**REPUBLIC OF KENYA**



# THE NATIONAL TREASURY AND PLANNING

# ANNUAL PUBLIC DEBT MANAGEMENT REPORT 2018/19

**SEPTEMBER 2019**

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# FOREWORD

The *Annual Public Debt Management Report* highlights developments in public debt and borrowing during the FY 2018/2019. The report highlights the changing structure of total public debt portfolio, composition and structure of the debt as well as debt service obligations. The level of publicly guaranteed public debt, on-lent loans, Medium Debt Management Strategy (MTDS), commitment fees paid on undisbursed loans and results of most recent Debt Sustainability Analysis (DSA) are presented. The report provides a broad view of the costs and risks characteristics of Kenya's public debt and debt related transactions. The *Annual Public Debt Management Report* is a part of the reporting requirements on public debt under the PFM Act, 2012.

During the financial year ended June 30, 2019 total public and publicly guaranteed debt increased in nominal terms, to Kshs 5.8 trillion, which is 61.1 per cent of GDP as at end June 2019. It is comprised of 53 per cent external and 47 per cent domestic debt. External debt is largely concessional although recent large value commercial loans including issuance of Eurobonds have affected the cost and risk profile: the average maturity, grace period and average interest rate on new external loan commitments were 15 years, 6 years and 4 per cent, respectively. Kenya has continued to honour its debt obligations and has not accumulated any arrears. The *IMF Country Report No. 18/295, October 2018* re-affirmed that Kenya's public debt remains within the debt sustainability levels.

During the financial year, the National Treasury continued to take measures to strengthen public debt management. In accordance with the PFM Act, 2012 a new Head of Public Debt Management Office was recruited to provide leadership of the PDMO – the Office responsible for operational management of public debt. The PDMO has initiated the preparation of public *Debt and Borrowing Policy* anchored on international best practices to strengthen management of public debt. The proposed *Debt and Borrowing Policy* will be subject to public participation before its approval and adoption during the FY 2019/20.

**HON. (AMB.) UKUR K. YATANI**
**Ag. CABINET SECRETARY/THE NATIONAL TREASURY AND PLANNING**

# ACKNOWLEDGEMENT

The coverage and scope of the financial year 2018/9 *Annual Debt Management Report* reflects the National Treasury's commitment to both transparency in reporting and accountability in the management of public debt. The disclosures in this report is presented in a manner meant to be understand by the general public in accordance with the Principles of Public Finance outlined in Chapter 12 of the Constitution of Kenya. During the year under review, the National Treasury in collaboration with the Central Bank of Kenya, the Capital Markets Authority and other stakeholders progressed implementation of set of measures to further deepen the domestic debt market for government securities. The reform measures to be implemented over the medium term will include establishment of Over-the–Counter Bonds Exchange; improvement in efficiency in issuance and settlement of government debt securities, separation of retail government securities investor from the institutional investors, review of the horizontal reform trading framework; increased transparency in securities trading; among other reforms.

I therefore take this opportunity to thank the key stakeholders particularly the market players through the monthly Financial Market Leaders Forum held at the Central Bank of Kenya for supporting the Government agenda on development of Kenya's financial markets.

Likewise, I wish to thank the staff at the National Treasury and particularly the Public Debt Management Office (PDMO) in managing public debt in line with the Medium Term Debt Strategy. Finally, let be acknowledge the team at the PDMO that put together the financial year 2018/9 *Annual Debt Management Report*.

We hope that this report will provide valuable information and enhance understanding of public debt management in Kenya and encourage dialogue and inform the proposed Debt and Borrowing Policy.

This report and other publications on public debt are available in the National Treasury website: www.treasury.go.ke.

**JULIUS MUIA, PhD, EBS**
**PRINCIPAL SECRETARY/NATIONAL TREASURY**

**Legal basis for the publication of the *Annual Public Debt Management Report***

The *Annual Public Debt Management Report* is published in accordance with:

Section 64 (2) (c) of the Public Finance Management Act(PFMA) which states that the PDMO shall prepare statistical and analytical reports on debt and borrowing and submit to the Cabinet Secretary and the Commission on Revenue Allocation.

Section 200 of the PFMA Regulations which states that not later than three months after the end of each financial year, the Cabinet Secretary shall prepare and submit an annual report to Parliament on public debt in the format set by the Cabinet Secretary. The annual public debt report shall include the following information:

- Review of previous year's financing of budget deficit;
- Composition of External debt;
- Publicly guaranteed debt;
- On-lent loans and contingent liabilities;
- Debt strategy and debt sustainability
- Outlook for the Medium Term; and
- Any commitment fees and penalties paid on any undisbursed amounts of a loan.

## ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| ADF | African Development Fund |
| ADB | African Development Bank |
| A-I-A | Appropriation in Aid |
| ATM | Average Time to Maturity |
| BPS | Budget Policy Statement |
| CBK | Central Bank of Kenya |
| CCN | City Council of Nairobi |
| CPIA | Country Policy and Institutional Assessment |
| DSF | Debt Sustainability Framework |
| DSA | Debt Sustainability Analysis |
| EAC | East Africa Community |
| FCCL | Fiscal Commitments and Contingent Liabilities |
| FY | Financial year |
| GBP | Sterling Pound |
| GDP | Gross Domestic Product |
| GoK | Government of Kenya |
| IDA | International Development Association |
| IFB | Infrastructure Bond |
| IMF | International Monetary Fund |
| IPPs | Independent Power Producers |
| ISB | International Sovereign Bond |
| KBC | Kenya Broadcasting Corporation |
| KenGen | Kenya Electricity Generating Company |
| MTDS | Medium Term Debt Management Strategy |
| NBFI | Non-Bank Financial Institution |
| NSSF | National Social Security Fund |
| PDMO | Public Debt Management Office |
| PFMA | Public Finance Management Act |
| PRG | Partial Risk Guarantees |
| PPG | Public and Publicly Guaranteed |
| PFF | Project Facilitation Fund |
| PPP | Public Private Partnership |
| PV | Present Value |
| SGR | Standard Gauge Railway |
| SWIFT | Society for Worldwide Interbank Financial Telecommunication |
| TEDS | Total External Debt Service |
| UK | United Kingdom |
| USA | United States of America |
| USD | United States Dollar |

## EXECUTIVE SUMMARY

The Gross Domestic Product (GDP) expanded from 4.9 percent in 2017 to 6.3 percent in 2018. The growth is attributed to expansion in the agricultural, manufacturing and the transport and service sectors. The outstanding total public and publicly guaranteed debt has steadily risen to Kshs 5,809,076 million as at end June 2019 due to increased borrowing to finance of the fiscal deficit. Over this period, public debt as a percentage of GDP grew from 42.1 percent to 61.1 percent; Domestic debt as a percentage of GDP rose from 23.4 percent to 29.3 percent, while external debt (including guaranteed debt) as a percentage of GDP rose from 18.8 percent to 31.8 percent. The ratio of debt service to revenue has increased steadily from 18.6 percent at end June 2013 to stand at 42.8 percent at end June 2019.

Domestic debt is composed mainly of Treasury Bills and Treasury Bonds. As at end June 2019, Treasury Bills accounted for 34.3 percent of total stock of domestic debt while the Treasury Bonds accounted for 62.8 percent. The largest holders of domestic debt are commercial banks at 50.8 percent while non-banking institutions held 45.3 percent at end of the financial year 2019. Whereas commercial banks have dominated the government domestic debt market, the Government has instituted steps towards increasing participation of investors in Government securities market. The re-launch of M-Akiba Bond program seeks to deepen the retail segment of the Treasury Bonds market. The secondary market activity for government securities has been on the rise with an annual turnover of Kshs 536.5 billion in 2019 compared to Kshs 455.2 billion in 2018. The investor base in the secondary market has grown supported by the entry of M-Akiba Bond.

Public debt indicators show that the level of debt remain within debt sustainability thresholds set for Kenya. Kenya's public debt is vulnerable to exchange rate risk with 52 percent of the debt denominated in foreign currency and mainly the USD. Whereas multi-lateral and bi-lateral debts are a larger component of external debt with China as the leading external creditor, the structure of public debt has significantly changed as a result of hardening of borrowing terms. As end June 2019, commercial debt constitutes a significant component of total public debt. During the year under review, the Government paid Kshs 2,687,654,178.15 as commitment fees on undisbursed loans.

The on-lent loan portfolio declined from Kshs 823,178 million as at end June 2018 to stand at Kshs 797,847 million as at end June 2019. This decline is attributed to continued repayment of principal and interest on existing loan portfolio. The Government is currently developing a Fiscal Commitment and Contingent Liabilities Framework to manage emerging risks from PPPs and explicit guarantees.

## CHAPTER ONE

## NATIONAL GOVERNMENT'S FISCAL DEFICIT FINANCING AND PUBLIC DEBT

### 1.1. Economy

Real GDP growth for 2018 rose to 6.3 per cent from 4.9 per cent in 2017. The higher growth rate was driven by increased agricultural production, enhanced manufacturing activities, transportation and service sectors.

The strong growth was anchored on a relatively stable macroeconomic environment: Inflation declined and remained within the target of 5±2.5% at 4.7 per cent in 2018 compared to 8.0 per cent in 2017; exchange rate was stable at Kshs 102.3 to the US dollar; foreign exchange reserves at end June 2019 stood at USD 9,131 million or 5.81 months of import cover; current account deficit narrowed to Kshs 441.8 billion in 2018 from Kshs 503.4 billion in 2017 mainly due to a lower growth of imports of goods and services.

### 1.2. Fiscal Balance

The overall actual fiscal balance in the FY 2018/19 was a deficit of Kshs 721,054 million (7.6 per cent of GDP) and was financed through net external financing of Kshs 414,518 million (4.4 per cent of GDP), net domestic financing of Kshs 303,658 million (3.2 per cent of GDP) and other domestic financing of Kshs 2,878 million (Table 1-1).

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

| Financing item | FY 2016/17 | | FY 2017/18 | | FY 2018/19 | |
|---|---|---|---|---|---|---|
| | Kshs million | As % of GDP | Kshs million | As % of GDP | Kshs million | As % of GDP |
| **Net Foreign Financing** | 385,745 | 5.0 | 331,641 | 3.7 | 414,518 | 4.4 |
| **Net Domestic financing** | 309,760 | 4.0 | 273,710 | 3.1 | 303,658 | 3.2 |
| **Other Domestic Financing**[1] | 1,751 | 0.0 | 2,623 | 0.0 | 2,878 | 0.0 |
| **Total** | 697,256 | 9.0 | 607,974 | 6.9 | 721,054 | 7.6 |

**Source**: *National Treasury, QEBR Q4, 2019*

### 1.3. Fiscal Performance

At end of June 2019, total cumulative revenue collection including Appropriation-in-Aid (A-I-A) was Ksh 1,671.1 billion (17.6 percent of GDP) which is Ksh 123.5 billion below the target of Ksh 1,794.5 billion (18.9 percent of GDP). The shortfall was mainly due to shortfalls in both the ordinary revenues and the Ministerial A-I-A by Ksh 91.2 billion and Ksh 32.3 billion, respectively.

Total expenditures and net lending by end of June 2019 was Ksh 2,405.9 billion against the target of Ksh 2,555.1 billion, translating into under-expenditure of Ksh 149.2 billion. The under-expenditure was occasioned by the lower absorptions recorded in both the recurrent (wages and

[1] Same as Domestic Loan Repayments (Receipts). Reference: QEBR fourth quarter 2019

salaries, pensions and operations and maintenance) and development expenditures by the National Government.

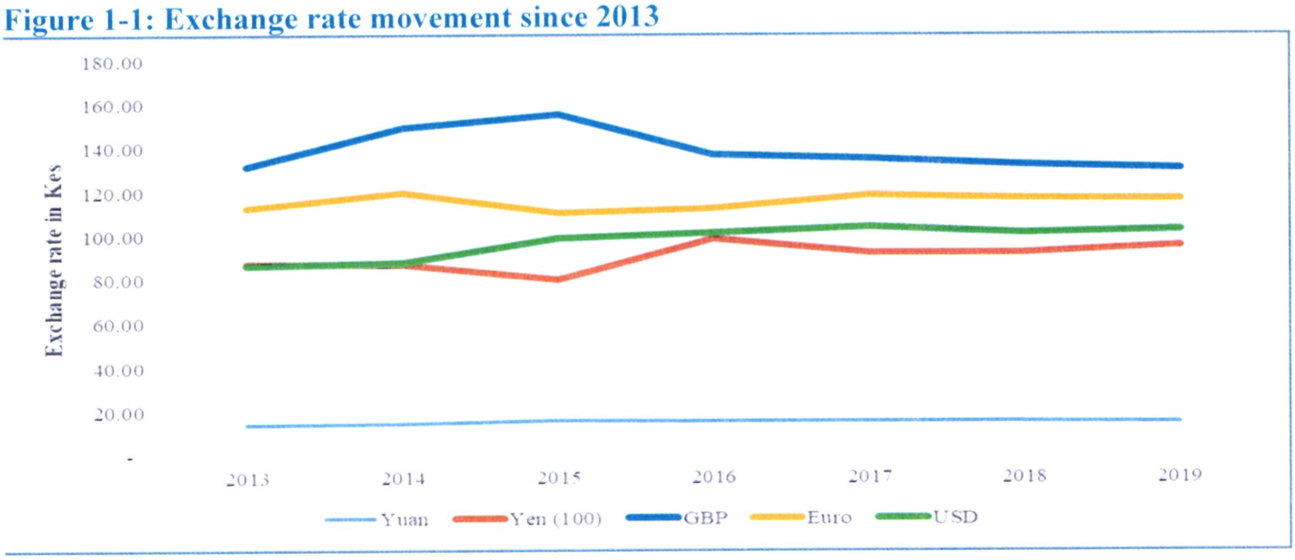
The fiscal outcome for the financial year ended June 30, 2019 complied with the fiscal responsibility principles and financial objectives set out in the PFM Act, 2012. The Government also maintained public debt and obligations at a sustainable level while managing fiscal risks prudently. Whereas the fiscal deficit rose above the previous fiscal year level, commitment to fiscal consolidation to gradually reduce the fiscal deficit over the medium-term to slow the growth of public debt while supporting inclusive economic growth remains unchanged. .

### 1.4. Kenya Shilling Exchange Rate

The Kenya Shilling has recorded a cumulative depreciation of 18.9 percent against the US dollar (USD) between end 2013 and end of 2019 (Figure 1-1). This has largely been driven by domestic demand pressures as well as external factors, in particular the strengthening of the USD driven by rising yields on US Treasury instruments, which adversely affecting the currency markets in emerging market and frontier economies, including Kenya. During the year, Kenya shilling exchange rate recorded a cumulative depreciation of 3.5 percent against the Euro (EUR), 9.1 per cent against the Japanese Yen, 6.3 per cent against the Chinese Yuan over the same period. However, the Kenya shilling appreciated against British Pound Sterling (GBP) by 1.0 per cent.

Nearly over 70 per cent of the external debt is denominated in USD. Depreciation of the Kenya Shilling against the USD has a significant impact on the size of external public debt stock and external debt service due to the large exposure of external debt portfolio to the USD.

**Figure 1-1: Exchange rate movement since 2013**




***Source: Central Bank of Kenya***

**Table 1: Kenya Shilling Exchange Rate movement since 2013**

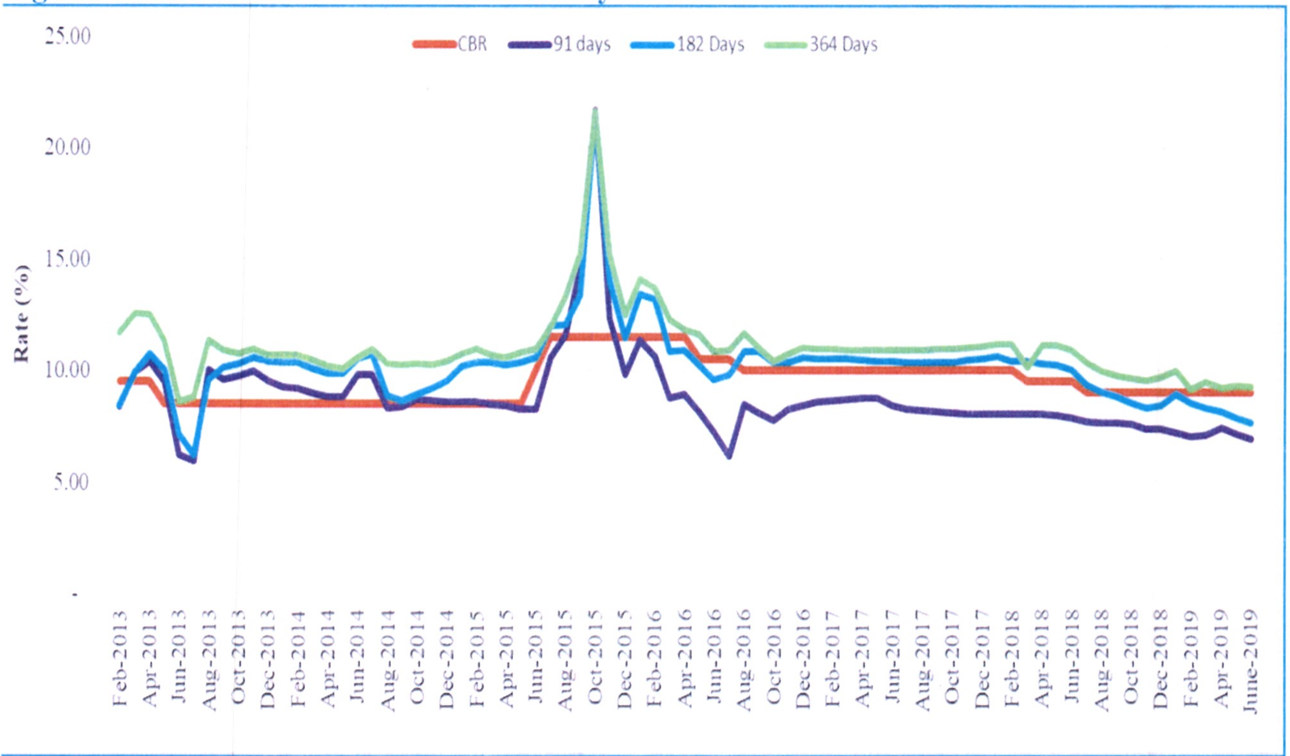
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| **Yuan** | 14.00 | 14.12 | 15.90 | 15.21 | 15.29 | 15.27 | 14.88 |
| **Yen (100)** | 87.00 | 86.50 | 79.80 | 98.40 | 91.90 | 91.60 | 94.90 |
| **GBP** | 131.34 | 149.20 | 155.10 | 136.44 | 134.60 | 132.10 | 129.96 |
| **Euro** | 112.40 | 119.55 | 110.40 | 112.30 | 118.31 | 116.86 | 116.31 |
| **USD** | 86.01 | 87.63 | 98.64 | 101.10 | 103.71 | 101.05 | 102.30 |

***Source: Central Bank of Kenya***

## 1.5. Short-term interest rates on Government Domestic Debt Securities

Since the introduction of the interest rates cap, short-term interest rates on Treasury Bills have remained relatively stable and on downward trend in the second half of the financial year ended June 30, 2019 as shown in Figure 1-2. The prevailing average interest rate for the 364-day, 182-day and 91 day Treasury Bills was9.69 per cent, 8.59 per cent and 7.37 per cent per annum, respectively.

