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THE NATIONAL TREASURY AND PLANNING

THE NATIONAL ASSEMBLY
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Quarterly Economic and Budgetary Review

First Half, Financial Year 2020/2021
Period ending 31st December, 2020

February 2021 Edition

Quarterly Economic and Budgetary

Review

THE NATIONAL ASSEMBLY
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ACKNOWLEDGEMENT

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LIST OF ABBREVIATIONS AND ACRONYMS

ADB	African Development Bank
ADF	Asian Development Fund
A-I-A	Appropriation-in-Aid
AMISOM	African Union Mission in Somalia
ARUD	Agriculture, Rural and Urban Development
BAEA	Arab Bank for Economic Development of Africa
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CF	Contingency Fund
CFS	Consolidated Fund Services
EAPC	East African Portland Cement
EBUs	Extra Budgetary Units
EEC	European Economic Community
EIB	European Investment Bank
EI&ICT	Energy, Infrastructure and Information Communication Technology
EPW&NR	Environment Protection, Water and Natural Resources
ES	Equitable Share
DANIDA	Danish International Development Agency
FPE	Free Primary Education
FSE	Free Secondary Education
FY	Financial Year
GDP	Gross Domestic Product
GECA	General Economic and Commercial Affairs
GFSM	Government Finance Statistics Manual
GJLO	Governance, Justice, Law and Order
GOP	Gross Operating Balance
ICT	Information, Communication and Technology
IDA	International Development Association
IDF	Import Declaration Fee
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund

KNBS	Kenya National Bureau of Statistics
KSh.	Kenya Shillings
MDAs	Ministries, Departments and Agencies
Mn	Million
NDA	Net Domestic Assets
NDF	Nordic Development Fund
NFA	Net Foreign Assets/Non-Financial Assets
NIS	National Intelligence Service
NLB	Net Lending/ Borrowing
NOB	Net Operating Balance
NSE	Nairobi Securities Exchange
O & M	Operation and Maintenance
OPEC	Oil Producing and Exporting Countries
PAIR	Public Administration and International Affairs
PAYE	Pay as You Earn
PDL	Petroleum Development Levy
QEBR	Quarterly Economic and Budgetary Review
RDL	Railway Development Levy
RML	Road Maintenance Levy
SAGAS	Semi-Autonomous Government Agencies
SC	State Corporations
SGR	Standard Gauge Railway
SOEs	State Owned Enterprises
SPC&R	Social Protection, Culture and Recreation
TARDA	Tana River Development Authority
UK	United Kingdom
US\$	United States Dollar
VAT	Value Added Tax
O/W	Of Which

LEGAL BASIS FOR THE QUARTERLY ECONOMIC AND BUDGETARY REVIEW REPORT

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

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

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

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

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

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

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

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

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

(b) Publish and publicize the reports.

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

HIGHLIGHTS OF THE SECOND QUARTERLY ECONOMIC AND BUDGETARY REVIEW REPORT IN THE 2020/21 FY

1. Economic growth

In 2020, the Kenyan economy was adversely affected by the outbreak of Covid-19 Pandemic and the swift containment measures taken by the Government to contain the spread. As a result, the economy contracted by 5.5 percent in the second quarter of 2020 from a growth of 5.2 percent in the first quarter of 2020. The economy demonstrated signs of recovery in the third quarter of 2020 as it improved to contract by 1.1 percent, however this was a slowdown compared to the growth of 5.8 percent in the third quarter of 2019.

2. Stable prices

Year-on-year overall inflation rate remained low, stable and within the Government target range of 5+/-2.5 percent since the end of 2017, demonstrating prudent monetary policies. The inflation rate was at 5.6 percent in December 2020 down from 5.8 percent in December 2019. This was supported by a reduction in food prices such as maize flour, capsicums, goat milk, oranges, cabbages and Irish potatoes.

3. Interest Rates

Short-term interest rates remained fairly low and stable. The Central Bank Rate was retained at 7.00 percent in November 26, 2020 to signal lower lending rates. The interbank rate declined to 5.1 percent in December 2020 from 6.0 percent in December 2019 in line with the easing of the monetary policy and adequate liquidity in the money market.

4. Money and Credit

Growth in broad money supply, M3, improved to 13.2 percent in the year to December 2020 compared to a growth of 5.6 percent in the year to December 2019. The improved growth in M3 was attributed to an increase in the Net Domestic Assets (NDA) particularly improvement in credit flows to the government and the private sector.

5. Balance of Payments

The overall balance of payments position improved to a surplus of US\$ 1,434.0 million (1.5 percent of GDP) in the year to December 2020 from a deficit of US\$ 1,059.4 million (1.1 percent of GDP) in the year to December 2019. This was mainly due to an improvement in the current account balance as imports declined and exports improved.

6. Foreign Exchange Reserves

The banking system's foreign exchange holdings remained strong at US\$ 12,991.9 million in December 2020 up from US\$ 12,919.2 million in December 2019. The official foreign exchange reserves held by the Central Bank was at US\$ 8,297.3 million (5.1 months of import cover) in December 2020 compared with US\$ 9,115.8 million (5.5 months of import cover) in December 2019.

7. Capital Markets

Activity in the capital markets declined in December 2020 compared to December 2019, with equity share prices declining as shown by the NSE 20 Share Index. The NSE 20 Share Index was 1868.4 points by end of December 2020 compared to 2654.4 points by end December 2019. Consequently, market capitalization declined to Ksh. 2,336.7 billion from Ksh. 2540.0 billion over the same period.

8. Revenue Collection

The National Government's cumulative revenue collection including A-I-A for the period between July 2020-December 2020 amounted to KSh. 810.6 billion (7.3 percent of GDP) against a target of KSh. 907.7 billion. The revenue was below target by KSh. 97.1 billion mainly due to underperformance in major taxes such as Pay As You Earn, Value Added Taxes (both domestic and imports), Excise duty, Import duty and the ministerial A-I-A.

9. Expenditure and Net Lending

The total expenditure and net lending inclusive of transfers to County Governments for the period ending 31st December, 2020 amounted to KSh. 1,214.8 billion, against a target of KSh. 1258.9 billion. The resultant under expenditure of KSh. 44.0 billion is mainly attributed to lower absorption recorded in recurrent expenditures by the National Government and lower than targeted transfers to County Governments.

10. Guaranteed Debt

The government did not service any guaranteed debt on behalf of Parastatals during the period under review. Guaranteed debt to parastatals with liquidity problems had been fully serviced.

11. Fiscal Balance

The fiscal balance excluding grants (on a commitment basis) amounted to a deficit of KSh. 404.3 billion (3.6 percent of GDP), as at the end of December, 2020.

12. External Financing

The Net Foreign Financing amounted to KSh. 14.5 billion (0.1 percent of the GDP) during the period ending 31st December, 2020.

13. Net Domestic Borrowing

Net domestic financing amounted to a net borrowing of KSh. 345.0 billion (3.1 percent of GDP) in the period ending 31st December, 2020.

14. Domestic Debt Stock

The stock of gross domestic debt increased by KSh. 546.7 billion from KSh. 2,942.1 billion in December 2019 to KSh. 3,488.8 billion in December, 2020.

15. External Debt Stock

The total external debt stock, including the International Sovereign Bond, stood at KSh. 3,793.3 billion by the end of December, 2020. The debt stock comprised of multilateral debt (39.5 percent), bilateral debt (30.5 percent), commercial debt (29.5 percent), and suppliers' credit (0.5 percent).

1.0 RECENT ECONOMIC DEVELOPMENTS

1.1 Economic Growth

1. In 2020, the Kenyan economy was adversely affected by the outbreak of Covid-19 Pandemic and the swift containment measures, which disrupted economic activities. As a result, the economy contracted by 5.5 percent in the second quarter from a growth of 5.2 percent in the first quarter.

2. The economy demonstrated signs of recovery in the third quarter of 2020 following partial reopening of the economy. The economy contracted by 1.1 percent in the third quarter of 2020, from a growth of 5.8 percent in the same quarter in 2019. The performance in quarter three of 2020, albeit constrained was relatively better compared to quarter two of 2020 due to partial easing of COVID-19 containment measures. **(Table 1)**. The decline was largely characterized by contractions in most affected sectors which include Accommodation and Food Services (57.9 percent), Education (41.9 percent), manufacturing (3.2 percent) and Wholesale and Retail trade (2.5 percent).

3. The overall performance of the economy during the third quarter of 2020 was cushioned from a deeper slump by improved growths in Mining and Quarrying activities (18.2 percent); Construction (16.2 percent); Public Administration (9.6 percent); Agriculture, Forestry and Fishing activities (6.3 percent) and Health Services (5.6 percent). Information and Communication (7.3 percent); Financial and Insurance activities (5.3 percent); Real Estate Activities (5.3 percent); Electricity and water supply (4.7 percent) and Transport and Storage (2.9 percent) also supported growth despite slowed positive growths during the quarter.

Table 1: Sectoral GDP Performance

Sectors	Sector Growth (%)											
	2018				2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Primary Industry	6.7	5.9	6.5	3.5	3.9	2.2	4.9	3.4	5.9	7.4	6.9	
Agriculture, Forestry and Fishing	6.9	6.0	6.7	3.6	4.0	2.0	5.0	3.6	5.8	7.3	6.3	
Mining and Quarrying	3.1	3.5	3.2	1.2	1.4	5.0	3.4	0.3	9.5	10.0	18.2	
Secondary Sector (Industry)	5.1	5.4	6.1	5.9	4.2	5.5	5.1	4.2	4.1	(1.0)	4.2	
Manufacturing	4.1	4.6	4.8	3.8	2.3	4.1	3.9	2.6	2.9	(3.9)	(3.2)	
Electricity and Water supply	6.1	8.3	8.1	9.5	7.8	7.3	6.4	6.4	6.3	(0.6)	4.7	
Construction	6.7	5.6	7.3	7.7	6.1	7.2	6.6	5.7	5.3	3.9	16.2	
Tertiary sector (Services)	6.2	6.0	6.6	7.9	6.3	6.8	6.7	6.7	5.5	(11.0)	(4.7)	
Wholesale and Retail trade	5.6	6.5	7.3	7.9	6.3	7.8	6.1	6.4	6.4	(7.0)	(2.5)	
Accommodation and Restaurant	13.3	15.1	15.5	21.5	11.0	12.1	9.9	9.0	(9.3)	(83.2)	(57.9)	
Transport and Storage	6.5	6.6	8.5	11.8	6.4	7.6	7.6	9.2	6.1	(11.4)	2.9	
Information and Communication	13.2	11.7	9.8	10.6	10.0	7.5	8.0	9.1	9.8	4.6	7.3	
Financial and Insurance	4.0	3.5	5.1	8.5	6.3	5.2	8.1	6.6	6.2	4.2	5.3	
Public Administration	5.5	6.1	7.1	8.1	8.9	8.7	8.4	6.2	6.7	5.7	9.6	
Others	5.1	5.0	4.9	4.7	4.8	5.8	5.6	5.2	4.7	(19.2)	(13.0)	
of which Real Estate	5.2	4.5	3.8	3.1	4.7	6.0	5.5	5.1	4.4	2.3	5.3	
Education	5.3	5.2	5.5	7.0	4.3	6.0	6.0	5.5	5.3	(56.2)	(41.9)	
Health	4.1	3.4	5.3	4.5	5.4	6.2	5.5	6.2	5.8	10.3	5.6	
Taxes less subsidies	6.1	6.0	6.2	4.3	4.7	4.0	4.2	4.5	3.4	(14.2)	(4.2)	
Real GDP	6.3	6.1	6.5	6.3	5.2	5.1	5.8	5.4	5.2	(5.5)	(1.1)	
of which Non-Agriculture	6.2	6.1	6.5	7.3	5.7	6.4	6.3	6.0	5.2	(8.4)	(2.5)	

Source of Data: Kenya National Bureau of Statistics

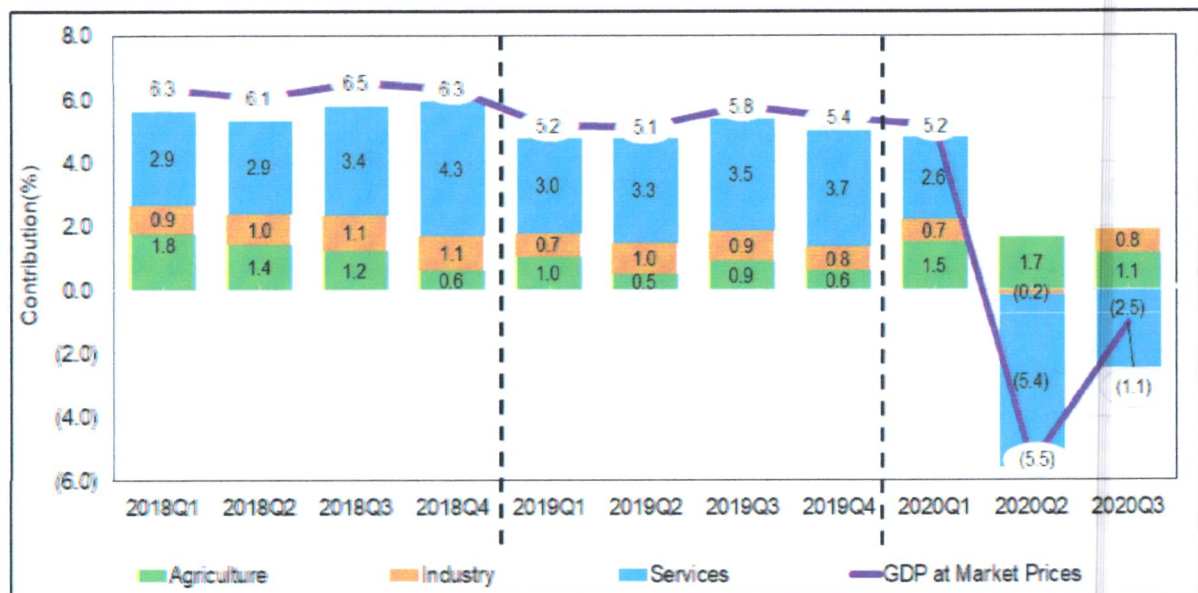
RECENT ECONOMIC DEVELOPMENTS

4. The agriculture sector recorded an improved growth of 6.3 percent in the third quarter of 2020 compared to a growth of 5.0 percent in the corresponding quarter of 2019. The sector's performance was supported by a notable increase in tea production, exports of fruits and sugarcane production. The sector's contribution to GDP growth was at 1.1 percentage points in the third quarter of 2020 compared to 0.9 percentage points over the same period in 2019.

5. The non-agriculture (service and industry) sectors were adversely affected by the Covid-19 pandemic. As a result, the sector contracted by 2.5 percent in the third quarter of 2020 down from a growth of 6.3 percent in a similar quarter in 2019. However, this was an improvement compared to the contraction of 8.4 percent in the second quarter of 2020 demonstrating slowed economic recovery. The sector's contribution to real GDP was -1.7 percentage points in the third quarter of 2020 compared to a contribution of 4.3 percentage points in the same quarter of 2019.

6. Services sub sector contracted by 4.7 percent in the third quarter of 2020 compared to a growth of 6.7 percent in the same quarter in 2019. The decline was largely characterized by substantial contractions in Accommodation and Food Services, Education, and Wholesale and Retail trade. However, the service sub sector was supported by positive growths in Public Administration, Health, Real estate and Transport and storage. The services sub-sector contributed -2.5 percentage point to real GDP growth in the third quarter of 2020 compared to the 3.5 percentage point contribution in the same quarter of 2019 (**Table 1 and Chart 1**).

Chart 1: Sectors Contribution to Real GDP Growth.



