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Quarterly Economic and Budgetary Review

**Third Quarter, Financial Year 2018/19
Period ending 31st March, 2019**

May 2019 Edition

Quarterly Economic and Budgetary Review

**Third Quarter, Financial Year 2018/2019
Period ending 31st March, 2019**

May 2019 Edition

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ACKNOWLEDGEMENT

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LIST OF ABBREVIATIONS AND ACRONYMS

A-I-A	Appropriation in Aid
AMISOM	African Union Mission in Somalia
BADEA	Arab Bank for Economic Development of Africa
CBK	Central Bank of Kenya
CBR	Central Bank rate
CF	Contingency Fund
EEC	European Economic Community
EIB	European Investment Bank
DANIDA	Danish International Development Agency
FY	Fiscal Year
GDP	Gross Domestic Product
GFSM	Government Finance Statistics Manual
ICT	Information, Communication and Technology
IDF	Import Declaration Fee
IMF	International Monetary Fund
KNBS	Kenya National Bureau of Statistics
KSh.	Kenya Shillings
MDAs	Ministries, Departments and Agencies
Mn	Million
NDA	Net Domestic Assets
NFA	Net Foreign Assets
NG-CDF	National Government Constituencies Development Fund
NSE	Nairobi Securities Exchange
O & M	Operation and Maintenance
OPEC	Oil Producing and Exporting Countries
PAYE	Pay as You Earn
QEBR	Quarterly Economic and Budgetary Review
RDL	Railway Development Levy
SGR	Standard Gauge Railway
UK	United Kingdom
US\$	United States Dollar
VAT	Value Added Tax

LEGAL BASIS FOR THE QUARTERLY ECONOMIC AND BUDGETARY REVIEW

The Quarterly Economic and Budgetary Review Report is Published in accordance with Section 83 of the Public Finance Management Act, 2012. It states as follows:

83. (1) An accounting officer for a national government entity shall prepare a report for each quarter of the financial year in respect of the entity.

(2) In preparing a quarterly report for a national government entity, the accounting officer shall ensure that the report—

(a) Contains information on the financial and non-financial performance of the entity; and

(b) Is in a form that complies with the standards prescribed and published by the Accounting Standards Board from time to time.

(3) Not later than fifteen days after the end of each quarter, the accounting officer shall submit the quarterly report to the Cabinet Secretary responsible for the entity and the National Treasury.

(4) The Cabinet Secretary responsible for an entity shall forward a copy of the report to the Cabinet Secretary and Controller of Budget.

(5) Not later than forty five days after the end of each quarter, the National Treasury shall—

(a) consolidate the quarterly reports and submit them to the National Assembly and a copy of the reports to the Controller of Budget, Auditor-General and the Commission on Revenue Allocation; and

(b) Publish and publicize the reports.

(6) In the case of an entity that is a state corporation, the accounting officer for the corporation shall submit the quarterly report to the Cabinet Secretary responsible for the corporation who shall, upon approving it, forward a copy to the Cabinet Secretary.

HIGHLIGHTS OF THE 2018/19 THIRD QUARTERLY ECONOMIC AND BUDGETARY REVIEW

1. Economic growth

The Kenyan Economy recovered in 2018 and grew by 6.3 percent up from a growth of 4.9 percent in 2017. This strong growth was supported by increased agricultural production, accelerated manufacturing activities, sustained growth in transportation and vibrant service sector activities. Agricultural activities benefited from sufficient rains that were well spread throughout the country. Similarly, the increased precipitation was a significant boost to electricity generation and consequently favourable to growth.

2. Stable prices

The macroeconomic environment remained stable with low and stable interest rates and a competitive exchange rate to support exports. Month-on-month overall inflation increased slightly to 4.4 percent in March from 4.1 percent in February on account of rising prices of some food crops following dry weather conditions experienced in the first quarter of the year. Fuel inflation continued to decline in line with trends in energy prices.

3. Balance of Payments

The overall balance of payments position was at a surplus of US\$ 721 million (0.7 percent of GDP) in the year to March 2019 from a deficit of US\$ 1,041.4 million (1.2 percent of GDP) in the year to March 2018. The overall balance was supported by an improvement in the current and capital account despite the decline in the financial account. The current account balance narrowed by 17.2 percent to a deficit of US\$ 3,969.2 million (4.0 percent of GDP) in the year to March 2019 compared to a deficit of US\$ 4,796.0 million (5.5 percent of GDP) in the year to March 2018.

4. Foreign Exchange Reserves

The banking system's foreign exchange holding remained strong at US\$ 11,772 million in March 2019 from US\$ 11,856 million in March 2018. The official foreign exchange reserves held by the Central Bank was at US\$ 8,468 million (5.4 months of import cover) in March 2019 compared with US\$ 9,362 million (6.3 months of import cover) in March 2018. Commercial banks holdings was at US\$ 3,304 million in 2019 from US\$ 2,494 million in 2018.

5. Money and Credit

Broad money supply, M3, improved to a growth of 11.6 percent in the year to March 2019 compared to a growth of 4.3 percent in the year to March 2018. The primary source of the growth in M3 in the year to March 2019 was the increase in the net domestic assets (NDA) of the banking sector despite a slowdown in the growth of net foreign assets (NFA) of the banking system. The increase in growth in NDA was largely reflected in the increase in net domestic credit to government.

6. Capital Markets

Activity in the capital market slowed down with equity share prices declining as shown by the NSE 20 Share Index. The NSE 20 Share Index was at 2,846 points by end-March 2019 from 3,845 points in March 2018. The depressed share prices resulted to lower market capitalization of KSh. 2,361 billion from KSh. 2,790

billion over the same period.

7. Total Revenue Collection

The National Government cumulative revenue collection including A-I-A for the July 2018 to March 2019 period amounted to KSh. 1,180.2 billion (equivalent to 12.4 per cent of GDP) against a target of KSh. 1,289.8 billion (13.6 per cent of GDP). This represented an underperformance of KSh. 109.6 billion (1.2 per cent of GDP) mainly due to shortfalls in Income Tax, Import Duty, Excise Duty, VAT, IDF and Other revenue.

8. Government Expenditure and Net Lending

The total cumulative expenditure and net lending inclusive of transfers to County Governments for the period ending 31st March, 2019 amounted to KSh. 1,745.7 billion. This was KSh. 67.6 billion below the target of KSh. 1813.3 billion and was largely attributed to low absorption levels in recurrent spending including pension and domestic interest for the National Government. The transfers to the County Governments was also below the programmed target.

9. Guaranteed Loans

Between July 2018 and March 2019, the National Government paid a total of KSh. 993.4 million on behalf of state corporations with liquidity challenges against the projected debt service of KSh. 1,333.5 million.

10. Overall Fiscal Balance

The cumulative fiscal balance, on a commitment basis (i.e. excluding grants), amounted to a deficit of KSh. 565.5 billion (equivalent to 5.9 per cent of GDP), as at end-March 2019.

11. External Financing

Between July 2018 and March 2019, external financing amounted to a net borrowing of KSh. 178.9 billion.

12. Net Domestic Borrowing

Net domestic financing amounted to a net borrowing of KSh. 315.6 billion (equivalent to 3.3 per cent of GDP) in the period ending 31st March 2019.

13. Domestic Debt

Total gross domestic debt stock increased by 14 per cent from KSh. 2,371.6 billion as at end-March 2018 to KSh. 2,704 billion by end-March 2019.

14. External Debt

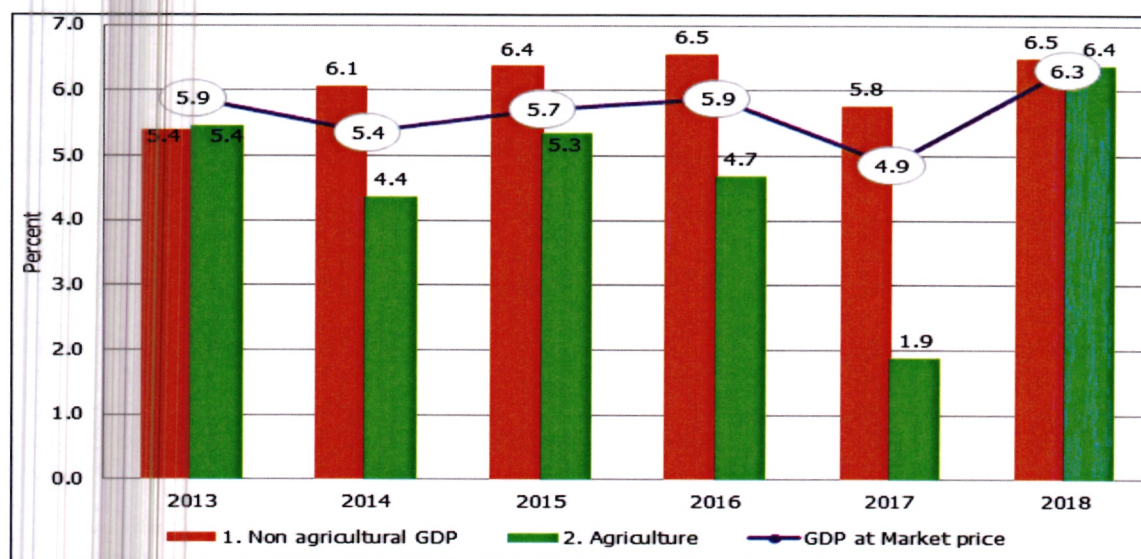
The total external debt stock stood at KSh. 2,721.6 billion for the period ending March 2019. The external debt stock comprised of 34.6 per cent Commercial debt, 33.7 per cent bilateral debt, 31.1 per cent multilateral debt, and 0.6 per cent Suppliers Credit.

1.0 RECENT ECONOMIC DEVELOPMENTS

1.1 Economic Growth

1. In 2018, the economy recovered and grew by 6.3 percent up from a growth of 4.9 percent in 2017 (**Chart 1**). This strong growth was supported by increased agricultural production, accelerated manufacturing activities, sustained growth in transportation and vibrant service sector activities. Agricultural activities benefited from sufficient rains that were well spread throughout the country. Similarly, the increased precipitation was a significant boost to electricity generation and consequently favourable to growth.

Chart 1: Annual Economic Growth Rates, Percent



Source: National Treasury; Data: Kenya National Bureau of Statistics

2. Agriculture sector greatly recovered and recorded a growth of 6.4 percent in 2018 compared to a growth of 1.9 percent in 2017. The recovery in growth was supported by improved weather conditions which increased crop and animal production. There was a significant increase in the production of tea, coffee and sugarcane; the volume of milk delivered to processing plants also increased supported by availability of fodder and pasture after the long rains. Despite a slowdown in horticultural output, the volumes of cut flowers and fruits exported rose in comparison to 2017. The contribution of Agricultural sector to overall GDP growth was at 1.4 percentage points in 2018, an improvement from the 0.4 percentage points in 2017.

3. The Non-agricultural sector (service and industry) remained robust in 2018 growing by 6.5 percent which was higher than the 5.8 percent growth in 2017. The sector contributed 4.4 percentage points to real GDP growth recording an improvement from the 3.8 percent contribution in 2017. (**Table 1**).

4. Services remained the main source of growth and expanded by 6.7 percent in 2018 compared to a growth of 6.0 percent in 2017. The services sector was supported by improved growths in the main drivers of the sector. Accommodation and restaurant grew by 16.6 percent in 2018 up from a growth of 14.3 percent in 2017 mainly supported by the improvement in tourism sub sector which is partially attributed to stable political environment, withdrawal of travel advisories, improved security and investor confidence in the country. Information and communication grew by 11.4 percent in 2018 from a growth of 11.0 percent in 2017 driven by growth in the digital economy. Financial and insurance sector improved to a growth of 5.6 percent in 2018 from a growth of 2.8 percent in 2017 mainly supported by considerable improvements in financial activities in spite of

RECENT ECONOMIC DEVELOPMENTS

a deceleration in the growth of insurance activities. In 2018, growths in transport and storage (8.8 percent) and wholesale and retail trade (6.3 percent) improved and remained strong. Growth of activities in real estate (4.1 percent) remained vibrant despite the slowdown relative to 2017.

5. Services contributed 3.4 percentage points to real GDP growth in 2018 largely supported by transport and storage (0.6 percentage points), wholesale and retail (0.5 percentage points) and information and communication (0.5 percentage points).

Table 1: Annual Sectoral GDP Performance (2015-2018)

Sectors	Real GDP growth by sector				Sectoral contribution to Real GDP Growth Rate			
	2015	2016	2017	2018	2015	2016	2017	2018
Primary sector	5.6	4.9	2.0	6.2	1.3	1.1	0.5	1.4
Of which Agriculture, forestry and fishing	5.3	4.7	1.9	6.4	1.2	1.0	0.4	1.4
Mining and Quarrying	12.3	9.5	4.5	2.8	0.1	0.1	0.0	0.0
Secondary sector (Industry)	7.0	5.7	3.8	5.5	1.3	1.0	0.7	1.0
Of which Manufacturing	3.6	3.1	0.5	4.2	0.4	0.3	0.0	0.4
Electricity and Water supply	8.5	8.4	7.0	7.9	0.2	0.2	0.2	0.2
Construction	13.8	9.9	8.5	6.6	0.7	0.5	0.5	0.4
Tertiary Sector (Services)	6.4	6.4	6.0	6.7	3.2	3.2	3.0	3.4
Of which Wholesale and Retail trade	5.9	3.7	5.7	6.3	0.5	0.3	0.4	0.5
Accommodation and Restaurants	-1.3	13.3	14.3	16.6	0.0	0.1	0.2	0.2
Transport and Storage	8.0	6.5	7.2	8.8	0.5	0.4	0.5	0.6
Information and Communication	7.4	9.9	11.0	11.4	0.3	0.4	0.4	0.5
Financial & Insurance	9.4	6.9	2.8	5.6	0.6	0.4	0.2	0.3
Public administration	5.5	5.6	6.5	6.1	0.2	0.2	0.3	0.2
Others	5.5	6.5	5.3	5.0	1.1	1.3	1.1	1.0
of which: Real estate	7.2	8.8	6.1	4.1	0.6	0.7	0.5	0.4
Less: Financial services indirectly measured	13.5	0.5	-3.3	1.1	-0.3	0.0	0.1	0.0
Taxes less subsidies	2.8	4.4	5.4	5.2	0.3	0.5	0.6	0.6
GDP Growth	5.7	5.9	4.9	6.3	5.7	5.9	4.9	6.3
<i>of which Non-Agricultural GDP</i>	<i>6.4</i>	<i>6.5</i>	<i>5.8</i>	<i>6.5</i>	<i>4.2</i>	<i>4.3</i>	<i>3.8</i>	<i>4.4</i>

Source: National Treasury; Data: Kenya National Bureau of Statistics

6. The performance of Industry improved to a growth of 5.5 percent in 2018 compared to a growth of 3.8 percent in 2017 following increased activities in the manufacturing and electricity and water supply sectors. However, the construction sector recorded a relatively slower growth than in 2017. The recovery of the manufacturing sector was attributable to agro-processing activities, production of beverages and manufacture of non-food products.

