



THE NATIONAL TREASURY

THE BUDGET SUMMARY FOR THE FISCAL YEAR 2016/17 AND SUPPORTING
INFORMATION

April 2016

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I. BACKGROUND

1. The Constitution and the Public Finance Management Act, 2012, require the Cabinet Secretary for the National Treasury to submit the Budget Estimates of the National Government for the following financial year by 30th of April (two months before the end of the financial year in June) in the format and content prescribed therein, together with other information and documents supporting the submitted estimates.

2. Accordingly, the National Treasury has prepared the following information and documents to accompany the FY 2016/17 budget estimates:

- A budget summary containing budget policies including policies on revenue, expenditure, debt and deficit financing;
- An explanation of how the budget relates to the fiscal responsibility principles and to the financial objectives;
- A memorandum by Cabinet Secretary explaining how the resolutions adopted by the National Assembly on the 2016 Budget Policy Statement have been taken into account;
- A Statement by the National Treasury specifying the measures taken by the National Government to implement any recommendations made by the National Assembly with respect to the budget for the previous financial year or years
- Estimates of revenue allocated to, and expenditure projected from, the Equalization Fund over the medium term with explanation of the reasons for these revenue allocations and expenditures and how those estimates comply with the policy developed by the Commission on Revenue Allocation (CRA) under Article 216(4) of the Constitution;
- All revenue allocations to County Government from the National Government's share in terms of Article 202(2) of the Constitution, including conditional and unconditional grants;
- All estimated revenue by broad economic classification; and
- Information regarding loans, guarantees and other liabilities.

II. BUDGET SUMMARY: POLICY FRAMEWORK FOR FY 2016/17 AND THE MEDIUM TERM

Underlying Assumptions

Global Outlook

3. The 2016/17 Budget has been prepared against a backdrop of slower global growth and increased uncertainty. Global economic recovery continues to be moderate, although the outlook has weakened further since October 2015 due to increased risks. The impact of lower commodity prices on commodity importers is less positive than expected and commodity exporters have to adjust their economies in a more difficult environment. Nonetheless, terms of trade developments have led to a narrowing of global imbalances, even as net creditor and debtor positions continue to expand.

4. Global growth is therefore estimated at 3.1 percent in 2015 (lower than the 3.4 percent in 2014) and 3.2 percent in 2016 (a 0.2 percentage point downward revision relative to the January 2016 Update). Recovery is projected to strengthen in 2017 and beyond, driven primarily by emerging market and developing economies, as conditions in stressed economies start gradually to normalize.

Growth Prospects

5. Our economy is estimated to have expanded by 5.6 percent in 2015, up from 5.3 percent growth in 2014. The growth in 2015 was supported by the prevailing macroeconomic stability and increased output in sectors such as agriculture (5.6 percent); construction (13.6 percent); finance and insurance (8.7 percent); transport and storage (7.1 percent); real estate (6.2 percent); manufacturing (3.5 percent) and public administration (5.4 percent). The recovery in the tourism sector supported growth in accommodation and restaurant sector that contracted by only 1.3 percent in 2015 compared with 16.7 percent in 2014. Growth in other sectors, particularly information and communication, mining and quarrying, wholesale and retail, education and health, remained robust but lower than their corresponding levels in 2014.

6. Because of the need to accelerate this growth, the policies supporting the 2016/17 budget aim to entrench fiscal prudence, ensure value for money and delivery of programs that will sustain the current economic growth.

7. Going forward, we project the economy will expand further to 6.0 percent in 2016 from 5.6 percent in 2015 and 6.5 percent in the medium. This growth will be supported by strong output in agriculture with a stable weather outlook and completion of key public projects in roads, rail and

energy generation. In addition, strong consumer demand and private sector investment as well as stable macroeconomic environment will help reinforce this growth.

8. Policies to accelerate and sustain economic growth in 2016 and in the medium term will continue to focus on:

- i. **Improving the business environment.** This will entail improving security; maintaining macro-economic stability and reducing the cost of doing business, so as to encourage investment opportunities in the country.
- ii. **Continued spending in infrastructure** to unlock constraints to growth. The Government will continue with public investments in the Standard Gauge Railway, modernizing seaports and airports, improving road networks and expanding energy and water supplies
- iii. **Sustaining sectoral spending** for employment creation. This will entail continued investments in agriculture for food security and support of the manufacturing sector through growth of exports.
- iv. **Sustained investment in social services** for the welfare of Kenyans by investing in quality and accessible health care services and relevant education, as well as strengthening the social safety net;
- v. **Enhancing service delivery through devolution** by consolidating gains made in devolution in order to provide better service delivery;
- vi. **Continued structural reforms** in the public sector, financial sector and business regulation for better service delivery and enhance competitiveness

9. We have made progress in most of these policy areas. For example, the business environment has improved significantly with macroeconomic stability, enhanced security, and better service delivery by state agencies. Police mobility has improved with over 2,400 vehicles and acquisition of modern security infrastructure to enhance surveillance and response. On infrastructure, the Standard Gauge Railway is 70 percent complete and is set for commissioning in June 2017. Energy generation, electricity connection; and street lighting have been enhanced.

10. On education, the Government has increased capitation for free primary and free day secondary education, while, on health, public hospitals in various counties are being equipped with specialised medical equipment. To reduce the burden on households for the vulnerable and disadvantaged, the Government has continued to provide cash transfers and will enhance allocations, going forward. On food security, the Government has continued to modernise the agriculture sector and rolled out irrigation programmes across the country.

11. The macroeconomic outlook underpinning the FY 2016/17 budget is premised on favourable weather outlook and stable inflation, interest rates and exchange rate.

12. However, the economy still remains vulnerable to shocks, especially those originating from the domestic sources such as drought and those emanating from external sources such as the slower global growth and uncertainty particularly due to the low international commodity prices. Should these shocks materialize, we will adjust our macroeconomic policies or access precautionary funding from the International Monetary Fund if need arises.

Fiscal Policies for FY 2016/17 and the Medium Term

13. The budget policy framework for FY 2016/17 and the medium term aims at striking a balance between supporting rapid and inclusive economic growth and continued fiscal discipline. The Government will continue to reduce the overall fiscal deficit and put emphasis on efficiency and effectiveness of public spending and improve revenue performance. Specifically, the fiscal policy aims at raising revenue effort above 21.0 percent of GDP over the medium term and containing growth of total expenditure (Table 1).

Table 1: Medium Term Fiscal Framework

FISCAL YEAR	2015/16		2016/17		2017/18	2018/19	2015/16		2016/17		2017/18	2018/19
	Revised Estimates	Estimates	Printed Estimates/ ¹	Estimates/ ²	Proj	Proj	Revised Estimates	Estimates	Printed Estimates/1	Estimates/2	Proj	Proj
KSh Million												
As % of GDP												
1.0 TOTAL EXPENDITURE AND NET LENDING	2,034,625	1,842,691	2,262,216	2,046,775	2,269,304	2,462,274	31.0	28.1	30.6	27.7	27.8	26.9
1.1 Ministerial Recurrent Expenditure	804,279	804,279	850,304	850,304	913,214	993,415	12.2	12.2	11.5	11.5	11.2	10.9
o/w Wages (civil Service & TSC)	333,527	333,527	360,776	360,776	396,854	436,539	5.1	5.1	4.9	4.9	4.9	4.8
Contributory Pensions	-	-	-	-	17,701	18,763	-	-	-	-	0.2	0.2
1.2 Development Expenditure	718,572	526,637	809,044	593,603	699,140	772,753	10.9	8.0	10.9	8.0	8.6	8.4
O/w Domestically Financed	305,003	305,003	398,430	398,430	440,880	487,175	4.6	4.6	5.4	5.4	5.4	5.3
Foreign Financed	413,569	221,634	410,614	195,173	258,260	285,577	6.3	3.4	5.6	2.6	3.2	3.1
1.3 Interest Payments & Pensions	240,500	240,501	310,957	310,957	347,678	365,752	3.7	3.7	4.2	4.2	4.3	4.0
1.4 Net Lending	2,055	2,055	2,127	2,127	2,001	1,975	0.0	0.0	0.0	0.0	0.0	0.0
1.5 Contingencies Fund	5,000	5,000	5,000	5,000	5,000	5,000	0.1	0.1	0.1	0.1	0.1	0.1
1.6 County Allocation	264,219	264,219	284,785	284,785	302,271	323,379	4.0	4.0	3.9	3.9	3.7	3.5
2.0 TOTAL REVENUES	1,295,379	1,295,379	1,500,612	1,500,612	1,695,408	1,920,330	19.7	19.7	20.3	20.3	20.8	21.0
2.1 Ordinary Revenue	1,184,368	1,184,368	1,376,424	1,376,424	1,561,398	1,776,912	18.0	18.0	18.6	18.6	19.2	19.4
2.2 Ministerial A-I-A	111,011	111,011	124,188	124,188	134,010	143,417	1.7	1.7	1.7	1.7	1.6	1.6
3.0 GRANTS	76,643	31,008	72,552	32,915	51,739	60,682	1.2	0.5	1.0	0.4	0.6	0.7
3.1 Grants - AMISOM	6,440	6,440	6,440	6,440	6,100	6,100	0.1	0.1	0.1	0.1	0.1	0.1
3.2 Project Grants	69,703	24,068	65,612	25,975	45,139	54,082	1.1	0.4	0.9	0.4	0.6	0.6
3.3 Debt Swap	500	500	500	500	500	500	0.0	0.0	0.0	0.0	0.0	0.0
4.0 DEFICIT	(662,603)	(516,305)	(689,052)	(513,249)	(522,157)	(481,262)	(10.1)	(7.9)	(9.3)	(6.9)	(6.4)	(5.3)
5.0 FINANCING	662,603	516,305	689,052	513,249	522,157	481,262	10.1	7.9	9.3	6.9	6.4	5.3
5.1 Project Loans	344,710	198,410	345,424	169,620	213,544	231,918	5.2	3.0	4.7	2.3	2.6	2.5
5.2 Commercial Financing	154,332	154,332	153,778	153,778	150,000	125,000	2.4	2.4	2.1	2.1	1.8	1.4
5.3 Program Support	8,213	8,213	3,855	3,855	0	0	0.1	0.1	0.1	0.1	-	-
5.4 Foreign Repayments	(38,379)	(38,379)	(43,623)	(43,623)	(132,178)	(135,883)	(0.6)	(0.6)	(0.6)	(0.6)	(1.6)	(1.5)
5.5 Other Domestic Financing	2,579	2,579	(11,424)	(11,424)	(11,482)	(11,537)	0.0	0.0	(0.2)	(0.2)	(0.1)	(0.1)
5.8 Domestic Borrowing	191,149	191,150	241,042	241,042	302,273	271,764	2.9	2.9	3.3	3.3	3.7	3.0
6.0 FINANCING GAP	-	-	-	-	-	-	-	-	-	-	-	-
NOMINAL GDP	6,566,445	6,566,446	7,392,247	7,392,247	8,149,000	9,149,000	100.0	100.0	100.0	100.0	100.0	100.0

Notes:

/1 With full absorption of committed financing from Development Partners

/2 With adjusted committed financing from Development Partners to reflect lower absorption

NB. Ministerial Expenditures includes revised ceilings for Judiciary and Parliament

Revenue Projections

14. The FY 2016/17 budget targets revenue collection including Appropriation-in-Aid (AiA) of Ksh 1,499.4 billion (20.3 percent of GDP) from Ksh 1,294.3 billion (19.7 percent of GDP) in FY 2015/16 (**As shown in Table 1**). Ordinary revenues is projected at Ksh 1,375.2 billion (18.6 percent of GDP) in FY 2016/17, up from the estimated Ksh 1,183.3 billion (18.0 percent of GDP) in FY 2015/16.

15. Much progress has been achieved towards broadening the tax base and improving revenue administration. The Government has simplified and modernized the VAT legislation and consolidated all the appeals in the tax legislation into one legislation. Similarly, a modern and simplified Excise Duty and Tax Procedure legislation have been enacted, while a review of the Income Tax Act has commenced.

16. The Kenya Revenue Authority instituted measures to seal revenue leakages in customs administration (PVoc requirements) and border areas for all imports. Other measures include: expansion of withholding VAT agents for suppliers to County Governments; targeting nil and non-filers; Rental Income Programme and operationalisation of the Tax Appeals Tribunal. Further, a reputable consulting firm has been engaged to deep-dive into KRA business processes and systems to propose realistic adjustments intended to reverse the revenue shortfalls currently obtaining.

Expenditure Projections

17. The expenditures in FY 2016/17 are guided by the Medium Term Plan II (2013-2017) of Vision 2030 and the strategic priorities of the Government. The Government will continue with rationalization of public expenditures to enhance efficiency and productivity in service delivery. To improve efficiency and effectiveness in public resource utilization and budget execution key recommendations of the Capacity Assessment and Rationalization of the Public Service (CARPS) Programme will be implemented. Other initiatives include: developing a policy framework that entrenches at least 40 percent local content; full adoption of the Treasury Single Account (TSA) to improve the efficiency of the government payment processes; full implementation of the e-procurement to entrench transparency and accountability; enforce performance benchmarks for execution of the development budget; and strengthen accountability and discipline in the use of devolved resources.

18. Overall expenditure and net lending are projected at Ksh 2,262.2 billion (30.6 percent of GDP), up from the estimated Ksh 1,842.7 billion (28.1 percent of GDP) in the FY 2015/16 budget. However, with expected nominal absorption of committed externally financed expenditure, the

overall expenditure and net lending are projected at Ksh 2,046.8 billion (27.7 percent of GDP) in FY 2016/17.

Development and Net Lending

19. Overall, development expenditure outlays are expected to support ongoing infrastructure projects in roads, Standard Gauge Railway, ports, energy and security, among others. Part of this development budget will be funded by project loans and grants from development partners, while the balance will be financed from domestic resources.

20. In the FY 2016/17, domestically financed expenditure is estimated at Ksh 398.4 billion (5.4 percent of GDP), up from Ksh 305.0 billion (4.6 percent of GDP). On the externally financed expenditure, we have received commitments from donors amounting to Ksh 410.6 billion (5.6 percent of GDP) in FY 2016/17. However, going by historical absorption uptake, the received commitments are not expected to be wholly absorbed during the year and, therefore, we expect an absorption of Ksh 195.2 billion (2.6 percent of GDP) in the budget year.

Contingency Fund

21. In line with the constitution and the PFM Act 2012, a contingency provision of Ksh 5.0 billion has been provided for in the FY 2016/17 budget to cater for unforeseen expenditures.

Equalization Fund

22. In the FY 2016/17, Equalization Fund has been allocated Ksh 6.0 billion to cater for critical development expenditure in water, roads, health, and energy in marginalized areas to improve services in those areas. This together with the accumulated arrears of Ksh 6.4 billion brings the total available resources in Equalization Fund to Ksh 12.4 billion. The National Treasury has proposed utilization of these funds as per the recommendations of Commission for Revenue Allocation.

Debt and Deficit Financing Policy

23. The Government will continue borrowing as guided by the medium term debt management strategy (MTDS). The MTDS is a policy document which aims at achieving a desirable debt portfolio and ensuring public debt sustainability. The strategy envisages borrowing from both the domestic and external sources. Domestic borrowing will be not only to raise resources for the Government budget implementation but also to develop the domestic debt market.