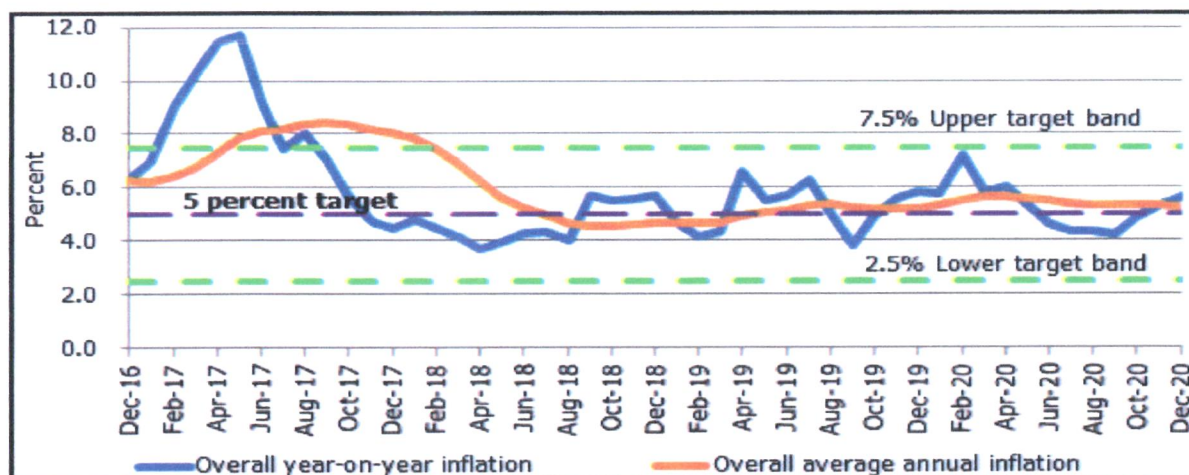
Source of Data: Kenya National Bureau of Statistics

7. The industry sub sector grew by 4.2 percent in the third quarter of 2020, a slowdown compared to a growth of 5.1 percent in the same quarter of 2019. This was mainly due to a decline in activities in the electricity and water supply and manufacturing sub-sectors. The industry sector was however supported by the Construction sector which grew by 16.2 percent in the third quarter of 2020 compared to a growth of 6.6 percent in the same quarter in 2019. The industry sector accounted for 0.8 percentage points of growth in the third quarter of 2020 compared to 0.9 percentage point contribution to GDP in 2019 (**Table 1 and Chart 1**).

1.2 Inflation

8. Year-on-year overall inflation rate remained low, stable and within the Government target range of 5+/-2.5 percent since the end of 2017 demonstrating prudent monetary policies. The inflation rate was at 5.6 percent in December 2020 down from 5.8 percent in December 2019. This was supported by a reduction in food prices such as maize flour, capsicums, goat milk, oranges, cabbages and Irish potatoes. Similarly, overall annual average inflation remained within Government target range at 5.3 percent in December 2020 compared to the 5.2 percent recorded in December 2019 (Chart 2a).

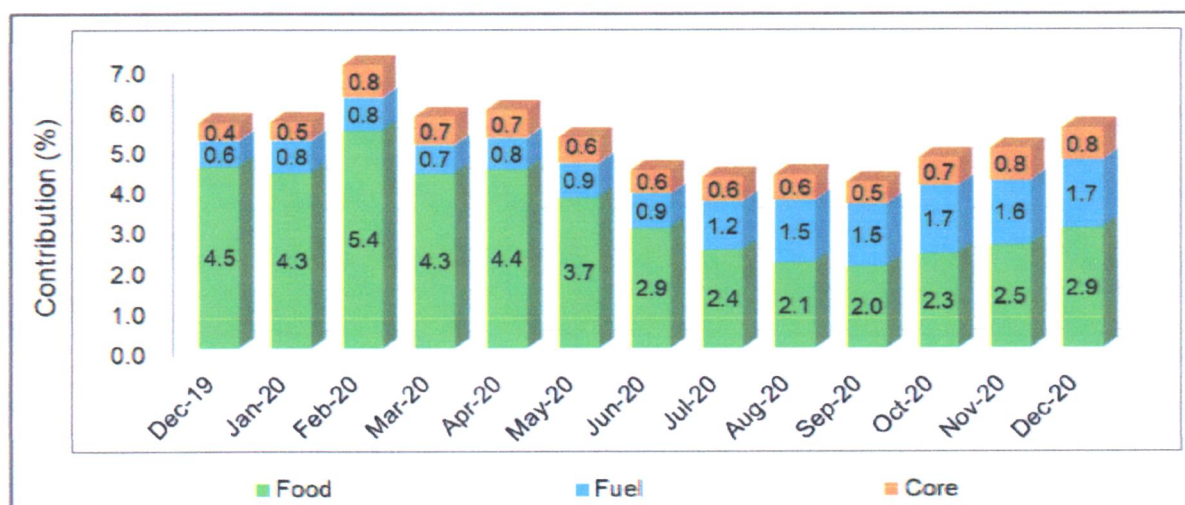
Chart 2a: Inflation Rate



Source of Data: Kenya National Bureau of Statistics

9. Core inflation (Non-Food-Non-Fuel) contribution to inflation remained low at 0.8 percent in December 2020 from 0.4 percent in December 2019 reflecting muted demand pressures in the economy on account of prudent monetary policies. The contribution of fuel inflation to overall year-on-year inflation rose to 1.7 percent in December 2020 from 0.6 percent in December 2019 on account of increasing electricity prices (Chart 2b). The major driver of the overall inflation has been food inflation, but its contribution to overall inflation has declined from 4.5 percent in December 2019 to 2.9 percent in December 2020 on account of a reduction in food prices.

Chart 2b: Contribution to Overall Year-on-Year Inflation

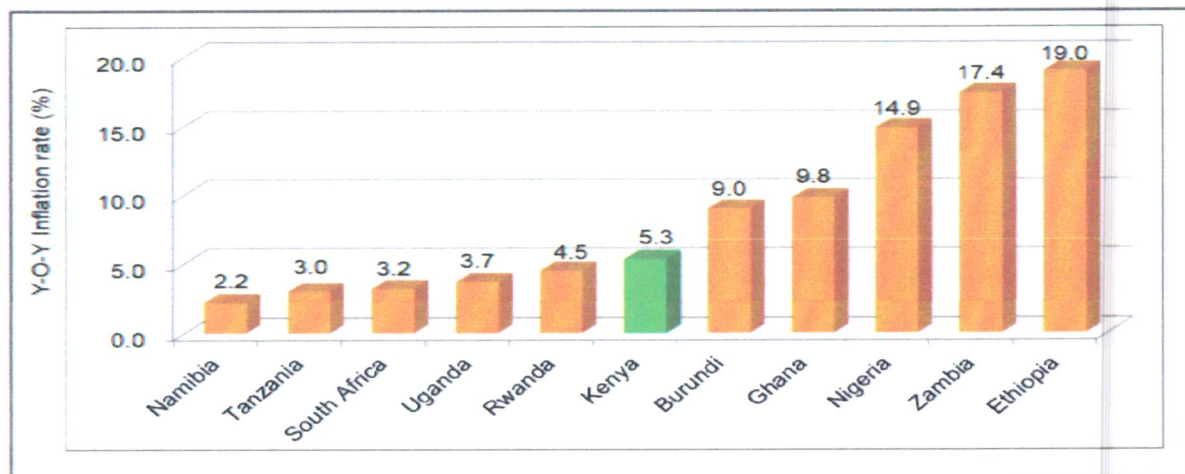


Source of Data: Kenya National Bureau of Statistics

RECENT ECONOMIC DEVELOPMENTS

10. Kenya's rate of inflation compares favorably with the rest of Sub-Saharan Africa countries. In December 2020, Kenya recorded a lower inflation rate than Burundi, Ghana, Nigeria, Zambia, and Ethiopia (**Chart 2c**).

Chart 2c: Inflation Rates in selected African Countries (December, 2020)

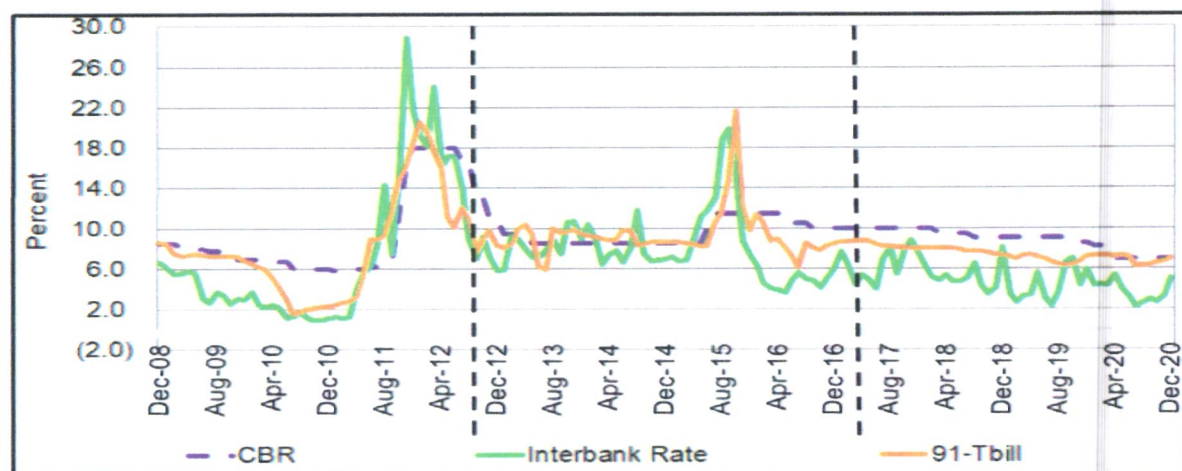


Source of Data: National Central Banks

1.3 Interest Rates

11. Short-term interest rates remained fairly low and stable. The Central Bank Rate was retained at 7.0 percent on November 26, 2020 to signal lower lending rates in order to support credit access by borrowers especially the Micro, Small and Medium Enterprises, distressed by COVID-19 pandemic. The interbank rate declined to 5.1 percent in December 2020 from 6.0 percent in December 2019 in line with the easing of the monetary policy and adequate liquidity in the money market (**Chart 3**).

Chart 3: Short-Term Interest Rates



Source of Data: Central Bank of Kenya

12. The 91-day Treasury Bills rate declined to 6.9 percent in December 2020 compared to 7.2 percent in December 2019. Over the same period, the 182-day Treasury Bills rate declined to 7.4 percent from 8.2 percent while the 364-day decreased to 8.3 percent from 9.8 percent.

RECENT ECONOMIC DEVELOPMENTS

13. The improved liquidity in the money market has resulted in stable commercial bank rates. The average lending rate declined from 12.4 percent in November 2019 to 12.0 percent in November 2020 while the average deposit rates declined from 6.6 percent to 6.3 percent over the same period. This led to the decline of the average interest rates spread by 0.1 percentage points over the review period.

1.4 Money and Credit

14. Growth in broad money supply, M3, improved to 13.2 percent in the year to December 2020 compared to a growth of 5.6 percent in the year to December 2019 (**Table 2**). The improved growth in M3 was attributed to an increase in the Net Domestic Assets (NDA) particularly improvement in net credit flows to the government and the private sector.

Table 2: Money and Credit Developments (12 Months to December 2020 KSh. billion)

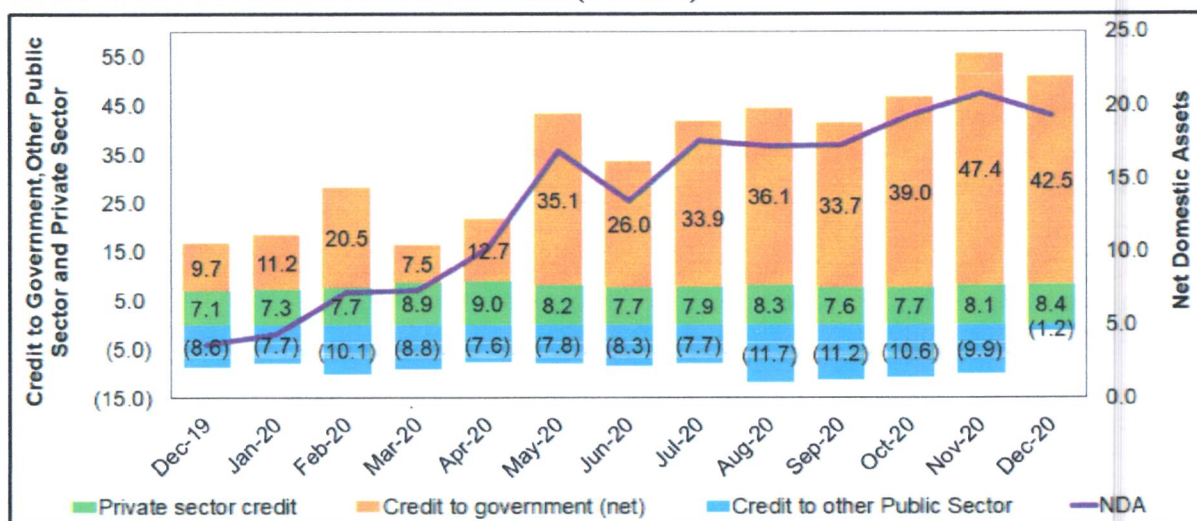
				Absolute Change		Percent Change	
	2018 December	2019 December	2020 December	2018-2019 December	2019-2020 December	2018-2019 December	2019-2020 December
COMPONENTS OF M3							
1. Money supply, M1 (1.1+1.2+1.3)	1,477.5	1,525.2	1,720.3	47.7	195.1	3.2	12.8
1.1 currency outside banks (M0)	230.3	198.6	233.7	(31.7)	35.1	(13.8)	17.7
1.2 Demand deposits	1,175.5	1,253.3	1,395.0	77.8	141.8	6.6	11.3
1.3 Other deposits at CBK	71.7	73.4	91.6	1.7	18.3	2.3	24.9
2. Money supply, M2 (1+2.1)	2,756.0	2,904.4	3,250.2	148.4	345.9	5.4	11.9
2.1 Time and savings deposits	1,278.4	1,379.1	1,529.9	100.7	150.8	7.9	10.9
Money supply, M3 (2+3.1)	3,337.8	3,524.0	3,990.9	186.2	466.9	5.6	13.2
3.1 Foreign currency deposits	581.9	619.7	740.7	37.8	121.0	6.5	19.5
SOURCES OF M3							
1. Net foreign assets (1.1+1.2)	714.1	804.5	746.4	90.4	(58.1)	12.7	(7.2)
1.1 Central Bank	739.5	833.3	738.5	93.8	(94.8)	12.7	(11.4)
1.2 Banking Institutions	(25.4)	(28.8)	7.9	(3.5)	36.8	(13.6)	127.4
2. Net domestic assets (2.1+2.2)	2,623.7	2,719.6	3,244.5	95.8	524.9	3.7	19.3
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	3,381.1	3,628.1	4,245.3	247.0	617.2	7.3	17.0
2.1.1 Government (net)	858.2	941.2	1,341.0	83.1	399.8	9.7	42.5
2.1.2 Other public sector	100.9	92.3	91.2	(8.7)	(1.1)	(8.6)	(1.2)
2.1.3 Private sector	2,422.0	2,594.6	2,813.1	172.6	218.5	7.1	8.4
2.2 Other assets net	(757.3)	(908.5)	(1,000.8)	(151.2)	(92.3)	(20.0)	(10.2)

Source of Data: Central Bank of Kenya

15. NDA increased to register a growth of 19.3 percent in the year to December 2020 from a growth of 3.7 percent over a similar period in 2019. This is largely due to an improvement in net credit flows to both the government and the private sectors offsetting the decline in net credit to other public sector (**Table 2, Chart 4**). Credit to government sector improved as most banks preferred to lend to government over private sector due to increased borrowing risk associated with the Covid-19 pandemic.

16. Private sector credit grew by 8.4 percent in the 12 months to December 2020 compared to a growth of 7.1 percent in the year to December 2019. This was supported by a recovery in demand with the improved economic activities following the easing of COVID-19 containment measures, and accommodative monetary policy. Strong credit growth was observed in the following sectors: manufacturing (12.0 percent), transport and communications (13.6 percent), agriculture (15.3 percent), real estate (8.7 percent) and consumer durables (18.1 percent). The operationalization of the Credit Guarantee Scheme for the vulnerable Micro Small and Medium sized Enterprises (MSMEs), will de-risk lending by commercial banks, and is critical to increasing credit to the private sector.