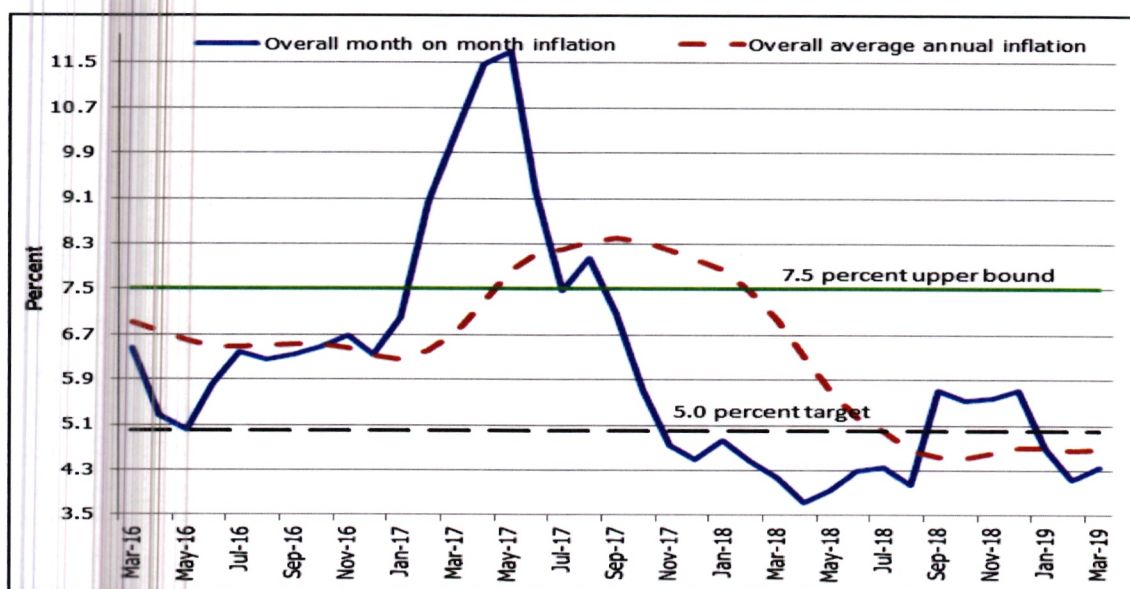
7. The industry sector contributed 1.0 percentage points to growth in 2018, largely driven by the construction and manufacturing sectors with each contributing 0.4 percentage points to real GDP growth.

1.2 Inflation

8. Overall month-on-month inflation remained stable at 4.4 percent in March 2019 rising from 4.1 percent in February 2019, which is within the 5.0 (+/- 2.5) percent target. The increased inflation in March is attributable to increased food prices owing to delayed long rains which slowed food production. However, overall annual inflation declined from 6.9 percent in March 2018 to 4.7 percent in March 2019 on account of relatively lower fuel inflation in line with trends in energy prices (**Chart 2a**).

RECENT ECONOMIC DEVELOPMENTS

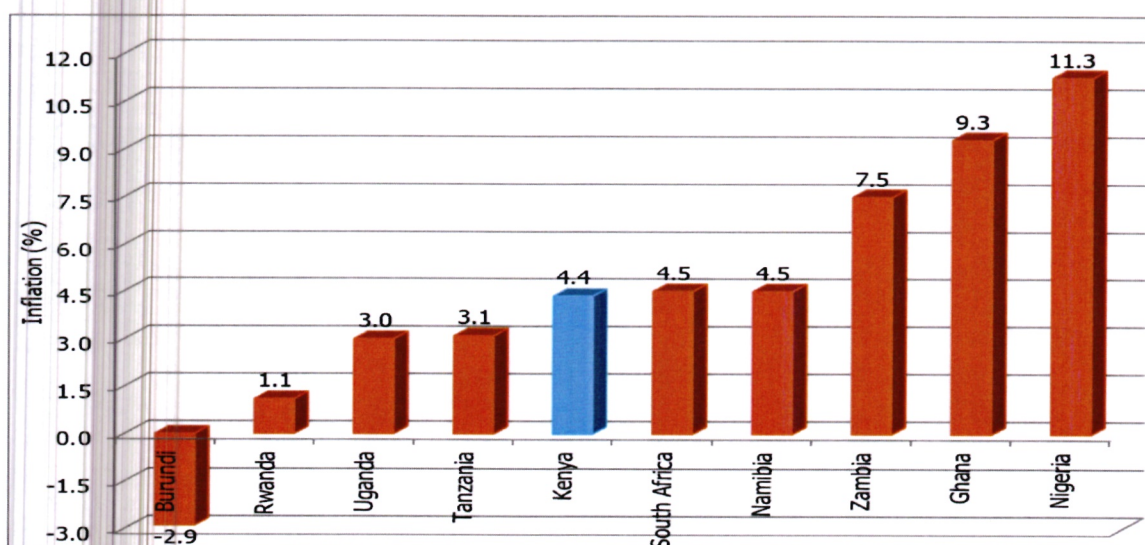
Chart 2a: Inflation



Source: National Treasury; Data: Kenya National Bureau of Statistics

9. Kenya's rate of inflation compares favorably with the rest of sub-Saharan African countries and especially its peers such as Nigeria and Ghana whose inflation rates were 11.3 percent and 9.3 percent, respectively in March 2019 (**Chart 2b**).

Chart 2b: Inflation Rates in selected African Countries (March 2019)



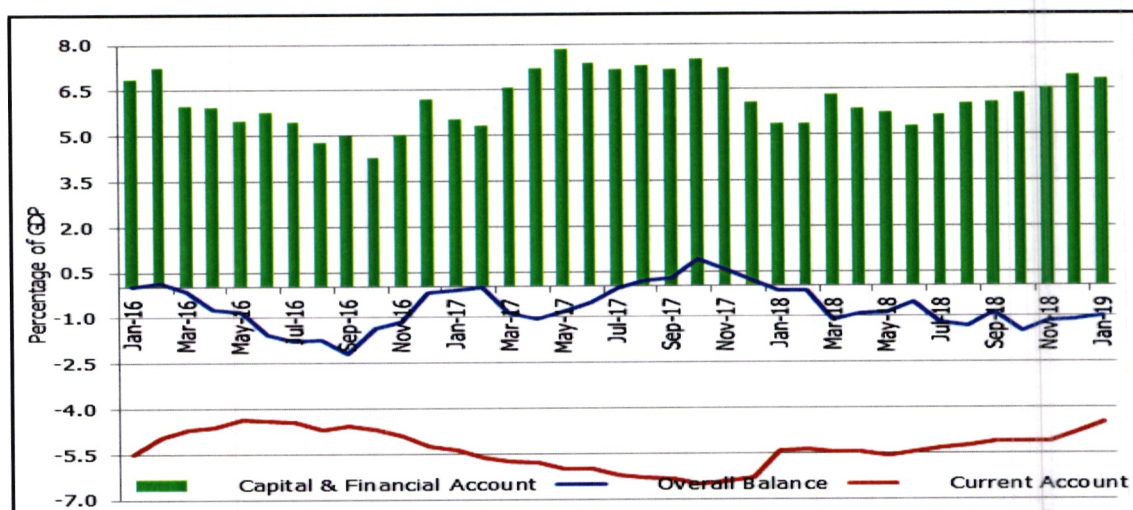
Source: National Treasury; Data: National Central Banks

1.3 Balance of Payments

10. The overall balance of payments position was at a surplus of US\$ 721 million (0.7 percent of GDP) in the year to March 2019 from a deficit of US\$ 1,041.4 million (1.2 percent of GDP) in the year to March 2018 (**Chart 3**). The overall balance was supported by an improvement in the current and capital account despite the decline in the financial account.

RECENT ECONOMIC DEVELOPMENTS

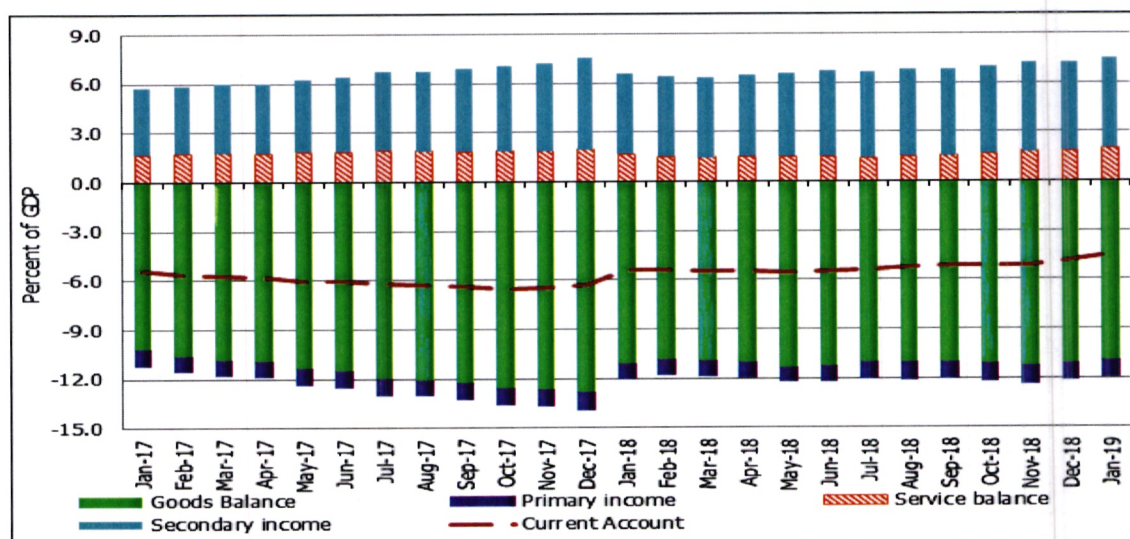
Chart 3: Balance of Payments (Percent of GDP)



Source: National Treasury Data; Central Bank of Kenya

11. The current account balance narrowed by 17.2 percent to a deficit of US\$ 3,969.2 million (4.0 percent of GDP) in the year to March 2019 compared to a deficit of US\$ 4,796.0 million (5.5 percent of GDP) in the year to March 2018. This improvement reflects strong growth in diaspora remittances and tourism receipts, higher tea and horticultural exports and slower growth in imports due to lower food and SGR-related equipment imports. The current account deficit is expected to narrow to 4.8 percent in 2019 (Chart 4).

Chart 4: Balance on Current Account (Percent of GDP)



Source: National Treasury; Data: Central Bank of Kenya.

12. The deficit in the merchandise account widened by US\$ 28.1 million to US\$ 10,220 million in the year to January 2019 reflecting an increase in payments for import of oil on account of the rebound in international oil prices despite an increase in merchandise exports. Net services recorded an improvement of 20.3 percent in the year to January 2019 mainly on account of higher receipts from transport and travels.

13. The capital account recorded an improvement of US\$ 76.1 million to US\$ 237.6 million in the year to January 2019, reflecting an increase in project grants. Flows in the Financial Account also improved to US\$ 6,116.3 million in January 2019 compared with

RECENT ECONOMIC DEVELOPMENTS

US\$ 4,724.5 million in January 2018. The financial inflows were mainly in the form of other investments, direct investments and portfolio investments which stood at US\$ 4,589.7 million, US\$ 901.8 million and US\$ 624.8 million, respectively in January 2019. Other investment inflows mainly include foreign financing for Government infrastructure projects.

1.4 Foreign Exchange Reserves

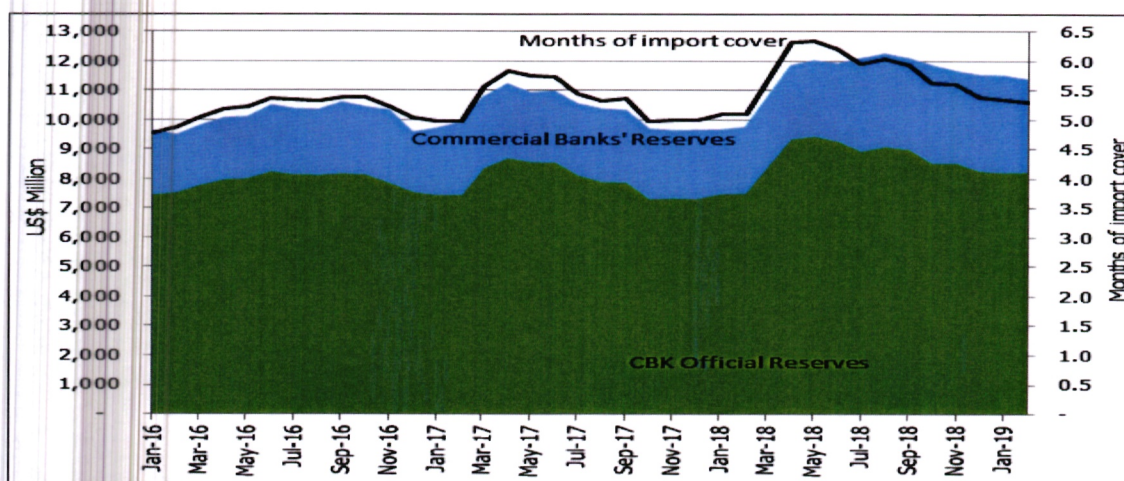
14. The banking system's foreign exchange holding remained strong at US\$ 11,387 million in January 2019 from US\$ 9,678 million in January 2018 (**Table 2 and Chart 5**). The official foreign exchange reserves held by the Central Bank improved to US\$ 8,242 million (5.3 months of import cover) in January 2019 compared with US\$ 7,514 million (5.1 months of import cover) in January 2018. Commercial banks holdings was at US\$ 3,146 million in 2019 from US\$ 2,164 million in 2018.

Table 2: Foreign Exchange Reserves (US\$ million)

	Jan-18	Mar-18	Jun-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19
Gross Foreign Exchange Reserves	9,678	11,856	12,100	11,861	11,668	11,531	11,516	11,387
Official	7,514	9,362	8,954	8,545	8,554	8,281	8,230	8,242
Commercial Banks	2,164	2,494	3,145	3,316	3,114	3,250	3,286	3,146
Import cover (36 mths imports)	5.10	6.31	5.95	5.63	5.60	5.39	5.35	5.30

Source: National Treasury; Data: Central Bank of Kenya.

