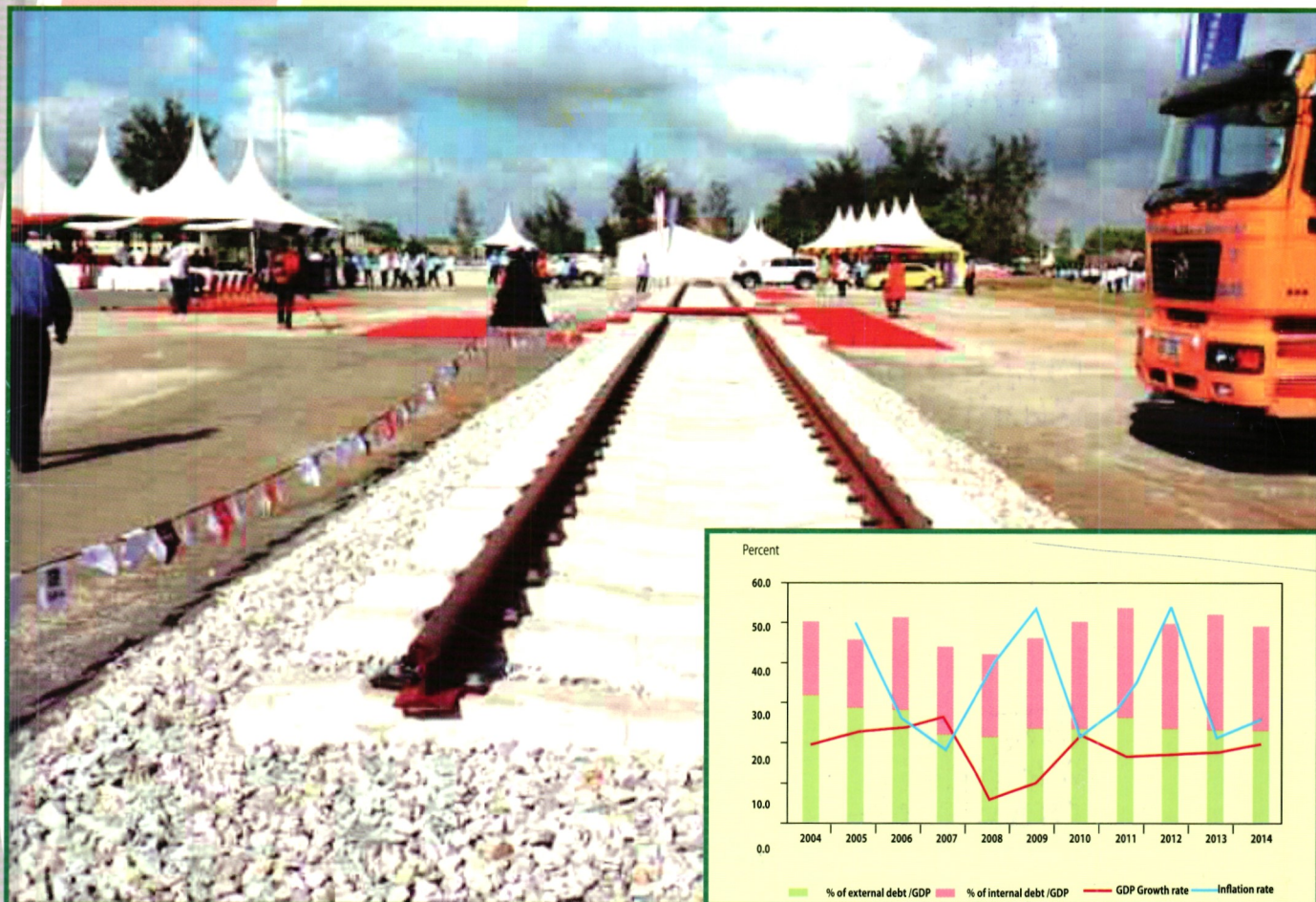




REPUBLIC OF KENYA

# THE NATIONAL TREASURY



## Annual Public Debt Report 2013-2014

December 2014



**REPUBLIC OF KENYA**

# **THE NATIONAL TREASURY**

## **ANNUAL PUBLIC DEBT REPORT JULY 2013 – JUNE 2014**

**December 2014**

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# TABLE OF CONTENTS

Message from the Cabinet Secretary/National Treasury.....	iv
Message from the Principal Secretary .....	v
Executive Summary .....	vii
1. FINANCING OF BUDGET DEFICIT .....	2
2. DOMESTIC DEBT .....	7
3. EXTERNAL DEBT .....	20
4. PUBLICLY GUARANTEED DEBT .....	24
5. ON-LENT LOANS AND CONTINGENT LIABILITIES .....	27
6. DISPUTED EXTERNAL COMMERCIAL DEBT .....	30
7. DEBT STRATEGY AND DEBT SUSTAINABILITY .....	32
8. LEGISLATION ON PUBLIC DEBT MANAGEMENT .....	36
9. INTERNATIONAL SOVEREIGN BOND .....	41
10. OUTLOOK FOR THE MEDIUM TERM .....	45
APPENDICES .....	50

## Message from the Cabinet Secretary/National Treasury

Kenya's economic growth has been on a steady path over the years even with increased domestic demand for resources and the prevalence of some external global shocks. Kenya's public debt continues to be sustainable in the medium term, conforming to the country's Vision 2030 and the Millennium Development Goal 8, target 8D on debt sustainability.

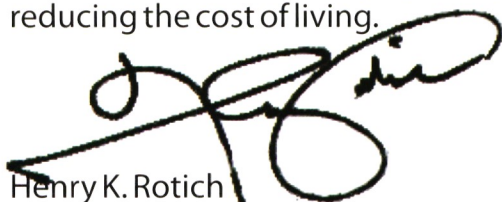
The national policy for public debt management is the Medium Term Debt Strategy (MTDS) which entails raising resources through borrowing to meet national government's budgetary requirements at minimum cost whilst maintaining a prudent degree of risk. It also involves promoting the development of a vibrant domestic debt market. In terms of public debt monitoring and in line with international best practice, Kenya undertakes Debt Sustainability Analysis (DSA) on a regular basis.

The latest Debt Sustainability Analysis (DSA) for Kenya affirmed that Kenya's public debt is sustainable over the medium term. The DSA compares debt burden indicators to indicative thresholds over a 20-year projection period. A debt-burden indicator that exceeds its indicative threshold suggests a risk of experiencing some form of debt distress. In the long term, the PV of public debt-to-GDP is expected to be 44.8 per cent of GDP in 2017 while the PV of public debt-to-revenue is expected to be around 198.3 per cent in 2017.

Public debt management in Kenya is enshrined in the 2010 Constitution currently under implementation and which entails a new form of governance that introduces fiscal devolution. In this regard, the Public Finance Management (PFM) Act of 2012 is the relevant legislation for effective public debt management and it repealed all earlier legislations on domestic and external government borrowing. This Law has been promoting prudent and sound debt management practices for both Central and County Governments with an aim to enhance efficiency and transparency.

This 2014 Annual Public Debt Management Report is part of the reporting requirements for public debt under the PFM Act. Additional requirements for reporting include submission to Parliament of a statement of all loans contracted by the national government, national government entities and county governments.

The Republic of Kenya recently successfully issued its debut USD 2,000 million International Sovereign Bond receiving tremendous investor interest from the global markets with over 500 per cent subscription amounting to USD 8,800 million. The transaction was the largest by a first-time African issuer representing an important milestone for Kenya and a stepping stone in the path towards emerging market status as the Government implements its transformative economic agenda. The success of the Sovereign bond helped to consolidate macro-economic stability by strengthening the Kenya shilling, stabilizing import prices and reducing the cost of living.



Henry K. Rotich  
Cabinet Secretary/National Treasury

## Message from the Principal Secretary

This 9th Annual Public Debt Management Report provides detailed information on the status, general developments and the medium term outlook of Kenya's public debt. The country's public debt consists of both domestic and external components.

In gross terms, total debt in June 2014 was Ksh 2,422,832 million (47.9 per cent of GDP) compared to Ksh 1,894,117 million (42.0 per cent of GDP) in June 2013. The domestic component grew by Ksh 233,772 million to Ksh 1,284,327 million (25.4 per cent of GDP) in June 2014. The external component also increased by Ksh 294,943 million in June 2014 to Ksh 1,138,505 million (22.5 per cent of GDP) over the same period. The growth in the stock of external debt is attributed to the issuance of the debut International Sovereign Bond (ISB) worth USD 2 billion, equivalent to Ksh 176 billion. The ISB transaction strategically diversified the country's funding sources and established an important benchmark for Kenyan issuers. As a percentage of revenue, total debt service dropped to 17.5 per cent in June 2014 from 18.7 per cent in June 2013.

In the medium term outlook, overall public debt as a proportion of GDP, is projected to decrease from 47.3 per cent in June 2015 to 43.6 per cent in June 2018. Government's strategy is to maintain the debt to GDP ratio in Present Value terms at below 45 per cent in the medium term.

With regard to implementation of the Public Finance Management (PFM) Act, the National Treasury has developed regulations to operationalize the Act. On reforms, the National Treasury is currently being restructured to establish the Public Debt Management Office (PDMO), responsible for prudent and sound debt management in accordance with best practice. In addition, the National Treasury in compliance with provisions of the Act has enhanced the reporting on public debt through various reports.



**Dr. Kamau Thugge, EBS**  
Principal Secretary/National Treasury

## List of Abbreviations

ADB	African Development Bank	KenGen	Kenya Electricity Generating Company
ADF	African Development Fund		
A-I-A	Appropriation in Aid	MIGA	Multilateral Investment Guarantee Agency
BPS	Budget Policy Statement		
CBK	Central Bank of Kenya	MEFMI	Macroeconomic and Financial Management Institute of Eastern and Southern Africa
CCN	City Council of Nairobi (former)		
CPIA	Country Policy and Institutional Assessment	MDRI	Multilateral Debt Relief Initiative
CS-DRMS	Commonwealth Secretariat Debt Recording and Management System	NBFI	Non-Bank Financial Institution
DMD	Debt Management Department	NCC	Nairobi City County
PDMO	Public Debt Management Office	NPV	Net Present Value
DSA	Debt Sustainability Analysis	NSE	Nairobi Securities Exchange
EACC	Ethics and Anti-Corruption Commission	NSSF	National Social Security Fund
EEC	European Economic Commission	NT	National Treasury
EIB	European Investment Bank	OTC	Over the Counter
FXD	Fixed Discounted Treasury Bonds	PFMA	Public Financial Management Act
GDP	Gross Domestic Product	PV	Present Value
GoK	Government of Kenya	PwC	PricewaterhouseCoopers
GSMM	Government Securities Market Makers	RMD	Resource Mobilisation Department
HIPC	Highly Indebted Poor Countries	QEBR	Quarterly Economic and Budgetary Review
IBRD	International Bank for Reconstruction and Development	SDB	Savings Development Bond
IDA	International Development Association	SFX	Special Fixed Discounted Treasury Bonds
IFB	Infrastructure Bond	SWIFT	Society for Worldwide Interbank Financial Telecommunication
IFC	International Finance Corporation	TDS	Total Debt Service
IMF	International Monetary Fund	TARDA	Tana and Athi River Development Authority
ISE	Irish Stock Exchange	TEDS	Total External Debt Service
JPY	Japanese Yen	UK	United Kingdom
KBC	Kenya Broadcasting Corporation	USA	United States of America
		USD	US Dollar
		YTM	Yield to Maturity

## Executive Summary

The principal objective of Kenya's public debt management is to meet the Central Government financing requirements at the least cost with a prudent degree of risk while the secondary objective is to facilitate Government's access to financial markets and support development of a well-functioning vibrant domestic debt market.

In this regard, the Government through the National Treasury and the Central Bank is committed to pursuing prudent debt management strategies aimed at ensuring that public debt remains within sustainability thresholds. The strategy is outlined in the 2014 Medium Term Debt Strategy (MTDS) published in February 2014 which is subject to annual updates. The medium term strategy is to maintain the level of public and publicly guaranteed debt to below 45 per cent of GDP and this entails adherence to prudent debt management and a reduction in the overall fiscal deficit to below 5 per cent from the current level of 8.0 per cent.

The Republic of Kenya issued its debut USD 2,000 million International Bond on 24th June, 2014. The issuance comprised of a USD 500 million 5 year note at a coupon rate of 5.875 per cent and USD 1,500 million 10 year note at a coupon rate of 6.875 per cent. The issue received over 500 per cent subscription with total demand amounting to USD 8,800 million. The success of the sovereign bond has enhanced access to external financing by both public and private sector to attract more resources to Kenya's financial system. Additional financial resources in the banking system would result in reduced domestic interest rates boosting investment, employment opportunities and economic growth. The bond is listed on the Irish Stock Exchange (ISE).

The transaction strategically diversified the country's funding sources and established an important benchmark for Kenyan issuers (private and quasi-public corporations) to tap into the international capital markets to fund their business expansion at a reasonable cost.

The success of the Sovereign bond was also expected to help in consolidating macro-economic stability by bolstering the strength of the Kenya shilling, stabilizing import prices including petroleum prices and therefore reduce the cost of living.

Kenya's public and publicly guaranteed debt increased from Ksh 1,894,117 million or 42.0 per cent of GDP in June 2013 to Ksh 2,422,832 million or 47.9 per cent of GDP in June 2014 (Table 1.1 and Chart 1.1). Domestic debt rose from Ksh 1,050,555 million or 23.3 per cent of GDP to Ksh 1,284,327 million or 25.4 per cent of GDP over the period under review. Similarly, external debt rose from Ksh 843,562 million in 2013 to Ksh 1,138,505 million in 2014. As a percentage of GDP, external debt decreased from 18.7 per cent to 22.5 per cent over the period.

A large proportion of domestic debt is held by commercial banks although the holdings by non-bank investors such as pension funds and insurance companies continue to grow. A large share of outstanding Government bonds will mature in the medium term horizon. In terms of structure of securities by type, the ratio of Treasury Bills to bonds as at June 2014 was 25:75 which is an indication of successful restructuring of the domestic debt portfolio to minimize refinancing risk and promote development of the market. The stock of outstanding bonds across the remaining maturity profile was Ksh 914,762 million in June 2014 compared to Ksh 744,174 million in June 2013.

A review of Kenya's external debt portfolio shows that the debt was mainly owed to multilateral and bilateral creditors. Whereas the overall external debt is long term and concessional in nature, there has been hardening of borrowing terms in the recent past.

Total Debt Service (TDS) on Kenya's Central Government debt as a percentage of revenue decreased to 17.5 per cent in June 2014 from 18.7 per cent in June 2013. The increase in domestic debt service is attributed to the increased uptake of Treasury Bills and higher service cost for Treasury Bonds during the fiscal year.

The Public Finance Management (PFM) Act 2012 provides the legal framework for issuance of Government loan guarantees to public entities in which all debt service paid on their behalf shall become liabilities payable to the Government. The net cumulative balances on guaranteed debt paid by the Government on behalf of public enterprises over the last 23 years amounts to Ksh 27,226 million.

There have been continuous reforms at the National Treasury to improve debt management in line with international best practice. The PFM Act 2012 establishes the Public Debt Management Office (PDMO) and has consolidated all pre-existing laws on Public Financial Management. In particular, it has repealed all Acts related to public debt management such as the External Loans and Credit Act, the Internal Loans Act and the National Government Loans Guarantee Act.

The outlook in the medium term indicates that overall public debt is projected to rise in nominal terms to Ksh 2,705,134 million in June 2015 from Ksh 2,422,832 million in June 2014 and later increase to Ksh 3,683,415 million in June 2018 as shown in Table 10.1. However, as a proportion of GDP, public debt in nominal terms is projected to decrease to 47.3 per cent in June 2015 from 47.9 per cent in June 2014 and decline further to 43.6 per cent in June 2018. Overall debt service as a per centage of GDP is projected to be at an average of 3.2 per cent in the medium term and as a ratio of revenue, the debt burden indicators will be within sustainable levels as reflected in the latest Debt Sustainability Analysis (DSA).

## INTRODUCTION

The Fiscal Year **2013/14 Annual Public Debt Management Report** presents the major developments in Kenya's public debt management activities during the financial year ended June 2014. The Report is organised under the following chapters:

1. Financing of Budget Deficit
2. Domestic Debt
3. External Debt
4. Publicly Guaranteed Debt
5. On-Lent Loans and Contingent Liabilities
6. Disputed External Commercial Debt
7. Debt Strategy and Debt Sustainability
8. Legislation On Public Debt Management
9. International Sovereign Bond
10. Outlook for the Medium Term

## 1.1 Financing of the Deficit

The 2013/14 Central Government budget deficit (including grants) of Ksh 333.4 billion or 8.0 per cent of GDP was to be financed partly through net foreign financing of Ksh 226.7 billion (5.4 per cent of GDP). The remaining Ksh 106.7 billion was to be financed through net domestic borrowing (2.6 per cent of GDP). No privatization proceeds were expected.

A review of the budget outturn resulted in a revised deficit of Ksh 390.9 billion. This deficit was 7.9 per cent of GDP and to be financed through net foreign financing of Ksh 291.8 billion and net domestic borrowing of Ksh 99.1 billion.

The actual budget performance as at end June 2014 resulted in an overall fiscal deficit of Ksh 309.4 billion (6.1 per cent of GDP) which was financed through net domestic borrowing of Ksh 201.7 billion, net foreign financing of Ksh 106.4 billion and domestic loan receipts of Ksh 1.3 billion.

## 1.2 Total Public Debt

Kenya's public and publicly guaranteed debt increased from Ksh 1,894,117 million or 42.0 per cent of GDP in June 2013 to Ksh 2,422,832 million or 47.9 per cent of GDP in June 2014 (Table 1.1 and Chart 1.1). Domestic debt rose from Ksh 1,050,555 million or 23.3 per cent of GDP to Ksh 1,284,327 million or 25.4 per cent of GDP over the period under review. Similarly, external debt rose from Ksh 843,562 million in 2013 to Ksh 1,138,505 million in 2014. As a percentage of GDP, external debt increased from 18.7 per cent to 22.5 per cent over the period.

The share of domestic debt in total debt decreased from 55.5 per cent to 53.0 per cent (Table 1.1) while external debt increased from 44.5 per cent to 47.0 per cent. The increase in external debt is attributed to the issuance of a debut USD 2 billion International Sovereign Bond during the period under review. The external debt portfolio consists mainly of multilateral and bilateral creditors at 52.5 per cent and 25.5 per cent respectively with the remaining 22 per cent from commercial sources.

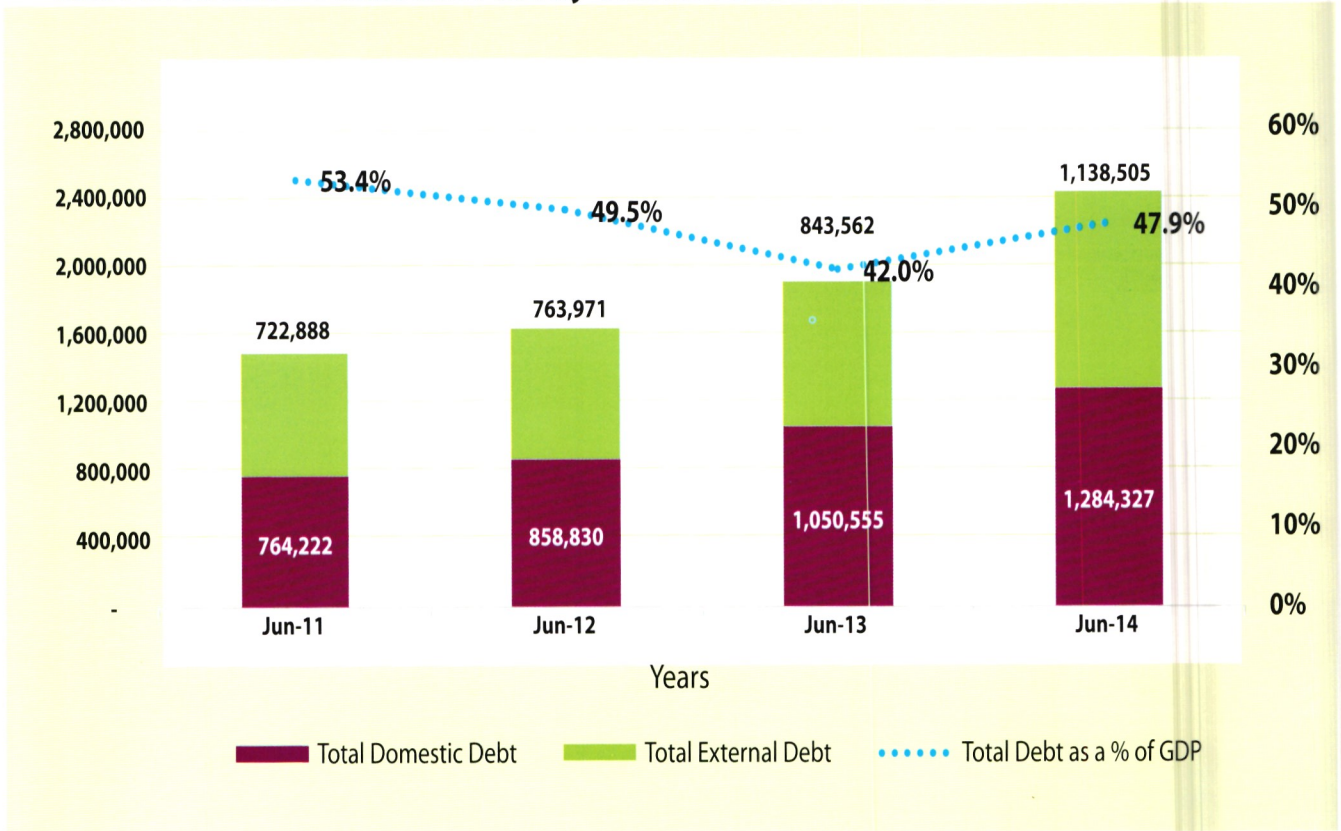
For the past three years, total debt in nominal terms has been increasing steadily. However, in Present Value terms, public debt to GDP ratio is 44 per cent, well within the Country's 74 per cent sustainability threshold.