24. External borrowing will largely be biased towards concessional loans. While external financing will be largely on concessional terms, the Government will continue to diversify financing sources by continuing to access commercial sources of financing. A well-managed external commercial borrowing program will help alleviate the pressures in the domestic market. Maintaining a certain volume of presence in international markets, as part of a well-designed borrowing program, will enhance the predictability and credibility of the sovereign, leading to better borrowing conditions. This program will be accompanied by improved market investor relations that includes enhanced communication with current and potential investors and improved information disclosure policies.

25. Assuming that we utilize all the committed externally funded development expenditure of Ksh 410.6 billion in FY 2016/17, we project the overall fiscal deficit including grants of Ksh 689.1 billion (equivalent to 9.3 percent of GDP). However, going by historical absorption uptake where spending agencies have not been able to utilize all the committed external financing previously, we expect an absorption of about 50 percent. This would therefore lower the projected fiscal deficit including grants to Ksh 513.2 billion (equivalent to 6.9% of GDP) in the FY 2016/17, down from the estimated Ksh 516.3 billion (7.9 percent of GDP) in the FY 2015/16. The deficit will be financed by net domestic borrowing of Ksh 241.0 billion (3.3 percent of GDP) in both cases and net external financing of Ksh 459.4 billion (6.2 percent of GDP) in the case of higher absorption and Ksh 283.6 billion (3.8 percent of GDP) in the case of lower absorption. A net repayment of 0.2 percent of GDP is assumed in both cases.

26. Going forward, we remain committed to bringing the fiscal deficit down gradually from the 6.9 percent of GDP in FY 2016/17 to 5.3 percent of GDP in FY 2018/19 and below 4.0 percent of GDP in the outer years.

III. MEASURES TAKEN BY THE NATIONAL GOVERNMENT TO IMPLEMENT RECOMMENDATIONS MADE BY THE NATIONAL ASSEMBLY WITH RESPECT TO THE BUDGET FOR THE PREVIOUS FINANCIAL YEAR OR YEARS

27. In the FY 2015/16 BPS, Parliament recommended that the Budget Policy Statement be submitted earlier than the timelines stipulated in the PFMA, 2012 to enable Departmental Committees and the Senate undertake detailed scrutiny of the proposed policies and review past performance of the budget. In compliance with this recommendation, the National Treasury submitted the 2016 BPS to Parliament on 12th February 2016. The National Treasury will consider forwarding proposals for amending the PFMA, 2012 to ensure that this is enshrined in law.

28. The National Assembly also resolved that in future the Budget Policy Statement (BPS) should include outputs and targets of programmes as per the Standing Orders. Although the requirements of Section 25 (4) of the Public Finance Management Act, 2012 do not specifically require this, the National Treasury submitted this information in the 2016 BPS, to be consistent with the Standing Orders which require inclusion of the same.

29. For improved provision of basic social services, the National Assembly had recommended for enhancement of funding to support initiatives such as construction of stadia, presentation of national teams for international competitions, enhancement of the National Safety Net Programme, purchase of drugs and vaccines and equipping of new TTIs. Funding to these areas have been provided in the FY 2015/16 budget.

30. In order to promote agriculture and food security, Parliament had recommended enhanced allocation for Strategic Grain Reserve, improvement of animal genetic and national fish breeding and intensive culture technology development. Consequently, the Government has enhanced allocations to the Strategic Grain Reserve to include a wider range of food stuffs and improvement in animal genetics especially in the provision of semen to farmers and fish breeds. Further, the Government has heavily invested in irrigation over the last three years. Measures have also been taken to ensure that farmers have access to markets and quality subsidized inputs such as fertilizers and seeds.

31. National Security has been given high priority, the Government has allocated substantial resources to the sector to enable security agencies to adequately handle and manage insecurity issues in the country. The security agencies have been equipped and will continue to be modernized to curb insecurity. The National Treasury also enhanced allocations to National Police Service Commission and IPOA to cater for expenses related to the police vetting exercise and to strengthen the oversight roles of these commissions. Leasing of motor vehicles for the police and

Construction of police housing were however retained at the national Treasury and Ministry of Lands, Housing and Urban Development due to contractual complexities.

32. In order to revive the tourism sector and to promote trade, the government set aside resources to cater for tourism recovery and marketing promotions. The government is also keen to implement the commodity exchange programme, promote the leather and textile sectors of the economy, and has allocated resources in the FY 2015/16.

33. The National Assembly recommended additional financing to the Office of the Controller of Budget, Auditor General, National Treasury, allocation to the Affirmative Action Fund, CDF and Monitoring and Evaluation for the Senate. The National Treasury has to a large extent complied with this recommendation.

34. Finally, the government allocated resources for the Restoration of Justice Fund to cater for victim compensation. Further, the government set aside substantive resources in the FY 2015/16 Supplementary Estimates No.1 for the activities of the Multi-Agency team involved in the investigation and prosecution of corruption, economic crimes and related offences. The team comprised the Ethics and Anti-Corruption Commission, Office of the Director of Public Prosecutions, Asset Recovery Agency, Kenya Revenue Authority, Financial Reporting Center under the National Treasury and the Directorate of Criminal Investigations.

IV. HIGHLIGHTS OF THE FY 2016/17 BUDGET

35. In the Financial Year 2016/17 Budget, adequate resources have been allocated to key government flagship projects to drive the transformative agenda. These are in addition to the strategic interventions initiated in the FY 2013/14 Budget. The Highlights are as indicated in subsequent paragraphs.

36. **Food Security and Agriculture: KShs.12.2 billion** has been allocated for on-going irrigation projects countrywide and transformation of agriculture from subsistence to productive commercial farming. This includes KSh.3.2 billion allocated to the Galana-Kulalu Irrigation Project, KSh.3.2 billion for Mwea Irrigation Project and KSh.2.2 billion for National Expanded Irrigation Programme. Other key allocations are as follows:

- KSh.4.9 billion for inputs subsidy (Fertilizer and Seed)
- KSh.1.97 billion for Strategic Grain Reserves
- KSh.0.9 billion for Acquisition of the Offshore Patrol Vessel
- KSh.0.6 billion for the Modernization of the Kenya Meat Commission
- KSh.0.2 billion for the revival of the Pyrethrum sector
- KShs.0.6 billion for Livestock & Crop Insurance Scheme
- KSh.0.1 billion for Mechanization of Agriculture
- KSh.1 billion for Crop Diversification Programme in Meru (Miraa Farmers)

37. **Transport and Logistics:** Investment for infrastructure development has been significantly enhanced as follows:

Roads

- KSh.62.8 billion for Ongoing road construction (Domestically Financed)
- KSh.54.8 billion for foreign financed roads
- Ksh.30 billion for low volume seal roads (KSh.23.8 billion within the budget, 6.7 through equalization fund)

Rail

- KSh. 154 billion for Standard Gauge Rail (Donor)
- Ksh. 1.5 billion for Relocation on Railway lines at Kibera & Mukuru

Ports

- KSh. 0.8 billion for on-going upgrading of Malindi Airport, Isiolo Airport, Suneka Airstrip and Lokichogio Airport
- KSh. 0.5 billion for Acquisition of 2 Ferries for the Likoni Channel
- Ksh. 5.5 billion for Mombasa Port Development Project (Donor)
- Ksh.10 billion for LAPSSSET Project

Energy

- KSh. 2.0 billion for Geothermal Development
- KSh.6.0 billion for Power Transmission
- KSh. 5.1 billion for Rural Electrification Programme
- KSh.5.9 billion for Last Mile Connectivity
- KSh.3.1 billion for National Street lighting Programme
- KSh.7.6 billion for Electrification of Public Facilities
- KSh.3.4 billion for Exploration and Distribution of Oil and Gas
- KSh.3 billion for Installation of Transformers in Constituencies
- KSh.1.8 billion for Connectivity Subsidy
- Ksh.2.0 billion for LPG Distribution and Infrastructure Programme

38. **Industrialization and Extractive Industry:** to promote the development of industries and extractive sectors of the economy, the following programmes have been allocated resources;

- KSh.3.0 billion for the National Airborne Geo-Physical Survey
- KSh.1.2 billion for Leather Industrial Park Development
- KSh.2.0 billion for Textile Development
- KSh.0.5 billion for Ease of Doing Business
- KSh.0.5 billion for Modernization of RIVATEX
- KSh.2.4 billion for Coffee Debt Waiver & STABEX
- KSh.0.3 billion for Ongoing Modernization of New KCC
- Ksh 0.5 billion for Nee KCC debt

39. **Flood Control and Water Harvesting:** to enhance and sustain measures to control floods and harvest rain water, the following activities have been allocated funds as follows:

- KSh.13.9 billion for construction of major dams
- KSh.12.6 billion for water supply and sanitation
- KSh.19.5 billion for environmental protection conservation and management
- KSh.3.9 billion for Integrated Regional Development

40. **Enhanced Security for Investment, Growth and Employment:** Security is necessary for encouraging investment, accelerating economic growth and creating more jobs for our youth. To this end, the following allocation has been provided:

- KSh.8.2 billion for lease financing of police motor vehicles, and aircraft
- KSh.13.2 billion for enhanced security operations
- KSh.10 billion for Police Modernization Programme
- KSh.5.1 billion for Police Medical Insurance Scheme
- KSh.0.9 billion for Construction and Equipping of the National Forensic Laboratory
- KSh.2.9 billion for Construction of Police Stations and Housing
- KSh.2.0 billion for Securitization of Borders
- KSh.15.6 billion for Military Modernization

41. **Enhancing Access and Transforming the Educational System through e-Teaching and e-Learning:** A total of **KSh.13.4** billion has been proposed for deployment of laptops to schools, development of digital content, building capacity of teachers and rolling out computer laboratory for primary schools throughout the country. Other key allocations in basic education, tertiary and higher education are as follows:

- KSh.32 billion for Free Day Secondary Education
- KSh.14 billion for Free Primary Education
- KSh.4.5 billion for recruitment and promotion of teachers
- KSh.2.8 billion for House Allowance Phase II (Teachers)
- KSh.2.5 billion for Technical Training Institutes

- KSh.0.4 billion for Sanitary towels for girls in school
- KSh.2.6 billion School Feeding Programme (Including Donor)
- KSh.3.2 billion for Subsidy to KNEC for examinations fee waiver
- KSh.9.1 billion for Higher Education Loans Board
- KSh.57.8 billion for University Education

42. **Quality and Accessible Health Care Services for all Kenyans:** To provide quality and accessible health care, we have allocated resources as follows:

- KSh.4.3 billion is for Free Maternal Healthcare
- KSh.4.5 billion for Lease of medical equipment (Managed Equipment Services)
- KSh.3.5 billion for Kenya Medical Training Centers
- KSh.8.7 billion for Kenyatta National Hospital
- KSh.5.8 billion for Moi Teaching and Referral Hospital
- KSh.1.7 billion for Kenya Medical Research Institute
- KSh.3.0 billion for Doctors/Clinical Officers/Nurses internship programme
- KSh.0.6 billion National Aids Council
- KSh.0.9 billion for Free Primary HealthCare (Removal of 10-20 Policy)
- KSh.0.7 billion for Slum Clinics Upgrading Programme (Portable Clinics)
- KSh.0.5 billion for Health Insurance Subsidy Programme (Elderly & Disabled)
- KSh.1.3 billion for rollout of universal health coverage

43. **Equity, Poverty Reduction and Social Protection for Vulnerable Groups:** To address the plight of the less disadvantaged in society, combat poverty, and promote equity, the social protection safety net in form of cash transfer has been enhanced. In addition an allocation for the equalization fund, Constituency Development Fund (CDF), and Affirmative Action for Social Development has been set aside as follows:

- KSh.34.5 billion for National Government Constituency Fund
- KSh.2.1 billion for Affirmative Action for Social Development for Women Representatives

- KSh.6 billion for the Equalization Fund
- KSh.7.9 billion is for Orphans and Vulnerable Children (OVC);
- KSh.7.3 billion for elder persons;
- KSh.1.2 billion for those with severe disability
- KSh.0.3 billion for National Development Fund for persons with disability;
- KSh.0.4 billion for street families rehabilitation
- KSh.0.4 billion for Children Welfare Society
- KSh.0.4 billion for Presidential Secondary School Bursary Scheme
- KSh.6.0 billion for Resettling the IDPs and Restorative Justice

44. **Enhancing Women and Youth Empowerment:** KSh.9.8 billion has been allocated towards youth empowerment programme as a vehicle for transforming and empowering the youth. Other interventions include:

- KSh.0.6 billion Youth Enterprise Development Fund
- KSh.0.7 billion Youth Employment and Enterprise (Uwezo Fund)
- KSh.0.9 billion Women Enterprise Fund

45. **Leveraging on Information, Communication and Technology;** the following allocation has been set aside

- KSh.0.3 billion for Single Window Support Project;
- KSh.3 billion for Research Development Fund
- KSh.1.5 billion for Roll out of IFMIS;
- KSh.0.9 billion for Development at Konza Technopolis;
- KSh.13.4 billion for Digital Literacy Programme (School Laptop Project);
- KSh.0.3 billion for digital migration (KBC); and
- KSh.0.1 billion for Presidential Digital Talent Programme

46. **Constitutional Implementation and Related Reforms;** we have set aside funds to support implementation of the Constitution as follows:

- KSh.15.3 billion for the Judiciary
- KSh.24.6 billion for Parliament
- KSh.228.5 billion for Commissions (including TSC) and Independent Offices

47. **On-going Economic Stimulus Projects;** The Government is committed to completion of on-going ESP Projects:

- KSh.0.3 billion for upgrading of National Schools
- KSh.0.4 billion for purchase of computers
- KSh.0.1 billion for Aquaculture Development
- KSh.0.5 billion for Prototype Fresh Produce and Wholesale Markets

V. ADHERENCE TO FISCAL RESPONSIBILITY PRINCIPLES

48. The Government is committed to the fiscal responsibility principles outlined in the constitution and the Public Finance Management Act, 2012. In this regard, the Government in keeping with the prudence and transparent management of public resources, has endeavored to adhere to the fiscal responsibility principles as set out in the statutes as follows:

- a. *Over the medium term, a minimum of 30 percent of the National Budget shall be allocated to development expenditure*

The ratio of the National Government's development to the total budget over the period 2016/17 – 2018/19 averages about 38.5 percent and therefore, is above the 30 percent minimum threshold set out in law. The National Government's development budget as a percentage of total budget was 36.2 percent in FY 2014/15, 40.8 percent in FY 2015/16 and 36.9 percent of the total budget for FY 2016/17 Budget. The ratio is projected at 35.4 percent in FY 2018/19.