Chart 5: Official Foreign Reserves ((US\$ million)

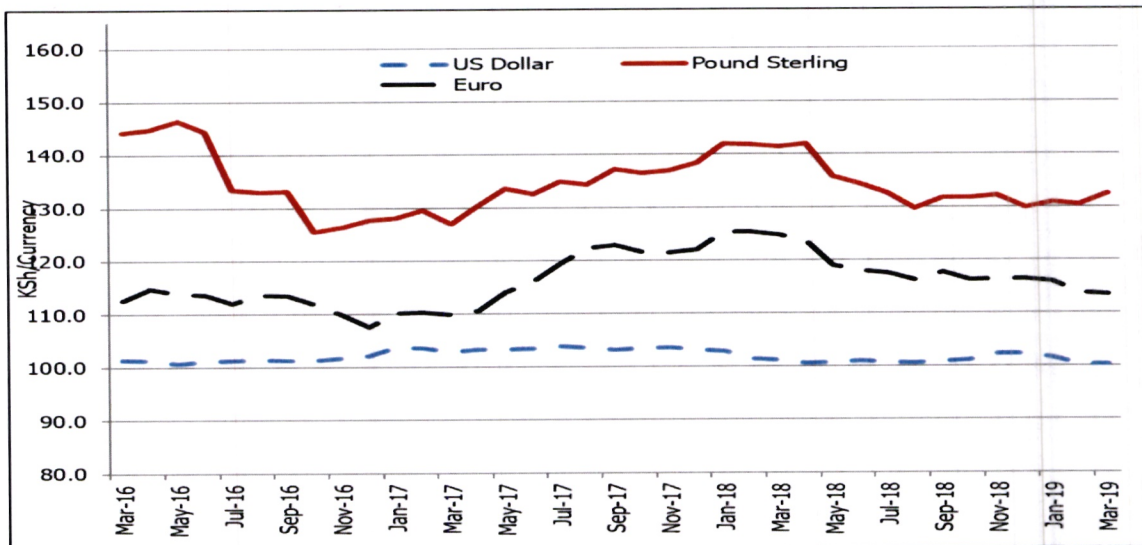


Source: National Treasury; Data: Central Bank of Kenya.

1.5 Exchange Rates

15. The Kenya Shilling exchange rate remained broadly stable and competitive against major international currencies. Against the dollar, the exchange rate was relatively less volatile exchanging at KSh. 100.4 in March 2019 from KSh. 101.2 in March 2018. Against the Euro and the Sterling pound, the Shilling also strengthened to KSh. 113.5 and KSh. 132.3 in March 2019 from KSh. 124.7 and KSh. 141.2 in March 2018, respectively (**Chart 6a**).

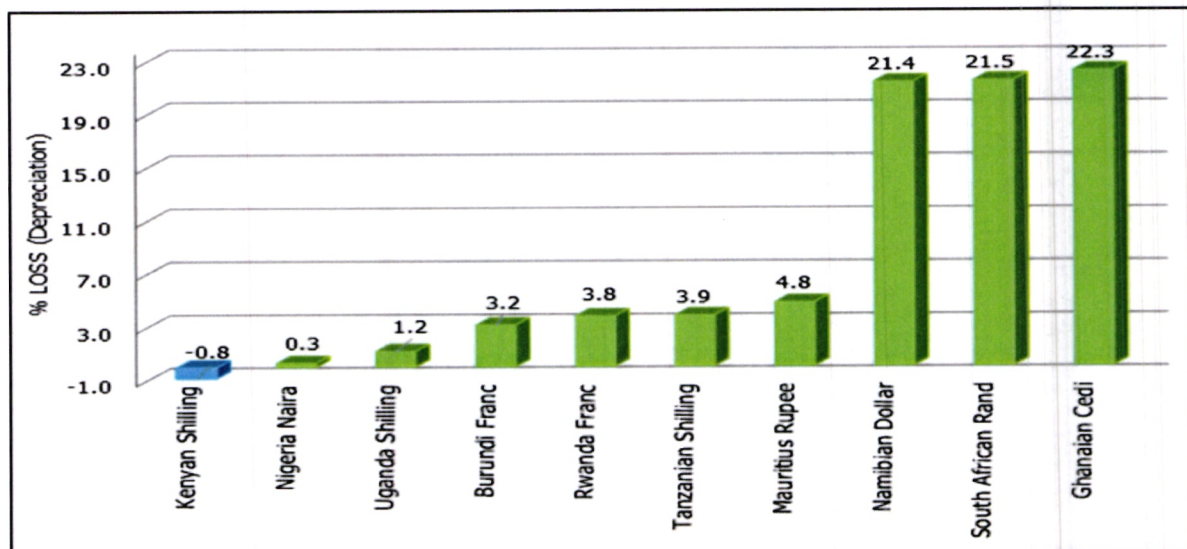
Chart 6a: Kenya Shilling Exchange Rate



Source: National Treasury, Data: Central Bank of Kenya

16. The Kenya Shilling exchange rate has continued to display relatively less volatility compared to most Sub-Saharan Africa Currencies (Chart 6b). This stability reflected strong inflows from tea and horticulture exports, resilient diaspora remittances, and improved receipts from services particularly tourism.

Chart 6b: Performance of selected Currencies against the US Dollar (March 2018 to March 2019)



Source: National Treasury, Data: National Central Banks

1.6 Money and Credit

17. Broad money supply, M3, improved to a growth of 11.6 percent in the year to March 2019 compared to a growth of 4.3 percent in the year to March 2018 (Table 2). The pickup in growth reflects an improvement in the growth of time and savings deposit, the foreign currency deposits and the rate of demand deposits despite a decline in currency outside banks. Other deposits at the Central Bank declined in the year to March 2019.

Table 3: Money and Credit Developments, KSh. billion

	2017	2018	2019	Absolute Change		percent change	
				2017-2018	2018-2019	12 months to	12 months to
				MAR	MAR	Mar-18	Mar-19
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	1,307.0	1,362.6	1,520.7	55.6	158.1	4.3	11.6
1.1 currency outside banks	201.0	214.4	225.2	13.5	10.8	6.7	5.0
1.2 Demand deposits	1,052.5	1,083.7	1,220.8	31.2	137.1	3.0	12.7
1.3 Other deposits at CBK	53.5	64.5	74.7	11.0	10.2	20.6	15.8
2. Money supply, M2 (1+2.1)	2,425.8	2,560.9	2,838.4	135.1	277.5	5.6	10.8
2.1 Time and savings deposits	1,118.9	1,198.3	1,317.8	79.5	119.4	7.1	10.0
3. Money supply, M3 (2+3.1)	2,866.5	3,035.4	3,415.3	168.9	379.9	5.9	12.5
3.1 Foreign currency deposits	440.7	474.5	576.9	33.8	102.5	7.7	21.6
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	601.4	697.6	719.1	96.2	21.4	16.0	3.1
1.1 Central Bank	697.8	803.3	747.5	105.5	-55.9	15.1	-7.0
1.2 Banking Institutions	-96.4	-105.7	-28.4	-9.3	77.3	9.6	-73.1
2. Net domestic assets (2.1+2.2)	2,265.1	2,337.7	2,696.2	72.7	358.5	3.2	15.3
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	2,984.6	3,080.6	3,509.0	96.0	428.4	3.2	13.9
2.1.1 Government (net)	583.5	624.9	959.2	41.5	334.2	7.1	53.5
2.1.2 Other public sector	105.9	112.7	99.7	6.8	-13.0	6.4	-11.5
2.1.3 Private sector	2,295.2	2,343.0	2,450.1	47.7	107.2	2.1	4.6
2.2 Other assets net	-719.6	-742.9	-812.8	-23.3	-69.9	3.2	9.4

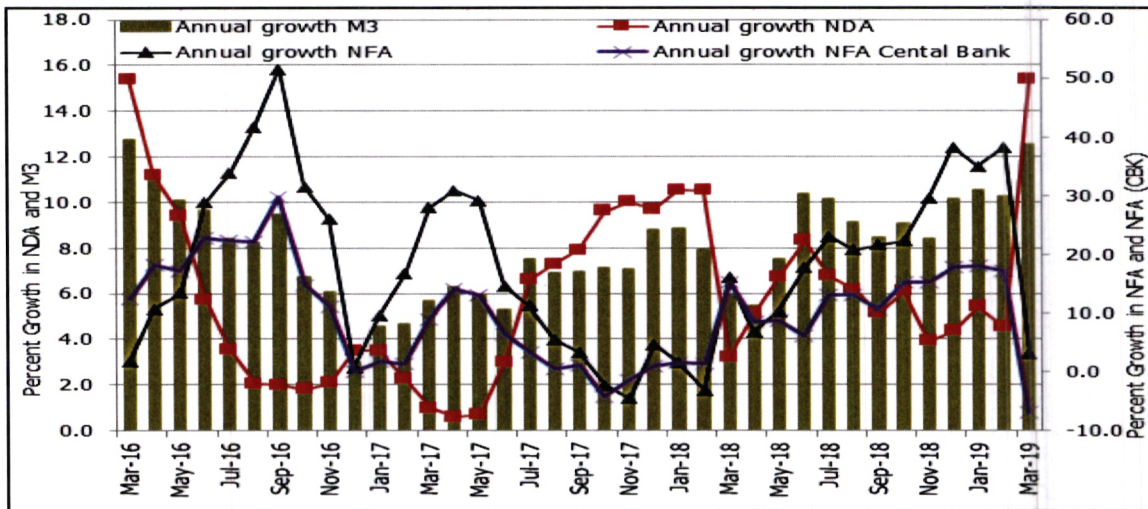
Source: National Treasury, Data: Central Bank of Kenya

18. The primary source of the growth in M3 in the year to March 2019 was the increase in the net domestic assets (NDA) of the banking system, largely reflecting an increase in net credit to government and the private sector. The growth in M3 was partly offset by a slowdown in the growth of net foreign assets (NFA) of the banking sector.

19. Net Foreign Assets (NFA) of the banking system in the year to March 2019 grew by 3.1 percent, a decline compared to a growth of 16.0 percent in the year to March 2018 (Chart 7). The reduction in NFA of the central bank partly reflected servicing of government external debt. On the other hand, the NFA of commercial banks increased in the year to March 2019, reflecting an increase in growth of commercial banks deposit holdings with non-resident banks alongside increased borrowings from non-residents.

20. The Net Domestic Assets (NDA) rose to a growth of 15.3 percent in the year to March 2019 from a growth of 3.2 percent over a similar period in 2018. This largely reflects increased net credit flows to government and the private sector despite a slowdown of credit flows to other public sector.

Chart 7: Growth in Money Supply and Its Sources



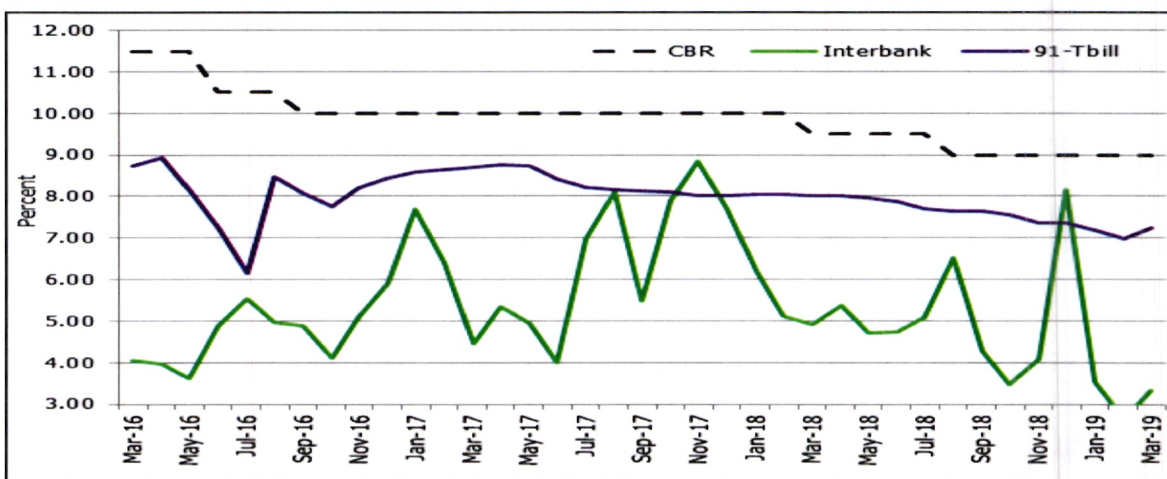
Source: National Treasury, Data: Central Bank of Kenya

21. Annual growth of credit to the private sector grew by 4.6 percent in the year to March 2019, compared to a growth of 2.1 percent in the year to March 2018. In particular, lending to finance and insurance, consumer durables, trade, private households and manufacturing sectors grew by 17.1 percent, 13.9 percent, 8.7 percent, 8.0 percent and 7.2 percent, respectively. Growth in private sector credit is expected to pick up gradually with the continued recovery of the economy.

1.7 Interest Rates

22. Short-term interest rates have remained fairly low and stable. The Central Bank Rate (CBR) was reduced to 9.0 percent on 30th July 2018 from 9.5 percent in March 2018 in order to support economic activity. The CBR continues to be retained at 9.0 percent as inflation expectations remained well anchored within the target range and the economy is operating close to potential. The interbank rate remained low at 3.4 percent in March 2019 from 4.9 percent in March 2018 due to ample liquidity in the money market (Chart 8).