**Figure 1-2. Central Bank Rate and Treasury Bills Rate from 2013 to June 2019**




*Source: Central Bank of Kenya*

## 1.6. Total Public Debt

As at end June 2019, the outstanding total public and publicly guaranteed debt, was Kshs 5,808,591 million (Table 1-2) compared to Kshs 5,047,234 million as at end June 2018. Over the period, domestic debt increased by Ksh 306,617 million (or by 12 per cent) to Kshs 2,785,452 million while external debt (including guaranteed debt) increased to Kshs 3,023,139 million from Kshs 2,568,398 million. The significant increase in external was largely due to over 22% growth in bi-lateral and commercial debts, and depreciation of the Kenya shilling against other currencies. The composition of overall debt show a rise in the proportion of external debt to 52.0 per cent of total public debt, up from 50.9 per cent, at end June 2018.

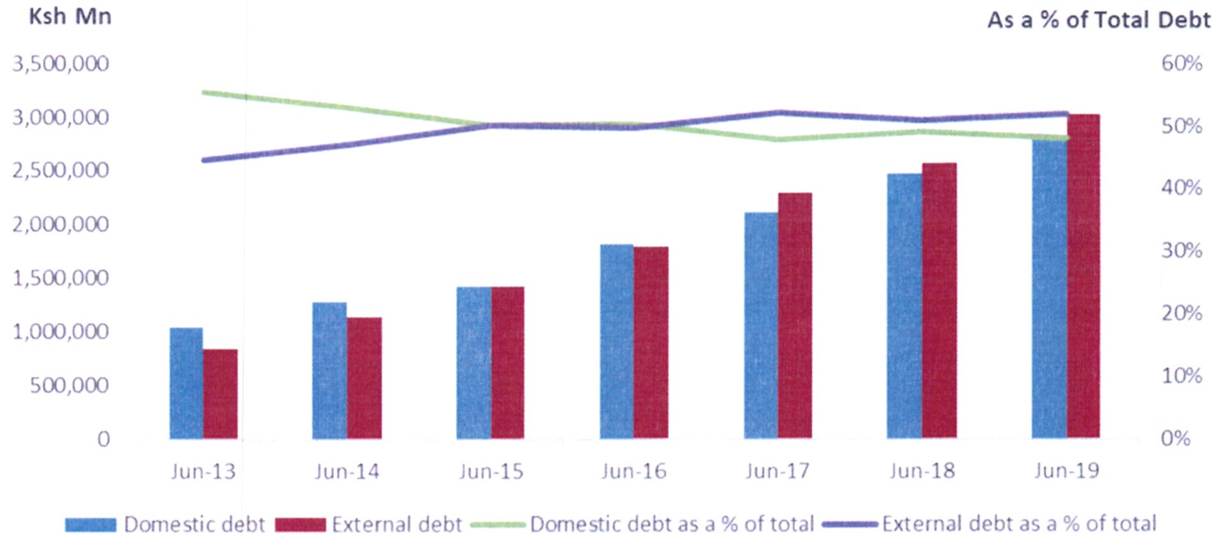
**Table 1-2: Trends in Kenya's Total Public Debt (Kshs million)**

| DEBT TYPE | Jun-13 | Jun-14 | Jun-15 | Jun-16 | Jun-17 | Jun-18 | Jun-19 |
|---|---|---|---|---|---|---|---|
| **DOMESTIC DEBT** | | | | | | | |
| Central Bank | 39,170 | 65,700 | 63,335 | 99,856 | 54,506 | 110,782 | 109,607 |
| Commercial Banks | 524,505 | 617,221 | 730,419 | 927,307 | 1,142,889 | 1,266,457 | 1,414,431 |
| Sub-total: Banks | 563,675 | 682,921 | 793,754 | 1,027,163 | 1,197,395 | 1,377,239 | 1,524,038 |
| Non-bank Financial Institutions | 486,880 | 601,406 | 626,690 | 787,970 | 915,315 | 1,101,596 | 1,261,899 |
| Total Domestic | **1,050,555** | **1,284,327** | **1,420,444** | **1,815,133** | **2,112,710** | **2,478,835** | **2,785,937** |
| As a % of GDP | 23.4% | 25.5% | 24.4% | 27.1% | 27.6% | 28.0% | 29.3% |
| As a % of total debt | 55.5% | 53.0% | 50.0% | 50.3% | 47.9% | 49.1% | 48.0% |
| **EXTERNAL DEBT** | | | | | | | |
| Bilateral | 217,970 | 248,636 | 405,562 | 491,864 | 669,839.70 | 759,016.70 | 917,980.46 |
| Multilateral | 507,920 | 593,397 | 680,192 | 794,797.50 | 839,721.70 | 825,298.70 | 909,791.39 |
| Commercial Banks | 58,928 | 234,799 | 276,937 | 432,377 | 634,108.90 | 830,652.10 | 1,019,029.88 |
| Suppliers Credits | 15,207 | 16,452 | 16,628 | 16,628 | 15,303.10 | 16,725.20 | 16,931.81 |
| Sub-Total | **800,025** | **1,093,284** | **1,379,319** | **1,735,667** | **2,158,973.4** | **2,431,692.7** | **2,863,733.54** |
| **GUARANTEE DEBT** | | | | | | | |
| Bilateral | 39,667 | 41,278 | 39,495 | 56,487 | 52,728.80 | 56,371.20 | 78,078.78 |
| Multilateral | 3,870 | 3,943 | 4,439 | 4,044 | 4,667.00 | 4,547.30 | 4,603.42 |
| Commercial | 0 | 0 | 0 | 0 | 77,783.80 | 75,787.50 | 76,723.73 |
| Sub-Total | **43,537** | **45,221** | **43,934** | **60,531** | **135,179.60** | **136,706** | **159,405.93** |
| Total External debt | **843,562** | **1,138,505** | **1,423,252** | **1,796,198** | **2,294,153** | **2,568,398.7** | **3,023,139.47** |
| As a % of GDP | 18.8% | 22.6% | 24.4% | 26.8% | 30.0% | 29.0% | 31.8% |
| As a % of total debt | 44.5% | 47.0% | 50.0% | 49.7% | 52.1% | 50.9% | 52.0% |
| **GRAND TOTAL** | **1,894,117** | **2,422,832** | **2,843,696** | **3,611,331** | **4,406,863** | **5,047,234** | **5,809,076** |
| Total debt As a % of GDP | 42.1% | 48.0% | 48.8% | 53.8% | 57.5% | 57.1% | 61.1% |
| **Memorandum item** | | | | | | | |
| GDP (in Kshs million) | 4,496,000 | 5,044,236 | 5,831,528 | 6,709,671 | 7,658,138 | 8,845,854 | 9,510,446 |

**Source:** *National Treasury and Central Bank of Kenya*

In nominal terms, total public debt to GDP rose to 61.1 per cent from 57.1 per cent as at end June 2018 (Table 1-2 and Fig. 1-3). Over the period under review, domestic debt was 29.3 per cent of GDP compared to 28.0 per cent in at end June 2018, while external debt stood at 31.8 per cent of GDP, compared to 29.0 per cent of GDP.

**Figure 1-3: Kenya's Public and Publicly Guaranteed Debt: June 2013-2019 (Kshs Millions)**




**Source**: *National Treasury and Central Bank of Kenya*

### 1.7. Public Debt Service

As at end June 2019, the total public debt service payments amounted to Kshs 850,071 million of which external and domestic debt service was Kshs 368,478 million and Kshs 481,593 million, respectively.

During the year ended June 2019, the total debt service was equivalent to 56.8 per cent of revenue, up from 43.9 per cent the previous year (Table 1-3 and Figure 1-2). The sharp increase was due to syndicated commercial debts due including prepayments and the USD 750 million instalment due on the 2014 Eurobond. However, these debts were refinanced through the proceeds from the 2019 Eurobond.

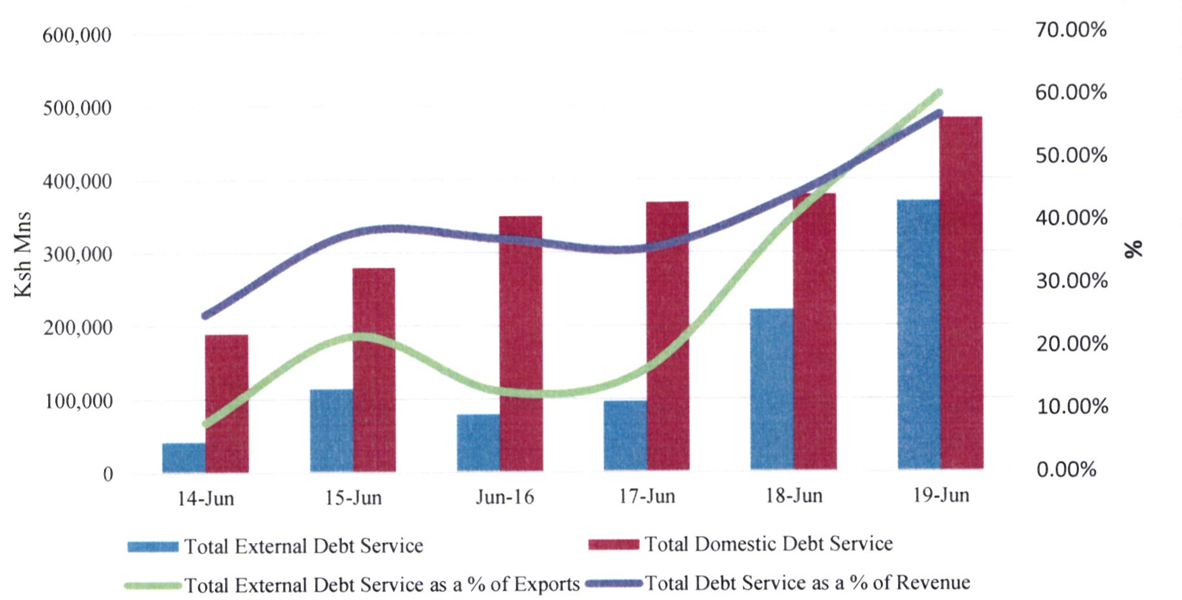
**Table 1-3: Total Public Debt Service (Kshs million)**

| | Jun-14 | Jun-15 | Jun-16 | Jun-17 | Jun-18 | Jun-19 |
|---|---|---|---|---|---|---|
| External Principal | 25,800 | 80,214 | 36,015 | 37,256 | 138,989 | 265,106 |
| External Interest | 15,600 | 33,330 | 42,568 | 58,367 | 81,649 | 103,372 |
| Total External Debt Service (TEDS) | 41,400 | 113,544 | 78,583 | 95,623 | 220,638 | 368,478 |
| TEDS as a % of Total Debt Service (TDS) | 18.0% | 29.0% | 18.4% | 20.6% | 36.9% | 43.3% |

| | Jun-14 | Jun-15 | Jun-16 | Jun-17 | Jun-18 | Jun-19 |
|---|---|---|---|---|---|---|
| Domestic Interest | 119,200 | 139,727 | 172,857 | 212,865 | 239,497 | 272,351 |
| Treasury bond redemption | 69,844 | 138,891 | 176,153 | 154,722 | 138,373 | 209,242 |
| Total domestic debt service | 189,044 | 278,618 | 349,010 | 367,587 | 377,870 | 481,593 |
| Domestic debt service as a % of TDS | 82.0% | 71.0% | 81.6% | 79.4% | 63.1% | 56.7% |
| Total Debt Service (TDS) | **230,444** | **392,162** | **427,593** | **463,210** | **598,508** | **850,071** |
| Ordinary Revenue | 918,990 | 1,031,819 | 1,152,972 | 1,306,568 | 1,362,786 | 1,496,930 |
| Export Earnings (goods only) | 523,059 | 524,992 | 615,125 | 583,219 | 544,666 | 612,900 |
| Total Debt Service as a % of Revenue | 25.1% | 38.0% | 37.1% | 35.5% | 43.9% | 56.8% |
| Total External Debt Service as a % of Exports | 7.9% | 21.6% | 12.8% | 16.4% | 40.5% | 60.1% |

**Source:** *National Treasury and Central Bank of Kenya*

**Figure 1-4: Kenya Domestic and External Debt Service (Kshs million)**




**Source**: *National Treasury and Central Bank of Kenya*

## 1.8. Cost and Risk in the Public Debt Portfolio

Analysis of the cost and risk indicators of public debt reveals that during the financial year ended June 2019, the annual total interest payments on domestic debt was 3.9 per cent of GDP. Interest payments on external debt and domestic debt accounted for 1.1 per cent and 2.8 per cent of GDP, respectively. Interest payments on total public debt were 19.1% of total revenue (Table 1-4).

Kenya's public debt is vulnerable to exchange rate risk. During the financial year ended June 30, 2019 over 52.0 per cent of the total public debt is denominated in foreign currency compared to 50.9 percent the previous year.

The overall interest payment is projected to be 3.9 percent of GDP, with interest payment on external debt and domestic debt accounting for 1.1 percent and 2.8 per cent of GDP respectively. The low interest payment on external debt is attributed to the large proportion of external concessional financing in the existing public debt portfolio. As at end-June, 2019 the weighted average interest rate on the total debt portfolio is projected to be 7.7 percent of GDP. The external and domestic debt portfolios weighted average interest rates were 4.4 per cent and 11.3 per cent respectively.

**Table 1-4: Kenya Public Debt: Cost and risk indicators as at end June2019**

| Risk Indicators | | External debt | Domestic debt | Total debt |
|---|---|---|---|---|
| **Public Debt (in millions of Kshs)** | | **3,023,139.5** | **2,785,937** | **5,809,076.5** |
| **Public Debt (in millions of USD)** | | **29,552.2** | **27,228.7** | **56,780.9** |
| **Nominal debt as % GDP** | | **31.8** | **29.3** | **61.1** |
| Cost of debt | Interest payment as % GDP | 1.1 | 2.8 | 3.9 |
| | Interest payment as % Total Revenue | 7.7 | 19.1 | 26.8 |
| | Weighted Av. IR (%) | 4.4 | 11.3 | 7.7 |
| Refinancing risk | ATM (years) | 10.1 | 4.7 | 7.4 |
| | Debt maturing in 1yr (% of total) | 12.6 | 42.7 | 27.4 |
| | Debt maturing in 1yr (% of total revenue) | 22.2 | 72.6 | 94.8 |
| | Debt maturing in 1yr (% of GDP) | 3.2 | 10.5 | 13.8 |
| Interest rate risk | ATR (years) | 9.7 | 4.7 | 7.3 |
| | Debt re-fixing in 1yr (% of total) | 22.5 | 42.7 | 32.4 |
| | Fixed rate debt (% of total) | 84.2 | 100.0 | 91.9 |
| FX risk | FX debt (% of total debt) | 52.0 | 0 | 52.0 |

**Source**: *National Treasury and Central Bank of Kenya*

# CHAPTER TWO
# DOMESTIC DEBT

## 2.1 Domestic Debt Stock

Kenya's domestic debt comprises of total stock of Government debt securities (Treasury Bills and Treasury Bonds), Pre-1997 Government debt and Government Overdraft facility at the Central Bank of Kenya. As at end June 2019, the stock of domestic debt stood at Kshs 2,785,936 million reflecting an increase of 12.4 per cent from June 2018 position (Kshs 2,478,835 million) (Table 2-1 and Figure 2-1). The increase in the stock of domestic debt was attributed to net domestic borrowing of Kshs 307,101 million to finance the budget deficit for the financial year 2018/9.

