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THE NATIONAL TREASURY
(MINISTRY OF FINANCE)

Quarterly Economic and Budgetary Review

Third Quarter
2013/2014

May 2014 Edition



Quarterly Economic and Budgetary Review

Third Quarter
2013/2014

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LIST OF ABBREVIATIONS AND ACRONYMS

A-I-A	Appropriation in Aid
CBK	Central Bank of Kenya
FY	Fiscal Year
GDP	Gross Domestic Product
IMF	International Monetary Fund
KNBS	Kenya National Bureau of Statistics
KShs.	Kenya Shillings
Mn	Million
NDA	Net Domestic Asset
NFA	Net Foreign Asset
NSE	Nairobi Securities Exchange
RDL	Railway Development Levy

The Quarterly Economic and Budgetary Review Report is Published in accordance with Section 83 of the Public Financial Management Act, 2012. The law states that:

Accounting officer to prepare quarterly reports for national government entity.

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

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

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

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

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

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

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

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

(b) Publish and publicize the reports.

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

HIGHLIGHTS OF THE THIRD QUARTERLY ECONOMIC AND BUDGETARY REVIEW: 2013/2014

1. **Recent Economic Developments**

The economy grew by 4.7 percent in 2013 compared with 4.6 percent in 2012. This growth was broad-based and was driven by expansion in wholesale and retail trade and repairs, mining, financial intermediation and transport and communication. Growth in the four quarters of 2013 were; 5.7 percent in quarter one, 4.7 percent in quarter two, 4.6 percent in quarter three and 3.9 percent in quarter four..

2. **The Overall Fiscal Balance**

The cumulative overall fiscal balance, on a commitment basis (excluding grants), amounted to a deficit of KSh. 169.4 billion (equivalent to 4.1 percent of GDP), as at end-March 2014, compared with a deficit of KSh. 228.8 billion (equivalent to 6.3 percent of GDP) in a similar period in FY 2012/13.

3. **Total Revenue Collection**

The National Government cumulative revenue collection including A-I-A as at end of the third quarter of FY 2013/2014 amounted to KSh. 674.1 billion (equivalent to 16.2 percent of GDP) against a target of KSh. 726.5 billion or 17.4 percent of GDP. This represented an underperformance of KSh. 52.4 billion. The ordinary revenues accounted for KShs.20.7 billion of this shortfall.

4. **Government Expenditure and Net Lending**

The total cumulative expenditure and net lending inclusive of transfers to county governments for the period ending 31st March 2014 amounted to KSh. 843.5 billion. This was KSh. 281.5 billion below the target of KSh. 1,125.1 billion and was largely attributed to lower than programmed disbursements to the County Governments and operations and maintenance in the National Government, as well as slow utilization of foreign financed development expenditures.

5. **Guaranteed Loans**

At the end of the third quarter of the FY 2013/14, the National Government paid a total of KSh. 737.1 million on guaranteed loan repayments against the projected debt service on guaranteed loans of KSh. 785.6 million. The difference was on account of exchange rate assumption.

6. **External Financing**

External financing amounted to a net borrowing of KSh. 29.7 billion, compared to a net borrowing of KSh. 33.8 billion in a similar period in FY 2012/13.

7. Net Domestic Borrowing

Net domestic financing amounted to KSh. 127.4 billion (equivalent to 3.1 percent of GDP) in the period ending 31st March, 2014, compared to the KSh. 152.8 billion (equivalent to 4.2 percent of GDP) in a similar period in FY 2012/13.

8. Domestic Debt

Total gross domestic debt stock increased by 17.2 percent from KSh. 1,050.6 billion as at end-June 2013 to KSh. 1,231.2 billion by the end-March 2014.

9. External Debt

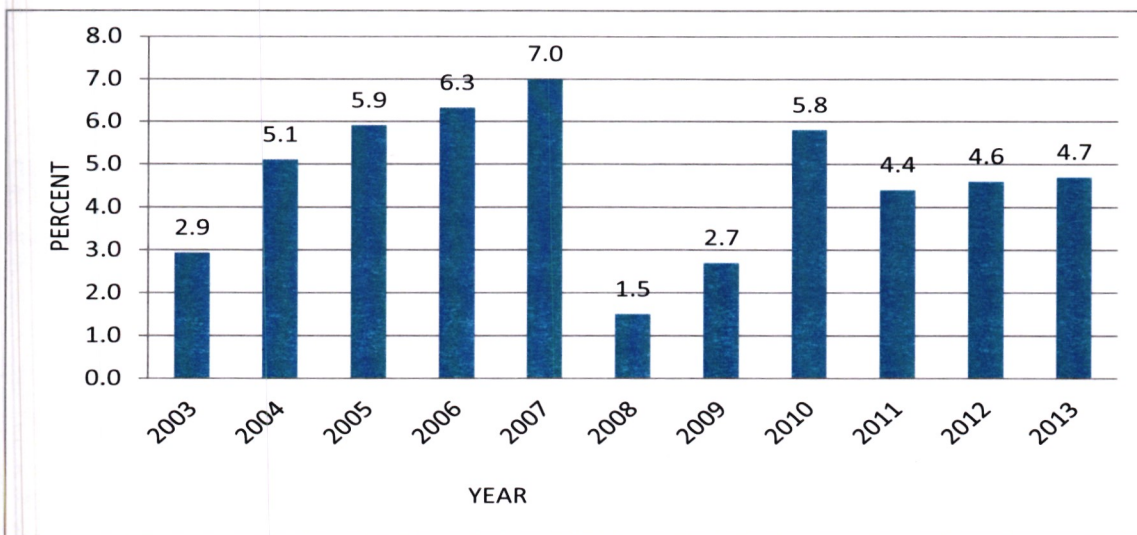
The total external debt stock stood at KSh. 896.4 billion at the period ending March 2014. The debt stock comprised of multilateral debt (64.5%), bilateral debt (27.2%), Export Credit debt (1.8%) and Commercial banks (6.7%).

1.0 RECENT ECONOMIC DEVELOPMENTS

1.1 Economic Growth

1. The economy grew by 4.7 percent in 2013 compared with 4.6 percent in 2012. This growth was broad-based and was driven by expansion in wholesale and retail trade and repairs, mining, financial intermediation and transport and communication (**Chart 1**). Growth in the four quarters of 2013 were; 5.7 percent in quarter one, 4.7 percent in quarter two, 4.6 percent in quarter three and 3.9 percent in quarter four. The expansion in GDP growth in 2013 was primarily due to growth in all sectors of the economy apart from the Hotels and restaurants sector which experienced a decline in growth of 4.5 percent (**Table 1**).

Chart 1: Real GDP Growth



Source: KNBS.

*Provisional

Table 1: Sectoral GDP Growth (percent changes at constant prices 2001)

MAIN SECTORS	Share of GDP, Percent			Annual Growth Rates, Percent		
	2011	2012	2013	2011	2012	2013
Agriculture and Forestry	23.8	24.6	25.3	1.5	4.2	2.9
Fishing	0.5	0.5	0.5	3.1	3.4	5.4
Mining and Quarrying	0.7	0.7	0.6	7.1	4.1	7.4
Manufacturing	9.6	9.5	8.9	3.4	3.2	4.8
Electricity and Water Supply	1.0	1.4	1.4	-2.6	10.3	5.9
Construction	4.1	4.2	4.4	4.3	4.8	5.5
Wholesale and Retail Trade, Repairs	10.5	10.5	10.2	7.3	9.0	7.5
Hotels and Restaurants	1.7	1.7	1.5	4.9	2.6	-4.5
Transport and Communication	10.0	9.6	9.1	5.0	4.7	6.0
Financial Intermediation	6.3	5.2	4.8	7.8	6.5	7.2
Real estate, Renting and Business Services	4.4	4.3	4.1	3.6	3.3	4.3
Public Administration and Defence	5.0	5.5	6.7	2.5	2.7	4.7
Education	5.8	6.1	6.7	4.8	5.4	4.9
Health and social work	2.4	2.4	1.9	3.5	3.4	3.3
Other Services	3.2	3.2	3.5	4.6	3.2	3.2
less: Financial Services Indirectly Measured	-1.0	-0.8	-1.0	2.0	2.0	2.0
Taxes less Subsidies on Products	11.5	11.1	10.9	5.2	-1.0	17.5
GDP at constant market prices	100.0	100.0	100.0	4.4	4.6	4.7

Source: KNBS

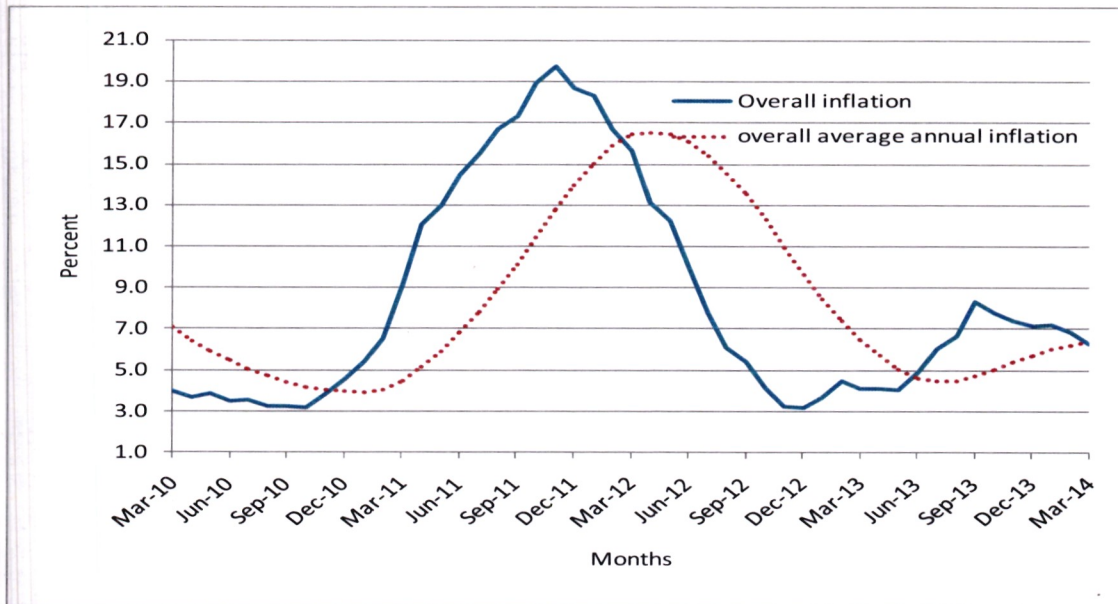
RECENT ECONOMIC DEVELOPMENTS

2. Transport and Communication sector recorded a growth of 6.0 percent in 2013, up from a growth of 4.7 percent in 2012, mainly on account of an accelerated growth in post and telecommunication which expanded by 9.3 percent while transport and storage grew by 3.6 percent during the review period. The improved performance in the transport subsector was as a result of the expansion of air and land transport. The growth of the communication sector was supported by continued rapid expansion in mobile telephony and related services.
3. Agriculture and forestry sector expanded by 2.9 percent in 2013 compared with a growth of 4.2 percent in 2012. The slowed growth was due to poor rainfall in some ecological zones during the short rains season and unfavorable international prices for key export crops. On the positive side, this sector was boosted by increased production of tea, wheat, vegetables, potatoes and sugarcane.
4. The manufacturing sector expanded by 4.8 percent in 201, up from a growth of 3.2 percent in 2012. Broadly the acceleration in growth was experienced in manufacturing of both food and non-food products. The growth in the manufacture of food, beverages and tobacco was primarily driven by enhanced production of sugar and processed and preserved fruits and vegetables. Manufacturing of non-food products was mainly fuelled by increased manufacture of rubber products, fabricated and basic metals and furniture and pharmaceutical products.
5. The financial intermediation sector grew by 7.2 percent in 2013 compared to 6.5 percent in 2012. The growth in the sector was due to the improvement in demand for domestic credit during the year.
6. The construction sector recorded an overall growth of 5.5 percent in 2013 compared to 4.8 percent in 2012. This was attributed to increased spending on infrastructural development by the Government and improved private sector construction activities.
7. Electricity and water sector activities expanded by 5.9 percent in 2013 compared to 10.3 percent growth in 2012. Generation of electricity by Hydro and geo-thermal expanded by 10.4 percent and 17.5 percent respectively, while generation of thermal shrank by 1.8 percent in 2013.
8. The Hotels and Restaurants sector contracted by 4.5 percent in 2013 compared to a growth of 2.6 percent in 2012. This was attributed to security concerns, arising from negative travel advisories by some governments and a decline in the economic fortunes of major tourists' sources among them USA and European countries.

1.2 Inflation

9. Overall month on month inflation declined to 6.27 percent in March 2014 from 6.86 percent in February 2014 (**Chart 2**). On average, inflation stood 6.39 percent in March 2014 compared with 6.45 percent in March 2013.