- b. *The national government's expenditure on compensation of employees (including benefits and allowances) shall not exceed 35 percent of the national government's equitable share of the revenue.*

Compensation to employees as share to National Government equitable share of revenues was 32 percent in FY 2015/16. In FY 2016/17 budget, compensation to employee's composition of equitable share of revenues is 29.7 percent and is projected at 28.5 percent in FY 2017/18 and 27.3 percent by FY 2018/19. The adherence to the fiscal responsibility principle ensures that recurrent expenditure does not crowd out development expenditure. The Government is also taking measures to control recurrent expenditure especially the wage bill. We have instituted measure aimed at achieving this objective and include:

- (i) Job Evaluation Exercise: The Salaries and Remuneration Commission (SRC) is currently undertaking a Job Evaluation exercise for all cadres within the Public Sector which seeks to establish job descriptions, assess work load and output and recommend job grading structure. This is meant to ensure equitable remuneration and streamline jobs within the public sector to manage and contain the wage bill.
- (ii) Freezing of recruitment: The Government has frozen all new recruitments and upgrading of staff except for security, education and health sectors.

- c. *Over the medium term, the National Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.*

The 2016/17 budget continues to adhere to this principle by ensuring the policy as set out in the Medium Term Debt Strategy and other policy documents is observed. The 2016/17 budget puts all resources from external and domestic borrowing, amounting to Ksh 712.3 billion to support 93 percent of development expenditure including net lending amounting to Ksh 811.2 billion. The proposed level of borrowing is well within our debt sustainability thresholds and is consistent with our objective of ensuring macroeconomic stability.

- d. *Public debt and obligations shall be maintained at a sustainable level as approved by Parliament (for National Government) and County Assemblies (for County Governments)*

The Government annual borrowing quantum is set in the Medium Term Debt Management Strategy and approved by the National Assembly. The objective of the strategy is to ensure public debt sustainability while raising the necessary resources for the implementation of the Government's budget.

The Debt Sustainability Analysis undertaken shows that Kenya's Debt ratios remain within sustainable bounds, but the safety margins to the indicative thresholds are lower than previously recorded. A large exchange rate shock can pose a significant risk to external debt sustainability. The Government intends to continue making use of concessional resources to the extent possible which is beneficial from both cost and maturity perspectives. Commercial borrowing will be carried out on a selective opportunistic basis and managed carefully to minimize the impact of repayment spikes. The upcoming maturity spikes in the coming years will require careful issuance strategy to ensure no rollover risk is experienced. In the medium term, the Government will exercise fiscal consolidation to help limit external borrowing requirements. In the longer term, the debt outlook will be influenced by the payoff from the present efforts to close infrastructure gaps and address bottlenecks that have constrained growth and exports in the recent past.

The debt sustainability indicators illustrates that Kenya faces a low risk of external debt distress (**Table 2a**). This is attributed to the high level of concessionality of current external debt and the positive outlook in other macroeconomic indicators.

Table 2a: External Debt Sustainability Indicators (In Percent)

Indicator	Thres hold	2014	2015	2016	2017	2018	2019	2020	2025	2035
PV of debt-to-GDP ratio	50	30.9	35.7	38.3	39.6	40.1	41.6	42.6	47.6	57.5
PV of debt-to-exports ratio	200	97.0	118.5	140.9	138.8	138.0	134.3	134.6	130.3	97.6
PV of debt-to-revenue ratio	300	91.1	109.5	122.2	118.6	116.5	114.5	114.4	109.3	84.7
Debt service-to-exports ratio	25	16.6	6.4	9.0	14.8	9.1	13.9	8.7	9.7	10.9
Debt service-to-revenue ratio	22	15.6	5.9	6.9	12.7	7.7	11.9	7.4	8.1	9.4

Source: IMF Staff report for Kenya, March 2016

Kenya's public debt sustainability thresholds indicate a strong performer are as shown in **Table 2b:**

Table 2b: Public Debt Sustainability Thresholds: Strong Policy Performer (in Percent)

Indicator (Threshold)	Thres hold	2014	2015	2016	2017	2018	2019	2020	2025	2035
PV of public sector debt to GDP ratio	74	42.9	45.8	48.3	48.5	48.5	47.9	47.0	40.9	33.0
PV of public sector debt-to-revenue ratio	300	221.1	231.8	237.8	232.0	228.1	224.5	218.0	187.6	148.5
Debt service-to-revenue ratio	30	41.0	30.4	30.0	34.7	28.8	32.2	26.4	22.0	18.1

Source: IMF Staff report for Kenya, March 2016

e. Fiscal risks shall be managed prudently

The Government has improved its macroeconomic forecasts and regularly reviews the impact of macroeconomic projections and their implications on the budget. A detailed Annex on the Specific Fiscal Risks was attached to the 2016 Budget. The Government also takes into account the potential fiscal risks arising from contingent liabilities, including from Public Private Partnership funded projects. Further, every year a Contingency provision of Ksh 5.0 billion is factored in the budget to cater for urgent and unforeseen expenditure.

f. A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future

On the principle of maintaining a reasonable degree of predictability with respect to the level of tax rates and tax bases, the Government has simplified and modernized the VAT and Tax Appeals Tribunal legislations as well as the Excise law. The government has brought in experts to work with the KRA to review administrative procedures governing the customs, income tax and VAT, this will help seal revenue losing loopholes, improve compliance and lock in predictability.

VI. MEMORANDUM BY THE CABINET SECRETARY TO THE NATIONAL TREASURY ON THE RESOLUTIONS ADOPTED BY THE NATIONAL ASSEMBLY ON 2016 BUDGET POLICY STATEMENT

i. Introduction

49. Section 25(8) of the Public Finance Management Act, 2012 prescribes that the Cabinet Secretary for Finance shall take into account resolutions passed by Parliament in finalizing the budget for a given financial year. Section 38(1) (iii) requires the Cabinet Secretary to prepare a memorandum explaining how the resolutions adopted on the BPS under Section 25(7) have been taken into account. The National Assembly approved the 2016 Budget Policy Statement (BPS) and the Debt Management Strategy for 2016/17 on 3rd March 2016. The decision was subsequently communicated to the National Treasury vide the letter **Ref. No. KNA /L&P/CORR/2016/ (032)** (Certificate – Approval of the Budget Policy Statement for FY 2016/17).

50. The purpose of this note is therefore to brief the Parliament on the extent to which the resolutions were taken or not taken on board and the reasons thereof.

ii. Resolutions by the National Assembly on the BPS 2016

a) The National Assembly (NA) resolved that an intergovernmental framework be put in place to effectively deal with conditional grants including donor funded projects.

51. **Action taken;** The National Treasury has established a department to deal with matters on intergovernmental fiscal relations. To comply with this resolution, the National Treasury shall strengthen this department to provide the necessary technical support to the devolved units through the existing institutional frameworks on conditional grants and donor funded projects. The National Government continues to engage with County Governments in the context of IBEC to streamline the processing of conditional grants and other donor funds.

b) The NA recommended that a framework for the disbursement of the equalization fund be expedited and finalized.

52. **Action taken:** In 2016/17 Financial Year, the National Treasury has proposed to allocate Ksh 6.0 billion from the Equalization Fund to 14 marginalized counties. It is expected that the allocation will be fully disbursed in 2016/17, following the Fund's official launch on 11th March 2016 which was preceded by: i) Parliament's approval of the Fund's Guidelines; ii) the National Treasury's appointment of the Fund's Administrator; and, iii) the opening of an Equalization Fund

Account at the Central Bank of Kenya (CBK). At the moment, the Fund's Advisory Board is in the process of being established.

c) The NA resolved that there should be no new projects introduced after adoption of the BPS and that all expenditure adjustments in form of supplementary budget should be done on or before April of any given year.

53. **Action taken;** The National Treasury recognizes the importance of finalizing ongoing projects and has prepared the FY 2016/17 development budget based on projects with well-defined objectives, timelines, costs and supported by concept notes. We have allocated resources to projects which are near completion to ensure that the citizens enjoy the benefits that accrue from such projects. We shall endeavor to prioritize and finish all the ongoing projects where possible within the Medium Term. The National Treasury has ensured that no new projects are taken on board except for very critical projects aimed at addressing emerging challenges.

d) The NA resolved to earmark KSh.1 billion for Economic Stimulus Programmes in areas that have not benefited before.

54. **Action taken;** In the FY 2016/17 budget, the government has considered this resolution and allocated KSh.500 million for the completion prototype fresh produce markets under the Economic Stimulus Programme.

e) The NA resolved that the National Treasury provides details on projects, both on-going and earmarked by sectors, to be implemented using projected debt resources in the annual estimates.

55. **Action taken;** The National Treasury has prepared the FY 2016/17 budget according to projects. All projects that the government will implement, including in the Medium Term are included in the Annual Estimates with details on source of financing.

f) The government to pursue debt policies aimed at achieving fiscal consolidation and efficiency in revenue collection

56. **Action taken:** The government's Medium-Term Debt Strategy (MTDS) set debt sustainability targets with the objective of minimizing the accumulation of risk within the debt portfolio. Non-concessional external borrowing will be undertaken in a cautious manner and limited to development projects and the stated ceiling in the MTDS. The Government also remains committed to accessing international capital markets with a view to continued diversification of our funding sources for development expenditures while at the same time reducing pressures on domestic interest rates.

g) The National Treasury initiates a comprehensive assessment of existing projects and provide plan of action on how the projects are going to be completed within the current and medium term resource framework.

57. **Action taken:** The National Treasury coded all projects in IFMIS as “Heads”. With effect from FY2016/17, the detailed Development Budget structure will include individual projects being implemented by MDAs in order to improve monitoring and reporting on project implementation.

h) All expenditure adjustments in form of Supplementary budget should be done on or before April of any given year

58. **Action taken:** The National Treasury is indeed committed to this recommendation, commencing with the current financial year, we submitted the FY 2015/16 Supplementary Estimates No. 1 to Parliament by 9th March 2016. We will endeavor to ensure that future Supplementary Estimates comply with this resolution.

i) The NA requires that the National Treasury issues guidelines on foreign travel and domestic travel to reduce wastage while at the same time maintain objectives of such activities

59. **Action taken:** The National Treasury is committed to the austerity policy to eliminate wastage of resources and provide more resources for development. On foreign and domestic travel expenditures, we have sustained the policy of rationalization of these areas. As you are aware, the National Treasury, Vide **Treasury Circular No. 20/2015** on Commitment Control and Expenditure Measures issued guidelines on foreign and domestic travels. These guidelines are aimed at managing travel related expenditures and other non-productive expenditures across Government including the Judiciary, County Governments and the National and County Legislatures.

j) Resolutions raised on Sectoral Expenditure Ceilings

60. The National Treasury in liaison with individual MDAs has to a large extent ensured that the recommendations of Parliament were taken on board when finalizing the FY 2016/17 Budget. In particular education, sports, lands, social security and gender have been given enhanced funding. However, owing to a resource constraint, some proposed enhancements could not be accommodated. A comprehensive list of recommended allocations and the extent to which they were addressed is provided in (Table 3).

Table 3: Parliament Proposals on Enhancements and Reductions in FY 2016/17 Budget Estimates

S/NO.	Vote & Details	2016 BPS Parliamentary Proposal	2016/17 Printed Estimates
1	State Department of Planning	(1,051)	(1,051)
2	State Department of Education	100	100
3	State Department of Science and Technology	(200)	(200)
4	Ministry of Land, Housing and Public Works	1,600	-
5	Ministry of Sports, Culture and The Arts	1,950	1,950
6	Ministry of Labour and East African Affairs	250	250
7	National Land Commission	(300)	-
8	Parliamentary Service Commission	1,200	-
9	National Assembly	500	-
10	Teachers Service Commission	4,650	4,650
11	National Gender and Equality Commission	151	151
TOTAL		8,850	5,850

k) Compliance with resolutions on Ceilings for Ministries/Departments/Agencies (MDAs)

61. The National Treasury adjusted the ceilings of MDAs based on the guidance from Parliament and indeed used the recommendations to develop the final ceilings of the FY2016/17 Budget Estimates. During the finalization of the budget, the Cabinet in conjunction with the National Treasury also critically reviewed the submissions from MDAs and where necessary made reallocations from less productive areas, and directed the resultant savings towards high priority areas within or across MDAs.

62. The adjustment in the recurrent budget is 1 percent of the total recurrent budget while in development they account for 24 percent of the total gross development budget. The changes in the development budget are largely due confirmed donor commitments. (Table 4 and Table 5) provides a comparison of the final Budget Estimates.

l) Resolutions on Intergovernmental Fiscal Relations and Division of Revenue

63. The National Treasury is in concurrence that in FY 2016/17, County Governments be allocated an equitable share of revenue raised nationally amounting to Ksh.280.3 billion. This allocation is to be shared among the counties according to the revenue sharing criteria approved by Parliament in accordance with the Constitution (Article 217). The proposed 2016/17 equitable share allocation is more than double the constitutional minimum of 15 percent of the latest audited revenues for FY 2013/14 (i.e. KSh.935.7 billion).

64. This allocation was discussed by key stakeholders including the National Treasury, Council of Governors, the Commission for Revenue Authority (CRA), Commission for the Implementation of the Constitution (CIC), Parliament Service Commission during a meeting of the Intergovernmental Budget and Economic Council chaired by the Deputy President and thereafter by the two levels of Government, in a meeting of the National and County Governments Coordinating Summit held from 10th to 11th February 2016.

Table 4: Comparison of Recurrent Ceilings (Parliament Recommendations) and FY2016/17 Draft Estimates

MINISTRY/DEPARTMENT	PARLIAMENTS CEILINGS	2016/17 GROSS ESTIMATES	VARIANCE	%CHANGE	REMARKS
1011 The Presidency	6,973	7,464	491	7	Adjustment for salaries and O&M expenses
1021 State Department for Interior	98,002	103,437	5,435	6	Provision for field Security operations
1022 State Department for Coordination of National	19,291	19,266	(25)	(0)	Budget Rationalization
1031 State Department for Planning	18,492	18,089	(403)	(2)	Budget rationalization
1032 State Department for Devolution	2,242	2,144	(98)	(4)	Budget Rationalization
1041 Ministry of Defence	96,952	98,654	1,702	2	Multi-Agency security operations
1051 Ministry of Foreign Affairs and International	13,232	18,929	5,697	43	Adjustment for O&M expenses
1061 State Department for Education	59,412	58,796	(616)	(1)	Budget Rationalization
1062 State Department for Science and Technology	60,260	62,895	2,635	4	Allocation to the National Research Fund
1071 The National Treasury	46,732	36,802	(9,930)	(21)	Budget Rationalization
1081 Ministry of Health	28,940	29,090	150	1	Adjustment for salary expenses
1091 State Department of Infrastructure	31,596	29,039	(2,557)	(8)	Adjustment on Road maintenance Levy to Development
1092 State Department of Transport	5,793	5,818	25	0	Adjustment for salary expenses
1101 Ministry of Environment, Natural Resources and Regional Dev't Authorities	14,616	15,346	730	5	Allocation for green schools programme, Water towers agency & NetFund
1102 Ministry of Water and Irrigation	4,162	4,558	396	10	Adjustment for salary expenses
1111 Ministry of Land Housing and Urban	4,269	3,948	(321)	(8)	Budget rationalization
1121 Ministry of Information Communications and	2,930	2,960	30	1	Adjustment for salary expenses
1131 Ministry of Sports Culture and Arts	4,550	6,258	1,708	38	Cash awards, Anti doping, International competitions
1141 Ministry of Labour Social Security and Services	9,321	9,811	490	5	Allocation to National Employment Authority, Labour Consular Office in Saudi Arabia & Qatar and Cash Transfers
1151 Ministry of Energy and Petroleum	1,973	2,170	197	10	To cater for the operations of the Ministry
1161 State Department for Agriculture	7,199	8,586	1,387	19	Additional allocation for fertilizer and seed subsidy
1162 State Department for Livestock	1,968	1,890	(78)	(4)	Budget rationalization
1163 State Department for Fisheries	1,576	1,653	77	5	Adjustment for salary expenses for KEMFRI and operations of MV Mtatiti
1171 Ministry of Industrialization and Enterprise Development	2,487	5,379	2,892	116	For Coffee Debt Write offs & STABEX & Subsidies to small businesses & Cooperatives
1181 State Department for Commerce and Tourism	2,683	3,560	877	33	Tourism promotion expenses