**Table 2-1: Outstanding Domestic Debt (in Kshs million): June 2015 to June 2019**

| | Instrument | Jun-15 | | Jun-16 | | Jun-17 | | Jun-18 | | Jun-19 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Kshs | *% of stock* | Kshs | *% of stock* | Kshs | *% of stock* | Kshs | *% of stock* | Kshs | *% of stock* |
| | Total Domestic Debt (A+B) | 1,420,444 | *100* | 1,815,133 | *100* | 2,112,710 | *100* | 2,478,835 | *100* | 2,785,936 | *100* |
| A | Government Securities(1-3) | 1,381,267 | *97.2* | 1,765,688 | *97.3* | 2,101,579 | *99.5* | 2,414,388 | *97.4* | 2,702,853 | *97.0* |
| 1) | Treasury Bills | 318,929 | *22.5* | 588,088 | *32.4* | 744,155 | *35.2* | 878,622 | *35.4* | 954,250 | *34.3* |
| | Banking Institutions | 217,742 | *15.3* | 382,447 | *21.1* | 436,511 | *20.7* | 502,606 | *20.3* | 598,071 | *21.5* |
| | Others | 101,187 | *7.1* | 205,641 | *11.3* | 307,644 | *14.6* | 376,016 | *15.2* | 356,179 | *12.8* |
| 2) | Treasury Bonds | 1,035,662 | *72.9* | 1,152,041 | *63.5* | 1,332,418 | *63.1* | 1,511,872 | *61.0* | 1,748,603 | *62.8* |
| | Banking Institutions | 510,228 | *35.9* | 569,781 | *31.4* | 725,372 | *34.3* | 786,361 | *31.7* | 842,952 | *30.3* |
| | Others | 525,434 | *37.0* | 582,260 | *32.1* | 607,603 | *28.8* | 725,511 | *29.3* | 905,650 | *32.5* |
| 3) | Pre-1997 Government Debt | 26,676 | *1.9* | 25,559 | *1.4* | 24,449 | *1.2* | 23,894 | *1.0* | 22,229 | *0.8* |
| B. | Others* | 39,177 | *2.8* | 49,446 | *2.7* | 11,132 | *0.5* | 64,447 | *2.6* | 60,855 | *2.2* |
| | Of which CBK Overdraft | 36,494 | *2.6* | 44,204 | *2.4* | 0 | *0* | 56,849 | *2.3* | 57,328 | *2.1* |

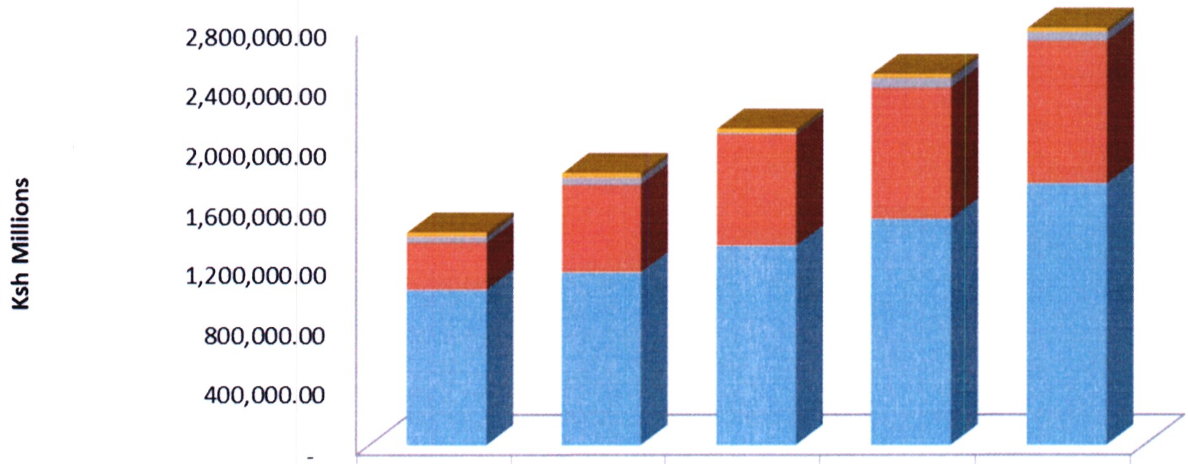
**Source:** Central Bank of Kenya

**Others consist of CBK Overdraft to GoK, cleared items awaiting transfer to PMG, commercial bank advances and Tax Reserve Certificates*

## 2.1 Domestic Debt by Instrument

Treasury Bills and Treasury Bonds holdings accounted for 34.3 per cent and 62.8 per cent of the total outstanding domestic debt, respectively. In the previous financial year, Treasury Bills and Treasury Bonds holdings accounted for 35.4 per cent and 61.0 per cent, respectively (Figure 2-1 & 2-2). The proportion of all other categories of domestic debt declined during the period under review.

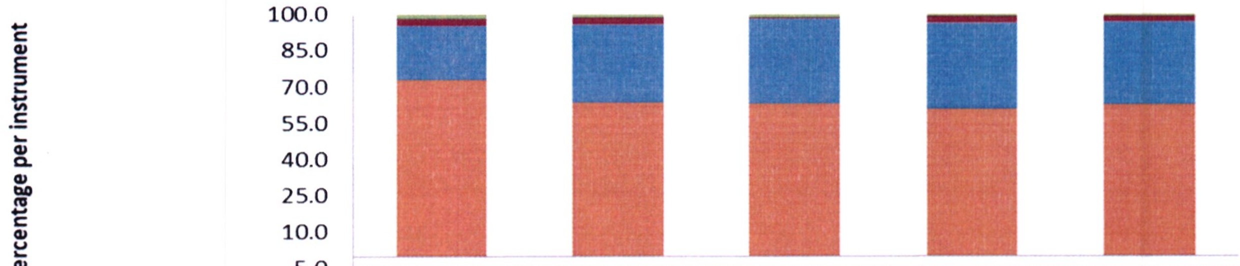
**Figure 2-1: Size and Structure of the Domestic Debt: June 2015-June 2019**




| | June 15 | June 16 | June 17 | June 18 | June 19 |
|---|---|---|---|---|---|
| Pre-1997 Government Debt | 26,676.00 | 25,559.00 | 24,449.00 | 23,894.00 | 22,228.76 |
| Others* | 39,177.00 | 49,446.00 | 11,132.00 | 64,447.00 | 60,854.77 |
| Treasury Bills | 318,929.00 | 588,088.00 | 744,155.00 | 878,622.00 | 954,250.00 |
| Treasury Bonds | 1,035,662.00 | 1,152,041.00 | 1,332,418.00 | 1,511,872.00 | 1,748,602.57 |

**Source:** Central Bank of Kenya

**Figure 2-2: Domestic Debt by Instrument**




| | June 15 | June 16 | June 17 | June 18 | June 19 |
|---|---|---|---|---|---|
| Pre-1997 Government Debt | 1.9 | 1.4 | 1.2 | 1.0 | 0.8 |
| Others* | 2.8 | 2.7 | 0.5 | 2.6 | 2.2 |
| Treasury Bills | 22.5 | 32.4 | 35.2 | 35.4 | 34.3 |
| Treasury Bonds | 72.9 | 63.5 | 63.1 | 61.0 | 62.8 |

***Source:*** *Central Bank of Kenya*

## 2.2 Domestic Debt by Holder

As at end June 2019, Commercial banks holdings of Government debt securities declined to 50.8 per cent from 51.1 per cent in June 2018. The Non-bank (Non-residents and non-bank Financial Institutions including insurance companies, and pensions funds) holdings rose from 44.4 percent to 45.3 per cent as at end June 2019. Pensions Funds (including NSSF) accounted for 28.2 per cent of Treasury bills and bonds in June 2019 compared to 27.5 per cent in June 2018 (Table 2-3 and Figure 2-4). However, holdings by insurance companies declined from 6.2 percent to 6.1 percent during the period. The non-residents holdings remained unchanged at 1.0 per cent during the last 3 years. (Table 2-2 and Figure 2-3).

**Table 2-2: Domestic Debt by Holder (Kshs Million): June 2015-June 2019**

| Description | | Jun-15 | Jun-16 | Jun-17 | Jun-18 | Jun-19 |
|---|---|---|---|---|---|---|
| **Banks** | **Kshs** | **793,754** | **1,027,163** | **1,197,395** | **1,377,239** | **1,524,037** |
| | *% of total* | *55.9* | *56.6* | *56.7* | *55.6* | *54.7* |
| Central Bank of Kenya | Kshs | 63,335 | 99,856 | 54,506 | 110,782 | 109,607 |
| | *% of total* | *4.5* | *5.5* | *2.6* | *4.5* | *3.9* |
| Commercial Banks | Kshs | 730,419 | 927,307 | 1,142,889 | 1,266,457 | 1,414,431 |
| | *% of total* | *51.4* | *51.1* | *54.1* | *51.1* | *50.8* |
| **Non-banks** | **Kshs** | **626,689** | **787,970** | **915,315** | **1,101,596** | **1,261,899** |
| | *% of total* | *44.1* | *43.4* | *43.3* | *44.4* | *45.3* |
| Non residents | Kshs | 10,664 | 13,027 | 22,100 | 25,308 | 27,984 |
| | *% of total* | *0.8* | *0.7* | *1.0* | *1.0* | *1.0* |
| Non-bank Financial Institutions | Kshs | 616, 025 | 774,943 | 893,215 | 1,076,288 | 1,233,915 |
| | *% of total* | *43.3* | *42.7* | *42.3* | *43.4* | *44.3* |
| **Total** | **Kshs** | **1,420,444** | **1,815,133** | **2,112,710** | **2,478,835** | **2,785,936** |
| | *% of total* | *100* | *100* | *100* | *100* | *100* |

***Source:*** *Central Bank of Kenya*

**Figure 2-3: Domestic Debt by Holder: June 2015-June 2019**

**Source:** *Central Bank of Kenya*

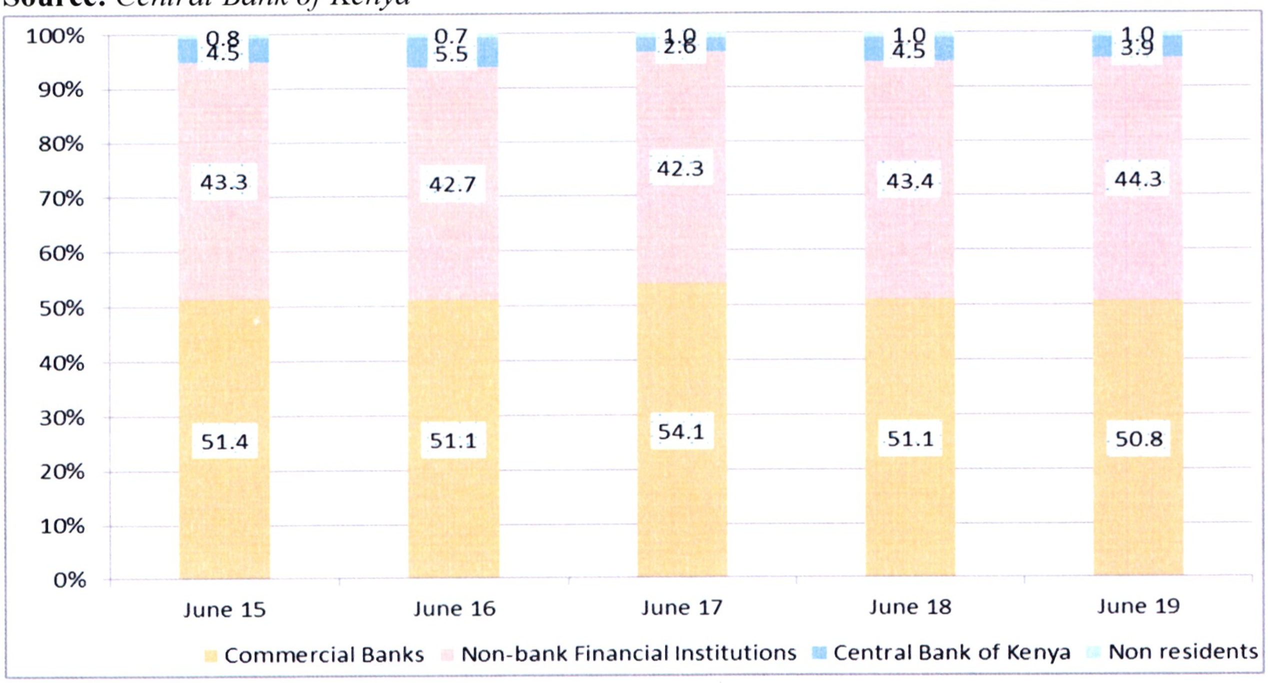
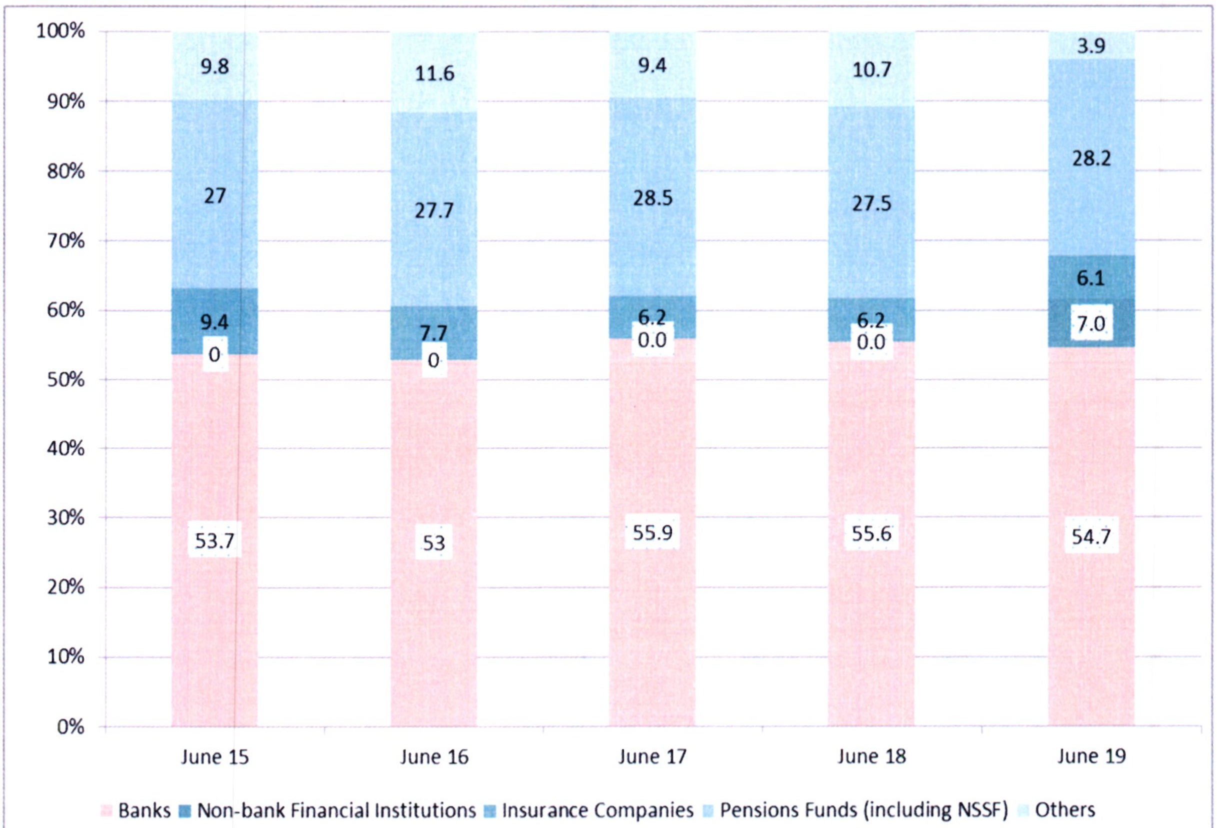


**Table 2-3: Outstanding Domestic Debt Stock by Holders (Kshs million): June 2015-June 2019**

| Holder | Jun-15 | | Jun-16 | | Jun-17 | | Jun-18 | | Jun-19 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Kshs** | *%* | **Kshs** | *%* | **Kshs** | *%* | **Kshs** | *%* | **Kshs** | *%* |
| Banks | 727,931 | *53.7* | 922,214 | *53.0* | 1,161,883 | *55.9* | 1,377,239 | *55.6* | 1,524,037 | *54.7* |
| Non-Bank Financial Institutions (NBFIs) | 320 | *0* | 183 | *0.0* | 183 | *0.0* | 183 | *0.0* | 194,782 | *7.0* |
| Insurance Companies | 127,889 | *9.4* | 134,392 | *7.7* | 128,570 | *6.2* | 154,509 | *6.2* | 170,833 | *6.1* |
| Pensions Funds (including NSSF) | 366,303 | *27.0* | 481,693 | *27.7* | 591,758 | *28.5* | 681,783 | *27.5* | 786,541 | *28.2* |
| Others | 132,154 | *9.8* | 201,648 | *11.6* | 194,885 | *9.4* | 265,121 | *10.7* | 109,743 | *3.9* |
| **Total** | **1,354,597** | ***100*** | **1,740,130** | ***53.0*** | **2,077,280** | ***100*** | **2,478,835** | ***100*** | **2,785,936** | ***100*** |

**Source:** *Central Bank of Kenya*

**Figure 2-4: Outstanding Domestic Debt Stock by Holders: June 2015-June 2019.**




**Source**: *Central Bank of Kenya*

## 2.3 Treasury Bills by Holder

The stock of Treasury Bills increased by 8.6 per cent to Kshs 954,250 million in June 2019 from Kshs 878,622 million in June 2018. The proportion of Treasury Bills held by commercial banks increased by 19.0 per cent to Kshs 598,071 million from Kshs 502,606 million during the same period (Table 2-4). Holdings by pension funds decreased by 5.5 per cent while proportion held by insurance companies decreased to 1.9 per cent from 2.4 per cent during the period. See Appendix III Table 2.

**Table 2-4: Outstanding Stock of Treasury Bills by Holder (Ksh million)**

| Holder | Jun-15 | | June 16 | | June-17 | | June-18 | | June-19 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Ksh M | % | Ksh M | % | Ksh M | % | Ksh M | % | Ksh M | % |
| Commercial Banks | 217,742 | 68.3 | 361,859 | 61.5 | 436,511 | 58.7 | 502,606 | 57.2 | 598,071 | 62.7 |
| NBFIs | 0 | 0 | 0 | 0 | 0 | 0.0 | 0.0 | 0.0 | 0 | 0 |
| Insurance companies | 20,849 | 6.5 | 18,356 | 3.1 | 13,747 | 1.8 | 21,172 | 2.4 | 18,225 | 1.9 |
| Pensions Funds (including NSSF) | 40,946 | 12.8 | 117,948 | 20 | 179,456 | 24.1 | 180,140 | 20.5 | 170,298 | 17.8 |
| Others | 39,392 | 12.4 | 89,924 | 15 | 114,441 | 15.4 | 174,705 | 19.9 | 167,657 | 17.6 |
| **Total** | **318,929** | **100** | **588,088** | **100** | **744,155** | **100** | **878,622** | **100** | **954,250** | **100** |

***Source:*** *Central Bank of Kenya*

## 2.4 Treasury Bonds by Holder

There was notable increase in the stock of outstanding Treasury Bonds by 15.7 per cent from Kshs 1,511,873 million in June 2018 to Kshs 1,748,603 million in June 2019. Pension funds holding increased to 35.2 per cent from 33.2 per cent while commercial banks declined to 48.2 per cent from 52.0 per in the previous financial year (Table 2 5). See Appendix III Table 2.