Chart 2: Inflation



Source: KNBS

10. Food and Non Alcoholic drinks’ Index increased by 0.56 per cent during the month of March 2014. This was a result of aggregate rise in prices of some food items outweighing notable falls in prices of others

1.3 Balance of Payments

11. Kenya’s overall balance of payments position recorded a surplus of US\$ 1,224 million in the year to February 2014, up from a surplus of US\$ 662 million in the year to February 2013 (**Table 2**). The increased surplus reflected the build up in the capital and financial account and a reduced deficit in the current account.

12. The current account deficit narrowed by 30.2 percent from US\$ 4,516 million in the year to February 2013 to US\$ 3,151 million in the year to February 2014. As a share to GDP, current account deficit improved to 7.7 percent from 11.1 percent over the same period. This was largely attributed to the improvement of the value of the service account by 15.9 percent that offset the slowed widening of the merchandise account.

Table 2: Balance of Payments Developments (US \$ Million)

ITEM	Year to FEB 2012	Year to FEB 2013	Year to FEB 2014	Absolute Change	Percentag e Change
1. CURRENT ACCOUNT	-3,448.1	-4,516.4	-3,150.8	1,365.7	-30.2%
2. MERCHANDISE ACCOUNT	-9,199.4	-10,857.6	-10,499.5	358.1	-3.3%
2.1 Exports (fob)	5,914.5	6,228.0	5,773.0	-455.0	-7.3%
Coffee	225.0	256.9	188.3	-68.7	-26.7%
Tea	1,186.2	1,226.7	1,155.3	-71.4	-5.8%
Horticulture	659.1	718.6	746.8	28.2	3.9%
Oil products	110.9	74.9	43.6	-31.4	-41.8%
Manufactured Goods	739.4	693.3	653.4	-40.0	-5.8%
Raw Materials	416.1	377.8	344.8	-33.0	-8.7%
Chemicals and Related Products (n.e.s)	572.3	548.1	459.4	-88.7	-16.2%
Miscellaneous Man. Articles	538.5	566.1	595.0	28.9	5.1%
Re-exports	318.8	489.5	583.5	94.0	19.2%
Other	1,148.2	1,276.0	1,003.0	-273.0	-21.4%
2.2 Imports (cif)	15,113.9	17,085.6	16,272.5	-813.2	-4.8%
Public	271.3	186.1	122.0	-64.1	-34.4%
Private	14,842.6	16,899.5	16,150.5	-749.1	-4.4%
Oil	4,062.0	4,139.5	3,806.0	-333.5	-8.1%
Chemicals	1,970.8	2,084.3	2,315.6	231.3	11.1%
Manufactured Goods	2,285.7	2,436.2	2,577.0	140.7	5.8%
Machinery & Transport Equipment	3,747.6	5,005.4	4,539.3	-466.2	-9.3%
Other	2,776.5	3,234.1	2,912.6	-321.4	-9.9%
3. SERVICES	5,751.3	6,341.2	7,348.2	1,007.0	15.9%
4. CAPITAL & FINANCIAL ACCOUNT	3,577.4	5,178.7	4,374.6	-804.1	-15.5%
4.1 Capital Account	205.5	205.0	163.4	-41.6	-20.3%
4.2 Financial Account	3,371.8	4,973.7	4,211.2	-762.5	-15.3%
5. OVERALL BALANCE	129.2	662.3	1,223.3	561.1	84.7%
Gross Reserves	6,215.5	7,079.5	8,352.4	1,272.8	18.0%
Official	4,434.6	5,290.1	6,679.4	1,389.3	26.3%
Commercial Banks	1,780.9	1,789.5	1,673.0	116.5	6.5%
Imports cover (calender year)	3.21	3.47	4.61	1.1	32.7%
Import cover (36 mths imports)	3.79	3.90	4.61	0.7	18.2%

Source: CBK

13. The surplus in the capital and financial account declined to US\$ 4,375 million in the year to February 2014 from US\$ 5,179 million in the year to February 2013. The shortfall was largely in the financial account which decreased by US\$ 763 million in February 2014 following increased short term flows including errors and omissions in recorded transactions, and a drawdown on commercial banks deposits held abroad

1.4 Foreign Exchange Reserves

14. The gross foreign exchange holdings of the banking system increased by 17.97 percent from US\$ 7,080 million in February 2013 to US\$ 8,352 million in February 2014 (**Table 3 and Chart 3**). Gross Official reserves held by the Central Bank increased due to reserves build up and receipt of disbursements under the Extended Credit Facility (ECF) to US\$ 6,602.2 million (4.61 months of import cover) in March 2014, an improvement from US\$ 5,523.3 million (4.04 months of import cover) in March 2013.

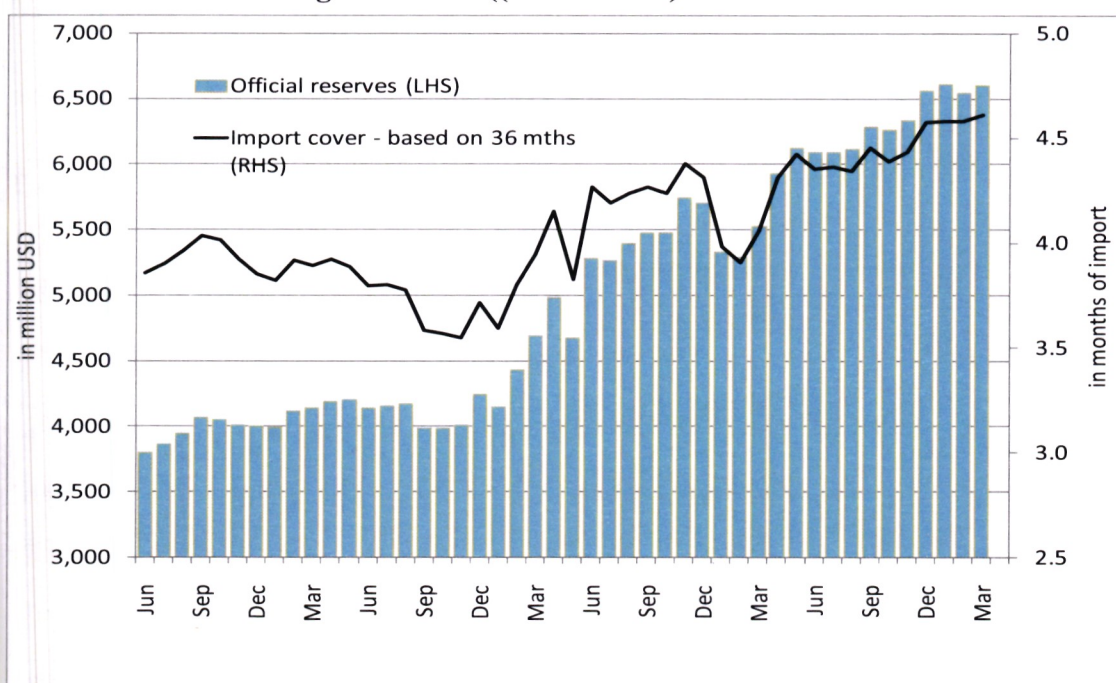
RECENT ECONOMIC DEVELOPMENTS

Table 3: Foreign Exchange Reserves (US\$ million)

	Dec-12	Feb-13	Mar-13	Jun-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
Gross Foreign Exchange Reserves	7,160.1	7,080.4	7,113.9	7,900.0	7,958.8	7,859.5	7,893.0	8,483.2	8,518.6	8,352.4	
Official	5,701.9	5,290.1	5,523.3	6,089.0	6,290.7	6,263.3	6,333.1	6,560.2	6,611.9	6,679.4	6,602.2
Commercial Banks	1,458.2	1,790.4	1,590.6	1,811.0	1,668.1	1,596.2	1,559.9	1,923.0	1,906.7	1,673.0	
Imports cover (calender year)	3.82	3.45	3.64	4.04	4.33	4.27	4.37	4.53	4.57	4.63	
Import cover (36 mths imports)	4.29	3.89	4.04	4.35	4.45	4.39	4.43	4.57	4.58	4.61	4.61

Source: CBK

Chart 3: Official Foreign Reserves ((US\$ million)



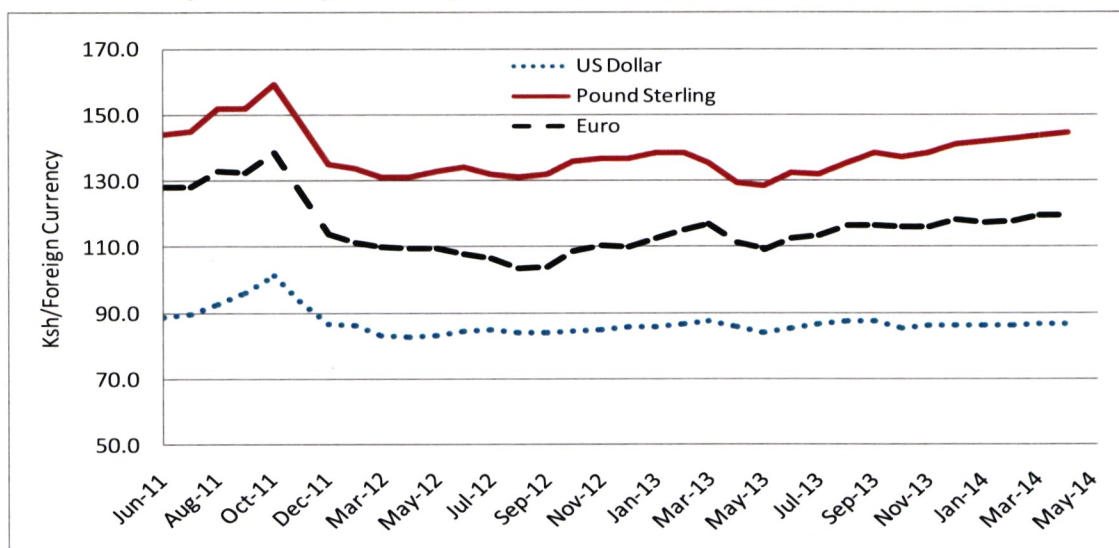
Source: CBK.

1.5 Exchange Rates

15. Kenya Shilling exchange rate weakened against major international currencies but stabilized against the US dollar at Kshs 86.5 per US dollar by in March 2014 from KSh. 86.3 per US dollar in February 2014 (**Chart 4**). The stability to the US dollar followed increased short term capital inflows and remittances.

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Chart 4: Kenya Shilling Exchange Rate with major currencies



Source: CBK

16. Against the sterling pound, the shilling weakened to Ksh.143.8 in March 2014 from 142.8 in February 2014 and against the Euro it weakened to KSh. 119.6 from Kshs 117.8 over the same period.

1.6 Money and Credit

17. Growth in broad money supply, M3, increased by 14.8 percent in the year to March 2014 down from a growth of 15.7 percent in the year to March 2013 and was below the 15.7 percent target for March 2014 (Table 4).

Table 4: Money Supply, M3 and its Sources, KSh. billion

	2012 Mar	2013 Mar	2014 Mar	Absolute Change		percent change	
				2012-2013 Mar	2013-2014 Mar	12 months to Mar-13	12 months to Mar-14
1. Money supply, M3 (2+3)	1517.1	1755.5	2015.4	238.4	259.9	15.7	14.8
1.1 Money supply, M2	1276.4	1477.4	1713.8	201.0	236.4	15.7	16.0
1.2 Money supply, M1	611.8	720.6	823.1	108.8	102.5	17.8	14.2
1.3 Currency outside banks	129.3	150.0	156.8	20.7	6.7	16.0	4.5
2. Net foreign assets (2.1+2.2)	276.2	319.6	370.5	43.4	51.0	15.7	16.0
2.1 Central Bank	291.1	341.7	442.1	50.6	100.4	17.4	29.4
2.2 Banking Institutions	-15.0	-22.2	-71.5	-7.2	-49.4	48.3	222.6
3. Net domestic assets (3.1+3.2)	1241.0	1435.9	1644.8	195.0	208.9	15.7	14.5
3.1 Domestic credit (3.1.1+3.1.2+3.1.3)	1530.9	1752.2	2052.9	221.3	300.7	14.5	17.2
3.1.1 Government (net)	315.1	391.0	404.9	75.9	13.9	24.1	3.6
3.1.2 Other public sector	32.2	45.1	33.7	13.0	-11.4	40.3	-25.4
3.1.3 Private sector	1183.7	1316.0	1614.3	132.4	298.3	11.2	22.7
3.2 Other assets net (3-3.1)	-290.0	-316.3	-408.1	-26.3	-91.8	9.1	29.0