Table 4: Comparison of Recurrent Ceilings (Parliament Recommendations) and FY2016/17 Draft Estimates.....(Contd)

MINISTRY/DEPARTMENT	PARLIAMENTS CEILINGS	2016/17 GROSS ESTIMATES	VARIANCE	%CHANGE	REMARKS
1182 State Department for East African Affairs	1,598	1,541	(57)	(4)	Budget rationalization
1191 Ministry of Mining	760	697	(63)	(8)	Budget rationalization
1251 Office of The Attorney General and Department	4,011	3,735	(276)	(7)	Budget rationalization
1261 The Judiciary	12,860	11,360	(1,501)	(12)	Budget rationalization
1271 Ethics and Anti-Corruption Commission	2,691	2,691	0	0	
1281 National Intelligence Service	23,846	25,346	1,500	6	Security Operations
1291 Office of the Director of Public Prosecutions	1,953	2,026	73	4	Adjustment for salary expenses & O&M
1311 Office of the Registrar of Political Parties	507	827	320	63	Election related expenses
1321 Witness Protection Agency	360	380	20	5	Adjustment for salary expenses & Insurance costs
2011 Kenya National Commission on Human Rights	454	429	(25)	(6)	Budget rationalization
2021 National Land Commission	781	1,335	554	71	Adjustment for salary expenses
2031 Independent Electoral and Boundaries	19,321	18,966	(355)	(2)	Budget Rationalization on non core items
2041 Parliamentary Service Commission	10,258	7,038	(3,220)	(31)	Non provision due to lack of resources & Budget Rationalization
2042 National Assembly	15,948	14,448	(1,501)	(9)	Non provision due to lack of resources & Budget Rationalization
2051 Judicial Service Commission	450	450	-	-	
2061 The Commission on Revenue Allocation	341	356	15	4	Adjustment for salary expenses
2071 Public Service Commission	1,114	1,154	40	4	Adjustment for salary expenses & O&M
2081 Salaries and Remuneration Commission	543	533	(10)	(2)	Budget rationalization
2091 Teachers Service Commission	191,194	193,994	2,800	1	Adjustment for salary expenses
2101 National Police Service Commission	430	415	(15)	(3)	Budget rationalization
2111 Auditor General	3,850	4,183	333	9	Adjustment for salary expenses
2121 Controller of Budget	573	561	(12)	(2)	Budget rationalization
2131 The Commission on Administrative Justice	474	469	(5)	(1)	Budget rationalization
2141 National Gender and Equality Commission	458	416	(42)	(9)	Budget rationalization
2151 Independent Policing Oversight Authority	416	411	(5)	(1)	Budget rationalization
TOTAL	840,842	850,303	9,461	1	

Table 5: Comparison of Development Ceilings (Parliament Recommendations) and FY2016/17 Draft Estimates

MINISTRY/DEPARTMENT	PARLIAMENTARY CEILINGS	FY 2016/17 GROSS ESTIMATES	VARIANCE	% CHANGE	REMARKS
1011 The Presidency	1,741	481	(1,260)	(72)	Transfer of Restorative Justice Fund to resettlement of IDPs & Budget Rationalization
1021 State Department for Interior	15,181	16,855	1,674	11	Securitization of borders
1022 State Department for Coordination of National Government	1,050	1,050	0	0	
1031 State Department for Planning	53,633	53,834	201	0	Confirmed donor commitments
1032 State Department for Devolution	7,994	13,727	5,733	72	Resttlement of IDPs
1041 Ministry of Defence	42	45	3	7	
1051 Ministry of Foreign Affairs and International Trade	1,000	3,000	2,000	200	Purchase of Chancery in New York
1061 State Department for Education	22,074	8,395	(13,679)	(62)	Transfer of laptops to ICT
1062 State Department for Science and Technology	13,531	15,145	1,614	12	Construction of TTIs (Confirmed Donor commitment)
1071 The National Treasury	44,712	45,270	558	1	Global partnerships Conference
1081 Ministry of Health	30,635	31,180	545	2	Donor Projects in the health sector
1091 State Department of Infrastructure	102,949	147,712	44,763	43	Low seal roads and donor commitments
1092 State Department of Transport	124,960	175,807	50,847	41	Lappset Project (KSh.10bn) and Revised Donor Commitments
1101 Ministry of Environment, Natural Resources and Regional Dev't Authorities	11,680	10,656	(1,024)	(9)	Budget Rationalization
1102 Ministry of Water and Irrigation	42,122	57,714	15,592	37	Confirmed donor commitments
1111 Ministry of Land Housing and Urban Development	25,172	24,978	(195)	(1)	Budget Rationalization
1121 Ministry of Information Communications and Technology	8,288	22,971	14,683	177	Digital Learning Programme (School Laptop Project)
1131 Ministry of Sports Culture and Arts	2,896	2,361	(535)	(18)	Budget Rationalization
1141 Ministry of Labour Social Security and Services	15,583	15,299	(284)	(2)	Budget Rationalization
1151 Ministry of Energy and Petroleum	89,108	120,172	31,064	35	Installation of transformers in Constituencies, LPG Distribution, Streetlighting Programme and Donor Projects
1161 State Department for Agriculture	16,127	13,028	(3,099)	(19)	Budget Rationalization
1162 State Department for Livestock	4,868	11,392	6,524	134	Confirmed donor commitments
1163 State Department for Fisheries	3,119	2,530	(589)	(19)	To reflect confirmed donor commitments
1171 Ministry of Industrialization and Enterprise Development	5,261	5,865	604	11	Mordenization of New KCC and Donor Commitments
1181 State Department for Commerce and Tourism	3,267	4,467	1,200	37	Tourism marketing
1182 State Department for East African Affairs	65	65	0	0	
1191 Ministry of Mining	1,215	3,890	2,675	220	Geo-Physical Survey
1251 Office of The Attorney General and Department of Justice	494	379	(115)	(23)	Budget Rationalization
1261 The Judiciary	4,449	3,949	(500)	(11)	
1271 Ethics and Anti-Corruption Commission	100	100	0	0	
1291 Office of the Director of Public Prosecutions	150	99	(51)	(34)	Budget Rationalization
2021 National Land Commission	300	300	0	0	
2031 Independent Electoral and Boundaries Commission	103	765	662	643	Donor funding for strengthening electoral process
2041 Parliamentary Service Commission	3,200	3,200	0	0	
2071 Public Service Commission	50	39	(11)	(22)	Budget Rationalization
2091 Teachers Service Commission	100	100	0	0	
2111 Auditor General	300	224	(76)	(25)	Budget Rationalization
TOTAL	657,519	817,043	159,524	24	

VII. REVENUE AND EXPENDITURE ALLOCATION FROM THE EQUALIZATION FUND AND COMPLIANCE WITH THE POLICY DEVELOPED BY THE CRA UNDER ARTICLE 216 (4) OF THE CONSTITUTION

65. In 2016/17 Financial Year, the National Treasury has proposed to allocate Ksh 6.0 billion from the Equalization Fund to 14 marginalized counties. This allocation is approximately 0.6 percent of the last audited revenues approved by the National Assembly (i.e. Ksh. 935.7 billion in 2013/14), which exceeds the constitutionally-prescribed minimum of 0.5 percent (**Table 6**).

66. It is expected that the allocation will be fully disbursed in 2016/17, following the Fund's official launch in March 2016 which was preceded by: i) Parliament's approval of the Fund's Guidelines; ii) the National Treasury's appointment of the Fund's Administrator; and, iii) the opening of an Equalization Fund Account at the Central Bank of Kenya (CBK). At the moment, the Fund's Advisory Board is in the process of being established.

67. The National Government intends to channel the fund in the Equalization Fund directly to beneficiary Counties. Thus, of the FY 2016/17 allocation, 95 percent will be transferred to the afore-mentioned 14 marginalized counties according to the criteria contained in the Fund's policy, and which was developed by the Commission on Revenue Allocation (CRA). According to this policy, the remaining 5 percent of the 2016/17 allocation will be channeled to the Fund's Administrator. The projected budgetary allocations for the Fund in FY 2017/18 and 2018/19 are Ksh 5.5 billion and Ksh 8.65 billion, respectively.

68. It has been proposed that 5 percent of the amount be allocated for administration of Fund. The balance of the Fund is to be allocated among the counties on the basis of the following criteria: 50 percent of the Fund be shared on the basis of the Composite Development Index (CDI) determined by the Commission on Revenue Allocation; 42.5 percent on the basis of the population; and 7.5 percent on the basis of land area.

69. The proposed criteria above differ from that recommended by the CRA. The CRA proposes that 50 percent of the Fund be shared on the basis of the CDI and 50 percent equally among the marginalized Counties. The National Treasury view is that sharing 50 percent of the Fund equally among the marginalized counties will not help to achieve the intended objectives of the Fund which is to reduce inequalities in the level of access to basic services. Instead, the National Treasury constructed the formula for sharing the Equalization Fund among counties using the CDI and two parameters (Population and Land Area) used in the revenue sharing formula approved by Parliament in accordance with Article 217 of the Constitution. Poverty measure is not used since it is already incorporated in the CDI while fiscal responsibility measure is omitted because data to measure the degree of fiscal responsibility exercised by county governments is not available. Further, The National Treasury does not propose to allocate any portion of the Fund

equally among the identified counties since as explained above such an approach would not help to achieve the objectives of Fund.

Table 6: Proposed Allocation from the Equalization Fund

County	Weight in % Per County	Total County Allocation (Ksh.)		
		2016/17	2017/18	2018/19
1 Kwale	6.99%	398,430,000	365,227,500	574,403,250
2 Kilifi	9.33%	531,810,000	487,492,500	766,692,750
3 Tana River	5.72%	326,040,000	298,870,000	470,041,000
4 Lamu	3.25%	185,250,000	169,812,500	267,068,750
5 Taita Taveta	4.72%	269,040,000	246,620,000	387,866,000
6 Marsabit	6.78%	386,460,000	354,255,000	557,146,500
7 Isiolo	4.02%	229,140,000	210,045,000	330,343,500
8 Garissa	7.34%	418,380,000	383,515,000	603,164,500
9 Wajir	9.08%	517,560,000	474,430,000	746,149,000
10 Mandera	10.85%	618,450,000	566,912,500	891,598,750
11 Turkana	11.33%	645,810,000	591,992,500	931,042,750
12 West Pokot	6.82%	388,740,000	356,345,000	560,433,500
13 Samburu	5.41%	308,370,000	282,672,500	444,566,750
14 Narok	8.36%	476,520,000	436,810,000	686,983,000
Total County Allocation	100.00%	5,700,000,000	5,225,000,000	8,217,500,000
Fund Administration	5%	300,000,000	275,000,000	432,500,000
Total Allocation from EF		6,000,000,000	5,500,000,000	8,650,000,000

70. The weight for the CDI used in the formula for sharing the Equalization Fund among counties is derived from the CRA policy on identification of marginalized areas, while the weights for the other two parameters (population and land area) used in the formula for sharing the Equalization Fund among counties is arrived at as shown in Table 7. The weights used are mirrored to those used in the revenue sharing formula approved by Parliament in accordance with Article 217 of the Constitution.

Table 7: Computation of Weights for the Formula for Sharing Equalization Fund

Parameter	Weight Assigned in Equitable Share Formula	Share of 50% weight to be assigned
Population	0.45	0.425
Land Area	0.08	0.075
Total	0.53	0.500

VIII. REVENUE ALLOCATION TO COUNTY GOVERNMENTS FROM THE NATIONAL GOVERNMENT'S SHARE IN TERMS OF ARTICLE 202 OF THE CONSTITUTION, INCLUDING CONDITIONAL AND UNCONDITIONAL GRANTS

71. In 2016/17 FY, it has been proposed that County Governments be allocated an equitable share of revenue raised nationally amounting to Ksh 280.3 billion. This allocation is to be shared among the counties according to the revenue sharing criteria approved by Parliament in accordance with the Constitution (Article 217). The proposed 2016/17 equitable share allocation is more than double the constitutional minimum of 15 percent of the latest audited revenues for FY 2013/14 (i.e. Ksh. 935.7 billion).

72. To support implementation of devolution, County Governments will receive additional conditional allocations amounting to Ksh 21.9 billion. These conditional allocations include:

- Conditional grant for level-5 hospitals of Ksh 4.0 billion;
- Special purpose grant of Ksh 200.0 million to support emergency medical services in two counties (Lamu and Tana River) which are vulnerable to terror attacks;
- Conditional grant for free maternal healthcare of Ksh 4.1 billion;
- Conditional grant to compensate County Governments for foregone user fees (which was abolished) of Ksh 900 million;
- Conditional grant financing the leasing of medical equipment of Ksh 4.5 billion;
- Conditional grant from the Road Maintenance Fuel Levy Fund of Ksh 4.3 billion;
- Conditional allocations from donor loans and grants estimated at Ksh 5.3 billion, comprising the following:
 - a) a World Bank loan of Ksh 1.3 billion to supplement financing of county health facilities;
 - b) a grant of Ksh 422.4 million from the Government of Denmark to supplement financing of county health facilities and loans and grants from other development partners amounting to Ksh 2.1 billion to ensure continued implementation of various devolved services.

IX. OTHER BUDGET DOCUMENTS

73. The other budget documents include highlights of the 2016 debt strategy, domestic and external loan redemption and interest, list of guaranteed loans, revenues for guaranteed loans repayment interest as well as a list of Semi-Autonomous Government Agencies receiving funds from the exchequer. The details are given as follows:

A. Highlights of the 2016 Medium Term Debt Strategy (MTDS)

74. The Government debt management establishes and executes a strategy for managing the government's debt to raise the required amount of funding, achieve its risk and cost objectives, and meet any other debt management goals, such as developing and maintaining an efficient market for government securities. In this regard, the 2016 MTDS intends to implement government's plan over the medium term in order to achieve a desired composition of the government debt portfolio.

75. The overall strategy is to attain 60:40 ratio of external and domestic borrowing to finance the central government budget.

(i) Domestic Borrowing

The 40 percent net domestic borrowing comprises Treasury Bonds and Treasury Bills in the ratio of 76:24. The strategy is taken after considering both cost and risk. The strategy recommends issuance of medium to long term securities. This will ensure that the maturity structure of the existing portfolio is lengthened to minimize refinancing risk.

(ii) External Borrowing

The 60 percent net external borrowing comprises concessional (23 percent); semi-concessional (23 percent) and commercial (14 percent).

76. Considering macro-economic and domestic market environment, issuance of medium term domestic debt will be done through benchmark bonds. T-bonds will be the main source of net domestic financing, while T-bills will primarily be an instrument to manage government cash position. Issuance of T-bonds will promote the Government objective of lengthening the maturity structure.