**Table 1.1: Public and Publicly Guaranteed Debt, Ksh Million**

	June 2011	June 2012	June 2013	June 2014	Change 2013/14
<b>DOMESTIC (Gross)</b>					
<b>Banks</b>					
Central Bank	39,691	47,383	39,170	65,700	26,530
Commercial Banks	384,640	411,867	524,505	617,221	92,716
<b>Sub-total</b>	<b>424,331</b>	<b>459,250</b>	<b>563,675</b>	<b>682,921</b>	<b>119,246</b>
<b>Non-banks</b>					
Non-bank Financial Institutions	10,013	4,103	13,083	14,925	1,842
Other Non-bank Sources	329,878	395,477	473,797	586,481	112,684
<b>Sub-total</b>	<b>339,891</b>	<b>399,580</b>	<b>486,880</b>	<b>601,406</b>	<b>114,526</b>
<b>Total Domestic</b>	<b>764,222</b>	<b>858,830</b>	<b>1,050,555</b>	<b>1,284,327</b>	<b>233,772</b>
As a % of GDP	27.4	26.2	23.3	25.4	2.1
As a % of total debt	51.4	52.9	55.5	53.0	(2.5)
<b>EXTERNAL</b>					
<b>Central Government</b>					
Bilateral	215,035	199,950	217,970	248,636	30,666
Multilateral	436,838	451,287	507,920	593,397	85,477
Commercial Banks	-	50,540	58,928	234,799	175,871
Suppliers Credits	25,041	14,811	15,207	16,452	1,245
<b>Sub-Total</b>	<b>676,914</b>	<b>716,588</b>	<b>800,025</b>	<b>1,093,284</b>	<b>293,259</b>
<b>Guaranteed</b>					
Bilateral	41,930	43,593	39,667	41,278	1,611
Multilateral	4,044	3,790	3,870	3,943	73
<b>Sub-Total</b>	<b>45,974</b>	<b>47,383</b>	<b>43,537</b>	<b>45,221</b>	<b>1,684</b>
<b>Total External</b>	<b>722,888</b>	<b>763,971</b>	<b>843,562</b>	<b>1,138,505</b>	<b>294,943</b>
As a % of GDP	25.9	23.3	18.7	22.5	3.8
(As a % of total debt)	48.6	47.1	44.5	47.0	2.5
<b>GRAND TOTAL</b>	<b>1,487,110</b>	<b>1,622,801</b>	<b>1,894,117</b>	<b>2,422,832</b>	<b>528,714</b>
As a % of GDP	53.4	49.5	42.0	47.9	5.9
<b>Memorandum item</b>					
GDP	2,787,300	3,281,200	4,506,200	5,051,600	

Source: National Treasury and Central Bank of Kenya

**Chart 1.1: Trend in Public and Publicly Guaranteed Debt Stock, Ksh Million**



Source: National Treasury and Central Bank of Kenya

### 1.3 Debt Service

Total Debt Service (TDS) on Kenya's Central Government debt increased by 10.6 per cent from Ksh 145,228 million in 2012/13 to Ksh 160,600 million in 2013/14 as shown in Table 1.2 and Chart 1.2. Debt service on both domestic and external debt increased by Ksh 9,016 million and Ksh 6,356 million respectively. The increase in debt service for domestic debt was partly attributed to the increased uptake of Treasury Bills and higher service cost for Treasury Bonds during fiscal year.

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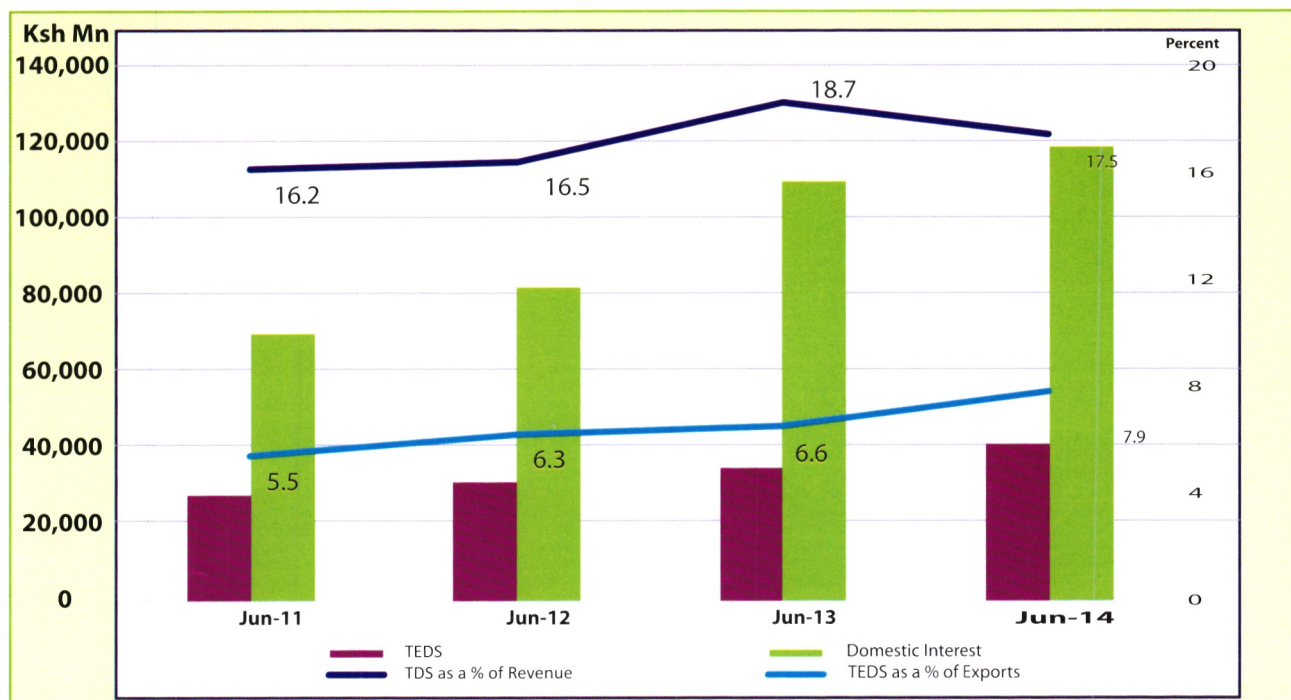
As a proportion of total debt service, the external component rose from 24.1 per cent to 25.8 per cent while the domestic portion decreased marginally from 75.9 per cent to 74.2 per cent in 2012/13 and in 2013/14 respectively. This indicates that the structure of Central Government debt service remained relatively unchanged with a large share comprising the domestic component.

**Table 1.2: Debt Service on Kenya's Central Government Debt, Ksh Million**

Item Description	June 2011	June 2012	June 2013	June 2014	Change 2013/14
External Principal	21,020	23,954	23,993	25,800	1,807
External Interest	7,035	7,351	11,051	15,600	4,549
<b>TEDS</b>	<b>28,055</b>	<b>31,305</b>	<b>35,044</b>	<b>41,400</b>	<b>6,356</b>
TEDS as a % of TDS	28.5	27.5	24.1	25.8	1.6
<b>Domestic Interest</b>	<b>70,497</b>	<b>82,339</b>	<b>110,184</b>	<b>119,200</b>	<b>9,016</b>
Dom Interest as a % of TDS	71.5	72.5	75.9	74.2	-1.6
<b>TDS</b>	<b>98,552</b>	<b>113,644</b>	<b>145,228</b>	<b>160,600</b>	<b>15,372</b>
Ordinary Revenue	609,200	690,700	777,000	919,000	142,000
Export Earnings (goods only)	511,577	499,737	528,900	523,059	
TDS as a % of Revenue	16.2	16.5	18.7	17.5	-1.2
TEDS as a % of Exports	5.5	6.3	6.6	7.9	1.3

Source: National Treasury and Central Bank of Kenya

**Chart 1.2: Kenya's Central Government Debt Service, Ksh Million**



Source: National Treasury and Central Bank of Kenya

Total External Debt Service (TEDS) as a percentage of export earnings increased by 1.3 per cent from 6.6 per cent to 7.9 per cent in the period between 2012/13 and 2013/14. As a per cent of revenue, the overall debt service decreased by 1.2 per cent.

**1.4 Cost/Risk Characteristics of Public Debt**

Arising from the Government external debt strategy of contracting external loans on highly concessional terms to minimise interest rate cost, the average maturity, grace period and average interest rate on new external loan commitments as at the end of June 2014 was 18.1 per cent, 6.2 years and 2.6 years respectively. The average grant element of new external loan commitments was 63.9 per cent by end 2013/14 compared to 68.6 per cent by end 2012/13 indicating hardening of borrowing terms.

**Table 1.3: Average Terms of Loan Commitments**

	June 2013	June 2014
Average Maturity (years)	33.7	18.1
Grace Period (years)	8.0	6.2
Average Interest Rate (%)	1.2	2.6
Grant Element (%)	68.6	63.9

On the other hand, the average maturity profile of outstanding Government domestic debt decreased from 5.2 years in June 2013 to 4.9 years in June 2014.



*Artist's impression of part of Konza Techno City*

## 2.1 Total Domestic Debt

Government domestic debt consists of stock of Government securities and Government Overdraft at Central Bank of Kenya. Government securities comprise of Treasury Bills, Treasury Bonds, Infrastructure Bonds and the Pre-1997 Government Debt. During the Financial Year 2013/14, the Government raised Ksh 200,280 million as net proceeds through borrowing from the domestic market by sale of Treasury Bills and Treasury Bonds.

As shown in Table 2.1, on a net basis, the outstanding stock of domestic debt rose by Ksh 233,772 million (22.3 per cent growth) to stand at Ksh 1,284,327 million in June 2014 compared to Ksh 1,050,555 million in June 2013. This increase was mainly attributed to an increase of Ksh 170,588 million and Ksh 32,195 million in the stock of Treasury Bonds and Treasury Bills respectively. The level of domestic debt was partly offset by a repayment of Ksh 555 million of the Pre-1997 Government Debt.

**Table 2.1: Domestic Debt Stock, Ksh Million**

Instrument	June 2013		June 2014		Change in stock	% change in stock
	Amount	% of stock	Amount	% of stock		
<b>Total Stock of Domestic Debt (A+B)</b>	<b>1,050,555</b>	<b>100.0</b>	<b>1,284,327</b>	<b>100.0</b>	<b>233,772</b>	<b>22.3</b>
<b>A. Government Securities (1-3)</b>	<b>1,040,274</b>	<b>99.0</b>	<b>1,242,502</b>	<b>96.7</b>	<b>202,228</b>	<b>19.4</b>
<b>1. Treasury Bills</b>	<b>267,211</b>	<b>25.4</b>	<b>299,406</b>	<b>23.3</b>	<b>32,195</b>	<b>12.0</b>
Banking Institutions	183,451	17.5	176,450	13.7	(7,001)	(3.8)
Others	83,760	8.0	122,956	9.6	39,196	46.8
<b>2. Treasury Bonds</b>	<b>744,174</b>	<b>70.8</b>	<b>914,762</b>	<b>71.2</b>	<b>170,588</b>	<b>22.9</b>
Banking Institutions	341,050	32.5	436,381	34.0	95,331	28.0
Others	403,124	38.4	478,381	37.2	75,257	18.7
<b>3. Pre-1997 Government Debt</b>	<b>28,889</b>	<b>2.7</b>	<b>28,334</b>	<b>2.2</b>	<b>(555)</b>	<b>(1.9)</b>
<b>B. Others<sup>1</sup></b>	<b>10,281</b>	<b>1.0</b>	<b>41,825</b>	<b>3.3</b>	<b>31,544</b>	<b>306.8</b>
Of which CBK Overdraft	6,999	0.7	37,238	2.9	30,239	432.0

Source: Central Bank of Kenya

<sup>1</sup>Others consist of CBK Overdraft to GoK, cleared items awaiting transfer to PMG, commercial bank advances and Tax Reserve Certificates.

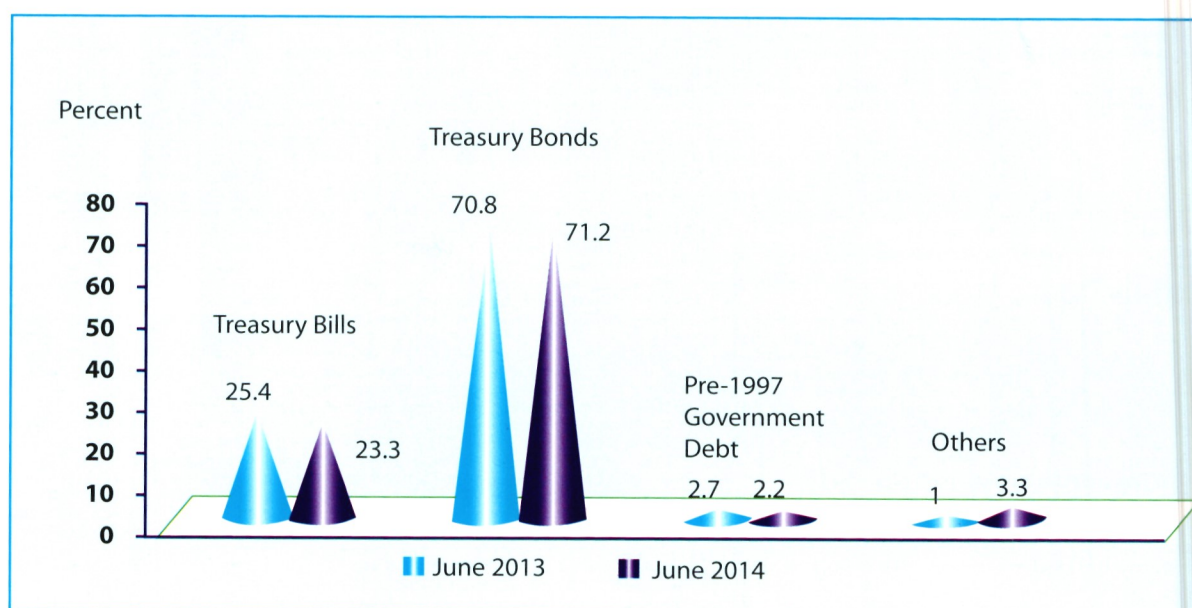
## 2.2 Domestic Debt by Instrument

The stock of outstanding Treasury Bonds increased by 22.9 per cent from Ksh 744,174 million in June 2013 to Ksh 914,762 million in June 2014 while Treasury Bills increased by 12.0 per cent from Ksh 267,211 million to Ksh 299,406 million over the same period (Table 2.1). Consequently, the proportion of Treasury Bonds in total domestic debt increased from 70.8 per cent to 71.2 per cent while Treasury Bills declined from 25.4 per cent to 23.3 per cent during the period (Table 2 and Chart 2.1).

**The proportion of Treasury Bonds in total domestic debt increased from 70.8 per cent to 71.2 per cent while Treasury Bills declined from 25.4 per cent to 23.3 per cent during the period.**

As at end June 2014, the ratio of Treasury Bills to Bonds stood at 25:75 which was in accordance with the domestic debt borrowing strategy, where the Government sought to achieve and maintain the ratio of Treasury Bills to Treasury Bonds at 30:70. The proportion of Pre-1997 CBK advances to Government dropped from 2.7 per cent to 2.2 per cent due to a net repayment of Ksh 555 million made during the fiscal year 2013/14. The level of Government Overdraft increased by Ksh 30,239 million from Ksh 6,999 million by end June 2013 to Ksh 37,238 million as at end June 2014.

**Chart 2.1: Domestic Debt by Instrument**



Source: Central Bank of Kenya

## 2.3 Domestic Debt by Holder

By June 2014, the holding of domestic debt by commercial banks declined to 48.1 per cent from 49.9 per cent in June 2013 although absolute holding increased by 17.7 per cent during the period (Table 2.2.) They remained the largest holders among all investor categories. However, the share held by non-bank investors in domestic debt stock increased marginally from 46.3 per cent in June 2013 to 46.8 per cent in June 2014 even though actual holding increased by 23.5 per cent.

**Table 2.2: Domestic Debt by Holder, Ksh Million**

Holder	June 2013		June 2014		% Change of holding in stock	% change by holder
	Amount	%	Amount	%		
<b>Banks</b>	<b>563,675</b>	53.7	<b>682,921</b>	53.2	<b>(0.5)</b>	<b>21.2</b>
o/w* Central Bank	39,170	3.7	65,700	5.1	1.4	67.7
Commercial Banks	524,505	49.9	617,221	48.1	(1.8 )	17.7
<b>Non-Banks</b>	<b>486,880</b>	46.3	<b>601,406</b>	46.8	<b>0.5</b>	<b>23.5</b>
o/w* Non-Bank Financial Institutions	13,083	1.2	14,925	1.2	0.0	14.1
Other Non-Bank Sources	473,797	45.1	586,481	45.7	0.6	23.8
<b>Total</b>	<b>1,050,555</b>		<b>1,284,327</b>			<b>22.3</b>

\*Of which

Source: Central Bank of Kenya

## 2.4 Treasury Bills and Bonds by Holder

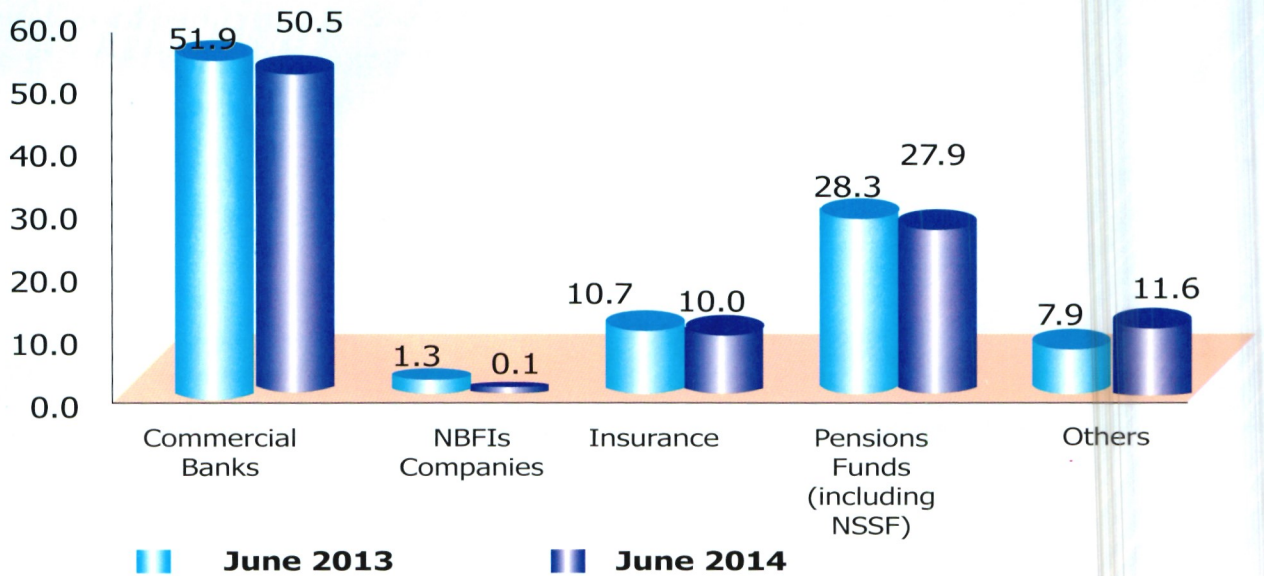
As shown in Table 2.3 and Chart 2.2, commercial banks still held the highest stock of Treasury Bills and Bonds at 50.5 per cent as end June 2014. The pension funds' portfolio was at 27.9 per cent by June 2014 with an 18.6 per cent growth over the period.

**Table 2.3: Treasury Bills and Bonds by Holder**

Holder	June 2013		June 2014		% change by holder
	Amount	% *	Amount	%*	
Commercial Banks	524,505	51.9	612,772	50.5	16.8
NBFIs	13,083	1.3	662	0.1	-94.9
Insurance Companies	108,609	10.7	121,024	10.0	11.4
Pensions Funds (including NSSF)	285,778	28.3	339,041	27.9	18.6
Others	79,410	7.9	140,669	11.6	77.1
<b>Total</b>	<b>1,011,385</b>	100	<b>1,214,168</b>	100	20.1

Source: Central Bank of Kenya

**Chart 2.2 Treasury Bills and Bonds by holders**



Source: Central Bank of Kenya

## 2.5 Treasury Bills by Holder

The stock of Treasury Bills increased by 12.0 per cent from Ksh 267,211 million in June 2013 to Ksh 299,406 million in June 2014 (Table 2.4). The proportion held by Commercial Banks decreased by 3.8 per cent from Ksh 183,458 million in June 2013 to Ksh 176,437 million in June 2014. Pension funds' scaled up their holdings in total stock from 16.1 per cent to 22.6 per cent while actual holding grew by 58.0 per cent. On the other hand, proportion in total stock by insurance companies increased marginally from 5.6 per cent to 6.6 per cent while actual holding rose by 33.1 per cent during the period.