Chart 8: Short-Term Interest Rates



Source: National Treasury, Data: Central Bank of Kenya

23. The interest rates for Government securities declined indicating that the implementation of Government domestic borrowing program supported market stability. The 91-day Treasury bill rate declined to 7.2 percent in March 2019 compared to 8.0

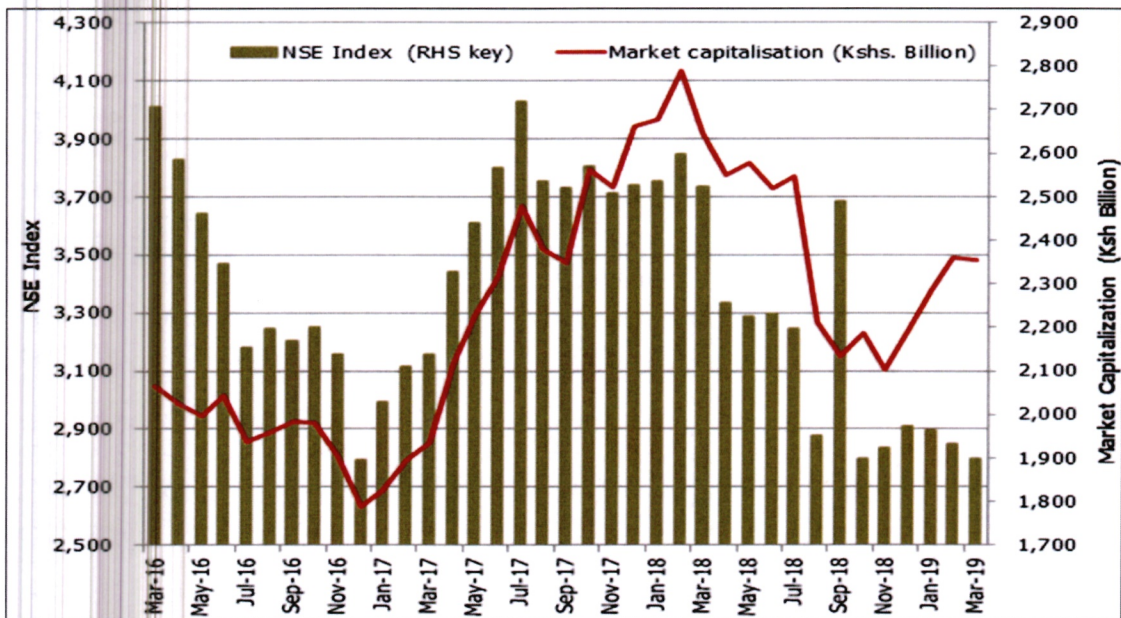
RECENT ECONOMIC DEVELOPMENTS

percent in March 2018 while over the same period, the 182 day and the 364-day Treasury bills declined to 8.3 percent and 9.4 percent from 10.4 percent and 10.1 percent, respectively.

1.8 Capital Markets

24. Activity in the capital market slowed down with equity share prices declining as shown by the NSE 20 Share Index. The NSE 20 Share Index was at 2,846 points by end-March, 2019 compared to 3,845 points by end March, 2018. The depressed share prices resulted in lower market capitalization of KSh. 2,361 billion from KSh. 2,790 billion over the same period (**Chart 9**). The decline reflects trends in the global equities markets as investors shift to bond markets in expectation for a further hike in the U.S. interest rates on strong jobs and economic data.

Chart 9: Performance at the NSE



Source: National Treasury, Data: Central Bank of Kenya

FISCAL DEVELOPMENTS

2.0 FISCAL DEVELOPMENTS

2.1 Revenue

25. By the end of March 2019, total cumulative revenue including A-I-A collected amounted to KSh. 1,180.2 billion against a target of KSh. 1,289.8 billion (**Table 4**). This performance was below the target by KSh. 109.6 billion. Ordinary revenue collection was KSh. 1,064.3 billion against a target of KSh. 1,160.3 billion an under performance of KSh. 96 billion. The Railway Development Levy collection amounted to KSh. 15.8 billion against a target of KSh. 18.3 billion. Cumulative ministerial A-I-A recorded an under performance of KSh. 13.6 billion for the period under review, reflecting under reporting by the Ministries in their expenditure return for the period under review. However, compared to the 2017/18 FY, the total revenue collection increased by 13.8 per cent. The revenue performance is also presented in Government Finance Statistics Manual 2014 (GFSM 2014) format in **Annex II**.

Table 4: Government Revenue and External Grants, Period Ending 31st March, 2019 (KSh. Million)

	2017/2018 Actual	2018/19*		Deviation KShs.	Deviation in percentage
		Actual	Target		
Total Revenue (a+b)	1,037,227	1,180,186	1,289,834	(109,648)	(8.50)
(a) Ordinary Revenue	975,384	1,064,313	1,160,332	(96,019)	(8.28)
Import Duty	72,872	78,822	88,268	(9,446)	(10.70)
Excise Duty	117,481	142,759	151,832	(9,073)	(5.98)
PAYE	253,287	281,718	294,581	(12,863)	(4.37)
Other Income Tax	207,482	188,379	234,155	(45,776)	(19.55)
VAT Local	148,353	168,606	174,959	(6,353)	(3.63)
VAT Imports	110,195	131,540	140,915	(9,375)	(6.65)
Investment Revenue	15,469	24,571	19,554	5,017	25.66
Traffic Revenue	2,182	2,919	2,575	344	13.36
Taxes on Intl. Trade & Trans.(IDF Fee)	17,407	17,650	21,681	(4,031)	(18.59)
Others ¹	30,656	27,349	31,812	(4,463)	(14.03)
(b) Appropriation In Aid²	61,843	115,872	129,502	(13,630)	(10.52)
o/w Railway Development Levy	15,594	15,787	18,327	(2,540)	(13.86)
(c) External Grants	18,184	16,834	37,155	(20,321)	(54.69)
Total Revenue and External Grants	1,055,412	1,197,020	1,326,989	(129,969)	(9.79)
Total Revenue and External Grants as a percentage of GDP	12.00	12.59	13.95		

1/ includes rent of buildings, fines and forfeitures, other taxes, reimbursements and other fund contributions, and miscellaneous revenue.

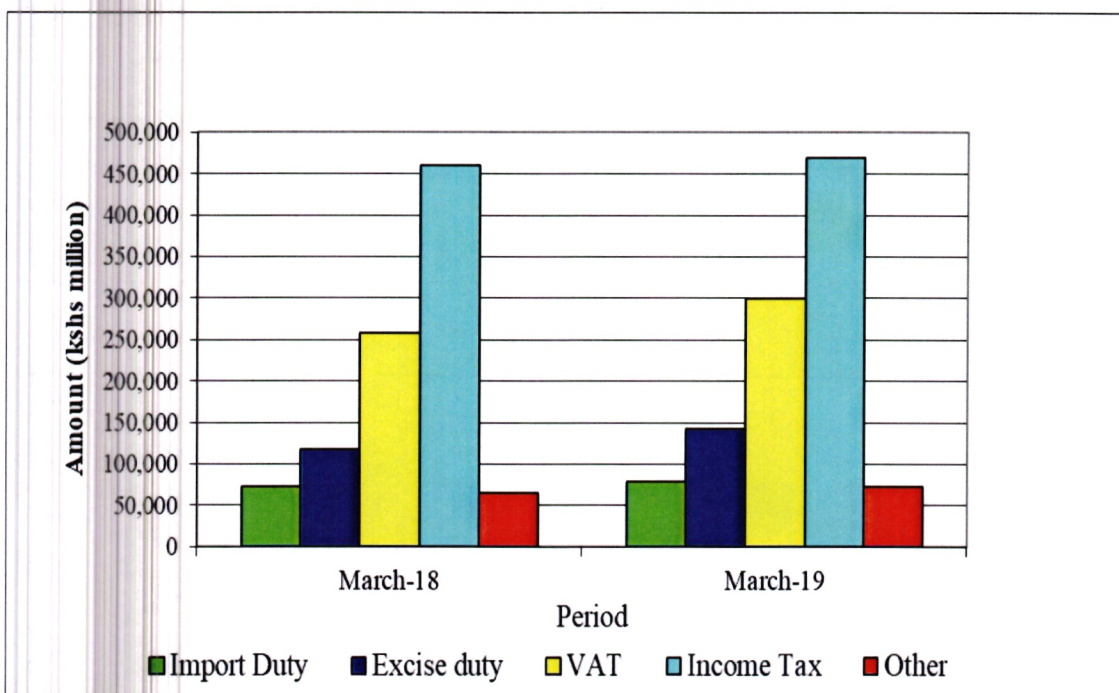
2/ includes receipts from Road Maintenance Levy Fund and A-I-A from Universities

*Provisional

Source: National Treasury

26. As a proportion of GDP, the total cumulative revenue and grants in the period under review amounted to 12.6 per cent compared to 12.0 per cent in the corresponding period of the FY 2017/18. External grants amounted to KSh. 16.8 billion against a target of KSh. 37.2 billion, representing an under performance of KSh. 20.3 billion. Individual tax head contribution to total revenue is shown in **Chart 10** below.

Chart 10: Total Ordinary Revenue



Source: National Treasury

2.2 Expenditure

27. The total expenditure and net lending for the period under review amounted to KSh. 1,745.7 billion, against a target of KSh. 1,813.3 billion (**Table 5**). The shortfall of KSh. 67.6 billion was attributed to lower absorption recorded in recurrent expenditures by the National Government and in both recurrent and development expenditures by the County Governments. Recurrent expenditure for National Government amounted to KSh. 1,058.5 billion (excl. KSh. 31.8 billion by Parliament and Judiciary), against a target of KSh. 1,104.8 billion (excl. KSh. 34.2 billion by Parliament and Judiciary), which is an underperformance mainly recorded in O & M, Domestic Interest payment and pension with KSh. 20.9 billion, KSh. 31.4 billion and KSh. 16.3 billion underperformance respectively. The expenditure performance using GFSM 2014 format is shown in **Annexes V and VI**.

FISCAL DEVELOPMENTS

Table 5: Expenditure and Net Lending, Period Ending 31st March, 2019 (KSh. Million)

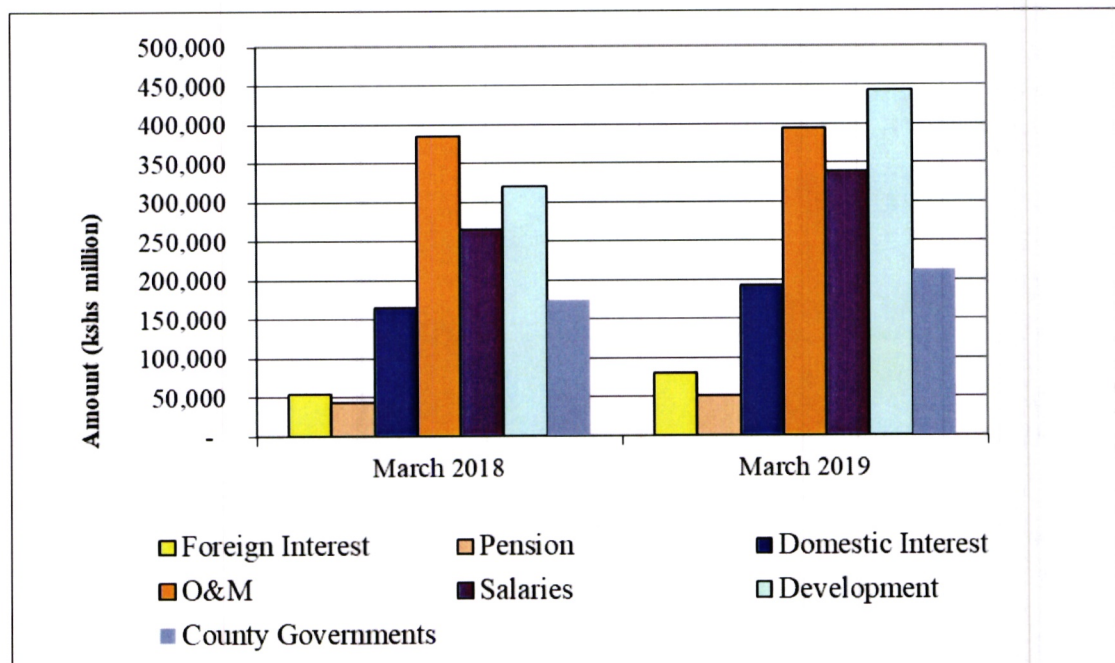
Expenditure Areas	2017/2018 Actual	2018/19*		Deviation	% Growth
		Actual	Targets		
1. RECURRENT	913,334	1,058,468	1,104,841	(46,373)	15.9
Domestic Interest	164,585	193,339	224,743	(31,404)	17.5
Foreign Interest	54,563	80,050	78,121	1,929	46.7
Pensions	43,074	51,702	68,016	(16,314)	20.0
Wages and Salaries	265,884	339,135	318,804	20,331	27.6
Operation and Maintenance	385,228	394,243	415,157	(20,914)	2.3
O/W : Appropriation-in-Aid	42,383	82,688	89,739	(7,051)	95.1
2. DEVELOPMENT	321,321	443,020	426,002	17,019	37.9
Development Projects (Net)	206,206	401,109	389,077	12,031	94.5
Payment of Guaranteed Loans	1,604	1,548	1,548	-	(3.5)
Appropriation-in-Aid	111,509	33,184	33,005	179	(70.2)
3. County Governments	174,518	212,393	244,241	(31,848)	21.7
4. Parliamentary Service	19,298	21,152	24,292	(3,140)	9.6
5. Judicial Service	8,538	10,691	9,954	737	25.2
6. Equalization Fund	2,001	2,946	2,350	596	47.2
7. CF	4,000	-	4,000	(4,000)	(100.0)
TOTAL EXPENDITURE	1,441,008	1,745,724	1,813,329	(67,605)	21.1

*Provisional

Source: National Treasury

28. Foreign interest payments amounted to KSh. 80.1 billion, compared to KSh. 54.6 billion in the same period in the FY 2017/18. The domestic interest payments totalled KSh. 193.3 billion, which was higher than KSh. 164.6 billion paid in the corresponding period of the previous financial year but was lower than the target of KSh. 224.7 billion (Chart 11).

Chart 11: Expenditure and Net Lending



Source: National Treasury

FISCAL DEVELOPMENTS

29. The total cumulative ministerial and other public agencies expenditure was Ksh 1,122.1 billion against a target of Ksh 1,290.1 billion (**Table 6**). Recurrent expenditure was 699.9 billion against a target of Ksh 803.6 billion, while development expenditure was Ksh 422.9 billion against a target of Ksh 486.5 billion. The percentage of total expenditures to the target was 87 per cent, while the percentage of total expenditures to the target for recurrent and development were 87 per cent and 89.9 per cent respectively, as at the end of the period under review. Out of the Total expenditure recurrent was 62.3 per cent and Development was 37.6 per cent. As indicated earlier, the discrepancy between actual and target expenditures partly reflect the non-capture of the sub-National expenditures and hence under reporting by Ministries. These ministerial expenditures are therefore, provisional.

30. As at the end of 31st March, 2018, expenditures by the State Department for Early Learning and Basic Education, State Department for University Education; Teachers Service Commission and Ministry of Health (key players in the Social Sector) accounted for 45.3 per cent of total recurrent expenditure. The State Department for Interior and Ministry of Defence accounted for 11.8 per cent and 11.2 per cent of total recurrent expenditure respectively.

31. According to development outlay analysis, the State Department for Transport accounted for the largest share of the total development expenditures (27.2 per cent), followed by the State Department for Infrastructure (16.4 per cent), State Department for Energy (10.2 per cent) and the Ministry of Water and Sanitation (4.7 per cent).