77. Official external sources remain the preferred option for the Government to source financing on concessional terms. However, it has been observed that borrowing terms have increasingly hardened, with new loans often contracted on terms very close to the 35 percent grant element threshold.

B. Loans made by the National Government to State Corporations, Government Agencies, and other Organizations as at June 30th, 2015

78. Total outstanding loans by The National Government to State Corporations, Government Agencies, and other Organizations as at 30th June 2015 stood at Kshs. 196,852,883,036 (**Table 13A**). The total National Government loan portfolio is an accumulation of loans given by The National Government over a long time. Out of the total loan amount outstanding, Kshs. 181,125,224,791 are active loans (**Table 13B**) while the balance amounting to Kshs. 15,727,658,244 are non-performing (**Table 13C**).

79. The total amount lent increased from Kshs.192.083 billion to Kshs. 210.334 billion during the year. The increase of Kshs.18.252 billion is attributed to new loans made available to Kenya Power for the Electricity Modernization, and to Athi Water & Sewerage Co. for increased access to water and sanitation services & additional rehabilitation and development of the network projects.

80. During the year, Treasury received Kshs.2.686 billion in loan redemptions, which included the final loan redemption installment from Uchumi Supermarkets Ltd. This Company will therefore not be reflected in the subsequent statement/report of the Outstanding Loans. The accumulated loan redemption is Kshs.13.481 billion as at 30 June 2015.

C. Estimates of Principal, Interest and Other Charges in the 2015/2016 FY

81. In the 2016/17 Financial Year, the National Treasury has budgeted for loan principal receipts of Ksh 2,628,803,313 and interest repayment Ksh 1,954,969,940 respectively (**Table 14**). The expected receipts from Kenya Electricity Generating Co. Ltd. (KENGEN) is projected to drop significantly in line with the Cabinet directive that part of the Company's outstanding loans be converted into Equity during the Company's rights issue.

D. Other Tables

82. The rest of the Tables are as follows:

- Table 8: Internal interest payments from the Consolidated Fund
- Table 9: Internal debt redemption from the Consolidated Fund
- Table 10: External debt redemption from the Consolidated Fund
- Table 11: Interest payments on external debt from the consolidated fund
- Table 12: List of Publicly Guaranteed Debt
- Table 13: Summary statement of outstanding loans to state corporations, Government Agencies and other Organizations as at June 30th, 2015
- Table 14: Revenue estimates for Fiscal Year 2016/17

Table 8: Internal Interest Payments from the Consolidated Fund

CONSOLIDATED FUND					(Cont'd)			
(1) R50 PUBLIC DEBT								
242000 - INTEREST ON INTERNAL DEBT								
SUB-HEAD	ITEM DESCRIPTION				REVISED ESTIMATES 2015/2016	PRINTED ESTIMATES 2016/2017	PRINTED ESTIMATES 2017/2018	PRINTED ESTIMATES 2018/2019
TREASURY BONDS :	ISSUE No.	PRINCIPAL	DUE YR	TENOR	Kshs	Kshs	Kshs	Kshs
002000203	2420102 FXD3/2013/2	17,927,400,000.00	2015/08	2YRS	1,159,813,143			
002000203	2420102 FXD4/2013/2	25,251,000,000.00	2015/12	2YRS	1,458,624,015			
002000202	2420102 IFB1/2011/12	19,121,178,735.00	2015/09	4YRS	1,303,420,500			
2000204	2420102 FXD2/2010/5	11,968,750,000.00	2015/11	5YRS	199,608,828			
002000204	2420102 FXD2/2010/5	1,723,400,000.00	2015/11	5YRS	57,484,007			
002000204	2420102 FXD2/2010/5	1,280,950,000.00	2015/11	5YRS	21,363,044			
002000205	2420102 IFB2/2009/12	9,193,700,000.00	2015/11	6YRS	275,811,000			
002000204	2420102 FXD1/2011/5	10,810,200,000.00	2016/01	5YRS	825,466,872			
002000204	2420102 FXD1/2011/5	11,272,900,000.00	2016/01	5YRS	860,798,644			
002000205	2420102 IFB1/2010/8	8,776,471,185.00	2016/02	6YRS	855,705,941			
002000203	2420102 FXD1/2014/2	19,976,400,000.00	2016/03	2YRS	2,158,050,492			
002000209	2420102 FXD1/2006/10	3,451,050,000.00	2016/03	10YRS	483,147,000			
002000216	2420102 FXD1/2015/1	10,241,375,000.00	2016/04	1YRS	1,175,197,781			
002000209	2420102 FXD2/2006/10	5,028,100,000.00	2016/05	10YRS	703,934,000			
002000203	2420102 FXD2/2014/2	12,267,450,000.00	2016/05	2YRS	1,324,025,879			
002000203	2420102 FXD2/2014/2	7,862,700,000.00	2016/05	2YRS	848,621,211			
002000205	2420102 IFB2/2010/9	14,200,000,000.00	2016/08	6YRS	986,146,500	493,073,250		
002000216	2420102 FXD1/2015/1	24,260,650,000.00	2016/09	1YR	2,312,282,552	2,312,282,552		
002000216	2420102 FXD1/2015/1	10,241,375,000.00	2016/10	1YR	1,175,197,781	1,175,197,781.25		
002000203	2420102 FXD3/2014/2	8,903,250,000.00	2016/12	1YR	969,563,925	484,781,963		
002000203	2420102 FXD3/2014/2	20,472,450,000.00	2016/12	2YRS	2,229,449,805	1,114,724,902.50		
002000211	2420102 IFB1/2009/12	4,848,513,800.00	2017/02	12YRS	562,212,500	562,212,500		
002000204	2420102 FXD1/2012/5	7,925,800,000.00	2017/05	5YRS	939,603,590	939,603,590		
002000204	2420102 FXD1/2012/5	18,248,200,000.00	2017/05	5YRS	2,163,324,110	2,163,324,110		
002000209	2420102 SFX1/2007/10	5,000,000,000.00	2017/05	10YRS	650,000,000	650,000,000		
002000204	2420102 FXD1/2012/5	4,905,550,000.00	2017/05	5YRS	581,552,953	581,552,953		
002000203	2420102 FXD1/2015/2	23,592,150,000.00	2017/02	2YRS	2,706,019,605	2,706,019,605		
002000203	2420102 FXD2/2015/2	11,555,900,000.00	2017/06	2YRS	1,459,394,611	1,459,394,611		
002000203	2420102 FXD2/2015/2	7,190,900,000.00	2017/06	2YRS	908,138,761	908,138,761		
002000206	2420102 IFB2/2010/9	8,700,000,000.00	2017/08	7YRS	522,000,000	522,000,000	261,000,000	
002000210	2420102 FXD1/2006/11	4,031,400,000.00	2017/09	11YRS	554,317,500	554,317,500	277,158,750	
002000202	2420102 IFB/2013/12	4,776,524,397.00	2017/09	4YRS	525,417,684	525,417,684	262,708,842	
002000202	2420102 IFB/2013/12	5,993,700,741.00	2017/09	4YRS	659,307,082	659,307,082	329,653,541	
002000209	2420102 FXD1/2007/10	9,308,800,000.00	2017/10	10YRS	1,000,696,000	1,000,696,000	500,348,000	
002000203	2420102 FXD1/2016/02	20,153,750,000.00	2018/01	2YRS	-	3,176,231,000	3,176,231,000	
002000209	2420102 FXD1/2008/10	2,992,750,000.00	2018/02	10YRS	321,720,625	321,720,625	321,720,625	
002000203	2420102 IFB1/2010/8	7,131,578,815.00	2018/02	2YRS	695,328,934	695,328,934	695,328,934	
002000204	2420102 FXD1/2013/5	20,240,750,000.00	2018/04	5YRS	2,609,437,490	2,609,437,490	2,609,437,490	
002000204	2420102 FXD2/2013/5	12,888,000,000.00	2018/06	5YRS	1,456,988,400	1,456,988,400	1,456,988,400	
002000204	2420102 FXD2/2013/5	13,452,050,000.00	2018/06	5YRS	1,520,754,253	1,520,754,253	1,520,754,253	
002000209	2420102 FXD2/2008/10	882,000,000.00	2018/07	10YRS	94,815,000	94,815,000	94,815,000	47,407,500
002000209	2420102 FXD2/2008/10	12,622,700,000.00	2018/07	10YRS	1,356,940,250	1,356,940,250	1,356,940,250	678,470,125
002000211	2420102 FXD1/2006/12	3,900,950,000.00	2018/08	12YRS	546,133,000	546,133,000	546,133,000	273,066,500
002000209	2420102 FXD3/2008/10	4,151,600,000.00	2018/09	10YRS	446,297,000	446,297,000	446,297,000	223,148,500
002000211	2420102 IFB1/2014/12	1,797,701,804.50	2018/10	12YRS	197,747,198	197,747,198	197,747,198.50	98,873,599.25
002000211	2420102 IFB1/2014/12	404,102,174.00	2018/10	12YRS	44,451,239	44,451,239	44,451,239.14	22,225,619.57
002000211	2420102 IFB1/2014/12	4,060,892,083.50	2018/10	12YRS	446,698,129	446,698,129	446,698,129.19	223,349,064.59
002000211	2420102 IFB1/2014/12	2,735,614,987.00	2018/10	12YRS	300,917,649	300,917,649	300,917,648.57	150,458,824.29
002000208	2420102 IFB2/2009/12	5,361,889,815.00	2018/11	9YRS	617,400,000	617,400,000	617,400,000	308,700,000
002000204	2420102 FXD3/2013/5	14,937,800,000.00	2018/11	5YRS	1,785,365,856	1,785,365,856	1,785,365,856	892,682,928
002000209	2420102 FXD1/2009/10	4,966,850,000.00	2019/04	10YRS	533,936,375	533,936,375	533,936,375	533,936,375

Table 8: Internal Interest Payments from the Consolidated Fund (Cont'd)

CONSOLIDATED FUND (Cont'd)								
(1) R50 PUBLIC DEBT								
242000 - INTEREST ON INTERNAL DEBT								
SUB-HEAD	ITEM DESCRIPTION				REVISED	PRINTED	PRINTED	PRINTED
					ESTIMATES	ESTIMATES	ESTIMATES	ESTIMATES
					2015/2016	2016/2017	2017/2018	2018/2019
TREASURY BONDS :	ISSUE No.	PRINCIPAL	DUE YR.	TENOR	Kshs	Kshs	Kshs	Kshs
002000204	2420102 FXD1/2014/5	17,511,200,000.00	2019/04	5YRS	1,903,467,440	1,903,467,440	1,903,467,440	1,903,467,440
002000204	2420102 FXD1/2014/5	8,222,500,000.00	2019/04	5YRS	893,785,750	893,785,750	893,785,750	893,785,750
002000211	2420102 FXD1/2007/12	4,864,600,000.00	2019/05	12YRS	632,398,000	632,398,000	632,398,000	632,398,000
002000204	2420102 FXD2/2014/5	2,132,650,000.00	2019/06	5YRS	254,510,451	254,510,451	254,510,451	254,510,451
002000204	2420102 FXD2/2014/5	14,285,600,000.00	2019/06	5YRS	1,704,843,504	1,704,843,504	1,704,843,504	1,704,843,504
002000208	2420102 IFB2/2010/9	9,971,550,000.00	2019/08	9YRS	598,293,000	598,293,000	598,293,000	598,293,000
002000207	2420102 IFB1/2011/12	14,399,102,964.44	2019/09	8YRS	1,702,968,480	1,727,892,356	1,702,968,480	1,702,968,480
002000209	2420102 FXD1/2010/10	12,052,600,000.00	2020/04	10YRS	964,208,000	964,208,000	964,208,000	964,208,000
002000209	2420102 FXD1/2010/10	7,341,550,000.00	2020/04	10YRS	740,537,785	740,537,785	740,537,785	740,537,785
002000204	2420102 FXD1/2015/5	5,566,200,000.00	2020/06	5YRS	734,348,766	734,348,766	734,348,766	734,348,766
002000204	2420102 FXD1/2015/5	12,461,700,000.00	2020/06	5YRS	1,644,072,081	1,644,072,081	1,644,072,081	1,644,072,081
002000209	2420102 FXD2/2010/10	13,847,900,000.00	2020/10	10YRS	1,288,824,053	1,288,824,053	1,288,824,053	1,288,824,053
002000209	2420102 FXD2/2010/10	1,111,650,000.00	2020/10	10YRS	103,461,266	103,461,266	103,461,266	103,461,266
002000209	2420102 FXD2/2010/10	3,890,350,000.00	2020/10	10YRS	362,074,875	362,074,875	362,074,875	362,074,875
002000204	2420102 FXD2/2015/5	30,673,850,000.00	2020/11	5YRS	2,134,899,960	4,269,799,920	4,269,799,920	4,269,799,920
002000204	2420102 IFB1/2015/9	1,625,415,750.00	2020/12	5YRS	119,898,793	239,797,585.60	239,797,586	239,797,586
002000204	2420102 IFB1/2015/9	822,238,500.00	2020/12	5YRS	60,652,423	121,304,845.91	121,304,846	121,304,846
002000204	2420102 IFB1/2015/9	509,202,750.00	2020/12	5YRS	-	75,122,682	75,122,682	75,122,682
002000204	2420102 IFB1/2015/9	5,709,387,750.00	2020/12	5YRS	421,152,987	421,152,987	421,152,987	421,152,987
002000211	2420102 IFB1/2009/12	7,272,770,700.00	2021/02	12YRS	843,325,000	843,325,000	843,325,000	843,325,000
002000211	2420102 IFB1/2015/12	10,565,607,880.00	2021/03	12YRS	1,162,216,867	1,128,673,388	1,128,673,388	1,128,673,388
002000211	2420102 IFB1/2015/12	9,876,461,424.00	2021/03	12YRS	1,086,410,757	1,128,673,388	1,128,673,388	1,128,673,388
002000204	2420102 FXD 1/2016/5	19,545,570,000.00	2021/05	5YRS	-	2,801,662,004	2,801,662,004	2,801,662,004
002000207	2420102 IFB1/2013/12	5,494,159,494.72	2021/09	8YRS	604,357,544	604,357,544	604,357,544	604,357,544
002000207	2420102 IFB1/2013/12	6,894,206,979.00	2021/09	8YRS	758,362,768	758,362,768	758,362,768	758,362,768
002000211	2420102 IFB2/2009/12	4,749,160,185.00	2021/11	12YRS	547,074,000	547,074,000	547,074,000	547,074,000
002000212	2420102 FXD1/2007/15	3,654,600,000.00	2022/03	15YRS	529,917,000	529,917,000	529,917,000	529,917,000
002000212	2420102 SFX1/2007/15	6,000,000,000.00	2022/05	15YRS	870,000,000	870,000,000	870,000,000	870,000,000
002000209	2420102 FXD1/2012/10	443,150,000.00	2022/06	10YRS	56,302,208	56,302,208	56,302,208	56,302,208
002000209	2420102 FXD1/2012/10	11,061,750,000.00	2022/06	10YRS	1,405,395,338	1,405,395,338	1,405,395,338	1,405,395,338
002000212	2420102 FXD2/2007/15	7,236,950,000.00	2022/06	15YRS	673,218,893	673,218,893	673,218,893	673,218,893
002000211	2420102 IFB1/2014/12	4,992,243,486.30	2022/10	12YRS	976,988,250	976,988,250	976,988,250	976,988,250
002000211	2420102 IFB1/2014/12	496,781,594.90	2022/10	12YRS	549,146,783	549,146,783	549,146,783	549,146,783
002000211	2420102 IFB1/2014/12	496,781,594.90	2022/10	12YRS	54,645,975	54,645,975	54,645,975	54,645,975
002000211	2420102 IFB1/2014/12	2,209,998,428.74	2022/10	12YRS	243,099,827	243,099,827	243,099,827	243,099,827
002000211	2420102 IFB1/2014/12	3,363,018,720.78	2022/10	12YRS	369,932,059	369,932,059	369,932,059	369,932,059
002000212	2420102 FXD3/2007/15	7,841,100,000.00	2022/11	15YRS	980,137,500	980,137,500	980,137,500	980,137,500
002000212	2420102 FXD3/2007/15	10,189,100,000.00	2024/05	15YRS	1,273,637,500	1,273,637,500	1,273,637,500	1,273,637,500
002000206	2420102 IFB1/2015/9	766,621,692.03	2022/12	7YRS	56,549,849	113,099,698.23	113,099,698	113,099,698
002000206	2420102 IFB1/2015/9	474,759,907.00	2022/12	7YRS	-	70,041,329	70,041,329	70,041,329
002000206	2420102 IFB1/2015/9	798,225,420.67	2022/12	7YRS	58,881,098	117,762,196.31	117,762,196	117,762,196
002000206	2420102 IFB1/2015/9	5,323,200,625.35	2022/12	7YRS	392,665,894	785,331,788.26	785,331,788	785,331,788
002000212	2420102 FXD1/2008/15	7,380,900,000.00	2023/03	15YRS	922,612,500	922,612,500	922,612,500	922,612,500
002000209	2420102 FXD1/2013/10	4,737,700,000.00	2023/06	10YRS	-	586,100,867	586,100,867	586,100,867
002000209	2420102 FXD1/2013/10	11,909,050,000.00	2023/06	10YRS	1,473,268,576	1,473,268,576	1,473,268,576	1,473,268,576
002000209	2420102 FXD1/2013/10	521,700,000.00	2023/06	10YRS	64,539,507	64,539,507	64,539,507	64,539,507
002000209	2420102 FXD1/2013/10	9,958,400,000.00	2023/06	10YRS	-	1,231,953,664	1,231,953,664	1,231,953,664
002000209	2420102 FXD1/2013/10	12,121,350,000.00	2023/06	10YRS	1,499,532,209	1,499,532,209	1,499,532,209	1,499,532,209
002000211	2420102 IFB1/2011/12	10,283,098,969.87	2023/09	12YRS	1,216,172,304	1,216,172,304	1,216,172,304	1,216,172,304
002000211	2420102 IFB1/2015/12	10,099,773,890.50	2024/03	12YRS	1,110,975,128	1,078,910,569	1,078,910,569	1,078,910,569
002000209	2420102 FXD1/2014/10	15,030,150,000.00	2024/01	10YRS	1,830,672,270	1,830,672,270	1,830,672,270	1,830,672,270
002000209	2420102 FXD1/2014/10	15,587,650,000.00	2024/01	10YRS	1,586,822,770	1,586,822,770	1,586,822,770	1,586,822,770
002000209	2420102 FXD1/2014/10	5,234,350,000.00	2024/01	10YRS	637,543,830	637,543,830	637,543,830	637,543,830
002000211	2420102 IFB1/2015/12	9,441,011,662.89	2024/03	12YRS	1,038,511,283	1,078,910,569	1,078,910,569	1,078,910,569
002000212	2420102 FXD1/2009/15	9,420,450,000.00	2024/10	15YRS	1,177,556,250	1,177,556,250	1,177,556,250	1,177,556,250
002000208	2420102 IFB1/2015/9	794,439,807.97	2024/12	9YRS	58,601,852	117,203,704.87	117,203,705	117,203,705