**Table 2.4: Outstanding Treasury Bills, Ksh Million**

Holder	June 2013		June 2014		% change by holder
	Amount	%*	Amount	%*	
Commercial Banks	183,458	68.7	176,437	58.9	(3.8)
NBFIs	5,631	2.1	0	0.0	(100.0)
Insurance companies	14,923	5.6	19,856	6.6	33.1
Pensions Funds (including NSSF)	42,917	16.1	67,803	22.6	58.0
Others	20,282	7.6	35,310	11.8	74.1
<b>Total<sup>1</sup></b>	<b>267,211</b>		<b>299,406</b>		<b>12.0</b>

\* % holding in stock

<sup>1</sup> Excludes repurchase order (Repo) bills for monetary policy

Source: Central Bank of Kenya

## 2.6 Treasury Bonds by Holder

As shown in Table 2.5, outstanding Treasury Bonds increased by 22.9 per cent from Ksh 744,174 million in June 2013 to Ksh 914,762 million in June 2014. The holdings by commercial banks increased by 27.9 per cent during the period and continue to dominate at 47.7 per cent. Holdings by Pension funds decreased as a proportion of total outstanding bonds, to 29.7 per cent in June 2014 from 32.6 per cent in June 2013 though there was a growth of 11.7 per cent in absolute holding.

**Table 2.5: Outstanding Treasury Bonds, Ksh Million**

Holder	June 2013		June 2014		% change by holder
	Amount	%*	Amount	%*	
Commercial Banks	341,047	45.8	436,335	47.7	27.9
NBFIs	20,701	2.8	662	0.1	(91.1)
Insurance Companies	93,686	12.6	101,168	11.1	8.0
Pensions Funds (including NSSF)	242,861	32.6	271,238	29.7	11.7
Others	45,879	6.2	105,359	11.5	78.2
<b>Total</b>	<b>744,174</b>	<b>100</b>	<b>914,762</b>		<b>22.9</b>

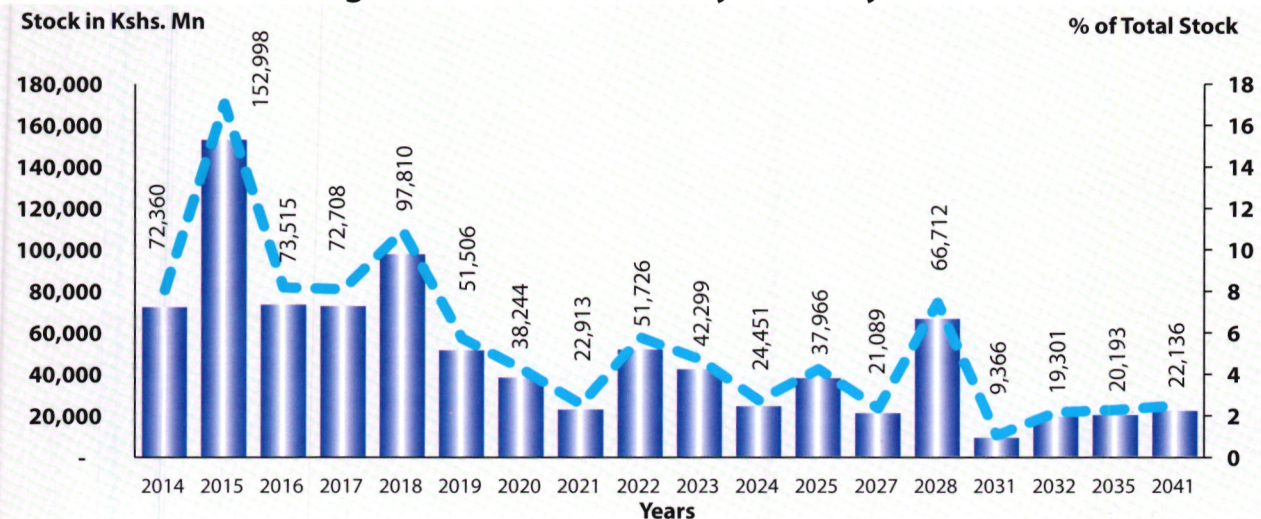
\* % holding in stock

Source: Central Bank of Kenya

## 2.7 Outstanding Treasury Bonds

The outstanding bonds across the various remaining maturities amounted to Ksh 914,762 million at the end of June 2014 compared to Ksh 744,174 million as at end June 2013 (see Appendix 2). About 50 per cent of outstanding government bonds will be retired in the next 5 years (Chart 2.3).

**Chart 2.3 Outstanding Government Bonds by maturity**



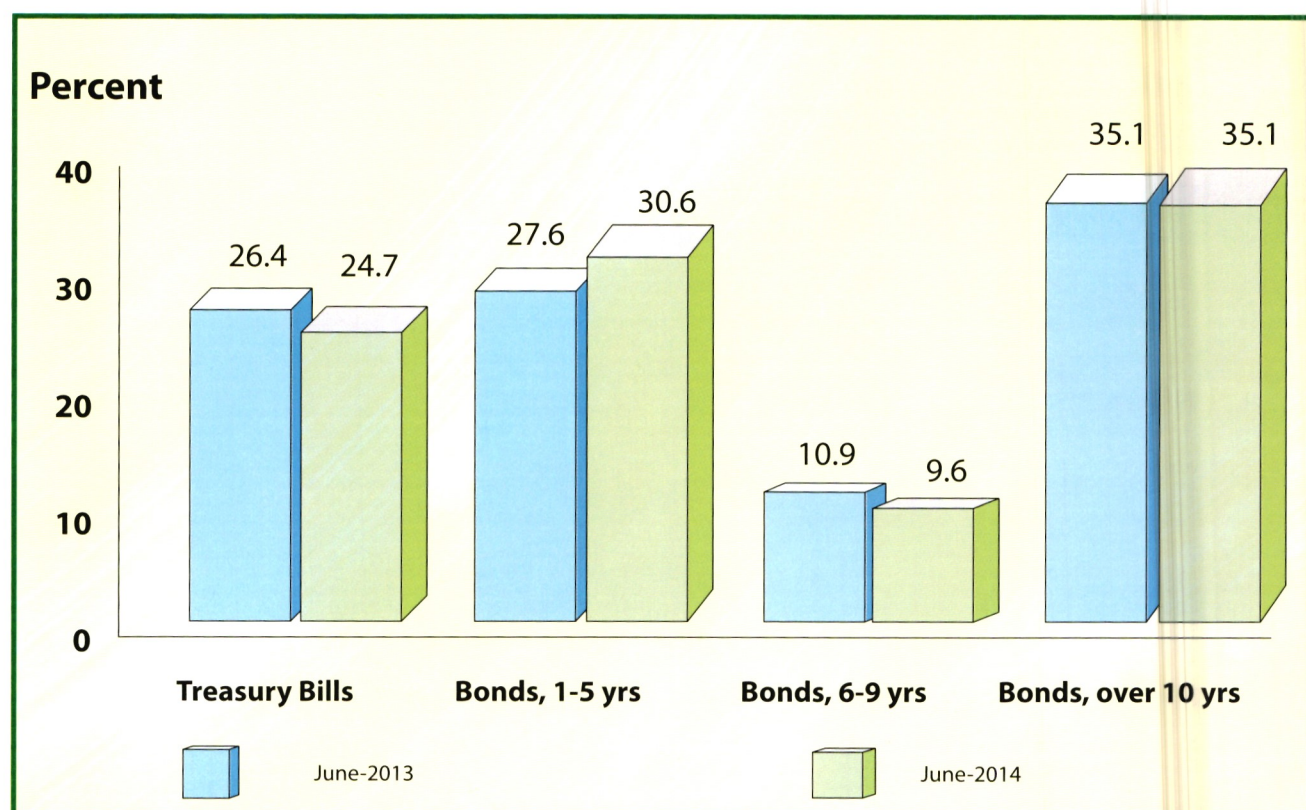
Source: Central Bank of Kenya

## 2.8 Treasury Bills and Bonds by Tenor

Of the total outstanding Government securities as at end June 2014, Treasury Bills accounted for 24.7 per cent, down from 26.4 per cent as at end June 2013 (Chart 2.4 and Table 2.6). During the financial year, the proportion of the outstanding 91 day and 182 day Treasury Bills stock rose by 0.9 per cent and 2.1 per cent respectively while the stock of 364-day Treasury Bills dropped by 4.9 per cent. This reflected increased investor preference for the 91 day and 182 day Treasury Bills during the period under review.

Treasury Bonds accounted for 75.3 per cent of the outstanding Government securities as at end June 2014. Out of these, Treasury Bonds with original maturity range of 1 year to 5 years amounted to Ksh 371,866 million (30.6 per cent) while those with a maturity range of between 6 and 9 years was Ksh 116,665 million (9.6 per cent). Treasury Bonds with original maturity of 10 years and longer amounted to Ksh 426,231 million (35.1 per cent).

**Chart 2.4 Outstanding Government Securities**



Source: Central Bank of Kenya

**Table 2.6 : Outstanding Treasury Bills and Bonds by Tenor, Ksh Million**

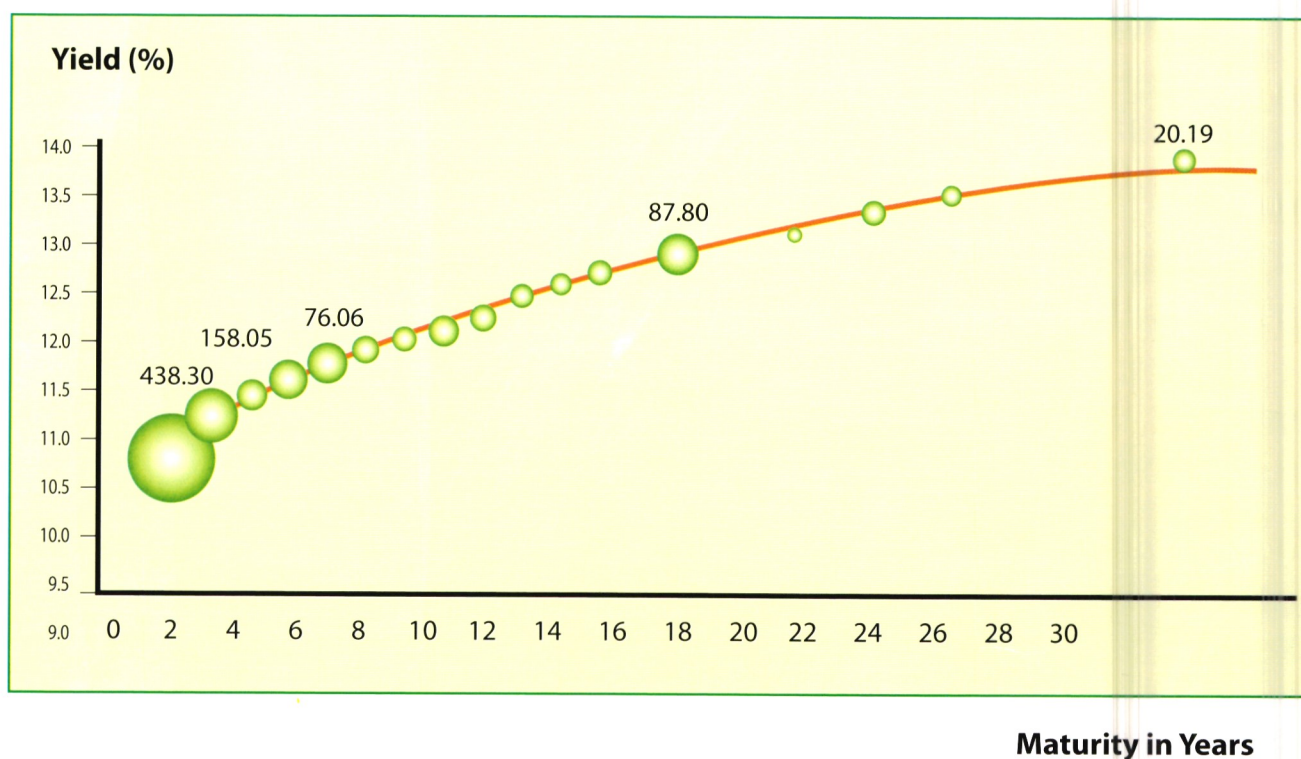
Security Type	June 2013		June 2014		Change	
	Amount	(%) of total	Amount	(%) of total	Amount	(%) of total
<b>Treasury Bills (Days)</b>						
91	36,203	3.6	54,660	4.5	18,457	0.9
182	52,167	5.2	88,949	7.3	36,782	2.1
364	178,840	17.7	155,797	12.8	(23,043)	(4.9)
<b>Sub totals</b>	<b>267,211</b>	26.4	<b>299,406</b>	24.7	<b>32,195</b>	(1.7)
<b>Treasury Bonds (Years)</b>						
1	-	-	-	-	-	-
2	122,014	12.1	166,679	13.7	44,665	1.6
3	-	-	-	-	-	-
4	19,121	1.9	29,891	2.5	10,770	0.6
5	138,357	13.7	175,296	14.4	36,939	0.7
<b>Sub totals</b>	<b>279,492</b>	27.6	<b>371,866</b>	30.6	<b>92,374</b>	<b>3.0</b>
6	40,653	4.0	40,653	3.3	-	(0.7)
7	19,288	1.9	16,970	1.4	(2,318)	(0.5)
8	31,796	3.1	40,866	3.4	9,070	0.3
9	18,177	1.8	18,177	1.5	-	(0.3)
<b>Sub totals</b>	<b>109,914</b>	10.9	<b>116,665</b>	9.6	<b>6,751</b>	(1.3)
10	126,767	12.5	148,511	12.2	21,744	(0.3)
11	4,031	0.4	4,031	0.3		(0.1)
12	30,206	3.0	45,411	3.7	15,205	0.7
15	102,408	10.1	125,498	10.3	23,090	0.2
20	49,027	4.8	60,451	5.0	11,424	0.2
25	20,193	2.0	20,193	1.7	-	(0.3)
30	22,136	2.2	22,136	1.8	-	(0.4)
<b>Sub total</b>	<b>354,768</b>	35.1	<b>426,231</b>	35.1	<b>71,463</b>	0.00
<b>Grand Total</b>	<b>1,011,384</b>		<b>1,214,168</b>		<b>202,783</b>	

Source: Central Bank of Kenya

## 2.9 Treasury Bills and Bonds by Time to Maturity

The maturity distribution in Chart 2.5 below indicates a large concentration of Government securities stock at the short to medium segment of the yield curve. There was a shift in the proportion of bonds in the portfolio increasing marginally to 75 per cent from 74 per cent while Treasury bills decreased from 26 per cent to 24 per cent during the period.

**Chart 2.5: Stock of Treasury bills and bonds (Ksh Billions) along the Yield Curve as at 30 June 2014**



**Source: Central Bank of Kenya**

## 2.10 Benchmark Bond Program

A benchmark program involves issuance of large size bonds and management of maturity structure through strategies such as reopening, tap sales, conversions, buy-backs, bond exchange (switch) and swaps. The benchmark tenors identified are 2, 5, 10, 15, 20, and 25 year maturities.

In Kenya, the benchmark bond program was initiated by Government in September 2007 to address illiquidity in the domestic bond market, lengthen maturity of domestic debt in order to minimize rollover risk and strengthen the Government securities market by promoting secondary trading. The benchmark tenors identified are 2, 5, 10, 15, 20, and 25 year maturities.

**The benchmark tenors identified are 2, 5, 10, 15, 20, and 25 year maturities.**

As a result of the implementation of this average maturity profile Government securities increased from 0.5 years in June 2001 to 4.9 years in June 2014 and the ratio of Treasury Bonds to Treasury Bills improved to 75:25 from 30:70 in 2001. Since 2009, 51 benchmark bonds of different maturities worth Ksh 754,565 million have been issued of which 23 bonds worth Ksh 241,858 million were reopened.

During the period under review, 10 bonds worth Ksh 199,364 million were issued while 5 benchmark bonds worth Ksh 37,168 billion were reopened. To smoothen out the maturity profile of bonds, manage refinancing risk and minimize the fragmentation problem at the secondary market, the National Treasury and the Central Bank are considering strategies such as bond switching under the benchmark bonds program.

In addition, improved liquidity both at the primary and the secondary market for bonds has been observed due to the benchmark bonds program. Benchmark Bonds account for the largest share of outstanding Treasury Bonds with over 50 per cent as at end June 2014 (Table 2.6 and Chart 2.4). Turnover of bonds traded at the Nairobi Securities Exchange (NSE) was Ksh 402,637 million in 2013/2014 compared to Ksh 586,238 million in 2012/2013. Riding on the success of the Benchmark Bonds program, a total of twenty eight (28) corporate bonds have been listed and are trading at the NSE.

A number of market development initiatives continue to be implemented. These include but are not limited to product diversification, establishment of the Treasury Mobile Direct (TMD) project, introduction of Over the Counter (OTC) trading platform and the setting up of the Government Securities Market Makers (GSMM) program as a first phase of the Primary Dealers (PD) framework.

## 2.11 Infrastructure Bonds (IFBs) Program

The issuance of Infrastructure Bonds in Kenya began in February 2009 to mobilize resources for specific projects in roads, energy and water sectors to support economic development.

The primary objective of the Government in issuing the Infrastructure Bonds was to set precedence to State Owned Enterprises (SOEs) and Local Authorities (LAs) with strong balance sheets to tap into the capital markets to finance their capital requirements and deliver on their mandate effectively. However, not much activity has been registered and Government has been the main issuer.

To date, a total of Ksh 156,735 billion (successful bids at cost) has been raised through the sale of six (6) IFBs as reflected in Table 2.7. In 2013/2014, one (1) IFB (IFB1/2013/12) was issued.

**Table 2.7: Performance of Infrastructure Bond (IFB) at Primary Market Auction (Ksh Millions)**

Bond Issue Number	Date of Issue	Offer Amount	Bids Received F.V.	Successful Bids		Coupon Rate (%)	Successful Average Rate (%)
				Cost	F.V.		
IFB 1/2009/12	23-02-09	18,500	26,884	18,576	19,727	12.500	13.505
IFB 2/2009/12	07-12-09	18,500	44,121	18,400	18,898	12.000	12.537
IFB 1/2010/8	01-03-10	14,500	35,273	16,042	15,908	9.750	9.579
IFB 2/2010/9	30-08-10	31,600	37,362	30,585	32,872	6.000	7.293
IFB1/2011/12	3-10-11	20,000	13,297	11,597	14,098	12.000	16.640
IFB1/2011/12 TAP	7-11-11	8,403	274	274	329	12.000	16.640
IFB1/2011/12 TAP	05-12-11	8,129	209	209	248	12.000	16.640
IFB1/2011/12 TAP	02-01-12	7,920	1,390	1,390	1,627	12.000	16.640
IFB1/2011/12 TAP	06-02-12	6,530	5,060	5,060	5,833	12.000	16.640
IFB1/2011/12 TAP	27-02-12	18,370	18,661	18,661	21,314	12.000	16.640
IFB1/2013/12	30-09-13	20,000	37,629	19,921	21,350	11.000	12.363
IFB1/2013/12 TAP	28-10-13	16,000	17,015	16,020	17,014	11.000	12.363
<b>Grand Total</b>				<b>156,735</b>	<b>169,218</b>		

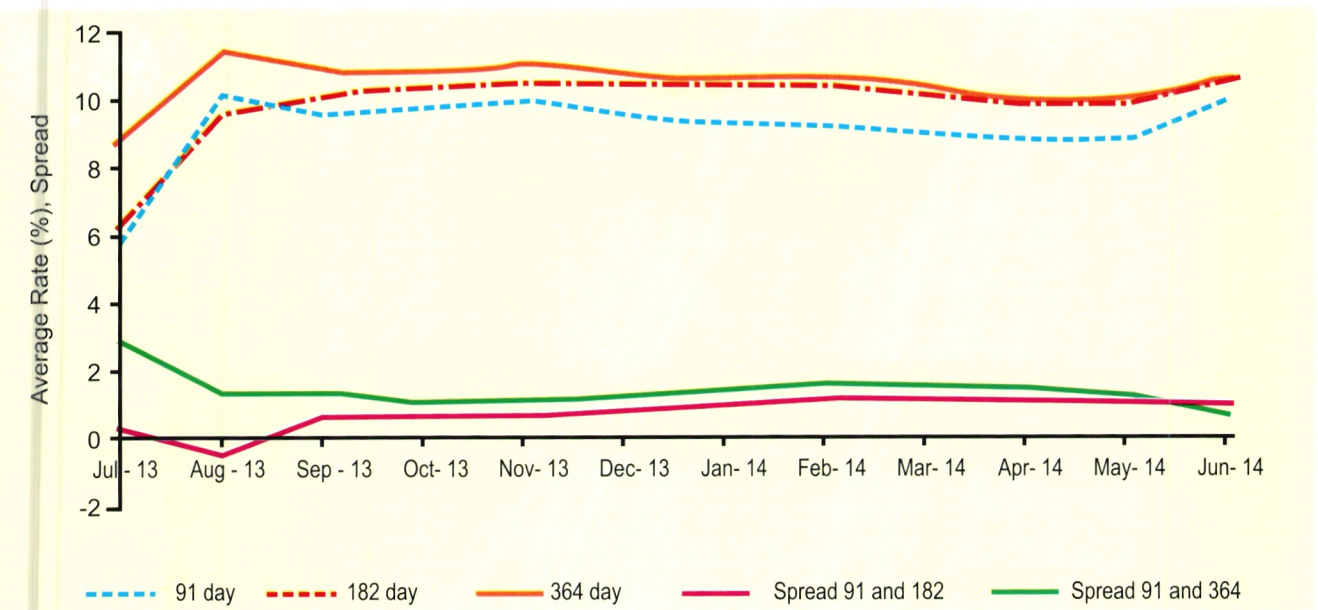
Source: Central Bank of Kenya

## 2.12 Average Interest Rates on Treasury Bills

As shown in Chart 2.6, the 91-day Treasury bill rate rose by 285 basis points from 6.96 per cent in June 2013 to 9.81 per cent in June 2014. Likewise, average interest rate for the 182-day Treasury bill increased by 338 basis points from 7.12 per cent to 10.50 per cent during the period while the average for the 364-day Treasury bill increased by 197 basis points from 8.58 per cent in June 2013 to 10.55 per cent in June 2014.