Chart 4: Growth in NDA and its Sources (Percent)



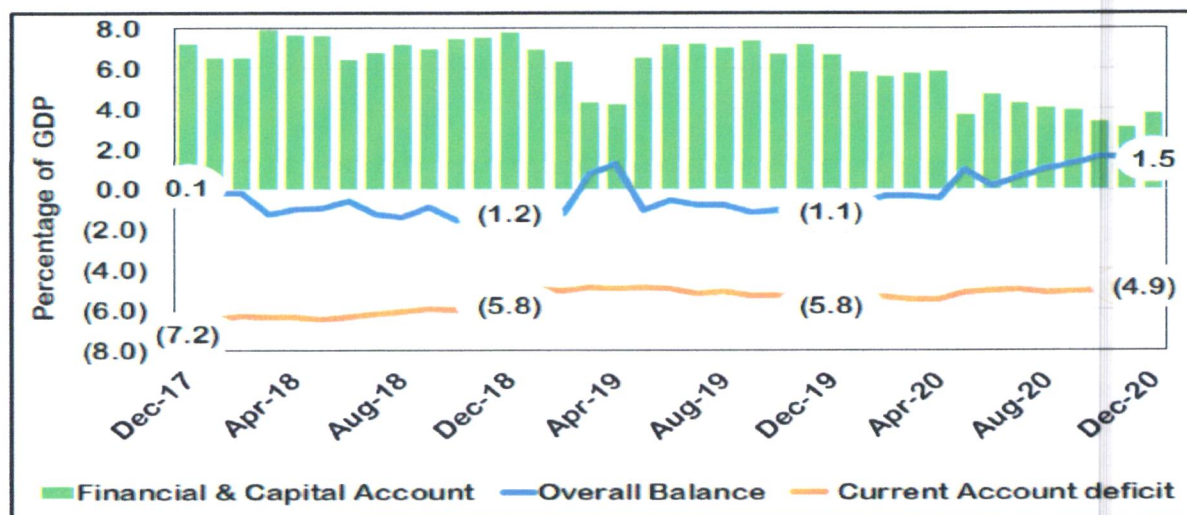
Source of Data: Central Bank of Kenya

17. Net Foreign Assets (NFA) of the banking system in the year to December 2020 contracted by 7.2 percent, compared to a growth of 12.7 percent in the year to December 2019. The contraction in the growth of NFA was mainly due to the decline of the foreign currency reserves by the Central Bank. The NFA of commercial banks improved by 127.4 percent during the review period as a result of an increase in the commercial banks' deposits with the non-resident banks.

1.5 Balance of Payments

18. The overall balance of payments position improved to a surplus of US\$ 1,434 million (1.5 percent of GDP) in the year to December 2020 from a deficit of US\$ 1,059 million (1.1 percent of GDP) in the year to December 2019 (Chart 5). This was mainly due to an improvement in the current account balance.

Chart 5: Performance of Balance of Payments and its Components



Source of Data: Central Bank of Kenya

RECENT ECONOMIC DEVELOPMENTS

19. The current account deficit stood at US\$ 4,744 million (4.9 percent of GDP) in December 2020 from US\$ 5,541 million (5.8 percent of GDP) in December 2019. The improvement in the current account balance was mainly due to the improvement in the merchandise account balance and the net primary income balance.

20. The balance in the merchandise account improved by US\$ 2,302 million to a deficit of US\$ 8,377 million in the year to December 2020 on account of a decline in imports and a marginal increase in exports. In the year to December 2020, exports grew by 2.8 percent primarily driven by tea exports, on account of increased production. On the other hand, imports declined by 12.9 percent in the year to December 2020 mainly reflecting low value imports of oil products due to relatively low international oil prices.

21. Net services declined by 86.5 percent in the year to December 2020 mainly due to a significant decline in transport services and travel receipts as a result of the uncertainty associated with the Covid-19 pandemic and the resultant containment measures. Cargo throughput performed well during the review period and provided a buffer in terms of transport receipts.

22. The capital account balance registered a surplus of US\$ 130.4 million in the year to December 2020. However, this was a US\$ 77.3 million decline compared to the balance witnessed in December 2019. Net Financial Inflows declined to US\$ 3,535 million from US\$ 6,239 million in the year to December 2019 (**Table 3**). The financial inflows were mainly in the form of direct investments, financial derivatives and other investments which stood at US\$ 243.7 million, US\$ 9.1 million and US\$ 4,671.6 million, respectively in December 2020. The Net Portfolio investments outflows stood at US\$ 1,389.3 million.

Table 3: Balance of Payments (US\$ Million)

							Year to December 2020		Percent of GDP	
	Dec-18	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	absolute change	Percent Change	Dec-19	Dec-20
Overall Balance	(1,030.2)	(1,059.4)	(340.7)	179.3	1,264.5	1,434.0	2,493.4	(235.4)	(1.1)	1.5
A) Current Account	(5,047.8)	(5,541.2)	(5,635.7)	(5,066.9)	(5,032.8)	(4,744.0)	797.2	(14.4)	(5.8)	(4.9)
<i>Merchandise Account (a-b)</i>	(10,201.0)	(10,679.5)	(10,442.8)	(9,460.0)	(8,940.4)	(8,377.0)	2,302.4	(21.6)	(11.1)	(8.6)
a) Goods: exports	6,087.6	5,871.9	6,070.1	5,923.6	6,015.9	6,034.8	162.9	2.8	6.1	6.2
b) Goods: imports	16,288.5	16,551.4	16,512.8	15,383.6	14,956.3	14,411.9	(2,139.5)	(12.9)	17.2	14.7
<i>Net Services (c-d)</i>	1,596.3	1,767.4	1,352.7	1,028.1	605.2	238.5	(1,528.8)	(86.5)	1.8	0.2
c) Services: credit	5,477.5	5,621.5	5,333.0	4,783.4	4,288.8	3,834.0	(1,787.5)	(31.8)	5.8	3.9
d) Services: debit	3,881.2	3,854.1	3,980.3	3,755.3	3,683.6	3,595.5	(258.6)	(6.7)	4.0	3.7
<i>Net Primary Income (e-f)</i>	(1,449.2)	(1,914.1)	(1,778.2)	(1,647.6)	(1,685.0)	(1,578.5)	335.6	(17.5)	(2.0)	(1.6)
e) Primary income: credit	198.9	229.6	226.6	198.2	21.8	(2.5)	(232.1)	(101.1)	0.2	(0.0)
f) Primary income: debit	1,648.0	2,143.7	2,004.8	1,845.8	1,706.8	1,576.0	(567.7)	(26.5)	2.2	1.6
<i>Net Secondary Income</i>	5,006.0	5,285.0	5,232.6	5,012.6	4,987.5	4,973.1	(312.0)	(5.9)	5.5	5.1
g) Secondary income: credit	5,053.9	5,339.7	5,286.8	5,064.1	5,042.4	5,024.5	(315.2)	(5.9)	5.6	5.1
h) Secondary income: debit	47.9	54.7	54.2	51.5	55.0	51.5	(3.2)	(5.9)	0.1	0.1
B) Capital Account	262.6	207.7	189.6	146.1	155.1	130.4	(77.3)	(37.2)	0.2	0.1
C) Financial Account	(6,535.4)	(6,238.9)	(5,720.5)	(4,597.6)	(3,726.2)	(3,535.0)	2,703.8	(43.3)	(6.5)	(3.6)

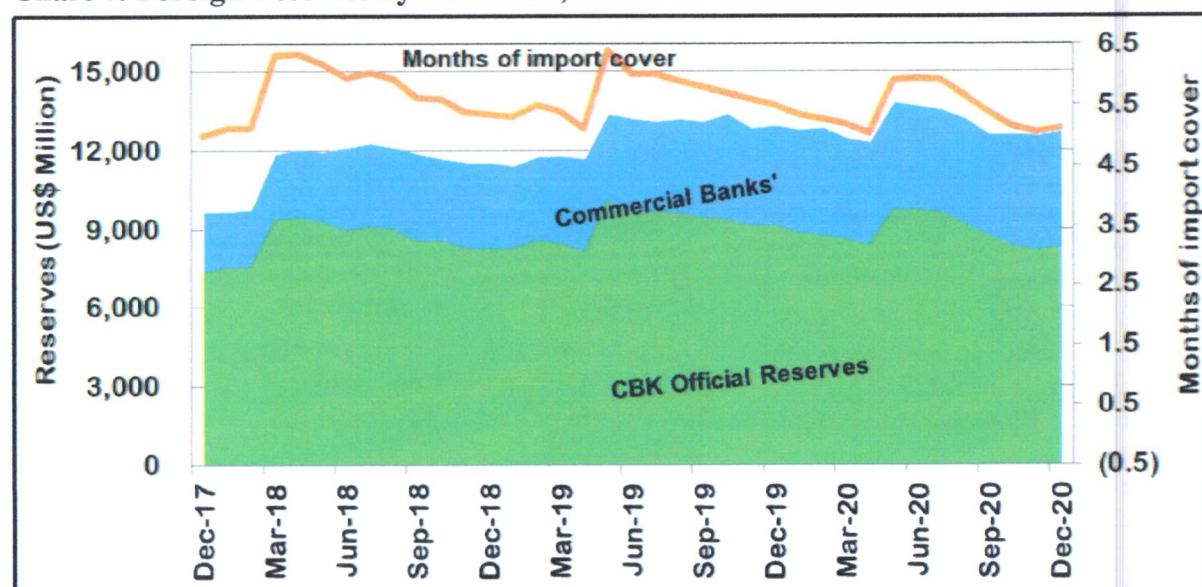
Source of Data: Central Bank of Kenya

RECENT ECONOMIC DEVELOPMENTS

1.6 Foreign Exchange Reserves

23. The banking system's foreign exchange holdings remained strong at US\$ 12,991.9 million in December 2020 up from US\$ 12,919.2 million in December 2019. The official foreign exchange reserves held by the Central Bank stood at US\$ 8,297.3 million (5.1 months of import cover) in December 2020 compared with US\$ 9,115.8 million (5.5 months of import cover) in December 2019 (**Chart 6**). This fulfils the requirement to maintain the reserves at minimum of 4.0 months of imports cover to provide adequate buffer against short term shocks in the foreign exchange market. Commercial banks holdings increased to US\$ 4,694.6 in December 2020 from US\$ 3,803.4 million in December 2019

Chart 6: Foreign Reserves by December, 2020

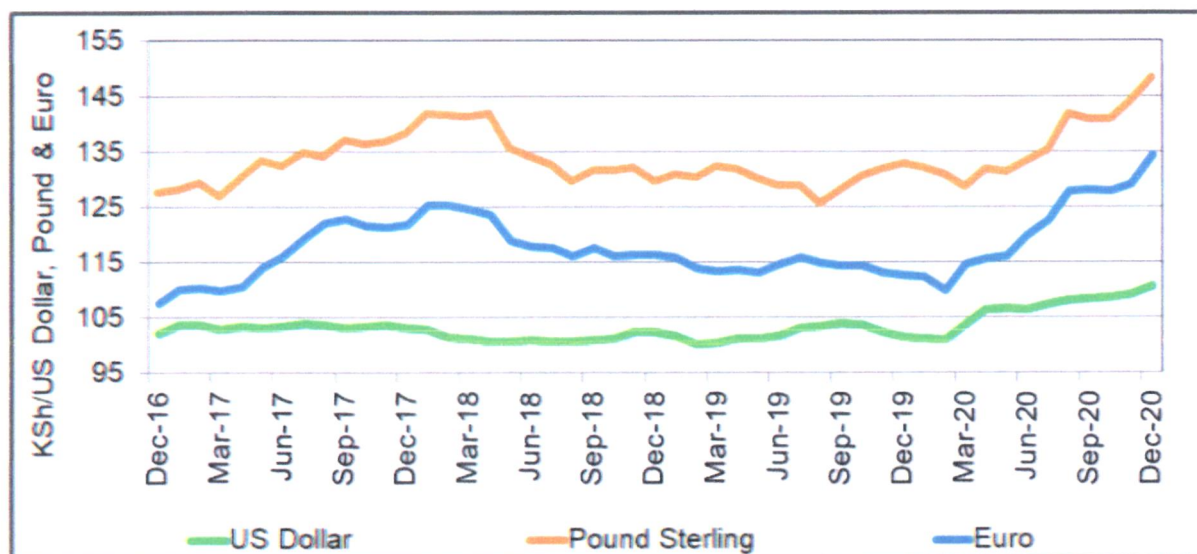


Source of Data: Central Bank of Kenya

1.7 Exchange Rates

24. The foreign exchange market has largely remained stable but was partly affected by a significant strengthening of the US Dollar in the global markets and uncertainty with regard to the Covid-19 pandemic. In this regard, the Kenya Shilling to the dollar exchanged at Ksh 110.6 in December 2020 compared to Ksh. 101.4 in December 2019 (**Chart 7a**).

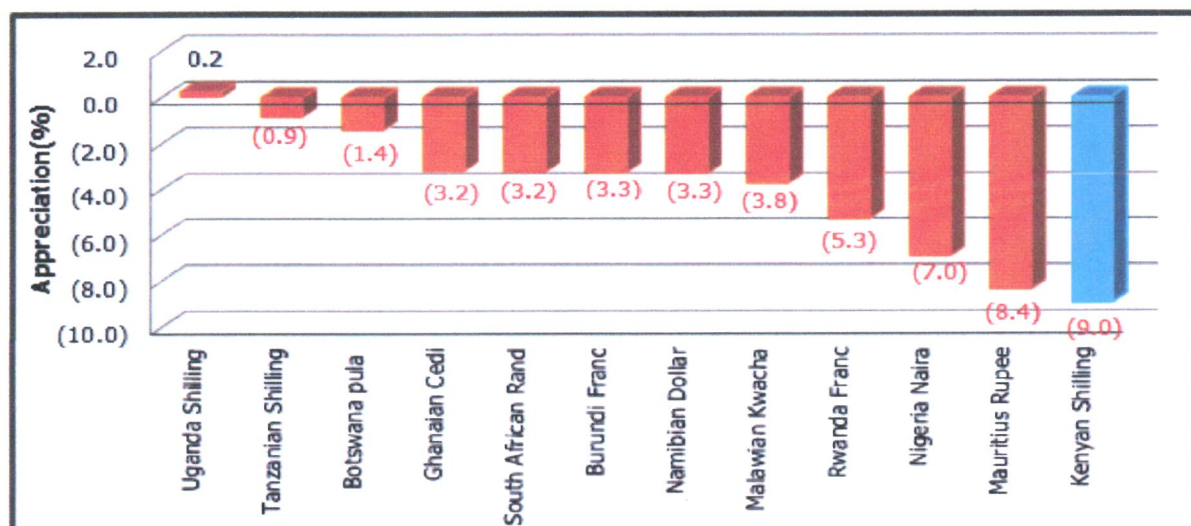
Chart 7a: Kenya Shilling Exchange Rate



Source of Data: Central Bank of Kenya

25. Like most Sub-Saharan African currencies, the Kenya Shilling has remained relatively stable weakening by only 9.0 percent against the US Dollar (Chart 7b). This stability in the Kenya Shilling was supported by increased remittances and adequate foreign exchange reserves.

Chart 7b: Performance of Selected Currencies against the US Dollar (December, 2019 to December, 2020)



Source of Data: National Central Banks

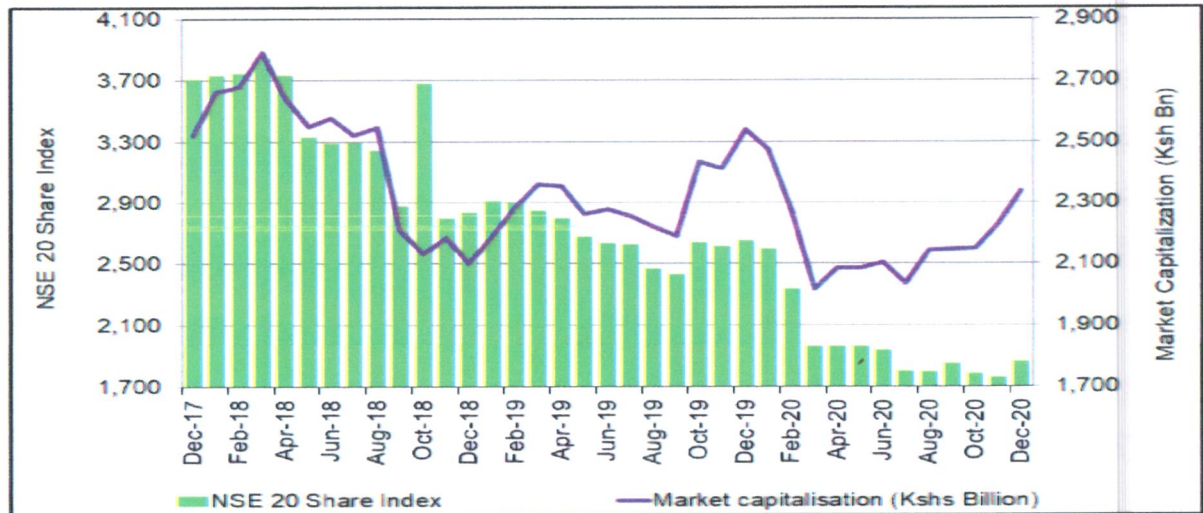
1.8 Capital Markets

26. Activity in the capital markets declined in December 2020 compared to December 2019, with equity share prices declining as shown by the NSE 20 Share Index. The decline is due to the volatility in the financial markets as a result of the uncertainty surrounding the corona virus pandemic. The NSE 20 Share Index was 1,868.4 points by end of December 2020 compared to 2,654.4 points by end December 2019. Consequently, market

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capitalization declined to Ksh. 2,336.7 billion from Ksh. 2,540.0 billion over the same period (Chart 8).

