolidation and efficiency in revenue collection. Consequently, the government's Medium-Term Debt Strategy (MTDS) set debt sustainability targets with the objective of minimizing the accumulation of risk within the debt portfolio. Non-concessional external borrowing will be undertaken in a cautious manner and limited to development projects and the stated ceiling in the MTDS. The Government also remains committed to accessing international capital markets with a view to continued diversification of our funding sources for development expenditures while at the same time reducing pressures on domestic interest rates.

33. It was resolved that the National Treasury initiates a comprehensive assessment of existing projects and provide plan of action on how the projects are going to be completed within the current and medium term resource framework. To implement this resolution, the National

Treasury has coded all projects in IFMIS as “Heads”. The detailed Development Budget structure will include individual projects being implemented by MDAs in order to improve monitoring and reporting on project implementation. Further, in allocating resources, priority has been given to completion of ongoing projects before taking on board any new projects.

#### IV. HIGHLIGHTS OF THE FY 2017/18 BUDGET

34. In the Financial Year 2017/18 Budget, adequate resources have been allocated to key government flagship projects to drive the transformative agenda. These are in addition to the strategic interventions initiated in the FY 2013/14 Budget. The Highlights are as indicated in subsequent paragraphs.

35. **Food Security and Agriculture: Ksh 7.3 billion** has been allocated for on-going irrigation projects countrywide and transformation of agriculture from subsistence to productive commercial farming. This includes Ksh 0.8 billion allocated to the Bura Irrigation Project, Ksh 2.1 billion for Mwea Irrigation Project, Ksh 0.6 billion for Galana-Kulalu and Ksh 2.2 billion for National Expanded Irrigation Programme. Other key allocations are as follows:

- Ksh 5 billion for inputs subsidy (Fertilizer and Seed)
- Ksh 1.3 billion for Strategic Grain Reserves
- Ksh 0.4 billion for Construction of Jetty for RV Mtafiti (Marine Research)
- Ksh 0.3 billion for Aquaculture Technology Development and Innovation Transfers
- Ksh 0.1 billion for the revival of the Pyrethrum sector
- Ksh 0.7 billion for Livestock & Crop Insurance Scheme
- Ksh 0.1 billion for Mechanization of Agriculture
- Ksh 1 billion for Food Security & Crop Diversification Programme ( Miraa Farmers)
- Ksh 0.1 billion for Disease Free Zones
- Ksh 1.6 billion for Issuance of Title Deeds
- Ksh 0.9 billion for Digitization of Land Registries

36. **Infrastructure, Transport and Logistics:** Investment for infrastructure development has been significantly enhanced as follows:

##### Roads

- Ksh 63.6 billion for Ongoing Road Construction (Domestically Financed)
- Ksh 44.3 billion for Foreign Financed Roads

- Ksh 27 billion for Low Volume Seal Roads

## **Rail**

### Standard Gauge Railway

- Ksh 15.5 billion Mombasa – Nairobi (Phase I of SGR)
- Ksh 59.6 billion Nairobi – Naivasha (Phase II of SGR)
- Ksh 0.4 billion for Relocation of Railway Lines at Kibera and Mukuru

## **Ports**

- Ksh 2.6 billion for Upgrading of Malindi, Isiolo and Lokichogio Airports and Suneka Airstrip
- Ksh 0.2 billion for Maintenance of Ferries
- Ksh 3.6 billion for Mombasa Port Development Project (Donor)
- Ksh 10 billion for LAPSSET Project
- Ksh 0.3 billion for second Generation Smart Card Based Driving Licence.

## **Housing**

- Ksh 1.4 billion for Construction of Housing Units for Police and Kenya Prison.
- Ksh 1.5 billion for Civil Servant Housing Scheme Fund.

## **Public Works**

- Ksh 1.3 billion for Construction and Completion of Stalled Government Buildings.
- Ksh 0.6 billion for Construction of 5 County Headquarters.

## **Energy**

- Ksh 16.4 billion for Geothermal Development
- Ksh 2.0 billion for LPG Distribution and Infrastructure Programme
- Ksh 3.84 billion for Exploration and Distribution of Oil and Gas
- Ksh 5.1 billion for Rural Electrification Programme
- Ksh 9.7 billion for Last Mile Connectivity
- Ksh 3.1 billion for National Street lighting Programme
- Ksh 7.3 billion for Electrification of Public Facilities

- Ksh 3 billion for Installation of Transformers in Constituencies
- Ksh 1.3 billion for Connectivity Subsidy
- Ksh 1.53 billion Installation of solar lanterns(loan AIA)

37. **Industrialization and Extractive Industry;** to promote the development of industries and extractive sectors of the economy, the following programmes have been allocated resources;

- Ksh 0.8 billion for Leather Industrial Park Development
- Ksh 0.8 billion for Textile Development
- Ksh 250 million for Ease of Doing Business
- Ksh 450 million for Modernization of RIVATEX
- Ksh 250 million for Modernization of New KCC

38. **Environment Management and Protection, Flood Control and Water Harvesting:** to enhance and sustain measures to control floods and harvest rain water, the following activities have been allocated funds as follows:

- Ksh 5.6 billion for Water Resource Management
- Ksh 25.3 billion for Water and Sewerage Infrastructure Development
- Ksh 0.5 billion for Water for Schools
- Ksh 2.0 billion for National Water Harvesting and Ground Water Exploitation
- Ksh 3.3 billion for Dam Construction
- Ksh 3.8 billion for Environment Management and Protection
- Ksh 2.2 billion for Meteorological Services
- Ksh 3.9 billion for Integrated Regional Development

39. **Enhanced Security for Investment, Growth and Employment:** Security is necessary for encouraging investment, accelerating economic growth and creating more jobs for our youth. To this end, the following allocation has been provided:

- Ksh 8.1 billion for Lease Financing of Police Motor Vehicles
- Ksh 14.3 billion for enhanced security operations

- Ksh 10 billion for Police Modernization Programme
- Ksh 5.1 billion for Police and Prison Officers Medical Insurance Scheme
- Ksh 1.7 billion for Group Life Insurance for Police
- Ksh 0.9 billion for Construction and Equipping of the National Forensic Laboratory
- Ksh 2.0 billion for Securitization of Borders
- Ksh 15.6 billion for Military Modernization

40. **Enhancing Access and Transforming the Educational System through e-Teaching and e-Learning:** A total of **Ksh 13.4** billion has been proposed for deployment of laptops to schools, development of digital content, building capacity of teachers and rolling out computer laboratory for primary schools throughout the country. Other key allocations in basic education, tertiary and higher education are as follows:

- Ksh 33 billion for Free Day Secondary Education
- Ksh 14 billion for Free Primary Education
- Ksh 2 billion for Recruitment of Teachers
- Ksh 6 billion for Technical Training Institutes
- Ksh 0.4 billion for Sanitary towels for girls in school
- Ksh 2.5 billion School Feeding Programme (Including Donor)
- Ksh 4 billion for Subsidy to KNEC for examinations fee waiver
- Ksh 10.1 billion for Higher Education Loans Board
- Ksh 83.8 billion for University Education
- Ksh 0.3 billion for upgrading of National Schools
- Ksh 0.3 billion for ICT integration in Secondary Schools

41. **Quality and Accessible Health Care Services for all Kenyans:** To provide quality and accessible health care, we have allocated resources as follows:

- Ksh 4.3 billion is for Free Maternal Healthcare
- Ksh 4.5 billion for Lease of medical equipment (Managed Equipment Services)

- Ksh 3.6 billion for Kenya Medical Training Centers
- Ksh 9.5 billion for Kenyatta National Hospital
- Ksh 6.2 billion for Moi Teaching and Referral Hospital
- Ksh 1.7 billion for Kenya Medical Research Institute
- Ksh 2.7 billion for Doctors/Clinical Officers/Nurses internship programme
- Ksh 0.6 billion National Aids Council
- Ksh 0.9 billion for Free Primary HealthCare (Removal of 10-20 Policy)
- Ksh 0.5 billion for Slum Clinics Upgrading Programme (Portable Clinics)
- Ksh 0.3 billion for Health Insurance Subsidy Programme (Elderly & Disabled)
- Ksh 1.3 billion for rollout of Universal Health Coverage
- Ksh 0.7 billion for Vaccines
- Ksh 0.2 billion for Cancer Institute

42. **Equity, Poverty Reduction and Social Protection for Vulnerable Groups:** To address the plight of the less disadvantaged in society, combat poverty, and promote equity, the social protection safety net in form of cash transfer has been enhanced. In addition an allocation for the equalization fund, Constituency Development Fund (CDF), and Affirmative Action for Social Development has been set aside as follows:

- Ksh 30.9 billion for National Government Constituency Fund
- Ksh 2.1 billion for Affirmative Action for Social Development for Women Representatives
- Ksh 7.7 billion for the Equalization Fund
- Ksh 8 billion is for Orphans and Vulnerable Children (OVC)
- Ksh 7.4 billion for Cash Transfer to Elderly Persons
- Ksh 1.2 billion for Cash Transfer to Persons with Severe Disability
- Ksh 0.4 billion for National Development Fund for persons with disability;
- Ksh 0.3 billion for Street Families Rehabilitation
- Ksh 0.5 billion for Children Welfare Society

- Ksh 0.4 billion for Presidential Secondary School Bursary Scheme
- Ksh 3.5 billion for Kenya Hunger Safety Net Programme
- Ksh 0.7 billion for Emergency Relief

43. **Enhancing Women and Youth Empowerment:** Ksh 9.8 billion has been allocated towards youth empowerment programme as a vehicle for transforming and empowering the youth. Other interventions include:

- Ksh 0.6 billion Youth Enterprise Development Fund
- Ksh 0.7 billion Youth Employment and Enterprise (Uwezo Fund)
- Ksh 0.8 billion Women Enterprise Fund

44. **Leveraging on Information, Communication and Technology;** the following allocation has been set aside

- Ksh 0.3 billion for Single Window Support Project;
- Ksh 1.2 billion for Roll out of IFMIS;
- Ksh 0.6 billion for Development at Konza Technopolis;
- Ksh 13.4 billion for Digital Literacy Programme (School Laptop Project);
- Ksh 0.3 billion for Digital Migration (KBC); and
- Ksh 0.1 billion for Presidential Digital Talent Programme

45. **Constitutional Implementation and Related Reforms;** we have set aside funds to support implementation of the Constitution as follows:

- Ksh 18 billion for the Judiciary
- Ksh 36 billion for Parliament

46. **On-going Economic Stimulus Projects;** The Government is committed to completion of on-going ESP Projects:

- KSh 0.1 billion for Completion of ESP District Headquarters
- KSh 0.3 billion for Construction of Vision 2030 Flagship and ESP Markets.
- KSh.250 million for Completion of Constituency Industrial Development Centers

## V. ADHERENCE TO FISCAL RESPONSIBILITY PRINCIPLES

47. The National Treasury is mandated to manage the national government's public finances in accordance with the Constitution. The management of finances is guided by: openness and accountability; promotion of an equitable society; equitable sharing of burdens and benefits of the use of resources and public borrowing between present and future generations; prudent and responsible use of public money; responsible financial management and clear fiscal reporting.

48. In this regard, the government has continued to ensure compliance with the principles of fiscal responsibility expressed in the Public Finance Management Act, 2012 as follows:

- a. *A minimum of 30 percent of the national government's budget allocated to the development expenditure over the medium term.*

The National Government's development budget was 37.6 percent of the total budget in the FY 2016/17. In the FY 2017/18 Budget Estimates, development budget is 32.3 percent of the total budget and is projected at 32.4 percent and 32.6 percent in the FY 2018/19 and FY 2019/20, respectively (Table 2).