Source: CBK

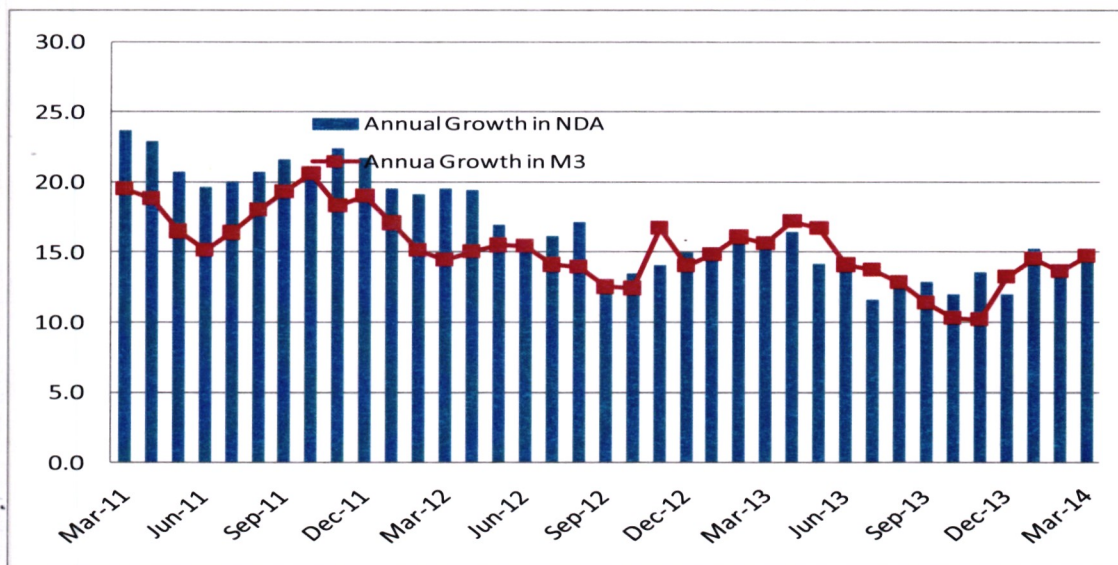
18. The slowdown in M3 growth was attributed to a decline in the growth of the net domestic assets (NDA) of the banking system. Annual growth of the NFA of the banking system increased to 16.0 percent in the year to March 2014 from 15.7 percent over a similar period in 2013 due to an improvement in the official foreign assets of the Central Bank from Ksh 341.7 billion in March 2013 to

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KSh. 442.1 billion in March 2014.

19. Growth of the NDA of the banking system slowed to 14.5 percent in the year to March 2014 from 15.7 percent over a similar period in 2013. The growth in NDA in 2014 was supported by increases domestic credit particularly in the private sector.

Chart 5: M3 Growth and Net Domestic Assets of Banking System

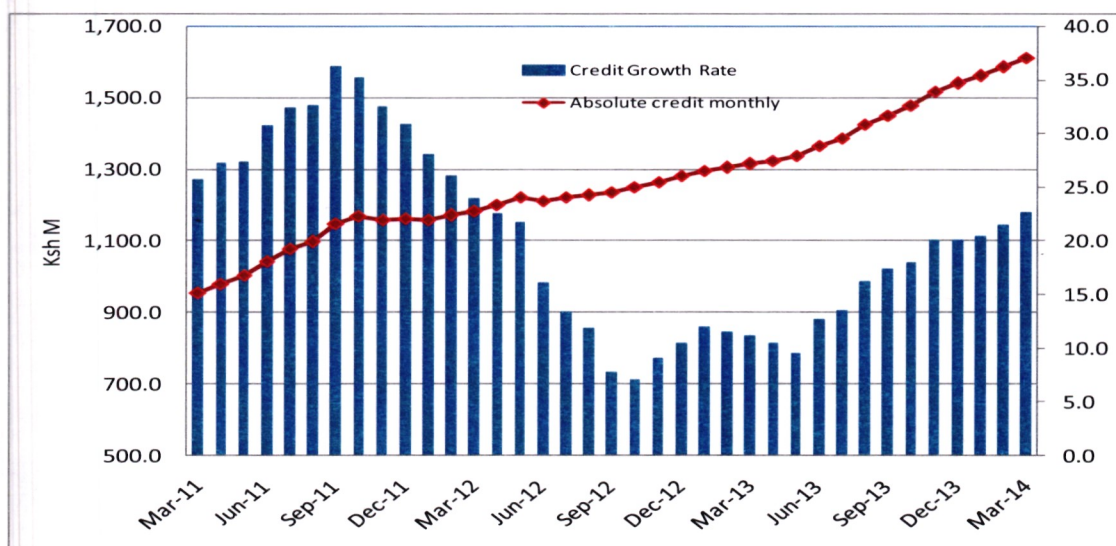


Source: CBK

Recovery in growth of the private sector

20. Growth in net credits to Government slowed to 3.6 per cent in the 12 months to March 2014 compared with 24.1 per cent growth in a corresponding period in 2013. Bank credit to the private sector increased by 22.7 percent in March 2014 from 11.2 percent in the same period in 2013 (Chart 6).

Chart 6: Private Sector Annual Credit Growth



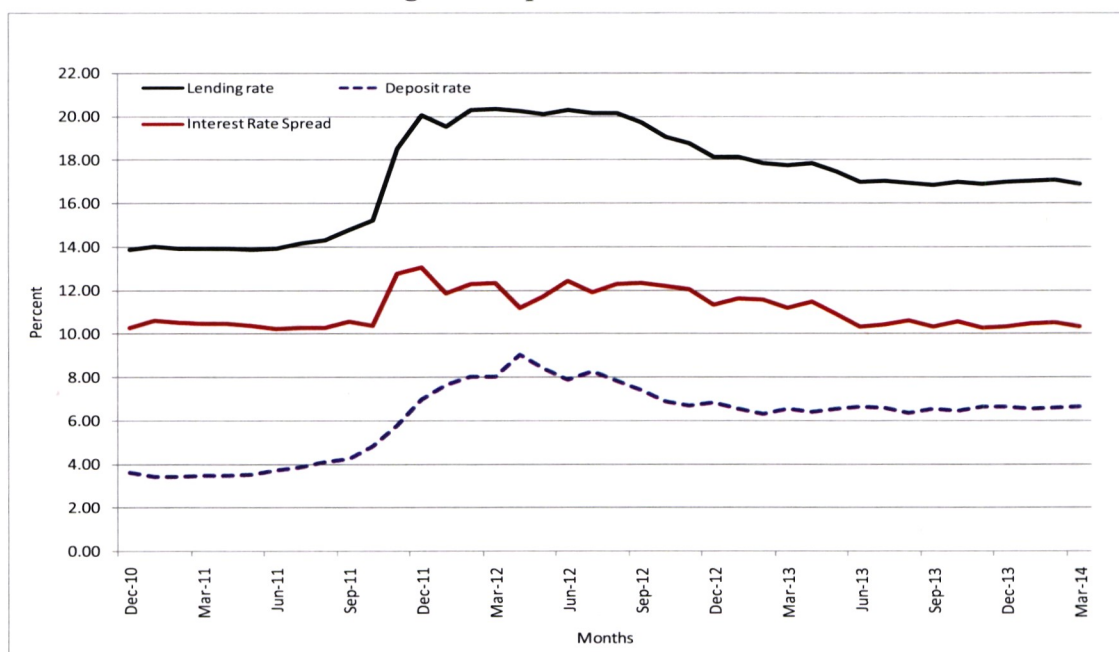
Source: CBK.

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1.7 Interest Rates

21. Short term interest rates declined in March 2014 due to improved domestic liquidity. The Central Bank Rate at 8.5 per cent as of end of March 2014 continued to coordinate movements in the short-term interest rates. The interbank rate averaged 6.4 percent in March 2014 compared with 8.8 percent by February 2014. The 91-day Treasury bill rate averaged 9.0 percent in March 2014 from 9.2 in February 2014 while the 182 day Treasury bill declined to 10.1 percent from 10.3 percent over the same period respectively.
22. Commercial banks average lending rates declined to 16.9 percent in March 2014 compared with 17.8 percent in March 2013 while the deposit rate rose to 6.6 percent from 6.5 percent over the same period (**Chart 7**). This narrowed interest rate spread from 11.2 percent in March 2013 to 10.3 percent in March 2014 reflecting a larger decline in the lending rate.

Chart 7: Commercial Banks Lending and Deposit Interest Rates

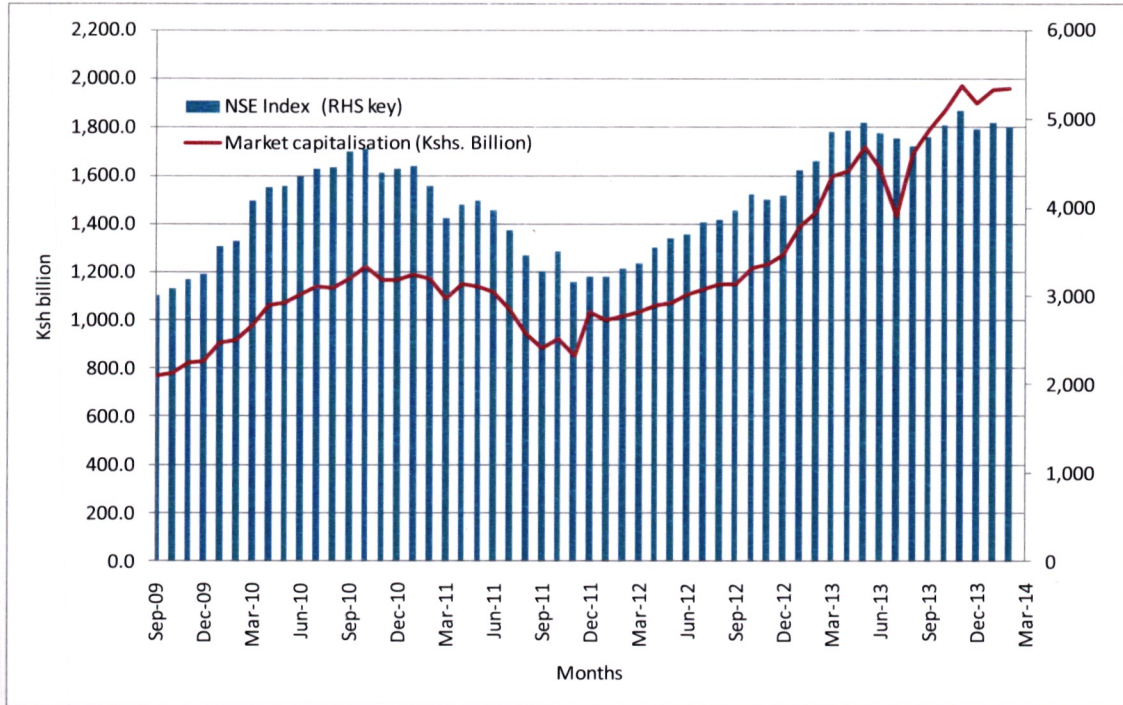


Source: CBK.

1.8 Capital Markets

23. Activity in the stock market has been vibrant in the year to March 2014. The NSE 20 share index improved from 4,860 points in March 2013 to 4,960.0 points in March 2014, representing an increase of 2.06 percent (**Chart 8**). Market capitalization which measures shareholders' wealth improved from Kshs 1,599.8 billion in March 2013 to KSh. 1,998.6 billion in March 2014, representing an increase of 24.9 percent

Chart 8: Performance at the NSE



Source: NSE.

2.0 FISCAL DEVELOPMENTS

2.1 Revenue

24. By the end of March 2014, total cumulative revenue including A-I-A collected amounted to KSh. 674.1 billion against a target of KSh. 726.5 (**Table 5 and Chart 9**). This performance was below the target by KSh. 52.4 billion. Ordinary revenue collection amounted to KSh. 645.3 billion against a target of KSh. 665.9 billion, resulting in an under performance of KSh. 20.7 billion. The Railway Development Levy collection amounted to KSh. 14.6 billion against a target of KSh. 9.9 billion, resulting in an over performance of KSh. 4.7 billion. Cumulative ministerial A-I-A recorded an under performance of KSh. 36.4 billion for the period under review. The A-I-A, included only a few of the universities data that had been captured in the ministry's expenditure return for the period under review.