Table 8: Internal Interest Payments from the Consolidated Fund (Cont'd)

CONSOLIDATED FUND					(Cont'd)				
(1) R50 PUBLIC DEBT									
242000 - INTEREST ON INTERNAL DEBT									
SUB-HEAD	ITEM DESCRIPTION				REVISED	PRINTED	PRINTED	PRINTED	
					ESTIMATES	ESTIMATES	ESTIMATES	ESTIMATES	
					2015/2016	2016/2017	2017/2018	2018/2019	
TREASURY BONDS :	ISSUE No.	PRINCIPAL	DUE YR.	TENOR	Kshs	Kshs	Kshs	Kshs	
002000208	2420102 IFB1/2015/9	5,516,361,624.65	2024/12	9YRS	406,914,415	813,828,830.48	813,828,830	813,828,830	
002000208	2420102 IFB1/2015/9	491,987,343.00	2024/12	9YRS	-	72,582,893	72,582,893	72,582,893	
002000208	2420102 IFB1/2015/9	2,287,708,829.33	2024/12	9YRS	168,752,842	168,752,842	168,752,842	168,752,842	
002000212	2420102 FXD1/2010/15	12,129,800,000.00	2025/03	15YRS	1,232,387,680	1,232,387,680	1,232,387,680	1,232,387,680	
002000212	2420102 FXD1/2010/15	10,206,450,000.00	2025/03	15YRS	1,046,161,125	1,046,161,125	1,046,161,125	1,046,161,125	
002000211	2420102 IFB1/2013/12	8,461,742,280.00	2025/09	12YRS	930,791,651	930,791,651	930,791,651	930,791,651	
002000211	2420102 IFB1/2013/12	6,743,366,108.28	2025/09	12YRS	741,770,272	741,770,272	741,770,272	741,770,272	
002000212	2420102 FXD2/2010/15	6,183,750,000.00	2025/12	15YRS	556,537,500	556,537,500	556,537,500	556,537,500	
002000212	2420102 FXD2/2010/15	7,329,350,000.00	2025/12	15YRS	659,641,500	659,641,500	659,641,500	659,641,500	
002000211	2420102 IFB1/2014/12	6,959,214,430.20	2026/10	12YRS	765,513,587	765,513,587	765,513,587	765,513,587	
002000211	2420102 IFB1/2014/12	692,516,231.10	2026/10	12YRS	76,176,785	76,176,785	76,176,785	76,176,785	
002000211	2420102 IFB1/2014/12	4,688,066,292.22	2026/10	12YRS	515,687,292	515,687,292	515,687,292	515,687,292	
002000211	2420102 IFB1/2014/12	3,080,749,766.76	2026/10	12YRS	338,882,474	338,882,474	338,882,474	338,882,474	
002000211	2420102 IFB1/2015/12	5,793,618,229.50	2027/03	12YRS	637,298,005	618,904,543	618,904,543	618,904,543	
002000211	2420102 IFB1/2015/12	5,415,726,913.11	2027/03	12YRS	595,729,960	618,904,543	618,904,543	618,904,543	
002000212	2420102 FXD1/2012/15	21,089,450,000.00	2027/09	15YRS	2,319,839,500	2,319,839,500	2,319,839,500	2,319,839,500	
002000212	2420102 FXD1/2013/15	5,875,700,000.00	2028/02	15YRS	661,016,250	661,016,250	661,016,250	661,016,250	
002000212	2420102 FXD1/2013/15	7,507,100,000.00	2028/02	15YRS	844,548,750	844,548,750	844,548,750	844,548,750	
002000212	2420102 FXD1/2013/15	13,172,850,000.00	2028/02	15YRS	1,481,945,625	1,481,945,625	1,481,945,625	1,481,945,625	
002000212	2420102 FXD1/2013/15	9,615,400,000.00	2028/02	15YRS	-	1,153,848,000	1,153,848,000	1,153,848,000	
002000212	2420102 FXD1/2013/15	15,582,800,000.00	2028/02	15YRS	1,505,565,000	1,505,565,000	1,505,565,000	1,505,565,000	
002000212	2420102 FXD2/2013/15	17,385,850,000.00	2028/04	15YRS	2,086,302,000	2,086,302,000	2,086,302,000	2,086,302,000	
002000213	2420102 FXD1/2008/20	10,834,800,000.00	2028/06	20YRS	1,489,785,000	1,489,785,000	1,489,785,000	1,489,785,000	
002000213	2420102 FXD1/2008/20	1,912,250,000.00	2028/06	20YRS	262,934,375	262,934,375	262,934,375	262,934,375	
002000213	2420102 FXD1/2008/20	7,613,900,000.00	2028/06	20YRS	1,046,911,250	1,046,911,250	1,046,911,250	1,046,911,250	
002000213	2420102 FXD1/2011/20	8,138,500,000.00	2031/05	20YRS	691,120,000	691,120,000	691,120,000	691,120,000	
002000213	2420102 FXD1/2011/20	1,227,300,000.00	2031/05	20YRS	245,460,000	245,460,000	245,460,000	245,460,000	
002000213	2420102 FXD1/2012/20	3,461,350,000.00	2032/11	20YRS	415,362,000	415,362,000	415,362,000	415,362,000	
002000213	2420102 FXD1/2012/20	10,882,700,000.00	2032/11	20YRS	1,305,924,000	1,305,924,000	1,305,924,000	1,305,924,000	
002000213	2420102 FXD1/2012/20	4,956,500,000.00	2032/11	20YRS	594,780,000	594,780,000	594,780,000	594,780,000	
002000213	2420102 FXD1/2012/20	9,363,050,000.00	2032/11	20YRS	1,123,566,000	1,123,566,000	1,123,566,000	1,123,566,000	
002000213	2420102 FXD1/2012/20	2,060,550,000.00	2032/11	20YRS	247,266,000	247,266,000	247,266,000	247,266,000	
002000213	2420102 FXD1/2012/20	13,857,500,000.00	2032/11	20YRS	1,662,900,000	1,662,900,000	1,662,900,000	1,662,900,000	
002000214	2420102 FXD1/2010/25	7,008,150,000.00	2035/05	25YRS	788,416,875	788,416,875	788,416,875	788,416,875	
002000214	2420102 FXD1/2010/25	13,184,350,000.00	2035/05	25YRS	1,483,239,375	1,483,239,375	1,483,239,375	1,483,239,375	
002000215	2420102 SDB1/2011/30	8,718,100,000.00	2041/01	30YRS	1,046,172,000	1,046,172,000	1,046,172,000	1,046,172,000	
002000215	2420102 SDB1/2011/30	3,376,800,000.00	2041/01	30YRS	405,216,000	405,216,000	405,216,000	405,216,000	
002000215	2420102 SDB1/2011/30	853,100,000.00	2041/01	30YRS	102,372,000	117,514,525	117,514,525	117,514,525	
002000215	2420102 SDB1/2011/30	19,000,000.00	2041/01	30YRS	2,280,000	2,617,250	2,617,250	2,617,250	
002000215	2420102 SDB1/2011/30	667,900,000.00	2041/01	30YRS	80,148,000	92,003,225	92,003,225	92,003,225	
002000215	2420102 SDB1/2011/30	2,003,350,000.00	2041/01	30YRS	240,402,000	275,961,463	275,961,463	275,961,463	
002000215	2420102 SDB1/2011/30	1,752,500,000.00	2041/01	30YRS	210,300,000	241,406,875	241,406,875	241,406,875	
002000215	2420102 SDB1/2011/30	10,041,550,000.00	2041/01	30YRS	844,491,000	844,491,000	844,491,000	844,491,000	
002000215	2420102 SDB1/2011/30	712,400,000.00	2041/01	30YRS	85,488,000	98,133,100	98,133,100	98,133,100	
002000218	2420102 May-JUN Issue	60,000,000,000.00	various	various	-	8,685,900,000	8,685,900,000	8,685,900,000	
002000219	2420102 NEW LOANS				-	10,304,531,983	20,902,205,392	29,603,689,528	
SUB - TOTAL					Kshs	121,910,096,002	137,706,887,551	131,098,461,374	125,470,233,015

Summary on Interest on Internal Debt

CONSOLIDATED FUND SERVICES						
(1) R50 PUBLIC DEBT 242000 - INTEREST ON INTERNAL DEBT						
SUB- HEAD	ITEM	DESCRIPTION	REVISED ESTIMATES 2015/16 Kshs	PRINTED ESTIMATES 2016/17 Kshs	PRINTED ESTIMATES 2017/18 Kshs	PRINTED ESTIMATES 2018/19 Kshs
OTHER LOANS:						
002000401	2420102	Pre - 1997 Gov't Overdraft Debt	791,806,095	758,506,095	725,206,095	700,162,671
002000403	2420102	Tax Reserve Certificate				
002000407	2420102	Short Term Borrowing (T. Bills Interest)	30,920,866,413	52,002,996,755	56,620,978,162	54,600,197,099
002000404	2420102	Miscellaneous (Advertising)	30,000,000	30,000,000	30,000,000	30,000,000
002000405	2420102	SDR- Allocation Charges	-	-	-	-
002000402	2420102	Government Overdraft- Interest Charges	4,023,690,011	3,768,430,400	5,383,472,000	5,383,472,000
002000408	2420102	Commissions to CBK	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
SUB - TOTAL			38,766,362,519	59,559,933,250	65,759,656,257	63,713,831,769
TOTAL INTEREST ON BONDS & OTHER LOANS			160,676,458,521	197,266,820,801	196,858,117,631	189,184,064,784
GRAND TOTAL INTERNAL DEBT - INTEREST			160,676,458,521	197,266,820,801	196,858,117,631	189,184,064,784

Note:

1. Net domestic financing has been assumed at Kshs 197.3 billion in the fiscal year 2016/17
2. Of the Kshs 197.3 billion net domestic borrowing, 30% is assumed to be (Kshs 59.19 billion) through bills and 70% (Kshs 138.11 billion) through bonds.
3. Interest rates will be stable between 9.32% p.a-12.7% p.a, 11.93. - 13.8% p.a and 13.25% p.a- 14.71% p.a - for 91 days, 182 days and 364 days.
4. Assumed coupon rates for benchmark Bonds of 2, 5, 10, 15, and 20 years are 11.25%, 12.70%, 123.19%, 15.76% respectively.
5. The usage of the overdraft at CBK will fluctuate within the year but close at zero at end June 2016. Interest will be charged at the CBR rate and the facility will be utilized at 100% of the set ceiling of Kshs 46.8 billion.