**Table 2: Revenue and Expenditure (Ksh million)**

ITEMS	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
<b>1.0 Total Expenditure and Net Lending</b>	<b>1,781,945</b>	<b>2,232,338</b>	<b>2,286,974</b>	<b>2,458,729</b>	<b>2,676,627</b>
1.1 Total National Government Expenses	1,512,907	1,942,554	1,986,638	2,125,217	2,316,752
Recurrent Expenditure	1,027,543	1,212,742	1,345,860	1,437,008	1,560,549
CFS (Intrest & Pesions)	268,730	293,880	356,892	381,984	425,477
Total Ministerial Recurrent	758,813	918,861	988,968	1,055,024	1,135,072
Wages & Salaries	307,421	360,776	365,021	434,708	456,444
As a % of NG Revenue	24.8	23.8	21.4	22.7	21.1
Development Expenditure	485,364	729,812	640,777	688,209	756,203
As a % of NG Expenditure	32.1	37.6	32.3	32.4	32.6
Domestically Financed (Gross)	301,276	412,418	373,842	391,265	412,100
Foreign Financed	175,521	309,267	256,821	285,814	332,537
Equalization Fund	6,400	6,000	7,716	8,747	9,966
Contingency Fund	5,000	5,000	5,000	5,000	5,000
1.2 County Allocation	264,039	284,785	295,336	328,512	354,876
<b>2.0 Total Revenues</b>	<b>1,237,883</b>	<b>1,515,464</b>	<b>1,704,503</b>	<b>1,914,103</b>	<b>2,166,878</b>
<b>3.0 FINANCING</b>	<b>202,257</b>	<b>280,105</b>	<b>328,887</b>	<b>365,466</b>	<b>236,217</b>

Source: National Treasury

- b. *The national government's expenditure on wages and benefits for its employees not to exceed 35 percent of the national government equitable share of the revenue.*

As a percentage share of National Government revenue, compensation to employees was 23.8 percent in FY 2016/17 and is projected at 21.4 percent in the FY 2017/18 and 21.1 percent in the FY 2019/20.

- c. *Over the medium term, the National Government’s borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.*

This principle continues to be adhered to by the government through the fiscal and debt policies as set out in the Medium Term Debt Management Strategy and other policy documents. The debt policy ensures that borrowing (excluding short term debts) is done only for development purposes.

- d. *Public debt and obligations shall be maintained at a sustainable level as approved by Parliament for National Government*

The Medium Term Debt Management Strategy (MTDS), which is approved by the National Assembly, sets the quantum for the government’s annual borrowing. This is achieved through analysis of the government’s borrowings and obligation to ensure that new borrowing is allowed within a framework of sustainable debts. The National Treasury has always ensured that borrowing limits as approved in the MTDS are observed at all times. Our debt ratios compared with internationally recognized thresholds continues to show that our debt level remains sustainable. The baseline public debt path remains consistent with the EAC convergence criteria (deficit and debt) and below the relevant public debt benchmark.

The debt sustainability indicators illustrate that Kenya faces a low risk of external debt distress (**Table 3**). This is attributed to the high level of concessionality of current external debt and the positive outlook in other macroeconomic indicators.

**Table 3a: External Debt Sustainability Indicators (In Percent)**

Indicator	Threshold	2015	2016	2017	2019	2026
PV of external debt-to-GDP ratio	50	20.3	21.7	22.6	21.4	18.3
PV of external debt-to-exports ratio	200	122.8	137.4	137.9	124.4	103.5
PV of external debt-to-revenue ratio	300	107.7	110.1	107.7	98.9	82.8
PPG Debt service-to-exports ratio	25	7.3	8.3	15.2	13.8	12.2
PPG Debt service-to-revenue ratio	22	6.4	6.7	12.0	11.0	9.8

Source: IMF Country Report No. 17/25, January 2017

Kenya's public debt sustainability indicates a strong performer with the PV of public sector debt to GDP at 48.7 percent and 49.0 percent in 2016 and 2017 respectively compared to the threshold of 74 percent. Similarly, the PV of public sector debt to revenue ratio is 247.2 and 235.7 in 2016 and 2017 respectively, which are within the threshold of 300.

*e. Fiscal risks shall be managed prudently*

To manage fiscal risks prudently as required, the Government has improved its macroeconomic forecasts and regularly reviews the impact of macroeconomic projections and their implications on the budget. A detailed Annex on the Specific Fiscal Risks is prepared as part of the Budget Policy Statement. The Government also takes into account the fiscal risks arising from explicit and implicit contingent liabilities including the Public Private Partnerships and Financial Sector Stability. Further, every year a contingency provision of Ksh 5.0 billion is factored in the budget to cater for urgent and unforeseen expenditure.

*f. A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future*

To maintain a reasonable degree of predictability with respect to the level of tax rates and tax bases, the Government has endeavored to simplify and modernize tax legislations. In the last two years, government has enacted modern and simpler VAT Act, Tax Appeals Tribunal Act, Excise Duty Act and Tax Procedure Act. A review of the Income Tax Act is ongoing. These reforms are intended to lock in predictability and enhance compliance with the tax system and ensure stability in tax revenue flows.

## VI. MEMORANDUM ON THE RESOLUTIONS ADOPTED BY THE NATIONAL ASSEMBLY ON THE 2017 BUDGET POLICY STATEMENT

### (a) Introduction

49. Section 25(8) of the Public Finance Management (PFM) Act, 2012 prescribes that the Cabinet Secretary for Finance shall take into account resolutions passed by Parliament in finalizing the budget for a given financial year. The National Assembly approved the 2017 Budget Policy Statement (BPS) and the Debt Management Strategy for 2017/18 and the Medium Term on 20<sup>th</sup> December, 2016. The decision was subsequently communicated to the National Treasury vide the letter Ref. No. KNA/L&P/CORR/VOL.1/2016/(070).

50. Section 38(1) (iii) of the PFM Act, 2012 requires the Cabinet Secretary to prepare a memorandum explaining how the resolutions adopted on the BPS have been taken into account. In this regard therefore, this section provides a brief to Parliament on the extent to which the resolutions of the house on the 2017 BPS were taken or not taken on board and the reasons thereof.

### (b) Resolutions by the National Assembly on the BPS 2017

***Resolution 1: That the deficit/fiscal balance be limited to no more than 6 percent of the GDP (Ksh 500 billion) in FY 2017/18 and thereafter reduced to 4.9 percent and 4 percent in FY 2018/19 and FY 2019/20 respectively.***

51. **Action taken;** The National Treasury is of the view that reducing the deficit for the FY 2017/18 to the recommended levels will adversely affect the service delivery and ongoing projects including the Standard Gauge Railway, ongoing roads & ports infrastructural projects and counterpart funding. However, we are committed to achieving the targets as resolved by Parliament progressively over the Medium Term.

***Resolution 2: That the allocations to the county governments for the FY 2017/18 from the national governments' equitable revenue share be Ksh 291.1 billion***

52. **Action taken:** The National Treasury has adjusted the *county governments' allocation* from Ksh 299.1 billion to Ksh 291.1 billion.

***Resolution 3: The NA resolved that the GoK-financed conditional allocations which are disbursed directly to County Governments be reduced by a net of Ksh 1.4 billion.***

53. **Action taken;** The National Treasury has implemented the resolutions on the two conditional allocations. Taking note that the reduction is occasioned by: (i) a new Ksh 2 billion

conditional allocation to County Governments to finance rehabilitation of village polytechnics. It will be budgeted under the State Department of Vocational and Technical Training, and will benefit all counties, with the distribution criteria having two parameters: equitable share (60 percent) and trainee enrolment (40 percent); and, (ii) reallocation of the Ksh 3.4 billion free maternal healthcare as a special grant to the National Health Insurance Fund (NHIF). The grant will be reimbursed directly to contracted health institutions through existing NHIF systems, thereby improving efficiency.

***Resolution 4: That the National Treasury develops a framework on commitment control for the Ministries Departments and Agencies (MDAs) in order to address this issue decisively and conclusively.***

54. **Action taken:** The National Treasury has from time to time issued instructions on commitment control to MDAs to guide in the implementation of the budget. These guidelines are contained in the Budget Implementation Circulars that are issued at the beginning of every financial year and a specific guideline as need arises. Going forward, and in compliance with the resolution, the National Treasury will develop a more comprehensive framework on commitment control.

***Resolution 5: That the National Treasury reviews the Public Private Partnership policy to ensure all fiscal risks are minimized and effective and efficient implementation of all PPP projects. In addition, a report should be tabled in Parliament of total costs of all PPPs including the contingent liabilities arising from them***

55. **Action taken:** the National Treasury has a PPP unit responsible for mandatory evaluation of all proposed PPP projects for financial risks and contingent liabilities as a condition of project approval. In addition, the PPP Steering Committee has adopted a Fiscal Commitment and Contingent Liability (FCCL) Management Framework to ensure approval of, and fiscal accountability in the management of, financial and any other form of Government support granted in the implementation of the country's PPP program.

56. The PPP unit is currently developing a policy framework to govern the issuance of letters of support requested across Government. The policy will provide a clear structure and process as a primary means of managing financial risks to government by ensuring robust and rigorous analysis and review before the Government takes on such commitments.

57. Ongoing and planned PPP projects are normally contained in the BPS which is tabled in parliament.

***Resolution 6: That the approved Medium Term Debt Management Strategy is external and domestic borrowing in the ratio of 60:40 of which external borrowing comprises of***

***concessional (20%), semi-concessional (30%) and commercial (10%) terms. Any deviation from the approved framework in the course of the FY must receive parliamentary approval and legislation be enacted.***

58. **Action taken:** We commit to remain within the framework. In the event of deviation from the approved framework, we shall seek Parliament Approval.

***Resolution 7: That the MTEF Sector Working Groups be restructured to provide for an oversight/legislative Sector to ensure adequate participation and adherence to principle of separation of Power.***

59. **Action taken:** The Sector Working Groups have been formulated according to the Classification of Functions of Government (COFOG) and international best practice. The objective of the Sector Working Group is to prioritize allocation of resources by trade-offs amongst related priority expenditure areas and provides a platform for public participation in the Budget making process. It is important to note that the Sector Working Group arrangement does not infringe on the institutions operational independence and the principle of separation of power in the implementation of their various mandates. It is only a forum for bidding and allocating the scarce resources. In view of this, Parliament and other oversight institutions are rightly placed in the Sector Working Group framework.

***Resolution 8: That Ksh 7.7 billion is set aside for the Equalization Fund.***

60. **Action taken:** The National Treasury in finalizing the FY 2017/18 Budget has allocated Ksh 7.7 billion to the Equalization Fund. This allocation has factored in some arrears estimated at 0.3 percent (Ksh 3 billion) of most recent audited revenue.

***Resolution 9: That the National Government identifies resources for giving incentives to agriculture and manufacturing sectors to unlock the Country's economic potential.***

61. **Action taken:** The National Treasury is indeed committed to transforming agriculture and manufacturing sectors of the economy. In the FY 2017/18 budget, the Government has allocated resources towards subsidizing agricultural inputs, farm mechanization, value addition, irrigated agriculture as well as expanding infrastructure (rail, roads and ports). To improve efficiency in the manufacturing sector, the Government has allocated resources towards energy generation and distribution, improving on ease of doing business, security, and revival of strategic industries such as textile, pyrethrum, milk processing, and leather development amongst others. Going forward, the Government shall intensify investment in these areas to unlock the Country's economic potential.

***Resolution 10: That the ceilings of each arm of government for FY 2017/18 be capped as follows: Parliament Ksh 36 billion, Judiciary Ksh. 18 billion and Executive Ksh. 1,468 billion***

62. **Action taken:** The National Treasury in liaison with individual MDAs has to a large extent adjusted the ceilings of MDAs based on the recommendations from the Parliament in finalizing the FY 2017/18 Budget. The allocation for the Auditor General and Parliament have been adjusted and also Ksh 2.0 billion for rehabilitation of village polytechnics reflected. During the finalization of the budget, the Cabinet in conjunction with the National Treasury also critically reviewed the submissions from MDAs and where necessary made reallocations from less productive areas, and directed the resultant savings towards high priority areas within or across MDAs.

## **VII. REVENUE AND EXPENDITURE ALLOCATION FROM THE EQUALIZATION FUND**

63. Section 38 (1) (b) (ii) of the PFM Act requires the Cabinet Secretary to submit to the National Assembly estimates of revenue allocated to, and expenditures projected from, the Equalization Fund over the medium term. An explanation of the reasons for those revenue allocations and expenditures and how these estimates comply with the policy developed by the Commission on Revenue Allocation under Article 216(4) of the Constitution should be provided.

64. In the FY2017/18, the National Treasury has proposed to allocate Ksh 7.7 billion from the Equalization Fund to the marginalized areas as envisaged in Articles 204(2) and 216(4) of the Constitution. This allocation is approximately 0.8 percent of the last audited revenues approved by the National Assembly (i.e. Ksh 935.7 billion in the FY 2013/14), which exceeds the constitutionally-prescribed minimum of 0.5 percent.

65. It is expected that the allocation will be fully disbursed in the FY 2017/18. This is, however, contingent upon the finalization and approval of the second generation policy setting out the criteria for identifying the marginalized areas as contemplated under Article 216(4) of the Constitution. The approval of the second generation policy is behind schedule by one month since it ought to have been in place by December, 2016.