Table 5: Government Revenue and External Grants, Third Quarter Ending 31st March, 2014 (KSh. Million)

	2012/2013 Actual	2013/14		Deviation KShs.	Deviation in percentag
		Actual	Target		
Total Revenue	564,024	674,083	726,508	(52,424)	(7.22)
(a) Ordinary Revenue	531,592	659,886	675,871	(15,985)	(2.37)
Import Duty	42,459	69,518	75,629	(6,111)	(8.08)
Excise Duty	63,088	72,452	81,665	(9,214)	(11.28)
PAYE	141,069	177,865	184,445	(6,580)	(3.57)
Other Income Tax	102,523	120,377	129,465	(9,088)	(7.02)
VAT Local	65,645	78,972	80,606	(1,635)	(2.03)
VAT Imports	68,810	89,129	82,355	6,774	8.23
Investment Revenue	4,543	5,015	8,115	(3,100)	(38.20)
Traffic Revenue	1,931	2,519	1,870	649	34.72
Others 1/	41,525	29,414	21,788	7,626	35.00
Railway Development Levy	-	14,626	9,933	4,692	47.24
(b) Appropriation In Aid 2/	32,432	14,197	50,636	(36,439)	(71.96)
(c) External Grants	12,120	13,237	57,526	(44,289)	(76.99)
Total Revenue and External Grants	576,143	687,320	784,034	(96,713)	(12.34)
Total Revenue and External Grants as a percentage of GDP	15.73	16.50	18.83		

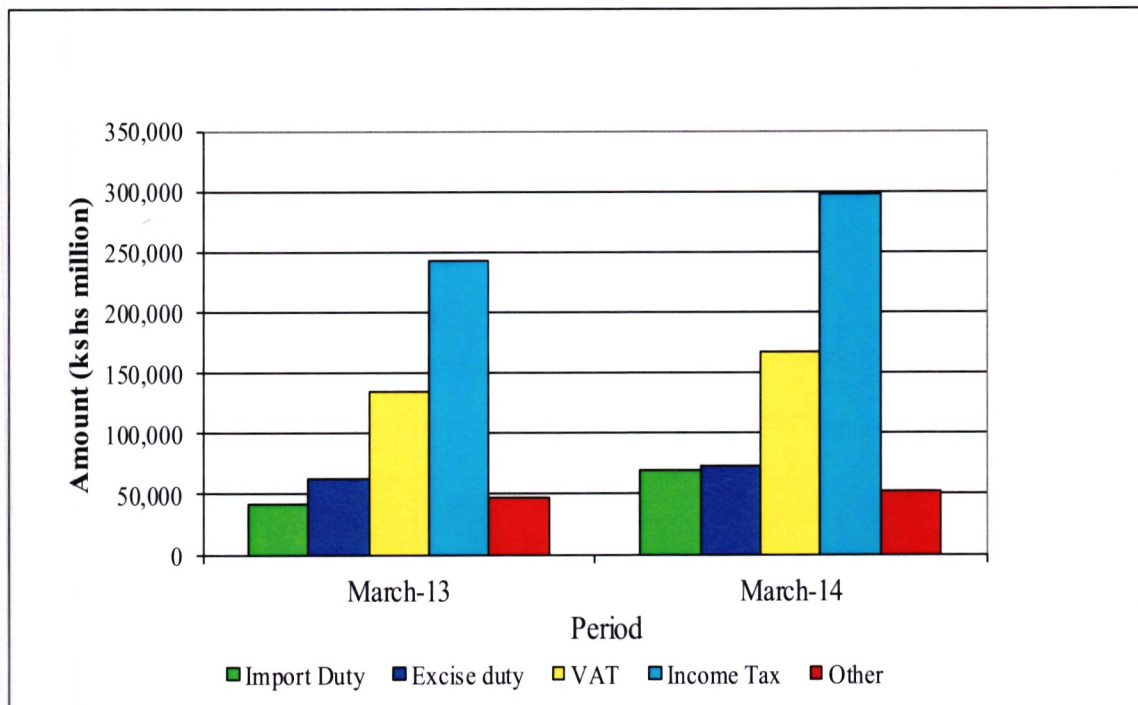
1/ includes rent of buildings, fines and forfeitures, other taxes, reimbursements and other fund contributions, and miscellaneous revenue.

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

Source: National Treasury

25. As a proportion of GDP, total cumulative revenue and grants in the period under review amounted to 16.50 percent compared to 15.73 percent in the corresponding period of the FY 2012/13. External grants amounted to KSh. 13.2 billion against a target of KSh. 57.5 billion, representing an under performance of KSh. 44.3 billion.

Chart 9: Total Ordinary Revenue



Source: National Treasury

2.2 Expenditure

26. Total expenditure and net lending, for the period under review, amounted to KSh. 843.5 billion, against a target of KSh. 1,125.1 billion. The shortfall of KSh. 281.5 billion was attributed to lower absorption recorded in both recurrent and development expenditures by the National and County Governments (*Table 6 and Chart 10*). Recurrent expenditure amounted to KSh. 500.0 billion, against a target of KSh. 560.4 billion, with underperformance recorded in operations and maintenance, wages and salaries, and pensions which accounted for KSh. 41.3 billion, KSh. 7.3 billion and for KSh. 9.9 billion, respectively. The lag between spending at the district level and reporting to the headquarters attributed to the apparent expenditure underperformance.
27. Foreign interest payments amounted to KSh. 9.6 billion, compared to KSh. 8.7 billion in the same period of the 2012/13 FY. The domestic interest payment totalled KSh. 79.3 billion, which was higher than KSh. 78.9 billion paid in the corresponding period of the previous financial year, mainly due to higher borrowing.

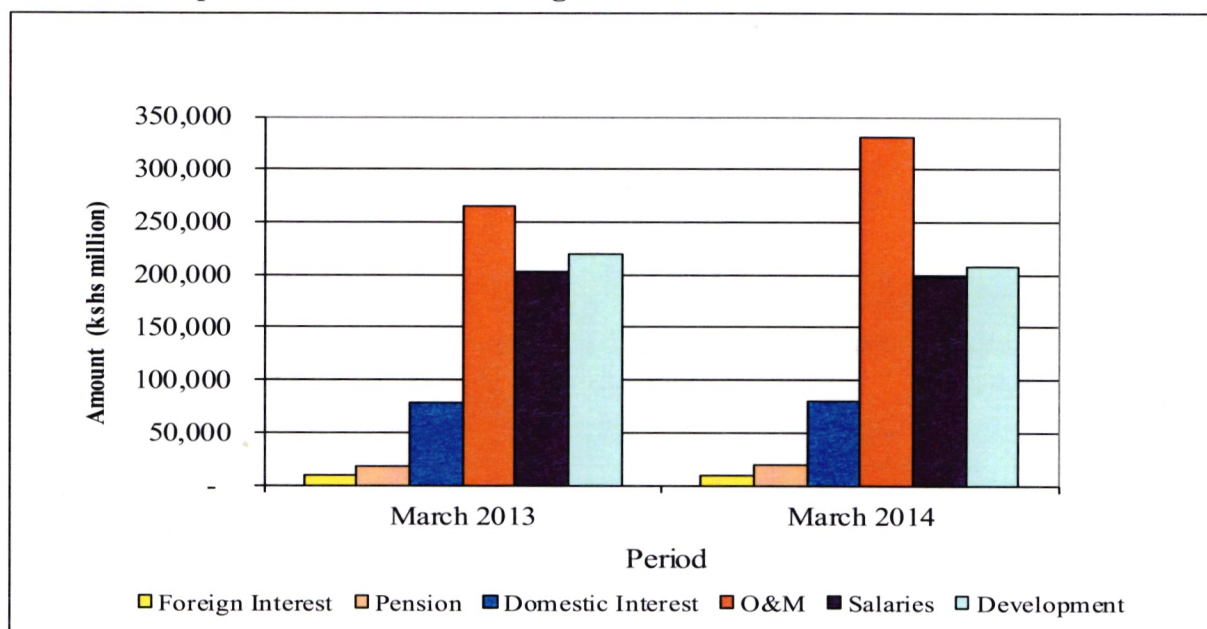
FISCAL DEVELOPMENTS

**Table 6: Expenditure and Net Lending, Third Quarter Ending 31st March 2014
(KSh. Million)**

	2012/2013 Actual	2013/14		Deviation	% Growth
		Actual	Targets		
1. RECURRENT	572,670	500,001	560,395	(60,394)	(12.7)
Domestic Interest	78,929	79,340	82,562	(3,222)	0.5
Foreign Interest	8,732	9,573	8,193	1,380	9.6
Pensions	17,438	19,272	29,167	(9,895)	10.5
Wages and Salaries	202,225	197,780	205,093	(7,313)	(2.2)
Operation and Maintenance	265,346	194,036	235,380	(41,344)	(26.9)
O/W: Change in Pending Bills					
: Appropriation-in-Aid	30,785	14,066	47,049	(32,984)	(54.3)
2. DEVELOPMENT	220,192	207,617	350,326	(142,710)	(5.7)
Development Projects (Net)	174,028	173,899	188,601	(14,701)	(0.1)
Payment of Guaranteed Loans	1,405	1,292	1,211	81	(8.0)
Appropriation-in-Aid	44,759	32,425	160,515	(128,090)	(27.6)
Change in Pending Bills				-	-
Transfer to County Governments		110,115	191,145	(81,029)	-
Parliamentary Service		15,320	9,905		
Judicial Service		10,478	9,551		
3. CCF	-	-	3,750	(3,750)	-
TOTAL EXPENDITURE	792,862	843,531	1,125,072	(281,541)	6.4

Source: National Treasury

Chart 10: Expenditure and Net Lending



Source: National Treasury

FISCAL DEVELOPMENTS

28. Total cumulative ministerial and other public agencies expenditure was KSh. 571.3 billion against a target of KSh. 787.2 billion. Recurrent expenditure was KSh. 413.1 billion against a target of KSh. 449.1 billion, while development expenditure was KSh. 158.2 billion against a target of KSh. 338.1 billion. The percentage of total expenditures to target was 72.6 percent as at the end of the period under review. As indicated earlier, the discrepancy between actual and target expenditures partly reflect the non-capture of the district expenditures and hence under reporting by ministries. These ministerial expenditures are therefore, provisional.
29. As at the end March 2014, expenditures by the ministry of Education, Science and Technology; Teachers Service Commission and ministry of Health accounted for 45.8 percent of total recurrent expenditure. While the Ministry of Interior and Coordination of National Government, and Ministry of Defense accounted for 13.1 percent and 11.9 percent respectively.
30. Analysis of development outlay indicates that the Ministry of Transport and Infrastructure accounted for the largest share of the total development expenditures, followed by Ministry of Devolution and Planning, Ministry of Energy & Petroleum, and Ministry of Agriculture Livestock and Fisheries, which accounted for, 30.1 percent, 16.4 percent, 9.1 percent and 8.8 percent respectively (**Table 7**). The development expenditures in large ministries were below the target because of non-inclusion of expenditures from the districts and donor funds. Details of the various Ministerial/Departmental and Commissions expenditures for the period under review.

Table 7: Ministerial Expenditures, Third Quarter Ending 31st March 2014 (KSh. Million)

MINISTRY/DEPARTMENT/COMMISSIONS	Mar-14		Variance	Mar-14		Variance	Mar-14		Variance	% total expenditure to total
	Recurrent			Development			Total			
	Actual*	Target		Actual*	Target		Actual*	Target		
101 The Presidency	2,824	3,288	(464)	964	1,155	(191)	3,789	4,443	(655)	85.27
102 Ministry of Interior and Coordination of National Government	54,121	22,509	31,611	2,667	3,380	(713)	56,788	25,890	30,898	219.34
103 Ministry of Devolution and Planning	11,764	12,305	(541)	25,880	43,976	(18,097)	37,644	56,281	(18,637)	66.89
104 Ministry of Defence	48,959	55,884	(6,925)	-	-	-	48,959	55,884	(6,925)	87.61
105 Ministry of Foreign Affairs and International Affairs	4,379	8,117	(3,738)	33	219	(186)	4,412	8,335	(3,924)	52.93
106 Ministry of Education, Science and Technology	64,031	75,892	(11,861)	4,877	23,477	(18,600)	68,908	99,369	(30,461)	69.35
107 The National Treasury	13,350	20,826	(7,476)	4,993	29,542	(24,549)	18,343	50,368	(32,025)	36.42
108 Ministry of Health	11,604	16,967	(5,363)	8,093	18,099	(10,006)	19,697	35,066	(15,369)	56.17
109 Ministry of Transport and Infrastructure	13,120	24,058	(10,937)	47,566	69,692	(22,126)	60,687	93,750	(33,063)	64.73
110 Ministry of Environment Water and Natural Resources	6,139	10,116	(3,977)	14,764	33,368	(18,604)	20,903	43,484	(22,581)	48.07
111 Ministry of Land Housing and Urban Development	2,818	3,005	(186)	5,315	13,954	(8,640)	8,133	16,959	(8,826)	47.96
112 Ministry of Information and Communications and Technology	1,631	1,702	(70)	2,735	6,574	(3,839)	4,366	8,276	(3,909)	52.76
113 Ministry of Sports Culture and Arts	2,185	2,344	(158)	782	710	72	2,967	3,054	(87)	97.16
114 Ministry of Labour Social Security and Services	4,097	5,935	(1,839)	3,110	6,055	(2,945)	7,207	11,991	(4,784)	60.11
115 Ministry of Energy & Petroleum	2,181	1,766	415	14,351	56,077	(41,726)	16,532	57,843	(41,311)	28.58
116 Ministry of Agriculture Livestock and Fisheries	7,322	9,453	(2,132)	13,958	21,612	(7,654)	21,279	31,065	(9,785)	68.50
117 Ministry of Industrialization and Enterprise Development	1,823	2,385	(562)	2,443	2,665	(222)	4,266	5,050	(784)	84.48
118 Ministry of Commerce Tourism and East African Affairs	3,353	3,529	(176)	653	675	(22)	4,006	4,204	(198)	95.30
119 Ministry of Mining	203	545	(342)	346	583	(236)	550	1,128	(578)	48.72
120 Office of The Attorney General and Department of Justice	1,384	1,650	(266)	256	560	(304)	1,640	2,210	(569)	74.23
121 The Judiciary	8,643	8,411	231	1,114	3,149	(2,035)	9,757	11,560	(1,803)	84.40
122 Ethics and Anti-Corruption Commission	428	934	(506)	-	-	-	428	934	(506)	45.81
123 National Intelligence Service	12,044	10,888	1,156	-	-	-	12,044	10,888	1,156	110.62
124 Directorate of Public Prosecutions	620	1,041	(421)	1,841	65	1,776	2,462	1,107	1,355	222.46
125 Commission for the Implementation of the Constitution	156	317	(161)	-	-	-	156	317	(161)	49.28
126 Registrar of Political Parties	274	244	31	-	-	-	274	244	31	112.53
127 Witness Protection Agency	95	127	(31)	-	-	-	95	127	(31)	75.32
201 Kenya National Commission on Human Rights	151	198	(47)	-	-	-	151	198	(47)	76.21
202 National Land Commission	-	455	(455)	-	-	-	-	455	(455)	-
203 Independent Electoral and Boundaries Commission	2,431	2,965	(534)	26	155	(129)	2,457	3,120	(663)	78.76
204 Parliamentary Service Commission	14,049	12,427	1,622	1,271	1,826	(555)	15,320	14,253	1,067	107.48
205 Judicial Service Commission	153	327	(173)	-	-	-	153	327	(173)	46.95
206 The Commission on Revenue Allocation	129	202	(73)	-	-	-	129	202	(73)	63.80
207 Public Service Commission	468	508	(41)	145	174	(29)	613	682	(70)	89.78
208 Salaries and Remuneration Commission	213	369	(156)	-	-	-	213	369	(156)	57.69
209 Teachers Service Commission	113,638	124,304	(10,666)	-	-	-	113,638	124,304	(10,666)	91.42
210 National Police Service Commission	151	310	(158)	-	-	-	151	310	(158)	48.86
211 Auditor-General	1,629	1,921	(292)	-	394	(394)	1,629	2,314	(686)	70.38
212 Controller of Budget	178	299	(121)	-	-	-	178	299	(121)	59.44
213 The Commission on Administrative Justice	216	223	(7)	-	-	-	216	223	(7)	96.80
214 National Gender and Equality Commission	106	176	(70)	-	-	-	106	176	(70)	60.39
215 Independent Police Oversight Authority	81	160	(79)	-	-	-	81	160	(79)	50.73
	413,140	449,078	(35,938)	158,185	338,137	(179,952)	571,325	787,216	(215,891)	72.58