Chart 8: Performance at the NSE by December, 2020



Source of Data: Nairobi Securities Exchange

2.0 FISCAL DEVELOPMENTS

2.1 Revenue

27. By the end of December 2020, total revenue collected including A-I-A amounted to KSh. 810.6 billion against a target of KSh. 907.7 billion (**Table 4**). The revenue was below target by KSh. 97.1 billion mainly due to underperformance of Value Added Taxes (both domestic and imports), Pay As You Earn (PAYE), excise duty, ministerial A-I-A and the import duty. The total revenue inclusive of the ministerial A-I-A contracted by 12.9 percent, a decline from a growth of 17.1 percent recorded in December 2019. The decline is largely attributed to the difficult operating environment due to the Covid-19 pandemic which has adversely affected revenue performance as from March 2020. Ordinary revenue collection was KSh. 726.4 billion against a target of KSh. 802.2 billion, KSh. 75.8 billion below the target (**Chart 9**).

28. The ministerial A-I-A collected was below target by KSh. 21.3 billion during the period under review. The underperformance of A-I-A was mainly due to underreporting of SAGAs' A.I.A through the Ministerial expenditure returns for the period under review. The Railway Development Levy collection amounted to KSh. 13.4 billion against a target of KSh. 13.7 billion. The revenue data in Government Finance Statistics Manual 2014 (GFSM 2014) format is shown in annex II.

Table 4: Government Revenue and External Grants, Period Ending 31st December, 2020 (KSh. Millions)

	2019/2020 Actual	2020/2021		Deviation KSh.	% Growth
		Actual*	Target		
Total Revenue (a+b)	930,374	810,552	907,660	(97,108)	(12.9)
(a) Ordinary Revenue	857,862	726,415	802,231	(75,816)	(15.3)
Import Duty	51,551	51,799	54,403	(2,604)	0.5
Excise Duty	103,377	102,779	117,379	(14,599)	(0.6)
PAYE	205,266	152,617	181,524	(28,908)	(25.6)
Other Income Tax	162,163	156,622	155,724	898	(3.4)
VAT Local	119,887	85,867	124,930	(39,064)	(28.4)
VAT Imports	91,657	93,206	109,949	(16,743)	1.7
Investment Revenue	38,530	32,173	14,172	18,001	(16.5)
Traffic Revenue	1,957	2,328	2,047	281	19.0
Taxes on Intl. Trade & Trans.(IDF Fee)	13,730	18,264	14,124	4,140	33.0
Others ¹	69,744	30,760	27,979	2,781	(55.9)
(b) Appropriation In Aid²	72,512	84,137	105,429	(21,292)	16.0
o/w Railway Development Levy	11,634	13,406	13,715	(309)	15.2
(c) External Grants	10,147	8,500	27,275	(18,775)	(16.2)
Total Revenue and External Grants	940,522	819,052	934,935	(115,882)	(12.9)
Total Revenue and External Grants as a percentage of GDP	9.06	7.33	8.30	-	-

1/ includes rent on land/buildings, fines and forfeitures, other taxes, loan interest receipts reimbursements and other fund contributions, fees, and miscellaneous revenue.

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

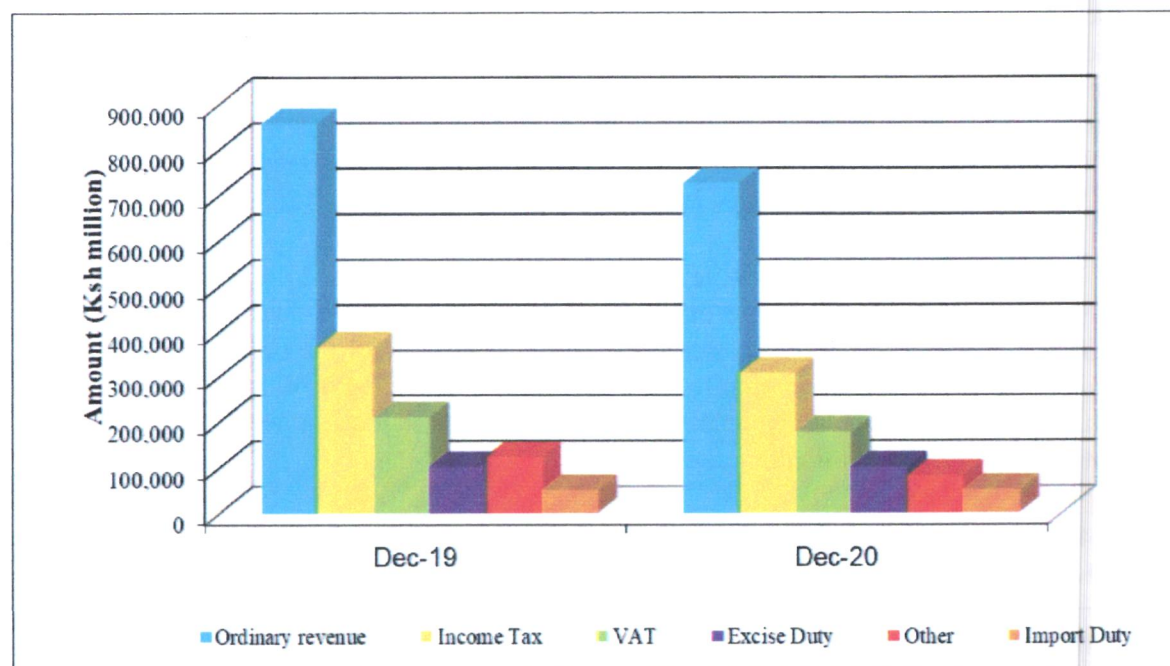
*Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

29. As a proportion of GDP, the total revenue and grants in the period under review was 7.3 percent compared to 9.1 percent in the corresponding period in the FY 2019/20. Total grants amounted to KSh. 8.5 billion against a target of KSh. 27.3 billion, which is an under performance by KSh. 18.8 billion.

Chart 9: Ordinary Revenue by Source, Period Ending 31st December, 2020



Source of Data: National Treasury

2.2 Expenditure

30. The total expenditure and net lending for the period under review amounted to KSh. 1,214.8 billion, against a target of KSh. 1258.9 billion. The resultant under expenditure of KSh. 44.0 billion is mainly attributed to lower absorption recorded in recurrent expenditures by the National Government and below target transfers to County Governments. Recurrent expenditure for National Government amounted to KSh. 818.2 billion (excluding KSh. 5.1 billion for Parliament and Judiciary), against a target of KSh. 830.2 billion leading to an under expenditure of KSh. 11.9 billion. The under expenditure in recurrent category was mainly due to below target payments on foreign interest payments, pension payments, wages and salaries and below target expenditure on Operation and Maintenance (O&M) attributed to the scaled down operations of the National Government in first half of the FY 2020/21 following Covid-19 Pandemic and exchange rate fluctuations (Table 5 and Chart 10).

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Table 5: Expenditure and Net Lending, Period Ending 31st December, 2020 (KSh. Millions)

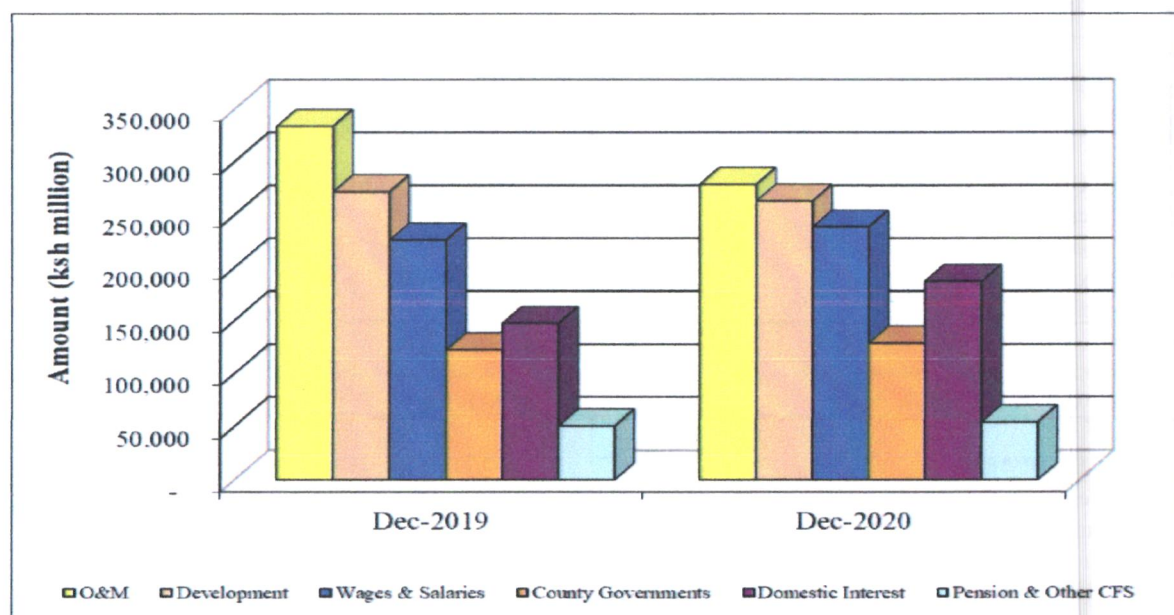
	2019/2020 Actual	2020/2021		Deviation	% Growth
		Actual*	Targets		
1. RECURRENT	817,846	818,241	830,224	(11,983)	0.0
Domestic Interest	147,164	186,746	158,392	28,354	26.9
Foreign Interest	61,512	61,064	77,641	(16,578)	(0.7)
Pensions & Other CFS	50,197	53,821	62,015	(8,193)	7.2
Wages and Salaries	225,709	238,207	248,167	(9,960)	5.5
Operation and Maintenance	333,263.88	278,403	284,009	(5,605)	(16.5)
O/W: Appropriation-in-Aid	46,051	40,864	66,046	(25,182)	(11.3)
2. DEVELOPMENT	271,477	262,778	269,639	(6,862)	(3.2)
Development Projects (Net)	137,775	160,271	124,428	35,843	16.3
Payment of Guaranteed Loans	330	-	-	-	(100.0)
Appropriation-in-Aid	133,372	102,506	142,446	(39,940)	(23.1)
3. County Governments	122,209	128,691	143,881	(15,190)	5.3
4. Parliamentary Service	6,934	3,504	8,810	(5,306)	(49.5)
5. Judicial Service	2,967	1,630	3,825	(2,195)	(45.1)
6. Equalization Fund	-	-	2,765	(2,765)	-
7. CF	-	-	2,500	(2,500)	-
TOTAL EXPENDITURE	1,221,433	1,214,844	1,258,879	(44,035)	(0.5)

*Provisional

Source of Data: National Treasury

31. Foreign interest payments amounted to KSh. 61.1 billion, comparable with the KSh. 61.5 billion paid over the same period in the FY2019/20. The domestic interest payments totalled to KSh. 186.7 billion, which was higher than the KSh. 147.2 billion paid in the corresponding period in the previous financial year. The expenditure data in GFSM 2014 format is shown in annexes III and IV.

Chart 10: Expenditure and Net Lending for the Period Ending 31st December, 2020



Source of Data: National Treasury

2.2.1 National Government Expenditures by Public Agencies

32. The total ministerial and other public agencies expenditure including A.I.A was KSh. 735.3 billion against a target of KSh. 943.8 billion. Recurrent expenditure was KSh. 512.6 billion against a target of KSh. 627.2 billion, while development expenditure amounted to KSh. 222.7 billion against a target of KSh. 316.7 billion. The percentage of total expenditures to the target was 77.9 percent while the percentage of total expenditures to the target for recurrent and development were 81.9 percent and 70.3 percent respectively, as at the end of the period under review. The discrepancy between actual and target expenditures was partly due to the non-capture of the parastatals and some other government entities expenditures. These ministerial expenditures are therefore, provisional.

33. As at the period ending 31st December, 2020, recurrent expenditures by the State Department for Early Learning and Basic Education, State Department for University Education; Teachers Service Commission; State Department for Vocational and Technical Training and the Ministry of Health (Social Sector) accounted for 43.5 percent of total recurrent expenditure. In addition, the State Department for Interior and the Ministry of Defence accounted for 10.0 percent and 8.5 percent of total recurrent expenditure respectively.

34. Analysis of development outlay indicates that the State Department for Transport accounted for the largest share of the total development expenditure (17.7 percent), followed by the State Department for Infrastructure (16.2 percent), Ministry of water and Sanitation (10.8 percent), State Department for Planning (8.2 percent), Ministry of Energy (7.2 percent) and the Ministry of Health (5.6 percent). The expenditures by large Ministries/State Departments were below target because of under reporting of expenditure from the sub-national, parastatals and some donor funded projects. **Table 6** shows the recurrent and development expenditures by Ministries, State Departments and other government entities for the period under review.

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Table 6: National Government Expenditures by Public Agencies, Period Ending 31st December, 2020 (KSh. Millions)

