



REPUBLIC OF KENYA

THE NATIONAL TREASURY AND PLANNING

KENYA SUCCESSFULLY ISSUES US DOLLAR 2.1 BILLION EURO BOND ON 15TH MAY 2019

1. The Government of Kenya, acting through the National Treasury and Planning, has successfully priced a new US dollar 2.1 billion, dual-tranche Eurobond of 7-year and 12-year tenors on 15th May 2019 in London, United Kingdom.
2. The announcement of Kenya issuance triggered an overwhelming response from investors that amounted to an order book of US\$ 9.5 billion, an oversubscription of 4.5 times. This was distributed as follows: US\$ 4.0 billion in the 7-year tenor and US\$ 5.5 billion in the 12-year tenor. This overwhelming interest in Kenya's bond issue confirms the strong investor confidence in Kenya's economic policy management and prospects going forward.
3. The pricing of the Euro bond was favourable at 7.0 percent for the 7-year tenor and 8.0 percent for the 12-year tenor. These prices were much lower than the Initial Pricing Thoughts (IPT) at the start of the issuance of 7.5 percent and 8.5 percent, respectively, and the fair value prices of 7.125 percent and 8.125 percent, for the 7-year tenor and 12-year tenor, respectively.
4. The issuance of this bond followed extensive engagements and consultations with over 100 investors in the United States of America (Los Angeles, Boston and New York) and in the United Kingdom (London). The roadshows began on 8th May, 2019 and ended on 14th May 2019.
5. The proceeds from this issuance will be used to (i) finance some of the development infrastructure projects, (ii) the general budgetary expenditure (in accordance with the applicable legal requirements) and (iii) to refinance part or all

of the obligations outstanding under the US\$ 750 million (2014 Eurobond) due on June 24, 2019 and potentially part of the other debt obligations.

6. Both the 7-year and the 12-year tenors will be amortized equally, at US\$ 300 million and US\$ dollar 400 million, respectively, per year in the last three years to maturity in order to avoid a spike in repayments.

7. This is the third time Kenya has been in the International Debt Capital Markets. The first was in June 2014, when we launched the debut bond of US dollar 2.0 billion and tapped for a further US dollar 750 million, while the second was in February 2018 when a dual-tranche of US\$ 2.0 billion was issued (10-year tenor of US\$ 1.0 billion and 30-year tenor of US\$ 1.0 billion).

The 2019 Roadshow

8. Throughout the roadshow, the investors appreciated and welcomed the strong and resilient economic growth that Kenya has registered, particularly the strong 6.3 percent growth for 2018, and the expected growth for 2019. The growth of the economy continues to surpass, by a wide margin, that of the sub Saharan African region and the global growth. This resilient growth is broad-based and strongly driven by strong growth in the non-agriculture sectors. The non-agriculture gross domestic product (GDP), in real terms, has grown by an average of 6.5 percent per year over the last three years, a reflection of the sustained implementation of Government policies.

9. The investors were satisfied that the on-going implementation of the “Big Four” Plan would sustain and accelerate the current broad-based growth, create increased employment opportunities transform lives and facilitate shared wealth among Kenyans. They were particularly pleased that the funding of the “Big Four” Plan would come primarily from the private sector under the Public-Private-Partnership (PPP) framework, and not from additional government spending.

10. The investors appreciated the macroeconomic stability that Kenya continues to enjoy with inflation rate remaining within target range, stable interest rates and a competitive exchange rate. This they noted was as a result of prudent fiscal and monetary policy implementation.

11. The investors welcomed the planned reforms by Government to enhance revenue collection and reduce non-priority expenditures that would reduce fiscal deficits and were happy that this would stabilize debt. They noted and appreciated that Kenya’s debt remains sustainable and commended the Government for this outcome.

12. The investors appreciated Kenyan’s strong foreign exchange reserves that would cushion the country against external shocks. The reserves stood at US\$ 8.2 billion or 5.3 months of import cover in 2018. Investors were particularly, impressed by the narrowing of the current account deficit to 5.0 percent of GDP in 2018 from 6.5 percent of GDP in 2017. This narrowing of the current account deficit is supported by improved export receipts of goods and services, improved tourism receipts and increased remittances.

13. In summary, the overwhelming interest shown by foreign investors in the 2019 Euro bond issued by the Government of Kenya reflects a strong vote of confidence in the economic policy management, particularly the Government’s priority programmes under the “Big Four” Plan.

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