*Provisional

Source: National Treasury

FISCAL DEVELOPMENTS

2.2.1 Guaranteed Loans to Parastatals

31. Scheduled cumulative principal and interest payments of guaranteed loans to parastatals with liquidity problems amounted to KSh. 785.6 million for FY 2013/14, of which KSh. 737.1 million was paid by the end of the period. (*Table 8*).

Table 8: Schedule and actual payments on Guaranteed Debt for the period ending 31st March 2014 (KSh. Mn)

Borrower	Quarter I		Quarter II		Quarter III		Cumm. March 2014*	
	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual
NCC	39.96	-	-	37.73	37.57	38.11	77.53	75.84
TARDA	175.66	154.83	-	-	137.51	145.74	313.17	300.58
KBC	-	-	394.89	360.66	-	-	394.89	360.66
TOTAL (QTR)	215.62	154.83	394.89	398.39	175.08	183.86	785.59	737.08

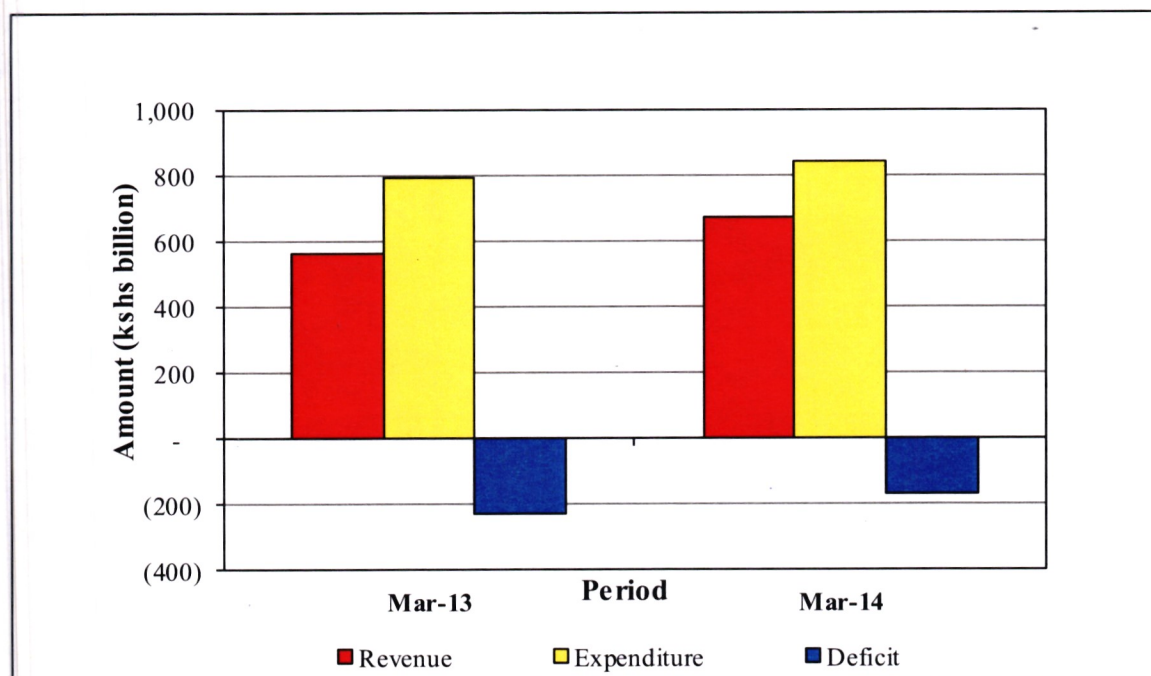
* Provisional

Source: National Treasury

2.3 Fiscal Outturn

32. As at end of the third quarter of FY 2013/14, cumulative overall fiscal balance (on a commitment basis and excluding grants), amounted to KSh. 169.4 billion (equivalent to 4.1 percent of GDP against a targeted deficit of KSh. 398.6 billion (equivalent to 9.6 percent of GDP) (*Chart 11 and Table 9*). Over the same period in the FY 2012/13, the fiscal deficit stood at KSh. 228.8 billion (equivalent to 6.3 percent of GDP). Including grants, the fiscal balance (on a commitment basis) recorded a deficit of 3.8 percent of GDP against a targeted deficit of 8.2 percent of GDP. The fiscal outturn for the fiscal years is provided as **Annex I**.

Chart 11: Fiscal Balance as at March 2014



Source: National Treasury

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Table 9: Budget Outturn, Cumulative Ending 31st March 2014 (KSh. Million)

	2012/2013 Actual	2013/2014		Deviation	% growth	2013/2014 as a % of GDP		2012/2013 Actual as a % of GDP
		Actual	Targets			Actual	Targets	
A. TOTAL REVENUE AND GRANTS	576,143	687,320	784,034	(96,714)	19.30	16.50	18.83	15.73
1. Revenue	564,024	674,083	726,508	(52,424)	19.51	16.19	17.44	15.40
Ordinary Revenue(Inc RDL)	531,592	659,886	675,871	(15,985)	24.13	15.85	16.23	14.51
Import Duty	42,459	69,518	75,629	(6,111)	63.73	1.67	1.82	1.16
Excise Duty	63,088	72,452	81,665	(9,214)	14.84	1.74	1.96	1.72
Income tax	243,592	298,242	313,910	(15,668)	22.43	7.16	7.54	6.65
VAT	134,455	168,100	162,961	5,139	25.02	4.04	3.91	3.67
Investment Revenue	4,543	5,015	8,115	(3,100)	10.40	0.12	0.19	0.12
Others	43,455	46,559	33,591	12,968	7.14	1.12	0.81	1.19
Appropriation-in-Aid	32,432	14,197	50,636	(36,439)	(56.22)	0.34	1.22	0.89
2. Grants	12,120	13,237	57,526	(44,289)	9.22	0.32	1.38	0.33
AMISOM Receipts	0	4,365	3,579	785	-	0.00	0.09	0.00
Revenue	6,397	4,189	9,227	(5,038)	(34.53)	0.10	0.22	0.17
Appropriation-in-Aid	5,722	4,170	44,720	(40,550)	(27.12)	0.10	1.07	0.16
Italian Debt Swap		514	0					
B. EXPENDITURE and NET LENDING	792,862	843,531	1,125,072	(281,541)	6.39	20.25	27.02	21.65
1. Recurrent	572,670	500,001	560,395	(60,394)	(12.69)	12.01	13.46	15.64
Domestic Interest	78,929	79,340	82,562	(3,222)	0.52	1.91	1.98	2.16
Foreign Interest Due	8,732	9,573	8,193	1,380	9.63	0.23	0.20	0.24
Pension	17,438	19,272	29,167	(9,895)	10.52	0.46	0.70	0.48
Wages and Salaries	202,225	197,780	205,093	(7,313)	(2.20)	4.75	4.92	5.52
O & M/Others	265,346	194,036	235,380	(41,344)	(26.87)	4.66	5.65	7.24
County Governments		110,115	191,145	(81,029)	-	2.64	4.59	0.00
Parliamentary Service		15,320	9,905	5,415	-	0.00	0.24	0.00
Judicial Service		10,478	9,551	927	-	0.00	0.23	0.00
2. Development and Net Lending	220,192	207,616	350,326	(142,710)	(5.71)	4.99	8.41	6.01
3. CCF	0	0	3,750	(3,750)	-	0.00	0.09	0.00
C. DEFICIT EXCL.GRANT (Commitment basis)	(228,838)	(169,448)	(398,564)	229,116	(25.95)	(4.07)	(9.57)	(6.25)
D. DEFICIT INCL.GRANTS (Commitment basis)	(216,719)	(156,211)	(341,038)	184,827	(27.92)	(3.75)	(8.19)	(5.92)
E. ADJUSTMENT TO CASH BASIS	30,101	(1,107)	-	(1,107)	(103.68)	(0.03)	-	0.82
F. DEFICIT INCL.GRANTS (Cash basis)	(186,618)	(157,318)	(341,038)	183,720	(15.70)	(3.78)	(8.19)	(5.10)
G. FINANCING	186,618	157,318	341,038	(183,719)	(15.70)	3.78	8.19	5.10
1. Foreign financing	30,350	29,677	125,187	(95,511)	(2.22)	0.71	3.01	0.83
Disbursements	51,296	49,212	150,077	(100,865)	(4.06)	1.18	3.60	1.40
Project Cash Loans	13,906	21,088	37,704	(16,616)	51.64	0.51	0.91	0.38
Loans AIA	37,390	28,124	112,373	(84,250)	(24.78)	0.68	2.70	1.02
Repayment due (current)	(20,947)	(19,535)	(24,890)	5,355	(6.74)	(0.47)	(0.60)	(0.57)
Change in arrears (current)	0	0	0	-	-	0.00	-	0.00
Domestic Loan Repayments(Receipts)	3,447	202	822	(620)	-	0.00	0.02	0.09
2. Commercial Financing	0	0	0	-	-	0.00	-	0.00
3. Domestic financing	152,821	127,439	215,028	(87,589)	(16.61)	3.06	5.16	4.17
MEMO ITEM								
GDP ESTIMATE	3,662,557.58	4,164,600.00	4,164,600.00					

*Provisional

Source: National Treasury

2.4 Financing

2.4.1 External Financing

33. Cumulative external financing by end of March 2014 amounted to a net borrowing of KSh. 29.7 billion compared to a net borrowing of KSh. 33.8 billion in the same period of FY 2012/13 (**Table 10**). Total disbursements (inflows) including Appropriations-in-Aid amounted to KShs. 49.2 billion in FY 2013/14 against a target of KSh. 150.1 billion. This amount included KSh. 21.1 billion project cash loans and KSh. 28.1 billion project loans (A.I.A). External repayments (outflows) of principal debt amounted to KShs. 19.5 billion against a target of KShs. 20.5 billion.