**Table 2-5: Outstanding Stock of Treasury Bonds by Holder (Kshs million): June 2015-June 2019.**

| Holder | Jun-15 | | June 16 | | June-17 | | June-18 | | June-19 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Kshs M | % | Kshs M | % | Kshs M | % | Kshs M | % | Kshs M | % |
| Commercial Banks | 510,228 | *49.3* | 560,335 | *48.6* | 724,814 | *54.4* | 786,361 | *52.0* | 842,952 | *48.2* |
| NBFIs | 320 | *0.0* | 183 | *0.0* | 322 | *0.0* | 183 | *0.0* | 183 | *0.0* |
| Insurance companies | 107,040 | *10.3* | 116,035 | *10.1* | 114,673 | *8.6* | 133,337 | *8.8* | 152,608 | *8.7* |
| Pensions Funds (including NSSF) | 325,357 | *31.4* | 363,745 | *31.6* | 412,303 | *30.9* | 501,643 | *33.2* | 616,243 | *35.2* |
| Others | 92,717 | *9.0* | 111,723 | *9.7* | 80,306 | *6.0* | 90,348 | *6.0* | 136,616 | *7.8* |
| **Total** | **1,035,662** | ***100*** | **1,152,041** | ***100*** | **1,332,417** | ***100*** | **1,511,873** | ***100*** | **1,748,603** | ***100*** |

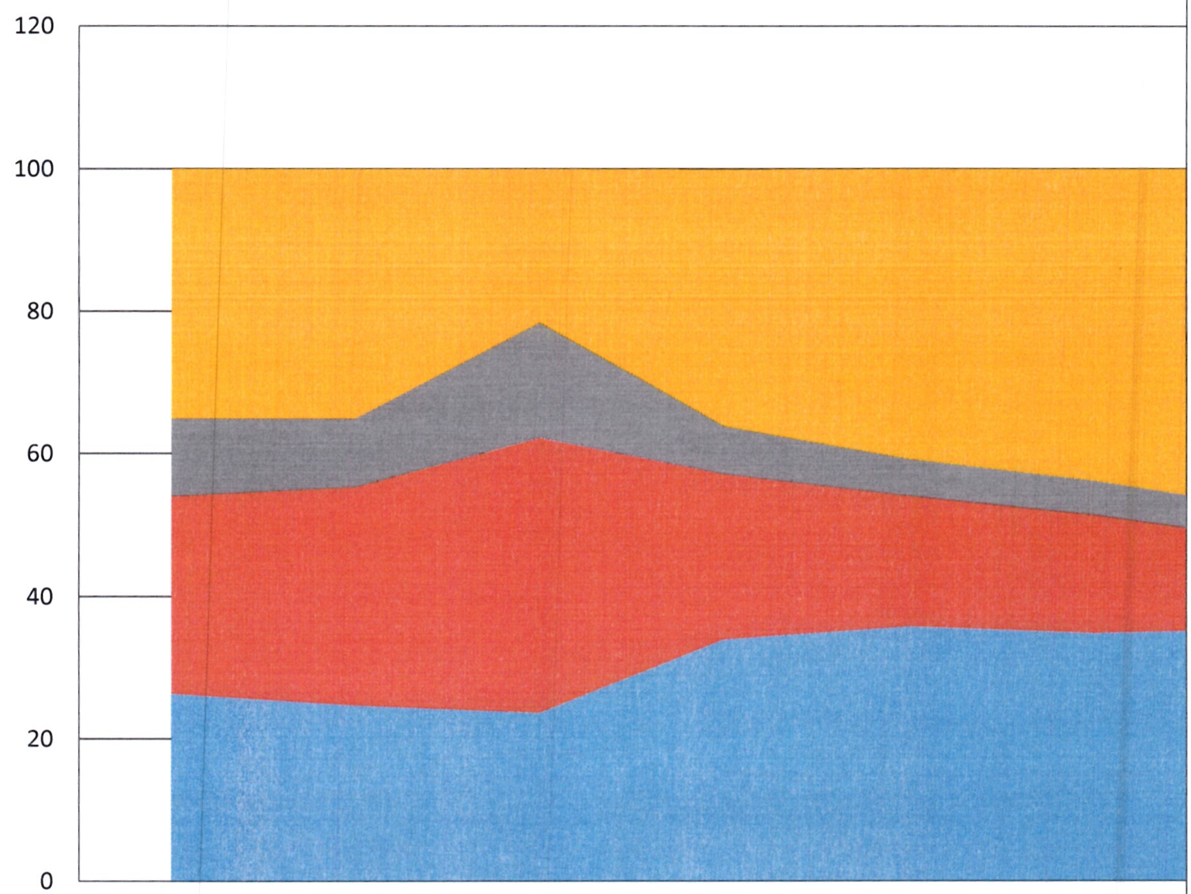
**Source:** *Central Bank of Kenya*

## 2.5 Treasury Bills and Treasury Bonds by Tenor

Treasury Bills are short term securities with tenures of 91-day, 180-day and 364- days. Since June 2013, the proportion of domestic debt held in Treasury Bills have risen from 26.3 percent to 35.4

percent in June 2019. Treasury Bonds are issued along 1, 3, 5, 10, 15 and 20 year tenure under a benchmark bond program consistent with the Medium Terms Debt Strategy. Over the last 6 year, there has been a marked shift in Treasury Bonds holding towards the longer end of the tenures. (Figure 2-5).

**Figure 2-5: Government Domestic Debt Securities by Tenor: June 2013- June 2019**



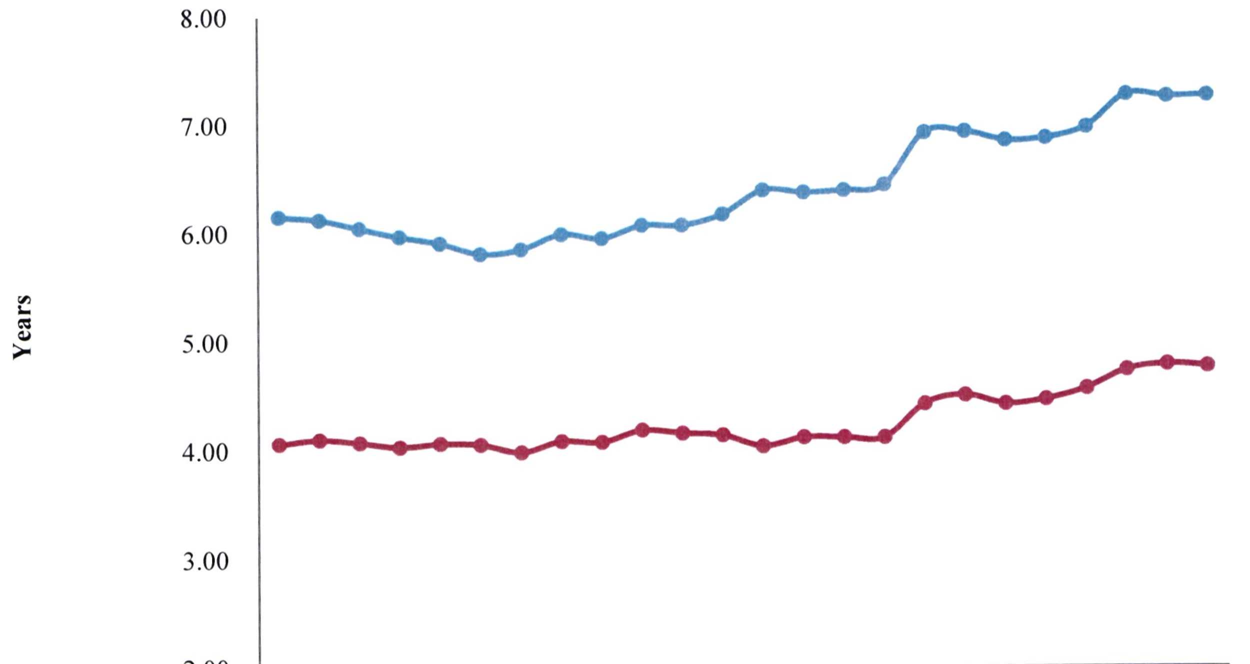

| | Jun-13 | Jun-14 | Jun-15 | Jun-16 | Jun-17 | Jun-18 | Jun-19 |
|---|---|---|---|---|---|---|---|
| Bonds (>=10 years) | 35.1 | 35.1 | 21.6 | 36.1 | 40.8 | 43.8 | 47.9 |
| Bonds (6-9 years) | 10.9 | 9.6 | 16.2 | 6.7 | 5.2 | 4.9 | 4.4 |
| Bonds (1-5 years) | 27.6 | 30.6 | 38.5 | 23.1 | 18.2 | 16.5 | 12.3 |
| Treasury bills (<1 year) | 26.4 | 24.7 | 23.7 | 34 | 35.8 | 34.8 | 35.4 |

**Source**: *Central Bank of Kenya*

## 2.6 Treasury Bills and Bonds by Time to Maturity

The *Average Time to Maturity* on Government domestic debt securities declined marginally to 4.76 years from 4.78 years at end June 2018 (Figure 2-6). Under the Medium Term Debt Strategy, the aim is to issue Treasury Bonds with longer tenures to minimize re-financing risk in the domestic debt portfolio.

**Figure 2-6: Average Time to Maturity of Government Domestic Debt Securities**



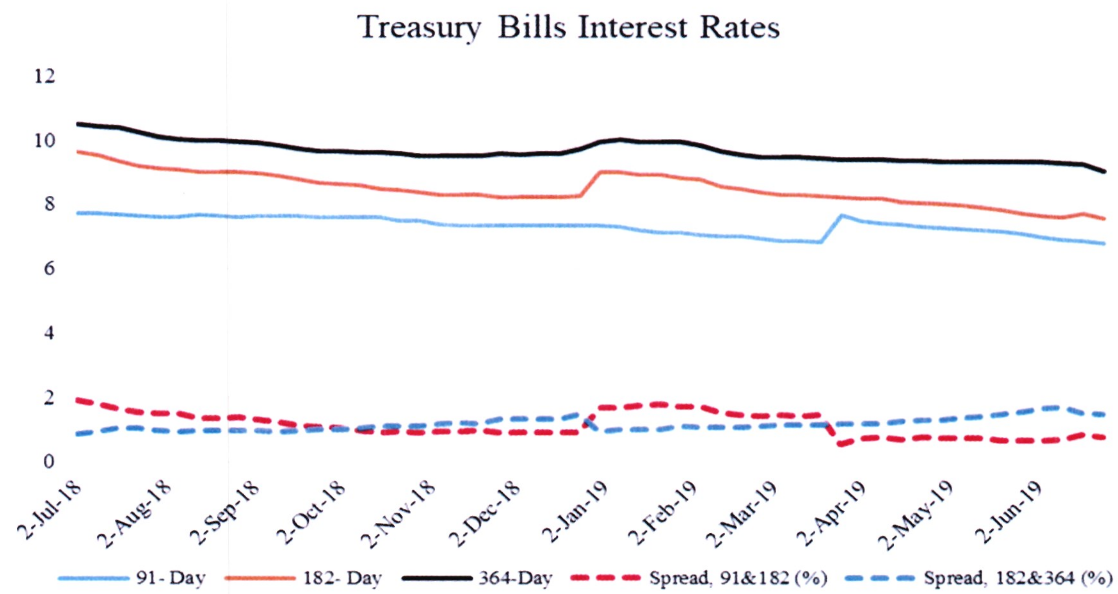

| | Jul-17 | Aug-17 | Sep-17 | Oct-17 | Nov-17 | Dec-17 | Jan-18 | Feb-18 | Mar-18 | Apr-18 | May-18 | Jun-18 | Jul-18 | Aug-18 | Sep-18 | Oct-18 | Nov-18 | Dec-18 | Jan-19 | Feb-19 | Mar-19 | Apr-19 | May-19 | Jun-19 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ATM* - T.bills & bonds (Years) | 6.15 | 6.12 | 6.04 | 5.96 | 5.90 | 5.80 | 5.84 | 5.98 | 5.94 | 6.06 | 6.06 | 6.16 | 6.38 | 6.36 | 6.38 | 6.43 | 6.91 | 6.92 | 6.84 | 6.86 | 6.96 | 7.26 | 7.24 | 7.25 |
| ATM* - T.bills & bonds (Years) | 4.06 | 4.10 | 4.07 | 4.03 | 4.06 | 4.05 | 3.98 | 4.08 | 4.07 | 4.18 | 4.15 | 4.13 | 4.03 | 4.11 | 4.11 | 4.11 | 4.42 | 4.50 | 4.42 | 4.46 | 4.56 | 4.73 | 4.78 | 4.76 |

**Source:** *Central Bank of Kenya*

## 2.7 Average Interest Rates on Treasury Bills

Whereas Government domestic debt has risen during the financial year ended June 2019, the average interest rates on all tenures of Treasury Bills declined. The 91-day Treasury Bills rate declined from 7.733 percent per annum in June 2018 to 6.814 percent in June 2019. During this period, 182-day and 364-day Treasury Bills declined to 7.578 percent per annum and 9.05 percent per annum in June 2019 from 9.607 percent per annum and 10.488 percent per annum in June 2018, respectively (Figure 2-7). In general, the average interest rates on Treasury Bills remained stable throughout the financial year as reflected by tight and stable interest rates spreads across tenures.

**Figure 2-7: Average Interest Rates and spreads on Treasury Bills: FY 2018/9**

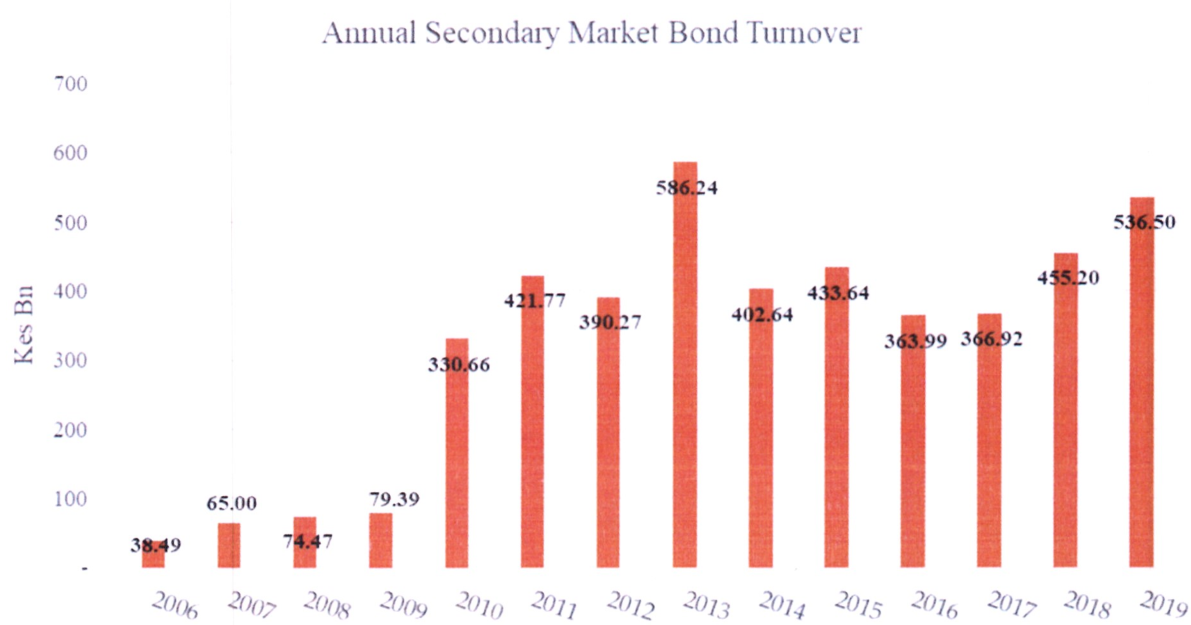



**Source:** *Central Bank of Kenya*

## 2.8 Government Securities Trading

In value terms, there has been improved turnover in the secondary market for Treasury Bonds during the financial year ended June 2019 (figure 2-8). However, the turnover has been relatively depressed relative to the stock of Treasury Bonds issued in the primary market, partly due to the effects of the prevailing interest rate caps regime.

**Figure 2-8: Annual Treasury Bonds Trading, June 2006-June 2019**

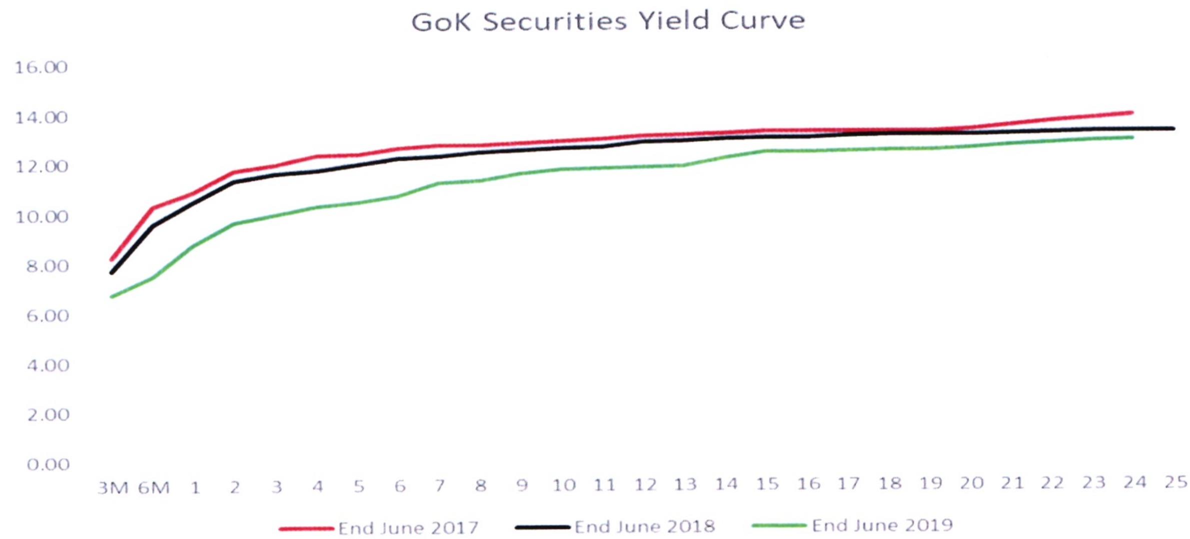



**Source:** *Central Bank of Kenya*

## 2.9 Government Securities Yield Curve

During the year under review, the Government successfully issued Treasury Bills and Treasury Bonds in the primary market to raise the resources to finance the Budget approved by the National Assembly at minimum risk and cost. In addition, the issuance program takes cognizance of the need to promote the development of the domestic debt market. The yield curve shifted downward, upward sloping at the shorter end but flatter at the longer end reflecting effects of interest rate caps (Figure 2-9).