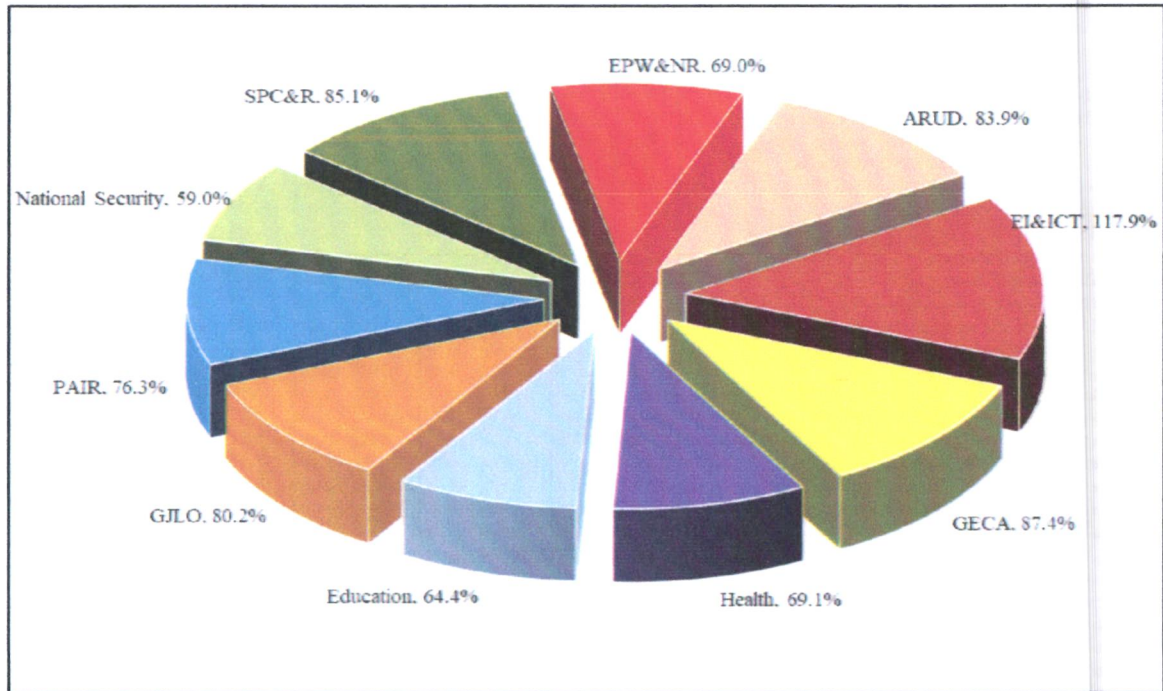
Budget Head	MINISTRY/DEPARTMENT/COMMISSIONS	Dec-20			Dec-20			Dec-20			% of Total Exp. To Target
		Recurrent			Development			Total			
		Actual*	Target	Variance	Actual*	Target	Variance	Actual*	Target	Variance	
1011	Executive Office of the President	5,098	12,517	(7,420)	6,649	5,737	912	11,746	18,254	(6,508)	64.3
1021	State Department for Interior and Citizen Services	50,045	62,595	(12,549)	2,199	3,463	(1,263)	52,244	66,057	(13,813)	79.1
1023	State Department for Correctional Services	11,176	13,659	(2,483)	23	392	(369)	11,200	14,051	(2,851)	79.7
1032	State Department for Devolution	365	465	(100)	423	2,367	(1,944)	788	2,832	(2,045)	27.8
1035	State Department for Development of the ASAL	479	490	(11)	2,595	4,412	(1,818)	3,074	4,902	(1,829)	62.7
1041	Ministry of Defence	66,054	53,136	12,918	-	4,604	(4,604)	66,054	57,741	8,313	114.4
1052	Ministry of Foreign Affairs	4,711	7,278	(2,567)	21	601	(580)	4,732	7,879	(3,147)	60.1
1064	State Department for Vocational and Technical Training	6,226	9,319	(3,093)	701	3,134	(2,433)	6,927	12,453	(5,526)	55.6
1065	State Department for University Education	28,589	53,879	(25,289)	2,079	2,688	(609)	30,668	56,566	(25,898)	54.2
1066	State Department for Early Learning & Basic Education	41,153	44,564	(3,412)	3,735	5,845	(2,110)	44,887	50,409	(5,522)	89.0
1068	State Department for Post Training and Skills Development	56	75	(19)	-	-	-	56	75	(19)	74.2
1071	The National Treasury	20,042	37,100	(17,058)	10,947	21,390	(10,442)	30,989	58,490	(27,501)	53.0
1072	State Department for Planning	1,501	1,607	(105)	18,287	21,227	(2,940)	19,788	22,834	(3,045)	86.7
1081	Ministry of Health	19,558	32,225	(12,667)	12,388	23,626	(11,238)	31,947	55,851	(23,905)	57.2
1091	State Department for Infrastructure	29,409	32,466	(3,057)	36,077	62,295	(26,218)	65,486	94,761	(29,275)	69.1
1092	State Department for Transport	367	4,594	(4,227)	39,315	19,183	20,132	39,682	23,778	15,905	166.9
1093	State Department for Shipping and Maritime	187	834	(647)	-	425	(425)	187	1,259	(1,072)	14.9
1094	State Department for Housing & Urban Development	466	529	(63)	13,246	7,999	5,247	13,713	8,529	5,184	160.8
1095	State Department for Public Works	1,096	1,157	(62)	485	592	(107)	1,581	1,750	(169)	90.3
1108	Ministry of Environment and Forestry	4,476	5,128	(652)	1,408	2,998	(1,590)	5,884	8,125	(2,241)	72.4
1109	Ministry of Water & Sanitation and Irrigation	1,836	3,116	(1,280)	23,989	35,491	(11,503)	25,775	38,608	(12,833)	66.8
1112	Ministry of Lands and Physical Planning	1,236	1,409	(173)	1,526	1,400	126	2,762	2,809	(47)	98.3
1122	State Department for Information Communication Technology & Innovation	698	752	(53)	7,676	9,252	(1,576)	8,375	10,004	(1,629)	83.7
1123	State Department for Broadcasting & Telecommunications	2,427	2,765	(338)	285	349	(64)	2,712	3,114	(402)	87.1
1132	State Department for Sports	649	621	28	1,601	7,078	(5,477)	2,250	7,699	(5,449)	29.2
1134	State Department for Culture and Heritage	1,099	1,340	(241)	22	22	-	1,121	1,361	(241)	82.3
1152	Ministry of Energy	799	2,956	(2,157)	16,128	33,291	(17,162)	16,927	36,246	(19,319)	46.7
1162	State Department for Livestock	1,010	1,314	(305)	965	1,681	(716)	1,975	2,996	(1,021)	65.9
1166	State Department for Fisheries, Aquaculture & the Blue Economy	824	997	(174)	1,137	2,482	(1,345)	1,961	3,479	(1,519)	56.4
1169	State Department for Crop Development & Agricultural Research	12,496	5,399	7,097	8,148	15,505	(7,357)	20,644	20,504	(140)	98.8
1173	State Department for Cooperatives	176	401	(225)	314	413	(99)	490	813	(323)	60.2
1174	State Department for Trade and Enterprise Development	717	961	(244)	401	548	(147)	1,118	1,509	(390)	74.1
1175	State Department for Industrialization	976	1,426	(450)	1,228	2,634	(1,406)	2,204	4,060	(1,856)	54.3
1184	State Department for Labour	727	1,382	(655)	295	1,222	(927)	1,023	2,604	(1,582)	39.3
1185	State Department for Social Protection, Pensions & Senior Citizens Affairs	14,422	15,528	(1,106)	142	1,274	(1,132)	14,564	16,802	(2,238)	86.7
1192	State Department for Mining	128	319	(191)	134	156	(22)	262	475	(212)	55.2
1193	State Department for Petroleum	95	122	(27)	674	1,822	(1,148)	769	1,944	(1,175)	39.5
1202	State Department for Tourism	1,294	4,248	(2,954)	2,154	2,155	(1)	3,449	6,403	(2,955)	53.9
1203	State Department for Wildlife	3,588	5,054	(1,466)	394	347	47	3,982	5,401	(1,419)	73.7
1212	State Department for Gender	322	489	(167)	1,181	1,187	(6)	1,503	1,676	(173)	89.7
1213	State Department for Public Service	9,332	8,608	724	576	627	(51)	9,908	9,235	673	107.3
1214	State Department for Youth Affairs	600	655	(55)	451	1,176	(725)	1,051	1,831	(780)	57.4
1221	State Department for East African Community	146	304	(158)	-	-	-	146	304	(158)	48.1
1222	State Department for Regional and Northern Corridor Development	991	1,133	(142)	412	544	(132)	1,403	1,677	(274)	83.7
1252	State Law Office and Department of Justice	1,668	2,302	(634)	44	93	(49)	1,711	2,394	(683)	71.5
1261	The Judiciary	6,330	7,361	(1,032)	767	1,351	(583)	7,097	8,712	(1,615)	81.5
1271	Ethics and Anti-Corruption Commission	1,579	1,536	43	-	20	(20)	1,579	1,557	23	101.5
1281	National Intelligence Service	17,464	19,526	(2,062)	-	-	-	17,464	19,526	(2,062)	89.4
1291	Office of the Director of Public Prosecutions	963	1,479	(516)	-	65	(65)	963	1,543	(580)	62.4
1311	Office of the Registrar of Political Parties	884	673	211	-	-	-	884	673	211	131.3
1321	Witness Protection Agency	56	236	(181)	-	-	-	56	236	(181)	23.5
2011	Kenya National Commission on Human Rights	176	200	(24)	-	-	-	176	200	(24)	88.0
2021	National Land Commission	468	617	(148)	-	-	-	468	617	(148)	75.9
2031	Independent Electoral and Boundaries Commission	1,609	2,161	(552)	75	75	-	1,684	2,236	(552)	75.3
2041	Parliamentary Service Commission	2,357	3,218	(861)	-	-	-	2,357	3,218	(861)	73.3
2042	National Assembly	9,161	11,603	(2,442)	-	-	-	9,161	11,603	(2,442)	79.0
2043	Parliamentary Joint Services	2,500	2,799	(299)	1,375	1,033	342	3,875	3,832	43	101.1
2051	Judicial Service Commission	191	288	(97)	-	-	-	191	288	(97)	66.2
2061	The Commission on Revenue Allocation	123	186	(63)	-	-	-	123	186	(63)	66.1
2071	Public Service Commission	1,169	1,053	116	0	10	(9)	1,170	1,063	107	110.1
2081	Salaries and Remuneration Commission	167	230	(63)	-	-	-	167	230	(63)	72.8
2091	Teachers Service Commission	114,766	132,746	(17,980)	36	300	(264)	114,802	133,046	(18,244)	86.3
2101	National Police Service Commission	234	303	(69)	-	-	-	234	303	(69)	77.3
2111	Auditor General	2,307	2,539	(232)	16	73	(58)	2,323	2,612	(289)	88.9
2121	Office of the Controller of Budget	195	311	(117)	-	-	-	195	311	(117)	62.5
2131	The Commission on Administrative Justice	222	247	(26)	-	-	-	222	247	(26)	89.6
2141	National Gender and Equality Commission	199	212	(13)	-	1	(1)	199	214	(15)	93.1
2151	Independent Policing Oversight Authority	158	431	(273)	-	-	-	158	431	(273)	36.7
	Total	512,590	627,177	(114,587)	222,674	316,653	(93,980)	735,263	943,830	(208,567)	77.9

*Provisional

Source of Data: National Treasury

35. During the period under review, the Energy, Infrastructure and Information, Communication, Technology (EI&ICT) Sector recorded the highest absorption of 117.9 percent of its budget, followed by General Economic and Commercial Affairs (GECA) at 87.4 percent. National Security recorded the lowest absorption of 59.0 percent (Chart 11).

Chart 11: Sectoral Budget Absorption as at 31st December, 2020



Source of Data: National Treasury

2.2.2 Pending Bills

36. The total outstanding national government pending bills as at 31st December, 2020 amounted to KSh. 322.5 billion. These comprise of KSh. 274.3 billion (85.1 percent) and KSh. 48.2 billion (14.9 percent) for the State Corporations (SC) and Ministries/State Departments/other government entities respectively. The SC pending bills include payment to contractors/projects, suppliers, unremitted statutory and other deductions, pension arrears for Local Authorities Pension Trust, and others. The highest percentage of the SCs pending bills (63.1 percent) belong to Contractor/Projects and Suppliers. Ministries/State Departments and other government entities pending bills constitutes mainly of historical/contested pending bills as at the end of the 2019/20 FY i.e. Court awards and others. The national Government policy of clearance of pending bills is still in force. All MDAs are therefore, expected to continue with prioritization of payment of the pending bills by settling them as a first charge in the FY 2020/21 budget in line with the Treasury Circular No. 7/2019.

2.2.3 Guaranteed Debt Service

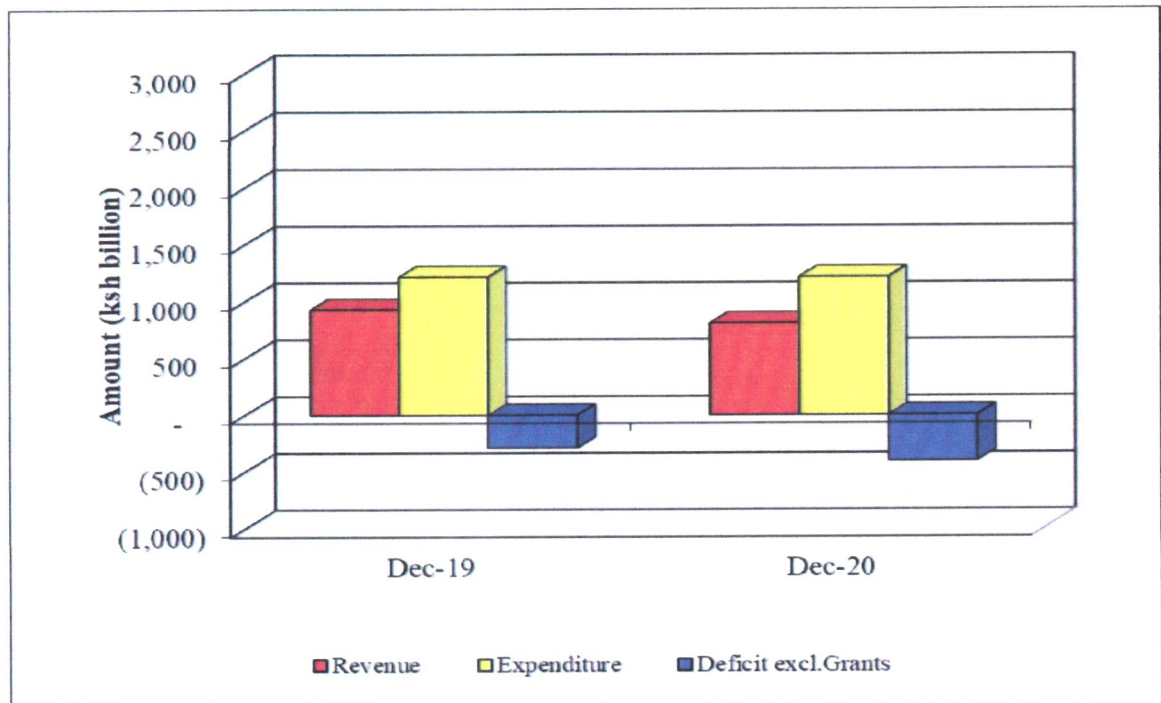
37. The government did not service any guaranteed debt during the period under review since cumulative principal and interest payments of guaranteed loans to parastatals with liquidity problems were fully paid. All other parastatals with guaranteed debt are servicing their debts hence no need for Government intervention.

FISCAL DEVELOPMENTS

2.3 Fiscal Outturn

38. Between 1st July, 2020 and 31st December, 2020, the fiscal balance (on commitment basis and excluding grants) amounted to KSh. 404.3 billion (3.6 percent of GDP) against a targeted deficit of KSh. 342.8 billion (3.0 percent of GDP) (**Chart 12 and Table 8**). The fiscal balance (on a commitment basis and including grants) stood at 3.5 percent of GDP against a target deficit of 2.8 percent of GDP.

Chart 12: Fiscal Balance as at 31st December, 2020



Source of Data: National Treasury

39. Over the same period in FY2019/20, the fiscal deficit including grants (on commitment basis) stood at KSh. 277.6 billion (2.7 percent of GDP). The fiscal outturn in the last six FYs, the original budget, and Budget Review and Outlook (BRON) figures for the FY 2020/21 are shown in **Annex I**. Further, GFSM 2014 Compliant Budgetary Central Government fiscal data for the FY 2020/21 are shown in annexes V and VI.

Table 8: Budget Outturn, Cumulative Ending 31st December, 2020 (KSh. Millions)