The 91-day and 182-day Treasury Bills average rates act as reference interest rates for pricing other financial products, making adjustments to commercial banks' deposit and lending rates as well as structuring of investment portfolios.

**Chart 2.6: Interest Rates on Treasury Bills, July 2012- June 2013**



Source: Central Bank of Kenya

### 2.13 Government Securities Trading

Government bonds' trading was vibrant in October 2013, January and April 2014 of the financial year with notable average activity during the other months (Chart 2.7).

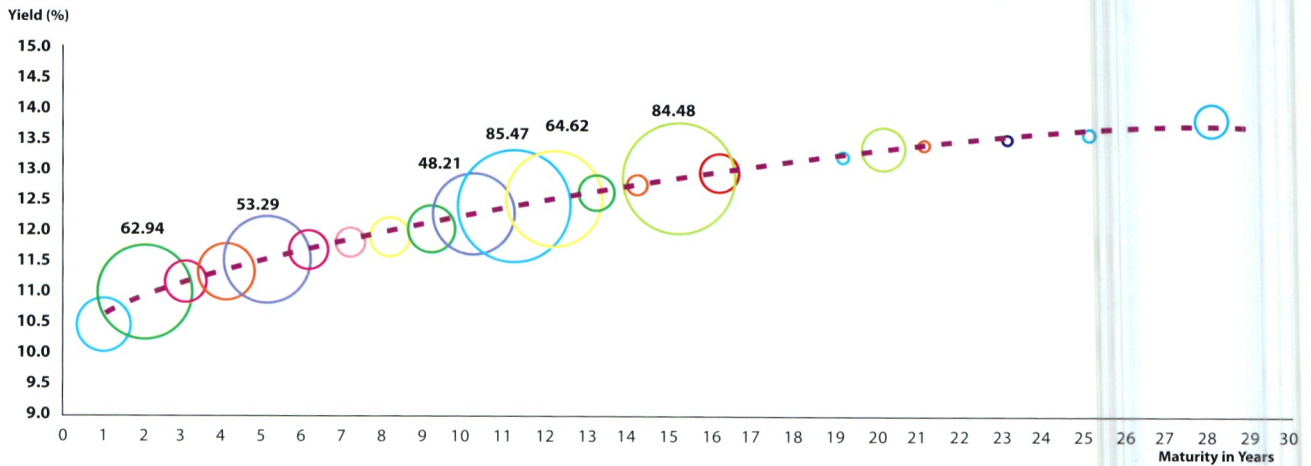
**Chart 2.7: Bonds Trading, July 2013 - June 2014**



Source: Central Bank of Kenya

Charts 2.8 shows that trading activity was concentrated in the short to medium segments of the yield curve with the bulk of it in benchmark maturities of 2, 5, 10 and 15 years. Infrastructure Bonds also traded actively during the year. This outcome is a reflection of positive gains from the implementation of the Benchmark Bonds and Infrastructure Bonds programs.

**Chart 2.8: Treasury Bonds Turnover (Ksh Bn) along the Yield Curve during FY 2013-2014**



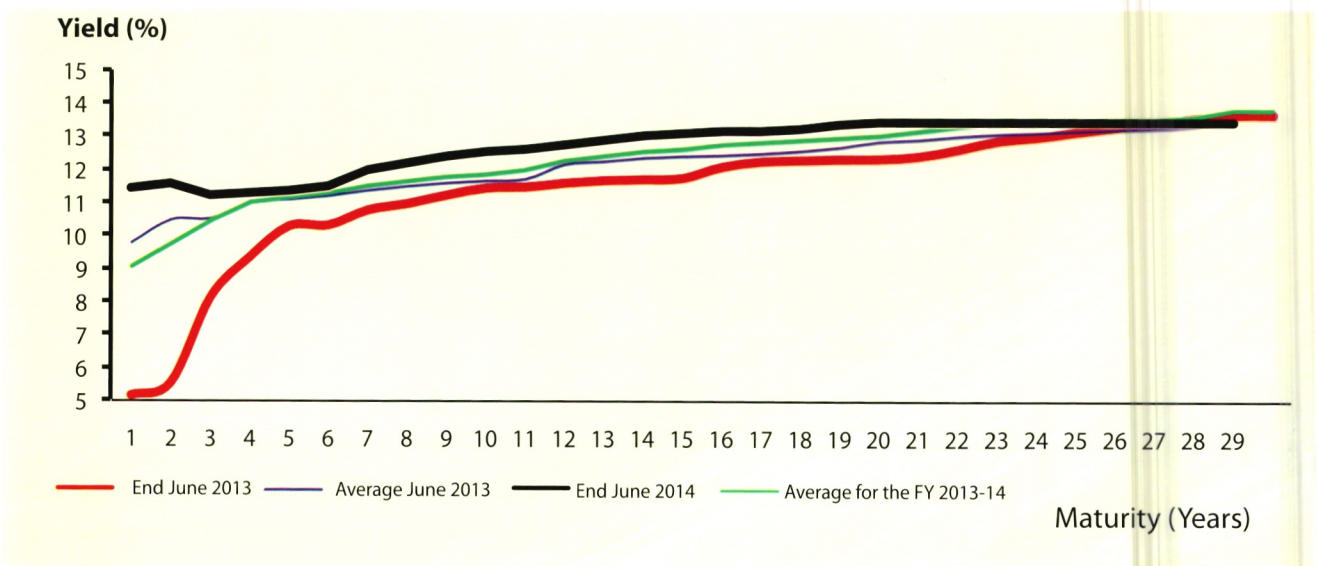
Source: Central Bank of Kenya

## 2.14 Government Securities Yield Curve

The Government securities yield curve depicts a normal trend as at end June 2014 but steady shift during the financial year from June 2013 position, indicating stability of pricing along the maturity profile (Chart 2.9).

This movement is also in line with trends in inflation during the year which reflected on the confidence and certainty of the market. The yield curve reflects the risk premium associated with the uncertainty about the future rate of inflation and the risk this poses to the future value of investment.

**Chart 2.9: Government of Kenya Securities Yield Curve, June 2014**

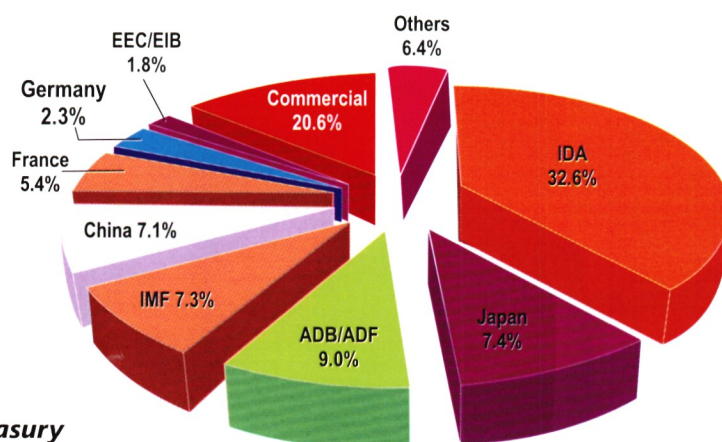


Source: Central Bank of Kenya

### 3.2.2 External Debt by Major Creditors

As at June 2014, The World Bank (IDA) is the leading creditor in the external debt portfolio at 32.6 per cent of total external debt, followed by commercial<sup>3</sup> creditors at 20.6 per cent and ADB/ADF at 9.0 per cent (Chart 3.2). Among major bilateral and multilateral creditors are Japan, China, France and IMF.

**Chart 3.2: External Debt by Major Creditors, June 2014**

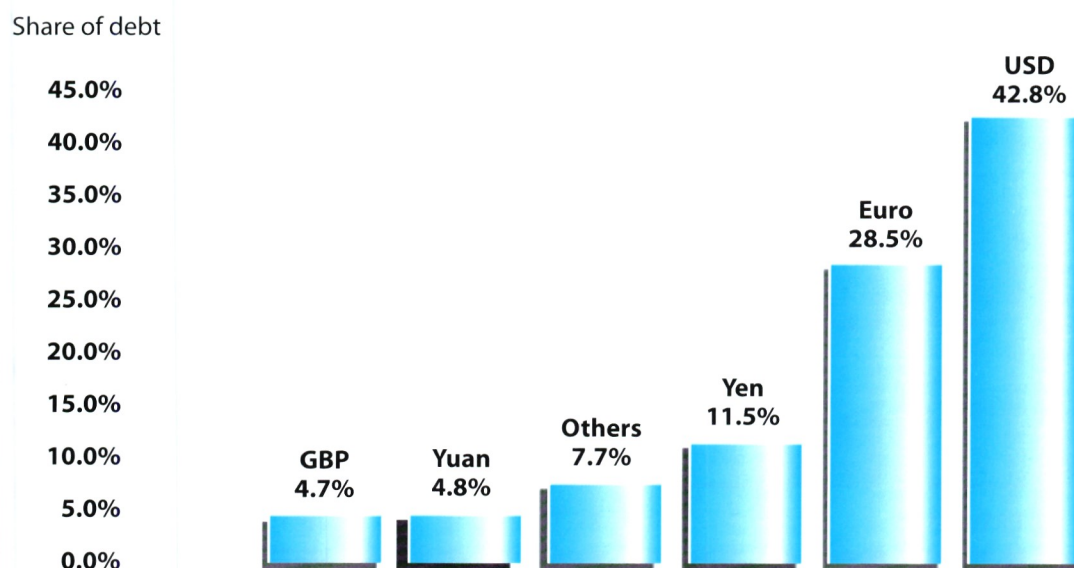


Source: National Treasury

### 3.2.3 Currency Structure of External Debt

A diversified currency structure is important for hedging against exchange rate risks on a country's external debt. By end June 2014, Kenya's external debt portfolio was mainly denominated in US Dollar at 42.8 per cent, Euro at 28.5 per cent and Yen at 11.5 per cent as shown in Chart 3.3. However, the currency mix is not an outcome of a deliberate debt management strategy but a reflection of source of funding.

**Chart 3.3: External Debt by Currency, June 2014**



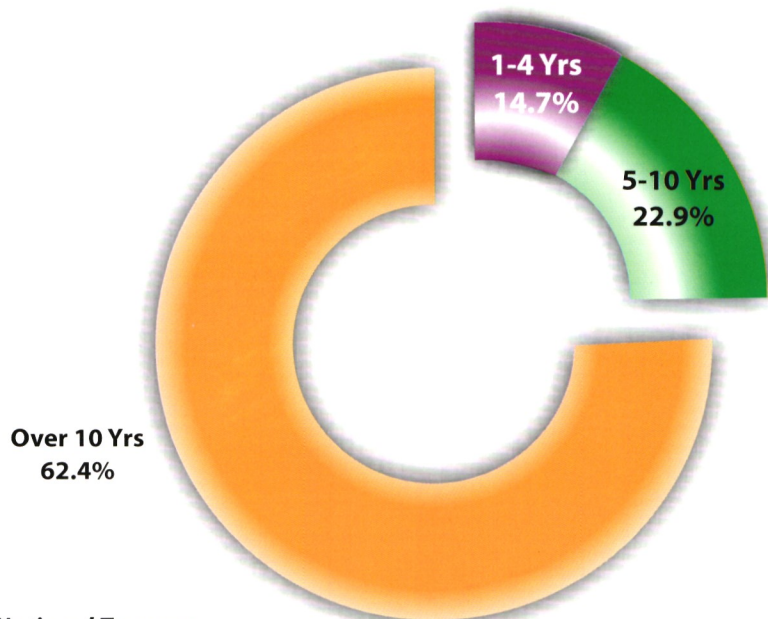
Source: National Treasury

<sup>3</sup>Includes sovereign bond issued in June 2014

### 3.2.4 Maturity Structure

By end of June 2014, the proportion of external debt with maturity of more than 10 years was 62.4 per cent indicating that the country's external debt is long term (Chart 3.4). The fact that only 14.7 per cent of the debt portfolio will mature within 4 years reflects a low refinancing risk.

**Chart 3.4: External Debt by Maturity, June 2014**



Source: National Treasury

### 3.2.5 Average Terms of New External Loan Commitments

As shown in Table 3.2, the average grant element of new external loan commitments was 63.9 per cent by end 2013/14 compared to 68.6 per cent by end 2012/13 indicating hardening of borrowing terms. The average maturity, grace period and average interest rate on new external loan commitments as at the end of June 2014 was 18.1 per cent, 6.2 years and 2.6 years respectively.

Overall, these borrowing terms are favorable to the country and are in line with the Government's external debt strategy of contracting external loans from both multilateral and bilateral sources on concessional or "soft" terms.

**Table 3.2: Average Terms of Loan Commitments**

	June 2013	June 2014
Average Maturity (yrs)	33.7	18.1
Grace period (years)	8.0	6.2
Average Interest Rate (%)	1.2	2.6
Grant Element (%)	68.6	63.9

Source: National Treasury

### 3.3 External Debt Service

As shown in Table 3.3, total principal and interest payments on Central Government external debt increased from Ksh 35,044 million in 2012/13 to Ksh 41,400 million in 2013/14. The ratio of multilateral and bilateral external debt service to total debt service was 41:48.

**Table 3.3: External Debt Service on Central Government Debt by Creditor, Ksh Million**

Payments	Multilateral		Bilateral		Commercial		Total	
	June 2013	June 2014	June 2013	June 2014	June 2013	June 2014	June 2013	June 2014
Principal	12,210	11,550	11,783	13,419	0	831	23,993	25,800
Interest	3,702	5,580	5,012	6,640	2,337	3,380	11,051	15,600
<b>Total</b>	<b>15,912</b>	<b>17,130</b>	<b>16,795</b>	<b>20,059</b>	<b>2,337</b>	<b>4,211</b>	<b>35,044</b>	<b>41,400</b>

Source: National Treasury

### 3.4 Disbursements of External Loans

As at end June 2014, total disbursements on external project loans and A-I-A increased to Ksh 184,949 million (114.6 per cent growth) from Ksh 86,191 million in June 2013 (Table 3.4).

**Table 3.4: External Loans Disbursements, Ksh Million**

Type of disbursement	June 2013		June 2014	
	Amount	%	Amount	%
Project Cash Loans	23,569	27.3	28,432	15.4
Project A-I-A	62,622	72.7	68,420	37.0
Commercial Financing	-	-	88,097	47.6
<b>Total</b>	<b>86,191</b>	<b>100</b>	<b>184,949</b>	<b>100</b>

Source: National Treasury

Publicly guaranteed debt refers to the debt owed by the country's public entities and county governments to both foreign and local creditors but guaranteed by Central Government. The debts may be denominated in domestic or foreign currency.

#### 4.1 Stock of Publicly Guaranteed Debt

Outstanding Government guaranteed debt increased by Ksh 1,683.9 million to Ksh 45,221.1 million in June 2014 from Ksh 43,537.2 million in June 2013 (Table 4.1). The increase was mainly attributed to disbursements to Kenya Ports Authority during the fiscal year 2013/14.

**Table 4.1: Publicly Guaranteed Debts, Ksh Million**

Agency	Year Loan Contracted	Purpose of Loan	Creditor	Loan Balance		Change
				June 2013	June 2014	
Nairobi City County	1985	Umoja II Housing Project	USA	146.2	74.5	(71.7)
Kenya Broadcasting Corporation	1989	KBC Modernization Project	Japan	3,933.9	3,584.2	(349.8)
Telkom Kenya Ltd	1990	Purchase of Microwave Telephone System	Canada	352.6	350.5	(2.1)
Tana and Athi River Development Authority	1990	Tana Delta Irrigation Project	Japan	1,790.6	1,525.5	(265.1)
East African Portland Cement	1990	Cement Plant Rehabilitation Project	Japan	2,225.9	1,896.3	(329.6)
KenGen Ltd	1995	Mombasa Diesel Generating Power Project	Japan	4,442.4	4,047.6	(394.8)
	1997	Sondu Miriu Hydropower Project	Japan	4,268.4	3,949.9	(318.5)
	2004	Sondu Miriu Hydropower Project II	Japan	9,186.4	8,981.0	(205.4)
	2007	Sondu Miriu Hydropower Project - Sang'oro Power Plant	Japan	3,670.7	3,660.0	(10.7)
	2010	Olkaria Unit 4 and 5 Geothermal Power Project	Japan	42.0	41.7	(0.3)
Kenya Ports Authority	2007	Mombasa Port Modernization Project	Japan	9,607.8	13,166.8	3,559
Kenya Railways	2008	Kenya Railways Concessioning	IDA	3,870.3	3,943.2	72.9
Kenya Farmers Association	2005	Revival of KFA	Local banks	Unutilized	Unutilized	-
National Cereals & Produce Board (GSM-102) <sup>4</sup>	2009	Importation of maize under GSM-102	USA	Unutilized	Unutilized	-
<b>Total</b>				<b>43,537.2</b>	<b>45,221.1</b>	<b>1,683.9</b>

Source: National Treasury

<sup>4</sup>GSM-102: USA Export Credit Guarantee Program

## 4.2 Payments by the Government on Publicly Guaranteed Debt

During the period 2013/14, Ksh 1,113 million was spent by the Government as a guarantor to service guaranteed debts owed by Nairobi City County (NCC), Tana and Athi River Development Authority (TARDA) and Kenya Broadcasting Corporation (KBC) (Table 4.2).

**Table 4.2: Payments by the Government on Guaranteed Debt in 2013/14, Ksh Million**

Borrower	Quarter I	Quarter II	Quarter III	Quarter IV	Cumulative
NCC	-	37.73	38.11	-	75.84
TARDA	154.83	-	147.46	-	302.29
KBC	-	360.66	-	373.84	734.50
<b>Total</b>	<b>154.83</b>	<b>398.39</b>	<b>185.57</b>	<b>373.84</b>	<b>1,112.63</b>

Source: National Treasury

## 4.3 Cumulative GoK Payments of Guaranteed Debt, 1991-2013/14

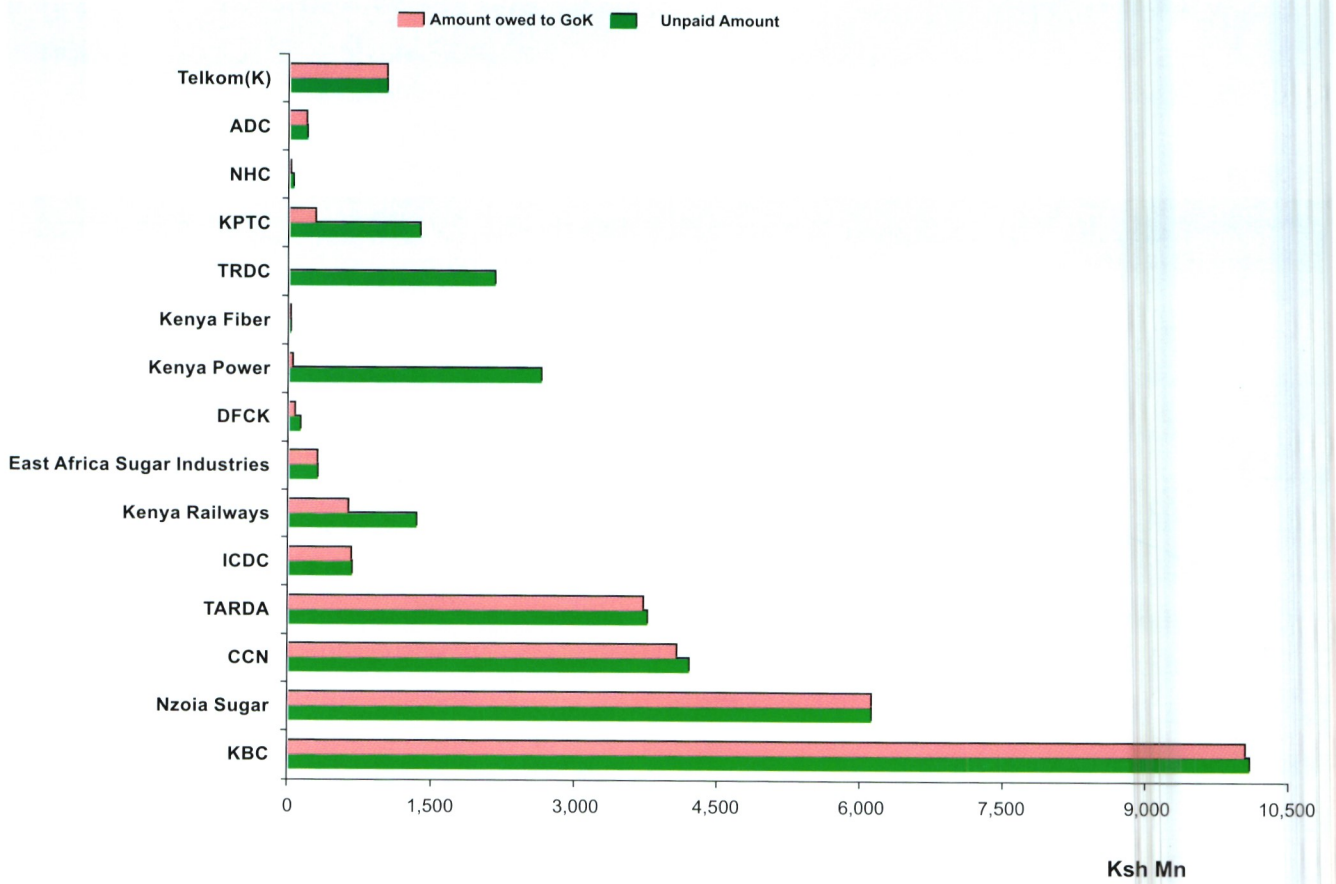
The net cumulative balances on guaranteed debt paid by the Government on behalf of public enterprises over the last 23 years was Ksh 27,226.3 million (Table 4.3 and Chart 4.1). The top net debtors are Kenya Broadcasting Corporation, Nzoia Sugar Company, Nairobi City County and Tana and Athi River Development Authority, all four accounting for over 80 per cent of un-reimbursed balances.