**Figure 2-9: Government of Kenya Securities Yield Curve, June 2019**




**Source**: *Central Bank of Kenya*

Issuance of Treasury benchmark bonds for longer dated tenors reduced refinancing risks of total outstanding debt. A stable and reliable yield curve provides a pricing reference to all issuers of fixed income securities.

## 2.10 Interest Payments on Domestic Debt

As at end June 2019, the total interest payments and other charges on the overall domestic debt stood at to Kshs 272,351 million. This reflects an increase of Kshs 32,854 million from the previous fiscal year position (Table 2-6). The ratio of domestic interest payments to total revenue decline during the year to 16.8 percent although increased to 2.9 percent of GDP during the period under review.

**Table 2-6: Interest Payments on Domestic Debt (Kshs Million)**

| Type of Debt | June 2015 | June 2016 | June 2017 | June 2018 | June 2019 |
|---|---|---|---|---|---|
| **Treasury Bills** | 24,714 | 37,491 | 66,270 | 66,545 | 81,876 |
| **Treasury Bonds** | 108,948 | 127,496 | 144,566 | 167,030 | 184,771 |
| **CBK Commission** | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| **Pre - 1997 Debt** | 825 | 794 | 759 | 725 | 707.1 |
| **Others (Overdraft)** | 2,240 | 4,077 | 1270 | 2,197 | 1,996.9 |
| **Total** | **139,727** | **172,857** | **212,865** | **239,497** | **272,351** |
| Ratios (Per cent) | | | | | |
| **Domestic Interest/Revenue** | 13.5 | 14.9 | 15.2 | 17.6 | 16.8 |
| **Domestic Interest/GDP** | 2.4 | 2.6 | 2.8 | 2.7 | 2.9 |

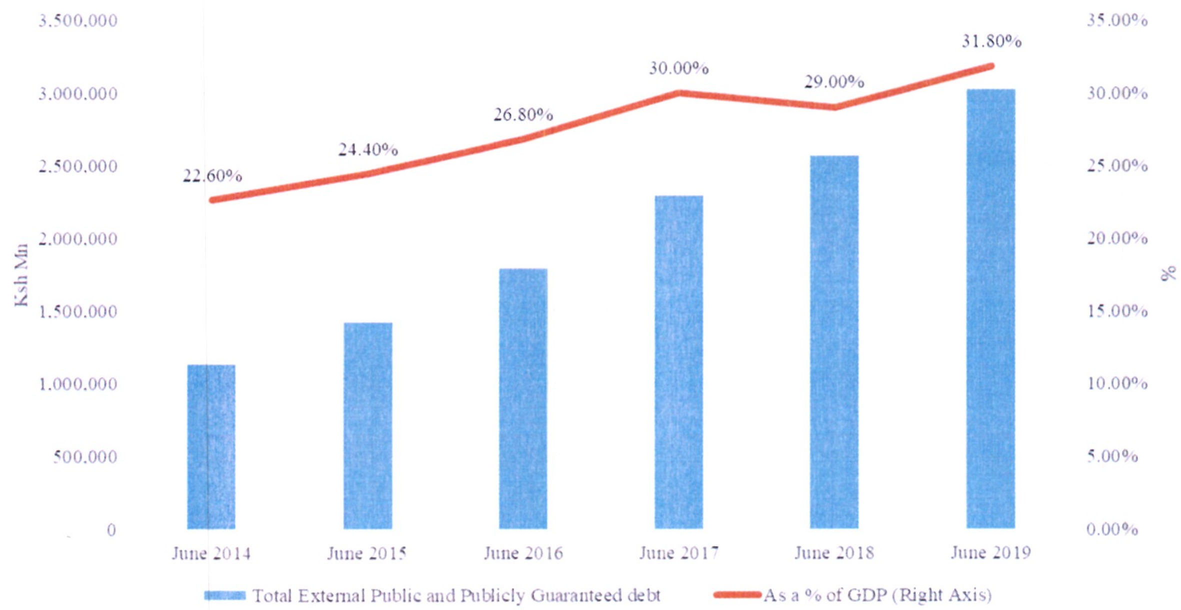
**Source:** *Central Bank of Kenya*

## CHAPTER THREE
## EXTERNAL DEBT

### 3.1 Total Public Debt

As at end June 2019, external public and publicly guaranteed debt stood at Kshs 3,023,139 million compared to Kshs 2,568,398 million at end June 2018. In nominal terms, this category of debt is equivalent to 31.8 percent of GDP (Figure 3-1).

**Figure 3-1: External public and publicly guaranteed debt, June 2014- June 2019**




*Source: National Treasury*

### 3.2 External Public Debt

External public debt stood at Kshs 2,863,733 million in June 2019 from Kshs 2,431,693 million in June 2018, a rise of 17.8 percent (Table 3.1). The largest increases were in commercial debts (commercial banks - this includes Eurobond holdings, and suppliers' credit) at 22.7 percent and bilateral debts at 20.9 percent. However, commercial debts are the largest component of the total external debt (Figure 3-2 and Table 3-2). The details are included in Appendix II.

**Table 3-1: External Debt by Creditor Type (Kshs Million)**

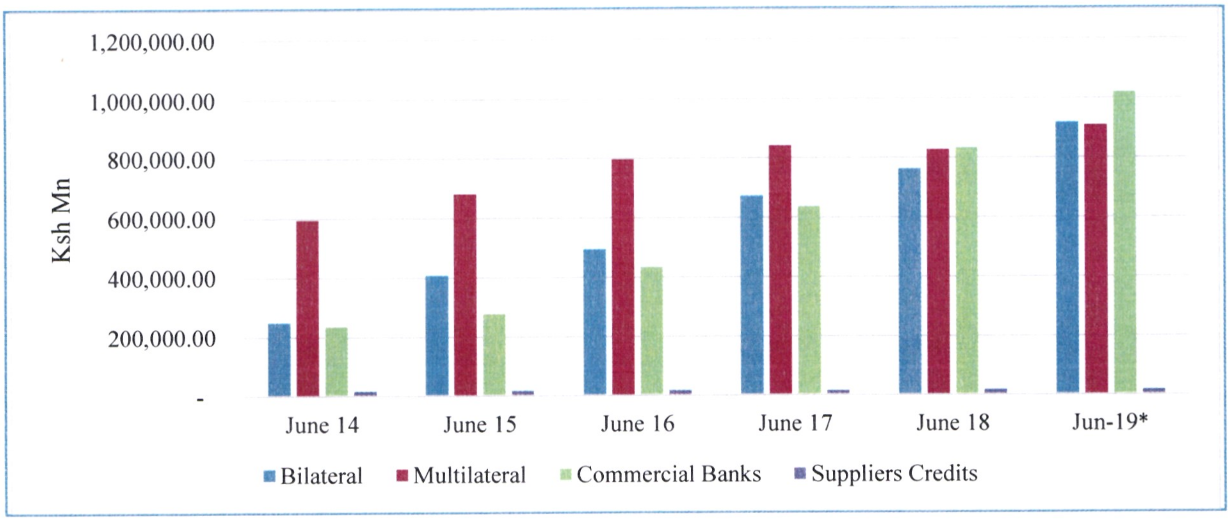
| Creditor type | Jun-14 | Jun-15 | Jun-16 | Jun-17 | Jun-18 | Jun-19* |
|---|---|---|---|---|---|---|
| **External Debt** | | | | | | |
| **Bilateral** | 248,636 | 405,562 | 491,864 | 669,840 | 759,017 | 917,980 |
| **Multilateral** | 593,397 | 680,192 | 794,797 | 839,721 | 825,299 | 909,791 |
| **Commercial Banks** | 234,799 | 276,937 | 432,377 | 634,109 | 830,652 | 1,019,030 |
| **Suppliers Credits** | 16,452 | 16,628 | 16,628 | 15,303 | 16,725 | 16,932 |

| Creditor type | Jun-14 | Jun-15 | Jun-16 | Jun-17 | Jun-18 | Jun-19* |
|---|---|---|---|---|---|---|
| **Sub-Total Public Debt** | **1,093,284** | **1,379,319** | **1,735,667** | **2,158,973** | **2,431,693** | **2,863,733** |
| Commercial | - | - | - | 77,784 | 75,787 | 76,724 |
| Bilateral | 41,278 | 39,495 | 56,487 | 52,729 | 56,371 | 78,079 |
| Multilateral | 3,943 | 4,439 | 4,044 | 4,667 | 4,547 | 4,603 |
| **Sub-Total Publicly Guaranteed Debt** | **45,221** | **43,934** | **60,531** | **135,180** | **136,705** | **159,406** |
| **Grand Total** | **1,138,505** | **1,423,253** | **1,796,198** | **2,294,153** | **2,568,398** | **3,023,139** |

*Provisional

**Source:** *National Treasury*

**Figure 3-2: National Government External Debt by Creditor Type (Kshs Million)**




**Source:** *National Treasury*

### 3.3 Structure of National Government External Debt

#### a. Classification by Creditor Category

**Table 3-2: Classification by Creditor Category (percent)**

| Category | Jun-14 | Jun-15 | Jun-16 | Jun-17 | Jun-18 | Jun-19* |
|---|---|---|---|---|---|---|
| Multilateral | 22.7 | 29.4 | 28.3 | 31 | 33.9 | 31.8 |
| Bilateral | 54.3 | 49.3 | 45.8 | 38.9 | 31.2 | 32.1 |
| Commercial Banks | 21.5 | 20.1 | 24.9 | 29.4 | 34.2 | 35.6 |
| Suppliers Credits | 1.5 | 1.2 | 1 | 0.7 | 0.7 | 0.6 |

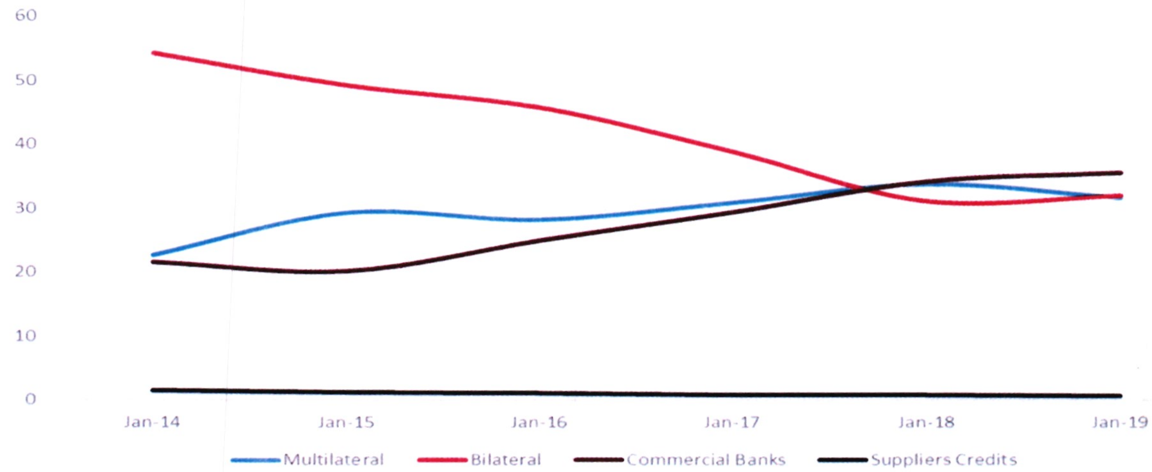
*Provisional

**Source:** *National Treasury*

The share of bilateral debts has consistently declined from 54.3 percent in June 2014 to 32.1 percent in June 2019. During the period, the share of suppliers' credit fell by 60 percent to

0.6percent though debt owed to commercial banks (including Eurobond investors) rose by 65.6 percent.  The share of multi-lateral debts, a highly concessional component of external debt increased by 40 percent. (Table 3-2 and Figure 3-3).

**Figure 3-3: National Government External Debt by Creditor Category**

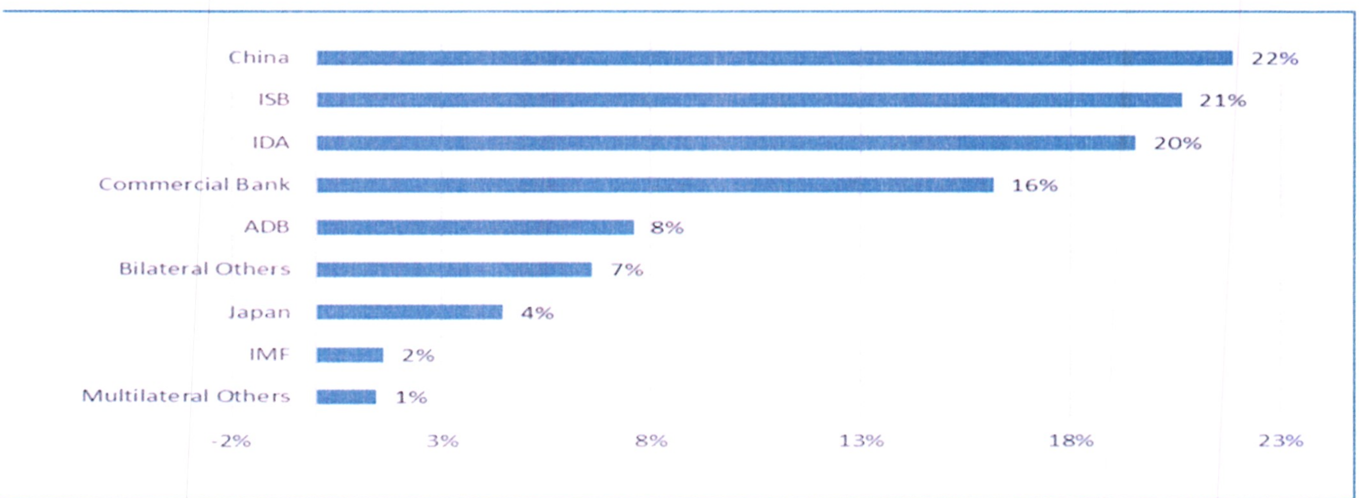



Source: *National Treasury*

### b. Classification by Major Creditors

As at end June 2019the main creditors were China, International Sovereign Bond (ISB) holders, World Bank (IDA) and Commercial Banks (syndicate of banks) at 22 percent, 21 per cent, 20 per cent and 16 per cent, respectively. The four creditors accounting for 79 percent of total external debt.  African Development Bank Group account to 8 percent of the total external debt while the rest to other multilateral, bi-lateral and commercial creditors.

**Figure 3-4: Major External Creditors as at End June 2019**

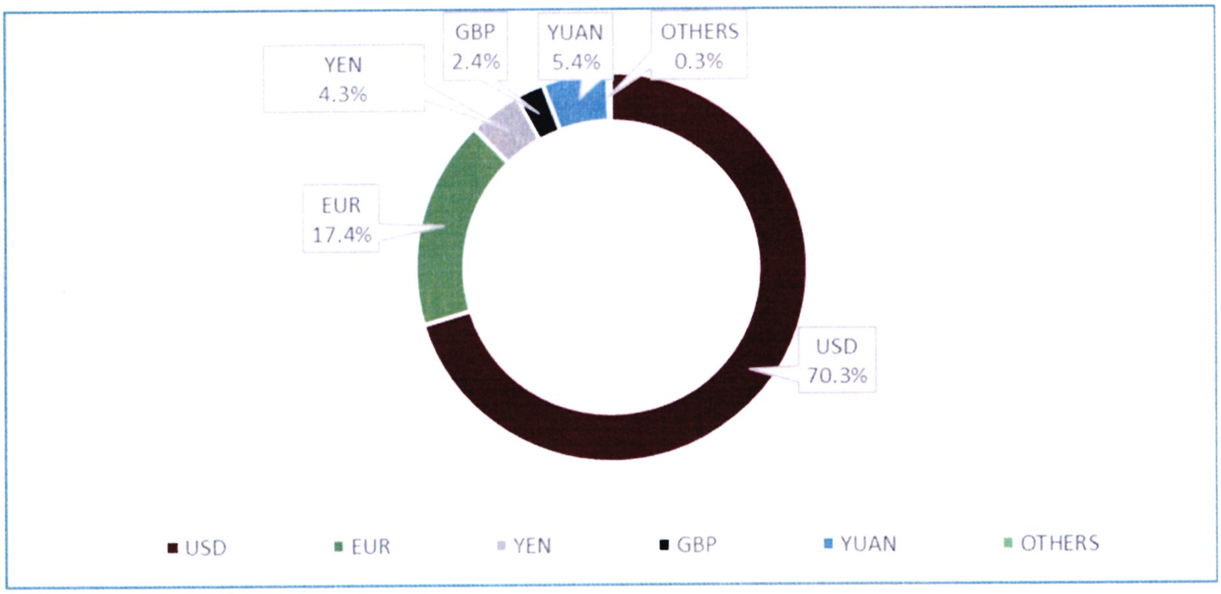



**Source:** *National Treasury*

### c. Classification by Currency Composition of External Debt

The currency composition of external debt as at end of June 2019 shows USD exposure at 70.3 per cent. Euro exposure is 17.4 percent while the Chinese Yuan is at 5.4 percent. Other significant currencies in the portfolio include the Japanese Yen and the GBP accounting 4.3 per cent and 2.4 per cent, respectively (Figure 3-5). A diversified currency mix mitigates against exchange and interest (for floating rates) rates risks on external debt portfolio.