66. The National Government intends to channel the funds in the Equalization Fund directly to National Government Ministries/ State Departments/ Agencies. Thus, approximately 95 percent of the FY 2017/18 allocation will be transferred to the marginalized areas according to the criteria to be determined by the Commission on Revenue Allocation (CRA) and approved by Parliament. The remaining 5 percent of the FY 2017/18 allocation will be channeled to the Fund's Administrator as required under the Equalization Fund Regulations. The projected budgetary allocations for the Fund in FY 2018/19 and 2019/20 are Ksh 8.7 billion and Ksh 10.0 billion, respectively.

## VIII. REVENUE ALLOCATION TO COUNTY GOVERNMENTS, INCLUDING CONDITIONAL AND UNCONDITIONAL GRANTS

67. In the FY 2017/18, the equitable share allocation to the County Governments is Ksh 291.1 billion. This allocation is based on the National Assembly's Resolution during the adoption of the Budget Policy Statement (BPS) and the Debt Management Strategy for FY 2017/18 and the medium term. This equitable share allocation is 31.1 percent of latest audited revenues for the FY 2013/14 (i.e. Ksh 935.7 billion).

68. It should be noted that:

- a. The DoRB published by the National Assembly contains important differences with the one submitted to Parliament in November 2016 by the National Treasury. **Table 4** summarizes those differences.

**Table 4: National Assembly's Resolution vis-à-vis National Treasury's DoRB, 2017 proposals**

Type/level of allocation (All figures in Kshs.)	National Treasury	National Assembly	Variance
A. Total shareable revenue	1,549,412,000,000	1,549,412,000,000	-
B. National Government	1,232,754,602,475	1,238,343,840,000	5,589,237,525
C. Equalization Fund	7,727,000,000	7,727,000,000	-
D. County Governments:			
1. Counties' equitable share	299,136,160,000	291,136,160,000	(8,000,000,000)
2. Conditional allocations (= 2.1+2.2+2.3+2.4+2.5+2.6)	13,574,237,525	12,205,000,000	(1,369,237,525)
2.1 Free maternal healthcare	3,369,237,525		(3,369,237,525)
2.2 Leasing of medical equipment	4,500,000,000	4,500,000,000	-
2.3 Compensation for user fees forgone	900,000,000	900,000,000	-
2.4 Level 5 hospitals	4,200,000,000	4,200,000,000	-
2.5 Supplement for construction of county headquarters	605,000,000	605,000,000	-
2.6 Rehabilitation of youth polytechnics		2,000,000,000	2,000,000,000
E. Additional county conditional allocations (=3+4):	20,416,400,000	20,416,400,000	-
3. Allocation from fuel levy (15%)	7,875,000,000	7,875,000,000	-
4. Conditional allocations (loans and grants) (=4.1+4.2+4.3+4.4+4.5+4.6)	12,541,400,000	12,541,400,000	-
4.1 IDA-KHSSP/RBF	873,407,500	873,407,500	-
4.2 IDA-NUTRIP	6,020,000,000	6,020,000,000	-
4.3 KIDDP-Rehabilitation of youth polytechnics	97,000,000	97,000,000	-
4.4 KIDDP-Rehabilitation of sub-district hospitals	51,000,000	51,000,000	-
4.5 IDA-KDSP (Level 1 Grant)	1,500,000,000	1,500,000,000	-
4.6 IDA-KDSP (Level 2 Grant)	4,000,000,000	4,000,000,000	-
<b>Total changes (Net)</b>			<b>(3,780,000,000)</b>

Source: National Treasury

- b. The proposed equitable share for County Governments in FY 2017/18 (i.e. Ksh 291.1 billion) represents an adjustment of 3.9 percent (or Ksh 10.8 billion) over the FY 2016/17 baseline of Ksh 280.3 billion. In the earlier DoRB submitted to Parliament, the National Treasury had proposed to adjust County Governments' equitable

revenue share by a factor of 6.7 percent -- the average month-on-month inflation for FYs 2013/14, 2014/15 & 2015/16 -- to compensate the counties for escalation in costs related to delivery of devolved functions.

69. County Governments' equitable share of revenue is to be distributed according to the revised revenue sharing (second generation) criteria. The revised criteria was recommended by the Commission on Revenue Allocation (CRA) and approved by the Senate and the National Assembly respectively, on 20<sup>th</sup> April and 22<sup>nd</sup> June, 2016. The criteria takes into account population (45 percent), basic equal share (26 percent), poverty (18 percent), land area (8 percent), fiscal responsibility (2 percent) and development factor (1 percent)

70. To support implementation of devolution, County Governments will receive additional conditional allocations amounting to Ksh 32.6 billion, constituting:

- Ksh 4.2 billion for level-5 hospitals;
- Ksh 900 million to compensate County Governments for foregone user fees;
- Ksh 4.5 billion for financing the leasing of medical equipment;
- Ksh 605 million to supplement financing for construction of headquarters in five counties that did not inherit adequate office facilities;
- Ksh 2 billion to finance rehabilitation of youth polytechnics;
- Ksh 7.9 billion from the Road Maintenance Fuel Levy Fund; and
- Ksh 12.5 billion Conditional allocations from donor loans and grants, comprising the following:
  - Ksh 873.4 million loan from World Bank to supplement financing of county health facilities;
  - Ksh 5.5 billion loan from World Bank for supporting the Kenya Devolution Support Program (KDSP), which is facilitating capacity building and performance grants to all counties;
  - Ksh 6.2 billion loans and grants from other development partners for continued implementation of various devolved services.

71. The free maternal healthcare conditional allocation of Ksh 3.4 billion -- which until FY 2016/17 was disbursed directly to County Governments from the Exchequer -- becomes a special grant to the National Health Insurance Fund (NHIF). The grant will be reimbursed directly to contracted health institutions through existing NHIF systems. Among other benefits, it is expected that this new arrangement will eliminate double claims by facilities (i.e. from both the free maternal care programme and NHIF, and other community based health insurance programmes) as well as "intermediaries" in the flow of funds, thereby improving efficiency.

**72. The National Treasury has proposed to Parliament amendments to the DoRB and the CARB, 2017, which are aimed at enhancing the above conditional allocations to County Governments in FY 2017/18.** If passed by Parliament, the proposed amendments will ensure that the counties receive an additional Ksh 5.5 billion in FY 2017/18, through:

- a Ksh 985.8 million grant from the European Union (EU) to support the National and the County Governments' capacities in the management of devolution and accountable fiscal decentralization for local economic development;
- a Ksh 2.75 billion IDA credit to finance the Transforming Health Systems for Universal Care project;
- another IDA credit, amounting to Ksh 1.05 billion, to finance the National Agriculture and Rural Inclusive Growth project; and,
- a grant of Ksh 763 million from the Government of Denmark to supplement financing of county health facilities.

## **IX. OTHER BUDGET DOCUMENTS AND INFORMATION**

73. The following information and documents has been prepared to accompany the FY 2017/18 budget estimates: Highlights of the 2017 debt strategy, domestic and external loan redemption and interest, list of guaranteed loans, revenues for guaranteed loans repayment interest as well as a list of Semi-Autonomous Government Agencies receiving funds from the exchequer. The details are given as follows:

### **A. Highlights of the 2017 Medium Term Debt Strategy (MTDS)**

74. The MTDS 2017 covering the period FY2017/18- FY2019/20 will implement government's plan on the desired composition of the government debt portfolio.

75. The overall debt strategy is to attain 60:40 ratio of external and domestic borrowing to finance the central government budget.

#### **(i) Domestic Borrowing**

76. The 40 percent net domestic borrowing comprises Treasury Bonds and Treasury Bills in the ratio of 70:30. The strategy is taken after considering both cost and risk. The strategy recommends issuance of medium to long term securities. This will ensure that the maturity structure of the existing portfolio is lengthened to minimize refinancing risk.

#### **(ii) External Borrowing**

77. The 60 percent net external borrowing comprises concessional (20 percent); semi-concessional (30 percent) and commercial (10 percent).

78. Considering macro-economic and domestic market environment, issuance of medium term domestic debt will be done through benchmark bonds. T-bonds will be the main source of net domestic financing, while T-bills will primarily be an instrument to manage government cash position. Issuance of T-bonds will promote the Government objective of lengthening the maturity structure.

79. Official external sources remain the preferred option for the Government to source financing on concessional terms. However, it has been observed that borrowing terms have increasingly hardened, with new loans often contracted on terms very close to the 35 percent grant element threshold.

## **B. National Government Loans to State Corporations, Government Agencies, and other Organizations**

80. The total outstanding loans by the National Government to State Corporations, Government Agencies, and other Organizations as at June 30th 2016 stood at Ksh 572.2 billion (**Table 5a**). Out of the total loan amount outstanding, Ksh 556.8 billion are active loans (**Table 5b**) while the balance amounting to Ksh 15.4 billion are non-performing (**Table 5c**).

81. The total amount lent increased from Ksh 210.3 billion to Ksh 588.0 billion during the year. The increase of Ksh 377.7 billion is attributed to new loans made available to Coast Water Service Board, Kenya Airways, Kenya Power and Lighting Co. Ltd, and Kenya Railways Corporation.

**Table 5a: Statement of National Government Loans to State Corporations, Government Agencies and Other Organizations Outstanding as at June 30th, 2016**

To Whom Lent		Amount Lent	Amount Repaid	Amount Outstanding
		Ksh	Ksh	Ksh
1	Agricultural Finance Corporation	562,294,453	59,175,290	503,119,163
2	Agricultural Settlement Fund and Central Land Board	126,326,880	43,300,644	83,026,236
3	Agro-chemical & food Company Ltd	1,202,075,120	95,000,000	1,107,075,120
4	Associated Sugar Factory Ramisi	15,818,960	-	15,818,960
5	Athi Water Services Board	30,166,884,546	360,608,942	29,806,275,603
6	Catering Levy Trustee	140,000,000	7,000,000	133,000,000
7	Coast Water Service Board	6,756,217,290	-	6,756,217,290
8	Coffee Board of Kenya	976,332,369	223,822,060	752,510,309
9	Co-operative Bank of Kenya Ltd	908,861,548	432,608,454	476,253,094
10	Cotton Lint and Seed Marketing Board.	23,632,000	1,000,000	22,632,000
11	East African Sugar Industries Limited, Muhoroni	177,123,100	-	177,123,100
12	Eldoret Municipal Council	1,058,673,824	-	1,058,673,824
13	Equity Bank Ltd	872,782,214	361,122,666	511,659,549
14	Faulu Kenya Deposit Taking Micro-Finance Ltd.	200,200,000	-	200,200,000
15	Halal Meat Products	27,701,420	-	27,701,420
16	Ildamat Farmers Co-operative Society Ltd.	3,000,000	2,300,000	700,000
17	Industrial and Commercial Dev. Corporation	89,230,500	-	89,230,500
18	Karatina Industrial Estates	470,100	337,240	132,860
19	Kenya Airports Authority	1,820,144,346	495,485,923	1,324,658,423
20	Kenya Airways Ltd	24,224,000,000	-	24,224,000,000
21	Kenya Civil Aviation Authority	2,087,092,807	166,832,037	1,920,260,770
22	Kenya Co-operative Creameries Ltd.	52,607,460	16,356,420	36,251,040
23	Kenya Electricity Generating Co. Ltd.	85,863,291,794	7,157,598,131	78,705,693,663
24	Kenya Fishing Industries Limited	4,217,320	1,408,720	2,808,600
25	Kenya Industrial Estates	426,213,120	2,262,636	423,950,484
26	Kenya Meat Commission	940,241,100	-	940,241,100
27	Kenya National Federation of Co-operatives (K.N.F.C.) Ltd	5,595,600	-	5,595,600
28	Kenya Power and Lighting Co. Limited	49,619,175,421	5,215,331,599	44,403,843,821
29	Kenya Railways Corporation	322,020,232,762	-	322,020,232,762
30	Kenya Toray Mills	2,982,480	-	2,982,480
31	Kenya Tourist Development Corporation	48,000,000	-	48,000,000
32	Kenya Urban Transport Various Towns	40,706,140	-	40,706,140
33	Kenya Women Finance Trust Deposit Taking Micro-Finance Ltd.	205,100,000	-	205,100,000
34	Kenyatta University	10,857,620,656	-	10,857,620,656
35	K-Rep Bank Kenya	491,000,000	456,004,019	34,995,981
36	Lake Victoria North Water Services Board	2,681,445,499	-	2,681,445,499
37	Lake Victoria South Water Services Board	5,734,185,606	-	5,734,185,606
38	Local Government Loans Authority	7,688,792,480	94,518,760	7,594,273,720
39	Meru Central Farmers' Co-operative Union Ltd	188,868,000	550,000	188,318,000
40	Miwani Out-Growers Mills Limited	6,600,000	-	6,600,000