Table 9: Internal Debt Redemption from the Consolidated Fund

CONSOLIDATED FUND INTERNAL DEBT REDEMPTION							
SUB- HEAD	ITEM	DESCRIPTION		REVISED ESTIMATES 2015/2016	PRINTED ESTIMATES 2016/2017	PRINTED ESTIMATES 2017/2018	PRINTED ESTIMATES 2018/2019
		ISSUE No.	DUE YR.	TENOR	Kshs	Kshs	Kshs
00200020	5210201	FXD3/2013:2	2015/08	2YRS	17 927 400,000 00	-	-
00200021	5210201	IFB1/2011:1	2015/09	4YRS	19 121 178,735 00	-	-
00200020	5210201	FXD2/2010:5	2015/11	5YRS	11 958 750,000 00	-	-
00200020	5210201	FXD2/2010:5	2015/11	5YRS	1 280 950,000 00	-	-
00200020	5210201	FXD2/2010:5	2015/11	5YRS	1 723 400,000 00	-	-
00200020	5210201	IFB2/2009:1	2015/11	6YRS	9 193 700,000 00	-	-
00200020	5210201	FXD4/2013:2	2015/12	2YRS	25 251 000,000 00	-	-
00200020	5210201	FXD1/2011:5	2016/01	5YRS	10 810 200,000 00	-	-
00200020	5210201	FXD1/2011:5	2016/01	5YRS	11 272 900,000 00	-	-
00200021	5210201	IFB1/2010:8	2016/02	8YRS	8 776,471 185 00	-	-
00200021	5210201	FXD1/2015:1	2016/04	1YRS	10 241 375,000 00	-	-
00200020	5210201	FXD1/2014:2	2016/03	2YRS	19,976 400 000 00	-	-
00200020	5210201	FXD1/2006:10	2016/03	10YRS	3 451,050,000 00	-	-
00200020	5210201	FXD2/2006:10	2016/05	10YRS	5 028 100,000 00	-	-
00200020	5210201	FXD2/2014:2	2016/05	2YRS	12 237,450,000 00	-	-
00200020	5210201	FXD2/2014:3	2016/05	2YRS	7 862 700 000 00	-	-
00200021	5210201	IFB2/2010:9	2016/08	6YRS	-	14 200 000 000 00	-
00200021	5210201	FXD1/2015:1	2016/09	1YRS	-	24,260,650 000 00	-
00200021	5210201	FXD2/2015:1	2016/10	1YRS	-	10 241 375,000 00	-
00200020	5210201	FXD3/2014:2	2016/12	2YRS	-	20,472,450,000 00	-
00200020	5210201	FXD3/2014:2	2016/12	2YRS	-	8 903 250 000 00	-
00200021	5210201	IFB1/2009:12	2017/02	12YR	-	4 497 700 000 00	-
00200020	5210201	FXD1/2015:2	2017/02	2YRS	-	23 592 150 000 00	-
00200020	5210201	FXD1/2012:5	2017/05	5YRS	-	7 925 800,000 00	-
00200020	5210201	FXD1/2012:5	2017/05	5YRS	-	4 905 550,000 00	-
00200020	5210201	FXD1/2012:6	2017/05	5YRS	-	18 248 200,000 00	-
00200020	5210201	SFX1/2007:10	2017/05	10YRS	-	5 000 000 000 00	-
00200020	5210201	FXD2/2015:2	2017/05	2YRS	-	11 555 900 000 00	-
00200020	5210201	FXD2/2015:2	2017/06	2YRS	-	7 190 900,000 00	-
00200020	5210201	IFB2/2010:9	2017/09	7YRS	-	8 700 000 000	-
00200021	5210201	FXD1/2006:11	2017/09	11YRS	-	4 031 400,000	-
00200021	5210201	IFB1/2013:12	2017/09	4YRS	-	4 776,524 397	-
00200021	5210201	IFB1/2013:12	2017/09	4YRS	-	5 993 700,741	-
00200020	5210201	FXD1/2007:10	2017/10	10YRS	-	9,308,800,000	-
00200020	5210201	FXD1/2016:2	2018/01	2YRS	-	20 153 750 000	-
00200020	5210201	FXD1/2008:10	2018/02	10YRS	-	2 992,750,000	-
00200021	5210201	IFB1/2010:8	2018/02	6YRS	-	7 131 578 815	-
00200020	5210201	FXD1/2013:5	2018/04	5YRS	-	20 240 750,000	-
00200020	5210201	FXD2/2013:5	2018/05	5YRS	-	13 452 050 000	-
00200020	5210201	FXD2/2013:5	2018/06	5YRS	-	12 888 000 000	-
00200020	5210201	FXD2/2008:10	2018/07	10YRS	-	-	12 622 700 000 00
00200020	5210201	FXD2/2008:10	2018/07	10YRS	-	-	882 000 000 00
00200021	5210201	FXD1/2006:12	2018/08	12YRS	-	-	3 900 950 000 00
00200020	5210201	FXD3/2008:10	2018/09	10YRS	-	-	4 151 600 000 00
00200021	5210201	IFB1/2014:12	2018/10	12YRS	-	-	404 102 174 00
00200021	5210201	IFB1/2014:12	2018/10	12YRS	-	-	2 735 614 987 00
00200021	5210201	IFB1/2014:12	2018/10	12YRS	-	-	1 797 701,804 50
00200021	5210201	IFB1/2014:12	2018/10	12YRS	-	-	4 060,892 083 50
00200020	5210201	FXD3/2013:5	2018/11	5YRS	-	-	14 937 800 000 00
00200020	5210201	IFB2/2009:12	2018/11	9YRS	-	-	5 145 000 000 00
00200020	5210201	FXD1/2009:10	2019/04	10YRS	-	-	4 966 850 000 00
00200020	5210201	FXD1/2014:5	2019/04	5YRS	-	-	17 511 200,000 00
00200020	5210201	FXD1/2014:5	2019/04	5YRS	-	-	6 222 500,000 00
00200021	5210201	FXD1/2007:12	2019/05	12YRS	-	-	4 864,600,000 00
00200020	5210201	FXD2/2014:5	2019/06	5YRS	-	-	14 285 600 000 00
00200020	5210201	FXD2/2014:5	2019/06	5YRS	-	-	2 132 650,000 00
00200021	5210201	NEW LOANS			-	41 000 000 000	41 000 000 000
			Kshs		176,153,024,920.00	160,993,925,000.00	150,669,303,953
00200040	5210201	Pre - 1997 Gov't Overdra			1 110 000 000	1 110 000 000	1 110 000 000
00200040	5210201	Redemption of Treasury Bills - Sh			10 000 000 000	10 000 000 000	10 000 000 000
00200040	5210201	Tax Reserve Certificate			300 000	300 000	300 000
					11,110,300,000.00	11,110,300,000.00	11,110,300,000.00
GRAND TOTAL	INTERNAL DEBT		Kshs		187,263,324,920.00	172,104,225,000.00	161,779,603,953.0
							154,732,061,049.0

Table 10: External Debt Redemption from the Consolidated Fund

CONSOLIDATED FUND SERVICES (1) 1002 - PUBLIC DEBT 5510600 - EXTERNAL DEBT REDEMPTION					
HEAD	CREDITOR	REVISED ESTIMATES 2015/2016	ESTIMATES 2016/2017	ESTIMATES 2017/2018	ESTIMATES 2018/2019
		Kshs	Kshs	Kshs	Kshs
501	GERMANY	1,723,146,451	929,217,523	939,362,957	1,946,969,701
502	ITALY	491,995,250	2,171,092,516	1,639,576,867	551,525,259
503	JAPAN	5,076,990,867	6,005,486,229	5,760,940,820	5,509,802,546
504	IDA	10,418,775,533	12,772,277,756	13,729,911,675	14,320,845,939
505	ADB/ADF	1,099,768,455	1,596,041,302	2,021,793,445	2,106,597,490
506	U.S.A.	481,672,416	646,121,054	712,606,377	624,365,627
507	DENMARK	147,168,922	258,872,867	258,872,867	258,872,867
508	NETHERLANDS	440,254,639	488,150,495	461,743,977	502,180,778
509	OPEC	537,661,100	784,106,351	806,396,090	828,651,620
510	BADEA	139,973,601	192,322,500	220,117,858	223,645,731
511	FRANCE	3,717,386,207	5,120,208,077	6,227,562,704	6,837,851,136
512	EIB	1,949,392,042	1,185,869,752	1,196,393,525	1,206,917,298
513	SAUDI FUND	518,414,446	637,933,318	665,240,385	718,862,228
514	AUSTRIA - BAWAG	125,948,268	150,722,140	164,248,486	87,212,726
515	SWITZERLAND	48,616,048	69,478,281	75,713,511	40,202,390
516	EEC	363,191,657	401,585,619	280,454,964	283,363,213
517	BELGIUM	1,782,480,405	1,778,384,031	1,869,393,668	1,929,858,815
518	FINLAND	244,924,475	270,442,926	272,388,585	261,307,601
519	CHINA	2,345,598,108	4,578,529,932	7,095,846,756	9,051,558,041
520	SPAIN	1,142,005,914	1,258,263,785	1,236,509,641	1,470,431,341
521	KUWAIT	224,980,140	277,778,194	272,050,808	248,783,305
522	EXIM BANK OF KOREA	51,834,000	114,567,459	114,567,459	143,276,857
523	CANADA	164,618,101	221,212,850	252,630,536	186,669,612
524	SWEDEN	52,972,187	61,528,303	67,050,073	35,602,274
525	UNITED KINGDOM	310,188,083	377,762,214	418,750,393	254,533,877
526	IFAD	275,919,589	385,920,251	425,111,695	435,160,833
527	NORDIC DEVELOPMENT FUND	57,219,679	62,563,656	62,563,656	62,563,656
531	STANDARD BANK -BVR	755,570,238	826,135,987	826,135,987	826,135,987
529	STND CHTRD -SDY			80,178,918,750.00	
532	DEBUT INTERNATIONAL SVRNG BOND (USD 2.75 BN)				80,178,918,750
530	EXIM BANK OF INDIA			313,588,660	627,177,320
		34,688,666,820	43,622,575,368	128,566,443,177	131,759,844,818

Table 11: Interest Payments on External Debt from the Consolidated Fund

CONSOLIDATED FUND SERVICES (1) 1002-PUBLIC DEBT 2410100 - INTEREST ON EXTERNAL DEBT					
HEAD	CREDITOR	REVISED ESTIMATES 2015/2016	ESTIMATES 2016/2017	ESTIMATES 2017/2018	ESTIMATES 2018/2019
		Kshs	Kshs	Kshs	Kshs
501	GERMANY	255 960 792	271 279 150	298 183 621	320 091 289
502	ITALY	608 725	298 466 085	500 612 420	768 795 025
503	JAPAN	607 981 997	686 625 833	655 483 326	690 466 546
504	IDA	3 450 710 200	4 550 949 204	4 831 058 081	5 143 648 127
505	ADB/ADF	1 523 289 695	2 001 991 646	2 070 777 145	2 160 336 546
506	U.S A.	150 242 736	165 981 756	139 758 836	110 714 112
533	NEW LOANS/1	2 354 530 000	2 354 530 000	2 354 530 000	2 354 530 000
508	NETHERLANDS	51 992 149	43 531 687	30 184 277	15 537 494
509	OPEC	85 155 160	92 009 322	114 931 387	154 419 017
510	BADEA	49 810 237	52 340 021	66 937 749	83 547 780
511	FRANCE	1 306 896 557	1 324 873 091	1 384 203 555	1 471 997 727
512	EIB	391 662 233	308 196 497	294 604 514	263 117 330
513	SAUDI FUND	36 099 098	33 645 615	28 270 552	20 347 059
514	AUSTRIA - BAWAG	9 260 555	6 299 470	3 463 938	913 341
515	SWITZERLAND	2 116 007	7 473 147	18 020 884	32 330 947
516	EEC	29 486 086	28 258 401	24 543 467	21 732 183
517	BELGIUM	73 541 832	60 244 241	46 061 341	34 958 699
518	FINLAND	22 262 545	9 684 453	7 263 978	1 616 158
519	CHINA	4 675 683 837	16 197 830 411	19 741 081 083	22 241 516 367
520	SPAIN	164 212 371	200 969 967	274 497 699	360 904 127
521	KUWAIT	29 742 536	32 326 825	59 431 809	96 058 877
522	EXIM BANK OF KOREA	27 699 083	30 222 939	31 615 380	31 948 676
523	CANADA	7 853 102	7 847 703	5 254 686	2 315 235
524	SWEDEN	1 110 037	745 702	431 224	89 006
525	UNITED KINGDOM	44 852 998	10 768 190	6 675 998	2 149 691
526	IFAD	95 412 069	112 937 216	124 303 303	132 277 070
527	NORDIC DEVELOPMENT FUND	21 135 519	22 640 223	22 170 995	21 701 768
529	STANDARD CHARTERED-SDY	2 469 900 246	5 038 595 976	2 519 297 988	-
530	EXIM BANK OF INDIA	33 060 118	43 990 307	54 566 919	57 320 648
531	STANDARD BANK -BVR	141 401 538	115 164 009	96 756 587	78 329 165
532	DEBUT INTERNATIONAL SVRNG BOND (USD 2 75 BNI)	16 448 780 375	19 409 979 914	19 409 979 914	16 242 594 453
		34,562,450,450	53,520,419,000	55,214,952,659	52,916,304,460

Table 12: List of Publicly Guaranteed Debt, In Ksh Million

Agency	Year Loan Contracted	Purpose of Loan	Creditor	Stock			
				12-Jun	13-Jun	14-Jun	15-Jun
Nairobi City County	1985	Umoja II Housing Project	USA	214.8	146.2	74.5	
Kenya Broadcasting Corporation	1989	KBC Modernization Project	Japan	5,996.60	3,933.90	3,584.20	2,403.60
Telkom Kenya Ltd	1990	Purchase of Microwave Telephone System	Canada	362.2	352.6	350.5	374.8
Tana and Athi River Development Authority	1990	Tana Delta Irrigation Project	Japan	2,495.50	1,790.60	1,525.50	1,172.20
East African Portland Cement	1990	Cement Plant Rehabilitation Project	Japan	3,102.20	2,225.90	1,896.30	1,457.10
	1995	Mombasa Diesel Generating Power Project	Japan	5,868.90	4,442.40	4,047.60	3,392.90
	1997	Sondu Miriu Hydropower Project	Japan	5,564.10	4,268.40	3,949.90	3,372.30
KenGen Ltd	2004	Sondu Miriu Hydropower Project II	Japan	11,202.60	9,186.40	8,981.00	8,005.10
	2007	Sondu Miriu Hydropower Project – Sang'oro Power Plant	Japan	4,184.90	3,670.70	3,660.00	3,416.00
	2010	Olkaria Unit 4 and 5 Geothermal Power Project	Japan	51.2	42	41.7	44.3
Kenya Ports Authority	2007	Mombasa Port Modernization Project	Japan	4,549.90	9,607.80	13,166.80	15,855.80
Kenya Railways	2008	Kenya Railways Concessioning	IDA	3,790.50	3,870.30	3,943.20	4,438.80
Kenya Farmers Association	2005	Revival of KFA	Local banks	Unutilized	Unutilized	Unutilized	Unutilized
National Cereals & Produce Board (GSM-102)	2009	Importation of maize under GSM-102	USA	Unutilized	Unutilized	Unutilized	Unutilized
Total				47,383.40	43,537.20	45,221.20	43,932.90

Table 13A: Summary of Statement of Outstanding Loans to State Corporations, Government Agencies and Other Organizations as at June 30th, 2015