**Table 4.3: Cumulative Balances Owed to Central Government on Guaranteed Debt, Ksh Million, 1991-2013/14**

	Parastatals	Principal	Interest	Total	Reimbursement to GoK by Parastatals	Balance
1	Kenya Broadcasting Corporation	6,789.8	3,281.3	10,071.1	44.0	10,027.1
2	Nzoia Sugar Company	4,605.7	1,523.5	6,129.2	1.5	6,127.7
3	Nairobi City County	2,053.6	2,162.7	4,216.3	124.7	4,091.5
4	Tana and Athi River Development Authority	2,602.4	1,134.1	3,736.5	0.3	3,736.2
5	Industrial and Commercial Development Corporation	484.9	181.3	666.2	0.0	666.2
6	Kenya Railways	1,151.0	203.9	1,354.9	715.1	639.8
7	East Africa Sugar Industries Muhoroni	226.7	75.8	302.5	0.0	302.5
8	Development Finance Company of Kenya	92.4	39.9	132.3	67.0	65.3
9	Kenya Power and Lighting Co.	1,487.4	1,156.5	2,643.9	2,609.7	34.1
10	Kenya Fiber Corporation	0.0	14.7	14.7	0.0	14.7
11	Tana and Athi River Development Company	1,001.3	1,154.3	2,155.6	2,148.4	7.2
12	Kenya Post and Telecommunication Corp	675.8	691.5	1,367.3	1,080.7	286.6
13	National Housing Corporation	9.2	42.3	51.5	31.8	19.7
14	Agricultural Dev. Corp	106.7	72.9	179.6	0.0	179.6
15	Telkom(K)	931.8	96.1	1,027.9	0.0	1,027.9
	<b>Total</b>	<b>22,218.7</b>	<b>11,830.8</b>	<b>34,049.5</b>	<b>6,823.2</b>	<b>27,226.3</b>

Source: National Treasury

## Chart 4.1: Unpaid Balances owed to GoK by State Corporations



Source: National Treasury



Ngong Hills-Windfarm

## 5.1 Background

The arrangement where Central Governments through their National Treasuries contracts loans from external or domestic sources or uses tax revenue and lends it to public enterprises is referred to as Government on-lending. The basis for this lending arrangement is as follows:

- The object of a public enterprise is strategic and hence requires funding by Government;
- In the case of a social welfare project that would be efficiently executed by a public enterprise on behalf of the Government;
- The public enterprise has a weak balance sheet and cannot attract competitive funding from external or domestic sources.

In recording on-lending transactions, the Central Government recognizes a liability and a corresponding asset in its portfolio depending on the source of borrowing.

Substantial default by the borrowers of on-lent loans severely constrains efficient debt management, ultimately impacting on debt sustainability. Such default calls for establishment of better institutional processes as well as monitoring of contingent liabilities to promote efficient management of costs and risks in government debt portfolio.

## 5.2 Stock of On-Lent Loans

During the period under review, the outstanding on-lent loans excluding arrears and interest increased by Ksh 14,347.7 million from Ksh 166,939.6 million to Ksh 181,287.3 million. This increase is attributed to new loans on-lent to the Energy & Petroleum, Finance and Agricultural, Livestock and Fisheries sectors. The Energy & Petroleum sector as the main beneficiary on a cumulative basis received Ksh 107,211.0 million up from Ksh 92,235.2 million in FY 2012/13.



*Marsabit - Moyale road project*

**Table 5.1: Stock of On-Lent Loans (Ksh Million)**

Ministry/Sector	Outstanding loans		Change	
	June 2013	June 2014	Absolute	Per cent
Energy & Petroleum	92,235.2	107,211.0	14,975.8	16.2
Finance	1,667.1	2,110.2	443.1	26.6
Agriculture, Livestock & Fisheries	7,293.2	7,561.5	268.3	3.7
Trade	0.0	33.3	33.3	100
Education	11,088.9	11,088.9	0.0	0.0
Planning & Devolution	8,757.0	8,757.0	0.0	0.0
Tourism	182.0	181.0	(1.0)	(0.5)
Industry	453.9	427.7	(26.2)	(5.8)
Water & Irrigation	40,261.8	40,131.4	(130.4)	(0.3)
Transport & Infrastructure	3,924.9	3,779.0	(145.9)	(3.7)
Cooperative	1,075.6	6.3	(1,069.3)	(99.4)
<b>Total</b>	<b>166,939.6</b>	<b>181,287.3</b>	<b>14,347.7</b>	<b>8.6</b>

Source: National Treasury

### 5.3 Status of On-Lent Loans including Arrears

As at June 2014, the total on-lent loan portfolio amounted to Ksh 217,577.8 million, out of which outstanding loans, principal arrears and accrued interest stood at Ksh 181,287.3 million, Ksh 12,136.6 million and Ksh 24,153.9 million, respectively (Table 5.2).

**Table 5.2: Status of On-Lent Loans Portfolio (Ksh Million) as at June 2014**

Ministry/Sector	Outstanding loans	Principal Arrears	Accrued interest	Total
Energy & Petroleum	107,211.0	795.4	590.9	108,597.3
Water & Irrigation	40,131.4	1,423.8	3,941.1	45,496.3
Planning & Devolution	8,757.0	4,843.8	10,715.6	24,316.4
Agriculture, Livestock & Fisheries	7,561.5	4,293.1	8,120.3	19,974.9
Education	11,088.9	93.8	25.5	11,208.2
Transport & Infrastructure	3,779.0	-	14.3	3,793.3
Finance	2,110.2	231.7	2.8	2,344.7
Tourism	181.0	134.0	582.4	897.4
Cooperative	6.3	319.7	159.8	485.8
Industry	427.7	1.3	1.2	430.2
Trade	33.3	-	-	33.3
<b>Total</b>	<b>181,287.3</b>	<b>12,136.6</b>	<b>24,153.9</b>	<b>217,577.8</b>

Source: National Treasury

## 5.4 Receipts From On-Lent Loans

The total receipts by GoK from on-lent loans amounted to Ksh 3,568.0 million during 2013/14, out of which Ksh 2,313.4 million was principal and Ksh 1,254.6 million was interest (Table 5.3).

**Table 5.3 Principal and Loan Interest Receipts, 2013/14, Ksh Million**

Organization	Principal Receipts	Interest Receipts	Total
Kenya Generating Company	916.4	657.1	1,573.5
Kenya Power & Lighting Co.	795.9	252.0	1,047.9
Kenya Airports Authority	121.8	81.6	203.4
Agro-Chemical and Food Co. Ltd	0.0	150	150.0
Uchumi Supermarkets Ltd	120.0	0.0	120.0
Athi Water Services Board	80.0	39.7	119.7
K -Rep Bank Ltd	104.8	5.5	110.3
Kenya Civil Aviation Authority	47.2	35.1	82.3
Nyeri Water and Sewerage	50.4	23.6	74.0
Co-operative Bank of Kenya	55.5	2.3	57.8
Equity Bank Ltd	15.3	5.8	21.1
Agricultural Settlement Fund and Central Land Board	2.3	1.9	4.2
Agricultural Finance Corporation	2.5	0.0	2.5
Kenya Utalii College	1.0	0.0	1.0
Meru Central Farmers Union	0.3	0.0	0.3
<b>Total</b>	<b>2,313.4</b>	<b>1,254.6</b>	<b>3,568.0</b>

Source: National Treasury

## 5.5 Public Private Partnerships (PPPs)

The government, in collaboration with its development partners has increased its efforts towards promotion of Public Private Partnership (PPP) arrangements in the energy sector and encouraged use of non-state guarantees from multilateral agencies like Multilateral Investment Guarantee Agency (MIGA) to minimize the level of explicit guarantees to maintain public debt within sustainable levels. Under the agreed framework, the World Bank and African Development Bank have been issuing Partial Risk Guarantees to provide payment security to the investors and lenders and backstopped by Government Letter of Support. More than five Independent Power Producers have been provided with security under this framework.

## 5.5 Contingent Liabilities

Possible materialization of potentially large and unreported contingent liabilities has been identified as posing additional risk to the sustainability of public debt. Borrowing by state-owned entities with or without Government guarantees constitutes potential contingent liability to the Government. In the event of default on on-lent loans and guaranteed or non-guaranteed loans, Central Government will bear the cost of the debt.

With the implementation of a devolved system of Government, the extent of contingent liabilities is expected to increase as liabilities of County Governments are taken into account.

### 6.1 Background

Kenya's disputed external commercial debt estimated at Kshs 16,451.9 million or 1.4 per cent of total public debt at end June 2014 is in arrears. In August 2004, the Government suspended payments pending verification of the amount due on each of the eighteen (18) suppliers' credit contracts which constitutes external commercial debt. Soon after the suspension, the Controller and Auditor General undertook a special audit on eighteen (18) suppliers' credit contracts as follows:

1. Eleven (11) contracts that are in dispute;
2. Three (3) contracts though fully paid by the Government, relate to projects in dispute as under (1) above; and
3. Four (4) contracts in which the creditors voluntarily returned all funds paid by the Government.

In four (4) of the eleven (11) suppliers' credit contracts in dispute, the creditors sought legal re-dress in courts or arbitrations in UK, The Hague and Switzerland for breach of contract. In response, the Government engaged reputable and experienced international law firms to represent its interest.

In February 2005, the Ethics and Anti-Corruption Commission (EACC) began investigations on these contracts. Although some progress has been made, the pace has been slowed down by court orders that have prohibited EACC from carrying out investigations in some areas.

### 6.2 Audits on External Commercial Debts

The Controller and Auditor General's Special Audit Report was tabled in Parliament in May 2006. The findings indicated that procurement laws and regulations were violated in the contracting process, that the projects were overpriced and in most cases, no credit was extended by the creditors. The Report recommended that professional valuation of works, goods and services be carried out to determine value for money.

In January 2007, the National Treasury contracted PricewaterhouseCoopers (PwC) to conduct forensic audit and valuation. PwC submitted the forensic audit and valuation report on 31st July, 2007. The PwC Report established that those contracts were procured in an irregular manner and that the pricing, financing, and other terms of the contract do not reflect terms obtained on arm's length commercial transactions.

Specifically, the PwC Report cited:

- i. Significant overpricing
- ii. Serious contraventions of Kenya public expenditure law
- iii. Circumstantial evidence that these contracts were corruptly procured
- iv. Evidence of pre-financing (i.e. upfront payments) by the Government but paying interest on own funds.
- v. Under-delivery of supplies provided under the contracts

As a precautionary measure, the Government sought to eliminate financial risk exposure on Promissory Notes issued under seven (7) contracts.

The Minister for Finance, in consultation with the Attorney General, issued a Caveat Emptor in December 2007 informing all parties that the underlying contracts were fraudulent and hence the Promissory Notes were illegal and the Government would not honor them. The Caveat Emptor was circulated to banks worldwide through SWIFT and placed in the local dailies.

### **6.3 Government Position on Existing Commercial Debts**

The Government is committed to resolving the dispute on the outstanding external commercial debts on the basis of fair value received by the Government on each contract as determined by independent valuers and based on legal advice. On the other hand, the Government will take legal measures to recover from the suppliers any payments over and above the fair value received. Four of the 11 contracts in dispute have been successfully resolved. Resolution of the remaining projects is ongoing. To achieve this, there will be enhanced co-ordination by state organs including; State Law Office, Ethics and Anti-Corruption Commission, Directorate of Public Prosecutions and the National Treasury.

### **6.4 Lessons Learnt from External Commercial Debt**

Some key lessons have been learnt on this matter referred to by the media as the "Anglo Leasing" scandal. First, weak institutional arrangement of public debt management undermined accountability and transparency in the contracting, disbursement and payment processing of external loans. To address this weakness, the Government has embarked on a

comprehensive public debt management reform program to set up a fully functional Public Debt Management Office (PDMO) at the National Treasury responsible for all matters relating to public debt. Second, inadequate public financial management system weakens budget formulation and implementation. This partly explains payment of suppliers' credit contracts against under-deliveries. Public Financial Management Reforms have been undertaken to strengthen the budget, accounting and control systems in National Government. Third, weak legal framework on public procurement permitted single sourcing on account of national security concerns. Whereas restricted tendering system or single sourcing is not wrong per se, it can be subject to abuse in absence of robust framework of checks and balances. This matter has to a large extent been addressed in the Public Procurement and Disposal Act.

Finally, lack of formal debt policy and strategy that guides debt management operations created fiscal risk through high cost borrowing to finance non-priority expenditures. As a remedial measure, the National Government prepares an annual Medium Term Debt Strategy (MTDS) that indicates the preferred borrowing sources and levels to finance the budget deficit taking into account debt sustainability in terms of cost and risk. Specifically, external commercial borrowing will be contracted transparently from reputable financial institutions or through issuance of International Sovereign Bond as was done in June 2014.

## 7.1 Debt Strategy

Since 2009, the National Treasury has been preparing the Medium Term Debt Management Strategy (MTDS) which outlines the government borrowing policy by evaluating the cost and risk characteristics of both the existing public debt portfolio and alternative borrowing mix. In addition, the strategy incorporates initiatives to develop a vibrant domestic debt market. A summary of the 2014 MTDS is presented in Box 1.

### Box 1: 2014 MEDIUM TERM DEBT MANAGEMENT STRATEGY (MTDS)

#### I. Alternative Borrowing Strategies

The 2014 MTDS evaluated the following five (5) possible debt financing strategies (See Table 1 below):

1. Strategy 1 (S1. 2013 MTDS) was the preferred strategy in 2013 and assumed 40% external and 60% domestic financing. The concentration of issuance with 5 and 10 year maturities assumes an initiative to reduce cost of domestic debt associated with longer dated securities.
2. Strategy 2 (S2. Concessional external borrowing) assumes 40% external financing and 60% domestic financing.
3. Strategy 3 (S3. More domestic debt) assumes 35% external and 65% domestic financing
4. Strategy 4 (S4. Medium term domestic borrowing) assumes 30% external and 70% domestic financing.
5. Strategy 5 (S5. Semi-concessional external financing). Under this strategy, domestic debt is 75% while external debt is 25%.

Table 1: Alternative Debt Management Strategies

Envisaged New Debt	2013 MTDS S1	Concessional external debt S2	More domestic debt S3	Medium term domestic debt S4	Semi-concessional external debt S5
<b>Domestic</b>	<b>60%</b>	<b>60%</b>	<b>65%</b>	<b>70%</b>	<b>75%</b>
1-year	9%	9%	10%	10%	14%
2-year	11%	10%	12%	11%	11%
5-year	12%	14%	13%	20%	14%
10-year	10%	11%	11%	16%	14%
15-year	9%	8%	10%	7%	11%
20-year	9%	7%	10%	7%	11%
<b>External</b>	<b>40%</b>	<b>40%</b>	<b>35%</b>	<b>30%</b>	<b>25%</b>
Semi-concessional	3%	8%	6%	4%	4%
Concessional	17%	26%	23%	20%	15%
2-Yr Syndicate	0%	0%	0%	0%	0%
10-yr ISB	21%	6%	6%	6%	6%

#### II. 2014 MTDS

After analyzing the strategies, S2 was identified as the optimal strategy which entails:

- 60% net domestic financing and 40% external financing;
- The domestic borrowing will be on medium term basis;
- External borrowing will comprise of 26% on concessional terms, 8% on semi concessional terms while 6% will be contracted on commercial terms.

Source: National Treasury

## 7.2 Implementing the 2014 MTDS

The Government implemented the 2014 MTDS through the domestic borrowing plan by issuing Treasury Bills and Treasury Bonds of medium term maturity. The external borrowing plan was effected through contracting concessional loans and issuance of an International Sovereign Bond.

## 7.3 Debt Sustainability

Debt Sustainability Analysis (DSA) concludes that Kenya's debt is sustainable. The DSA compares debt burden indicators to indicative thresholds over a 20-year projection period. A debt-burden indicator that exceeds its indicative threshold suggests a risk of experiencing some form of debt distress. There are four ratings for the risk of external debt distress:

- Low risk - when all the debt burden indicators are well below the thresholds;
- Moderate risk - when debt burden indicators are below the thresholds in the baseline scenario, but stress tests indicate that thresholds could be breached if there are external shocks or abrupt changes in macroeconomic policies;
- High risk - when the baseline scenario and stress tests indicate a protracted breach of debt or debt-service thresholds, but the country does not currently face any repayment difficulties; or
- In debt distress - when the country is already having repayment difficulties.

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 country and as such is subject to the following thresholds:-

**Table 7.1: External Debt sustainability thresholds**

Classification	PV of Debt in percent of:			Debt Service in percent of:	
	GDP	Exports	Revenue	Exports	Revenue
Strong Policy Performer	50	200	300	25	22

Source: World Bank-IMF Debt Sustainability Analysis- Kenya (April 2013) and IMF Staff Guidance Note

### 7.3.1 External debt sustainability

Under the baseline scenario, Kenya's debt ratios listed in Table 7.2 suggest that external debt is within sustainable levels for a country rated as a strong performer. This is attributed to the high level of concessionality of current external debt and the positive outlook in other macroeconomic indicators.

**Table 7.2: External debt sustainability**

Indicator	2013	2014	2015	2016	2017	2018	2024	2034
PV of debt - to-GDP ratio (50)	13.5	18.0	19.4	20.5	20.3	20.2	18.9	17.9
PV of debt - to-exports ratio (200)	69.5	93.1	101.7	108.0	108.5	107.8	100.1	88.1
PV of debt - to-revenue ratio (300)	70.5	89.5	92.0	93.3	89.9	87.7	79.4	72.9
Debt service -to-exports ratio (25)	4.0	8.7	5.8	7.1	7.9	8.0	13.0	7.8
Debt service -to-revenue ratio (22)	4.0	8.4	5.2	6.1	6.5	6.5	10.3	6.4

*Source: Staff report for Request for Stand-By Arrangement and an Arrangement under the Standby Credit Facility—Debt Sustainability Analysis—Update prepared by International Monetary Fund*

### 7.3.2 Public debt sustainability

Public debt sustainability thresholds for a strong performer are shown on Table 7.3. Under the, the PV of public debt-to-GDP was at 38.0 per cent in 2013 but is expected to gradually rise to 45.6 per cent by 2015. In the long term, the ratio is expected to decline to 34.3 per cent in 2024.

Given Kenya's relative strong revenue performance, the PV of public debt-to-revenue is expected to remain at sustainable levels. The debt service-to-revenue ratio remains consistent. Overall, the results from the DSA indicate that Kenya's public debt remains sustainable over the medium term.

**Table 7.3: Public debt sustainability**

Indicator (Threshold)	2013	2014	2015	2016	2017	2018	2024	2034
PV of public sector debt to GDP ratio (74)	38.0	44.2	45.6	45.9	44.8	43.5	34.3	25.6
PV of public sector debt to-revenue ratio	198.7	219.9	216.2	208.8	198.3	189.4	143.7	104.1
Debt service-to-revenue ratio	29.4	32.7	27.6	26.5	25.5	24.6	21.5	9.9

*Source: Staff report for Request for Stand-By Arrangement and an Arrangement under the Standby Credit Facility—Debt Sustainability Analysis—Update prepared by International Monetary Fund*

In Table 7.4, a worst-case scenario, a “borrowing shock” scenario is presented which assumes a Government borrowing of 10 per cent of GDP in FY2014/15.