**Table 5a: Statement of National Government Loans to State Corporations, Government Agencies and Other Organizations Outstanding as at June 30th, 2016. (Contd.....)**

To Whom Lent		Amount Lent	Amount Repaid	Amount Outstanding
		Ksh	Ksh	Ksh
41	Miwani Sugar Company (1989) Limited	16,000,020	-	16,000,020
42	Miwani Sugar Mills Limited	78,088,180	-	78,088,180
43	Moi University	250,000,000	18,750,000	231,250,000
44	Mombasa Pipeline Board	63,400,000	40,435,020	22,964,980
45	Mumias Out-Growers Company Limited	43,208,440	26,691,040	16,517,400
46	Nairobi City Council	123,109,580	20,775,820	102,333,760
47	National Irrigation Board	2,262,036,544	-	2,262,036,544
48	National Water Conservation and Pipeline Corporation	2,460,874,897	-	2,460,874,897
49	Nyeri Water and Sewerage Company	1,159,592,738	352,919,530	806,673,208
50	Nzoia Sugar Company Limited	182,139,360	23,629,260	158,510,100
51	P.J. Products	2,036,820	-	2,036,820
52	Pyrethrum Board of Kenya	863,368,270	-	863,368,270
53	Rafiki Deposit Taking Micro-Finance Ltd.	94,300,000	-	94,300,000
54	Rift Valley Water Services Board	1,411,529,796	5,000,000	1,406,529,796
55	Rural Electrification Authority	13,649,158,450	-	13,649,158,450
56	SMEP Deposit Taking Micro-Finance Ltd.	100,400,000	-	100,400,000
57	South Nyanza Sugar Company Limited	253,317,120	54,289,700	199,027,420
58	Sugar Belt Co-operative Union	22,378,600	387,160	21,991,440
59	Tanathi Water Services Board	6,235,681,649	-	6,235,681,649
60	Transcadia Ltd. (MFG)	1,000,000	400,000	600,000
61	Uplands Bacon Factory (K) Ltd	26,205,900	-	26,205,900
62	Various African District Councils	6,646,800	5,042,600	1,604,200
63	Various African Farmers	1,550,120	1,489,200	60,920
64	Various Persons Engaged in Agriculture	21,769,320	14,981,540	6,787,780
65	Water Resources Management Authority	362,612,300	-	362,612,300
66	West Suk African District Council	127,640	5,420	122,220
	<b>Total</b>	<b>588,006,269,460</b>	<b>15,757,419,831</b>	<b>572,248,849,628</b>

**Table 5b: Performing National Government Loans to State Corporations, Government Agencies and Other Organizations Outstanding as at 30th June 2016**

	To Whom Lent	Amount Lent	Amount Repaid	Amount Outstanding
		Ksh	Ksh	Ksh
1	Agricultural Finance Corporation	562,294,453	59,175,290	503,119,163
2	Agricultural Settlement Fund and Central Land Board.	126,326,880	43,300,644	83,026,236
3	Agro-chemical & food Company Ltd	1,202,075,120	95,000,000	1,107,075,120
4	Athi Water Services Board	30,166,884,546	360,608,942	29,806,275,603
5	Catering Levy Trustee	140,000,000	7,000,000	133,000,000
6	Coast Water Service Board	6,756,217,290	-	6,756,217,290
7	Co-operative Bank of Kenya Ltd	908,861,548	432,608,454	476,253,094
8	Equity Bank Ltd	872,782,214	361,122,666	511,659,549
9	Faulu Kenya Deposit Taking Micro-Finance Ltd.	200,200,000	-	200,200,000
10	Industrial and Commercial Dev. Corporation	89,230,500	-	89,230,500
11	Kenya Airports Authority	1,820,144,346	495,485,923	1,324,658,423
12	Kenya Airways Ltd	24,224,000,000	-	24,224,000,000
13	Kenya Civil Aviation Authority	2,087,092,807	166,832,037	1,920,260,770
14	Kenya Electricity Generating Co. Ltd.	85,863,291,794	7,157,598,131	78,705,693,663
15	Kenya Power and Lighting Co. Limited	49,619,175,421	5,215,331,599	44,403,843,821
16	Kenya Railways Corporation	322,020,232,762	-	322,020,232,762
17	Kenya Tourist Development Corporation	48,000,000	-	48,000,000
18	Kenya Women Finance Trust Deposit Taking Micro-Finance Ltd.	205,100,000	-	205,100,000
19	Kenyatta University	10,857,620,656	-	10,857,620,656
20	K-Rep Bank Kenya	491,000,000	456,004,019	34,995,981
21	Lake Victoria North Water Services Board	2,681,445,499	-	2,681,445,499
22	Lake Victoria South Water Services Board	5,734,185,606	-	5,734,185,606
23	Meru Central Farmers' Co-operative Union Ltd	188,868,000	550,000	188,318,000
24	Moi University	250,000,000	18,750,000	231,250,000
25	National Irrigation Board	2,262,036,544	-	2,262,036,544
26	Nyeri Water and Sewerage Company	1,159,592,738	352,919,530	806,673,208
27	Rafiki Deposit Taking Micro-Finance Ltd.	94,300,000	-	94,300,000
28	Rift Valley Water Services Board	1,411,529,796	5,000,000	1,406,529,796
29	Rural Electrification Authority	13,649,158,450	-	13,649,158,450
30	SMEP Deposit Taking Micro-Finance Ltd.	100,400,000	-	100,400,000
31	Tanathi Water Services Board	6,235,681,649	-	6,235,681,649
	<b>Total</b>	<b>572,027,728,619</b>	<b>15,227,287,235</b>	<b>556,800,441,384</b>

**Table 5c: Non-Performing National Government Loans to State Corporations, Government Agencies and Other Organizations Outstanding as at 30th June 2016**

To Whom Lent		Amount Lent	Amount Repaid	Amount Outstanding
		Ksh	Ksh	Ksh
1	Associated Sugar Factory Ramisi*	15,818,960	-	15,818,960
2	Coffee Board of Kenya	976,332,369	223,822,060	752,510,309
3	Cotton Lint and Seed Marketing Board.	23,632,000	1,000,000	22,632,000
4	East African Sugar Industries Limited, Muhoroni	177,123,100	-	177,123,100
5	Eldoret Municipal Council	1,058,673,824	-	1,058,673,824
6	Halal Meat Products	27,701,420	-	27,701,420
7	Ildamat Farmers' Co-operative Society Ltd	3,000,000	2,300,000	700,000
8	Karatina Industrial Estates	470,100	337,240	132,860
9	Kenya Co-operative Creameries Ltd.	52,607,460	16,356,420	36,251,040
10	Kenya Fishing Industries Limited	4,217,320	1,408,720	2,808,600
11	Kenya Industrial Estates	426,213,120	2,262,636	423,950,484
12	Kenya Meat Commission	940,241,100	-	940,241,100
13	Kenya National Federation of Co-operatives (K.N.F.C.) Ltd	5,595,600	-	5,595,600
14	Kenya Toray Mills	2,982,480	-	2,982,480
15	Kenya Urban Transport Various Towns	40,706,140	-	40,706,140
16	Local Government Loans Authority	7,688,792,480	94,518,760	7,594,273,720
17	Miwani Out-Growers Mills Limited	6,600,000	-	6,600,000
18	Miwani Sugar Company (1989) Limited	16,000,020	-	16,000,020
19	Miwani Sugar Mills Limited	78,088,180	-	78,088,180
20	Mombasa Pipeline Board	63,400,000	40,435,020	22,964,980
21	Mumias Out-Growers Company Limited	43,208,440	26,691,040	16,517,400
22	Nairobi City Council	123,109,580	20,775,820	102,333,760
23	National Water Conservation and Pipeline Corporation	2,460,874,897	-	2,460,874,897
24	Nzoia Sugar Company Limited	182,139,360	23,629,260	158,510,100
25	P.J. Products	2,036,820	-	2,036,820
26	Pyrethrum Board of Kenya	863,368,270	-	863,368,270
27	South Nyanza Sugar Company Limited	253,317,120	54,289,700	199,027,420
28	Sugar Belt Co-operative Union	22,378,600	387,160	21,991,440
29	Transcandia Ltd. (MFG)	1,000,000	400,000	600,000
30	Uplands Bacon Factory (K) Ltd	26,205,900	-	26,205,900
31	Various African District Councils	6,646,800	5,042,600	1,604,200
32	Various African Farmers	1,550,120	1,489,200	60,920
33	Various Persons Engaged in Agriculture	21,769,320	14,981,540	6,787,780
34	Water Resources Management Authority	362,612,300	-	362,612,300
35	West Suk African District Council	127,640	5,420	122,220
<b>Total</b>		<b>15,978,540,840</b>	<b>530,132,596</b>	<b>15,448,408,244</b>

### C. Estimates of Principal, Interest and Other Charges in the FY 2017/2018

82. In the FY 2017/18, the National Treasury has budgeted for loan principal receipts of Ksh 2.6 billion and interest repayment of Ksh 2.0 billion respectively (Table 6).

**Table 6: Revenue Receipts from National Government Loans to State Corporations, Government Agencies and Other Organizations for Fiscal Year 2017/2018**

State Corporation, Government Agencies & Other Organizations		Principal		Interest	
		Revised Estimates FY2016/17	Projected Revenue Estimates - FY2016/17	Revised Estimates - FY2017/18	Projected Revenue Estimates - FY2017/18
1	Agricultural Settlement Fund and Central Land Board	1,000,000	1,000,000	500,000	500,000
2	Agricultural Finance Corporation	20,000,000	20,000,000	-	-
3	Agro-Chemical & Food Co. Ltd	-	-	150000000	150000000
4	Athi Water Services Board	201,216,000	250,000,000	63764000	65000000
5	Co-Operative Bank Of Kenya	10,000,000	10,000,000	1500000	1500000
6	Industrial and Commercial Dev. Corporation	-	-	20000000	20000000
7	Equity Bank Ltd.	10,000,000	10,000,000	10000000	5000000
8	K - Rep. Bank Ltd.	10,000,000	-	1500000	-
9	Kenya Electricity Generating Co. Ltd	553,213,097	932,786,820	782974378	722577490
10	Kenya Power and Lighting Co. Limited	1,350,600,222	1,314,348,800	592919622	482843535
11	Kenya Airport Authority	200,231,000	200,231,000	114391000	104379861
12	Kenya Civil Aviation Authority	48,334,000	48,334,000	27188000	24771517
13	Kenya Utalii College	6,000,000	6,000,000	-	-
14	Nyeri Water Services Board	50,417,075	50,417,075	19851724	18591296
15	Meru Central Farmers Union	600,000	600,000	-	-
16	Kenya Tourist Dev. Corporation	-	-	4080000	4080000
17	Lake Victoria South Water Board	10,000,000	118,461,539	5000000	36930384
18	Taanathi Water Board	10,000,000	207,359,576	80108000	150854092
19	Coast Water Services Board	10,000,000	349,043,940	5000000	48429846
20	Tana Water Board	10,000,000	32,113,931	5000000	20472631
21	National Irrigation Board	43,256,587	86,157,667	58620750	114025304
22	Rift Valley Water Services Board	10,000,000	54,289,608	10500000	24769633
23	Faulu Kenya Deposit Taking Micro-Finance Ltd	19,630,722	19,630,722	5221772	12367355
24	SMEP Deposit Taking Micro-Finance Ltd	9,844,777	9,844,777	2618710	6202210
25	Rafiki Deposit Taking Micro-Finance Ltd	9,246,639	9,246,639	2459606	5825383
26	Kenya Women Finance Trust Deposit Taking Micro-Finance Ltd	20,111,194	20,111,194	5349578	12670053
	<b>TOTAL</b>	<b>2,613,701,313</b>	<b>2,628,803,313</b>	<b>1,960,047,140</b>	<b>2,031,790,590</b>