	2019/2020 Actual	2020/2021		Deviation	% growth	2020/2021 as a % of GDP		2019/2020 Actual as a % of GDP
		Actual*	Targets			Actual	Targets	
A. TOTAL REVENUE AND GRANTS	940,522	819,052	934,935	(115,882)	(12.9)	7.3	8.3	9.1
1. Revenue	930,374	810,552	907,660	(97,108)	(12.9)	7.3	8.1	9.0
Ordinary Revenue	857,862	726,415	802,231	(75,816)	(15.3)	6.5	7.1	8.3
Import Duty	51,551	51,799	54,403	(2,604)	0.5	0.5	0.5	0.5
Excise Duty	103,377	102,779	117,379	(14,599)	(0.6)	0.9	1.0	1.0
Income tax	367,429	309,239	337,248	(28,009)	(15.8)	2.8	3.0	3.5
VAT	211,544	179,073	234,879	(55,807)	(15.3)	1.6	2.1	2.0
Investment Revenue	38,530	32,173	14,172	18,001	(16.5)	0.3	0.1	0.4
Others	85,431	51,353	44,150	7,203	(39.9)	0.5	0.4	0.8
Appropriation-in-Aid	72,512	84,137	105,429	(21,292)	16.0	0.8	0.9	0.7
2. Grants	10,147	8,500	27,275	(18,775)	(16.2)	0.1	0.2	0.1
AMISOM Receipts	1,941	1,451.4	9,446	(7,995)	-	0.0	0.1	0.0
Revenue	6,460	3,161	5,556	(2,396)	(51.1)	0.0	0.0	0.1
Appropriation-in-Aid	1,747	3,888	12,273	(8,384)	122.6	0.0	0.1	0.0
Italian Debt Swap	-	-	-	-	-	-	-	-
County Health Facilities - DANIDA	-	-	-	-	-	-	-	-
B. EXPENDITURE AND NET LENDING	1,218,101	1,214,844	1,258,879	(44,035)	(0.3)	10.9	11.2	11.7
1. Recurrent	827,747	823,376	842,859	(19,483)	(0.5)	7.4	7.5	8.0
Domestic Interest	147,164	186,746	158,392	28,354	26.9	1.7	1.4	1.4
Foreign Interest	61,512	61,064	77,641	(16,578)	(0.7)	0.5	0.7	0.6
Pension & Other CFS	50,197	53,821	62,015	(8,193)	7.2	0.5	0.6	0.5
Wages and Salaries	225,709	238,207	248,167	(9,960)	5.5	2.1	2.2	2.2
O & M/Others	343,165	283,538	296,644	(13,106)	(17.4)	2.5	2.6	3.3
2. Development and Net Lending	268,145	262,778	269,639	(6,862)	(2.0)	2.4	2.4	2.6
O/W Domestically financed	143,067	173,014	128,320	44,694	20.9	1.5	1.1	1.4
Foreign financed	124,748	89,764	138,555	(48,791)	(28.0)	0.8	1.2	1.2
3. Equalization Fund	0	-	2,765	(2,765)	-	0.0	0.0	0.0
4. County Governments	122,209	128,691	143,881	(15,190)	5.3	1.2	1.3	1.2
5. CF	-	-	2,500	(2,500)	-	0.0	0.0	0.0
C. DEFICIT EXCL. GRANT (Commitment basis)	(287,727)	(404,292)	(351,219)	(53,073)	40.5	(3.6)	(3.1)	(2.8)
D. DEFICIT INCL. GRANTS (Commitment basis)	(277,579)	(395,792)	(323,944)	(71,848)	42.6	(3.5)	(2.9)	(2.7)
E. ADJUSTMENT TO CASH BASIS	18,087	36,268	-	36,268	100.5	0.3	-	0.2
F. DEFICIT INCL. GRANTS (Cash basis)	(259,492)	(359,524)	(323,944)	(35,579)	38.5	(3.2)	(2.9)	(2.5)
G. FINANCING	253,159	359,524	318,053	41,471	42.0	3.2	2.8	2.4
1. Net Foreign financing	80,673	14,533	49,066	(34,533)	(82.0)	0.1	0.4	0.8
Disbursements	124,540	95,244	131,492	(36,248)	(23.5)	0.9	1.2	1.2
Programme Loans	4,667	3,578	172	3,406	(23.3)	0.0	0.0	0.0
Project Cash Loans	9,795	31,585	33,614	(2,029)	222.5	0.3	0.3	0.1
Project Loans AIA	104,508	42,175	97,706	(55,530)	(59.6)	0.4	0.9	1.0
Project Loans SGR PHASE 1&2A AIA	0	11,514	0	11,514	-	0	-	-
Project Loans SGR PHASE 2B AIA	-	-	-	-	-	-	-	-
Commercial Financing	5,571	6,391	0	6,391	-	0	-	0.1
Semi concessional Loans	0	-	2,114	(2,114)	-	-	0.0	-
Export Credit- Commercial Financing	-	-	-	-	-	-	-	-
Debt repayment - Principal	(43,868)	(80,711)	(84,540)	3,829	84.0	(0.7)	(0.8)	(0.4)
2. Net Domestic Financing	172,486	344,991	268,987	76,004	100.0	3.1	2.4	1.7
Government Securities	170,896	327,273.3	269,674	57,599	91.5	2.9	2.4	1.6
Government Overdraft & Others	-	1,564.1	-	1,564	-	0.0	-	0.0
Movement in Government Deposits	-	16,617.2	(2,360)	18,978	-	0.1	(0.0)	0.0
Domestic Loan Repayments (Net Receipts)	1,590	90.9	1,673	(1,582)	(94.3)	0.0	0.0	0.0
Domestic Loan Repayment	-	(555.0)	-	(555)	-	0.0	-	0.0
MEMO ITEM								
GDP ESTIMATE	10,383,092.64	11,168,511.00	11,266,646.76	(98,136)	7.56	100.00	100	100.00

*Provisional

Source of Data: National Treasury

2.4 Financing

2.4.1 External Financing

40. During the period under review, net external financing amounted to KSh. 14.5 billion (**Table 9**). Total disbursements (inflows) including Appropriations-in-Aid amounted to KSh. 95.2 billion for the period ending 31st December, 2020 against a target of KSh. 133.6 billion. The actual total disbursement included KSh. 53.7 billion Project Loans A.I.A, KSh. 31.6 billion Project Loans-Cash, KSh. 6.4 billion commercial financing and KSh. 3.6 billion program loans. The External repayments (outflows) of principal debt amounted to KSh. 80.7 billion. The amount comprised of principal repayments due to commercial institutions, bilateral sources, and multilateral sources amounting to KSh. 39.8 billion KSh. 29.2 billion and KSh. 11.7 billion, respectively.

Table 9: External Financing, Period Ending December, 2020 (KSh. Millions)

	Quarter II 2019/20	Quarter 1 2020/21	Quarter 2 2020/21	Cumulative December 2020	
	Actual*	Actual	Actual*	Actual*	Target
DISBURSEMENTS:	92,334.79	24,777.04	70,467	95,244	133,606
Project Cash loans	6,525.57	8,684.25	22,900.95	31,585.20	33,613.82
Project loans A-I-A	34,945.23	16,092.78	26,082.35	42,175.13	80,455.54
Project Loans SGR_PHASE_1_AIA	10,066.30	-	4,643.48	4,643.48	2,000.00
Project Loans SGR_PHASE_2A_AIA	32,569.46	-	6,871.00	6,871.00	15,250.00
Commercial Financing	5,570.51	-	6,390.53	6,390.53	-
Semi concessional Loans					2,113.78
Programme Loans	2,657.72	-	3,578.30	3,578.30	172.42
EXTERNAL REPAYMENTS:	24,810.31	47,414.41	33,296.17	80,710.58	84,539.71
Bilateral (incl. Italy Debt SWAP)	5,612.40	21,397.61	7,781.45	29,179.06	35,562.96
Multilateral (excl. IMF)	3,634.01	7,393.35	4,311.34	11,704.68	12,395.03
Commercial	15,563.91	18,623.46	21,203.38	39,826.84	36,581.73
NET FOREIGN FINANCING	67,524.48	-22,637.37	37,170.43	14,533.06	49,065.85

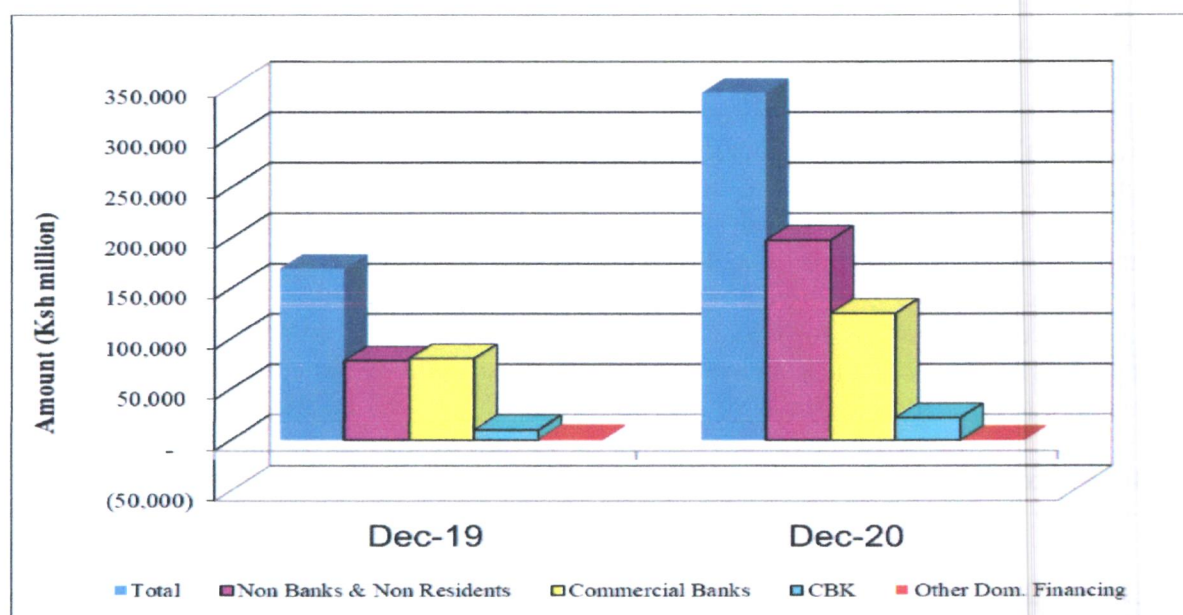
*Provisional

Source of Data: National Treasury

2.4.2 Domestic Financing

41. By the end of December 2020, net domestic borrowing amounted to KSh. 345.0 billion (**Table 10**) against a target borrowing of KSh. 269.0 billion (**Table 8**). The borrowing comprised of KSh. 197.9 billion from Non-Banking Financial Institutions, KSh. 125.1 billion from commercial banks, Ksh. 21.6 billion from the Central Bank, KSh. 0.9 billion from Non-Residents and a net repayment of KSh. 0.5 billion to the Central Bank. Comparatively, for the same period in FY 2019/20, the domestic borrowing amounted to KSh. 172.5 billion, comprising of KSh. 80.2 billion from Commercial Banks, Ksh. 78.1 billion from Non-Banking Financial Institutions, KSh. 10 billion from the Central Bank of Kenya, KSh. 2.6 billion from Non-Residents and government deposit to CBK of KSh. 1.6 billion from other domestic sources (**Table 10 and Chart 13**).

Chart 13: Domestic Financing for the Period Ending 31st December, 2020



Source of Data: Central Bank of Kenya

42. The stock of Treasury Bills held by commercial banks and Non-Residents recorded a net decrease of KSh. 3.8 and KSh. 2.1 billion billion respectively while those held by Non-Banks increased by KSh.54.4 billion. The stock of Fixed Rate Bonds held by Non-Banks, Commercial Banks and Non-Residents recorded a net increase of KSh. 57.4 billion, KSh. 39.2 billion and KSh. 0.3 billion respectively (**Table 10**).

FISCAL DEVELOPMENTS

Table 10: Domestic Financing, Period Ending 31st December, 2020 (KSh. Millions)

Debt Instrument	December 2019*	March 2020*	June 2020*	September 2020*	December 2020*
1. CENTRAL BANK	9,967	73,708	41,946	(116,695)	21,572
Overdraft	6,397	(3,146)	(10,178)	9,057	448
Items on Transit	(31)	(28)	4	(23)	(30)
Frozen Account	-	-	(555)	-	-
Less Govt Deposits	3,602	76,882	52,675	(125,729)	21,154
2. COM. BANKS	80,201	155,240	235,444	152,077	125,146
Advances	(1,045)	(621)	(1,231)	440	591
Treasury bills	(26,084)	(820)	(7,751)	17,743	(29,842)
Fixed rate Bonds	65,743	117,436	138,821	86,704	104,910
Infrastructure Bonds	40,664	40,664	108,455	54,024	54,024
Less Govt Deposits	922	(1,418)	(2,851)	(6,834)	(4,537)
3. NON BANKS	78,096	134,879	165,762	117,775	197,868
Treasury bills	(45,760)	(50,890)	(52,684)	(3,185)	8,666
Fixed rate Bonds	108,673	170,586	179,004	97,938	166,046
Infrastructure Bonds	14,919	14,919	39,328	23,918	24,051
M-Akiba Bond	264	264	114	(896)	(896)
4. NON RESIDENTS	2,632	3,607	5,178	1,047	868
Treasury bills	792	881	(145)	(478)	(1,369)
Fixed rate Bonds	1,465	2,350	3,198	904	1,750
Infrastructure Bond	376	376	2,125	620	487
5. NET CREDIT	170,896	367,434	448,331	154,203	345,455
6. Other Domestic Financing					
Domestic Loan Repayments (Net Receipts)	1,590	2,154	2,044	(512)	(464)
RDL Deposits	-	-	-	(1,287)	-
7. NET DOMESTIC FINANCING	172,486	369,588	450,375	152,404	344,991

Note: Treasury Bills as reflected here are given at cost value as opposed to Table 12 given at face value.

*provisional

Source of Data: Central Bank of Kenya

3.0 PUBLIC DEBT

3.1 Overall Debt Position

43. The gross public debt as at 31st December, 2020 increased by KSh. 1,233.2 billion to KSh. 7,282.1 billion compared to KSh. 6,048.9 billion as at end of December 2019. The gross public debt comprised of 52.1 percent external debt and 47.9 percent domestic debt. The increase in the public debt is attributed to external loan disbursements; exchange rate fluctuation; and the uptake of domestic debt during the period. The net public debt was KSh. 6,826.8 billion by end of the period under review (Table 11).

Table 11: Kenya's Public and Publicly Guaranteed Debt, December, 2018 to December 2020 (KSh. Millions)

DEBT SOURCE	Dec-18	Mar-19	Jun-19	Sep-19*	Dec-19*	Mar-20*	Jun-20*	Sept-20*	Dec-2020*
EXTERNAL									
BILATERAL	894,046	916,572	996,059	1,024,092	1,037,538	1,060,609	1,074,257	1,102,890	1,156,991
MULTILATERAL	874,680	846,587	914,394	1,001,817	1,023,821	1,075,901	1,321,629	1,421,840	1,498,837
COMMERCIAL BANKS	938,151	941,763	1,095,753	1,068,664	1,028,691	1,058,796	1,102,294	1,120,803	1,119,388
SUPPLIERS CREDIT	16,857	16,676	16,932	17,194	16,773	17,328	17,630	17,958	18,069
SUB-TOTAL EXTERNAL	2,723,734	2,721,598	3,023,138	3,111,767	3,106,823	3,212,634	3,515,810	3,663,491	3,793,285
DOMESTIC:									
CENTRAL BANK	118,196	89,709	109,607	120,494	115,972	106,433	98,878	107,356	98,741
COMMERCIAL BANKS	1,289,558	1,397,771	1,414,275	1,417,997	1,491,438	1,570,594	1,653,194	1,808,043	1,769,450
TOTAL BANKS	1,407,755	1,487,480	1,523,882	1,538,492	1,607,410	1,677,028	1,752,072	1,915,400	1,868,191
NON BANKS & NON RESIDENTS	1,141,015	1,211,052	1,261,601	1,313,148	1,334,694	1,393,162	1,425,454	1,541,707	1,620,615
SUB-TOTAL DOMESTIC	2,548,770	2,698,532	2,785,483	2,851,639	2,942,104	3,070,189	3,177,526	3,457,107	3,488,807
GRAND TOTAL GROSS	5,272,504	5,420,130	5,808,621	5,963,406	6,048,927	6,282,823	6,693,336	7,120,598	7,282,092
LESS ON-LENDING	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)
LESS GOVERNMENT DEPOSITS	(432,049)	(398,223)	(501,728)	(516,182)	(524,752)	(457,623)	(497,609)	(614,353)	(449,585)
GRAND TOTAL NET	4,834,754	5,016,206	5,301,192	5,441,523	5,518,474	5,819,499	6,190,026	6,500,544	6,826,806

*Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

3.2 Domestic Debt

44. The stock of gross domestic debt increased by KSh. 546.7 billion from KSh. 2,942.1 billion in December 2019 to KSh. 3,488.8 billion in December, 2020. The net domestic debt was KSh. 3,033.5 billion by end of the period under review (Table 12).