**Table 7.4: Sensitivity Analysis for Key Indicators of Public Debt**

Indicator	Threshold	2015 Ratios	Impact of 10% of GDP increase in borrowing in 2015 on debt indicators in 2017
PV of Debt as % of GDP	74	46	53
PV of Debt as % of Revenue	300	211	230
Debt Service as % of Revenue	30	27	30

*Source: Staff report for Request for Stand-By Arrangement and an Arrangement under the Standby Credit Facility—Debt Sustainability Analysis—Update prepared by International Monetary Fund*

However in the financial year 2014/15, the Government plans to borrow, on a net basis, an amount equivalent to 8.0 per cent of GDP to finance the budget. The net borrowing is expected to decline to 4.0 per cent of GDP in FY 2017/18.

The sustainability of Kenya's public debt depends on macroeconomic performance and a prudent borrowing policy. Recourse to significant uptake of domestic debt financing could further increase the domestic interest rates, and put pressure on the debt sustainability position. In addition, non-concessional external financing carries an inherent foreign exchange risk, worsens the PV of debt and therefore increases the risk of debt distress. To maintain debt sustainability, Government will therefore ensure macroeconomic stability and pursue a prudent borrowing policy.



**Lamu Power project**

## 8.1 Provisions under the Constitution

### 8.1.1. Public debt as defined under the Constitution

Public debt is all financial obligations attendant to loans raised or guaranteed and securities issued or guaranteed by the national government. Public debt is a charge on the Consolidated Fund, but an Act of Parliament may provide for charging all or part of the public debt to other public funds.

The relevant legislation with regard to public finance management in Kenya is the Public Finance Management Act of 2012.

### 8.1.2. Borrowing by the National Government

Parliament may prescribe the terms on which the national government may borrow and impose reporting requirements.

Parliament may request the Cabinet Secretary responsible for finance to present information concerning any particular loan or guarantee. The information may consist of:

- Extent of the total indebtedness by way of principal and accumulated interest;
- The use of the proceeds of the loan; and
- Provision made for servicing or repayment of the loan.

### 8.1.3. Borrowing by Counties

The two important conditions for a county government to qualify for own borrowing are; possession of national government guarantee and approval of the county government's assembly.

### 8.1.4. Loan guarantees by national government

Parliament shall prescribe terms and conditions under which the national government may guarantee loans and a report on guarantees issued within a financial year will be published within two months after the end of the year.

## 8.2 Public Finance Management Act

The PFM Act has consolidated all pre-existing laws on Public Financial Management. In the area of public debt management, the Act repealed the External Loans and Credit Act, the Internal Loans Act and the National Government Loans Guarantee Act which provided a legal framework for Government to raise loans outside Kenya,

within Kenya and to guarantee loans extended to public entities, respectively.

The Act provides for a number of reforms with respect to management and control of public finance including public borrowing as follows:

- a) *Article 11*: Establishment of the National Treasury (NT) headed by the Cabinet Secretary to be responsible for fiscal policy and managing public finances.
- b) *Article 25 and 33*: NT to prepare and submit to Cabinet the Budget Policy Statement (BPS) and Debt Management Strategy by 15th February each year. Thereafter, Parliament shall discuss the BPS within 2 weeks and NT will publish the same within 15 days.
- c) *Article 28-29*: the NT to establish a Treasury Single Account (TSA) and associated cash management framework.
- d) *Article 47-65*: Prescribe for the receipt and the use of grants and loans, guaranteeing loans, lending money, entering into derivative transactions and the establishing of a fully-fledged Public Debt Management Office (PDMO) in the NT.

***The Act (PFM) provides for a number of reforms with respect to management and control of public finance including public borrowing***

- i) *Article 47 and 48*: provide for the conditions for receiving grants and donations by the National Government or its entities or third parties as well as regulations on the administration of the same.
- ii) *Article 49*: Authority for borrowing by the National Government

The Cabinet Secretary for Finance may, on behalf of the national government, raise a loan within Kenya or from outside Kenya only if the loan and the terms and conditions for the loan are set out in writing and conditional to:

- The fiscal responsibility principles and the financial objectives set out in the most recent Budget Policy Statement
- Debt management strategy of the national government over the medium term

- iii) *Article 50*: provides for the obligations and restrictions on national government guaranteeing and borrowing. The national government may borrow money in accordance with PFM Act or any other legislation and shall

not exceed a limit set by Parliament. The national government may borrow money only for the budget as approved by Parliament and the allocations for loans approved by Parliament. The guarantee of debt shall be done in terms of criteria agreed with the Intergovernmental Budget and Economic Council and prescribed in regulations approved by Parliament. In addition, the Cabinet Secretary may, by regulations approved by Parliament, establish a sinking fund or funds for the redemption of loans raised under this Act by the national government.

- iv) *Article 51* contains provisions for borrowing by national government entities where a national government entity may borrow in accordance with PFM Act or any other Act of Parliament. A national government entity shall obtain the approval of the Cabinet Secretary for its intended program of borrowing, refinancing and repayment of loans over the medium term; and for the forthcoming financial year, prior to the beginning of that financial year.
- v) Under *Article 52*, persons authorized to execute loan documents at national government are the Cabinet Secretary or any person designated by the Cabinet Secretary, Accounting officer responsible for a national government entity, or any other specified officer authorized by legislation to execute loan documents on behalf of the entity.
- vi) *Article 53* provides for issuance of securities by national government where the national government may issue national government securities, whether for money that it has borrowed or for any other purpose, only in circumstances expressly authorized by the PFM Act.
- vii) *Article 54* provides that no duty is chargeable under the Stamp Duty Act for the issue of a national government security.
- viii) *Article 55* establishes the office of the Registrar of the National Government Securities which shall be an office under the Public Debt Management Office. Securities issued by or on behalf of the national government shall be published and publicized.
- ix) Under *Article 56*, the national government may enter into derivative transactions, either directly or indirectly through an intermediary, but only within the framework and limits of the Budget Policy Statement and in a manner prescribed by regulations.
- x) *Article 57* allows the national government to lend money but only in accordance with terms and conditions prescribed by the regulations approved by Parliament.
- xi) Under *Article 58*, the Cabinet Secretary may guarantee a loan of a county

government or any other borrower on behalf of the national government and that loan shall be approved by Parliament.

- xii) According to *Article 59*, the Cabinet Secretary shall submit a statement on loan guarantees to Parliament within fourteen days after the guarantee is entered into.
- xiii) *Article 60* relates to money payable in respect of a guarantee to be a charge on the Consolidated Fund. Money payable on a guarantee shall be paid only if the payment has been authorized by the Controller of Budget. On this account, money payable on a guarantee is a charge on, and is payable out of, the Consolidated Fund without further appropriation than this section.
- xiv) *Article 61* provides for recovery of amounts paid on a guarantee where money paid by the Cabinet Secretary on a guarantee, including any expenses incurred by the Cabinet Secretary in respect of the guarantee, shall be a debt due to the national government from the borrower whose loan was guaranteed; and be recoverable from the borrower as a debt due to the national government by proceedings brought in a court of competent jurisdiction or withholding a transfer of money in terms of Article 225 of the Constitution, if the borrower receives appropriations.
- xv) *Article 62* provides for the establishment and objectives of the Public Debt Management Office (PDMO) within the National Treasury with objectives to; minimize the cost of public debt management and borrowing over the long-term taking account of risk, promote the development of the market institutions for Government debt securities and ensure the sharing of the benefits and costs of public debt between the current and future generations.
- xvi) The functions of the Public Debt Management Office are provided under *Article 63* and they include:
  - carrying out the government's debt management policy of minimizing its financing cost over the long-term taking account of risk
  - maintaining a reliable debt data base for all loans taken by the national government, county governments and their entities including other loans guaranteed by the national government
  - prepare and update the annual medium-term debt management strategy including debt sustainability analysis
  - prepare and implement the national government borrowing plan including servicing of outstanding debts
  - acting as the principal in the issuance of Government debt securities on behalf of the National Treasury
  - monitor and evaluate all borrowing and debt-related transactions to ensure that they are within the guidelines and risk parameters of the debt

- management strategy
  - process the issuance of loan guarantees including assessment and management of risks in national government guarantees transact in derivative financial instruments in accordance with best international practices benchmarked to the debt management offices of other governments that are internationally respected for their practices.
- xvii) The Cabinet Secretary under *Article 64* shall develop the policy and financial framework in accordance with Constitutional principles within which the Public Debt Management Office operates.
- xviii) *Article 65* stipulates the relationship between the PDMO with county treasuries in debt management where the PDMO shall assist the county government in its debt management and borrowing at the request of a County Treasury.

### 8.3 Reporting under PFM Act

Article 31 requires the Cabinet Secretary submits to Parliament, every four months, a report of all loans made to the national government, national government entities and county governments, in accordance with Article 211(2) of the Constitution.

Article 32 requires the Cabinet Secretary to submit to Parliament, a record of all guarantees given by the national government, not later than seven days after receiving a request to do so from either House of Parliament.

Article 33 requires that on or before the 15<sup>th</sup> February in each year, the Cabinet Secretary shall submit to Parliament a statement setting out the debt management strategy of the national government over the medium term with respect to its actual liability and potential liability in respect of loans and guarantees and its plans for dealing with those liabilities.



**Olkaria geothermal power plant**

## 9.1 Background

The Republic of Kenya issued its debut USD 2,000 million International Bond on 24th June, 2014. The issue comprised of USD 500 million at a coupon rate of 5.875 per cent with a five year maturity and USD 1,500 million at a coupon rate of 6.875 per cent with a maturity of 10 years.

The issue received about 500 per cent subscription with total demand amounting to USD 8,800 million. The bond is listed on the Irish Stock Exchange (ISE). The Republic of Kenya issued its debut USD 2,000 million International Bond on 24th June, 2014. The issue comprised of USD 500 million at a coupon rate of 5.875 per cent with a five year maturity and USD 1,500 million at a coupon rate of 6.875 per cent with a maturity of 10 years.

The issue received about 500 per cent subscription with total demand amounting to USD 8,800 million. The bond is listed on the Irish Stock Exchange (ISE).

## 9.2 Strategic objectives of the International Sovereign Bond

The transaction strategically diversified the country's funding sources and established an important benchmark for Kenyan issuers (private and quasi-public corporations) to tap into the international capital markets to fund their business expansion at a reasonable cost.

The success of the sovereign bond has enhanced access to external financing by both public and private sector to attract more resources to Kenya's financial system. Additional financial resources in the banking system would result in reduced domestic interest rates boosting investment, employment opportunities and economic growth.

The success of the Sovereign bond was also expected to help in consolidating macro-economic stability by bolstering the strength of the Kenya shilling, stabilizing import prices including petroleum prices and therefore reduce the cost of living.

The transaction was the largest by a first-time African issuer representing an important milestone for the Republic of Kenya and a stepping stone in the path towards emerging market status as the Government implements its transformative economic agenda.

## 9.3 Key terms

The following is a summary of the key terms of the issue:

Nominal Value		USD 2,000 million	
Issuer	Kenya		
Ratings	S&P / Fitch B+ (stable)		
Issue format	144A / Reg S		
Pricing date	June 16, 2014		
Settlement date	June 24, 2014 (T+6)		
Governing law	English		
Listing	Irish Stock Exchange		
Issue Size	<b>USD 500 million</b>	<b>USD 1,500 million</b>	
Maturity date	June 24, 2019	June 24, 2024	
Coupon (%)	5.875	6.875	

Source: National Treasury

## 9.1 Use of proceeds

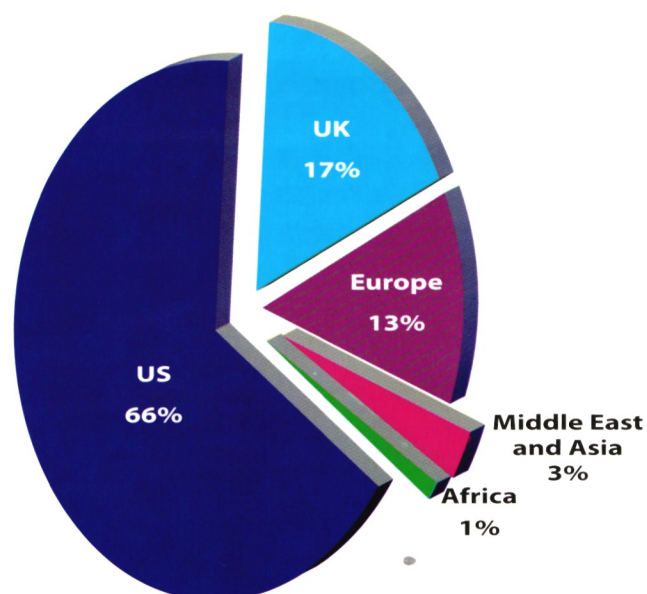
The proceeds were used for repayment of the USD 600 million syndicated loan and budgetary support including financing of infrastructure development.

## 9.2 Outcome of USD 500 Million Note Auction at the Primary Market

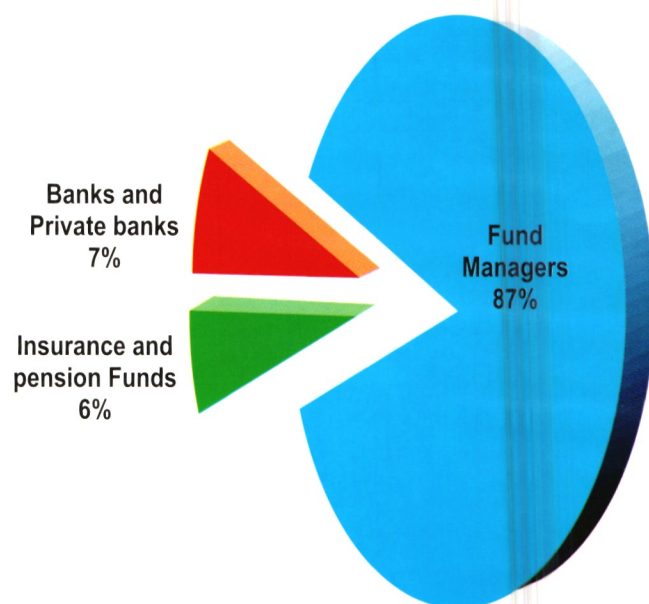
### 9.2.1 Distribution of Investors by Geography and Investor Type

66 per cent of the notes were held by US investors followed by UK and other European investors at 17 per cent and 13 per cent respectively (Chart 9.1a).

**Chart 9.1a: Distribution by Geography**



**Chart 9.1b: Distribution by Investor Type**



Source: National Treasury

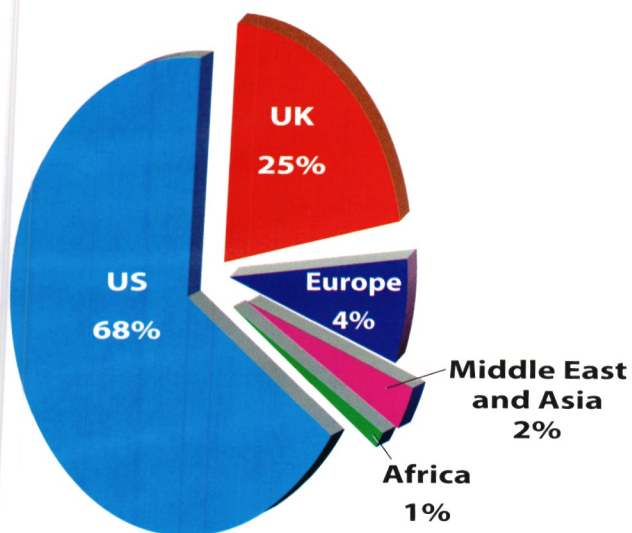
In terms of the holdings by investor type, fund managers led the pack at 87 per cent while banks and insurance and pension funds followed at 7 per cent and 6 per cent respectively (Chart 9.1b).

## 9.1 Outcome of Primary Market Auction of USD 1,500 Million Note

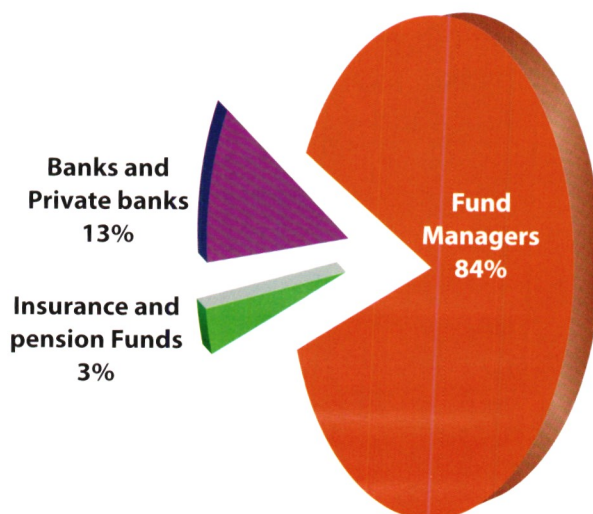
### 9.1.1 Distribution of Investors by Geography and Investor Type

Majority of investors in the USD 1,500 million notes were from the USA at 68 per cent, followed by UK at 25 per cent (Chart 9.2a). Investors from other regions accounted for less than 5 per cent.

**Chart 9.2a:  
Distribution by Geography**



**Chart 9.2b:  
Distribution by Investor Type**



Source: National Treasury

In terms of distribution by investor type, fund managers held 84 per cent, banks and insurance companies 13 per cent and pension funds at 3 per cent (Chart 9.2b).

## 9.1 Success of the Sovereign Bond

The impressive performance of the ISB issuance was driven by the country's strong credit status and extensive marketing to global investors. Key selling points for Kenya were as follows:

- a. Sound macroeconomic management: Investors had confidence in the Government's ability to maintain and consolidate macro-economic stability, improve business climate and implement free-market oriented reforms.
- b. Stable credit rating: The two reputable credit rating agencies — S&P and Fitch — have maintained their ratings for Kenya at B+ with stable outlook. Kenya's current account and budget deficits are financeable and do not undermine macroeconomic stability and sustainable public debt. Meanwhile, economic growth remains resilient at 5.5 per cent in 2014.
- c. Diversified economy with strong private sector: No one sector of Kenya's economy contributes to more than 25 per cent of GDP. Indeed, growth realized over the recent past remains broad-based. The economy is expected to be more diversified with new sectors such as oil and gas as well as mining becoming increasingly important.

- d. Modern Constitution with checks and balances that has strengthened institutions: Ongoing and successful implementation of reforms under the new Constitutional dispensation is expected to improve governance leading to a well-managed devolution system to improve service delivery and achieve equitable social progress.
- e. Well developed banking system and domestic capital market: Kenya has the largest banking system in Eastern Africa region and the third largest in Africa after South Africa and Nigeria. The financial sector is deep and well capitalized.
- f. Low external debt levels vis-à-vis peers: Kenya has maintained its public debt at a sustainable level even without receiving debt relief or write-off under the HIPC and MDRI initiatives. The external debt remains low and manageable. With the improved Country Policy and Institutions Assessment (CPIA) rating of 3.9, Kenya is now categorized by the World Bank as a strong performer (up from medium performer) and the debt sustainability indicator threshold on PV of public debt to GDP has now been raised from 40 per cent to 74 per cent. Kenya's public debt is 44.2 per cent of GDP, well below the threshold of 74 per cent.
- g. Important economic, commercial and logistical hub: Kenya is the gateway to Eastern Africa and an important host of large international corporations and boasts of relatively advanced physical infrastructure.
- h. Progressive reform agenda with focus on infrastructure investment: Kenya is addressing the root causes of weak competitiveness with its investment in energy, transport, and agriculture sectors. It is also addressing security concerns and investing in human capital development including health, education and social protection.



**Lamu port office block nearing completion**

### 10.1 Public Debt Stock in the Medium Term

Overall, public debt is projected to rise in nominal terms to Ksh 2,705,134 million in June 2015 from Ksh 2,422,832 million in June 2014 and later increase to Ksh 3,683,415 million in June 2018 (Table 10.1). However, as a proportion of GDP, public debt in nominal terms is projected to decrease to 47.3 per cent in June 2015 from 47.9 per cent in June 2014 and decline further to 43.6 per cent in June 2018.

As a per cent of GDP, external debt is projected to increase marginally to 22.8 per cent in June 2015 from 22.5 per cent in June 2014 and decrease to 20.5 per cent in June 2018. As a proportion of GDP, domestic debt decreases from 25.4 per cent in June 2014 to 24.5 per cent in June 2015 and decreases further to 23.1 per cent in June 2018.