## **D. Other Tables**

83. The rest of the Tables in this document are as follows:
- Table 7: Internal interest payments from the Consolidated Fund
  - Table 8: Summary of Interest on Internal Debt
  - Table 9: Internal debt redemption from the Consolidated Fund
  - Table 10: External debt redemption from the Consolidated Fund
  - Table 11: Interest payments on external debt from the consolidated fund
  - Table 12: List of Publicly Guaranteed Debt

**Table 7: Internal Interest Payments from the Consolidated Fund**

SUB- HEAD	ITEM	DESCRIPTION				PRINTED	REVISED	PRINTED	PRINTED	PRINTED
						ESTIMATES	ESTIMATES	ESTIMATES	ESTIMATES	ESTIMATES
						2016/2017	2016/2017	2017/2018	2018/2019	2019/2020
							Kshs	Kshs	Kshs	Kshs
TREASURY BONDS :	ISSUE No.	PRINCIPAL	DUE YR.	TENOR						
002000205	2420102	IFB2/2010/9	14,200,000,000.00	2016/08	6YRS	493,073,250	493,073,250	-	-	
002000216	2420102	FXD1/2015/1	24,260,650,000.00	2016/09	1YR	2,312,282,552	2,312,282,552	-	-	
002000216	2420102	FXD1/2015/1	10,241,375,000.00	2016/10	1YR	1,175,197,781	1,175,197,781	-	-	
002000203	2420102	FXD3/2014/2	8,903,250,000.00	2016/12	1YR	484,781,963	484,781,963	-	-	
002000203	2420102	FXD3/2014/2	20,472,450,000.00	2016/12	2YRS	1,114,724,903	1,114,724,903	-	-	
002000211	2420102	IFB1/2009/12	4,848,513,800.00	2017/02	12YRS	562,212,500	562,212,500	-	-	
002000204	2420102	FXD1/2012/5	7,925,800,000.00	2017/05	5YRS	939,603,590	939,603,590	-	-	
002000204	2420102	FXD1/2012/5	18,248,200,000.00	2017/05	5YRS	2,163,324,110	2,163,324,110	-	-	
002000209	2420102	SFX1/2007/10	5,000,000,000.00	2017/05	10YRS	650,000,000	650,000,000	-	-	
002000204	2420102	FXD1/2012/5	4,905,550,000.00	2017/05	5YRS	581,552,953	581,552,953	-	-	
002000203	2420102	FXD1/2015/2	23,592,150,000.00	2017/02	2YRS	2,706,019,605	2,706,019,605	-	-	
002000203	2420102	FXD2/2015/2	11,555,900,000.00	2017/06	2YRS	1,459,394,611	1,459,394,611	-	-	
002000203	2420102	FXD2/2015/2	7,190,900,000.00	2017/06	2YRS	908,138,761	908,138,761	-	-	
002000206	2420102	IFB2/2010/9	8,700,000,000.00	2017/08	7YRS	522,000,000	522,000,000	261,000,000	-	
002000210	2420102	FXD1/2006/11	4,031,400,000.00	2017/09	11YRS	554,317,500	554,317,500	277,158,750	-	
002000202	2420102	IFB/2013/12	4,776,524,397.00	2017/09	4YRS	525,417,684	525,417,684	262,708,842	-	
002000202	2420102	IFB/2013/12	5,993,700,741.00	2017/09	4YRS	659,307,082	659,307,082	329,653,541	-	
002000209	2420102	FXD1/2007/10	9,308,800,000.00	2017/10	10YRS	1,000,696,000	1,000,696,000	500,348,000	-	
002000203	2420102	FXD1/2016/02	20,153,750,000.00	2018/01	2YRS	3,176,231,000	3,176,231,000	3,176,231,000	-	
002000209	2420102	FXD1/2008/10	2,992,750,000.00	2018/02	10YRS	321,720,625	321,720,625	321,720,625	-	
002000203	2420102	IFB1/2010/8	7,131,578,815.00	2018/02	2YRS	695,328,934	695,328,934	695,328,934	-	
002000204	2420102	FXD1/2013/5	20,240,750,000.00	2018/04	5YRS	2,609,437,490	2,609,437,490	2,609,437,490	-	
002000203	2420102	FXD2/2016/2	25,500,450,000.00	2018/05	2YRS	-	3,065,154,090	3,065,154,090	-	
002000203	2420102	FXD2/2016/2	4,717,900,000.00	2018/05	2YRS	-	567,091,580	567,091,580	-	
002000204	2420102	FXD2/2013/5	12,888,000,000.00	2018/06	5YRS	1,456,988,400	1,456,988,400	1,456,988,400	-	
002000204	2420102	FXD2/2013/5	13,452,050,000.00	2018/06	5YRS	1,520,754,253	1,520,754,253	1,520,754,253	-	
002000209	2420102	FXD2/2008/10	882,000,000.00	2018/07	10YRS	94,815,000	94,815,000	94,815,000	47,407,500	
002000209	2420102	FXD2/2008/10	12,622,700,000.00	2018/07	10YRS	1,356,940,250	1,356,940,250	1,356,940,250	678,470,125	
002000211	2420102	FXD1/2006/12	3,900,950,000.00	2018/08	12YRS	546,133,000	546,133,000	546,133,000	273,066,500	
002000209	2420102	FXD3/2008/10	4,151,600,000.00	2018/09	10YRS	446,297,000	446,297,000	446,297,000	223,148,500	
002000211	2420102	IFB1/2014/12	1,797,701,804.50	2018/10	12YRS	197,747,198	197,747,198	197,747,198.50	98,873,599.25	
002000211	2420102	IFB1/2014/12	404,102,174.00	2018/10	12YRS	44,451,239	44,451,239	44,451,239.14	22,225,619.57	
002000211	2420102	IFB1/2014/12	4,060,892,083.50	2018/10	12YRS	446,698,129	446,698,129	446,698,129.19	223,349,064.59	
002000211	2420102	IFB1/2014/12	2,735,614,987.00	2018/10	12YRS	300,917,649	300,917,649	300,917,648.57	150,458,824.29	
002000208	2420102	IFB2/2009/12	5,361,889,815.00	2018/11	9YRS	617,400,000	617,400,000	617,400,000.00	617,400,000.00	308,700,000.00
002000204	2420102	FXD3/2013/5	14,937,800,000.00	2018/11	5YRS	1,785,365,856	1,785,365,856	1,785,365,856.00	1,785,365,856.00	892,682,928.00
002000203	2420102	FXD3/2016/2	10,513,650,000.00	2018/12	2YRS	-	-	630,819,000	630,819,000	630,819,000
002000203	2420102	FXD3/2016/2	1,354,000,000.00	2018/12	2YRS	-	-	81,240,000	81,240,000	81240000
002000203	2420102	FXD3/2016/2	13,609,900,000.00	2018/12	2YRS	-	-	816,594,000	816,594,000	816594000
002000209	2420102	FXD1/2009/10	4,966,850,000.00	2019/04	10YRS	533,936,375	533,936,375	533,936,375	533,936,375	533936375
002000204	2420102	FXD1/2014/5	17,511,200,000.00	2019/04	5YRS	1,903,467,440	1,903,467,440	1,903,467,440	1,903,467,440	1903467440
002000204	2420102	FXD1/2014/5	8,222,500,000.00	2019/04	5YRS	893,785,750	893,785,750	893,785,750	893,785,750	893785750
002000211	2420102	FXD1/2007/12	4,864,600,000.00	2019/05	12YRS	632,398,000	632,398,000	632,398,000.00	632,398,000.00	632398000
002000204	2420102	FXD2/2014/5	2,132,650,000.00	2019/06	5YRS	254,510,451	254,510,451	254,510,451.00	254,510,451.00	254510451
002000204	2420102	FXD2/2014/5	14,285,600,000.00	2019/06	5YRS	1,704,843,504	1,704,843,504	1,704,843,504.00	1,704,843,504.00	1704843504
002000208	2420102	IFB2/2010/9	9,971,550,000.00	2019/08	9YRS	598,293,000	598,293,000	598,293,000	598,293,000	299,146,500
002000207	2420102	IFB1/2011/12	14,399,102,964.44	2019/09	8YRS	1,727,892,356	1,727,892,356	1,702,968,480	1,702,968,480	851,484,240
002000209	2420102	FXD/1/2010/10	12,052,600,000.00	2020/04	10YRS	964,208,000	964,208,000	964,208,000	964,208,000	964,208,000
002000209	2420102	FXD1/2010/10	7,341,550,000.00	2020/04	10YRS	740,537,785	740,537,785	740,537,785	740,537,785	740,537,785
002000204	2420102	FXD1/2015/5	5,566,200,000.00	2020/06	5YRS	734,348,766	734,348,766	734,348,766	734,348,766	734,348,766
002000204	2420102	FXD1/2015/5	12,461,700,000.00	2020/06	5YRS	1,644,072,081	1,644,072,081	1,644,072,081	1,644,072,081	1,644,072,081