Table 10: External Financing, Third Quarter, Ending 31st March 2014 (KSh. Million)

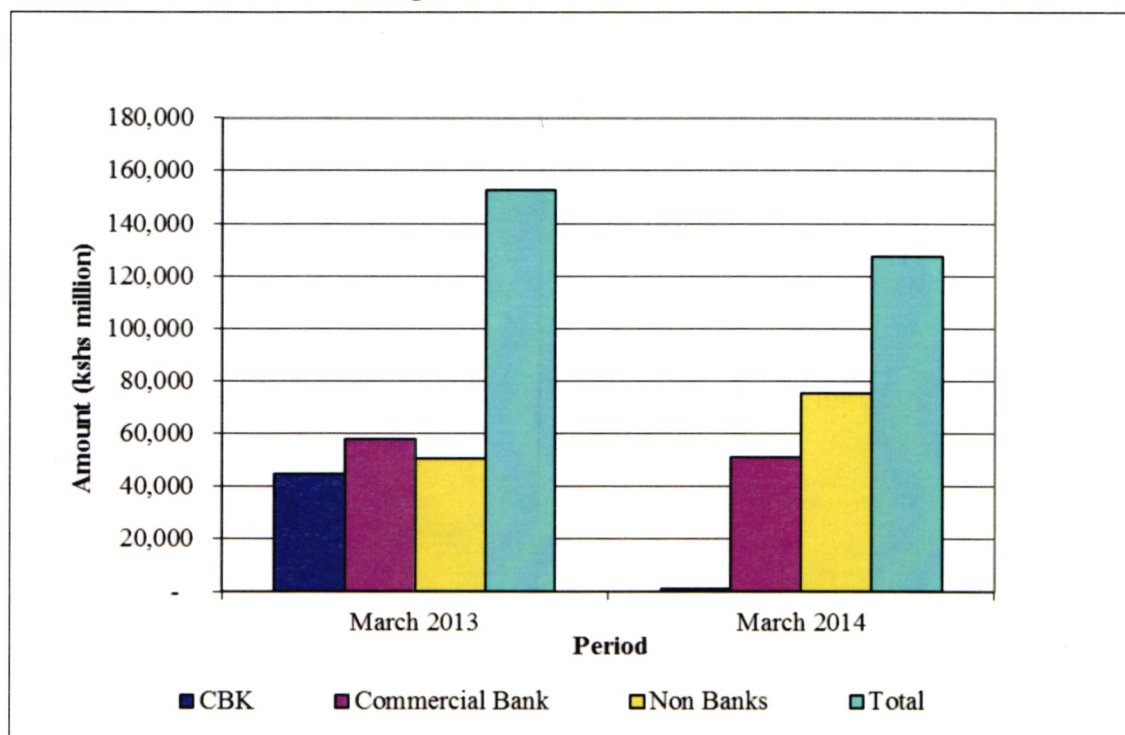
	Cumulative Actual	Quarter I	Quarter II	Quarter III	Cumulative March 2014	
	Mar-13	2013/14 Actual	2013/14 Actual	2013/14 Actual	Actual	Target
DISBURSEMENTS:	51,296.40	9,775.69	14,069.93	25,365.95	49,211.57	150,076.82
Project Cash loans	13,906.20	7,483.38	5,035.47	8,569.03	21,087.88	37,703.60
Project loans A-I-A	37,390.21	2,292.31	9,034.46	16,796.92	28,123.69	112,373.22
Commercial Financing	-	-	-	-	-	-
EXTERNAL REPAYMENTS:	17,499.13	5,695.82	7,196.15	6,643.00	19,534.98	20,478.97
Bilateral(incl. Italy Debt SWAP)	7,777.35	2,166.83	4,270.29	3,047.18	9,484.30	9,669.05
Multilateral (excl. IMF)	9,721.78	3,529.00	2,514.23	3,595.82	9,639.05	10,809.92
Commercial	-	-	411.63	-	411.63	-
Other	-	-	-	-	-	-
NET FOREIGN FINANCING	33,797.28	4,079.86	6,873.78	18,722.95	29,676.60	129,597.85

Source: National Treasury

2.4.2 Domestic Financing

34. By the end of March 2014, net domestic borrowing amounted to KSh. 127.4 billion against a target of KSh. 215 billion (**Table 9**). The borrowing comprised of KSh. 51.0 billion from Commercial Banks, KSh. 70.0 billion from Non-Bank Financial Institutions, and KSh. 993.0 million from Central Bank, and KSh. 5.5 billion from Non Residents (**Table 11**). Comparatively, for the same quarter in the FY 2012/13, net domestic borrowing was KSh. 152.8 billion, comprising of net borrowings of KSh. 44.7 billion from the Central Bank, KSh. 57.7 billion from commercial Bank, KSh. 52.2 billion from Non-Banks , and a net repayments of KSh. 1.7 billion to Non-Resident, (**chart 12**).

Chart 12: Domestic Financing



Source: Central Bank of Kenya

35. The stock of Treasury Bills held by the Commercial Banks recorded a net decrease of KSh. 5.8 billion, by the end of March 2014 (*Table 11*). However, the stock of Treasury Bills held by the Central Bank, Non-Banking Financial Institutions, and Non-Residents recorded net increases of KSh. 14.5 billion, KSh. 20.0 billion, and KShs. 4.1 billion respectively. The stock of Fixed Rate Bonds held by Commercial Banks and Non-Banking Financial Institutions recorded a net increase of KSh. 48.2 billion and KSh. 32.2 billion, respectively, while the stock of Fixed Rate Bonds held by the Central Bank and Non-residents recorded a net decrease of KSh. 288.0 million and KSh. 28 million, respectively.

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Table 11: Domestic Financing, Third Quarter Ending 31st March 2014 (KSh. Millions)

	MARCH	JUNE	SEPTEMBER	DECEMBER	MARCH
	2013	2013	2013	2013	2014
1. CENTRAL BANK	44,656	(25,295)	(15,534)	(29,995)	993
Overdraft	18,117	(258)	27,188	27,188	27,188
IMF funds onlet to Govt					-
Treasury bills rediscounts	(6,563)	(6,570)	3,028	1,454	14,548
Stocks					-
Floating rate T. Bonds					-
Fixed rate Bonds	(2,907)	(2,964)	(202)	(299)	(288)
Items on Transit	(155)	(98)	(75)	(106)	(114)
Frozen Account	(555)	(1,110)	-		(555)
Less Govt Deposits	36,718	(14,296)	(45,473)	(58,233)	(39,785)
2. COM. BANKS	57,746	112,385	6,930	27,601	50,966
Advances	5,348	1,320	(7)	(23)	(9)
Stocks					-
Treasury bills	48,323	98,289	14,448	6,300	(5,771)
Floating rate T. Bonds					-
Fixed rate Bonds	6,466	10,590	566	10,676	48,205
Special Bonds		(5,000)	-		
Zero Coupon bonds					
Infrastructure Bonds			10,371	16,759	16,759
Savings and Development Bond					
Less Govt Deposits	(2,391)	7,186	(18,448)	(6,110)	(8,218)
3. NON BANKS	52,165	83,986	55,546	67,760	69,964
Stocks					
Treasury bills	12,031	33,895	19,002	26,538	20,042
Floating Rate T. Bonds					
Fixed rate Bonds	40,134	50,091	28,437	23,483	32,183
Zero Coupon bonds					
Infrastructure Bonds			8,107	17,739	17,739
Savings and Development Bond					
4. NON RESIDENTS	(1,747)	(1,299)	1,560	2,002	5,517
Treasury bills	(400)	(401)	98	577	4,102
Floating rate T. Bonds					-
Fixed rate Bonds	(1,347)	(898)	20	(18)	(28)
Infrastructure Bond			1,443	1,443	1,443
Savings and Development Bond					
Zero Coupon bonds					
5. NET CREDIT	152,821	169,776	48,502	67,368	127,439

Note: Treasury bills as reflected here are given at cost value as opposed to Table 13 given at Face value.

Source: Central Bank of Kenya

3.0 PUBLIC DEBT

3.1 Overall Debt Position

36. Gross public debt increased from KSh. 1,894.1 billion as at end of June 2013 to KSh. 2,127.5 billion (equivalent to 51.1 percent of GDP) by 31st March 2014, comprising of 42.1 percent external and 57.9 percent domestic. Net public debt increased by KSh. 257.1 billion from June 2013 to March 2014 (*Table 12*). While for the period December 2013 to March 2014, Net public debt increased by KSh. 166.4 billion. The overall increase was attributed to an increase in disbursements from the external creditors and also due to exchange rate movements.

Table 12: Kenya's Public and Publicly Guaranteed Debt, June 2008- March 2014 (KSh. millions)

	Jun-09	Jun-10	Jun-11	Jun-12	Sept. 12	Dec. 12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14*
EXTERNAL											
BILATERAL	185,933	196,347	256,965	246,240	269,250	265,416	255,282	257,637	228,180	245,138	243,498
MULTILATERAL	331,105	352,333	440,882	462,963	466,975	482,714	490,619	511,791	540,215	558,725	577,914
COMMERCIAL BANKS	-	-	-	50,540	51,112	58,378	57,905	58,928	59,603	59,144	59,205
SUPPLIERS CREDIT	23,837	20,458	25,041	14,812	15,121	15,463	14,957	15,207	15,606	15,763	15,750
SUB - TOTAL	540,875	569,138	722,888	774,555	802,458	821,971	818,763	843,563	843,603	878,770	896,366
DOMESTIC:											
CENTRAL BANK	39,902	50,215	39,692	47,382	57,199	56,774	55,320	36,383	66,321	64,620	77,161
COMMERCIAL BANKS	250,708	351,579	378,376	411,867	448,736	486,089	475,427	527,080	554,587	563,009	585,825
TOTAL BANKS	290,611	401,794	418,068	459,249	505,935	542,863	530,747	563,462	620,909	627,629	662,986
NON BANKS	230,421	258,474	346,155	399,580	416,271	428,402	451,164	487,094	547,207	561,554	568,197
SUB-TOTAL	521,032	660,268	764,223	858,830	922,206	971,265	981,911	1,050,556	1,168,115	1,189,183	1,231,183
GRAND TOTAL GROSS	1,061,907	1,229,406	1,487,111	1,633,385	1,724,664	1,793,236	1,800,674	1,894,119	2,011,719	2,067,953	2,127,549
LESS ON-LENDING	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)
LESS GOVERNMENT DEPOSITS	(111,115)	(119,785)	(133,773)	(151,907)	(164,228)	(154,887)	(119,044)	(155,734)	(231,857)	(238,898)	(132,056)
GRAND TOTAL NET	945,091	1,103,919	1,347,637	1,475,776	1,554,735	1,632,648	1,675,929	1,732,684	1,774,161	1,823,354	1,989,792

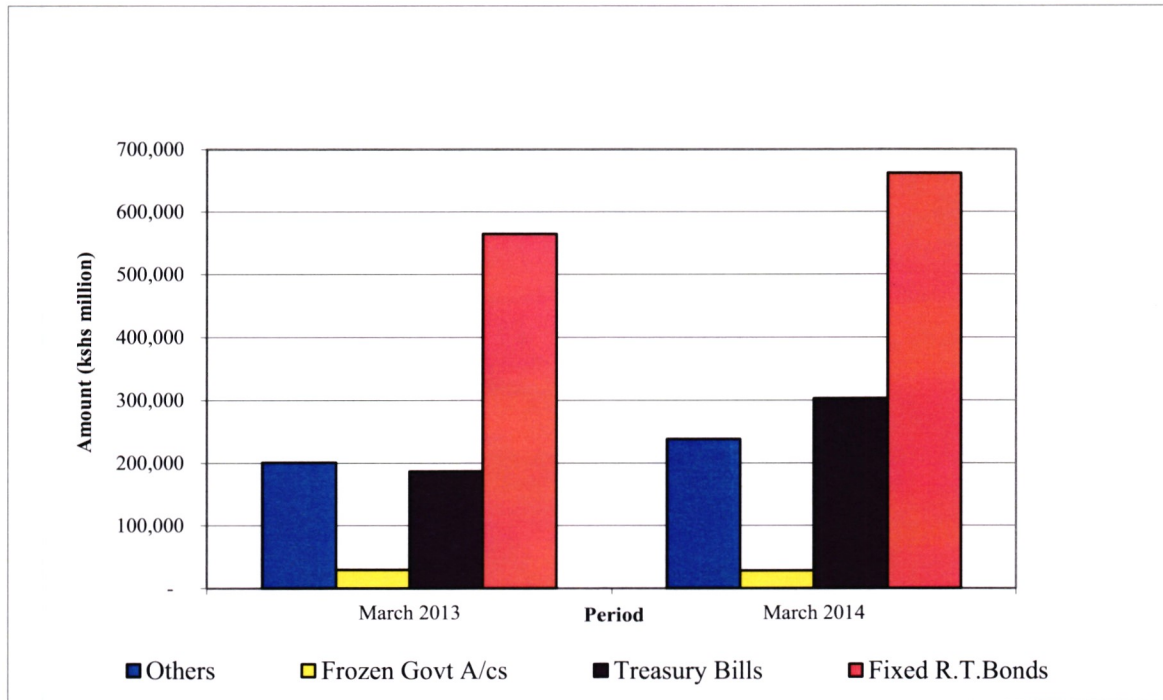
*Provisional

Source: National Treasury

3.2 Domestic Debt

37. The stock of domestic debt increased by KSh. 180.6 billion from KSh. 1,050.6 billion in June 2013 to KSh. 1,231.2 billion in March 2014. Analysis (using figures in *Table 13*) indicates that the stock of Treasury Bills held by Central Bank, Commercial Banks, Non-Banking Financial Institution and Non Residents increased by KSh. 35.1 billion from KSh. 267.7 billion in June 2013 to KSh. 302.8 billion in March 2014. Meanwhile, the total stock of Treasury Bonds, Floating, Fixed Rate, Special and Zero coupon Bonds, increased by KSh. 81.0 billion from KSh. 591.1 billion in June 2013 to KSh. 672.1 billion in March 2014 (*Chart 13*).