**Table 10.1: Projected Public Debt Stock, Ksh Million**

	2013/14	2014/15	2015/16	2016/17	2017/18
<b>External Debt</b>	<b>1,138,505</b>	<b>1,303,955</b>	<b>1,427,990</b>	<b>1,567,772</b>	<b>1,731,881</b>
% of GDP	22.5%	22.8%	21.9%	21.1%	20.5%
<b>Domestic Debt</b>	<b>1,284,327</b>	<b>1,401,180</b>	<b>1,610,564</b>	<b>1,790,678</b>	<b>1,951,534</b>
% of GDP	25.4%	24.5%	24.7%	24.1%	23.1%
<b>Total Public Debt</b>	<b>2,422,832</b>	<b>2,705,134</b>	<b>3,038,553</b>	<b>3,358,450</b>	<b>3,683,415</b>
% of GDP	47.9%	47.3%	46.6%	45.2%	43.6%
<b>Memoranda Items</b>					
Nominal GDP	5,051,600	5,719,100	6,520,500	7,430,200	8,448,200
Ordinary Revenue	919,000	1,070,000	1,249,900	1,490,200	1,730,200

Source: National Treasury

### 10.2 Debt Service in the Medium Term

Although in nominal terms overall debt service is projected to increase by about 26 per cent in the medium term, as a ratio of revenue (Table 10.2), the debt burden indicators will be within sustainable levels as reflected in the latest DSA. Total debt service is projected to decrease from 21.3 per cent of revenue in 2014/15 to 16.3 per cent in 2015/16, mainly on account of repayment of the two-year syndicated loan, and thereafter decline to 15.6 per cent of revenue in 2017/18. As a percentage of GDP, total debt service is projected to decrease from 4 per cent in 2014/15 to 3.1 per cent in 2015/16 and thereafter rise slightly 3.2 per cent in 2017/18.

Domestic interest is projected to increase from Ksh 122,700 million in 2014/15 to Ksh 133,600

million in 2015/16 and further increase to Ksh 155,100 million in 2017/18. However, as a percentage of revenue, domestic interest will remain at an average of 10.8 per cent in the medium term. As a ratio of GDP, domestic debt will decline from 2.1 per cent in 2014/15 to 1.8 per cent in 2017/18. On the other hand, interest on external debt is projected to increase from Ksh 24,500 million in 2014/15 to Ksh 29,900 million in 2015/16 and increase to Ksh 51,200 million in 2017/18, an average of 2.1 per cent of revenue over the period. As a ratio of GDP, interest on external debt will rise marginally from 0.4 per cent in 2014/15 to 0.6 per cent in 2017/18.

Annual principal repayments on external debt is projected to decline from Ksh 80,500 million in 2014/15 to Ksh 40,800 million in 2015/16 and, increase thereafter to Ksh 63,700 million in 2017/18 or an annual average of 1.0 per cent of revenue. As a ratio of GDP, the external repayments will decline from 1.4 per cent in 2014/15 to 0.8 per cent in 2017/18. The sharp spike in external principal repayment in FY 2014/15 is attributed to a bullet repayment of the two-year syndicated loan of USD 600 million contracted in May 2012. The Government issued a Eurobond to retire the loan.

**Table 10.2: Central Government Projected Debt Service, Ksh million**

	2013/14	2014/15	2015/16	2016/17	2017/18
<b>Domestic Interest</b>	<b>119,200</b>	<b>122,700</b>	<b>133,600</b>	<b>145,600</b>	<b>155,100</b>
% of Revenue	13.0%	11.5%	10.7%	9.8%	9.0%
% of GDP	2.4%	2.1%	2.0%	2.0%	1.8%
<b>External Interest</b>	<b>15,600</b>	<b>24,500</b>	<b>29,900</b>	<b>37,100</b>	<b>51,200</b>
% of Revenue	1.7%	2.3%	2.4%	2.5%	3.0%
% of GDP	0.3%	0.4%	0.5%	0.5%	0.6%
<b>Total Interest</b>	<b>134,800</b>	<b>147,200</b>	<b>163,500</b>	<b>182,700</b>	<b>206,300</b>
% of Revenue	14.7%	13.8%	13.1%	12.3%	11.9%
% of GDP	2.7%	2.6%	2.5%	2.5%	2.4%
<b>External Principal Repayments</b>	<b>25,800</b>	<b>80,500</b>	<b>40,800</b>	<b>60,400</b>	<b>63,700</b>
% of Revenue	2.8%	7.5%	3.3%	4.1%	3.7%
% of GDP	0.5%	1.4%	0.6%	0.8%	0.8%
<b>Total Debt Service</b>	<b>160,600</b>	<b>227,700</b>	<b>204,300</b>	<b>243,100</b>	<b>270,000</b>
% of Revenue	17.5%	21.3%	16.3%	16.3%	15.6%
% of GDP	3.2%	4.0%	3.1%	3.3%	3.2%
<b>Memoranda Item</b>					
Ordinary Revenue	919,000	1,070,000	1,249,900	1,490,200	1,730,200
Nominal GDP	5,051,600	5,719,100	6,520,500	7,430,200	8,448,200

Source: National Treasury

- **Bond Conversion**

This is a strategy where the outstanding volume of the bond is redeemed or converted into another or a new one with longer maturity provided the holders of such a portion are agreeable.

- **Bond Reopening**

This involves opening up or offering the same paper to the primary market on a date other than its original issue date with a view to increasing its outstanding size.

- **Bond Switching**

This a strategy in which a portion of an existing bond is exchanged through an auction process into another existing bond preferably of longer maturity or a new one to build the volume of the benchmark issue.

- **Buyback**

This is the sale of securities, usually Treasury Bonds, with an agreement from the seller to buy back the security within its life.

- **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 per centage of the nominal value.

- **Debt Relief**

Agreements by creditors to lessen the debt burden of debtor countries by either rescheduling interest and principal payments falling due over a specified time

period, sometimes on concessional basis, or by partially or fully cancelling debt service payments falling due in a specified period of time.

- **Debt Rescheduling**

A form of debt reorganization in which payments of principal and/or interest previously due at a specified time are deferred for repayment on a new schedule following negotiations between the creditor and debtor.

- **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.

- **Export Credit**

Loans for the purpose of trade and which are not represented by a negotiable instrument. They may be extended by public or private entity. If extended by the private entity, they may be supported by an official government guarantee.

- **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.

- **Grant Element**

It measures the concessionality of a loan, in the form of the present value of an interest rate below the market rate over the life of a loan.

- **London Club**

An international group of private commercial banks whose credits are not covered by government guarantees or insurance. The group is designed to provide a common approach to rescheduling of such debts owed by debtor countries.

- **Monetary Policy**

The management of money supply by the

Central Bank in an economy to achieve desired economic conditions such as the overall level of prices.

- **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.

- **Official Development Assistance**

Loans from official development agencies to countries received by the public sector, for promotion of economic development and welfare as the main objective and, extended at concessional financial terms (with minimum grant element of 25 per cent). Loans and credits for military purposes are excluded in this definition.

- **Over the Counter**

This is when financial instruments such as derivatives are traded outside a formal centralised exchange, such as, the Nairobi Securities Exchange.

- **Paris Club**

The Paris Club is an ad-hoc gathering of creditor Governments, chaired by high ranking official of the French Treasury, which meets for the purpose of rescheduling debts. The Paris Club is open to all creditor governments that are willing to adhere to its unwritten rules and practices and that have claims against a debtor country seeking rescheduling. Debtor countries must have strong adjustment programs supported by the upper credit tranche IMF arrangements before being considered for debt relief.

- **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.

- **Public 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.

- **Public 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.

- **Renminbi Bond**

A bond issued outside of China but denominated in Chinese Renminbi (official currency of the People's Republic of China) rather than the local currency.

- **Samurai Bond**

A yen-denominated bond issued in Tokyo by a non-Japanese company and subject to Japanese regulations. These bonds provide the issuer with an access to Japanese capital, which can be used for local investments or for financing operations outside Japan.

- **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.

- **Sukuk Bond**

An Islamic financial certificate, similar to a bond in Western finance, that complies with Sharia, Islamic religious law. Because the traditional Western interest paying bond structure is not permissible, the issuer of a sukuk sells an investor group the certificate, who then rents it back to the issuer for a predetermined rental fee. The issuer also makes a contractual promise to buy back the bonds at a future date at par value.

- **Suppliers' Credit**

An arrangement under which a supplier or exporter agrees to allow the customer to defer payment under a sales contract.

- **Tap sale**

It is a continued issuance of a security after its original auction where there was an under subscription.

- **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 1: Outstanding Government Securities by Tenor, Ksh Million

Tenor	June 2005	June 2006	June 2007	June 2008	June 2009	June 2010	June 2011	June 2012	June 2013	June 2014
91-DAY	42,761	37,632	22,017	17,980	23,523	23,663	69,135	24,323	36,203	54,660
182-DAY	29,177	57,144	72,405	58,313	93,271	85,337	22,528	75,669	52,167	88,949
364-DAY	-	-	-	-	-	49,494	34,942	32,056	178,840	155,797
1-YEAR	30,953	1,000	8,728	13,191	14,789	-	-	51,522	-	-
1.5 YEAR	-	-	-	-	-	-	-	-	-	-
2-YEAR	24,686	39,738	37,652	31,747	45,206	46,577	73,012	86,462	122,014	166,679
3-YEAR	27,898	31,225	31,174	26,663	12,798	1,781	-	-	-	-
4-YEAR	26,160	26,287	19,281	16,539	12,914	3,384	-	19,121	19,121	29,891
5-YEAR	22,740	28,391	28,787	43,511	52,787	86,582	114,551	115,333	138,357	175,296
6-YEAR	20,434	33,105	48,333	47,589	38,769	48,986	60,661	47,241	40,653	40,653
7-YEAR	10,330	13,566	15,884	24,154	24,153	21,353	24,296	22,523	19,288	16,970
8-YEAR	11,969	15,287	17,944	17,944	17,944	26,721	22,813	28,944	31,796	40,866
9-YEAR	9,555	12,615	12,615	12,615	12,615	17,760	27,732	25,364	18,177	18,177
10-YEAR	8,634	17,113	22,113	34,415	44,415	69,090	91,391	95,725	126,767	148,511
11-YEAR	-	-	4,031	4,031	4,031	4,031	4,031	4,031	4,031	4,031
12-YEAR	-	-	8,766	8,766	28,494	33,051	33,051	43,186	30,206	45,411
15-YEAR	-	-	16,892	32,114	42,303	61,929	75,443	75,443	102,408	125,498
20-YEAR	-	-	-	1,912	9,526	20,361	29,727	29,727	49,027	60,451
25-YEAR	-	-	-	-	-	7,008	20,193	20,193	20,193	20,193
30-YEAR	-	-	-	-	-	-	18,760	22,136	22,136	22,136
<b>TOTAL</b>	<b>265,297</b>	<b>313,103</b>	<b>366,622</b>	<b>391,484</b>	<b>477,538</b>	<b>607,109</b>	<b>722,266</b>	<b>818,999</b>	<b>1,011,384</b>	<b>1,214,168</b>

Source: Central Bank of Kenya

# APPENDICES

## Appendix 2: Outstanding Treasury Bonds, June 2014

	Issue No.	Tenor (Yrs)	Accepted at FV (Ksh Mn)	Yrs to Maturity	Accepted at cost (Ksh Mn)	Issue or Reopen date	Maturity date	Coupon rate (%)	Redemption Yield (%)	Price per Ksh 100 at YTM	Market Outcome Yield
1	FXD1/2007/7	7	8,269.85	0.06	7,999.98	30-Jul-07	21-Jul-14	9.750	10.421	96.723	10.521
2	FXD2/2012/2	2	16,312.35	0.15	16,312.60	27-Aug-12	25-Aug-14	11.114	11.114	100.000	11.638
3	FXD1/2009/5	5	3,452.8 0	0.21	3,244.27	21-Sep-09	15-Sep-14	9.500	11.108	93.955	11.376
4	FXD1/2009/5(R1)	5	9,786.30	0.21	10,091.01	01-Feb-10	15-Sep-14	9.500	9.592	99.640	9.771
5	FXD3/2012/2	2	13,764.30	0.33	13,764.80	29-Oct-12	27-Oct-14	12.496	12.496	100.000	13.160
6	FXD4/2012/2	2	20,774.00	0.48	20,774.36	24-Dec-12	22-Dec-14	12.382	12.382	100.000	13.012
7	FXD1/2007/8	8	2,656.90	0.63	2,630.10	26-Feb-07	16-Feb-15	12.750	12.955	98.997	13.250
8	FXD1/2013/2	2	20,445.80	0.65	20,446.11	25-Feb-13	23-Feb-15	12.844	12.844	100.000	13.232
9	FXD2/2013/2	2	19,960.65	0.73	19,960.93	25-Mar-13	23-Mar-15	12.940	12.940	100.000	13.276
10	FXD1/2006/9	9	3,060.25	0.79	3,045.05	24-Apr-06	13-Apr-15	13.500	13.599	99.495	13.729
11	FXD1/2010/5	5	11,924.85	0.88	11,985.76	24-May-10	18-May-15	6.951	6.829	100.510	6.951
12	FXD3/2013/2	2	17,927.40	1.15	17,927.62	26-Aug-13	24-Aug-15	12.939	12.939	100.000	13.163
13	FXD2/2010/5	5	11,968.75	1.40	11,970.15	29-Nov-10	23-Nov-15	6.671	6.671	100.000	7.078
14	FXD2/2010/5(R1)	5	1,723.40	1.40	1,399.84	27-Jun-11	23-Nov-15	6.671	12.529	80.546	13.884
15	FXD2/2010/5 (R2)	5	1,280.95	1.40	991.21	29-Aug-11	23-Nov-15	6.671	13.887	77.378	16.473
16	FXD4/2013/2	2	25,251.00	1.48	25,251.12	23-Dec-13	21-Dec-15	11.553	11.553	100.000	11.660
17	FXD1/2011/5	5	10,810.20	1.58	10,810.80	31-Jan-11	25-Jan-16	7.636	7.636	100.000	7.746
18	FXD1/2011/5 (R1)	5	11,272.90	1.58	11,023.16	28-Mar-11	25-Jan-16	7.636	8.501	96.605	8.591
19	FXD1/2006/10	10	3,451.05	1.71	3,344.97	27-Mar-06	14-Mar-16	14.000	14.595	96.920	14.812
20	FXD1/2014/2	2	19,976.40	1.73	19,974.81	24-Mar-14	21-Mar-16	10.803	10.803	100.000	10.964
21	FXD2/2006/10	10	5,028.10	1.88	5,088.33	29-May-06	16-May-16	14.000	13.778	101.186	13.930
22	FXD2/2014/2	2	12,267.45	1.90	12,267.58	26-May-14	23-May-16	10.793	10.793	100.000	10.809
23	FXD1/2012/5	5	4,905.55	2.90	4,907.43	28-May-12	22-May-17	11.855	11.855	100.000	12.624
24	FXD1/2012/5 (R1)	5	7,925.80	2.90	7,458.74	30-Jul-12	22-May-17	11.855	13.548	94.097	13.906
25	FXD1/2012/5 (R2)	5	18,248.20	2.90	18,061.53	28-Jan-13	22-May-17	11.855	12.791	96.920	13.200
26	FXD1/2006/11	11	4,031.40	3.21	3,909.72	25-Sep-06	11-Sep-17	13.750	14.308	96.953	14.473
27	FXD1/2007/10	10	9,308.80	3.31	9,000.02	29-Oct-07	16-Oct-17	10.750	11.316	96.662	11.604
28	FXD1/2008/10	10	2,992.75	3.63	2,901.99	25-Feb-08	12-Feb-18	10.750	11.266	96.951	11.933
29	FXD1/2013/5	5	20,240.75	3.83	20,240.57	29-Apr-13	23-Apr-18	12.892	12.892	100.000	13.090
30	FXD2/2013/5	5	12,888.00	4.00	12,888.20	01-Jul-13	25-Jun-18	11.305	11.305	100.000	11.507
31	FXD2/2008/10	10	882.00	4.06	847.39	28-Jul-08	16-Jul-18	10.750	11.420	96.066	12.490
32	FXD2/2008/10 (R1)	10	12,622.70	4.06	11,889.72	27-Jul-09	16-Jul-18	10.750	11.821	94.163	11.958
33	FXD1/2006/12	12	3,900.95	4.13	3,823.67	28 Aug 06	13 Aug 18	14.000	14.355	97.996	14.582
34	FXD3/2008/10	10	4,151.60	4.23	3,910.96	29-Sep-08	17-Sep-18	10.750	11.758	86.922	11.893
35	FXD3/2013/5	5	14,937.80	4.40	14,938.05	25-Nov-13	19-Nov-18	11.952	11.952	100.000	12.124
36	FXD1/2009/10	10	4,966.85	4.81	4,688.23	27-Apr-09	15-Apr-19	10.750	11.723	94.357	12.215
37	FXD1/2014/5	5	17,511.20	4.83	17,508.21	28-Apr-14	22-Apr-19	10.870	10.870	100.000	10.991
38	FXD1/2007/12	12	4,864.60	4.88	4,999.04	28-May-07	13-May-19	13.000	12.548	102.766	12.804
39	FXD2/2014/5	5	14,285.60	4.98	14,286.91	23-Jun-14	17-Jun-19	11.934	11.934	100.000	12.016
40	FXD2/2014/5 (Tap 1)	5	2,132.65	4.98	2,137.36	30-Jun-14	17-Jun-19	11.934	11.934	100.223	11.934
41	FXD1/2010/10	10	12,052.60	5.81	12,178.30	26-Apr-10	13-Apr-20	8.790	8.633	101.038	8.790
42	FXD1/2010/10 (R1)	10	7,341.55	5.81	5,894.84	30-May-11	13-Apr-20	8.790	12.531	80.242	12.621
43	FXD2/2010/10	10	13,847.90	6.33	14,462.48	01-Nov-10	19-Oct-20	9.307	8.646	104.366	9.307
44	FXD2/2010/10 (R1)	10	1,111.65	6.33	1,085.65	31-Jan-11	19-Oct-20	9.307	9.683	97.634	10.503
45	FXD2/2010/10 (R2)	10	3,890.35	6.33	3,112.57	25-Jul-11	19-Oct-20	9.307	13.089	79.990	13.624
46	FXD1/2007/15	15	3,654.60	7.71	3,568.80	26-Mar-07	07-Mar-22	14.500	14.896	97.650	15.246
47	FXD2/2007/15	15	7,236.95	7.96	7,489.08	25-Jun-07	06-Jun-22	13.500	12.968	103.479	13.284
48	FXD1/2012/10	10	443.15	7.98	443.29	25-Jun-12	13-Jun-22	12.705	12.705	100.000	15.820
49	FXD1/2012/10(R1)	10	5,298.85	7.98	5,038.01	30-Jul-12	13-Jun-22	12.705	13.630	95.020	13.982
50	FXD1/2012/10 (R2)	10	11,061.75	7.98	10,828.90	25-Mar-13	13-Jun-22	12.705	13.720	94.717	13.858