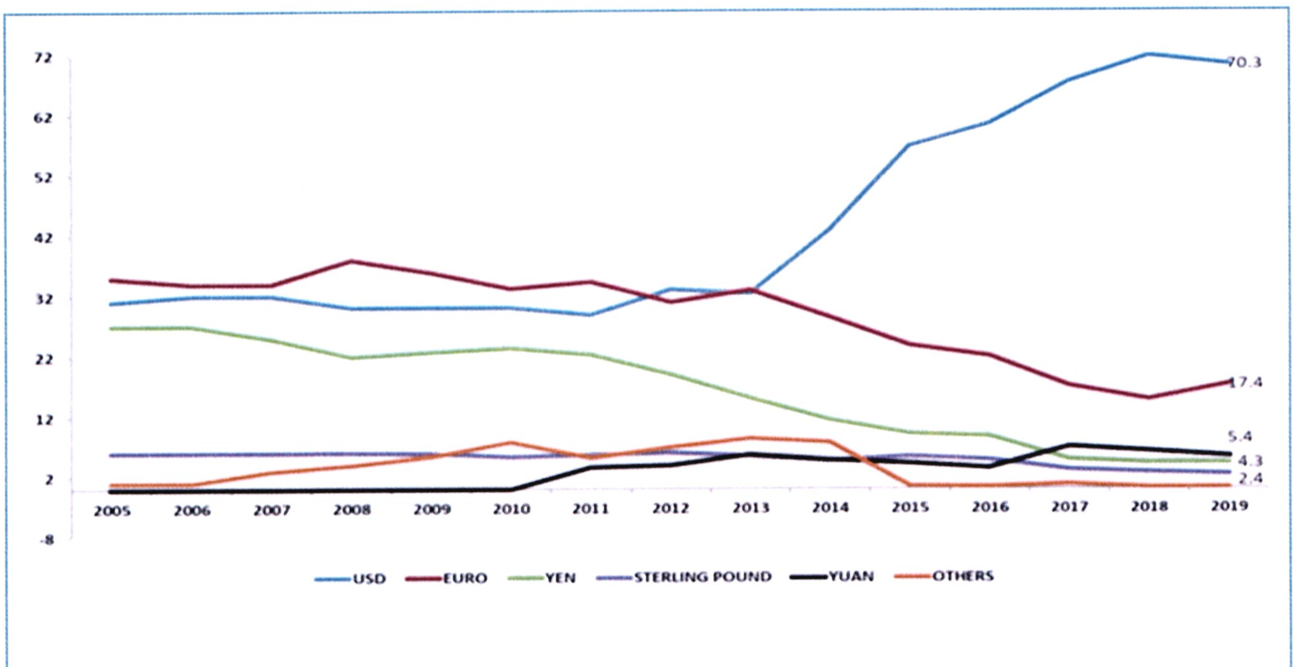
**Figure 3-5: Currency composition of National Government External Debt, end June 2019**




**Source:** *National Treasury*

The USD rise to dominance began in 2012 (Figure 3-6) arising from large uptake of USD denominated loans and later access to international financial markets through issuance of the Eurobonds.

**Figure 3-6: Trends in Currency Composition of External Debt**




**Source:** *National Treasury*

### 3.4 Maturity Structure of external debt

During the period under review, the maturity structure of external debt lengthen with 76.3 percent of the debt maturing in over 10 years compared to 71.4 percent in the year ended June 2018. Only less than 3 percent of the debt is maturing in under 4 years compared to 6.7 percent in the previous financial year (Table 3-3). A longer *average term-to-maturity* of loans minimizes refinancing risks in the debt portfolio.

**Table 3-3: Outstanding External Debt by Maturity Structure, June 2012 - June 2019**

| Remaining Maturity | June 2012 | June 2013 | June 2014 | June 2015 | June 2016 | June 2017 | June 2018 | June 2019 |
|---|---|---|---|---|---|---|---|---|
| 1 -4 years | 6.6 | 7.9 | 14.7 | 8.2 | 11.4 | 15.4 | 6.7 | 2.9 |
| 5-10 years | 15.8 | 16.9 | 22.9 | 25.5 | 24.7 | 22.5 | 21.9 | 20.7 |
| Over 10 years | 77.6 | 75.3 | 62.4 | 66.3 | 63.9 | 62.1 | 71.4 | 76.3 |

**Source: The National Treasury**

### 3.5 External Debt Service

Principal and interest payments on public external debt amounted to Kshs 368,478 million in the financial year ended June 2019 reflecting a 68.1 percent increase from the year ended June 2018 (Table 3-4). This increase was due to large maturities on commercial debts (largely syndicated bank debts and part of 2014 Sovereign Bonds). During the financial year, nearly 76 percent of external debt service was to commercial creditors while the rest were to multi-lateral and bi-lateral creditors. Commitment fees paid on undisbursed loans was Ksh 2,687,654,178.15 during the FY2018/19.

**Table 3-4: External Debt Service Payments by Creditor Category (Kshs million)**

| Creditor | | Jun-12 | Jun-13 | Jun-14 | Jun-15 | Jun-16 | Jun-17 | Jun-18 | Jun-19* |
|---|---|---|---|---|---|---|---|---|---|
| Multilateral | Principal | 12,560 | 12,210 | 11,550 | 13,349 | 15,424 | 15,821 | 16,205 | 17,786 |
| | Interest | 3,781 | 3,702 | 5,580 | 4,881 | 5,641 | 5,764 | 6,038 | 7,422 |
| | **Sub Total** | **16,341** | **15,912** | **17,130** | **18,230** | **21,065** | **21,585** | **22,243** | **25,208** |
| Bilateral | Principal | 11,394 | 11,783 | 13,419 | 13,097 | 19,789 | 19,329 | 21,357 | 30,119 |
| | Interest | 3,570 | 5,012 | 6,640 | 10,574 | 15,270 | 22,613 | 30,255 | 33,379 |
| | **Sub Total** | **14,964** | **16,795** | **20,059** | **23,671** | **35,059** | **41,942** | **51,613** | **63,498** |
| Commercial | Principal | 0 | 0 | 831 | 53,768 | 802 | 771 | 100,083 | 217,201 |
| | Interest | 0 | 2,337 | 3,380 | 17,875 | 21,657 | 29,882 | 45,281 | 62,571 |
| | **Sub Total** | **0** | **2,337** | **4,211** | **71,643** | **22,460** | **30,653** | **145,364** | **279,772** |
| Grand Total | Principal | 23,954 | 23,993 | 25,800 | 80,214 | 36,015 | 35,921 | 137,645 | 265,106 |
| | Interest | 7,351 | 11,051 | 15,600 | 33,330 | 42,568 | 58,259 | 81,574 | 103,372 |
| | **Total** | **31,305** | **35,044** | **41,400** | **113,544** | **78,583** | **94,180** | **219,220** | **368,478** |
| Percentage Distribution | | | | | | | | | |
| Multilateral | | 52.20% | 45.40% | 41.40% | 16.10% | 26.80% | 22.60% | 10.10% | 6.84% |
| Bilateral | | 47.80% | 47.90% | 48.50% | 20.80% | 44.60% | 45.40% | 23.54% | 17.23% |
| Commercial | | 0.00% | 6.70% | 10.20% | 63.10% | 28.60% | 32.10% | 66.10% | 75.93% |
| Total | | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100. % | 100.00% | 100.00% |

*Provisional

***Source**: The National Treasury*

### 3.6 Average Terms of New External Loan Commitments

Over the last 5 years, the borrowing terms for external loans have harden following Kenya's upgrade to a lower-middle income country. The maturity and grace period have shortened while average interest rates have risen reflecting rise in loans contracted on commercial terms (Table 3-5) in the external debt portfolio. During the financial year 2018-9, the average maturity period, grace period and average interest rate on new external loan commitments were 15 years, 6 years and 3.9 per cent, respectively).

**Table 3-5: Average Terms of New External Loan Commitments**

| Terms | Jun-12 | Jun-13 | Jun-14 | Jun-15 | Jun-16 | Jun-17 | Jun-18 | Jun-19 |
|---|---|---|---|---|---|---|---|---|
| Average Maturity (years) | 26.3 | 33.7 | 18.1 | 21.0 | 20.3 | 17.6 | 20.8 | 15.3 |
| Grace Period (years) | 6.2 | 8.0 | 6.2 | 6.4 | 6.2 | 4.5 | 10.3 | 5.6 |
| Average Interest Rate (%) | 0.8 | 1.2 | 2.6 | 2.5 | 2.6 | 2.6 | 3.9 | 3.9 |

**Source:** *National Treasury*

### 3.7 Disbursements External Loans

Disbursements of externally funded development projects rose by 54 per cent to Kshs 680,759 million at end June 2019 from Kshs 441,086 million in June 2018 mainly due to improved management of development projects including funds flow, provision of counter-part government funds and timely procurement of goods and services (Table 3-6).

**Table 3-6: External Loans Disbursements (Kshs million)**

| Type of disbursement | Jun-15 | | Jun-16 | | Jun-17 | | Jun-18 | | Jun- 19 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Kshs M | % | Kshs M | % | Kshs M | % | Kshs M | % | Kshs M | % |
| Project Cash Loans | 8,600 | 2.8 | 43,654 | 14.3 | 30,908 | 7.3 | 24,214 | 5.5 | 41,681 | 6.1 |
| Project loans A-I-A | 151,400 | 49.6 | 55,369 | 18.2 | 86,322 | 20.5 | 162,872 | 36.9 | 100,622 | 14.8 |
| Project loans A-I-A, SGR | - | - | 52,357 | 17.2 | 111,367 | 26.4 | 54,000 | 12.2 | 35,201 | 5.2 |
| Project loans A-I-A, SGR Phase 2A | - | - | - | - | - | - | - | - | 44,759 | 6.6 |
| Commercial Financing | 145,000 | 47.5 | 145,031 | 47.6 | 186,303 | 44.2 | 200,000 | 45.3 | 373,712 | 54.9 |
| Programme loans | - | - | 8,574 | 2.8 | 6,767 | 1.6 | - | - | 84,784 | 12.5 |
| Total | **305,000** | **100** | **304,986** | **100** | **421,667** | **100** | **441,086** | **100** | **680,759** | **100** |

***Source:*** *The National Treasury*

### 3.8 Publicly Guaranteed Debt

Publicly guaranteed debt refers to the debt held by County Governments or National Government public entities owed to foreign and local creditors but guaranteed by national government. The debts may be denominated in foreign or domestic currency. The total outstanding Government guaranteed debt increased by Kshs 22,701 million to Kshs 159,406 million in June 2019 from Kshs 136,705 million at end June 2018 (Table 3-7). The increase due to new disbursements on guaranteed debts and movements in foreign exchange rates. During the financial year ended June 2019, the National Government did not issue any loan guarantees.

### a. Stock of Publicly Guaranteed Debt

The total outstanding Government guaranteed debt increased by Kshs 22,701 million to Kshs 159,406 million by June 2019 from Kshs 136,705 million at end June 2018 (Table 3-7). The increase is attributed to new disbursements and movements in foreign exchange rates. The details are in Appendix I.

**Table 3-7: Stock of Publicly Guaranteed External Debt by Creditor Category**

| Creditor Category | Jun 13 | Jun 14 | Jun 15 | Jun 16 | Jun 17 | Jun 18 | Jun 19 |
|---|---|---|---|---|---|---|---|
| Commercial | - | - | - | - | 77,784 | 75,787 | 76,724 |
| Bilateral | 39,667 | 41,278 | 39,495 | 56,487 | 52,729 | 56,371 | 78,079 |
| Multilateral | 3,870 | 3,943 | 4,439 | 4,044 | 4,667 | 4,547 | 4,603 |
| **Total** | **43,537** | **45,221** | **43,934** | **60,531** | **135,180** | **136,705** | **159,406** |

*Provisional
**Source:** National Treasury

### b. Payments by the Government on Publicly Guaranteed Debt

During the FY 2018/2019, Government paid Kshs 1,374 million as called up guaranteed debts owed by public enterprises that were unable to honour the debts owed to external creditors (Table 3-8). Of the debts settled, East Africa Portland Cement (EAPC), Tana and Athi River Development Authority (TARDA), and Kenya Broadcasting Corporation (KBC) account for 25.6 per cent, 20.5 percent, and 53.9 per cent, respectively. Under Section 61 of the PFM Act, 2012 and Section 201 of the PFM (National Government) Regulations, 2015 any money paid by the National Treasury in respect of a guarantee shall be a debt to the National Government by the entity and is recoverable from the borrower whose loan was guaranteed.

**Table 3-8: Payments by the Government on Guaranteed Debt (Kshs million)**

| Year | Borrower | Quarter I | Quarter II | Quarter III | Quarter IV | Total |
|---|---|---|---|---|---|---|
| **2014/15** | CCN | 39 | - | 40 | - | 79 |
| | TARDA | 142 | - | 130 | - | 273 |
| | KBC | - | 325 | - | 339 | 664 |
| | Total | 181 | 325 | 170 | 339 | 1,015 |
| **2015/16** | CCN | - | - | - | - | - |
| | TARDA | 148 | - | 149 | - | 297 |
| | KBC | - | 356 | - | 398 | 753 |
| | Total | 148 | 356 | 149 | 398 | 1,050 |
| **2016/17** | EAPC | - | 199 | 188 | - | 387 |
| | TARDA | 164 | - | 146 | - | 309 |
| | KBC | - | 366 | - | 382 | 747 |
| | Total | 164 | 565 | 333 | 382 | 1,443 |
| **2017/18** | EAPC | 187 | | 192 | | 379 |
| | TARDA | 147 | | 154 | | 301 |
| | KBC | | 369 | | 370 | 739 |

| Year | Borrower | Quarter I | Quarter II | Quarter III | Quarter IV | Total |
|---|---|---|---|---|---|---|
| | Total | 334 | 369 | 346 | 369 | 1,419 |
| 2018/19 | EAPC | 176 | | 176 | | 352 |
| | TARDA | 140 | | 142 | | 282 |
| | KBC | | 359 | | 381 | 740 |
| | Total | 316 | 359 | 318 | 381 | 1,374 |

***Source:*** *National Treasury*

### 3.9 Disputed External Commercial Debt

Out of the total external commercial debt, Kshs 16,932 million (approximately USD 170 million) as at end June 2019 has been in dispute since August 2004. The debts are subject in on-going cases in court. The Government has not effected or serviced these debts during the financial year under review pending resolution of the disputes.

## CHAPTER FOUR

## ON-LENT LOANS

### 4.1 Introduction

The National Treasury has been contracting loans from either external or domestic sources for on-lending to State Corporations and other entities. This arrangement takes into account the following considerations:

i. The strategic role played by the State Corporation,

ii. The health of balance sheet of the State Corporation and the inability to attract competitive funding, and

iii. The level of priority of the project in the development agenda of the Government.

### 4.2 Stock of On-Lent Loans

As at the end June 2019, the outstanding debt stock for all on-lent loans to State Corporations stood at Kshs 797,847 million as at the end June 2019 with a marginal decline by Kshs 25,331 million from Kshs 823,178 million (Table 4-1). About 83 per cent of the debts are to State Corporations in transport, infrastructure, energy and petroleum sectors.

**Table 4-1: Stock of On-Lent Loans in (Kshs million)**

| Sector | June 2016 | June 2017 | June 2018 | June 2019 |
|---|---|---|---|---|
| Education | 11,108 | 11,108 | 11,089 | 11,088 |
| Finance | 1,236 | 3,868 | 3,050 | 3,243 |
| Water and Irrigation | 56,251 | 61,782 | 105,069 | 79,174 |
| Tourism | 181 | 188 | 175 | 175 |
| Energy and Petroleum | 123,133 | 212,493 | 187,502 | 185,155 |
| Transport and Infrastructure | 363,179 | 501,383 | 500,180 | 475,695 |
| Planning and Devolution | 8,757 | 8,877 | 8,069 | 350 |
| Agriculture, Livestock and Fisheries | 7,241 | 10,286 | 7,568 | 4,586 |
| Trade and Industry | 454 | 457 | 457 | 2,140 |
| Cooperative | 729 | 931 | 476 | 402 |
| **Total** | **572,249** | **811,372** | **823,178** | **797,847** |

**Source:** *National Treasury*

### 4.3 On-Lent Loans (including Arrears)

The end June 2019 on-lent loan arrears including the outstanding principal was Kshs 57,309 million of which the outstanding principal, principal arrears and accrued interest accounted for Kshs 15,063 million, Kshs 15,697 million and Kshs 27,073 million, respectively (Table 4-2).

**Table 4-2: On-Lent Loans (including Arrears) as at June 2019 (Kshs million)**

| Ministry/Sector | Outstanding loans | Principal Arrears | Accrued interest | Total |
|---|---|---|---|---|
| Finance | 148 | 148 | 74 | 370 |
| Education | 169 | 169 | 32 | 370 |
| Tourism | 128 | 128 | 556 | 288 |
| Water & Irrigation | 87 | 214 | - | 301 |
| Energy & Petroleum | - | - | - | - |
| Transport and Infrastructure | - | - | 1,641 | 1,641 |
| Trade and Industry | 2,552 | 2,614 | 33 | 5,199 |
| Cooperative | - | - | - | - |
| Planning & Devolution | 7,973 | 8,418 | 14,391 | 30,782 |
| Agriculture, Livestock & Fisheries | 4,006 | 4,006 | 10,346 | 18,358 |
| **Total** | **15,063** | **15,697** | **27,073** | **57,309** |

**Source**: *National Treasury*

### 4.4 Repayment from On-Lent Loans

The Government received Kshs 5,096 million from on-lent loans during the FY2018/2019 out of which Kshs 2,919 million was principal and Kshs 2,177 million was interest (Table 4-3).

**Table 4-3: Receipts from On-Lent Loans, by End June 2019 (Kshs million)**

| Organization | Principal receipts | Interest Receipts | Total |
|---|---|---|---|
| Co-operative Bank Ltd | 74,101,758.00 | 12.110.186.80 | 86,211,944.80 |
| Eldoret Water & Sewerage Co Ltd | 22,496,364.00 | - | 22,496,364.00 |
| Equity Bank Ltd | 45,163,371.10 | 5,926,113.90 | 51,089,485.00 |
| Faulu Micro Finance Bank Ltd | 39,261,444.40 | 8,343,057.30 | 47,604,501.70 |
| Kenya Airport Authority | 197,305,296.60 | 95,523,350.60 | 292,828,647.20 |
| Kenya Civil Aviation Authority | 63,841,979.60 | 113,555,436.45 | 177,397,416.05 |
| Kengen | 1,012,981,337.60 | 1,619,400,436.35 | 2,632,381,773.95 |
| Kenya Power & Lighting Co | 1,333,262,124.75 | 274,292,840.25 | 1,607,554,965.00 |
| Kenya Women Micro Bank Ltd | 40,222,388.50 | 8,547,257.80 | 48,769,646.30 |
| Nyeri Water & Sewerage | 50,417,076.00 | 17,330,869.00 | 67,747,945.00 |
| Rafiki Micro- Finance Bank ltd | 18,588,763.80 | 3,943,737.35 | 22,532,501.15 |
| Rift valley water service board | 1,800,000.00 | 8,000,000.00 | 9,800,000.00 |
| SMEP | 19,759,277.80 | 4,198,847.20 | 23,958,125.00 |
| Athi water service board | 0 | 6,440,000.00 | 6,440,000.00 |
| **Total** | **2,919,201.15** | **2,177,612,133.00** | **5,096,813,315.15** |

***Source***: *National Treasury*

## CHAPTER FIVE
## FISCAL COMMITMENTS AND CONTINGENT LIABILITIES

### 5.1 Recognizing Potential Fiscal Risks

The Government has embarked on innovations in financing infrastructure development through non-debt financing models such as Public Private Partnerships (PPP). However, these innovations have the ability to increase fiscal commitments and create contingent liabilities.