FISCAL DEVELOPMENTS

Table 6: Ministerial Expenditures, Period Ending 31st March, 2019 (KSh. Million)

Vote	MINISTRY/DEPARTMENT/COMMISSIONS	March 2019*		Variance	March 2019*		Variance	March 2019*		Variance	% total expenditure to total target
		Recurrent			Development			Total			
		Actual*	Target	Actual*	Target	Actual*	Target				
1011	The Presidency	6,172	5,785	388	597	832	(234)	6,770	6,616	153	102.3
1021	State Department for Interior	82,570	81,497	1,073	9,165	12,982	(3,817)	91,735	94,478	(2,744)	97.1
1023	State Department for Correctional Services	14,458	19,345	(4,887)	173	1,359	(1,186)	14,631	20,705	(6,073)	70.7
1024	State Department for Immigration and Citizen Services	1,313	1,345	(32)	767	518	250	2,081	1,863	218	111.7
1032	State Department for Devolution	2,276	2,113	163	18,762	26,615	(7,853)	21,038	28,728	(7,690)	73.2
1035	State Department for Development of the ASAL	936	740	196	3,239	4,019	(780)	4,174	4,759	(584)	87.7
1041	Ministry of Defence	77,716	77,716	-	9,182	11,231	(2,049)	86,899	88,947	(2,049)	97.7
1052	Ministry of Foreign Affairs	9,073	11,243	(2,170)	477	1,453	(976)	9,550	12,696	(3,146)	75.2
1064	State Department for Vocational and Technical Training	4,912	4,758	155	6,213	6,254	(40)	11,126	11,011	115	101.0
1065	State Department for University Education	29,759	64,732	(34,973)	8,290	9,832	(1,542)	38,048	74,564	(36,516)	51.0
1066	State Department for Early Learning & Basic Education	64,105	66,143	(2,038)	5,097	7,364	(2,267)	69,202	73,507	(4,305)	94.1
1068	State Department for Post Training and Skills Development	28	34	(6)	-	-	-	28	34	(6)	82.2
1071	The National Treasury	28,507	51,142	(22,635)	10,563	24,426	(13,863)	39,070	75,569	(36,498)	51.7
1072	State Department for Planning	7,394	7,572	(177)	1,422	1,952	(530)	8,816	9,523	(707)	92.6
1081	Ministry of Health	26,706	36,809	(10,103)	15,882	30,680	(14,797)	42,589	67,489	(24,900)	63.1
1091	State Department for Infrastructure	1,222	43,748	(42,526)	69,169	84,739	(15,570)	70,390	128,487	(58,096)	54.8
1092	State Department for Transport	787	7,708	(6,921)	114,855	67,818	47,036	115,642	75,527	40,115	153.1
1093	State Department for Shipping and Maritime	177	1,238	(1,061)	-	-	-	177	1,238	(1,061)	14.3
1094	State Department For Housing & Urban Development	642	556	86	9,821	18,896	(9,076)	10,462	19,452	(8,990)	53.8
1095	State Department for Public Works	1,262	1,211	51	611	1,427	(817)	1,873	2,638	(765)	71.0
1096	State Department for Housing, Urban Development and Public Works	703	530	173	2,030	1,502	527	2,733	2,032	701	134.5
1107	Ministry of Water and Sanitation	2,542	3,052	(510)	19,864	36,579	(16,715)	22,406	39,631	(17,225)	56.5
1108	Ministry of Environment and Forestry	7,571	7,471	100	2,025	4,502	(2,478)	9,596	11,973	(2,378)	80.1
1112	Ministry of Lands and Physical Planning	1,805	2,004	(199)	2,883	2,509	374	4,689	4,513	176	103.9
1122	State Department for Information Communications and Technology & Innovation	1,016	1,253	(236)	19,641	15,794	3,847	20,657	17,047	3,610	121.2
1123	State Department for Broadcasting & Telecommunications	1,963	2,298	(334)	660	516	144	2,623	2,814	(191)	93.2
1132	State Department for Sports	1,172	1,104	68	670	506	163	1,842	1,611	231	114.3
1134	State Department for Heritage	2,202	2,293	(91)	809	661	147	3,011	2,954	57	101.9
1152	State Department for Energy	1,621	1,617	4	43,220	46,340	(3,120)	44,841	47,957	(3,116)	93.5
1162	State Department for Livestock	1,463	1,462	1	2,405	3,211	(806)	3,868	4,673	(805)	82.8
1165	State Department for Crop Development	10,515	2,467	8,048	8,028	15,064	(7,036)	18,543	17,531	1,012	105.8
1166	State Department for Fisheries, Aquaculture & the Blue Economy	322	424	(102)	338	1,638	(1,300)	660	2,062	(1,402)	32.0
1167	State Department for Irrigation	408	608	(200)	4,013	4,994	(981)	4,421	5,602	(1,181)	78.9
1168	State Department for Agricultural Research	4,565	3,735	830	876	357	519	5,441	4,092	1,349	133.0
1173	State Department for Cooperatives	257	379	(122)	218	255	(37)	475	634	(160)	74.8
1174	State Department for Trade	1,031	1,132	(101)	115	234	(119)	1,146	1,366	(220)	83.9
1175	State Department for Industrialization	1,516	2,007	(491)	3,264	3,224	41	4,780	5,231	(451)	91.4
1184	State Department for Labour	1,249	1,903	(654)	749	1,162	(413)	1,998	3,065	(1,067)	65.2
1185	State Department for Social Protection	13,021	13,923	(903)	8,560	9,368	(808)	21,581	23,292	(1,711)	92.7
1192	State Department for Mining	622	664	(42)	215	244	(28)	838	908	(70)	92.3
1193	State Department for Petroleum	140	192	(53)	1,268	2,444	(1,176)	1,408	2,636	(1,228)	53.4
1202	State Department for Tourism	725	2,070	(1,345)	496	1,538	(1,041)	1,221	3,607	(2,386)	33.8
1203	State Department for Wildlife	1,457	4,173	(2,716)	655	839	(184)	2,112	5,012	(2,900)	42.1
1204	Ministry of Tourism and Wildlife	1,024	743	281	377	283	94	1,401	1,026	375	136.6
1211	State Department for Public Service and Youth	1,983	990	993	1,474	1,351	123	3,457	2,341	1,116	147.7
1212	State Department for Gender	1,154	1,131	24	2,813	2,110	703	3,967	3,241	727	122.4
1213	State Department for Public Service	4,877	4,030	846	812	748	64	5,689	4,778	911	119.1
1214	State Department for Youth	2,121	4,970	(2,849)	628	953	(325)	2,749	5,922	(3,174)	46.4
1221	State Department for East African Community	443	415	28	-	-	-	443	415	28	106.7
1222	State Department for Regional and Northern Corridor Development	1,379	1,497	(117)	6,687	9,962	(3,275)	8,066	11,459	(3,393)	70.4
1252	State Law Office and Department of Justice	2,619	3,057	(438)	98	461	(363)	2,717	3,518	(801)	77.2
1261	The Judiciary	9,723	9,681	43	1,732	2,287	(555)	11,455	11,967	(513)	95.7
1271	Ethics and Anti-Corruption Commission	2,194	2,101	93	-	94	(94)	2,194	2,195	(1)	100.0
1281	National Intelligence Service	23,047	23,408	(361)	-	-	-	23,047	23,408	(361)	98.5
1291	Office of the Director of Public Prosecutions	1,567	2,109	(542)	-	75	(75)	1,567	2,184	(617)	71.7
1311	Office of the Registrar of Political Parties	570	598	(28)	-	-	-	570	598	(28)	95.4
1321	Witness Protection Agency	56	355	(299)	-	-	-	56	355	(299)	15.7
2011	Kenya National Commission on Human Rights	296	289	8	-	-	-	296	289	8	102.7
2021	National Land Commission	948	908	40	-	-	-	948	908	40	104.5
2031	Independent Electoral and Boundaries Commission	2,630	3,143	(513)	-	32	(32)	2,630	3,175	(545)	82.8
2041	Parliamentary Service Commission	7,617	8,720	(1,104)	904	1,575	(671)	8,520	10,295	(1,775)	82.8
2042	National Assembly	12,780	15,572	(2,793)	-	-	-	12,780	15,572	(2,793)	82.1
2051	Judicial Service Commission	213	273	(60)	-	-	-	213	273	(60)	77.9
2061	The Commission on Revenue Allocation	279	316	(36)	-	-	-	279	316	(36)	88.5
2071	Public Service Commission	847	845	3	12	44	(33)	859	889	(30)	96.6
2081	Salaries and Remuneration Commission	359	412	(54)	-	-	-	359	412	(54)	86.9
2091	Teachers Service Commission	196,545	169,862	26,682	11	102	(91)	196,555	169,964	26,591	115.6
2101	National Police Service Commission	492	471	21	-	-	-	492	471	21	104.4
2111	Auditor General	3,985	3,845	140	78	512	(433)	4,063	4,357	(294)	93.3
2121	Controller of Budget	374	452	(78)	-	-	-	374	452	(78)	82.8
2131	The Commission on Administrative Justice	318	369	(51)	-	-	-	318	369	(51)	86.2
2141	National Gender and Equality Commission	265	273	(8)	-	-	-	265	273	(8)	97.0
2151	Independent Policing Oversight Authority	619	597	21	-	-	-	619	597	21	103.6
	Total	699,226	803,628	(104,402)	422,910	486,465	(63,555)	1,122,136	1,290,093	(167,957)	87.0

*Provisional

Source: National Treasury

FISCAL DEVELOPMENTS

2.2.1 Pending Bills

32. The total pending bills in the last FY 2017/18 amounted to KSh. 29.3 billions. The Government has prioritized clearance of all the pending bills during the current FY. MDAs have been directed therefore, to settle pending bills as a first charge in the FY 2018/19. The FY 2018/19 pending bills will be explicitly known at the end of the year because of the on-going clearance as directed.

2.2.2 Guaranteed Loans to Parastatals Payments

33. Cumulative principal and interest payments of guaranteed loans to parastatals with liquidity problems amounted to KSh. 993.4 million against a payment target of KSh. 999.3 million (Table 7) for period ending 31st March, 2019. The payments comprised of KSh. 957.1 million principal payment and KSh. 36.3 million interest payment.

Table 7: Schedule and actual payments on Guaranteed Debt for the period ending 31st March, 2019 (KSh. million)

Borrower	Quarter I		Quarter II		Quarter III		Cumm. March 2019*	
	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual
EAPC	179.50	-	-	175.87	175.40	176.48	354.90	352.35
TARDA	144.45	-	-	139.63	138.70	141.97	283.15	281.60
KBC	-	-	361.30	359.47	-	-	361.30	359.47
TOTAL	323.95	-	361.30	674.97	314.10	318.45	999.35	993.42

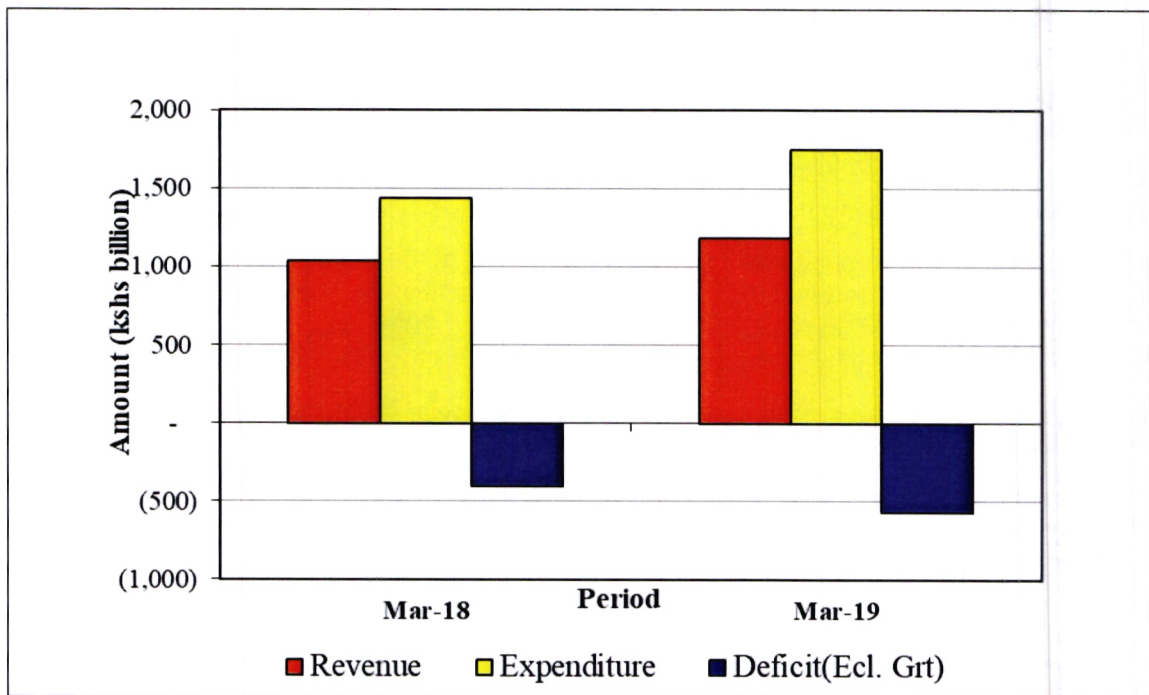
* Provisional

Source: National Treasury

2.3 Fiscal Outturn

34. Between July 1, 2018 and March 31, 2019, cumulative fiscal balance (on a commitment basis and excluding grants), amounted to KSh. 565.5 billion (equivalent to 5.9 per cent of GDP) against a targeted deficit of KSh. 523.5 billion (equivalent to 5.5 per cent of GDP) (Chart 12 and Table 8).

Chart 12: Fiscal Balance as at March 2019



Source: National Treasury

35. Including grants, the overall fiscal balance (on a commitment basis) deficit stood at 5.8 per cent of GDP against a targeted deficit of 5.1 per cent of GDP. Over the same period in 2018, the fiscal deficit stood at KSh. 404 billion (equivalent to 4.6 per cent of GDP). The fiscal outturns for the past years is show in **Annex I** and in **Annexes III and IV** using the 2014 GFSM format (GFSM 2014).