**Table 7: Internal Interest Payments from the Consolidated Fund (Cont'd)**

SUB- HEAD	ITEM	DESCRIPTION				PRINTED	REVISED	PRINTED	PRINTED	PRINTED
						ESTIMATES	ESTIMATES	ESTIMATES	ESTIMATES	ESTIMATES
						2016/2017	2016/2017	2017/2018	2018/2019	2019/2020
							Kshs	Kshs	Kshs	Kshs
TREASURY BONDS :	ISSUE No.	PRINCIPAL	DUE YR.	TENOR						
002000204	2420102	FXD1/2015/5	12,928,150,000.00	2020/06	5YRS	-	1,705,610,830	1,705,610,830	1,705,610,830	1,705,610,830
002000209	2420102	FXD2/2010/10	13,847,900,000.00	2020/10	10YRS	1,288,824,053	1,288,824,053	1,288,824,053	1,288,824,053	1,288,824,053
002000209	2420102	FXD2/2010/10	1,111,650,000.00	2020/10	10YRS	103,461,266	103,461,266	103,461,266	103,461,266	103,461,266
002000209	2420102	FXD2/2010/10	3,890,350,000.00	2020/10	10YRS	362,074,875	362,074,875	362,074,875	362,074,875	362,074,875
002000204	2420102	FXD2/2015/5	30,673,850,000.00	2020/11	5YRS	4,269,799,920	4,269,799,920	4,269,799,920	4,269,799,920	4,269,799,920
002000204	2420102	IFB1/2015/9	1,625,415,750.00	2020/12	5YRS	239,797,586	239,797,585.60	239,797,586	239,797,586	239,797,586
002000204	2420102	IFB1/2015/9	822,238,500.00	2020/12	5YRS	121,304,846	121,304,845.91	121,304,846	121,304,846	121,304,846
002000204	2420102	IFB1/2015/9	509,202,750.00	2020/12	5YRS	75,122,682	75,122,682	75,122,682	75,122,682	75,122,682
002000204	2420102	IFB1/2015/9	5,709,387,750.00	2020/12	5YRS	421,152,987	421,152,987	421,152,987	421,152,987	421,152,987
002000211	2420102	IFB1/2009/12	7,272,770,700.00	2021/02	12YRS	843,325,000	843,325,000	843,325,000	843,325,000	843,325,000
002000211	2420102	IFB1/2015/12	10,565,607,880.00	2021/03	12YRS	1,128,673,388	1,128,673,388	1,128,673,388	1,128,673,388	1,128,673,388
002000211	2420102	IFB1/2015/12	9,876,461,424.00	2021/03	12YRS	1,128,673,388	1,128,673,388	1,128,673,388	1,128,673,388	1,128,673,388
002000204	2420102	FXD 1/2016/5	19,545,570,000.00	2021/04	5YRS	2,801,662,004	2,801,662,004	2,801,662,004	2,801,662,004	2,801,662,004
002000208	2420102	IFB1/2016/09	8,249,902,200.00	2021/05	9YRS	-	1,031,237,775	1,031,237,775	1,031,237,775	1,031,237,775
002000204	2420102	FXD2/2016/5	24,395,300,000.00	2021/07	5YRS	-	3,432,174,757	3,432,174,757	3,432,174,757	3,432,174,757
002000207	2420102	IFB1/2013/12	5,494,159,494.72	2021/09	8YRS	604,357,544	604,357,544	604,357,544	604,357,544	604,357,544
002000207	2420102	IFB1/2013/12	6,894,206,979.00	2021/09	8YRS	758,362,768	758,362,768	758,362,768	758,362,768	758,362,768
002000204	2420102	FXD3/2016/5	23,051,050,000.00	2021/09	5YRS	-	1,511,226,838	3,022,453,676	3,022,453,676	3,022,453,676
002000211	2420102	IFB2/2009/12	4,749,160,185.00	2021/11	12YRS	547,074,000	547,074,000	547,074,000	547,074,000	547,074,000
002000212	2420102	FXD1/2007/15	3,654,600,000.00	2022/03	15YRS	529,917,000	529,917,000	529,917,000	529,917,000	529,917,000
002000212	2420102	SFX1/2007/15	6,000,000,000.00	2022/05	15YRS	870,000,000	870,000,000	870,000,000	870,000,000	870,000,000
002000209	2420102	FXD1/2012/10	443,150,000.00	2022/06	10YRS	56,302,208	56,302,208	56,302,208	56,302,208	56,302,208
002000209	2420102	FXD1/2012/10	11,061,750,000.00	2022/06	10YRS	1,405,395,338	1,405,395,338	1,405,395,338	1,405,395,338	1,405,395,338
002000209	2420102	FXD1/2012/10	5,298,850,000.00	2022/06	10YRS	673,218,893	673,218,893	673,218,893	673,218,893	673,218,893
002000209	2420102	FXD1/2012/10	18,469,950,000.00	2022/06	10YRS	-	2,346,607,148	2,346,607,148	2,346,607,148	2,346,607,148
002000212	2420102	FXD2/2007/15	7,236,950,000.00	2022/06	15YRS	976,988,250	976,988,250	976,988,250	976,988,250	976,988,250
002000211	2420102	IFB1/2014/12	4,992,243,486.30	2022/10	12YRS	549,146,783	549,146,783	549,146,783	549,146,783	549,146,783
002000211	2420102	IFB1/2014/12	496,781,594.90	2022/10	12YRS	54,645,975	54,645,975	54,645,975	54,645,975	54,645,975
002000211	2420102	IFB1/2014/12	2,209,998,428.74	2022/10	12YRS	243,099,827	243,099,827	243,099,827	243,099,827	243,099,827
002000211	2420102	IFB1/2014/12	3,363,018,720.78	2022/10	12YRS	369,932,059	369,932,059	369,932,059	369,932,059	369,932,059
002000212	2420102	FXD3/2007/15	7,841,100,000.00	2022/11	15YRS	980,137,500	980,137,500	980,137,500	980,137,500	980,137,500
002000212	2420102	FXD3/2007/15	10,189,100,000.00	2022/11	15YRS	1,273,637,500	1,273,637,500	1,273,637,500	1,273,637,500	1,273,637,500
002000212	2420102	FXD3/2007/15	14,927,900,000.00	2022/11	15YRS	-	-	1,865,987,500	1,865,987,500	1,865,987,500
002000206	2420102	IFB1/2015/9	766,621,692.03	2022/12	7YRS	113,099,698	113,099,698.23	113,099,698	113,099,698	113,099,698
002000206	2420102	IFB1/2015/9	474,759,907.00	2022/12	7YRS	70,041,329	70,041,329	70,041,329	70,041,329	70,041,329
002000206	2420102	IFB1/2015/9	798,225,420.67	2022/12	7YRS	117,762,196	117,762,196.31	117,762,196	117,762,196	117,762,196
002000206	2420102	IFB1/2015/9	5,323,200,625.35	2022/12	7YRS	785,331,788	785,331,788.26	785,331,788	785,331,788	785,331,788
002000212	2420102	FXD1/2008/15	7,380,900,000.00	2023/03	15YRS	922,612,500	922,612,500	922,612,500	922,612,500	922,612,500
002000206	2420102	IFB1/2016/9	8,249,913,817.02	2023/05	7YRS	-	1,031,239,227	1,031,239,227	1,031,239,227	1,031,239,227
002000209	2420102	FXD1/2013/10	4,737,700,000.00	2023/06	10YRS	586,100,867	586,100,867	586,100,867	586,100,867	586,100,867
002000209	2420102	FXD1/2013/10	11,909,050,000.00	2023/06	10YRS	1,473,268,576	1,473,268,576	1,473,268,576	1,473,268,576	1,473,268,576
002000209	2420102	FXD1/2013/10	521,700,000.00	2023/06	10YRS	64,539,507	64,539,507	64,539,507	64,539,507	64,539,507
002000209	2420102	FXD1/2013/10	9,958,400,000.00	2023/06	10YRS	1,231,953,664	1,231,953,664	1,231,953,664	1,231,953,664	1,231,953,664
002000209	2420102	FXD1/2013/10	12,121,350,000.00	2023/06	10YRS	1,499,532,209	1,499,532,209	1,499,532,209	1,499,532,209	1,499,532,209
002000211	2420102	IFB1/2011/12	10,283,098,969.87	2023/09	12YRS	1,216,172,304	1,216,172,304	1,216,172,304	1,216,172,304	1,216,172,304
002000211	2420102	IFB1/2015/12	10,099,773,890.50	2024/03	12YRS	1,078,910,569	1,078,910,569	1,078,910,569	1,078,910,569	1,078,910,569
002000209	2420102	FXD1/2014/10	15,030,150,000.00	2024/01	10YRS	1,830,672,270	1,830,672,270	1,830,672,270	1,830,672,270	1,830,672,270
002000209	2420102	FXD1/2014/10	15,587,650,000.00	2024/01	10YRS	1,586,822,770	1,586,822,770	1,586,822,770	1,586,822,770	1,586,822,770
002000209	2420102	FXD1/2014/10	5,234,350,000.00	2024/01	10YRS	637,543,830	637,543,830	637,543,830	637,543,830	637,543,830
002000211	2420102	IFB1/2015/12	9,441,011,662.89	2024/03	12YRS	1,078,910,569	1,078,910,569	1,078,910,569	1,078,910,569	1,078,910,569
002000212	2420102	FXD1/2009/15	9,420,450,000.00	2024/10	15YRS	1,177,556,250	1,177,556,250	1,177,556,250	1,177,556,250	1,177,556,250
002000208	2420102	IFB1/2015/9	794,439,807.97	2024/12	9YRS	117,203,705	117,203,704.87	117,203,705	117,203,705	117,203,705
002000208	2420102	IFB1/2015/9	5,516,361,624.65	2024/12	9YRS	813,828,830	813,828,830.48	813,828,830	813,828,830	813,828,830
002000208	2420102	IFB1/2015/9	491,987,343.00	2024/12	9YRS	72,582,893	72,582,893	72,582,893	72,582,893	72,582,893
002000208	2420102	IFB1/2015/9	2,287,708,829.33	2024/12	9YRS	168,752,842	168,752,842	168,752,842	168,752,842	168,752,842
002000212	2420102	FXD1/2010/15	12,129,800,000.00	2025/03	15YRS	1,232,387,680	1,232,387,680	1,232,387,680	1,232,387,680	1,232,387,680
002000212	2420102	FXD1/2010/15	10,206,450,000.00	2025/03	15YRS	1,046,161,125	1,046,161,125	1,046,161,125	1,046,161,125	1,046,161,125

**Table 7: Internal Interest Payments from the Consolidated Fund (Cont'd)**

SUB- HEAD	ITEM	DESCRIPTION				PRINTED	REVISED	PRINTED	PRINTED	PRINTED
						ESTIMATES	ESTIMATES	ESTIMATES	ESTIMATES	ESTIMATES
						2016/2017	2016/2017	2017/2018	2018/2019	2019/2020
<b>TREASURY BONDS</b>		<b>ISSUE No.</b>	<b>PRINCIPAL</b>	<b>DUE YR.</b>	<b>TENOR</b>		<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
002000208	2420102	IFB1/2016/09	19,803,383,982.98	2025/05	9YRS	-	2,475,422,998	2,475,422,998	2,475,422,998	2,475,422,998
002000211	2420102	IFB1/2013/12	8,461,742,280.00	2025/09	12YRS	930,791,651	930,791,651	930,791,651	930,791,651	930,791,651
002000211	2420102	IFB1/2013/12	6,743,366,108.28	2025/09	12YRS	741,770,272	741,770,272	741,770,272	741,770,272	741,770,272
002000212	2420102	FXD2/2010/15	6,183,750,000.00	2025/12	15YRS	556,537,500	556,537,500	556,537,500	556,537,500	556,537,500
002000212	2420102	FXD2/2010/15	7,329,350,000.00	2025/12	15YRS	659,641,500	659,641,500	659,641,500	659,641,500	659,641,500
002000211	2420102	FXD1/2016/10	18,306,450,000.00	2026/08	10YRS	-	1,376,553,508	2,753,107,016	2,753,107,016	2,753,107,016
002000211	2420102	IFB1/2014/12	6,959,214,430.20	2026/10	12YRS	765,513,587	765,513,587	765,513,587	765,513,587	765,513,587
002000211	2420102	IFB1/2014/12	692,516,231.10	2026/10	12YRS	76,176,785	76,176,785	76,176,785	76,176,785	76,176,785
002000211	2420102	IFB1/2014/12	4,688,066,292.22	2026/10	12YRS	515,687,292	515,687,292	515,687,292	515,687,292	515,687,292
002000211	2420102	IFB1/2014/12	3,080,749,766.76	2026/10	12YRS	338,882,474	338,882,474	338,882,474	338,882,474	338,882,474
002000211	2420102	IFB1/2015/12	5,793,618,229.50	2027/03	12YRS	618,904,543	618,904,543	618,904,543	618,904,543	618,904,543
002000211	2420102	IFB1/2015/12	5,415,726,913.11	2027/03	12YRS	618,904,543	618,904,543	618,904,543	618,904,543	618,904,543
002000212	2420102	FXD1/2012/15	21,089,450,000.00	2027/09	15YRS	2,319,839,500	2,319,839,500	2,319,839,500	2,319,839,500	2,319,839,500
002000212	2420102	FXD1/2012/15	6,004,150,000.00	2027/09	15YRS	-	660,456,500	660,456,500	660,456,500	660,456,500
002000212	2420102	FXD1/2013/15	5,875,700,000.00	2028/02	15YRS	661,016,250	661,016,250	661,016,250	661,016,250	661,016,250
002000212	2420102	FXD1/2013/15	7,507,100,000.00	2028/02	15YRS	844,548,750	844,548,750	844,548,750	844,548,750	844,548,750
002000212	2420102	FXD1/2013/15	13,172,850,000.00	2028/02	15YRS	1,481,945,625	1,481,945,625	1,481,945,625	1,481,945,625	1,481,945,625
002000212	2420102	FXD1/2013/15	9,615,400,000.00	2028/02	15YRS	1,153,848,000	1,153,848,000	1,153,848,000	1,153,848,000	1,153,848,000
002000212	2420102	FXD1/2013/15	15,582,800,000.00	2028/02	15YRS	1,505,565,000	1,505,565,000	1,505,565,000	1,505,565,000	1,505,565,000
002000212	2420102	FXD2/2013/15	17,385,850,000.00	2028/04	15YRS	2,086,302,000	2,086,302,000	2,086,302,000	2,086,302,000	2,086,302,000
002000213	2420102	FXD1/2008/20	9,683,350,000.00	2028/06	15YRS	-	1,331,460,625	1,331,460,625	1,331,460,625	1,331,460,625
002000213	2420102	FXD1/2008/20	10,834,800,000.00	2028/06	20YRS	1,489,785,000	1,489,785,000	1,489,785,000	1,489,785,000	1,489,785,000
002000213	2420102	FXD1/2008/20	8,100,800,000.00	2028/06	20YRS	-	-	1,113,860,000	1,113,860,000	1,113,860,000
002000213	2420102	FXD1/2008/20	1,912,250,000.00	2028/06	20YRS	262,934,375	262,934,375	262,934,375	262,934,375	262,934,375
002000213	2420102	FXD1/2008/20	7,613,900,000.00	2028/06	20YRS	1,046,911,250	1,046,911,250	1,046,911,250	1,046,911,250	1,046,911,250
002000213	2420102	FXD1/2011/20	8,138,500,000.00	2031/05	20YRS	691,120,000	691,120,000	691,120,000	691,120,000	691,120,000
002000213	2420102	FXD1/2011/20	1,227,300,000.00	2031/05	20YRS	245,460,000	245,460,000	245,460,000	245,460,000	245,460,000
002000212	2420102	IFB1/2016/15	2,633,350,000.00	2031/10	15YRS	-	-	316,002,000	316,002,000	316,002,000
002000212	2420102	IFB1/2016/15	4,722,850,000.00	2031/10	15YRS	-	-	566,742,000	566,742,000	566,742,000
002000212	2420102	IFB1/2016/15	32,673,450,000.00	2031/10	15YRS	-	1,834,292,400	3,920,814,000	3,920,814,000	3,920,814,000
002000213	2420102	FXD1/2012/20	3,461,350,000.00	2032/11	20YRS	415,362,000	415,362,000	415,362,000	415,362,000	415,362,000
002000213	2420102	FXD1/2012/20	10,882,700,000.00	2032/11	20YRS	1,305,924,000	1,305,924,000	1,305,924,000	1,305,924,000	1,305,924,000
002000213	2420102	FXD1/2012/20	4,956,500,000.00	2032/11	20YRS	594,780,000	594,780,000	594,780,000	594,780,000	594,780,000
002000213	2420102	FXD1/2012/20	9,363,050,000.00	2032/11	20YRS	1,123,566,000	1,123,566,000	1,123,566,000	1,123,566,000	1,123,566,000
002000213	2420102	FXD1/2012/20	2,060,550,000.00	2032/11	20YRS	247,266,000	247,266,000	247,266,000	247,266,000	247,266,000
002000213	2420102	FXD1/2012/20	13,857,500,000.00	2032/11	20YRS	1,662,900,000	1,662,900,000	1,662,900,000	1,662,900,000	1,662,900,000
002000214	2420102	FXD1/2010/25	7,008,150,000.00	2035/05	25YRS	788,416,875	788,416,875	788,416,875	788,416,875	788,416,875
002000214	2420102	FXD1/2010/25	13,184,350,000.00	2035/05	25YRS	1,483,239,375	1,483,239,375	1,483,239,375	1,483,239,375	1,483,239,375
002000213	2420102	FXD1/2016/20	12,761,200,000.00	2036/09	20YRS	-	-	1,786,568,000	1,786,568,000	1,786,568,000
002000215	2420102	SDB1/2011/30	8,718,100,000.00	2041/01	30YRS	1,046,172,000	1,046,172,000	1,046,172,000	1,046,172,000	1,046,172,000
002000215	2420102	SDB1/2011/30	3,376,800,000.00	2041/01	30YRS	405,216,000	405,216,000	405,216,000	405,216,000	405,216,000
002000215	2420102	SDB1/2011/30	853,100,000.00	2041/01	30YRS	117,514,525	117,514,525	117,514,525	117,514,525	117,514,525
002000215	2420102	SDB1/2011/30	19,000,000.00	2041/01	30YRS	2,617,250	2,617,250	2,617,250	2,617,250	2,617,250
002000215	2420102	SDB1/2011/30	667,900,000.00	2041/01	30YRS	92,003,225	92,003,225	92,003,225	92,003,225	92,003,225
002000215	2420102	SDB1/2011/30	2,003,350,000.00	2041/01	30YRS	275,961,463	275,961,463	275,961,463	275,961,463	275,961,463
002000215	2420102	SDB1/2011/30	1,752,500,000.00	2041/01	30YRS	241,406,875	241,406,875	241,406,875	241,406,875	241,406,875
002000215	2420102	SDB1/2011/30	10,041,550,000.00	2041/01	30YRS	844,491,000	844,491,000	844,491,000	844,491,000	844,491,000
002000215	2420102	SDB1/2011/30	712,400,000.00	2041/01	30YRS	98,133,100	98,133,100	98,133,100	98,133,100	98,133,100
002000218	2420102	FEB-JUN Issue	200,000,000,000.00	various	various	8,685,900,000	-	24,860,800,000	29,660,800,000	29,660,800,000
002000219	2420102	NEW LOANS				10,304,531,983	3,161,541,337	14,710,251,775	27,455,639,183	39,109,885,583
			<b>SUB - TOTAL</b>		<b>Kshs</b>	<b>137,706,887,551</b>	<b>144,246,525,180</b>	<b>175,602,050,478</b>	<b>176,386,862,649</b>	<b>183,972,095,648</b>