Through the Public Private Partnership (PPP) initiatives, the private sector has been facilitated to mobilize financing to implement projects that would have been otherwise undertaken by the Government. The PPP initiative has been applied in the energy sector to finance Independent Power Producers (IPP).

Instruments of support and credit enhancement measures for the PPP framework include project development funding, availability payments, upfront capital grants, operational grants, revenue guarantees, Partial Risk Guarantees (PRG), etc.

The support provided by Government include issuance of Letters of Support[2] to protect the investors from political events. In the event of termination of a PPP due to a political event, the Government may be liable to compensate all or part of the materialized risks. 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, the PPP Committee has adopted a Fiscal Commitment and Contingent Liability (FCCL) Management Framework.

### 5.2 Relationship between PPP Unit and PDMO

Under the PPP Act, the National Treasury through the Directorate of Public Debt Management Office (PDMO) in the National Treasury is responsible for mandatory evaluation of all proposed PPP projects for financial risks and contingent liabilities as a condition of project approval. Other functions of PDMO in relation to PPP projects include:

a) Confirmation of initial approval at feasibility stage based on preferred submission and final negotiated project structure;
b) Regular monitoring of all support measures for any amendment(s) or variation(s) to a project agreement's terms and conditions, project outputs or any waivers in the project agreement.

All guarantees and other security instruments provided under the PPP, together with all other contingent liabilities are integrated into the debt management framework. The National Treasury routinely assess contingent liabilities and is establishing systems for monitoring these projects with a view of ensuring continuous risk management, disclosure and reporting of all fiscal risks associated with PPPs. In addition, as part of increasing accountability and transparency within the PPP.

To mitigate the FCCL risks, the PPP Project Facilitation Fund (PFF), a revolving fund was established under the PPP Act to provide good governance framework to manage direct liabilities and contingent liabilities once it is operational. In addition, the monitoring function under both the

[2] These are actions or inaction of Government or any Governmental Authority which adversely and materially affects the operations of the PPPs.

PPP Unit and the PDMO of PPP project implementation is being strengthened through ongoing consultancy to provide an early warning system so as to cushion Government against any fiscal surprises.

# CHAPTER SIX
# PUBLIC DEBT MANAGEMENT STRATEGY AND DEBT SUSTAINABILITY

## 6.1 Public Debt Management Strategy

### a. The Medium Term Debt Management Strategy

The Kenya Government through the National Treasury prepares the Medium-Term Debt Management Strategy (MTDS) in line with section 33 of the Public Finance Management Act (PFMA), 2012. The objective of the MTDS are:

i. to minimize the cost of public debt management and borrowing over the long-term taking account of risk;
ii. to promote the development of the market institutions for Government debt securities; and
iii. to ensure the sharing of the benefits and costs of public debt between the current and future generations.

During the financial year 2018/2019 the Government's debt management strategy was to borrow 57 per cent of its financing needs from external sources focusing on medium term instruments and 43 per cent from domestic sources in gross terms. External borrowing is composed of 23 per cent concessional, 12 per cent semi concessional and 22 per cent on commercial terms. This strategy took into consideration alternatives as presented in Box 1 below.

**Box 1: FY 2018/19 MEDIUM TERM DEBT MANAGEMENT STRATEGY (MTDS) FORMULATION PROCESS (ALTERNATIVE BORROWING STRATEGIES & IDENTIFICATION OF OPTIMAL STRATEGY)**

**I. Alternative Borrowing Strategies**

The FY 2018/19 MTDS evaluated the following four (4) possible debt financing strategies (Table 6-1):

**Strategy 1 (S1):** This strategy represented FY2017/18 borrowing mix, and was referred as the baseline strategy. Under the strategy, the fiscal deficit was to be met by borrowing from domestic and external borrowing. The composition was to be achieved by external commercial borrowing of US$ 2.79 billion in FY2018/19 and US$ 0.97 billion FY2019/20, in addition to the contracting of credit from concessional sources. On the domestic front, the objective was to lengthen the maturity profile of domestic debt by reducing the share of T-Bills in total net domestic financing ratio of 35:65 strategy as at June 2018. In a three-year period, the share of T-Bills in net domestic financing was to decrease to a level around 13 percent in 2020/21 from the current level of 35 percent.

**Strategy 2 (S2):** More domestic borrowing each year. This strategy increased the size of domestic borrowing by increasing the amounts to be issued in the domestic market as compared to S1. The increase in the amounts was meant to improve liquidity in the market and help develop domestic debt market.

**Strategy 3 (S3):** Increased issuance of domestic medium to long- term debt. As opposed to S2, this strategy increased the quantum on external borrowing while the domestic issuance was concentrated on the medium to long term tenors. This was aimed at reducing the refinancing risks associated with the short-term debt and also improving trading in the secondary market through increased volumes.

**Strategy 4 (S4):** Commercial borrowing. This strategy assumed accelerated borrowing from international capital markets or other commercial sources, while maintaining presence in the domestic market through sustained issuance of T bills and T-Bonds.

**Table 6-1: Composition of Debt by Instrument under Alternative Debt Management Strategies as at end FY2018/19 (in per cent of outstanding portfolio)**

| Envisaged New debt | *2018/19 MTDS* *Existing debt* | S1 | S2 | S3 | S4 |
|---|---|---|---|---|---|
| **Domestic** | **50** | **43** | **51** | **44** | **41** |
| Treasury Bills | 16 | 13 | 14 | 10 | 14 |
| Treasury Bonds | 33 | 30 | 37 | 34 | 27 |
| **External** | **50** | **57** | **49** | **56** | **59** |
| Concessional | 19 | 23 | 21 | 22 | 18 |
| Semi-concessional | 6 | 12 | 8 | 12 | 5 |
| Commercial | 25 | 22 | 20 | 22 | 36 |

**FY 2018/19 MTDS**

After a comprehensive analysis of all strategies, consequent the strategy 1 was identified as the optimal strategy which entails: 57 per cent external borrowing and 43 per cent domestic borrowing to finance the national government budget in gross terms. On the external debt, concessional is proposed at 23 per cent, semi-concessional 12 per cent and commercial 22 per cent; and on domestic side, issuance of long term instruments (more borrowing through medium term to long term treasury bonds and less through treasury bills) was recommended.
***Source:*** *FY 2018/19 MTDS, National Treasury*

### b. Implementation of the FY 2018/19 MTDS

As shown in Table 6-2, there were deviations of actual financing mix outturn compared to MTDS plan in FY2018/19.

**Table 6-2: Planned Net Financing under MTDS and Actual Outturn (Per cent)**

| Financing source | | 2015/16 | 2016/17 | 2017/18 | 2018/19* |
|---|---|---|---|---|---|
| **External** | MTDS | 45 | 60 | 60 | 57 |
| | Actual | 61 | 55 | 55 | 58 |
| | **Deviation** | **-16** | **5** | **5** | **-1** |
| **Domestic** | MTDS | 55 | 40 | 40 | 43 |
| | Actual | *39* | 45 | 45 | 42 |
| | **Deviation** | **16** | **-5** | **-5** | **1** |

*provisional
**Source**: *National Treasury*

## 6.2 Debt Sustainability

The Government endeavours to maintain public debt and obligations at sustainable levels in line with section 15 (2) (d) of the Public Finance Management (PFM) Act 2012. Public debt sustainability is the ability of a country to service its debt obligations as they fall due without disrupting its budget implementation.

In the Debt Sustainability Framework (DSF), countries are classified into one of three policy performance categories (Strong, Medium, and Poor) using the World Bank's Country Policy and Institutional Assessment (CPIA) index which uses different indicative thresholds for debt burdens depending on the quality of a country's policies and institutions. Kenya is rated a strong policy performer and being a lower middle-income country it is subject to public debt sustainability threshold of maximum of 70 percent Present Value of Debt/GDP.

### c. Kenya's External Debt

Under the baseline scenario, Kenya's debt ratios listed in Table 6-3 indicates that external debt is within sustainable levels. The debt sustainability indicators show that Kenya faces a moderate risk of external debt distress. This is due to the high level of concessionality of current external debt and the positive outlook in other macroeconomic indicators. Debt sustainability is a forward looking assessment over the long term (20 years). All external debt sustainability ratios are projected to remain within sustainability thresholds.

**Table 6-3: Kenya's External debt sustainability**

| Indicators | Thresholds | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|
| PV of debt–to-GDP ratio | **55** | 25.9 | 31.4 | 32.3 | 29.1 | 25.6 |
| PV of debt-to-exports ratio | **240** | 165.4 | 191.1 | 191.4 | 168.5 | 146.9 |
| PPG Debt service-to-exports ratio | **21** | 16.5 | 19.9 | 26.2 | 25.6 | 24.9 |
| PPG Debt service-to-revenue ratio | **23** | 13.3 | 16.2 | 21.6 | 22.0 | 21.6 |

Source: IMF Country Report No. 18/295, October 2018

### d. Total Public Debt

Kenya's total public debt sustainability threshold on PV of Debt/GDP is 70 percent. Kenya's total public debt as a proportion of GDP peaked in 2018 and is projected to gradually decrease over the medium term.

Indeed, total public debt as a proportion of GDP remains well below the Lower-Middle Income country debt sustainability benchmark of 70 percent to GDP in PV terms.

Overall, debt sustainability analysis indicates that public sector debt continues to be sustainable although Kenya's current external debt risk of distress categorization has moved from low to moderate.

# CHAPTER SEVEN
# OUTLOOK FOR THE MEDIUM TERM

## 7.1 Public Debt Stock in the Medium Term

The total public debt in nominal terms was Kshs 5,809,074 million as at end June 2019 and is projected to increase to Kshs 6,254,500 million by June 2020 (Table 7-1). In nominal terms public debt to GDP is projected to decline to 49.2 per cent in June 2023 from 61.1 per cent in June 2019.

As a proportion of GDP, external public debt is projected to fall to 25.1 per cent in June 2023 from 31.8 cent in June 2019 and domestic debt to 24.1 per cent in June 2023 from 29.3 per cent over the same period.

**Table 7-1: Projected Public Debt Stock in (Kshs million)**

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|---|---|---|---|---|
| External Debt | 3,023,138 | 3,188,100 | 3,472,400 | 3,699,500 | 3,945,100 |
| % of GDP | 31.8% | 29.6% | 28.5% | 26.8% | 25.1% |
| Domestic Debt | 2,785,936 | 3,066,400 | 3,283,700 | 3,522,600 | 3,784,700 |
| % of GDP | 29.3% | 28.5% | 27.0% | 25.5% | 24.1% |
| **Total Public Debt** | **5,809,074.00** | **6,254,500.00** | **6,756,100.00** | **7,222,100.00** | **7,729,800.00** |
| % of GDP | 61.1% | 58.1% | 55.5% | 52.3% | 49.2% |
| **Memoranda items** | | | | | |
| Nominal GDP | **9,510,446.46** | **10,765,655.37** | **12,168,830.87** | **13,807,522.01** | **15,696,500.84** |

**Source:** *National Treasury, BPS 2019*

## 7.2 Debt Service in the Medium Term

In nominal terms, the total debt service as a proportion of revenue is projected to fall to 26.3 per cent in 2022/23 from 38.9 per cent in 2018/19 (Table 7-2). As a percentage of GDP, total debt service is projected to decline to 4.7 per cent in 2022/23 from 6.8 per cent in 2018/19.

Domestic interest is projected to increase to Kshs 287,800 million in 2019/20 from Kshs 277,351 million in 2018/19. However, as a percentage of revenue, domestic interest is projected to decrease to 15.3 per cent in 2019/20 from 16.8 per cent in 2018/19.

As a ratio of GDP, domestic interest will decrease to 2.4 per cent in 2022/23 from 2.9 per cent 2018/19.

Interest on external debt is projected to increase to Kshs 138,500 million in 2019/20 from Kshs 103,572 million in 2018/19. As a ratio of GDP, interest on external debt will rise to 1.3 per cent in 2019/20 from 1.1 per cent in 2018/19. This is as a result of lower maturities in 2019/20 compared to 2018/19.

Principal repayments on external debt is projected to decrease to Kshs 131,382 million in 2019/20 from Kshs 266,241 million in 2018/19. As a ratio of GDP, the external repayments will decrease to 1.2 per cent in 2019/20 from 2.8 per cent in 2018/19.

**Table 7-2: Projected Debt Service (Kshs million)**

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|---|---|---|---|---|
| **Domestic Interest** | 272,351 | 287,800 | 315,000 | 359,400 | 374,400 |
| % of GDP | 2.9% | 2.7% | 2.6% | 2.6% | 2.4% |
| % of Revenue | 16.5% | 15.3% | 14.7% | 14.6% | 13.4% |
| **External Interest** | **103,572** | **138,500** | **145,900** | **148,200** | **156,600** |
| % of GDP | 1.1% | 1.3% | 1.2% | 1.1% | 1.0% |
| % of Revenue | 6.3% | 7.4% | 6.8% | 6.0% | 5.6% |
| **Total Interest** | **375,923** | **426,300** | **460,900** | **507,600** | **531,000** |
| % of GDP | 4.0% | 1.3% | 1.2% | 1.1% | 1.0% |
| % of Revenue | 22.8% | 7.4% | 6.8% | 6.0% | 5.6% |
| **External Principal** | **266,241** | **131,382** | **180,619** | **222,287** | **204,839** |
| % of GDP | 2.8% | 1.2% | 1.5% | 1.6% | 1.3% |
| % of Revenue | 16.1% | 7.0% | 8.4% | 9.0% | 7.3% |
| **Total debt service** | **642,164** | **557,682** | **641,519** | **729,887** | **735,839** |
| % of GDP | 6.8% | 5.2% | 5.3% | 5.3% | 4.7% |
| % of Revenue | 38.9% | 29.7% | 29.9% | 29.6% | 26.3% |
| **Revenue** | **1,651,500.00** | **1,877,200.00** | **2,142,800.00** | **2,465,400.00** | **2,798,000.00** |
| **GDP** | **9,510,446.46** | **10,765,655.37** | **12,168,830.87** | **13,807,522.01** | **15,696,500.84** |

**Source:** *National Treasury, BPS, 2019*

# GLOSSARY

**• Concessionality**
A measure of the softness of a credit reflecting the benefit to the borrower compared to a loan at market rate. Technically, it is calculated as the difference between the nominal value and the present value of the debt service as of the date of disbursement, calculated at a discount rate applicable to the currency of the transaction and expressed as a percentage of the nominal value.

**• Debt Service**
The amount of funds used for repayment of principal and interest of a debt.

**• Debt Sustainability**
Sustainable debt is the level of debt which allows a debtor country to meet its current and future debt service obligations in full, without recourse to further debt relief or rescheduling, avoiding accumulation of arrears, while allowing an acceptable level of economic growth.

**• Debt Sustainability Analysis**
This is conducted in the context of medium-term scenarios. These scenarios are numerical evaluations that take account of expectations of the behaviour of economic variables and other factors to determine the conditions under which debt and other indicators would stabilize at reasonable levels, the major risks to the economy, and the need and scope for policy adjustment. In this analysis, macroeconomic uncertainties, such as the outlook for the current account, and policy uncertainties, such as for fiscal policy, tend to dominate the medium term outlook.

**• Disbursement**
The actual transfer of financial resources or of goods or services by the lender to the borrower.

**• Domestic Borrowing**
Government borrowing through issuance of local Government securities and direct borrowing from the Central Bank.

**• External Borrowing**
Government borrowing from both official (Government or Government agencies) and private institutions domiciled outside the country.

**• Government Securities**
Financial instruments used by the Government to raise funds from the primary market.

**• Present Value**
The present value (PV) is defined as the sum of all future cash flows (interest and principal) discounted at the appropriate market rate. For a loan, whenever the interest rate on a loan is lower than the market rate, the resulting PV is lower than its face value.

**• Primary Market**
This is a market where financial instruments are originated through initial issuance.

**• Public Debt**
This refers to outstanding financial obligations of the Government arising from past borrowing. It includes Government guaranteed debts to State Corporations and Local Authorities.

• **Domestic Debt**
Part of the overall debt owed by the Government to creditors domiciled in the economy. The debt includes money owed to commercial banks, non-bank financial institutions, individuals among others. The term domestic debt is used in relation to government obligation.

• **External Debt**
Part of the overall debt owed by the Government to creditors domiciled outside the economy. The debt includes money owed to private commercial banks, other governments, or international financial institutions such as the IMF and World Bank. The term external debt is used in relation to government obligation.

• **Secondary Market**
This is a market where already issued financial instruments are traded.

• **Sovereign Bond**
A debt security issued by a national government within a given country and denominated in a foreign currency. The foreign currency used will most likely be a hard currency.

• **Suppliers' Credit**
An arrangement under which a supplier or exporter agrees to allow the customer to defer payment under a sales contract.

• **Treasury Bills**
It is a short-term borrowing instrument issued by the Government to finance the budget.

• **Treasury Bond**
This is a medium to long-term term debt instrument issued by the Government to finance the budget.

• **Yield Curve**
It is the relationship between the interest rate and maturity of bonds. A normal yield curve shows interest rates for short-term securities lower than interest rates for long-term securities.