FISCAL DEVELOPMENTS

Table 8: Budget Outturn, Cumulative Ending 31st March, 2019 (KSh. Million)

	2017/2018 Actual	2018/2019*		Deviation	% growth	2018/2019 as a % of GDP		2017/2018 Actual as a % of GDP
		Actual*	Targets			Actual	Targets	
A. TOTAL REVENUE AND GRANTS	1,055,412	1,197,020	1,326,989	(129,969)	13.42	12.59	13.95	12.00
1. Revenue	1,037,227	1,180,186	1,289,834	(109,648)	13.78	12.41	13.56	11.79
Ordinary Revenue	975,384	1,064,313	1,160,332	(96,019)	9.12	11.19	12.20	11.09
Import Duty	72,872	78,822	88,268	(9,446)	8.17	0.83	0.93	0.83
Excise Duty	117,481	142,759	151,832	(9,073)	21.52	1.50	1.60	1.34
Income tax	460,769	470,098	528,736	(58,638)	2.02	4.94	5.56	5.24
VAT	258,548	300,146	315,874	(15,728)	16.09	3.16	3.32	2.94
Investment Revenue	15,469	24,571	19,554	5,017	58.84	0.26	0.21	0.18
Others	50,245	47,918	56,068	(8,150)	(4.63)	0.50	0.59	0.57
Appropriation-in-Aid	61,843	115,872	129,502	(13,630)	87.36	1.22	1.36	0.70
2. Grants	18,184	16,834	37,155	(20,321)	(7.42)	0.18	0.39	0.21
AMISOM Receipts	4,680	3,757	6,521	(2,764)	(19.72)	0.04	0.07	0.05
Revenue	4,272	7,590	9,177	(1,587)	77.65	0.08	0.10	0.05
Appropriation-in-Aid	8,518	5,487	21,457	(15,970)	(35.59)	0.06	0.23	0.10
Italian Debt Swap	0	0	0	-	-	0.00	-	0.00
County Health Facilities - DANIDA	714	0	0	-	-	0.00	-	0.01
B. EXPENDITURE and NET LENDING	1,441,008	1,745,724	1,813,329	(67,605)	21.15	18.36	19.07	16.38
1. Recurrent	941,170	1,090,312	1,139,087	(48,775)	15.85	11.46	11.98	10.70
Domestic Interest	164,585	193,339	224,743	(31,404)	17.47	2.03	2.36	1.87
Foreign Interest	54,563	80,050	78,121	1,929	46.71	0.84	0.82	0.62
Pension	43,074	51,702	68,016	(16,314)	20.03	0.54	0.72	0.49
Wages and Salaries	265,884	339,135	318,804	20,331	27.55	3.57	3.35	3.02
O & M Others	413,064	426,086	449,403	(23,317)	3.15	4.48	4.73	4.70
2. Development and Net Lending	319,320	440,074	423,652	16,423	37.82	4.63	4.45	3.63
3. Equalization Fund	2,001	2,945	2,350	595	47.22	0.03	0.02	0.02
4. County Governments	174,518	212,393	244,241	(31,848)	21.70	2.23	2.57	1.98
5. CF	4,000	0	4,000	(4,000)	(100.00)	0.00	0.04	0.05
C. DEFICIT EXCLGRANT (Commitment basis)	(403,781)	(565,539)	(523,495)	(42,044)	40.06	(5.95)	(5.50)	(4.59)
D. DEFICIT INCLGRANTS (Commitment basis)	(385,596)	(548,704)	(486,340)	(62,364)	42.30	(5.77)	(5.11)	(4.38)
E. ADJUSTMENT TO CASH BASIS	(16,831)	22,997	-	22,997	(236.64)	0.24	-	(0.19)
F. DEFICIT INCLGRANTS (Cash basis)	(402,427)	(525,707)	(486,340)	(39,367)	30.63	(5.53)	(5.11)	(4.57)
G. FINANCING	402,427	496,379	499,472	(3,093)	23.35	5.22	5.25	4.57
1. Foreign financing	275,074	178,909	289,135	(110,226)	(34.96)	1.88	3.04	3.13
Disbursements	351,098	327,825	368,237	(40,412)	(6.63)	3.45	3.87	3.99
Programme Loans	3,636	2,284	1,667	617	(37.18)	0.02	0.02	0.04
Project Cash Loans	13,932	30,618	36,737	(6,119)	119.77	0.32	0.39	0.16
Project Loans AIA	72,845	80,728	92,815	(12,087)	10.82	0.85	0.98	0.83
Project Loans SGR_PHASE_1&2A_AIA	10,686	79,960	85,238	(5,278)	648.30	0.84	0.90	0.12
Commercial Financing	250,000	134,235	151,780	(17,545)	(46.31)	1.41	1.60	2.84
O/W syndicated loan	0	125,053	143,976	(18,923)	-	1.31	1.51	0.00
Debt repayment - Principal	(76,025)	(148,916)	(79,102)	(69,814)	95.88	(1.57)	(0.83)	(0.86)
2. Other Domestic Financing	1,799	1,858	2,944	(1,086)	3.30	0.02	0.03	0.02
4. NET DOMESTIC FINANCING	125,554	315,612	207,393	108,219	151.37	3.32	2.18	1.43
MEMO ITEM								
GDP ESTIMATE	8,796,500.00	9,510,445.00	9,510,445.00					

*Provisional

Source: National Treasury

2.4 Financing

2.4.1 External Financing

36. Cumulative external financing for the period between July 1st 2018 and March 31st 2019 amounted to a net borrowing of KSh. 178.9 billion (**Table 9**). Total disbursements (inflows) amounted to KSh. 327.8 billion for the period ending 31st March, 2019 against a target of KSh. 368.2 billion. The actual disbursement amount included KSh. 30.6 billion Project cash loans, KSh. 160.7 billion project loans A.I.A.(incl. KSh. 80.7 billion for the SGR), KSh. 2.3 billion Programme loans and KSh. 134.2 billion Commercial Financing.

FISCAL DEVELOPMENTS

External repayments (outflows) of principal debt amounted to KSh. 148.9 billion. The amount comprised of principal repayments to bilateral debt, multilateral debt and Commercial debt amounting to KSh. 20.4 billion, KSh. 13.7 billion and KSh. 114.7 billion, respectively.

Table 9: External Financing, Period Ending 31st March, 2019 (KSh. Million)

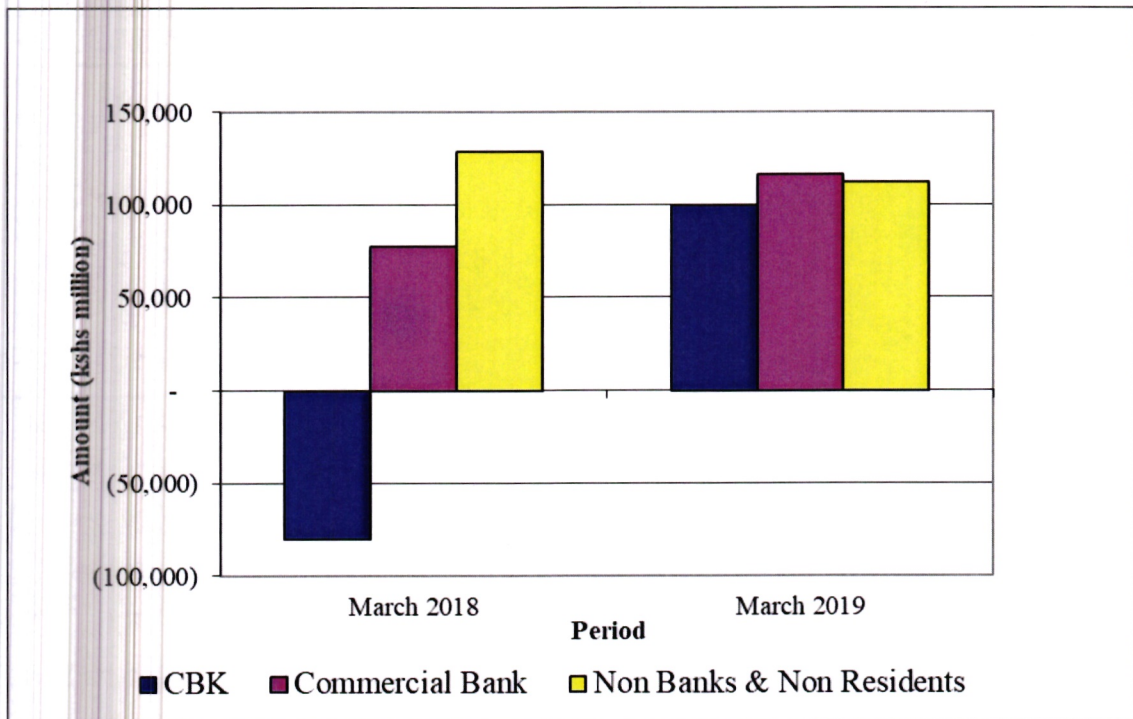
	Quarter III 2016/17 cumulative	Cumulative Quarter III 2017/18	Quarter I 2018/19	Quarter II 2018/19	Quarter III 2018/19	Cumulative to March 2019*	
	Actual	Actual	Actual	Actual	Actual	Actual	Target
DISBURSEMENTS:	329,502.93	351,098	29,962	138,341	159,522	327,825	368,237.00
Project Cash loans	22,578.62	13,932	3,145	21,475	5,998	30,618	36,737.00
Project loans A-I-A	66,170.11	72,845	21,495	34,122	25,111	80,728	92,815.00
Project Loans SGR_PHASE_1	120,724.83	10,686	-	35,201	-	35,201	35,201.00
Project Loans SGR_PHASE_2A		-	-	44,759	-	44,759	50,037.00
Commercial Financing	116,371.44	250,000	3,488	2,334	128,413	134,235	151,780.00
Programme Loans	3,657.94	3,636	1,834	450	-	2,284	1,667.00
EXTERNAL REPAYMENTS:	25,067.17	76,024.53	13,129.69	10,727.73	125,058.13	148,915.55	255,622.40
Bilateral(incl. Italy Debt SWAP)	13,481.76	16,667.62	5,193.51	5,452.13	9,804.11	20,449.75	12,983.30
Multilateral (excl. IMF)	11,201.25	12,050.03	2,955.00	4,868.76	5,898.28	13,722.04	30,139.10
Commercial	384.16	47,306.88	4,981.18	406.84	109,355.74	114,743.76	212,500.00
NET FOREIGN FINANCING	304,435.76	275,073.51	16,832.31	127,613.27	34,463.87	178,909.45	112,614.60

Source: National Treasury

2.4.2 Domestic Financing

37. By the end of March 2019, net domestic borrowing amounted to KSh. 315.6 billion against a target borrowing of KSh. 207.4 billion (**Table 8**). The borrowing comprised of KSh. 111.6 billion from Non-Bank Financial Institutions, KSh. 0.2 billion from Non Residents, KSh. 104.1 billion from the Commercial Banks and a net borrowing of KSh. 99.7 billion from the Central Bank of Kenya (**Table 10**). Comparatively, for the same period in 2018, the net domestic borrowing amounted to KSh. 125.6 billion, comprising of KSh. 77.5 billion from commercial banks, KSh. 3.2 billion from Non Residents, KSh. 125.1 billion from Non-Banks and a net repayment of 80.2 billion to the Central Bank of Kenya, (**Chart 13**).

Chart 13: Domestic Financing



Source: Central Bank of Kenya

38. The stock of Treasury Bills held by Non-Banks and Non-Residents recorded net decline of KSh. 37.6 billion, and KSh. 2.7 billion respectively, while the stock of Treasury Bills held by Non-Banks increased by KSh. 38.2 billion. The stock of Fixed Rate Bonds held by Non-Banks recorded a net increase of KSh. 50.1 billion while those held by Commercial Banks and Non-Residents recorded a net decrease of KSh. 32.3 billion and KSh. 0.4 billion respectively.

FISCAL DEVELOPMENTS

Table 10: Domestic Financing, Period Ending 31st March, 2019 (KSh.. Million)

SOURCE	MARCH	JUNE	SEPTEM	DECEM	MARCH	JUNE	TEMBER	CEMBER	MARCH
	2017	2017	2017	2017	2018	2018	2018	2018	2019
1.CENTRAL BANK	35,840	(22,925)	8,300	108,925	(80,176)	(26,900)	(10,374)	93,676	99,728
Overdraft	(13,934)	(44,204)	24,717	42,316	39,655	56,849	(20,559)	7,975	(20,508)
Items on Transit	(52)	(37)	(21)	(24)	(22)	(18)	(14)	(6)	(9)
Pre-1997 Govt. Overdraft	(555)	(1,110)	-	-	(555)	(1,110)	-	-	0
Less Govt Deposits	50,380	22,426	(16,396)	66,633	(119,254)	(82,622)	10,199	85,707	120,245
2.COM. BANKS	12,527	169,536	12,618	(4,036)	77,458	124,266	45,734	(5,024)	104,122
Advances	352	5,508	471	(4,293)	(4,207)	(4,185)	126	629	(4,081)
Treasury bills	(28,561)	53,818	(23,450)	(70,291)	(4,410)	56,682	49,714	39,741	80,406
Fixed rate Bonds	22,162	99,764	36,097	45,497	59,787	32,449	(6,172)	(36,693)	27,525
Infrastructure Bonds	10,291	10,291	(8,967)	15,789	31,891	31,891	-	14,481	19,480
Less Govt Deposits	8,282	5,155	8,466	9,262	(5,603)	7,429	2,066	(23,182)	(19,208)
3. NON BANKS	132,395	160,676	26,317	74,393	125,115	172,817	33,675	41,215	111,570
Treasury bills	60,341	98,820	1,723	9,249	23,479	60,761	9,872	(22,619)	(14,166)
Fixed rate Bonds	49,071	38,722	33,189	45,085	55,962	66,382	23,803	55,638	106,104
Infrastructure Bonds	22,983	22,983	(8,843)	19,810	45,426	45,426	-	8,196	19,435
M-Akiba Bond	-	150	248	248	248	248	-	-	197
4. NON RESIDENTS	1,372	1,917	1,940	3,205	3,158	2,972	175	963	194
Treasury bills	(142)	(356)	1,317	1,867	1,439	1,216	(305)	102	(1,249)
Fixed rate Bonds	1,179	1,938	1,019	1,464	1,764	1,802	480	872	1,404
Infrastructure Bond	335	335	(396)	(126)	(45)	(45)	-	(11)	39
5. NET CREDIT	182,134	309,205	49,176	182,487	125,554	273,155	69,210	130,830	315,612

Note: Treasury bills as reflected here are given at cost value as opposed to Table 11 given at Face value.

Source: Central Bank of Kenya

3.0 PUBLIC DEBT

3.1 Overall Debt Position

39. The gross public debt increased by KSh. 541.5 billion, from KSh. 4,884.1 billion as at end of March 2018 to KSh. 5,425.6 billion by 31st March 2019 comprising of 50.2 per cent external debt and 49.8 per cent domestic debt. The overall increase is attributed to increased domestic debt incurred and increase in external disbursements during the period. Net public debt increased by KSh. 717.2 billion, from KSh. 4,304.5 billion as at end of March 2018 to KSh. 5,021.7 billion by end of the period under review (Table 11).