**Table 8: Summary of Interest on Internal Debt**

SUB-HEAD	ITEM	DESCRIPTION	PRINTED		REVISED	PRINTED	PRINTED	PRINTED
			ESTIMATES		ESTIMATES	ESTIMATES	ESTIMATES	ESTIMATES
			2016/17		2016/17	2017/18	2018/19	2019/20
			Kshs		Kshs	Kshs	Kshs	Kshs
<b>OTHER LOANS:</b>								
002000401	2420102	Pre - 1997 Gov't Overdraft Debt	758,506,095	-	758,506,095	725,206,095	700,162,671	683,512,671
002000403	2420102	Tax Reserve Certificate		-				
002000407	2420102	Short Term Borrowing (T. Bills Interest)	52,002,996,755	(30,598,841,921)	21,404,154,834	28,185,341,641	40,731,790,684	61,088,820,658
002000404	2420102	Miscellaneous ( Advertising )	30,000,000	-	30,000,000	30,000,000	30,000,000	30,000,000
002000405	2420102	SDR- Allocation Charges	-	-	-	-	-	-
002000402	2420102	Government Overdraft- Interest Charges	3,768,430,400	(1,884,215,200)	1,884,215,200	2,605,125,000	2,605,125,000	2,605,125,000
002000408	2420102	Commissions to CBK	3,000,000,000	-	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
		<b>SUB - TOTAL</b>	<b>59,559,933,250</b>	<b>(32,483,057,121)</b>	<b>27,076,876,129</b>	<b>34,545,672,736</b>	<b>47,067,078,354</b>	<b>67,407,458,328</b>
		<b>TOTAL INTEREST ON BONDS &amp; OTHER LOANS</b>	<b>197,266,820,801</b>	<b>(25,943,419,492)</b>	<b>171,323,401,309</b>	<b>210,147,723,214</b>	<b>223,453,941,003</b>	<b>251,379,553,976</b>
	<b>2420000</b>	<b>GRAND TOTAL INTERNAL DEBT - INTEREST</b>	<b>197,266,820,801</b>	<b>(25,943,419,492)</b>	<b>171,323,401,309</b>	<b>210,147,723,214</b>	<b>223,453,941,003</b>	<b>251,379,553,976</b>
<b>Note:</b>								
1. Net domestic financing has been assumed at Kshs 320.6 billion in the fiscal year 2017/18								
2. Of the Kshs 320.6 billion net domestic borrowing , 30% is assumed to be (Kshs 96.2 billion) through bills and 70% (Kshs 224.42 billion) through bonds.								
3. Interest rates will be stable between 7.7% p.a-9.31% p.a , 10.34. - 12.41% p.a and 10.34% p.a- 12.42% p.a - for 91 days,182 days and 364 days.								
4. Assumed coupon rates for benchmark Bonds of 2, 5, 10, 15, and 20 years are 12.02%,12.371%, 13.11%, 14.00%, respectively.								
5. The usage of the overdraft at CBK will fluctuate within the year but close at zero at end June 2018. Interest will be charged at the CBR rate and the facility will be utilized at 50% of the set ceiling of Kshs 52.10 billion.								

**Table 9: Internal Debt Redemption from the Consolidated Fund**

SUB- HEAD	ITEM	DESCRIPTION	ISSUE No.	DUE YR.	TENOR	PRINTED	REVISED	PRINTED	PRINTED	PRINTED
						ESTIMATES 2016/2017	ESTIMATES 2016/2017	ESTIMATES 2017/2018	ESTIMATES 2018/2019	ESTIMATES 2019/2020
						Ksh	Ksh	Ksh	Ksh	Ksh
002000211	5210201	IFB2/2010/9		2016/08	6YRS	14,200,000,000	14,200,000,000			
002000216	5210201	FXD1/2015/1		2016/09	1YRS	24,260,650,000	24,260,650,000			
002000216	5210201	FXD2/2015/1		2016/10	1YRS	10,241,375,000	10,241,375,000			
002000203	5210201	FXD3/2014/2		2016/12	2YRS	20,472,450,000	20,472,450,000			
002000203	5210201	FXD3/2014/2		2016/12	2YRS	8,903,250,000	8,903,250,000			
002000211	5210201	IFB1/2009/12		2017/02	12YR	4,497,700,000	4,497,700,000			
002000203	5210201	FXD1/2015/2		2017/02	2YRS	23,592,150,000	23,592,150,000			
002000204	5210201	FXD1/2012/5		2017/05	5YRS	7,925,800,000	7,925,800,000			
002000204	5210201	FXD1/2012/5		2017/05	5YRS	4,905,550,000	4,905,550,000			
002000205	5210201	FXD1/2012/6		2017/05	5YRS	18,248,200,000	18,248,200,000			
002000209	5210201	SFX1/2007/10		2017/05	10YRS	5,000,000,000	5,000,000,000			
002000208	5210201	FXD2/2015/2		2017/06	2YRS	11,555,900,000	11,555,900,000			
002000203	5210201	FXD2/2015/2		2017/06	2YRS	7,190,900,000	7,190,900,000			
002000208	5210201	IFB2/2010/9		2017/08	7YRS	-	-	8,700,000,000		
002000210	5210201	FXD1/2006/11		2017/09	11YRS	-	-	4,031,400,000		
002000211	5210201	IFB1/2013/12		2017/09	4YRS	-	-	4,776,524,397		
002000211	5210201	IFB1/2013/12		2017/09	4YRS	-	-	5,993,700,741		
002000209	5210201	FXD1/2007/10		2017/10	10YRS	-	-	9,308,800,000		
002000203	5210201	FXD1/2016/2		2018/01	2YRS	-	-	20,153,750,000		
002000209	5210201	FXD1/2008/10		2018/02	10YRS	-	-	2,992,750,000		
002000211	5210201	IFB1/2010/8		2018/02	6YRS	-	-	7,131,578,815		
002000204	5210201	FXD1/2013/5		2018/04	5YRS	-	-	20,240,750,000		
002000203	5210201	FXD2/2016/2		2018/05	2YRS	-	-	25,500,450,000		
002000203	5210201	FXD2/2016/2		2018/05	2YRS	-	-	4,717,900,000		
002000204	5210201	FXD2/2013/5		2018/06	5YRS	-	-	13,452,050,000		
002000204	5210201	FXD2/2013/5		2018/06	5YRS	-	-	12,888,000,000		
002000209	5210201	FXD2/2008/10		2018/07	10YRS	-	-	-	12,622,700,000	
002000209	5210201	FXD2/2008/10		2018/07	10YRS	-	-	-	882,000,000	
002000211	5210201	FXD1/2006/12		2018/08	12YRS	-	-	-	3,900,950,000	
002000209	5210201	FXD3/2008/10		2018/09	10YRS	-	-	-	4,151,600,000	
002000211	5210201	IFB1/2014/12		2018/10	12YRS	-	-	-	404,102,174	
002000211	5210201	IFB1/2014/12		2018/10	12YRS	-	-	-	2,735,614,987	
002000211	5210201	IFB1/2014/12		2018/10	12YRS	-	-	-	1,797,701,805	
002000211	5210201	IFB1/2014/12		2018/10	12YRS	-	-	-	4,060,892,084	
002000204	5210201	FXD3/2013/5		2018/11	5YRS	-	-	-	14,937,800,000	
002000208	5210201	IFB2/2009/12		2018/11	9YRS	-	-	-	5,145,000,000	
002000203	5210201	FXD3/2016/2		2018/12	2YRS	-	-	-	10,513,650,000	
002000203	5210201	FXD3/2016/2		2018/12	2YRS	-	-	-	1,354,000,000	
002000203	5210201	FXD3/2016/2		2018/12	2YRS	-	-	-	13,609,900,000	
002000209	5210201	FXD1/2009/10		2019/04	10YRS	-	-	-	4,966,850,000	
002000204	5210201	FXD1/2014/5		2019/04	5YRS	-	-	-	17,511,200,000	
002000204	5210201	FXD1/2014/5		2019/04	5YRS	-	-	-	8,222,500,000	
002000211	5210201	FXD1/2007/12		2019/05	12YRS	-	-	-	4,864,600,000	
002000204	5210201	FXD2/2014/5		2019/06	5YRS	-	-	-	14,285,600,000	
002000204	5210201	FXD2/2014/5		2019/06	5YRS	-	-	-	2,132,650,000	
002000208	5210201	IFB2/2010/9		2019/08	9YRS	-	-	-	-	9,971,550,000
002000207	5210201	IFB1/2011/1		2019/09	8YRS	-	-	-	-	14,191,404,001
002000209	5210201	IFB1/2010/10		2020/04	10YRS	-	-	-	-	12,052,600,000
002000209	5210201	IFB1/2010/10		2020/04	10YRS	-	-	-	-	7,341,550,000
002000204	5210201	FXD1/2015/5		2020/06	5YRS	-	-	-	-	12,461,700,000
002000204	5210201	FXD1/2015/5		2020/06	5YRS	-	-	-	-	5,566,200,000
002000204	5210201	FXD1/2015/5		2020/06	5YRS	-	-	-	-	12,928,150,000
002000219	5210201	NEW LOANS				-	-	41,000,000,000	41,000,000,000	82,000,000,000
<b>Ksh</b>						<b>160,993,925,000.00</b>	<b>160,993,925,000.00</b>	<b>180,887,653,953</b>	<b>169,099,311,049</b>	<b>156,513,154,001</b>
002000401	5210201	Pre - 1997 Gov't Overdraft debt				1,110,000,000	1,110,000,000	1,110,000,000	1,110,000,000	1,110,000,000
002000407	5210201	Redemption of Treasury Bills -Shortfall				10,000,000,000	10,000,000,000	10,000,000,000	10,000,000,000	10,000,000,000
002000403	5210201	Tax Reserve Certificate				300,000	300,000	300,000	300,000	300,000
<b>Ksh</b>						<b>11,110,300,000</b>	<b>11,110,300,000</b>	<b>11,110,300,000</b>	<b>11,110,300,000</b>	<b>11,110,300,000</b>
<b>GRAND TOTAL INTERNAL DEBT</b>						<b>172,104,225,000</b>	<b>172,104,225,000</b>	<b>191,997,953,953</b>	<b>180,209,611,049</b>	<b>167,623,454,001</b>