Chart 13: Domestic Debt Stock by Instruments



Source: Data from CBK

Table 13: Stock of Domestic Debt, Third Quarter 2013/2014 (KSh. million)

	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
1.CENTRAL BANK	55,320	36,383	66,321	64,620	77,161
Overdraft	25,373	6,999	34,187	34,187	34,187
Frozen Govt Accounts	29,444	28,889	28,889	28,889	28,334
Treasury bills / bonds rediscounts	15	8	3,036	1,462	14,556
Items on Transit	97	154	79	48	39
Fixed rate bonds	391	333	131	35	45
2.COMBANKS	475,427	527,080	554,587	563,009	585,825
Advances	7,127	2,578	2,427	2,439	2,211
Stocks					-
Treasury Bills	126,281	183,454	199,290	191,083	175,776
Floating Rate T. Bonds					-
Fixed Rate T. Bonds	258,660	262,689	263,319	273,150	311,502
Special Bonds	15,000	10,000	10,000	10,000	10,000
Zero Coupon Bonds					
Savings and Development Bond	7,148	7,148	7,148	7,148	7,148
Infrastructure Bonds	61,210	61,210	72,403	79,188	79,188
3. NON BANKS	442,241	477,525	537,480	551,277	554,226
Stocks					
Treasury Bills	54,392	78,155	99,088	107,918	101,952
Floating Rate T. Bonds					
Fixed Rate T. Bonds	303,507	315,028	343,894	338,633	347,551
Tax Reserve Certificate	69	69	69	69	69
Zero Coupon Bonds					
Infrastructure Bonds	69,201	69,201	79,357	89,585	89,583
Savings and Development Bond	15,072	15,072	15,072	15,072	15,072
4. NON RESIDENTS	8,923	9,569	9,727	10,277	13,971
Treasury Bills	5,908	6,076	6,212	6,798	10,500
Floating Rate T. Bonds					-
Fixed Rate T. Bonds	2,565	3,043	3,065	3,028	3,017
Zero Coupon Bonds					
Savings and Development Bond	9	9	9	9	9
Infrastructure Bonds	441	441	441	443	445
5. TOTAL DEBT	981,911	1,050,556	1,168,115	1,189,183	1,231,183
6. LESS ON-LENDING	5,701	5,701	5,701	5,701	5,701
7. Less Govt Deposits	119,044	155,734	231,857	238,898	132,056
8. NET DEBT	857,166	889,121	930,558	944,584	1,093,426

NOTE: Treasury Bills reflected here are at face value as opposed to Table 11, given at cost

Source: Central Bank of Kenya

FISCAL DEVELOPMENTS

3.3 External Public Debt

38. In dollar terms, external public debt increased by US \$ 1,071.4 million from US\$ 9,807.7 million in June 2013 to US\$ 10,879.1 million by end of March 2014 (**Table 14 and Chart 14**). This comprised of debt owed to bilateral (30.2 percent), multilateral (61.9 percent), Commercial Banks (6.3 percent) and suppliers' credit (1.7 percent). However, the external debt on a quarterly basis between September 2013 and March 2014 has been decreasing as follows, Sept 2013 - Dec 2013 (US\$ 485.7 mn) and Dec 2013-March 2014 (US\$ 237.4 mn). This is mainly due to exchange rate movements.

Table 14: Kenya's External Public and Publicly Guaranteed Debt June 2008- March 2014 (US \$ Million)

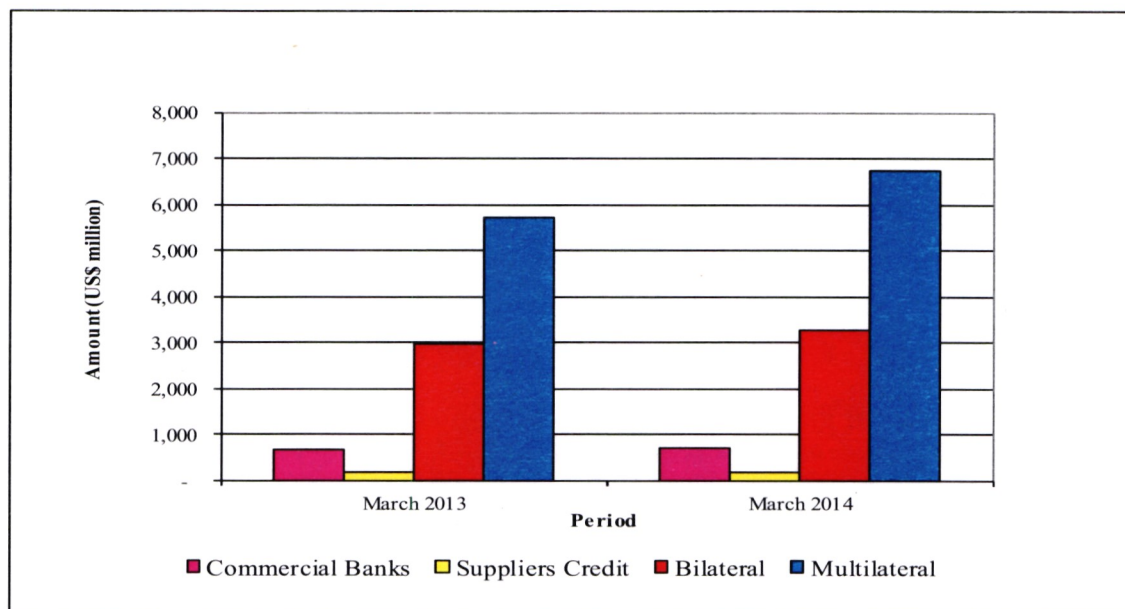
CREDITOR	Jun-09	Jun-10	Jun-11	Jun-12	Sep. 12	Dec-12	Mar-13	Jun-13	Sept. 2013	Dec. 2013*	Mar-13
BILATERAL											
AUSTRIA	28.74	22.14	22.45	15.64	14.60	14.30	12.20	11.90	12.29	10.12	10.08
BELGIUM	91.73	82.70	100.57	87.44	89.10	96.80	86.90	88.40	89.10	87.89	92.58
CANADA	20.60	19.60	14.2	17.70	13.20	13.20	16.90	16.10	16.17	15.39	15.39
DENMARK	30.52	28.00	35.4	24.65	25.20	25.30	23.80	23.10	23.86	23.46	23.38
FINLAND	1.67	1.45	1.47	1.24	1.30	1.20	1.20	1.10	1.14	1.07	1.07
FRANCE	364.22	343.93	448.98	435.80	485.90	527.20	535.10	551.10	626.96	683.57	689.44
GERMANY	213.08	198.20	296.78	295.36	291.60	297.40	287.80	291.10	301.74	305.06	303.81
ITALY	74.53	53.07	48.83	34.75	25.30	25.90	24.50	24.80	19.64	19.87	19.79
JAPAN	1,177.40	1,206.80	1,244.58	1,275.10	1,247.90	1,132.90	1,020.50	1,009.10	1,020.08	956.77	958.02
NETHERLANDS	27.74	22.91	33.52	34.73	34.10	35.20	32.10	30.20	34.13	32.48	31.45
UK	30.51	26.00	25.91	22.99	23.90	23.70	21.20	20.10	21.30	20.35	20.52
USA	73.48	69.94	65.66	60.90	59.90	59.90	57.40	56.00	55.55	53.39	52.22
CHINA	153.20	175.60	361.1	466.81	706.8	712.49	727.08	733.92	753.27	940.63	918.54
OTHERS	122.51	146.71	160.08	150.29	137.6	134.31	134.22	138.38	140.78	150.28	145.07
PARASTATALS(Bilateral)											
TOTAL BILATERAL	2,409.93	2,397.05	2,859.53	2,923.42	3,156.40	3,099.80	2,980.90	2,995.30	3,116.02	3,300.33	3,281.36
MULTILATERAL											
ADB/ADF	423.17	500.51	585.83	811.08	856.80	876.10	952.30	938.60	1,084.69	1,115.65	1,188.59
EEC/EIB	143.38	128.15	139.06	129.80	128.10	149.20	182.20	183.30	186.41	187.73	183.82
IDA/IFAD	3,194.50	3,175.30	3,552.80	3,532.90	3,594.60	3,566.10	3,626.20	3,867.40	3,927.23	4,098.20	4,291.81
IMF**	244.60	416.40	529.49	909.60	795.70	893.90	864.50	857.80	867.34	966.04	961.84
OTHERS	74.92	80.77	98.93	112.76	106.60	108.00	103.80	103.40	106.31	105.87	104.55
TOTAL MULTILATERAL	4,080.57	4,301.13	4,906.11	5,496.15	5,481.80	5,593.30	5,729.00	5,950.50	6,171.97	6,473.49	6,730.62
COMMERCIAL BANKS 1/	-	-	-	600.00	600.00	678.60	676.20	685.10	687.89	685.26	684.91
EXPORT CREDIT	308.90	249.74	278.65	175.84	177.50	179.70	174.70	176.80	180.11	182.64	182.20
GRAND TOTAL	6,799.40	6,947.92	8,044.29	9,195.41	9,415.70	9,551.40	9,560.80	9,807.70	10,155.99	10,641.72	10,879.09
BILATERAL	35.44	34.50	35.55	31.79	33.52	32.45	31.18	30.54	30.68	31.01	30.16
MULTILATERAL	60.01	61.91	60.99	59.77	58.22	58.56	59.92	60.67	60.77	60.83	61.87
COMMERCIAL BANKS 1/	-	-	-	6.52	6.37	7.10	7.07	6.99	6.77	6.44	6.30
EXPORT CREDIT	4.54	3.59	3.46	1.91	1.89	1.88	1.83	1.80	1.77	1.72	1.67
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

*Provisional

** include IMF item

Source: National Treasury

Chart 14: External Public Debt

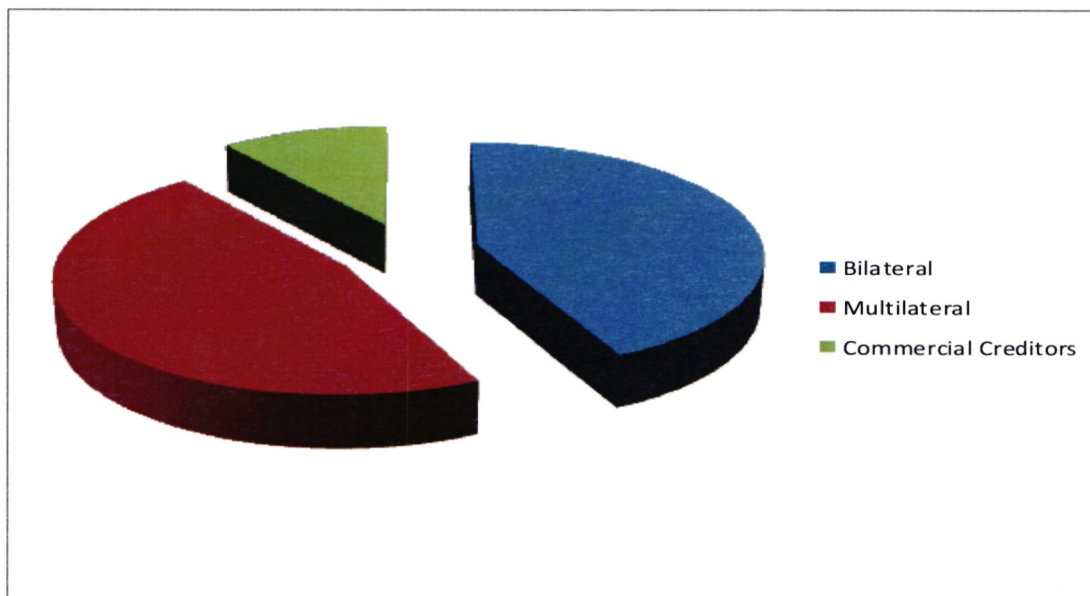


Source: National Treasury

3.3.1 External Debt Service

39. At the end of March 2014, the total cumulative debt service payments to external creditors amounted to KSh. 31.3 billion. This comprised of KSh. 21.7 billion (69.4 percent) principal and KSh. 9.6 billion (30.6 percent) interest (*Table 15 and chart 15*). The principal includes KSh. 2.2 billion to IMF serviced by CBK.