Table 12: Stock of Domestic Debt by end of December, 2020 (KSh. Millions)

DEBT SOURCE	Dec-18	Mar-19	Jun-19	Sep-19*	Dec-19*	Mar-20*	Jun-20*	Sept-20*	Dec-20
1.CENTRAL BANK	118,196	89,709	109,607	120,494	115,972	106,433	98,878	107,356	98,741
Overdraft	64,824	36,896	57,328	68,232	63,724	54,182	47,150	56,206	47,598
Frozen Govt Accounts	23,339	22,784	22,229	22,229	22,229	22,229	21,674	21,119	21,119
Treasury bills / bonds rediscounts	20,588	20,588	20,588	20,588	20,588	20,588	20,588	20,588	20,588
Items on Transit	19	16	36	20	5	9	40	17	11
Fixed rate bonds	9,426	9,426	9,426	9,426	9,426	9,426	9,426	9,426	9,426
2.COM.BANKS	1,289,558	1,397,771	1,414,275	1,417,997	1,491,438	1,570,594	1,653,194	1,808,043	1,769,450
Advances	8,183	3,458	3,422	3,404	2,447	2,790	2,007	2,717	2,965
Treasury Bills	527,212	570,588	577,483	556,228	549,732	576,426	567,096	580,609	531,648
Fixed Rate T. Bonds	501,047	565,157	575,939	611,920	641,650	693,770	714,224	799,624	818,384
Special Bonds	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Savings and Development Bond	7,648	7,648	6,798	7,648	7,648	7,648	7,648	7,648	7,648
Infrastructure Bonds	240,468	245,920	245,634	233,798	284,960	284,960	357,218	412,445	403,805
3. NON BANKS	1,114,819	1,185,670	1,233,618	1,283,764	1,304,121	1,361,587	1,392,300	1,507,591	1,586,772
Treasury Bills	344,111	352,367	348,771	344,235	300,354	295,241	292,227	286,848	297,759
Fixed Rate T. Bonds	549,941	600,375	651,235	715,520	759,642	822,221	829,572	925,842	993,979
Tax Reserve Certificate	69	69	69	69	69	69	69	69	69
Infrastructure Bonds	199,720	211,685	211,332	202,319	222,434	222,434	248,961	274,252	274,384
Savings and Development Bond	20,580	20,580	21,433	20,580	20,580	20,580	20,580	20,580	20,580
M- Akiba Bond	398	595	778	1,041	1,041	1,041	891	(0)	(0)
4. NON RESIDENTS	26,197	25,382	27,983	29,383	30,572	31,574	33,154	34,115	33,844
Treasury Bills	7,510	6,113	7,408	7,858	8,261	8,368	7,231	6,688	5,720
Fixed Rate T. Bonds	10,631	11,162	12,470	13,536	13,932	14,827	15,675	16,552	17,381
Savings and Development Bond	9	9	7	9	9	9	9	9	9
Infrastructure Bonds	8,047	8,098	8,097	7,980	8,371	8,371	10,239	10,866	10,734
5. TOTAL GROSS DEBT	2,548,770	2,698,532	2,785,483	2,851,639	2,942,104	3,070,189	3,177,526	3,457,107	3,488,807
6. LESS ON-LENDING	5,701	5,701	5,701	5,701	5,701	5,701	5,701	5,701	5,701
7. Less Govt Deposits	432,049	398,223	501,728	516,182	524,752	457,623	497,609	614,353	449,585
8. TOTAL NET DEBT	2,111,020	2,294,608	2,278,054	2,329,756	2,411,651	2,606,865	2,674,216	2,837,053	3,033,521

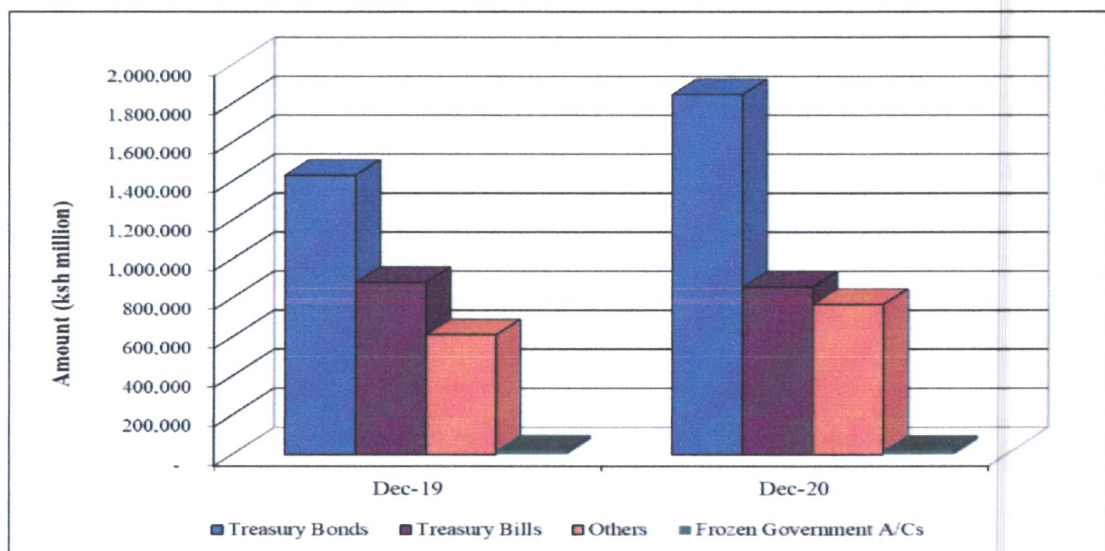
NOTE: Treasury Bills reflected here are at face value as opposed to Table 10, given at cost

*Provisional

Source of Data: Central Bank of Kenya

45. The stock of Treasury Bills held by Central Bank, Commercial Banks, Non-Banking Financial Institution and Non-Residents declined by KSh. 23.2 billion from KSh. 878.9 billion in December 2019 to KSh. 855.7 billion in December 2020. The total stock of Treasury Bonds, which include Floating, Fixed Rate, Special and Zero Coupon Bonds, increased by KSh. 414.5 billion from KSh. 1,429.7 billion in December 2019 to KSh. 1,844.2 billion in December 2020 (Chart 14).

Chart 14: Domestic Debt Stock by Instruments



Source of Data: Central Bank of Kenya

3.3 External Public Debt

46. In dollar terms, external public debt stock increased by US\$. 4,087.54 million from US\$. 30,658.48 million by end of December 2019 to US\$. 34,746.02 million by the end of December, 2020 (**Table 13**). The increase is attributed to a rise in external disbursements made during the period due to fluctuations in exchange rate. This comprised debt owed to multilateral (39.51%), bilateral (30.50%), commercial banks (29.51%), and Suppliers Credit (0.48%). This increase is attributed to disbursements and exchange rate fluctuations during the period.

FISCAL DEVELOPMENTS

Table 13: Kenya's External Public and Publicly Guaranteed Debt December, 2018 – December, 2020 (US\$ Millions)

CREDITOR	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19*	Dec-19*	Mar-20*	Jun-20*	Sept-20*	Dec-20*
<u>BILATERAL</u>										
AUSTRIA	6.64	0.83	9.34	17.63	17.65	18.62	12.84	13.14	13.52	14.18
BELGIUM	103.58	78.56	75.20	113.31	108.49	109.80	113.08	112.42	113.07	123.31
CANADA	2.83	1.52	1.52	1.08	1.08	0.58	0.58	0.00	0.00	0.00
DENMARK	10	9.37	8.39	8.55	7.45	6.41	5.87	5.67	5.41	5.03
FINLAND	16.69	19.02	16.00	17.56	15.58	15.95	13.09	13.40	12.51	13.11
FRANCE	599.02	612.22	668.45	709.38	679.88	728.89	698.14	748.38	762.54	835.65
GERMANY	274.11	341.96	360.65	364.39	338.66	332.14	371.11	333.07	345.47	342.54
ITALY	1.25	152.35	345.75	354.78	344.1	351.90	342.57	349.64	365.49	383.17
JAPAN	483.85	1,023.98	1,272.62	1,321.91	1,372.56	1,353.47	1,385.84	1,423.97	1,489.84	1,525.90
NETHERLANDS	9.07	4.33	3.31	3.35	2.19	1.79	1.00	0.51	0.53	-
UK	4.56	2.43	0.84	0.58	0.56	0.32	0.30	-	-	-
USA	26.45	25.06	20.75	20.42	18.12	17.45	15.16	14.83	12.32	11.98
CHINA	5,496.62	6,201.61	6,006.17	6,462.07	6,410.61	6,840.23	6,746.26	6,753.13	6,731.17	7,016.85
OTHERS	457.02	305.16	308.51	341.8	326.53	325.62	570.92	316.66	313.28	326.17
TOTAL BILATERAL	7,491.69	8,778.40	9,097.49	9,736.81	9,643.46	10,103.18	10,276.76	10,084.80	10,165.16	10,597.89
<u>MULTILATERAL</u>										
ADB/ADF	2,043.51	2,151.35	2,233.19	2,244.79	2,301.03	2,393.60	2,404.62	2,475.99	2,726.74	2,910.65
BADEA	34.63	32.17	34.53	36.08	36.21	36.28	36.06	36.66	36.34	38.36
EEC/EIB	194.86	184.16	173.89	168.53	160.53	162.18	152.65	157.67	186.99	195.65
IBRD	-	-	-	-	-	-	-	250.00	250.00	296.11
IDA/IFAD	5,612.97	5,481.55	5,403.95	5,953.08	6,900.25	7,234.42	7,146.77	8,399.27	8,808.04	9,219.83
IMF**	699.4	676.41	501.48	481.02	407.37	360.66	341.14	1,038.33	1,047.10	1,016.70
OTHERS	63.86	62.61	55.80	55.01	52.49	51.40	49.46	49.13	49.66	51.86
TOTAL MULTILATERAL	8,649.23	8,588.25	8,402.85	8,938.51	9,857.88	10,238.54	10,130.70	12,407.05	13,104.87	13,729.16
COMMERCIAL¹	8,148.46	9,211.46	9,347.52	10,711.36	10,286.93	10,151.24	10,113.38	10,348.00	10,330.26	10,253.45
EXPORT CREDIT	165.51	165.51	165.51	165.51	165.51	165.51	165.51	165.51	165.51	165.51
GRAND TOTAL	24,454.89	26,743.62	27,013.37	29,552.19	29,953.79	30,658.48	30,686.36	33,005.37	33,765.80	34,746.02
In percentage of total										
BILATERAL	30.63	32.82	33.68	32.95	32.19	32.95	33.49	30.56	30.10	30.50
MULTILATERAL	35.37	32.11	31.11	30.25	32.91	33.40	33.01	37.59	38.81	39.51
COMMERCIAL BANKS ¹	33.32	34.44	34.60	36.25	34.34	33.11	32.96	31.35	30.59	29.51
EXPORT CREDIT	0.68	0.62	0.61	0.56	0.55	0.54	0.54	0.50	0.49	0.48
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

*Provisional

** include IMF item

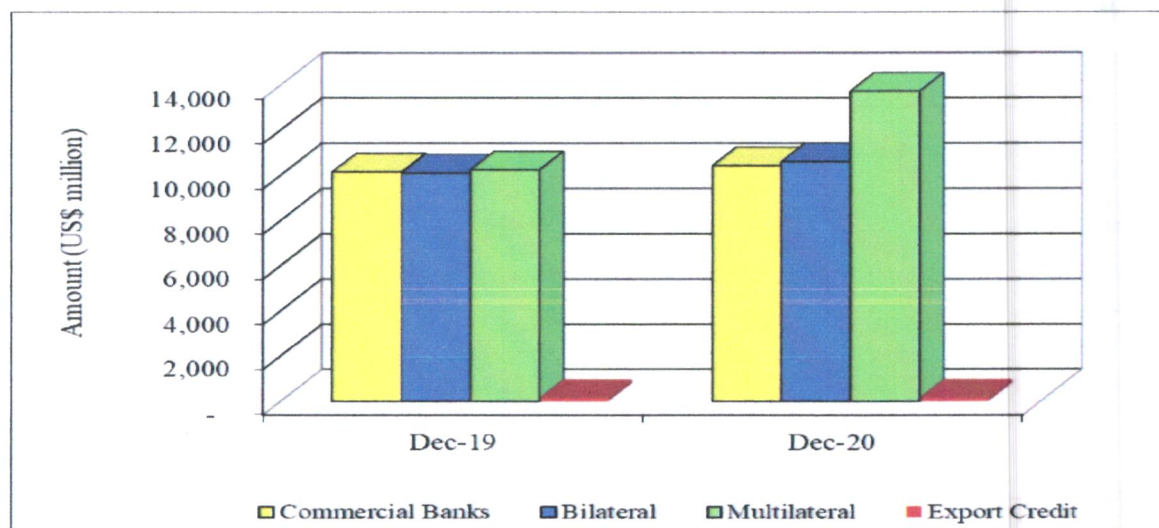
1/ incl. International Sovereign Bond

Note: The exchange rate as at end December 2020 was KSh. 109.2 per dollar.

Source of Data: National Treasury

47. Compared to the same period in FY 2019/20, external public debt stock from multilateral institutions, bilateral sources and Commercial Banks recorded an increase in the period ending December, 2020. External debt stock from suppliers' credit remained constant in December, 2019 and December, 2020 (**Chart 15**).

Chart 15: External Public Debt by Source



Source of Data: National Treasury

3.3.1 External Debt Service

48. By the end of December 2020, the total cumulative debt service payments to external creditors amounted to KSh. 141.8 billion. This comprised of KSh. 80.7 billion (56.9 percent) principal and KSh. 61.1 billion (43.1 percent) interest (**Table 14**).

FISCAL DEVELOPMENTS

Table 14: External Debt Service, July 2020 – December 2020 (KSh. Million)

CATEGORY	PRINCIPAL*	INTEREST*	TOTAL*
BILATERAL			
ABU DHABI	110.79	15.50	126.29
AUSTRIA	407.22	70.38	477.60
BELGIUM	983.31	168.33	1,151.64
CANADA	-	-	-
CHINA	16,842.47	14,113.88	30,956.36
DENMARK	97.23	-	97.23
FINLAND	155.01	-	155.01
FRANCE	3,167.18	810.15	3,977.33
GERMANY	1,370.95	357.67	1,728.62
INDIA	321.93	76.27	398.20
ISRAEL	323.31	67.55	390.85
ITALY	814.66	326.78	1,141.44
JAPAN	2,752.73	282.08	3,034.81
KOREA	85.65	14.38	100.03
KUWAIT	107.74	19.00	126.74
NETHERLANDS	63.97	0.78	64.75
POLAND	-	7.91	7.91
SAUDI ARABIA	51.16	12.74	63.90
SPAIN	1,247.64	132.77	1,380.41
UK	-	-	-
USA	276.09	28.42	304.51
TOTAL BILATERAL	29,179.06	16,504.60	45,683.66
MULTILATERAL			
ADB/ADF	1,793.37	1,718.34	3,511.72
BADEA	128.90	22.54	151.44
EIB/EEC	857.18	244.22	1,101.40
IDA	8,397.81	5,002.97	13,400.77
OPEC	295.50	23.41	318.91
NDF	33.73	11.26	44.99
IFAD	198.20	92.67	290.87
IBRD	-	233.60	233.60
TOTAL MULTILATERAL	11,704.68	7,349.01	19,053.69
COMMERCIAL	39,826.84	37,209.92	77,036.76
GRAND TOTAL	80,710.58	61,063.53	141,774.11

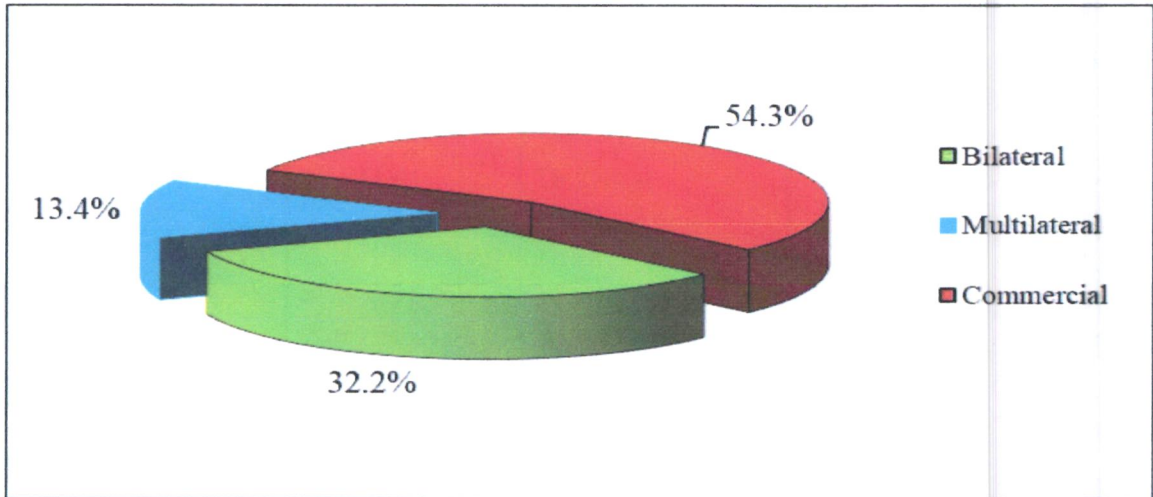
* Provisional

Source of Data: National Treasury

FISCAL DEVELOPMENTS

49. By the end of December 2020, the total cumulative debt service payments to external creditors comprised of 54.3 percent, 32.2 percent and 13.4 percent of the total payments to commercial, bilateral and multilateral creditors respectively (**Chart 16**).