	To Whom Lent	Amount Lent	Amount Repaid	Amount Outstanding As At 30th June 2015
		<u>KSHS</u>	<u>KSHS</u>	<u>KSHS</u>
1	Agricultural Finance Corporation	562,294,453	33,175,290	529,119,163
2	Agricultural Settlement Fund and Central Land Board.	126,326,880	43,300,644	83,026,236
3	Agro-chemical & food Company Ltd	1,202,075,120	95,000,000	1,107,075,120
4	Associated Sugar Factory Ramisi	15,818,960	-	15,818,960
5	Athi Water Services Board	30,166,884,546	220,000,000	29,946,884,546
6	Catering Levy Trustee	140,000,000	7,000,000	133,000,000
7	Coast Water Service Board	1,551,379,206	-	1,551,379,206
8	Coffee Board of Kenya	976,332,369	223,822,060	752,510,309
9	Co-operative Bank of Kenya Ltd	908,861,548	168,707,267	740,154,281
10	Cotton Lint and Seed Marketing Board.	23,632,000	1,000,000	22,632,000
11	East African Sugar Industries Limited, Muhoroni	177,123,100	-	177,123,100
12	Eldoret Municipal Council	1,058,673,824	-	1,058,673,824
13	Equity Bank Ltd	591,787,214	290,132,088	301,655,127
14	Faulu Kenya Deposit Taking Micro-Finance Ltd.	200,200,000	-	200,200,000
15	Halal Meat Products	27,701,420	-	27,701,420
16	Ildamat Farmers' Co-operative Society Ltd	3,000,000	2,300,000	700,000
17	Industrial and Commercial Dev. Corporation	89,230,500	-	89,230,500
18	Karatina Industrial Estates	470,100	337,240	132,860
19	Kenya Airports Authority	1,820,144,346	295,254,815	1,524,889,531
20	Kenya Civil Aviation Authority	2,087,092,807	70,165,018	2,016,927,789
21	Kenya Co-operative Creameries Ltd.	52,607,460	16,356,420	36,251,040
22	Kenya Electricity Generating Co. Ltd.	85,863,291,794	6,401,560,291	79,461,731,502
23	Kenya Fishing Industries Limited	4,217,320	1,408,720	2,808,600
24	Kenya Industrial Estates	426,213,120	2,262,636	423,950,484
25	Kenya Meat Commission	940,241,100	-	940,241,100
26	Kenya National Federation of Co-operatives (K.N.F.C.) Ltd	5,595,600	-	5,595,600
27	Kenya Power and Lighting Co. Limited	38,773,429,173	4,204,865,255	34,568,563,918
28	Kenya Toray Mills	2,982,480	-	2,982,480
29	Kenya Tourist Development Corporation	48,000,000	-	48,000,000
30	Kenya Urban Transport Various Towns	40,706,140	-	40,706,140
31	Kenya Women Finance Trust Deposit Taking Micro-Finance Ltd.	205,100,000	-	205,100,000

	To Whom Lent	Amount Lent	Amount Repaid	Amount Outstanding As At 30th June 2015
32	Kenyatta University	10,857,620,656	-	10,857,620,656
33	K-Rep Bank Kenya	491,000,000	393,504,019	97,495,981
34	Lake Victoria North Water Services Board	2,681,445,499	-	2,681,445,499
35	Lake Victoria South Water Services Board	5,734,185,606	-	5,734,185,606
36	Local Government Loans Authority	7,688,792,480	94,518,760	7,594,273,720
37	Meru Central Farmers' Co-operative Union Ltd	188,868,000	250,000	188,618,000
38	Miwani Out growers Mills Limited	6,600,000	-	6,600,000
39	Miwani Sugar Company (1989) Limited	16,000,020	-	16,000,020
40	Miwani Sugar Mills Limited	78,088,180	-	78,088,180
41	Moi University	250,000,000	18,750,000	231,250,000
42	Mombasa Pipeline Board	63,400,000	40,435,020	22,964,980
43	Mumias Out growers Company Limited	43,208,440	26,691,040	16,517,400
44	Nairobi City Council	123,109,580	20,775,820	102,333,760
45	National Irrigation Board	2,262,036,544	-	2,262,036,544
46	National Water Conservation and Pipeline Corporation	2,460,874,897	-	2,460,874,897
47	Nyeri Water and Sewerage Company	1,159,592,738	302,502,455	857,090,284
48	Nzoia Sugar Company Limited	182,139,360	23,629,260	158,510,100
49	P.J. Products	2,036,820	-	2,036,820
50	Pyrethrum Board of Kenya	863,368,270	-	863,368,270
51	Rafiki Deposit Taking Micro-Finance Ltd.	94,300,000	-	94,300,000
52	Rift Valley Water Services Board	1,411,529,796	-	1,411,529,796
53	SMEP Deposit Taking Micro-Finance Ltd.	100,400,000	-	100,400,000
54	South Nyanza Sugar Company Limited	253,317,120	54,289,700	199,027,420
55	Sugar Belt Co-operative Union	22,378,600	387,160	21,991,440
56	Tanathi Water Services Board	4,381,565,506	-	4,381,565,506
57	Transcadia Ltd. (MFG)	1,000,000	400,000	600,000
58	Uchumi Supermarket Ltd	407,000,000	407,000,000	-
59	Uplands Bacon Factory (K) Ltd	26,205,900	-	26,205,900
60	Various African District Councils	6,646,800	5,042,600	1,604,200
61	Various African Farmers	1,550,120	1,489,200	60,920
62	Various Persons Engaged in Agriculture	21,769,320	14,981,540	6,787,780
63	Water Resource Management	362,612,300	-	362,612,300
64	West Suk African District Council	127,640	5,420	122,220
	Total	210,334,182,773	13,481,299,737	196,852,883,036

Table 13 B: Active / Performing Loans as at 30th June 2015

	To Whom Lent	Amount Lent	Amount Repaid	Amount Outstanding
		KSHS	KSHS	KSHS
1	Agricultural Finance Corporation	562,294,453	33,175,290	529,119,163
2	Agricultural Settlement Fund and Central Land Board.	126,326,880	43,300,644	83,026,236
3	Agro-chemical & food Company Ltd	1,202,075,120	95,000,000	1,107,075,120
4	Athi Water Services Board	30,166,884,546	220,000,000	29,946,884,546
5	Catering Levy Trustee	140,000,000	7,000,000	133,000,000
6	Coast Water Service Board	1,551,379,206	-	1,551,379,206
7	Co-operative Bank of Kenya Ltd	908,861,548	168,707,267	740,154,281
8	Equity Bank Ltd	591,787,214	290,132,088	301,655,127
9	Faulu Kenya Deposit Taking Micro-Finance Ltd.	200,200,000	-	200,200,000
10	Industrial and Commercial Dev. Corporation	89,230,500	-	89,230,500
11	Kenya Airports Authority	1,820,144,346	295,254,815	1,524,889,531
12	Kenya Civil Aviation Authority	2,087,092,807	70,165,018	2,016,927,789
13	Kenya Electricity Generating Co. Ltd.	85,863,291,794	6,401,560,291	79,461,731,502
14	Kenya Power and Lighting Co. Limited	38,773,429,173	4,204,865,255	34,568,563,918
15	Kenya Women Finance Trust Deposit Taking Micro-Finance Ltd.	205,100,000	-	205,100,000
16	Kenyatta University	10,857,620,656	-	10,857,620,656
17	K-Rep Bank Kenya	491,000,000	393,504,019	97,495,981
18	Lake Victoria North Water Services Board	2,681,445,499	-	2,681,445,499
19	Lake Victoria South Water Services Board	5,734,185,606	-	5,734,185,606
20	Meru Central Farmers' Co-operative Union Ltd	188,868,000	250,000	188,618,000
21	National Irrigation Board	2,262,036,544	-	2,262,036,544
22	Nyeri Water and Sewerage Company	1,159,592,738	302,502,455	857,090,284
23	Rafiki Deposit Taking Micro-Finance Ltd.	94,300,000	-	94,300,000
24	Rift Valley Water Services Board	1,411,529,796	-	1,411,529,796
25	SMEP Deposit Taking Micro-Finance Ltd.	100,400,000	-	100,400,000
26	Tanathi Water Services Board	4,381,565,506	-	4,381,565,506
		193,650,641,932	12,525,417,141	181,125,224,791

Table 13 C: In-Active/Non-Performing Loans as at 30th June 2015

	To Whom Lent	Amount Lent	Amount Repaid/ Written Off	Amount Outstanding As At 30th June 2015
1	Associated Sugar Factory Ramisi	15,818,960	-	15,818,960
2	Coffee Board of Kenya	976,332,369	223,822,060	752,510,309
3	Cotton Lint and Seed Marketing Board.	23,632,000	1,000,000	22,632,000
4	East African Sugar Industries Limited, Muhoroni	177,123,100	-	177,123,100
5	Eldoret Municipal Council	1,058,673,824	-	1,058,673,824
6	Halal Meat Products	27,701,420	-	27,701,420
7	Ildamat Farmers' Co-operative Society Ltd	3,000,000	2,300,000	700,000
8	Karatina Industrial Estates	470,100	337,240	132,860
9	Kenya Co-operative Creameries Ltd.	52,607,460	16,356,420	36,251,040
10	Kenya Fishing Industries Limited	4,217,320	1,408,720	2,808,600
11	Kenya Industrial Estates	426,213,120	2,262,636	423,950,484
12	Kenya Meat Commission	940,241,100	-	940,241,100
13	Kenya National Federation of Co- operatives (K.N.F.C.) Ltd	5,595,600	-	5,595,600
14	Kenya Toray Mills	2,982,480	-	2,982,480
15	Kenya Tourist Development Corporation	48,000,000	-	48,000,000
16	Kenya Urban Transport Various Towns	40,706,140	-	40,706,140
17	Local Government Loans Authority	7,688,792,480	94,518,760	7,594,273,720
18	Miwani Out growers Mills Limited	6,600,000	-	6,600,000
19	Miwani Sugar Company (1989) Limited	16,000,020	-	16,000,020
20	Miwani Sugar Mills Limited	78,088,180	-	78,088,180
21	Moi University	250,000,000	18,750,000	231,250,000
22	Mombasa Pipeline Board	63,400,000	40,435,020	22,964,980
23	Mumias Out growers Company Limited	43,208,440	26,691,040	16,517,400
24	Nairobi City Council	123,109,580	20,775,820	102,333,760
25	National Water Conservation and Pipeline Corporation	2,460,874,897	-	2,460,874,897
26	Nzoia Sugar Company Limited	182,139,360	23,629,260	158,510,100
27	P.J. Products	2,036,820	-	2,036,820
28	Pyrethrum Board of Kenya	863,368,270	-	863,368,270
29	South Nyanza Sugar Company Limited	253,317,120	54,289,700	199,027,420
30	Sugar Belt Co-operative Union	22,378,600	387,160	21,991,440
31	Transcacia Ltd. (MFG)	1,000,000	400,000	600,000
32	Uchumi Supermarket Ltd	407,000,000	407,000,000	-
3	Uplands Bacon Factory (K) Ltd	26,205,900	-	26,205,900
34	Various African District Councils	6,646,800	5,042,600	1,604,200
35	Various African Farmers	1,550,120	1,489,200	60,920
36	Various Persons Engaged in Agriculture	21,769,320	14,981,540	6,787,780
37	Water Resource Management	362,612,300	-	362,612,300
38	West Suk African District Council	127,640	5,420	122,220
	Total	16,683,540,840	955,882,596	15,727,658,244

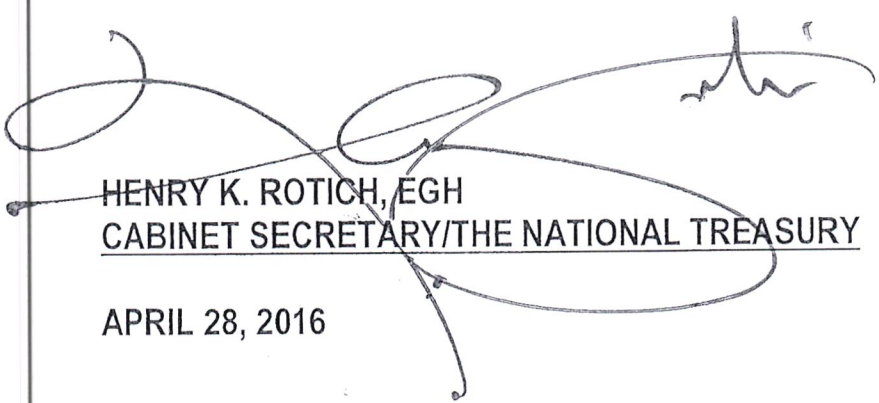
Table 14: Revenue Estimates for Fiscal Year 2016/2017

State Corporation	Principal		Interest	
	Revised Estimates - 2015/2016 FY	Projected Revenue Estimates - 2015/2016 FY	Revised Estimates - 2015/2016 FY	Projected Revenue Estimates - 2016/2017 FY
Agricultural Settlement Fund	1,900,000	1,000,000	900,000	500,000
Agricultural Finance Corporation	10,000,000	20,000,000	-	-
Agro-Chemical & Food Co. Ltd	-	-	150,000,000	150,000,000
Athi Water Services Board	80,000,000	100,608,000	19,694,696	31,882,000
Co-Operative Bank Of Kenya	202,000,000	-	32,500,000	1,500,000
Industrial and Commercial Dev. Corporation	-	-	10,000,000	20,000,000
Equity Bank Ltd.	62,500,000	-	10,000,000	1,500,000
K - Rep. Bank Ltd.	62,500,000	-	2,500,000	1,500,000
Kenya Electricity Generating Co. Ltd	1,000,000,000	553,213,097	1,100,000,000	782,974,378
Kenya Power and Lighting Co. Limited	810,000,000	1,350,600,222	263,497,720	592,919,622
Kenya Airport Authority	200,200,000	200,231,000	122,000,000	114,391,000
Kenya Civil Aviation Authority	72,000,000	48,334,000	102,200,000	27,188,000
Kenya Utalii College	-	1,000,000	-	-
Nyeri Water Services Board	50,417,075	50,417,075	21,112,150	19,851,724
Meru Central Farmers Union	-	600,000	-	-
Kenya Tourist Dev. Corporation	-	-	-	4,080,000
Lake Victoria South Water Board	-	70,000,000	-	24,360,000
Taanathi Water Board	-	104,710,000	-	80,108,000
Tana Water Board	-	16,000,000	-	10,800,000
National Irrigation Board	-	43,256,587	-	58,620,750
Rift Valley Water Services Board	27,144,800	10,000,000	13,572,400	17,144,800
Faulu Kenya Deposit Taking Micro-Finance Ltd	-	19,630,722	-	5,221,772
SMEP Deposit Taking Micro-Finance Ltd	-	9,844,777	-	2,618,710
Rafiki Deposit Taking Micro-Finance Ltd	-	9,246,639	-	2,459,606
Kenya Women Finance Trust Deposit Taking Micro-Finance Ltd	-	20,111,194	-	5,349,578
TOTAL	2,578,661,875	2,628,803,313	1,847,976,966	1,954,969,940

E. Annexes

83. The following are annexes to this report:

- Annex on Breakdown of Estimates of Revenues and Expenditure for State Corporations of the Government of Kenya for the Financial Year ending 30th June 2017.
- Annex on Estimates of Revenues, Grants and Loans that captures the Revenues estimates by broad economic classification.



HENRY K. ROTICH, EGH
CABINET SECRETARY/THE NATIONAL TREASURY

APRIL 28, 2016