## APPENDICES

### Appendix I: Stock of Publicly Guaranteed Debt by June 2019 (Kshs Million)

| Agency | Year | Purpose of the loan | Creditor | Jun-15 | Jun-16 | Jun-17 | Jun- 18 | Jun-19 |
|---|---|---|---|---|---|---|---|---|
| **Nairobi City County** | 1985 | Umoja II Housing Project | USA | - | - | - | - | - |
| **Kenya Broadcasting Corporation** | 1989 | KBC Modernization Project | Japan | 2,404 | 2,224 | 1,386 | 1,035 | 357 |
| **Telkom Kenya Ltd** | 1990 | Purchase of Microwave Telephone System | Canada | 375 | - | - | - | - |
| **Tana and Athi River Development Authority** | 1990 | Tana Delta Irrigation Project | Japan | 1,172 | 1,156 | 811 | 673 | 279 |
| **East African Portland Cement** | 1990 | Cement Plant Rehabilitation Project | Japan | 1,457 | 1,438 | 1,008 | 836 | 346 |
| **KenGen Ltd** | 1995 | Mombasa Diesel Generating Power Project | Japan | 3,393 | 3,767 | 3,325 | 2,923 | 2,421 |
| | 1997 | Sondu Miriu Hydropower Project | Japan | 3,372 | 3,827 | 3,422 | 3,099 | 2,727 |
| | 2004 | Sondu Miriu Hydropower Project II | Japan | 8,005 | 9,534 | 8,753 | 8,404 | 8,207 |
| | 2007 | Sondu Miriu Hydropower Project – Sang'oro Power Plant | Japan | 3,416 | 4,218 | 3,972 | 3,827 | 3,760 |
| | 2010 | Olkaria Unit 4 and 5 Geothermal Power Project | Japan | 44 | 55 | 51 | 51 | 19,389 |
| | 2010 | Rehabilitation and Expansion of the Hydropower Plant Kindaruma | Germany | | 3,514 | 3,302 | 2,970 | 2,607 |

| Agency | Year | Purpose of the loan | Creditor | Jun-15 | Jun-16 | Jun-17 | Jun- 18 | Jun-19 |
|---|---|---|---|---|---|---|---|---|
| | 2011 | Rehabilitation and Upgrade of the Geothermal Plant Olkaria | Germany | | 4,656 | 4,875 | 4,510 | 3,924 |
| **Kenya Ports Authority** | 2007 | Mombasa Port Modernization Project | Japan | 15,856 | 22,099 | 21,211 | 23,808 | 23,903 |
| **Kenya Railways** | 2008 | Kenya Railways Concessioning | IDA | 4,439 | 4,044 | 4,667 | 4,547 | 4,603 |
| **Kenya Ports Authority** | 2016 | Kenya Port Development Project Phase 2 | Japan | | | 614 | 6,333 | 10,158 |
| **Kenya Airways** | 2017 | Kenya Airways | Various Banks | 0 | 0 | 77,784 | 75,787 | 76,724 |
| **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 |
| Total | | | | **43,933** | **60,530** | **135,179** | **138,803** | **159,405** |

**Source:** *National Treasury*

### Appendix II: Public and Publicly Guaranteed External Debt by Creditor, Kshs Million

| CREDITOR | Jun 14 | Jun 15 | Jun 16 | Jun 17 | June 18 | June 19 |
|---|---|---|---|---|---|---|
| 1. BILATERAL | | | | | | |
| AUSTRIA | 717 | 743 | 1,030 | 513 | 578 | 1,803 |
| BELGIUM | 8,096 | 6,142 | 7,469 | 9,938 | 10,208 | 11,591 |
| CANADA | 1,349 | 1,270 | 809 | 538 | 409 | 111 |
| DENMARK | 1,992 | 1,437 | 1,541 | 1,356 | 1,175 | 875 |
| FINLAND | 94 | 71 | 269 | 1,712 | 1,642 | 1,796 |
| GERMANY | 26,571 | 22,559 | - | 31,669 | 34,655 | 37,277 |
| ITALY | 1,716 | 1,101 | 622 | 654 | 125 | 36,293 |
| JAPAN | 84,515 | 79,017 | - | 91,456 | 101,886 | 135,229 |
| NETHERLANDS | 2,702 | 1,960 | 2,350 | 1,753 | 1,079 | 343 |
| UK | 1,841 | 1,467 | 992 | 650 | 463 | 60 |
| USA | 4,542 | 4,462 | 4,035 | 3,497 | 2,947 | 2,089 |
| CHINA | 80,859 | 252,039 | 313,127 | 478,607 | 559,071 | 661,059 |
| OTHERS | 13,341 | 13,756 | 31,385 | 36,963 | 53,822 | 107,534 |
| Sub-TOTAL | 289,914 | 445,056 | 798,841 | 722,568 | 829,846 | 996,059 |
| 2. Multilateral | | | | | | |
| ADB/ADF | 102,118 | 161,532 | 179,227 | 197,490 | 204,776 | 229,638 |
| EEC/EIB | 20,657 | 20,625 | 21,073 | 20,399 | 19,455 | 17,241 |

| CREDITOR | Jun 14 | Jun 15 | Jun 16 | Jun 17 | June 18 | June 19 |
|---|---|---|---|---|---|---|
| IDA/IFAD | 371,374 | 407,294 | 488,330 | 540,515 | 516,774 | 608,989 |
| IMF | 83,282 | 86,150 | 84,847 | 77,637 | 71,588 | 49,208 |
| OTHERS | 9,057 | 9,030 | 9,204 | 8,347 | 2,795 | 9,319 |
| TOTAL | 597,340 | 320,871 | 492,908 | 844,389 | 815,388 | 914,395 |
| 3. COMMERCIAL BANKS | 234,799 | 276,937 | 432,377 | 711,893 | 906,389 | 1,095,754 |
| 4. EXPORT CREDIT | 16,452 | 16,628 | 16,628 | 15,303 | 16,725 | 16,932 |
| **GRAND TOTAL** | **1,138,505** | **1,423,252** | **1,796,198** | **2,294,153** | **2,568,299** | **3,023,139** |

**Source:** *National Treasury*

## APPENDIX III

**Table 1: Outstanding Treasury Bonds**

| ISSUE NUMBER | MATURITY DATE | REDEMPTION AMOUNT |
|---|---|---|
| FXD1/2007/015 | 7/3/2022 | 3,654,600,000.00 |
| FXD1/2008/015 | 13/03/2023 | 34,789,800,000.00 |
| FXD1/2008/020 | 5/6/2028 | 38,145,100,000.00 |
| FXD1/2009/015 | 7/10/2024 | 31,952,450,000.00 |
| FXD1/2010/010 | 13/04/2020 | 19,394,150,000.00 |
| FXD1/2010/015 | 10/3/2025 | 27,693,900,000.00 |
| FXD1/2010/025 | 28/05/2035 | 20,192,500,000.00 |
| FXD1/2011/020 | 5/5/2031 | 9,365,800,000.00 |
| FXD1/2012/010 | 13/06/2022 | 35,273,700,000.00 |
| FXD1/2012/015 | 6/9/2027 | 48,937,100,000.00 |
| FXD1/2012/020 | 1/11/2032 | 44,581,650,000.00 |
| FXD1/2013/010 | 19/06/2023 | 39,248,200,000.00 |
| FXD1/2013/015 | 7/2/2028 | 42,138,450,000.00 |
| FXD1/2014/010 | 15/01/2024 | 35,852,150,000.00 |
| FXD1/2015/005 | 22/06/2020 | 30,956,050,000.00 |
| FXD1/2016/005 | 19/04/2021 | 19,544,200,000.00 |
| FXD1/2016/010 | 17/08/2026 | 18,306,450,000.00 |
| FXD1/2016/020 | 1/9/2036 | 12,761,200,000.00 |
| FXD1/2017/002 | 23/09/2019 | 31,806,400,000.00 |
| FXD1/2017/005 | 22/08/2022 | 29,599,150,000.00 |
| FXD1/2017/010 | 19/07/2027 | 35,174,400,000.00 |
| FXD1/2018/005 | 20/03/2023 | 30,795,550,000.00 |
| FXD1/2018/010 | 14/08/2028 | 40,584,600,000.00 |
| FXD1/2018/015 | 9/5/2033 | 30,706,600,000.00 |
| FXD1/2018/020 | 1/3/2038 | 23,262,150,000.00 |
| FXD1/2018/025 | 25/05/2043 | 5,152,600,000.00 |
| FXD1/2019/002 | 25/01/2021 | 31,120,850,000.00 |
| FXD1/2019/005 | 19/02/2024 | 20,587,250,000.00 |
| FXD1/2019/010 | 12/2/2029 | 32,800,400,000.00 |
| FXD1/2019/015 | 9/1/2034 | 30,566,650,000.00 |
| FXD1/2019/020 | 21/03/2039 | 9,018,150,000.00 |

| ISSUE NUMBER | MATURITY DATE | REDEMPTION AMOUNT |
|---|---|---|
| FXD2/2007/015 | 6/6/2022 | 32,682,600,000.00 |
| FXD2/2010/010 | 19/10/2020 | 33,387,900,000.00 |
| FXD2/2010/015 | 8/12/2025 | 13,513,100,000.00 |
| FXD2/2013/015 | 10/4/2028 | 39,876,600,000.00 |
| FXD2/2015/005 | 23/11/2020 | 30,673,850,000.00 |
| FXD2/2016/005 | 19/07/2021 | 24,395,300,000.00 |
| FXD2/2017/005 | 17/10/2022 | 20,712,100,000.00 |
| FXD2/2018/010 | 4/12/2028 | 32,767,150,000.00 |
| FXD2/2018/015 | 3/10/2033 | 29,064,350,000.00 |
| FXD2/2018/020 | 5/7/2038 | 15,846,650,000.00 |
| FXD2/2019/005 | 6/5/2024 | 39,201,400,000.00 |
| FXD2/2019/010 | 2/4/2029 | 51,325,000,000.00 |
| FXD2/2019/015 | 24/04/2034 | 19,314,450,000.00 |
| FXD3/2007/015 | 7/11/2022 | 32,958,100,000.00 |
| FXD3/2016/005 | 20/09/2021 | 23,051,050,000.00 |
| IFB1/2009/012 | 8/2/2021 | 7,868,365,500.00 |
| IFB1/2011/012 | 18/09/2023 | 24,682,200,000.00 |
| IFB1/2013/012 | 15/09/2025 | 27,925,350,000.00 |
| IFB1/2014/012 | 12/10/2026 | 27,045,950,000.00 |
| IFB1/2015/009 | 2/12/2024 | 25,119,550,000.00 |
| IFB1/2015/012 | 15/03/2027 | 51,192,200,000.00 |
| IFB1/2016/009 | 12/5/2025 | 36,303,200,000.00 |
| IFB1/2016/015 | 6/10/2031 | 40,029,650,000.00 |
| IFB1/2017/007 | 18/11/2024 | 41,469,450,000.00 |
| IFB1/2017/012 | 12/2/2029 | 14,330,400,000.00 |
| IFB1/2018/015 | 10/1/2033 | 41,184,800,000.00 |
| IFB1/2018/020 | 25/10/2038 | 36,787,300,000.00 |
| IFB2/2009/012 | 22/11/2021 | 5,388,325,000.00 |
| IFB2/2010/009 | 19/08/2019 | 15,874,483,887.00 |
| IFBI/2019/025 | 22/02/2044 | 16,828,650,000.00 |
| MAB1/2017/003 | 6/4/2020 | 150,050,000.00 |
| MAB2/2017/003 | 7/9/2020 | 627,750,000.00 |
| SDB1/2011/030 | 21/01/2041 | 28,144,700,000.00 |
| SFX1/2007/015 | 13/05/2022 | 6,000,000,000.00 |
| **Grand Total** | | **1,748,602,570,000.00** |

**Table 2: Outstanding Treasury Bills**

| ISSUE NUMBER | MATURITY DATE | REDEMPTION AMOUNT |
|---|---|---|
| 2270/182 | 1/7/2019 | 2,696,350,000.00 |
| 2310/91 | 1/7/2019 | 983,550,000.00 |
| 2186/364 | 1/7/2019 | 23,305,500,000.00 |
| 2271/182 | 8/7/2019 | 3,453,200,000.00 |

| ISSUE NUMBER | MATURITY DATE | REDEMPTION AMOUNT |
|---|---|---|
| 2311/91 | 8/7/2019 | 2,868,350,000.00 |
| 2187/364 | 8/7/2019 | 21,569,100,000.00 |
| 2272/182 | 15/07/2019 | 19,598,600,000.00 |
| 2312/91 | 15/07/2019 | 4,988,200,000.00 |
| 2188/364 | 22/07/2019 | 23,504,050,000.00 |
| 2273/182 | 22/07/2019 | 13,964,100,000.00 |
| 2313/091 | 22/07/2019 | 4,215,850,000.00 |
| 2189/364 | 29/07/2019 | 14,534,600,000.00 |
| 2274/182 | 29/07/2019 | 3,248,150,000.00 |
| 2314/091 | 29/07/2019 | 7,561,000,000.00 |
| 2190/364 | 5/8/2019 | 9,124,150,000.00 |
| 2275/182 | 5/8/2019 | 8,359,750,000.00 |
| 2315/091 | 5/8/2019 | 1,126,850,000.00 |
| 2191/364 | 12/8/2019 | 11,676,300,000.00 |
| 2276/182 | 12/8/2019 | 9,314,350,000.00 |
| 2316/091 | 12/8/2019 | 3,580,700,000.00 |
| 2192/364 | 19/08/2019 | 11,090,900,000.00 |
| 2277/182 | 19/08/2019 | 10,104,200,000.00 |
| 2317/091 | 19/08/2019 | 1,994,850,000.00 |
| 2193/364 | 26/08/2019 | 15,128,200,000.00 |
| 2278/182 | 26/08/2019 | 10,348,950,000.00 |
| 2318/091 | 26/08/2019 | 5,922,400,000.00 |
| 2194/364 | 2/9/2019 | 16,078,650,000.00 |
| 2279/182 | 2/9/2019 | 8,025,600,000.00 |
| 2319/091 | 2/9/2019 | 2,370,600,000.00 |
| 2195/364 | 9/9/2019 | 16,637,900,000.00 |
| 2280/182 | 9/9/2019 | 3,989,000,000.00 |
| 2320/091 | 9/9/2019 | 933,500,000.00 |
| 2196/364 | 16/09/2019 | 12,533,600,000.00 |
| 2281/182 | 16/09/2019 | 4,910,700,000.00 |
| 2321/091 | 16/09/2019 | 1,078,200,000.00 |
| 2197/364 | 23/09/2019 | 12,757,650,000.00 |
| 2282/182 | 23/09/2019 | 5,822,850,000.00 |
| 2322/091 | 23/09/2019 | 2,399,850,000.00 |
| 2198/364 | 30/09/2019 | 10,320,850,000.00 |
| 2283/182 | 30/09/2019 | 6,129,750,000.00 |
| 2199/364 | 7/10/2019 | 16,531,550,000.00 |
| 2284/182 | 7/10/2019 | 10,440,150,000.00 |
| 2200/364 | 14/10/2019 | 6,949,900,000.00 |
| 2285/182 | 14/10/2019 | 5,730,850,000.00 |
| 2201/364 | 21/10/2019 | 5,139,800,000.00 |
| 2286/182 | 21/10/2019 | 4,868,900,000.00 |
| 2202/364 | 28/10/2019 | 11,567,750,000.00 |

| ISSUE NUMBER | MATURITY DATE | REDEMPTION AMOUNT |
|---|---|---|
| 2287/182 | 28/10/2019 | 14,630,950,000.00 |
| 2203/364 | 4/11/2019 | 15,795,650,000.00 |
| 2288/182 | 4/11/2019 | 1,236,450,000.00 |
| 2204/364 | 11/11/2019 | 15,756,850,000.00 |
| 2207/364 | 11/11/2019 | 9,925,000,000.00 |
| 2289/182 | 11/11/2019 | 4,576,600,000.00 |
| 2205/364 | 18/11/2019 | 12,957,300,000.00 |
| 2290/182 | 18/11/2019 | 823,550,000.00 |
| 2206/364 | 25/11/2019 | 6,803,450,000.00 |
| 2291/182 | 25/11/2019 | 4,812,950,000.00 |
| 2208/364 | 2/12/2019 | 2,853,150,000.00 |
| 2213/364 | 2/12/2019 | 10,535,000,000.00 |
| 2292/182 | 2/12/2019 | 2,540,450,000.00 |
| 2209/364 | 9/12/2019 | 2,992,050,000.00 |
| 2293/182 | 9/12/2019 | 869,200,000.00 |
| 2210/364 | 16/12/2019 | 3,157,450,000.00 |
| 2294/182 | 16/12/2019 | 2,956,500,000.00 |
| 2211/364 | 23/12/2019 | 13,900,750,000.00 |
| 2295/182 | 23/12/2019 | 1,214,750,000.00 |
| 2212/364 | 30/12/2019 | 8,060,450,000.00 |
| 2214/364 | 6/1/2020 | 13,010,900,000.00 |
| 2215/364 | 13/01/2020 | 26,085,300,000.00 |
| 2216/364 | 20/01/2020 | 10,392,150,000.00 |
| 2217/364 | 27/01/2020 | 20,247,700,000.00 |
| 2218/364 | 3/2/2020 | 24,053,650,000.00 |
| 2219/364 | 10/2/2020 | 18,240,350,000.00 |
| 2220/364 | 17/02/2020 | 17,585,500,000.00 |
| 2221/364 | 24/02/2020 | 8,590,450,000.00 |
| 2222/364 | 2/3/2020 | 6,543,850,000.00 |
| 2223/364 | 9/3/2020 | 16,402,450,000.00 |
| 2224/364 | 16/03/2020 | 17,647,600,000.00 |
| 2225/364 | 23/03/2020 | 29,105,800,000.00 |
| 2226/364 | 30/03/2020 | 25,858,150,000.00 |
| 2227/364 | 6/4/2020 | 32,602,250,000.00 |
| 2228/364 | 13/04/2020 | 19,389,200,000.00 |
| 2229/364 | 20/04/2020 | 10,549,250,000.00 |
| 2231/364 | 20/04/2020 | 1,715,000,000.00 |
| 2230/364 | 27/04/2020 | 4,835,600,000.00 |
| 2232/364 | 4/5/2020 | 10,320,050,000.00 |
| 2233/364 | 11/5/2020 | 6,485,450,000.00 |
| 2234/364 | 18/05/2020 | 15,039,650,000.00 |
| 2235/364 | 25/05/2020 | 20,211,350,000.00 |
| 2236/364 | 1/6/2020 | 25,558,700,000.00 |

| ISSUE NUMBER | MATURITY DATE | REDEMPTION AMOUNT |
|---|---|---|
| 2237/364 | 8/6/2020 | 16,272,800,000.00 |
| 2238/364 | 15/06/2020 | 7,689,400,000.00 |
| 2239/364 | 22/06/2020 | 6,883,750,000.00 |
| Grand Total | | 954,250,000,000.00 |