Table 11: Kenya's Public and Publicly Guaranteed Debt, March 2017 to March 2019 (KSh.. Million)

	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19*
EXTERNAL									
BILATERAL	689,119	724,823	742,063	782,588	800,912	816,119	812,545	894,046	916,572
MULTILATERAL	806,922	841,899	842,814	841,847	836,766	820,966	877,730	874,680	846,587
COMMERCIAL BANKS	594,140		708,231	712,274	858,062	906,389	898,349	938,151	941,763
SUPPLIERS CREDIT	11,210	15,914	17,089	17,086	16,691	16,725	16,709	16,857	16,676
SUB - TOTAL	2,101,391	1,582,636	2,310,197	2,353,795	2,512,431	2,560,199	2,605,333	2,723,734	2,721,598
DOMESTIC:									
CENTRAL BANK	85,316	54,505	79,201	96,797	93,583	110,227	90,209	118,196	90,264
COMMERCIAL BANKS	975,803	1,141,889	1,144,536	1,124,950	1,226,866	1,266,457	1,315,464	1,289,564	1,402,668
TOTAL BANKS	1,061,119	1,196,395	1,223,738	1,221,747	1,320,449	1,376,684	1,405,673	1,407,760	1,492,932
NON BANKS & NON RESIDENTS	883,834	915,316	949,098	998,598	1,051,202	1,101,596	1,135,161	1,141,015	1,211,052
SUB-TOTAL	1,944,953	2,111,710	2,172,835	2,220,345	2,371,651	2,478,280	2,540,834	2,548,775	2,703,984
GRAND TOTAL GROSS	4,046,344	3,694,346	4,483,032	4,574,140	4,884,082	5,038,479	5,146,167	5,272,509	5,425,582
LESS ON-LENDING	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)
LESS GOVERNMENT DEPOSITS	(364,909)	(428,774)	(432,113)	(350,924)	(573,884)	(503,337)	(501,404)	(432,049)	(398,223)
GRAND TOTAL NET	3,675,734	3,259,871	4,045,218	4,217,515	4,304,497	4,529,441	4,639,062	4,834,759	5,021,658

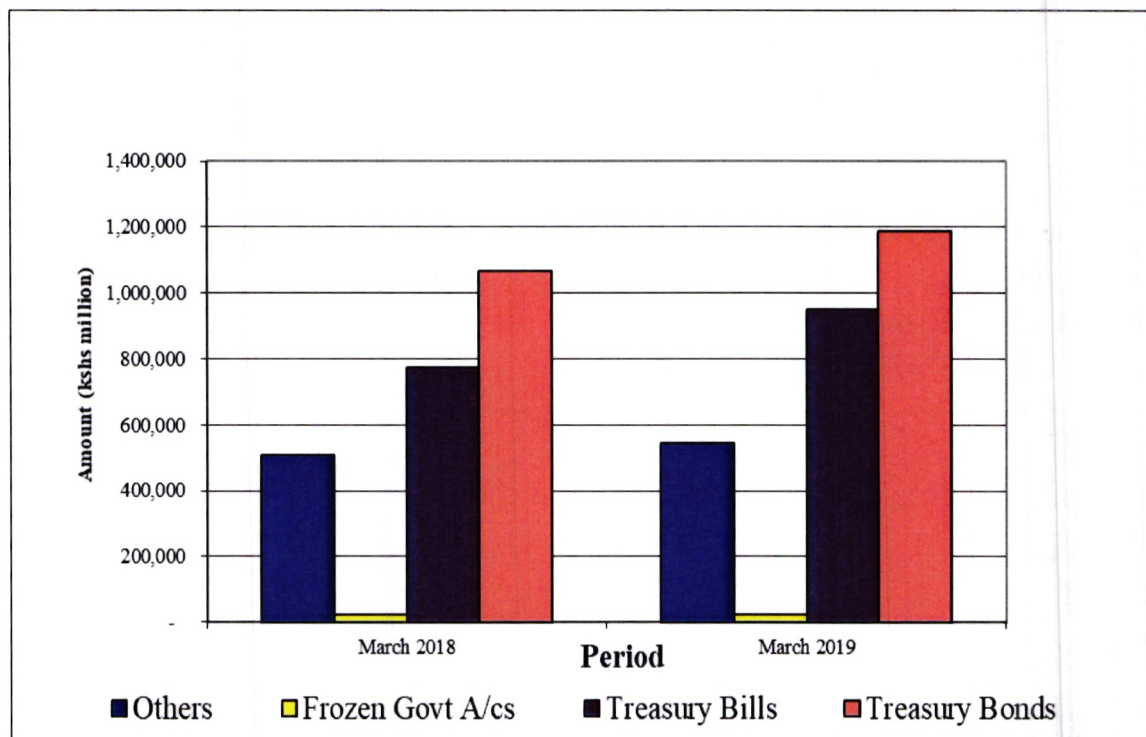
*Provisional

Source: National Treasury

3.2 Domestic Debt Stock

40. The total stock of Treasury Bonds, Fixed Rate Bonds and Special Bonds increased by KSh. 117.7 billion from KSh. 1,073.4 billion in March 2018 to KSh. 1,191.1 billion in March 2019. The stock of Treasury Bills held by Central Bank, Commercial Banks, Non-Banking Financial Institution and Non Residents increased by KSh. 177 billion from KSh. 772.7 billion in March 2018 to KSh. 949.7 billion in March 2019 (Chart 14).

Chart 14: Domestic Debt Stock by Instruments



Source: Data from CBK

41. The stock of gross domestic debt increased by KSh. 326.9 billion from KSh. 2,371.7 billion in March 2018 to KSh. 2,698.5 billion in March 2019 (Table 12).

FISCAL DEVELOPMENTS

Table 12: Stock of Domestic Debt, by end March 2019 (KSh.. Million)

Debt Instrument	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	3/31/2019*
1.CENTRAL BANK	85,316	54,505	79,201	96,797	93,583	110,227	90,210	118,196	89,709
Overdraft	30,270	0	24,717	42,316	39,655	56,849	36,291	64,824	36,896
Pre 1997 Govt. Overdraft	25,004	24,449	24,449	24,449	23,894	23,339	23,894	23,339	22,784
Treasury bills / bonds rediscounts	20,588	20,588	20,588	20,588	20,588	20,588	20,588	20,588	20,588
Items on Transit	28	43	22	19	21	25	11	19	16
Fixed rate bonds	9,426	9,426	9,426	9,426	9,426	9,426	9,426	9,426	9,426
2.COMBANKS	975,803	1,141,889	1,144,536	1,124,950	1,226,866	1,266,457	1,315,333	1,289,558	1,397,771
Advances	5,657	11,020	12,218	7,524	7,476	7,504	7,588	8,183	3,458
Treasury Bills	328,624	415,923	391,905	343,340	415,596	482,018	537,531	527,212	570,588
Fixed Rate T. Bonds	426,565	504,989	541,061	550,284	565,098	538,240	531,519	501,047	565,157
Special Bonds	10,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Savings and Development Bond	7,648	7,648	7,648	7,648	7,648	7,648	7,648	7,648	7,648
Infrastructure Bonds	197,309	197,309	186,704	211,154	226,047	226,047	226,047	240,468	245,920
3. NON BANKS	862,291	893,215	924,962	973,201	1,025,704	1,076,288	1,109,751	1,114,819	1,185,670
Treasury Bills	260,232	301,522	304,742	312,661	328,801	368,537	378,858	344,111	352,367
Fixed Rate T. Bonds	473,083	462,566	460,708	472,532	484,153	495,001	518,143	549,941	600,375
Tax Reserve Certificate	69	69	69	69	69	69	69	69	69
Infrastructure Bonds	108,327	108,327	138,464	166,962	191,703	191,703	191,703	199,720	211,685
Savings and Development Bond	20,580	20,582	20,580	20,580	20,580	20,580	20,580	20,580	20,580
M- Akiba Bond	-	150	398	398	398	398	398	398	595
4. NON RESIDENTS	21,543	22,100	24,136	25,417	25,498	25,308	25,410	26,197	25,382
Treasury Bills	6,322	6,122	7,567	8,134	7,714	7,479	7,104	7,510	6,113
Fixed Rate T. Bonds	7,174	7,934	8,955	9,401	9,716	9,762	10,239	10,631	11,162
Savings and Development Bond	9	7	9	9	9	9	9	9	9
Infrastructure Bonds	8,037	8,037	7,605	7,873	8,058	8,058	8,058	8,047	8,098
5. TOTAL DEBT*	1,944,953	2,111,710	2,172,835	2,220,365	2,371,651	2,478,280	2,540,704	2,548,770	2,698,532
6. LESS ON-LENDING	5,701	5,701	5,701	5,701	5,701	5,701	5,701	5,701	5,701
7. Less Govt Deposits	364,909	428,774	432,113	350,924	573,884	503,337	501,404	432,049	398,223
8. NET DEBT*	1,574,343	1,677,235	1,735,021	1,863,740	1,792,066	1,969,242	2,033,599	2,111,020	2,294,608

NOTE: Treasury Bills reflected here are at face value as opposed to Table 9, given at cost

*Total/Net Debt inclusive of IMF

Source: Central Bank of Kenya

3.3 External Public Debt Stock

42. In dollar terms, external public debt stock increased by US \$ 2,100.1 million from US\$ 24,913.2 million in March 2018 to US\$ 27,013.4 million by end of March 2019 (Table 13). The debt stock comprised 33.7 per cent, 31.1 per cent, 34.6 per cent and 0.6 per cent of total debt owed to bilateral sources, multilateral institutions, Commercial Banks and Suppliers' Credit respectively. The increase is attributed to disbursements during the period.

FISCAL DEVELOPMENTS

**Table 13: Kenya's External Public and Publicly Guaranteed Debt March 2017-
March 2019 (US \$ Millions)**

CREDITOR	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-2019*
BILATERAL									
AUSTRIA	5.34	5.67	5.11	4.38	4.54	5.72	6.64	0.83	9.34
BELGIUM	86.56	94.82	101.84	100.06	107.19	101.01	103.58	78.56	75.20
CANADA	7.26	6.26	5.19	4.07	4.07	4.05	2.83	1.52	1.52
DENMARK	12.69	13.49	12.66	12.01	12.41	11.63	10.00	9.37	8.39
FINLAND	16.24	16.55	16.05	16.15	16.73	16.25	16.69	19.02	16.00
FRANCE	574.20	614.59	687.89	622.52	642.57	611.44	599.02	612.22	668.45
GERMANY	294.30	311.98	314.25	324.67	336.29	268.93	274.11	341.96	360.65
ITALY	5.94	6.31	6.42	1.20	1.24	1.24	1.25	152.35	345.75
JAPAN	850.60	883.47	879.29	824.81	1,022.38	503.66	483.85	1,023.98	1,272.62
NETHERLANDS	18.40	17.74	15.78	11.03	10.99	10.67	9.07	4.33	3.31
UK	7.63	6.27	6.46	4.70	4.74	4.59	4.56	2.43	0.84
USA	34.16	33.72	30.98	29.25	29.29	29.17	26.45	25.06	20.75
CHINA	4,426.05	4,614.78	4,733.94	5,202.37	5,295.84	5,532.61	5,496.62	6,201.61	6,006.17
OTHERS	351.11	363.18	362.06	423.66	453.57	432.44	457.02	305.16	308.51
TOTAL BILATERAL	6,690.48	6,988.82	7,177.91	7,580.89	7,941.83	7,533.41	7,491.69	8,778.40	9,097.49
MULTILATERAL									
ADB/ADF	1,788.41	1,880.33	1,993.19	1,983.67	2,045.52	2,026.48	2,043.51	2,151.35	2,233.19
BADEA	28.17	28.43	28.16	29.63	29.51	29.81	34.63	32.17	34.53
EEC/EIB	190.62	197.49	197.09	197.56	201.48	192.53	194.86	184.16	173.89
IDA/IFAD	5,026.45	5,210.20	5,132.15	5,181.44	5,237.31	5,024.05	5,612.97	5,481.55	5,403.95
IMF**	748.01	748.59	760.79	711.84	732.26	708.45	699.40	676.41	501.48
OTHERS	52.53	52.65	51.99	50.79	51.28	50.07	63.86	62.61	55.80
TOTAL MULTILATERAL	7,834.20	8,117.68	8,163.36	8,154.92	8,297.36	8,031.39	8,649.23	8,588.25	8,402.85
COMMERCIAL BANKS 1/	5,740.26	6,116.15	6,864.39	6,856.07	8,508.54	8,219.71	8,148.46	9,211.46	9,347.52
EXPORT CREDIT	150.55	153.45	165.51	165.51	165.51	165.51	165.51	165.51	165.51
GRAND TOTAL	20,415.48	21,376.10	22,371.18	22,757.39	24,913.24	23,950.02	24,454.89	26,743.62	27,013.37
In Percentage of Total									
BILATERAL	32.77	32.69	32.09	33.31	31.88	31.45	30.63	32.82	33.68
MULTILATERAL	38.37	37.98	36.49	35.83	33.31	33.53	35.37	32.11	31.11
COMMERCIAL BANKS 1/	28.12	28.61	30.68	30.13	34.15	34.32	33.32	34.44	34.60
EXPORT CREDIT	0.74	0.72	0.74	0.73	0.66	0.69	0.68	0.62	0.61
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

*Provisional

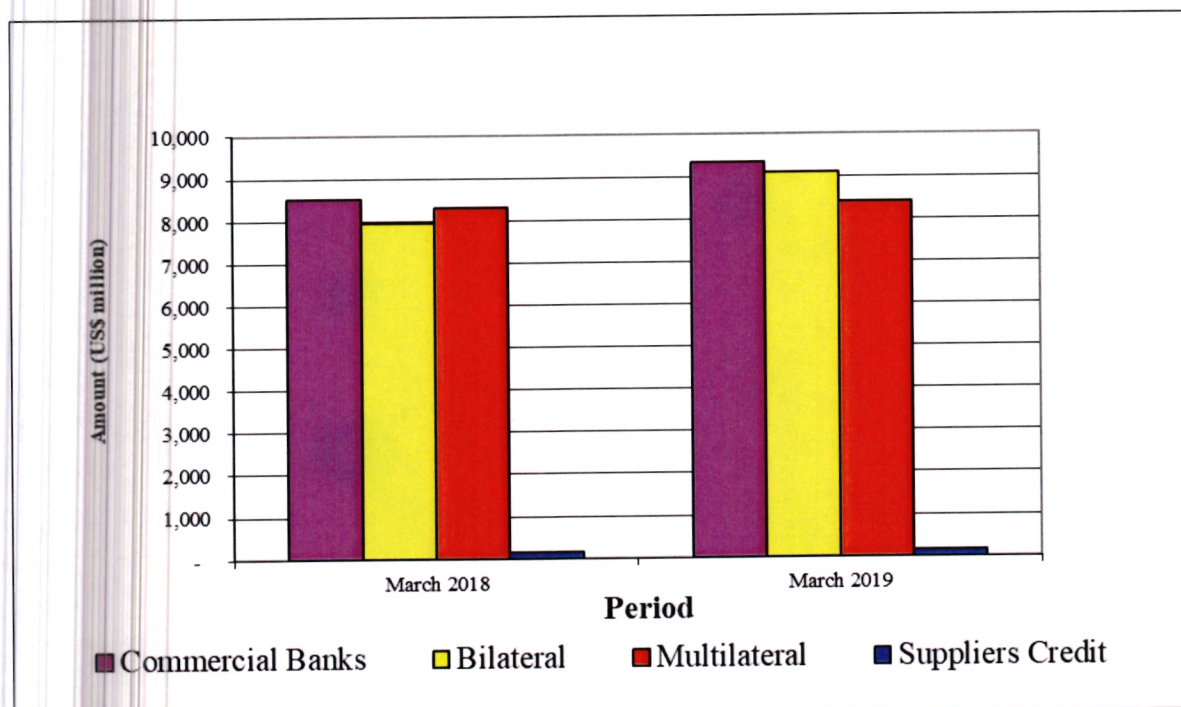
** include IMF item

Source: National Treasury

FISCAL DEVELOPMENTS

43. As Compared to the same period in 2017/18 FY, external public debt stock from Commercial Banks, Bilateral Sources and Multilateral institutions in March 2018/19 recorded an increase. External public debt stock from suppliers' remained constant in March 2019 when compared to March 2018 (**Chart 15**).