# APPENDICES

## Appendix 2: Outstanding Treasury Bonds, June 2014 (continued)

	Issue No.	Tenor (Yrs)	Accepted at FV (Ksh Mn)	Yrs to Maturity	Accepted at cost (Ksh Mn)	Issue or Reopen date	Maturity date	Coupon rate (%)	Redemption Yield (%)	Price per Ksh 100 at YTM	Market Outcome Yield
51	FXD3/2007/15	15	7,841.10	8.38	7,434.42	26-Nov-07	07-Nov-22	12.500	13.313	94.777	13.350
52	FXD3/2007/15 (R1)	15	10,189.10	8.38	9,547.61	26-May-09	07-Nov-22	12.500	13.530	93.687	13.737
53	FXD1/2008/15	15	7,380.90	8.73	6,998.56	31-Mar-08	13-Mar-23	12.500	13.310	94.795	13.697
54	FXD1/2013/10	10	12,121.35	9.00	12,123.46	01-Jul-13	19-Jun-23	12.371	12.371	100.000	12.484
55	FXD1/2013/10 (R1)	10	521.70	9.00	531.42	26-Aug-13	19-Jun-23	12.371	12.371	99.961	13.973
56	FXD1/2014/10	10	15,030.15	9.58	15,030.28	27-Jan-14	15-Jan-24	12.180	12.180	100.000	12.364
57	FXD1/2009/15	15	9,420.45	10.31	8,704.40	26-Oct-09	07-Oct-24	12.500	13.709	92.388	13.812
58	FXD1/2010/15	15	10,206.45	10.73	10,419.79	29-Mar-10	10-Mar-25	10.250	9.980	102.078	10.133
59	FXD2/2010/15	15	7,329.35	11.48	6,316.19	27-Dec-10	08-Dec-25	9.000	10.923	85.966	11.978
60	FXD2/2010/15 (R1)	15	6,183.75	11.48	4,782.54	25-Apr-11	08-Dec-25	9.000	12.388	77.308	12.848
61	FXD1/2012/15	15	21,089.45	13.23	19,525.73	24-Sep-12	06-Sep-27	11.000	12.089	92.541	12.385
62	FXD1/2013/15	15	5,875.70	13.65	4,986.66	25-Feb-13	07-Feb-28	11.250	13.629	84.960	14.081
63	FXD1/2013/15 (R1)	15	7,507.10	13.65	6,686.70	29-Jul-13	07-Feb-28	11.250	13.769	84.307	13.975
64	FXD1/2013/15 (R2)	15	15,582.80	13.65	14,431.26	24-Feb-14	07-Feb-28	11.250	12.375	92.602	12.515
65	FXD2/2013/15	10	17,385.85	13.83	15,560.86	29-Apr-13	10-Apr-28	12.000	13.661	89.516	13.780
66	FXD1/2008/20	20	1,912.25	13.98	1,791.77	30-Jun-08	05-Jun-28	13.750	14.741	93.668	16.913
67	FXD1/2008/20 (R1)	20	7,613.90	13.98	7,197.88	29-Jun-09	05-Jun-28	13.750	14.614	94.493	14.926
68	FXD1/2008/20 (R2)	20	10,834.80	13.98	10,878.06	28-Dec-09	05-Jun-28	13.750	13.691	100.394	13.909
69	FXD1/2011/20	20	8,138.50	16.90	5,984.55	30-May-11	05-May-31	10.000	13.974	73.470	13.993
70	FXD1/2011/20 (R1)	20	1,227.30	16.90	870.32	27-Jun-11	05-May-31	10.000	14.822	69.328	16.965
71	FXD1/2012/20	20	3,461.35	18.40	3,095.34	26-Nov-12	01-Nov-32	12.000	13.540	89.454	14.218
72	FXD1/2012/20 (R1)	20	4,956.50	18.40	4,488.73	28-Jan-13	01-Nov-32	12.000	13.694	88.480	13.883
73	FXD1/2012/20 (R2)	20	10,882.70	18.40	10,132.10	27-May-13	01-Nov-32	12.000	12.981	93.093	13.310
74	FXD1/2012/20 (R3)	20	9,363.05	18.40	8,588.47	23-Jun-14	01-Nov-32	12.000	13.357	90.754	13.375
75	FXD1/2012/20 (Tap 1)	20	2,060.55	18.40	1,889.87	30-Jun-14	01-Nov-32	12.000	13.357	91.905	13.357
76	FXD1/2010/25	25	7,008.15	20.98	7,497.64	28-Jun-10	28-May-35	11.250	10.438	106.981	10.787
77	FXD1/2010/25 (R1)	25	13,184.35	20.98	15,029.47	26-Jul-10	28-May-35	11.250	9.839	113.880	9.937
78	SDB1/2011/30	30	8,718.10	26.65	8,097.58	28-Feb-11	21-Jan-41	12.000	12.959	92.771	14.145
79	SDB1/2011/30 (R1)	30	10,041.55	26.65	9,033.18	28-Mar-11	21-Jan-41	12.000	13.520	88.956	13.832
80	SDB1/2011/30 (R2)	30	3,376.80	26.65	2,481.80	29-Aug-11	21-Jan-41	12.000	16.397	73.441	18.815
	<b>Total</b>		<b>734,547.25</b>		<b>712,940.84</b>						
81	IFB1/2010/8	6	8,776.47	1.65	8,850.65	01-Mar-10	22-Feb-16	9.750	9.579	100.498	9.860
82	IFB1/2010/8	8	7,131.58	3.65	7,191.86	01-Mar-10	19-Feb-18	9.750	9.579	100.498	9.860
			<b>15,908.05</b>		<b>16,042.51</b>						
83	IFB 2/2010/9	6	14,200.00	2.15	13,163.18	30-Aug-10	22-Aug-16	6.000	7.293	92.916	7.737
84	IFB 2/2010/9	7	8,700.00	3.15	8,114.92	30-Aug-10	21-Aug-17	6.000	7.293	92.916	7.737
85	IFB 2/2010/9	9	9,971.55	5.15	9,306.92	30-Aug-10	19-Aug-19	6.000	7.293	92.916	7.737
			<b>32,871.55</b>		<b>30,585.02</b>						
86	IFB1/2009/12	6	8,482.55	0.63	7,987.60	23-Feb-09	16-Feb-15	12.500	13.505	94.109	13.883
87	IFB1/2009/12	8	4,497.70	2.63	4,235.29	23-Feb-09	13-Feb-17	12.500	13.505	94.109	13.883
88	IFB1/2009/12	12	6,746.60	6.63	6,352.93	23-Feb-09	08-Feb-21	12.500	13.505	94.109	13.883
			<b>19,726.85</b>		<b>18,575.82</b>						
89	IFB2/2009/12	6	9,193.70	1.42	8,951.44	07-Dec-09	30-Nov-15	12.000	12.537	97.352	13.182
90	IFB2/2009/12	9	5,145.00	4.42	4,746.05	07-Dec-09	26-Nov-18	12.000	12.537	97.352	13.182
91	IFB2/2009/12	12	4,558.95	7.42	4,702.18	07-Dec-09	22-Nov-21	12.000	12.537	97.352	13.182
			<b>18,897.65</b>		<b>18,399.67</b>						
	<b>Sub total</b>		<b>87,404.10</b>		<b>83,603.02</b>						

# APPENDICES

## Appendix 2: Outstanding Treasury Bonds, June 2014 (continued)

	Issue No.	Tenor (Yrs)	Accepted at FV (Ksh Mn)	Yrs to Maturity	Accepted at cost (Ksh Mn)	Issue or Reopen date	Maturity date	Coupon rate (%)	Redemption Yield (%)	Price per Ksh 100 at YTM	Market Outcome Yield
<b>Diaspora bond tap &amp; amortization</b>											
92	IFB1/2011/12	4	6,204.46	1.25	5,103.62	03-Oct-11	28-Sep-15	12.000	16.640	82.082	17.173
93	IFB1/2011/12 (Tap 1)	4	144.70	1.25	120.62	07-Nov-11	28-Sep-15	12.000	16.640	83.353	16.640
94	IFB1/2011/12 (Tap 2)	4	109.03	1.25	92.01	05-Dec-11	28-Sep-15	12.000	16.640	84.384	16.640
95	IFB 1/2011/12 (Tap 3)	4	716.00	1.25	611.66	02-Jan-12	28-Sep-15	12.000	16.640	85.428	16.640
96	IFB1/2011/12 (Tap 4)	4	2,566.91	1.25	2,226.82	06-Feb-12	28-Sep-15	12.000	16.640	86.751	16.640
97	IFB1/2011/12 (Tap 5)	4	9,380.07	1.25	8,212.72	27-Feb-12	28-Sep-15	12.000	16.640	87.555	16.640
			<b>19,121.18</b>		<b>16,367.45</b>						
<b>First Tranche Maturing 28-Sep-2015</b>											
98	IFB1/2011/12	8	4,604.85	5.25	3,787.82	03-Oct-11	23-Sep-19	12.000	16.640	82.082	17.173
99	IFB1/2011/12 (Tap 1)	8	107.40	5.25	89.52	07-Nov-11	23-Sep-19	12.000	16.640	83.353	16.640
100	IFB1/2011/12 (Tap 2)	8	80.92	5.25	68.29	05-Dec-11	23-Sep-19	12.000	16.640	84.384	16.640
101	IFB1/2011/12 (Tap 3)	8	531.40	5.25	453.97	02-Jan-12	23-Sep-19	12.000	16.640	85.428	16.640
102	IFB1/2011/12 (Tap 4)	8	1,905.11	5.25	1,652.70	06-Feb-12	23-Sep-19	12.000	16.640	86.751	16.640
103	IFB1/2011/12 (Tap 5)	8	6,961.72	5.25	6,095.34	27-Feb-12	23-Sep-19	12.000	16.640	87.555	16.640
			<b>14,191.40</b>		<b>12,147.63</b>						
<b>Second Tranche Maturing 23-Sep-2019</b>											
104	IFB1/2011/12	12	3,288.54	9.25	2,705.07	03-Oct-11	18-Sep-23	12.000	16.640	82.082	17.173
105	IFB1/2011/12 (Tap 1)	12	76.70	9.25	63.93	07-Nov-11	18-Sep-23	12.000	16.640	83.353	16.640
106	IFB1/2011/12 (Tap 2)	12	57.79	9.25	48.77	05-Dec-11	18-Sep-23	12.000	16.640	84.384	16.640
107	IFB1/2011/12 (Tap 3)	12	379.50	9.25	324.20	02-Jan-12	18-Sep-23	12.000	16.640	85.428	16.640
108	IFB1/2011/12 (Tap 4)	12	1,360.53	9.25	1,180.28	06-Feb-12	18-Sep-23	12.000	16.640	86.751	16.640
109	IFB1/2011/12 (Tap 5)	12	4,971.71	9.25	4,352.98	27-Feb-12	18-Sep-23	12.000	16.640	87.555	16.640
			<b>10,134.77</b>		<b>8,675.21</b>						
<b>Final Tranche Maturing 18-Sep-2023</b>											
	<b>Total Diaspora Bond</b>		<b>43,447.35</b>		<b>37,190.32</b>						
110	IFB1/2013/12	4	5,993.70	3.25	5,592.71	30-Sep-13	25-Sep-17	11.000	12.363	93.290	12.772
111	IFB1/2013/12 TAP	4	4,776.52	3.25	4,497.34	28-Oct-13	25-Sep-17	11.000	12.363	91.591	12.363
			<b>10,770.23</b>		<b>10,090.04</b>						
<b>First Tranche Maturing 25-Sep-2017</b>											
112	IFB1/2013/12	8	6,894.21	7.25	6,432.97	30-Sep-13	20-Sep-21	11.000	12.363	93.290	12.772
113	IFB1/2013/12 TAP	8	5,494.16	7.25	5,173.03	28-Oct-13	20-Sep-21	11.000	12.363	91.591	12.363
			<b>12,388.37</b>		<b>11,605.99</b>						
<b>Second Tranche Maturing 20-Sep-2021</b>											
114	IFB1/2013/12	12	8,461.74	11.25	7,895.63	30-Sep-13	15-Sep-25	11.000	12.363	93.290	12.772
115	IFB1/2013/12 TAP	12	6,743.37	11.25	6,349.22	28-Oct-13	15-Sep-25	11.000	12.363	91.591	12.363
			<b>15,205.11</b>		<b>14,244.85</b>						
<b>Final Tranche Maturing 15-Sep-2025</b>											
	<b>Sub total</b>		<b>38,363.70</b>		<b>35,940.88</b>						
	<b>Total For IFBs and Diaspora Bond</b>		<b>169,215.15</b>		<b>156,734.19</b>						
<b>Outstanding Special Bonds</b>											
116	SFX1/2007/10	10	5,000.00	2.90	5,000.00	01-Jun-07	19-May-17	13.000	NA	100.000	100.000
117	SFX1/2007/15	15	6,000.00	7.90	6,000.00	01-Jun-07	13-May-22	14.500	NA	100.000	100.000
	<b>Sub-total</b>		<b>11,000.00</b>		<b>11,000.00</b>						
	<b>Grand Total</b>		<b>914,762.40</b>		<b>880,675.10</b>						

R1 > First Reopening  
R2 > Second Reopening  
R3 > Third Reopening

Source: Central Bank of Kenya

## APPENDICES

### Appendix 3: Treasury Bonds Issues, July 2013 - June 2014, Order by Issue Date

No.	Issue date	Issue no	Tenure (Years)	Amount at face (Ksh Million)	Amount at cost (Ksh Million)	Maturity date
1	1-Jul-13	FXD2/2013/5	5	12,888,000	12,888,200	25-Jun-18
2	1-Jul-13	FXD1/2013/10	10	12,121,350	12,123,460	19-Jun-23
3	29-Jul-13	FXD1/2013/15*	15	7,507,100	6,686,700	7-Feb-28
4	26-Aug-13	FXD3/2013/2	2	17,927,400	17,927,620	24-Aug-15
5	26-Aug-13	FXD1/2013/10*	10	521,700	531,420	19-Jun-23
6	30-Sep-13	IFB1/2013/12	4	5,993,700	5,593,540	25-Sep-17
7	30-Sep-13	IFB1/20 13/12	8	6,894,210	6,433,920	20-Sep-21
8	30-Sep-13	IFB1/2013/12	12	8,461,740	7,896,800	15-Sep-25
9	28-Oct-13	IFB1/2013/12 TAP	4	4,910,710	4,497,770	25-Sep-17
10	28-Oct-13	IFB1/2013/12 TAP	8	5,648,510	5,173,530	20-Sep-21
11	28-Oct-13	IFB1/2013/12 TAP	12	6,932,810	6,349,830	15-Sep-25
12	25-Nov-13	FXD3/2013/5	5	14,937,800	14,938,050	19-Nov-18
13	23-Dec-13	FXD4/2013/2	2	25,251,000	25,251,120	21-Dec-15
14	27-Jan-14	FXD1/2014/10	10	15,030,150	15,030,280	15-Jan-24
15	24-Feb-14	FXD1/2013/15*	15	15,582,800	14,431,260	7-Feb-28
16	24-Mar-14	FXD1/2014/2	2	19,976,400	19,974,810	21-Mar-16
17	28-Apr-14	FXD1/2014/5	5	17,511,200	17,508,210	22-Apr-19
18	26-May-14	FXD2/2014/2	2	12,267,450	12,267,580	23-May-16
19	23-Jun-14	FXD2/2014/5	5	14,285,600	14,286,910	17-Jun-19
20	23-Jun-14	FXD1/2012/20*	20	9,363,050	8,588,470	1-Nov-32
21	30-Jun-14	FXD2/2014/5 *	5	2,132,650	2,137,360	17-Jun-19
22	30-Jun-14	FXD1/2012/20*	20	2,060,550	1,889,870	1-Nov-32
<b>Total</b>				<b>238,205,880</b>	<b>232,406,710</b>	

Source: Central Bank of Kenya

\*Reopened Bonds

## APPENDICES

### Appendix 4 : Government Securities Market Yields for June 2014

Tenor	Current Market Yield (%)	Last issue average rate (%)	Issue Date
91-days	11.438	11.438	30.06.14
182-days	11.585	11.585	30.06.14
364-days	10.186	10.186	30.06.14
1 year	11.186	18.030	27.02.12
2 year	11.291	10.764	26.05.14
3 year	11.332	9.696	25.09.06
4 year	11.471	9.438	26.02.07
5 year	12.000	11.934	30.06.14
6 year	12.212	11.288	30.04.07
7 year	12.396	10.325	26.07.07
8 year	12.531	9.579	01.03.10
9 year	12.631	13.599	24.04.06
10 year	12.788	12.180	27.01.14
11 Year	12.863	14.308	25.09.06
12 Year	13.037	12.363	28.10.13
13 Year	13.105		
14 Year	13.165		
15 Year	13.202	12.375	24.02.14
18 Year	13.420	13.800	28.12.09
20 Year	13.420	12.981	27.05.13
25 Year	13.495	9.839	26.07.10
28 Year	13.748	16.397	29.08.11

Source: Central Bank of Kenya

## APPENDICES

### Appendix 5(a): Public and Publicly Guaranteed External Debt by Creditor, Ksh Million

CREDITOR	June 2006	June 2007	June 2008	June 2009	June 2010	June 2011	June 2012	June 2013	June 2014
<b>1. BILATERAL</b>									
AUSTRIA	2,437	3,031	3,252	2,217	1,814	2,018	1,318	1,024	717
BELGIUM	5,247	4,625	4,750	7,078	6,775	9,037	7,365	7,607	8,096
CANADA	1,267	1,470	1,400	1,585	1,609	1,676	1,481	1,390	1,349
DENMARK	2,392	2,144	2,336	2,354	2,291	2,775	2,077	1,988	1,992
FINLAND	160	118	120	129	119	132	105	97	94
FRANCE	18,643	18,886	22,903	28,103	28,173	40,347	36,709	47,397	61,580
GERMANY	13,910	13,479	15,764	16,441	16,235	26,670	24,879	25,042	26,571
ITALY	8,741	7,151	6,344	5,750	4,347	4,388	2,928	2,132	1,716
JAPAN	79,464	66,167	72,845	90,839	98,847	111,842	107,403	86,789	84,515
NETHERLANDS	2,752	2,367	2,318	2,140	1,877	3,012	2,926	2,600	2,702
UK	2,705	2,628	2,458	2,354	2,128	2,328	1,936	1,732	1,841
USA	5,842	5,206	4,863	5,669	5,729	5,901	5,136	4,816	4,542
CHINA	2,398	3,132	4,024	11,821	14,385	32,453	36,662	63,123	80,859
OTHERS	8,918	11,300	9,823	9,453	12,018	14,386	12,618	11,900	13,341
<b>TOTAL</b>	<b>154,877</b>	<b>141,706</b>	<b>153,200</b>	<b>185,933</b>	<b>196,347</b>	<b>256,965</b>	<b>243,543</b>	<b>257,637</b>	<b>289,914</b>
<b>2. MULTILATERAL</b>									
ADB/ADF	25,837	23,630	30,134	32,651	41,000	52,645	70,863	80,729	102,118
EEC/EIB	13,335	10,248	11,235	11,063	10,498	12,497	10,934	15,769	20,657
IBRD	-	-	-	-	-	-	-	-	-
IDA/IFAD	204,306	190,877	209,545	246,485	260,108	319,268	297,588	332,624	371,374
IMF	11,409	13,703	17,548	35,125	34,110	47,582	66,593	73,779	83,282
OTHERS	663	1,801	2,673	5,781	6,617	8,890	9,099	8,890	9,057
<b>TOTAL</b>	<b>255,550</b>	<b>240,259</b>	<b>271,135</b>	<b>331,105</b>	<b>352,333</b>	<b>440,882</b>	<b>455,076</b>	<b>511,791</b>	<b>597,340</b>
<b>3. COMMERCIAL BANKS</b>	<b>1,274</b>	<b>574</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,540</b>	<b>58,928</b>	<b>234,799</b>
<b>4. EXPORT CREDIT</b>	<b>19,536</b>	<b>18,427</b>	<b>18,543</b>	<b>23,837</b>	<b>20,458</b>	<b>25,041</b>	<b>14,812</b>	<b>15,207</b>	<b>16,452</b>
<b>GRAND TOTAL</b>	<b>431,237</b>	<b>400,966</b>	<b>442,878</b>	<b>540,875</b>	<b>569,138</b>	<b>722,888</b>	<b>763,972</b>	<b>843,562</b>	<b>1,138,505</b>

Source: National Treasury

## APPENDICES

### Appendix 5(b): Public and Publicly Guaranteed External Debt by Creditor, USD Million

CREDITOR	June 2006	June 2007	June 2008	June 2009	June 2010	June 2011	June 2012	June 2013	June 2014
<b>1. BILATERAL</b>									
AUSTRIA	33.0	45.6	50.3	28.7	22.1	22.5	15.6	11.9	8.2
BELGIUM	71.0	69.6	73.4	91.7	82.7	100.6	87.4	88.4	92.4
CANADA	17.2	22.2	21.6	20.5	19.6	14.2	17.6	16.2	15.4
DENMARK	32.4	32.3	36.1	30.5	28.0	35.4	24.7	23.1	22.7
FINLAND	2.2	1.8	1.9	1.7	1.5	1.5	1.2	1.1	1.1
FRANCE	252.3	277.8	354.0	364.2	343.9	449.0	435.8	551.1	702.7
GERMANY	188.3	198.1	243.7	213.1	198.2	296.8	295.4	291.2	303.2
ITALY	118.3	107.6	98.1	74.5	53.1	48.8	34.8	24.8	19.6
JAPAN	1,075.6	1,006.0	1,126.0	1,177.3	1,206.7	1,244.6	1,275.1	1,009.1	964.5
NETHERLANDS	37.3	35.6	35.8	27.7	22.9	33.5	34.7	30.2	30.8
UK	36.6	39.6	38.0	30.5	26.0	25.9	23.0	20.1	21.0
USA	79.1	70.9	75.1	73.5	69.9	65.7	61.0	56.0	51.8
CHINA	32.5	46.9	62.2	153.2	175.6	361.1	466.8	734	922.8
OTHERS	120.7	117.7	151.9	122.7	146.7	160.08	150.3	138.4	152.2
<b>TOTAL</b>	<b>2,096.3</b>	<b>2,071.5</b>	<b>2,368.1</b>	<b>2,409.8</b>	<b>2,396.9</b>	<b>2,859.5</b>	<b>2,923.4</b>	<b>2,995.6</b>	<b>3,308.5</b>
<b>2. MULTILATERAL</b>									
ADB/ADF	349.7	353.1	465.8	423.2	500.5	585.8	811.1	938.6	1165.4
EEC/EIB	180.5	150.4	173.7	143.4	128.2	139.1	129.8	183.3	235.7
IBRD	-	-	-	-	-	-	-	-	0.0
IDA/IFAD	2,765.4	2,867.7	3,239.0	3,194.5	3,175.3	3,552.8	3,532.0	3,867.4	4,362.0
IMF	154.4	206.9	271.2	244.6	416.4	529.5	909.6	857.8	950.4
OTHERS	9.0	32.7	41.3	74.9	80.8	98.9	112.8	103.4	103.4
<b>TOTAL</b>	<b>3,459.0</b>	<b>3,610.8</b>	<b>4,191.0</b>	<b>4,080.6</b>	<b>4,301.2</b>	<b>4,906.1</b>	<b>5,495.3</b>	<b>5,950.5</b>	<b>6,816.9</b>
<b>3. COMMERCIAL BANKS</b>	<b>17.2</b>	<b>4.3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>600.0</b>	<b>685.1</b>	<b>2,679.5</b>
<b>4. EXPORT CREDIT</b>	<b>264.4</b>	<b>271.0</b>	<b>286.6</b>	<b>286.6</b>	<b>249.7</b>	<b>278.7</b>	<b>175.8</b>	<b>176.8</b>	<b>187.7</b>
<b>GRAND TOTAL</b>	<b>5,837.0</b>	<b>5,957.6</b>	<b>6,845.7</b>	<b>6,777.0</b>	<b>6,947.8</b>	<b>8,044.3</b>	<b>9,194.5</b>	<b>9,808.0</b>	<b>12,992.6</b>

Source: National Treasury