Chart 16: External Debt Service by Creditors at end of December, 2020



Source of Data: National Treasury

4.0. ANNEXES

4.1. Annex I: Fiscal Results, 2014/15 – 2020/2021 (KSh. Millions)

REVENUE/EXPENDITURE/FINANCING	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20*	2020/21	
			Actual			Pre I. Actual	BROP	Printed Estimates
A.TOTAL REVENUE	1,107,772	1,254,790	1,439,571	1,522,912	1,701,672	1,733,631	1,860,320	1,892,647
1.Ordinary Revenue	1,031,819	1,152,544	1,306,568	1,365,063	1,499,757	1,573,418	1,601,440	1,633,767
Income Tax	508,581	560,762	625,050	640,546	685,330	706,936	735,500	685,014
VAT	259,685	289,213	339,034	357,129	414,143	383,713	437,616	481,612
Import Duty	74,048	79,638	89,943	93,685	106,875	98,022	96,291	106,762
Excise Duty	115,872	140,212	165,474	167,753	194,310	195,270	208,786	241,378
Other Revenue	73,633	82,719	87,067	105,950	99,099	189,477	123,247	119,001
2.Appropriation –in –Aid	75,953	102,247	133,002	157,848	201,915	160,213	258,880	258,880
B.EXPENDITURE & NET LENDING	1,639,881	1,804,520	2,111,896	2,146,843	2,433,707	2,565,444	2,929,929	2,790,631
1.Recurrent	895,199	1,036,636	1,165,037	1,349,896	1,531,083	1,645,222	1,845,816	1,826,718
Wages and Salaries	297,978	307,421	336,636	388,938	417,526	449,927	482,086	481,665
Interest Payments	171,876	215,328	271,233	323,890	375,723	437,202	463,108	463,108
Domestic Interest	139,615	172,857	212,865	239,470	272,351	315,362	308,424	308,424
Foreign Interest Due	32,261	42,471	58,368	84,420	103,372	121,840	154,684	154,684
Pensions, etc	37,508	53,401	63,958	65,099	70,804	89,605	123,360	123,360
O & M/ Others	353,206	429,046	457,150	534,347	625,791	629,394	726,722	708,045
Of which Appropriation-in-Aid	50,566	71,915	58,536	109,861	147,765	106,958	177,177	177,177
2.Development & Net Lending	510,536	486,662	641,843	469,673	541,884	594,944	680,189	589,705
Development Projects	294,735	343,338	392,217	255,213	289,029	389,571	421,115	337,538
Appropriation-in-Aid	213,276	134,757	241,183	211,931	243,408	204,712	252,286	245,379
Payment of guaranteed loans	2,125	2167	2,443	2,529	2,485	661	-	-
3. Drought Development Expenditures/CF	4,951	5,000	-	-	-	-	5,000	5,000
4. Transfer to County Governments	229,195	276,223	305,016	327,274	360,740	325,278	398,924	369,208
5. Parliamentary Service	22,743	19,777	24,215	25,678	28,525	27,990	35,240	35,240
6. Judicial Service	11,887	11,662	11,846	11,944	12,713	14,103	15,299	15,299
7. Equalization Fund	400	6,400	6,000	-	6,962	-	6,788	6,788
D.DEFICIT EXCL. GRANTS (Commitment Basis)	(532,109)	(549,730)	(672,326)	(623,932)	(732,035)	(831,812)	(1,069,609)	(897,984)
E. GRANTS	28,117	29,597	26,962	27,600	19,702	19,820	57,986	56,841
F.DEFICIT INCL.GRANTS (Commitment Basis)	(503,992)	(520,133)	(645,364)	(596,332)	(712,333)	(811,993)	(1,011,623)	(841,143)
G. ADJUSTMENT TO CASH BASIS	32,513	45,563	(51,854)	(34,978)	8,725	(20,813)	-	-
H.DEFICIT INCL.GRANTS (Cash Basis)	(471,479)	(474,570)	(697,218)	(631,309)	(703,609)	(832,806)	(1,011,623)	(841,143)
I.FINANCING	471,479	474,570	697,218	631,309	721,058	791,180	1,011,623	841,143
Net Foreign Financing	217,479	269,924	385,745	354,977	414,518	340,805	403,648	346,793
Net Domestic Financing	253,999	204,646	311,474	276,333	306,540	450,375	607,975	494,350
In Percentage of GDP								
A.TOTAL REVENUE	19.0	18.7	18.8	17.9	18.2	17.0	16.5	16.8
1.Ordinary Revenue	17.7	17.2	17.0	16.1	16.0	15.5	14.2	14.5
Income Tax	8.7	8.4	8.1	7.5	7.3	6.9	6.5	6.1
VAT	4.5	4.3	4.4	4.2	4.4	3.8	3.9	4.3
Import Duty	1.3	1.2	1.2	1.1	1.1	1.0	0.9	0.9
Excise Duty	2.0	2.1	2.2	2.0	2.1	1.9	1.9	2.1
Other Revenue	1.3	1.2	1.1	1.2	1.1	1.9	1.1	1.1
2.Appropriation –in –Aid	1.3	1.5	1.7	1.9	2.2	1.6	2.3	2.3
B. EXPENDITURE & NET LENDING	28.1	26.9	27.5	25.3	26.0	25.2	26.0	24.7
1.Recurrent	15.4	15.4	15.2	15.9	16.3	16.2	16.4	16.2
Wages and Salaries	5.1	4.6	4.4	4.6	4.5	4.4	4.3	4.3
Interest Payments	2.9	3.2	3.5	3.8	4.0	4.3	4.1	4.1
Domestic Interest	2.4	2.6	2.8	2.8	2.9	3.1	2.7	2.7
Foreign Interest Due	0.6	0.6	0.8	1.0	1.1	1.2	1.4	1.4
Pensions, etc	0.6	0.8	0.8	0.8	0.8	0.9	1.1	1.1
O & M/ Others	6.1	6.4	6.0	6.3	6.7	6.2	6.5	6.3
of which Appropriation-in-Aid	0.9	1.1	0.8	1.3	1.6	1.1	1.6	1.6
2.Development & Net Lending	8.8	7.3	8.4	5.5	5.8	5.8	6.0	5.2
Development Projects	5.1	5.1	5.1	3.0	3.1	3.8	3.7	3.0
Appropriation-in-Aid	3.7	2.0	3.1	2.5	2.6	2.0	2.2	2.2
Payment of guaranteed loans	0.0	0.0	0.0	0.0	0.0	0.0	-	-
3. Drought Expenditures	0.1	0.1	-	-	-	-	0.0	0.0
4.Transfer to County Governments	3.9	4.1	4.0	3.9	3.9	3.2	3.5	3.3
5. Parliamentary Service	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
6. Judicial Service	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1
7. Equalization Fund	0.0	0.1	0.1	-	0.1	-	0.1	0.1
D.DEFICIT EXCL. GRANTS (Commitment Basis)	(9.1)	(8.2)	(8.8)	(7.3)	(7.8)	(8.2)	(9.5)	(8.0)
E. GRANTS	0.5	0.4	0.4	0.3	0.2	0.2	0.5	0.5
F.DEFICIT INCL.GRANTS (Commitment Basis)	(8.6)	(7.8)	(8.4)	(7.0)	(7.6)	(8.0)	(9.0)	(7.5)
G. ADJUSTMENT TO CASH BASIS	0.6	0.7	(0.7)	(0.4)	0.1	(0.2)	-	-
H.DEFICIT INCL.GRANTS (Cash Basis)	(8.1)	(7.1)	(9.1)	(7.4)	(7.5)	(8.2)	(9.0)	(7.5)
I.FINANCING	8.1	7.1	9.1	7.4	7.7	7.8	9.0	7.5
Foreign Financing	3.7	4.0	5.0	4.2	4.4	3.3	3.6	3.1
Net Domestic Financing	4.4	3.1	4.1	3.3	3.3	4.4	5.4	4.4
Memorandum Item								
Nominal GDP at Market price (Ksh. million)	5,831,528.0	6,709,671.0	7,677,228.9	8,500,582.1	9,367,317.4	10,175,225.8	11,266,646.8	11,275,797.0

Source: National Treasury

4.2. GFSM 2014 COMPLIANT TABLES FOR BUDGETARY CENTRAL GOVERNMENT

4.2.1 Annex II: Revenue (KSh. Millions)

GFSM Code	Description	Annual Budget Estimates FY2020/21	Prel. Actual FY2020/21 Q1	Prel. Actual FY2020/21 Q2
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
1	Revenue	1,949,488	382,593	819,052
11	Taxes	1,649,274	345,947	731,285
111	Taxes on income, profits, and capital gains	685,014	151,248	309,239
1111	Payable by individuals	376,991	71,556	152,617
1112	Payable by corporations and other enterprises	308,022	79,692	156,622
114	Taxes on goods and services	801,556	156,844	338,576
1141	General taxes on goods and services	498,951	86,597	186,612
11411	Value-added taxes	481,612	83,062	179,073
11414	Taxes on financial and capital transactions ¹	17,339	3,535	7,539
1142	Excises ²	302,605	70,247	151,965
115	Taxes on international trade and transactions	162,704	37,855	83,470
1151	Customs and other import duties ³	162,704	37,855	83,470
12	Social contributions	492	36	114
122	Other social contributions	492	36	114
1221	Employee contributions	492	36	114
13	Grants	56,841	3,915	8,500
131	From foreign governments	32,739	3,915	7,049
1311	Current	-	-	-
1312	Capital	32,739	3,915	7,049
132	From international organizations	24,102	-	1,451
1321	Current	24,102	-	1,451
1322	Capital	-	-	-
14	Other revenue	242,880	32,695	79,153
141	Property income	48,103	22,336	37,218
1411	Interest	1,660	3	13
1412	Dividends	40,906	21,321	35,123
1415	Rent	5,538	1,013	2,082
142	Sales of goods and services	191,844	10,121	40,033
1422	Administrative fees	191,844	10,121	40,033
143	Fines, penalties, and forfeits	1,812	229	909
144	Miscellaneous and unidentified revenue	1,121	9	993

1/Includes Capital Gains Tax and Stamp duty

2/Includes Ordinary excise, RML, PDL, Electricity levy

3/ Includes Import duty, RDL, IDF

Source: National Treasury

4.2.2. Annex III: Expense (KSh. Millions)

GFSM Code	Description	Annual Budget Estimates FY2020/21	PreI Actual FY2020/21 Q1	PreI Actual FY2020/21 Q2
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
2	Expense	2,681,769	483,358	1,146,230
21	Compensation of employees	511,368	119,237	239,594
211	Wages and salaries	507,200	118,581	238,293
212	Social contributions	4,168	655	1,301
2121	Actual social contributions	4,168	655	1,301
22	Use of goods and services	246,797	37,349	133,902
	O/W Defence and NIS	145,324	34,138	68,227
	Free Secondary Education (FSE)	62,661	-	28,851
	Free Primary Education (FPE)	12,401	-	4,530
24	Interest	463,108	115,302	247,809
241	To nonresidents	154,684	34,134	61,064
242	To residents other than general government	308,424	81,169	186,746
25	Subsidies	-	-	-
251	To public corporations	-	-	-
252	To private enterprises	-	-	-
26	Grants	1,326,467	185,845	472,236
262	To international organizations	4,200	-	-
2621	Current	4,200	-	-
2622	Capital	-	-	-
263	To other general government units	1,322,267	185,845	472,236
2631	Current	776,269	94,203	260,971
	O/W Transfer to County Governments (ES)	221,550	18,351	80,504
	Transfer to Other levels of Government	554,719	75,852	180,467
2632	Capital	545,998	91,641	211,266
	O/W Transfer to County Governments (ES)	94,950	7,865	34,502
	Transfer to Other levels of Government	451,048	83,777	176,764
27	Social benefits	119,742	25,626	52,688
273	Employer social benefits	119,742	25,626	52,688
28	Other expense	14,288	-	-
282	Miscellaneous other expense	14,288	-	-

Source: National Treasury

4.2.3. Annex IV: Transaction in Assets and Liabilities (KSh. Millions)

GFSM Code	Description	Annual Budget Estimates FY2020/21	Prel. Actual FY2020/21 Q1	Prel. Actual FY2020/21 Q2
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
3	Change in Net Worth: Transactions	(735,582)	(84,279)	(285,608)
31	Net acquisition of nonfinancial assets	106,814	26,541	68,616
311	Fixed assets	95,646	26,541	63,978
3111	Buildings and structures	93,258	25,874	62,461
3113	Other fixed assets	2,388	667	1,517
312	Inventories	11,168	-	4,638
32	Net acquisition of financial assets	(627)	133,252	16,153
3212	Currency and deposits (Domestic)	(627)	133,252	16,153
33	Net incurrence of liabilities	841,770	244,072	370,377
331	Domestic	494,977	266,709	355,844
3313	Securities other than shares	494,977	276,738	327,273
3314	Loans	-	(10,028)	(1,564)
3318	Other Accounts Payable	-	-	30,135
332	Foreign	346,793	(22,637)	14,533
3323	Securities other than shares	124,094	-	-
3324	Loans	222,699	(22,637)	14,533

Source: National Treasury

4.2.4. Annex V: Statement of Sources and Uses of Cash (KSh. Millions)

GFSM Code	Description	Annual Budget Estimates FY2020/21	Prel. Actual FY2020/21 Q1	Prel. Actual FY2020/21 Q2
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
	Cash Flows from Operating Activities:			
1	Cash receipts from operating activities	1,949,488	382,593	819,052
11	Taxes	1,649,274	345,947	731,285
12	Social contributions	492	36	114
13	Grants	56,841	3,915	8,500
14	Other receipts	242,880	32,695	79,153
2	Cash payments for operating activities	2,681,769	483,358	1,146,230
21	Compensation of employees	511,368	119,237	239,594
22	Purchases of goods and services	246,797	37,349	133,902
24	Interest	463,108	115,302	247,809
25	Subsidies	-	-	-
26	Grants	1,326,467	185,845	472,236
27	Social benefits	119,742	25,626	52,688
28	Other payments	14,288	-	-
	Net cash inflow from operating activities	(732,281)	(100,765)	(327,178)
	Cash Flowa from Investments in Nonfinancial Assets (NFAs):			
31A	Purchases of nonfinancial assets	106,814	26,541	68,616
311A	Fixed assets	95,646	26,541	63,978
312A	Strategic stocks	11,168	-	4,638
31	Net cash outflow: investments in NFAs (31=31.1-31.2)	106,814	26,541	68,616
	Cash surplus / deficit	(839,096)	(127,307)	(395,794)
	Cash Flows from Financing Activities:			
32x	Net acquisition of financial assets other than cash	(627)	133,252	16,153
321x	Domestic	(627)	133,252	16,153
322x	Foreign	-	-	-
33	Net incurrence of liabilities	841,770	244,072	370,377
331	Domestic	494,977	266,709	355,844
332	Foreign	346,793	(22,637)	14,533
NFB	Net cash inflow from financing activities	842,397	377,324	386,530
	Net change in the stock of cash	3,301	(16,486)	(41,570)
	Statistical Discrepancy⁴	-	-	-

4/Vertical check: Difference between cash surplus/deficit and total net cash inflow from financial activities

Source: National Treasury

4.2.5 Annex VI: Statement of Government Operations (KSh. Millions)

GFSM Code	Description	Annual Budget Estimates FY2020/21	Prel. Actual FY2020/21 Q1	Prel. Actual FY2020/21 Q2
	<i>Accounting method:</i>	<i>Cash</i>	<i>Cash</i>	<i>Cash</i>
	Transactions Affecting Net Worth:			
1	Revenue	1,949,488	382,593	819,052
11	Taxes	1,649,274	345,947	731,285
12	Social contributions	492	36	114
13	Grants	56,841	3,915	8,500
14	Other revenue	242,880	32,695	79,153
2	Expense	2,681,769	483,358	1,146,230
21	Compensation of employees	511,368	119,237	239,594
22	Use of goods and services	246,797	37,349	133,902
24	Interest	463,108	115,302	247,809
25	Subsidies	-	-	-
26	Grants	1,326,467	185,845	472,236
27	Social benefits	119,742	25,626	52,688
28	Other expense	14,288	-	-
<i>GOB</i>	<i>Gross operating balance</i>	<i>(732,281)</i>	<i>(100,765)</i>	<i>(327,178)</i>
<i>NOB</i>	<i>Net operating balance</i>	<i>(732,281)</i>	<i>(100,765)</i>	<i>(327,178)</i>
	Transactions on Nonfinancial Assets:			
31	Net Acquisition of Nonfinancial Assets	106,814	26,541	68,616
311	Fixed assets	95,646	26,541	63,978
312	Change in inventories	11,168	-	4,638
<i>NLB</i>	<i>Net lending / borrowing</i>	<i>(839,096)</i>	<i>(127,307)</i>	<i>(395,794)</i>
	Transactions on Financial Assets and Liabilities (Financing):	842,397	110,820	354,224
32	Net acquisition of financial assets	(627)	133,252	16,153
321	Domestic	(627)	133,252	16,153
322	Foreign	-	-	-
33	Net incurrence of liabilities	841,770	244,072	370,377
331	Domestic	494,977	266,709	355,844
332	Foreign	346,793	(22,637)	14,533
	<i>Statistical Discrepancy⁵</i>	<i>3,301</i>	<i>(16,486)</i>	<i>(41,570)</i>

⁵/Vertical check: Difference between net lending/borrowing and financing

Source: National Treasury