Chart 15: External Public Debt



Source: National Treasury

3.3.1 External Debt Service

44. At the end of March 2019, the total cumulative debt service payments to external creditors amounted to KSh. 229.0 billion. This comprised of KSh. 148.9 billion (65.04 per cent of the total) principal repayments and KSh. 80.1 billion (34.96 per cent of the total) interest payments (**Table 14**).

FISCAL DEVELOPMENTS

Table 14: External Debt Service, July 2018 – March 2019 (KSh.. Million)

CATEGORY	PRINCIPAL*	INTEREST*	TOTAL*
<u>BILATERAL</u>			
AUSTRIA	107.68	16.84	124.52
FINLAND	354.90	21.32	376.22
FRANCE	4,405.39	907.85	5,313.24
ITALY	81.44	723.80	805.24
JAPAN	4,336.41	479.24	4,815.65
SAUDI FUND	604.31	21.63	625.94
SPAIN	1,033.93	186.22	1,220.16
USA	481.35	63.64	545.00
CANADA	136.19	11.66	147.85
BELGIUM	1,083.86	92.74	1,176.60
GERMANY	510.36	279.15	789.50
CHINA	5,680.81	24,837.66	30,518.47
KUWAIT	151.92	15.79	167.71
NETHERLANDS	393.55	7.83	401.37
SWEDEN	33.01	6.85	39.86
SWITZERLAND	38.59	0.10	38.69
DENMARK	125.91	-	125.91
KOREA	57.79	155.48	213.27
UK	194.10	1.11	195.21
INDIA	300.20	68.35	368.55
OTHERS/NEW LOANS	338.04	147.52	485.57
TOTAL BILATERAL	20,449.75	28,044.79	48,494.53
<u>MULTILATERAL</u>			
ADB/ADF	820.73	723.91	1,544.64
BADEA	143.92	37.14	181.06
			-
EIB/EEC	1,266.70	963.16	2,229.87
IDA	10,942.25	2,401.88	13,344.12
OPEC	279.57	22.10	301.67
IFAD	268.87	859.79	1,128.65
IMF**	-	-	-
TOTAL MULTILATERAL	13,722.04	5,007.97	18,730.01
COMMERCIAL	114,743.76	46,997.19	161,740.96
GRAND TOTAL	148,915.55	80,049.95	228,965.50

* Provisional

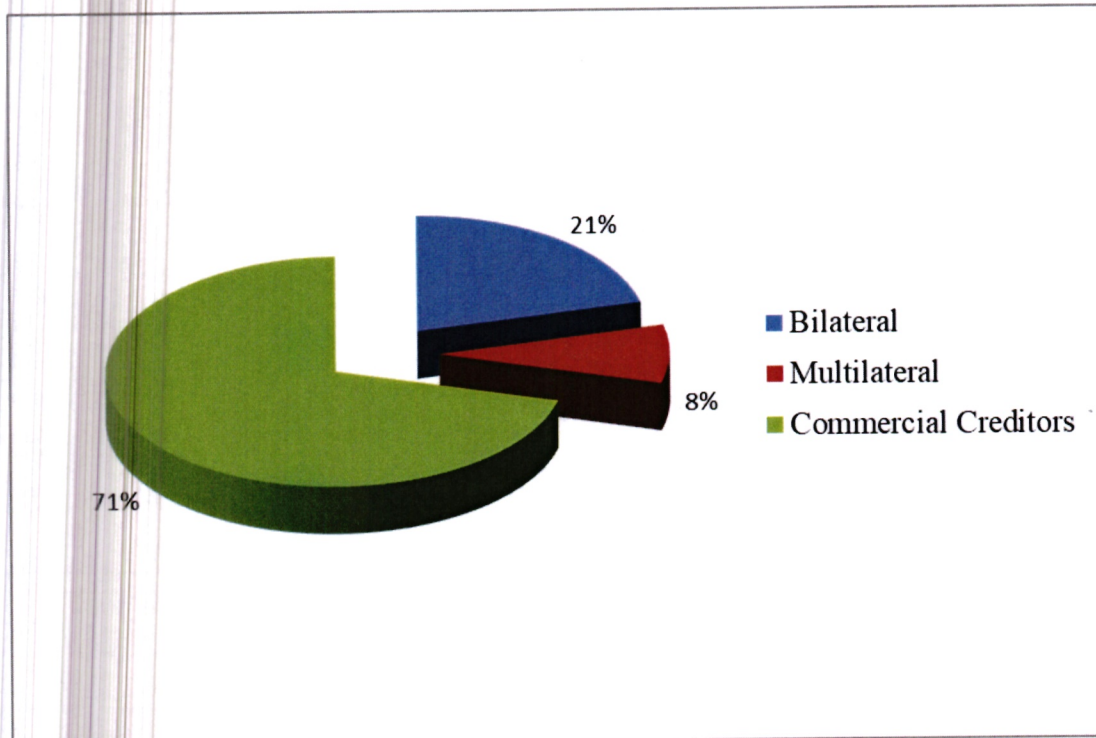
** IMF debt serviced by CBK

Source: National Treasury

FISCAL DEVELOPMENTS

45. At the end of March 2019, the total cumulative debt service payments to external creditors comprised of 71 per cent, 8 per cent and 21 per cent of the total payments to Commercial institutions, Multilateral institutions and Bilateral sources respectively (Chart 16).

Chart 16: Cumulative External Debt Service by Creditors, March, 2019



Source: National Treasury

BUDGETARY CENTRAL GOVERNMENT***Annex II: Revenue**

GFSM Code	Revenue Source	Annual FY2018/19	Quarterly FY2018/19
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>
1	REVENUE	1,997,678	1,197,020
11	Taxes	1,788,591	1,083,165
111	Taxes on income, profits, and capital gains	836,570	470,097
1111	Payable by individuals	447,635	281,718
1112	Payable by corporations and other enterprises	388,935	188,379
113	Taxes on property	129	598
1134	Taxes on financial and capital transactions		
1136	Other recurrent taxes on property	129	598
114	Taxes on goods and services	764,371	492,805
1141	General taxes on goods and services	471,665	302,235
11411	Value-added taxes	464,215	300,146
1142	Excises	292,707	190,570
115	Taxes on international trade and transactions	175,038	112,259
1151	Customs and other import duties	175,038	112,259
116	Other taxes	12,482	7,405
12	Social contributions	894	188
122	Other social contributions	894	188
1221	Employee contributions	894	188
13	Grants	48,487	16,834
131	From foreign governments	39,987	13,077
1311	Current	-	-
1312	Capital	39,987	13,077
132	From international organizations	8,500	3,757
1321	Current	8,500	3,757
1322	Capital	-	-
14	Other revenue	159,706	96,834
141	Property income	49,539	26,198
1411	Interest	2,278	576
1412	Dividends	44,318	24,571
1415	Rent	2,944	1,051
142	Sales of goods and services	99,948	66,917
1422	Administrative fees	99,948	66,917
143	Fines, penalties, and forfeits	3,566	1,959
145	Miscellaneous and unidentified revenue	6,652	1,760

*National Government

Source: National Treasury

Annex III: Statement of Sources and Uses of Cash

GFSM Code	Sources and Uses of Cash	Annual FY2018/19	Quarterly FY2018/19 Q3
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>
	CASH FLOWS FROM OPERATING ACTIVITIES:		
1	Cash receipts from operating activities	1,997,678	1,197,020
11	Taxes	1,788,591	1,083,165
12	Social contributions	894	188
13	Grants	48,487	16,834
14	Other receipts	159,706	96,834
2	Cash payments for operating activities	2,324,173	1,590,290
21	Compensation of employees	440,479	341,204
22	Purchases of goods and services	182,277	98,576
24	Interest	399,981	273,389
25	Subsidies	30	-
26	Grants	1,155,734	775,067
27	Social benefits	140,672	79,057
28	Other payments	5,000	22,997
	Net cash inflow from operating activities	(326,495)	(393,271)
	CASH FLOWS FROM INVESTMENTS IN NONFINANCIAL ASSETS (NFAs):		
31A	Purchases of nonfinancial assets	221,344	173,937
311A	Fixed assets	219,565	166,027
312A	Strategic stocks	1,419	7,570
313A	Valuables		
314A	Nonproduced assets	360	340
31B	Sales of nonfinancial assets	-	-
311B	Fixed assets	-	-
312B	Strategic stocks	-	-
313B	Valuables	-	-
314B	Nonproduced assets	-	-
31	Net cash outflow: investments in NFAs (1)	221,344	173,937
	Cash surplus / deficit	(547,840)	(567,207)
	CASH FLOWS FROM FINANCING ACTIVITIES:		
32x	Net acquisition of financial assets other than d	-	-
321x	Domestic	-	-
322x	Foreign	-	-
33	Net incurrence of liabilities	553,169	391,936
331	Domestic	267,556	214,020
332	Foreign	285,613	177,916
NFB	Net cash inflow from financing activities	553,169	391,936
	Net change in the stock of cash	5,330	(175,272)

Source: National Treasury

Annex IV: Statement of Government Operations

GFSM Code	Transaction	Annual FY 2018/19	Quarterly FY2018/19 Q3
	<i>Accounting method:</i>	<i>Non Cash</i>	<i>Non Cash</i>
	TRANSACTIONS AFFECTING NET WORTH:		
1	Revenue	1,997,678	1,197,020
11	Taxes	1,788,591	1,083,165
12	Social contributions	894	188
13	Grants	48,487	16,834
14	Other revenue	159,706	96,834
2	Expense	2,324,173	1,590,290
21	Compensation of employees	440,479	341,204
22	Use of goods and services	182,277	98,576
23	Consumption of fixed capital	-	-
24	Interest	399,981	273,389
25	Subsidies	30	-
26	Grants	1,155,734	775,067
27	Social benefits	140,672	79,057
28	Other expense	5,000	22,997
GOB	Gross operating balance	(326,495)	(393,271)
NOB	Net operating balance	(326,495)	(393,271)
	TRANSACTIONS IN NONFINANCIAL ASSETS:		
31	Net Acquisition of Nonfinancial Assets	221,344	173,937
311	Fixed assets	219,565	166,027
312	Change in inventories	1,419	7,570
313	Valuables	-	-
314	Nonproduced assets	360	340
NLB	Net lending / borrowing	(547,840)	(567,207)
	TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):		
32	Net acquisition of financial assets	3,925	(99,179)
321	Domestic	3,925	(99,179)
322	Foreign	-	-
33	Net incurrence of liabilities	553,169	391,936
331	Domestic	267,556	214,020
332	Foreign	285,613	177,916
	Discrepancy	1,404	(76,093)

Source: National Treasury

Annex V: Expense

GFSM Code	Expense	Annual FY2018/19	Quarterly FY2018/19 Q3
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>
2	EXPENSE	2,324,173	1,590,290
21	Compensation of employees	440,479	341,204
211	Wages and salaries	411,731	328,665
212	Social contributions	28,748	12,539
2121	Actual social contributions	28,748	12,539
22	Use of goods and services	182,277	98,576
24	Interest	399,981	273,389
241	To nonresidents	114,374	80,050
242	To residents other than general government	285,607	193,339
25	Subsidies	30	-
251	To public corporations	-	-
252	To private enterprises	30	-
26	Grants	1,155,734	775,067
262	To international organizations	5,573	3,570
2621	Current	5,573	3,570
2622	Capital	-	-
263	To other general government units	1,150,161	771,497
2631	Current	711,228	478,299
2632	Capital	438,933	293,198
27	Social benefits	140,672	79,057
273	Employer social benefits	140,672	79,057
28	Other expense	5,000	22,997
282	Miscellaneous other expense	5,000	22,997
2821	Current	5,000	-
2822	Capital	0	0

Source: National Treasury

Annex VI: Transactions in Assets and Liabilities

GFSM Code	Transaction	Annual FY2018/19	Quarterly FY2018/19 Q3
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>
3	CHANGE IN NET WORTH: TRANSACTIONS	(327,900)	(317,178)
31	Net acquisition of nonfinancial assets	221,344	173,937
311	Fixed assets	219,565	166,027
3111	Buildings and structures	-	-
3112	Machinery and equipment	-	-
3113	Other fixed assets	219,565	166,027
312	Inventories	1,419	7,570
314	Nonproduced assets	360	360
32	Net acquisition of financial assets	3,925	(99,179)
3212	Currency and deposits (Domestic)	3,925	(99,179)
33	Net incurrence of liabilities	553,169	391,936
331	Domestic	267,556	214,020
3313	Securities other than shares	268,666	238,619
3314	Loans	(1,110)	(24,599)
332	Foreign	285,613	177,916
3323	Securities other than shares	148,926	-
3324	Loans	136,687	177,916

Source: National Treasury