Chart 15: External Debt by Creditors March, 2014



Source: National Treasury

FISCAL DEVELOPMENTS

Table 15: External Debt Service, July 2013– March 2014 (KSh. Million)

CATEGORY	PRINCIPAL*	INTEREST*	TOTAL*
BILATERAL			
AUSTRIA	210.95	10.10	221.05
FINLAND	7.05	0.44	7.49
FRANCE	1,768.89	785.35	2,554.24
ITALY	534.05	0.49	534.54
JAPAN	3,345.34	650.42	3,995.76
SAUDI FUND	480.01	44.28	524.29
SPAIN	352.82	172.46	525.28
USA	234.79	104.75	339.54
CANADA	58.74	5.85	64.59
BELGIUM	1,124.52	198.04	1,322.56
GERMANY	30.86	14.00	44.86
CHINA	807.22	1,793.48	2,600.70
KUWAIT	117.17	23.86	141.03
NETHERLANDS	136.26	38.10	174.36
SWEDEN	21.31	1.73	23.04
SWITZERLAND	22.45	1.64	24.09
DENMARK	79.09	-	79.09
KOREA	29.71	19.13	48.84
UK	123.07	14.80	137.87
INDIA	-	29.69	29.69
TOTAL BILATERAL	9,484.30	3,908.61	13,392.91
MULTILATERAL			
ADB/ADF	422.38	575.70	998.08
BADEA	95.97	26.85	122.82
EEC	262.27	28.30	290.57
EIB	532.03	326.27	858.30
IDA	7,905.38	1,697.92	9,603.30
OPEC	280.53	54.75	335.28
NDF	-	23.33	23.33
IFAD	140.49	53.60	194.09
**IMF	2,170.03	-	2,170.03
TOTAL MULTILATERAL	11,809.08	2,786.72	14,595.80
COMMERCIAL	411.63	2,877.57	3,289.20
GRAND TOTAL	21,705.01	9,572.90	31,277.91

* Provisional

** IMF debt serviced by CBK

Source: National Treasury

FISCAL RESULTS, 2002/03 – 2013/2014 (KSh. Millions)

	2002/2003	2003/2004	2004/2005	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13*	2013/14**
A. TOTAL REVENUE	210,750	254,681.00	289,802	311,251	373,030	432,220	487,893	586,377	667,539	749,941	848,955	1,127,460
1. Revenue	190,591	226,478.00	265,725	283,427	340,010	396,489	455,780	538,836	609,223	683,579	777,800	1,038,981
Income Tax	66,744	77,410.00	94,095	108,897	124,855	156,832	184,447	216,760	258,651	312,463	373,086	455,914
VAT	56,135	61,725.00	75,989	76,263	96,270	111,939	126,854	146,792	171,881	176,386	184,916	229,008
Import Duty	18,477	22,324.00	23,532	20,511	27,510	32,944	36,111	41,372	46,072	51,172	57,650	97,458
Excise Duty	35,643	40,085.00	44,151	50,309	56,406	61,858	69,872	74,644	80,567	78,884	85,660	100,081
Other Revenue	13,592	24,934.00	27,948	27,447	34,970	32,916	38,426	59,268	52,053	64,133	76,488	156,519
2. Appropriation-in-Aid	20,159	28,203.00	24,087	27,824	33,020	35,731	32,113	47,541	58,316	66,362	71,155	88,479
B. EXPENDITURE & NET LENDING	264,144	282,187.00	303,373	382,818	419,570	534,842	595,719	725,201	811,849	945,313	1,111,859	1,470,612
1. Recurrent	220,618	244,476.00	255,746	306,515	306,847	403,368	435,542	510,516	592,427	650,414	796,098	792,670
Wages and Salaries	85,087	95,850.00	105,612	112,277	127,258	145,996	155,220	172,609	198,549	218,833	274,407	288,332
Interest Payments	36,026	29,700.00	30,470	41,247	42,537	47,877	52,058	63,523	76,199	81,113	112,135	121,079
Domestic Interest	27,567	23,281.00	23,375	31,445	36,860	42,111	45,949	57,382	69,209	71,873	100,114	100,065
Foreign Interest Due	8,459	6,419.00	7,095	9,802	5,677	5,696	6,109	6,141	6,989	10,039	11,051	11,014
Pensions, etc	9,450	13,612.00	12,568	19,759	20,449	24,089	27,191	28,977	25,724	26,082	26,996	31,863
Civil Service Reform	957	273.00	-	1,300	1,392	800	1,211	50	5	6	10	-
Operations & maintenance/ Others	89,098	105,041.00	107,096	119,932	115,211	114,606	200,952	245,357	291,951	323,580	373,450	351,997
Of which Appropriation-in-Aid	18,221	23,443.00	20,999	23,891	28,701	32,343	40,611	42,807	54,036	61,578	68,551	63,396
2. Development & Net Lending	43,526	37,711.00	45,627	67,692	80,354	114,173	160,177	214,685	219,422	294,899	305,978	448,775
Development Projects	16,835	25,943.00	28,824	48,037	62,123	86,213	111,962	165,461	171,463	190,116	186,231	267,700
Appropriation-in-Aid	17,894	12,341.00	15,929	18,607	16,750	42,932	45,842	46,956	46,809	102,144	117,346	173,652
Payment of guaranteed loans	1,799	1,368.00	860	4,000	-	2,328	2,373	2,268	1,150	2,639	2,400	2,415
3. Drought Development Expenditures, CCF	-	-	2,000	1,048	1,481	-	-	-	-	-	-	5,000
4. Transfer to County Governments	-	-	-	-	-	-	-	-	-	-	9,783	193,467
5. Parliamentary Service	-	-	-	-	-	-	-	-	-	-	-	20,000
6. Judicial Service	-	-	-	-	-	-	-	-	-	-	-	15,700
D. DEFICIT EXCL. GRANTS (Commitment Basis)	(53,394)	(27,506.00)	(13,571)	(71,567)	(46,540)	(102,622)	(107,826)	(138,824)	(144,310)	(195,372)	(262,904)	(343,152)
E. GRANTS	14,942	16,224.00	14,905	20,070	15,494	25,449	18,065	31,190	17,769	15,161	20,506	78,909
F. DEFICIT INCL. GRANTS (Commitment basis)	(38,452)	(11,282.00)	1,334	(51,497)	(31,047)	(77,173)	(89,761)	(107,634)	(125,541)	(180,211)	(242,398)	(264,243)
G. ADJUSTMENT TO CASH BASIS	2,683	11,282.00	5,964	15,030	(5,571)	84,738	(27,259)	(66,740)	6,768	-	(13,168)	-
H. DEFICIT INCL. GRANTS (cash basis)	(34,779)	-	7,298	(36,467)	(36,269)	7,566	(17,020)	(174,374)	(118,773)	(180,211)	(255,566)	(264,243)
FINANCING	34,779	-	(7,298)	36,467	36,269	(7,566)	(17,020)	(174,374)	(118,773)	(180,211)	(255,566)	(264,243)
Foreign Financing	(12,143)	(8,809.00)	(625)	1,216	(2,392)	6,326	41,143	22,895	28,390	113,059	85,790	238,291
Domestic Financing	46,922	8,809.00	(6,673)	35,251	38,661	(13,891)	75,876	(15,479)	90,383	63,400	169,776	25,953
Of which Domestic Borrowing	46,922	8,809.00	(6,673)	7,000	4,000	69,427	117,037	90,383	63,400	169,776	24,553	14,000
Others	-	-	-	-	-	-	-	34,442	-	-	-	-
In Percentage of GDP												
A. TOTAL REVENUE	19.39	21.11	21.55	20.49	21.63	22.02	21.80	23.86	23.95	23.11	23.11	27.07
1. Revenue	17.54	18.78	19.76	18.66	19.72	20.20	20.37	21.92	21.86	21.07	21.24	24.95
Income Tax	6.14	6.42	7.00	7.17	7.24	7.99	8.24	8.82	9.28	9.63	10.19	10.95
VAT	5.17	5.12	5.65	5.02	5.58	5.70	5.67	5.97	6.17	5.44	5.05	5.50
Import Duty	1.70	1.85	1.75	1.35	1.60	1.68	1.62	1.68	1.65	1.59	1.57	2.34
Excise Duty	3.28	3.32	3.28	3.31	3.27	3.15	3.12	3.04	2.89	2.43	2.34	2.40
Other Revenue	1.25	2.07	2.08	1.81	2.03	1.68	1.72	2.41	1.87	1.98	2.09	3.76
2. Appropriation-in-Aid	1.86	2.34	1.79	1.83	1.92	1.82	1.43	1.93	2.09	2.05	1.94	2.12
B. EXPENDITURE & NET LENDING	24.31	23.39	22.56	25.20	24.33	27.25	26.62	29.50	29.13	29.14	30.36	35.31
1. Recurrent	20.30	20.27	19.01	20.18	17.80	20.55	19.46	20.77	21.25	20.05	21.74	19.03
Wages and Salaries	7.83	7.95	7.85	7.39	7.38	7.44	6.94	7.02	7.12	6.74	7.49	6.92
Interest Payments	3.32	2.46	2.27	2.72	2.47	2.44	2.33	2.58	2.73	2.52	3.31	2.91
Domestic Interest	2.54	1.93	1.74	2.07	2.14	2.15	2.05	2.33	2.48	2.22	3.01	2.64
Foreign Interest Due	0.78	0.53	0.53	0.65	0.33	0.29	0.27	0.25	0.25	0.31	0.30	0.26
Pensions	0.87	1.13	0.93	1.30	1.19	1.23	1.21	1.18	0.92	0.80	0.74	0.77
Civil Service Reform	0.09	0.02	-	0.09	0.08	0.04	0.01	0.00	0.00	0.00	0.00	-
O & M / Others	8.20	8.71	7.96	8.68	6.68	9.40	8.98	9.98	10.47	9.97	10.20	8.44
of which Appropriation-in-Aid	1.68	1.94	1.56	1.57	1.66	1.65	1.81	1.74	1.94	1.90	1.87	1.52
2. Development & Net Lending	4.01	3.13	3.39	4.46	4.66	6.70	7.16	8.73	7.87	9.09	8.35	10.78
Development Projects	1.55	2.15	2.14	3.16	3.60	4.39	5.00	6.73	6.15	5.86	5.08	6.43
Appropriation-in-Aid	1.65	1.02	1.18	1.22	0.97	2.19	2.05	1.91	1.68	3.15	3.20	4.17
Payment of guaranteed loans	0.17	0.11	0.06	0.26	-	0.12	0.11	0.09	0.04	0.08	0.07	0.06
3. Drought Expenditures	-	-	0.15	0.07	0.09	-	-	-	-	-	-	0.12
4. Transitional Transfer to County Governments	-	-	-	-	-	-	-	-	-	-	0.27	4.65
5. Parliamentary Service	-	-	-	-	-	-	-	-	-	-	-	0.48
6. Judicial Service	-	-	-	-	-	-	-	-	-	-	-	0.38
D. DEFICIT EXCL. GRANTS (Commitment Basis)	(4.91)	(2.28)	(1.01)	(4.71)	(2.70)	(5.23)	(4.82)	(5.65)	(5.10)	(6.02)	(7.10)	(8.24)
E. GRANTS	1.37	1.35	1.11	1.32	0.90	1.30	0.81	1.27	0.67	0.47	0.56	1.89
F. DEFICIT INCL. GRANTS (Commitment basis)	(3.54)	(0.94)	0.10	(3.39)	(1.78)	(3.93)	(4.01)	(4.38)	(4.50)	(5.55)	(6.62)	(6.34)
G. ADJUSTMENT TO CASH BASIS	0.25	0.94	0.44	0.99	(0.32)	4.32	(1.22)	(2.72)	0.24	-	(0.36)	-
H. DEFICIT INCL. GRANTS (cash basis)	(3.20)	-	0.54	(2.40)	(2.10)	0.39	(5.23)	(7.09)	(4.26)	(5.55)	(6.98)	(6.34)
FINANCING	3.20	-	(0.54)	2.40	2.10	(0.39)	5.23	7.09	4.26	5.44	6.98	6.34
Foreign Financing	(1.12)	(0.73)	(0.05)	0.08	(0.14)	0.32	1.84	0.93	1.02	3.48	2.34	5.72
Domestic Financing	4.32	0.73	(0.50)	2.32	2.24	(0.71)	3.39	6.16	3.24	1.95	4.64	0.62
Of which Domestic Borrowing	4.32	0.73	(0.50)	0.46	0.23	-	3.10	4.76	3.24	1.95	4.64	0.59
Others	-	-	-	-	-	-	-	1.40	-	-	-	0.03
Memorandum Item:												
Nominal GDP at Market price (KSh. million)	1,086,717.50	1,206,194.50	1,345,026.00	1,519,079.00	1,724,197.00	1,962,879.00	2,238,000.00	2,458,000.00	2,787,300.00	3,244,491.00	3,662,557.58	4,164,600.00

Note: * indicate Preliminary results

** Printed Budget

Source: National Treasury