**Table 10: External Debt Redemption from the Consolidated Fund**

HEAD	CREDITOR	PRINTED	REVISED			
		ESTIMATES	ESTIMATES	ESTIMATES	ESTIMATES	ESTIMATES
		2016/2017	2016/2017	2017/2018	2018/2019	2019/2020
		Ksh	Ksh	Ksh	Ksh	Ksh
501	GERMANY	929,217,523	929,217,523	925,905,108	1,919,076,303	2,212,797,697
502	ITALY	2,171,092,516	2,171,092,516	1,160,185,125	1,160,185,125	1,156,330,400
503	JAPAN	6,005,486,229	6,005,486,229	6,301,879,951	6,027,160,369	5,020,779,809
504	IDA	12,772,277,756	12,772,277,756	13,538,264,039	14,120,056,758	14,877,164,845
505	ADB/ADF	1,596,041,302	1,596,041,302	1,998,725,849	2,081,905,174	3,506,191,629
506	U.S.A.	646,121,054	646,121,054	722,437,062	620,559,741	536,063,849
507	DENMARK	258,872,867	258,872,867	255,937,678	255,937,678	212,875,162
508	NETHERLANDS	488,150,495	488,150,495	628,078,123	581,460,927	260,986,703
509	OPEC	784,106,351	784,106,351	749,574,203	824,943,566	824,943,566
510	BADEA	192,322,500	192,322,500	219,132,874	222,644,960	275,964,809
511	FRANCE	5,120,208,077	5,120,208,077	6,058,013,539	6,649,868,176	7,212,094,180
512	EIB	1,185,869,752	1,185,869,752	1,179,253,309	1,189,626,313	1,955,244,149
513	SAUDI FUND	637,933,318	637,933,318	662,270,303	715,652,199	110,618,399
514	AUSTRIA - BAWAG	150,722,140	150,722,140	161,895,369	85,963,266	-
515	SWITZERLAND	69,478,281	69,478,281	74,929,396	39,786,040	-
516	EEC	401,585,619	401,585,619	276,437,007	279,303,590	233,331,606
517	BELGIUM	1,778,384,031	1,778,384,031	1,863,602,411	1,923,201,300	1,695,597,104
518	FINLAND	270,442,926	270,442,926	268,609,857	257,629,623	245,198,824
519	GOVERNMENT OF CHINA	4,578,529,932	163,073,998	159,815,192	159,815,192	159,815,192
536	EXIM BANK OF CHINA		3,346,403,685	6,071,921,841	8,327,137,688	30,729,086,618
537	CHINA DEVELOPMENT BANK		1,069,052,250	757,759,136	425,707,380	15,964,026,750
520	SPAIN	1,258,263,785	1,258,263,785	1,219,869,193	1,450,439,597	1,483,182,646
521	KUWAIT	277,778,194	277,778,194	262,826,088	240,347,541	318,157,896
522	EXIM BANK OF KOREA	114,567,459	114,567,459	121,001,938	149,582,867	178,163,796
523	CANADA	221,212,850	221,212,850	251,500,064	185,834,301	115,068,349
524	SWEDEN	61,528,303	61,528,303	66,147,844	35,123,208	-
525	UNITED KINGDOM	377,762,214	377,762,214	377,819,021	229,654,089	63,950,437
526	IFAD	385,920,251	385,920,251	418,927,429	428,830,379	486,514,821
527	NORDIC DEVELOPMENT FUND	62,563,656	62,563,656	61,667,333	61,667,333	61,667,333
531	STANDARD BANK -BVR	826,135,987	826,135,987	814,300,292	814,300,292	814,300,292
529	STND CHTRD -SDY	-	-	79,820,133,750.00	68,115,200,000	14,900,200,000
532	DEBUT INTERNATIONAL SVRNG BOND (USD 2.75 BN)	-	-	-	79,820,133,750	-
530	EXIM BANK OF INDIA			312,185,412	624,370,824	624,370,824
533	AFREXIM			21,285,369,000	-	-
534	EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK				31,929,000,000	5,321,500,000
		<b>43,622,575,368</b>	<b>43,622,575,368</b>	<b>149,046,374,734</b>	<b>231,952,105,552</b>	<b>111,556,187,683</b>

**Table 11: Interest Payments on External Debt from the Consolidated Fund**

HEAD	CREDITOR	PRINTED	REVISED			
		ESTIMATES	ESTIMATES	ESTIMATES	ESTIMATES	ESTIMATES
		2016/2017	2016/2017	2017/2018	2018/2019	2019/2020
		Kshs	Kshs	Kshs	Kshs	Kshs
501	GERMANY	271,279,150	271,279,150	258,796,316	282,980,671	667,250,974
502	ITALY	298,466,085	298,466,085	600,443,151	781,658,958	940,046,025
503	JAPAN	686,625,833	686,625,833	652,021,708	639,604,697	710,053,440
504	IDA	4,550,949,204	4,550,949,204	5,289,693,289	5,606,118,884	5,912,474,536
505	ADB/ADF	2,001,991,646	2,001,991,646	2,087,047,737	2,257,318,127	2,470,432,438
506	U.S.A.	165,981,756	165,981,756	124,316,170	95,970,599	73,699,109
533	NEW LOANS/1	2,354,530,000	6,468,443,833	772,000,000	772,000,000	772,000,000
508	NETHERLANDS	43,531,687	43,531,687	35,278,070	16,954,785	6,568,437
509	OPEC	92,009,322	92,009,322	80,668,032	102,257,548	136,573,133
510	BADEA	52,340,021	52,340,021	56,183,174	75,781,112	97,059,320
511	FRANCE	1,324,873,091	1,324,873,091	1,219,255,945	1,279,161,363	1,344,621,757
512	EIB	308,196,497	308,196,497	257,819,508	247,131,607	1,707,975,057
513	SAUDI FUND	33,645,615	33,645,615	52,633,880	47,431,411	46,571,225
514	AUSTRIA	6,299,470	6,299,470	12,287,004	10,889,293	11,312,586
515	SWITZERLAND	7,473,147	7,473,147	7,565,218	17,654,411	32,179,339
516	EEC	28,258,401	28,258,401	24,191,844	21,420,836	18,741,885
517	BELGIUM	60,244,241	60,244,241	58,781,349	52,535,594	45,879,973
518	FINLAND	9,684,453	9,684,453	9,442,420	6,957,593	1,504,994
519	GOVERNMENT OF CHINA	16,197,830,411	-	-	-	-
536	EXIM BANK OF CHINA		16,120,093,036	16,035,533,622	20,050,767,994	23,417,013,663
537	CHINA DEVELOPMENT BANK		77,737,374	3,745,575,451	3,717,589,771	3,481,639,885
520	SPAIN	200,969,967	200,969,967	245,020,441	309,972,646	341,565,421
521	KUWAIT	32,326,825	32,326,825	24,313,165	50,683,353	86,643,760
522	EXIM BANK OF KOREA	30,222,939	30,222,939	30,199,429	31,531,790	31,374,287
523	CANADA	7,847,703	7,847,703	7,204,655	3,233,706	1,185,836
524	SWEDEN	745,702	745,702	676,481	139,627	-
525	UNITED KINGDOM	10,768,190	10,768,190	6,023,442	1,939,567	468,607
526	IFAD	112,937,216	112,937,216	114,286,071	126,473,750	131,558,662
527	NORDIC DEVELOPMENT FUND	22,640,223	22,640,223	21,853,361	21,390,856	20,928,351
529	STANDARD CHARTERED-SDY	5,038,595,976	6,941,291,676	11,504,000,430	5,461,561,880	5,663,246,730
530	EXIM BANK OF INDIA	43,990,307	43,990,307	77,916,891	81,416,886	74,427,167
531	STANDARD BANK -BVR	115,184,009	115,184,009	104,040,433	84,225,793	64,574,012
532	DEBUT INTERNATIONAL SVRNG BOND (USD 2.75 BN)	19,409,979,914	19,409,979,914	19,409,979,914	19,409,979,914	13,750,000,000
533	AFREXIM		699,898,389	1,399,796,778	0	-
534	ISRAEL		-	83,230,290	120,636,811	200,622,928
535	EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK		2,150,551,450	6,163,999,880	6,163,999,880	6,163,999,880
		<b>53,520,419,000</b>	<b>62,387,478,372</b>	<b>70,572,075,548</b>	<b>67,949,371,713</b>	<b>68,424,193,418</b>

**Table 12: List of Publicly Guaranteed Debt, In Ksh million**

Agency	Year	Purpose of the loan	Creditor	Jun-13	Jun-14	Jun-15	Jun-16
Nairobi City County	1985	Umoja II Housing Project	USA	146	75	-	-
Kenya Broadcasting Corporation	1989	KBC Modernization Project	Japan	3,934	3,584	2,404	2,224
Telkom Kenya Ltd	1990	Purchase of Microwave Telephone System	Canada	353	351	375	-
Tana and Athi River Development Authority	1990	Tana Delta Irrigation Project	Japan	1,791	1,526	1,172	1,156
East African Portland Cement	1990	Cement Plant Rehabilitation Project	Japan	2,226	1,896	1,457	1,438
KenGen Ltd	1995	Mombasa Diesel Generating Power Project	Japan	4,442	4,048	3,393	3,767
	1997	Sondu Miriu Hydropower Project	Japan	4,268	3,950	3,372	3,827
	2004	Sondu Miriu Hydropower Project II	Japan	9,186	8,981	8,005	9,534
	2007	Sondu Miriu Hydropower Project – Sang’oro Power Plant	Japan	3,671	3,660	3,416	4,218
	2010	Olkaria Unit 4 and 5 Geothermal Power Project	Japan	42	42	44	55
	2010	Rehabilitation and Expansion of the Hydropower Plant Kindaruma	Germany				3,514
	2011	Rehabilitation and Upgrade of the Geothermal Plant Olkaria	Germany				4,656
Kenya Ports Authority	2007	Mombasa Port Modernization Project	Japan	9,608	13,167	15,856	22,099
Kenya Railways	2008	Kenya Railways Concessioning	IDA	3,870	3,943	4,439	4,044
Kenya Farmers Association	2005	Revival of KFA	Local banks	Unutilized	Unutilized	Unutilized	Unutilized
National Cereals & Produce Board (GSM-102)	2009	Importation of maize under GSM-102	USA	Unutilized	Unutilized	Unutilized	Unutilized
<b>Total</b>				<b>43,537</b>	<b>45,221</b>	<b>43,933</b>	<b>60,530</b>

## **E. Annexes**

84. The following are annexes to this report:

- Annex on Breakdown of Estimates of Revenues and Expenditure for State Corporations of the Government of Kenya for the Financial Year ending 30th June 2018.
- Annex on Estimates of Revenues, Grants and Loans that captures the Revenues estimates by broad economic classification.

**THE NATIONAL TREASURY**

**February 14, 2017**

