



Republic of Kenya

Ministry of Finance

Quarterly Budget Review

**Second Quarter
2005/2006**

April 2006 Edition

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LIST OF ABBREVIATIONS

ADB	African Development Bank
ADF	African Development Fund
A-I-A	Appropriation in Aid
BADEA	Arab Bank for Economic Development of Africa
CBK	Central Bank of Kenya
Dev	Development
DPM	Directorate of Personnel Management
EEC	European Economic Community
EIB	European Investment Bank
FY	Fiscal Year
GDP	Gross Domestic Product
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IMF	International Monetary Fund
Kshs	Kenya Shillings
NBF's	Non Bank Financial Institutions
O&M	Operation and Maintenance
OOP	Office of the President
OPEC	Organisation for Petroleum Exporting Countries
OVP	Office of the Vice President
PAYE	Pay As You Earn
PSC	Public Service Commission
Rec	Recurrent
VAT	Value Added Tax

HIGHLIGHTS OF THE SECOND QUARTER BUDGET REVIEW: 2005/2006

❖ The overall fiscal balance:

The Cumulative overall fiscal balance, on a commitment basis and excluding grants, registered a deficit of Kshs.21,133 million (equivalent to 1.5 percent of GDP), through end December 2005, compared with a targeted deficit of Kshs. 34,477 million (equivalent to 2.4 percent of GDP).

❖ Total revenue collection:

The Central Government total cumulative revenue collection was Kshs 142,616 million through the second quarter of the 2005/2006 fiscal year. This was above the target by Kshs 1,223 million mainly due to higher than targeted Appropriation in Aid collection. However, ordinary revenue was short of target by kshs 1,790 million.

❖ Government expenditure and net lending:

The Central Government expenditure and net lending for the period ending 31st December 2005 was Kshs 163,749 million against a target of Kshs 175,870 million. The lower than expected expenditure is attributable to lower than anticipated foreign financed capital expenditure.

❖ Stock of pending bills:

During the period under review, there was an overall increase in the stock of pending bills held by the line Ministries. The stock of pending bills increased by Kshs 450.5 million, from Kshs 11,668.1 million in June 2005 to Kshs 12,118.6 million in December 2005.

❖ Guaranteed Loans:

Scheduled Debt service payment by the Central Government on government guaranteed loans on behalf of the State Enterprises and Local Authorities with liquidity problems through the end of the second quarter was Kshs 586.62 million. This amount however was rescheduled under the Paris Club.

❖ **External financing:**

External financing represented a net borrowing of Kshs 814 million compared to a net repayment of Kshs 822.25 million in a similar period in 2004/2005 fiscal year.

❖ **Net Domestic Borrowing:**

The net domestic borrowing stood at Kshs 19,646 million in the period ending 31st December 2005 compared with a targeted borrowing of Kshs. 24,798 million.

❖ **Public Debt**

The total Public Debt decreased from Kshs 750,026 million as at the end of June 2005 to Kshs 743,228 million by 31st December 2005.

❖ **Total Domestic Debt:**

The total domestic debt stock increased from Kshs 315,573 million as at the end of June 2005 to Kshs 335,002 million by the end of second quarter. This was due to additional borrowing to finance Government operations.

❖ **External Debt:**

The total external debt stock decreased from Kshs. 434,453 million as at the end of June 2005 to Kshs 408,226 million by the end of the second quarter. Most of the external debt was from multilateral institutions who accounted for 58.8% of the total external debt, followed by Bilateral Creditors accounting for 35.9%. Both the Commercial Banks and Export Credit accounted for 5.3% of the total external debt.

1. FISCAL DEVELOPMENTS

1.1 Introduction

The overall fiscal balance on a commitment basis and excluding grants, in the first half of the fiscal year 2005/2006 recorded a deficit of Kshs. 21,133 million (equivalent to 1.5 percent of Gross Domestic Product (GDP)), against a targeted deficit of Kshs. 34,477 million (equivalent to 2.4 percent). During the same period in the fiscal year 2004/2005, the overall balance amounted to a surplus of Kshs. 5,308 million (equivalent to 0.4 percent of GDP). The fiscal balance on a commitment basis including grants, recorded a deficit of Kshs. 15,435 million (equivalent to 1.1 percent of GDP), against a targeted deficit of Kshs. 28,502 million (equivalent to 2.0 percent of GDP) (*Chart 1 and Table 1*).

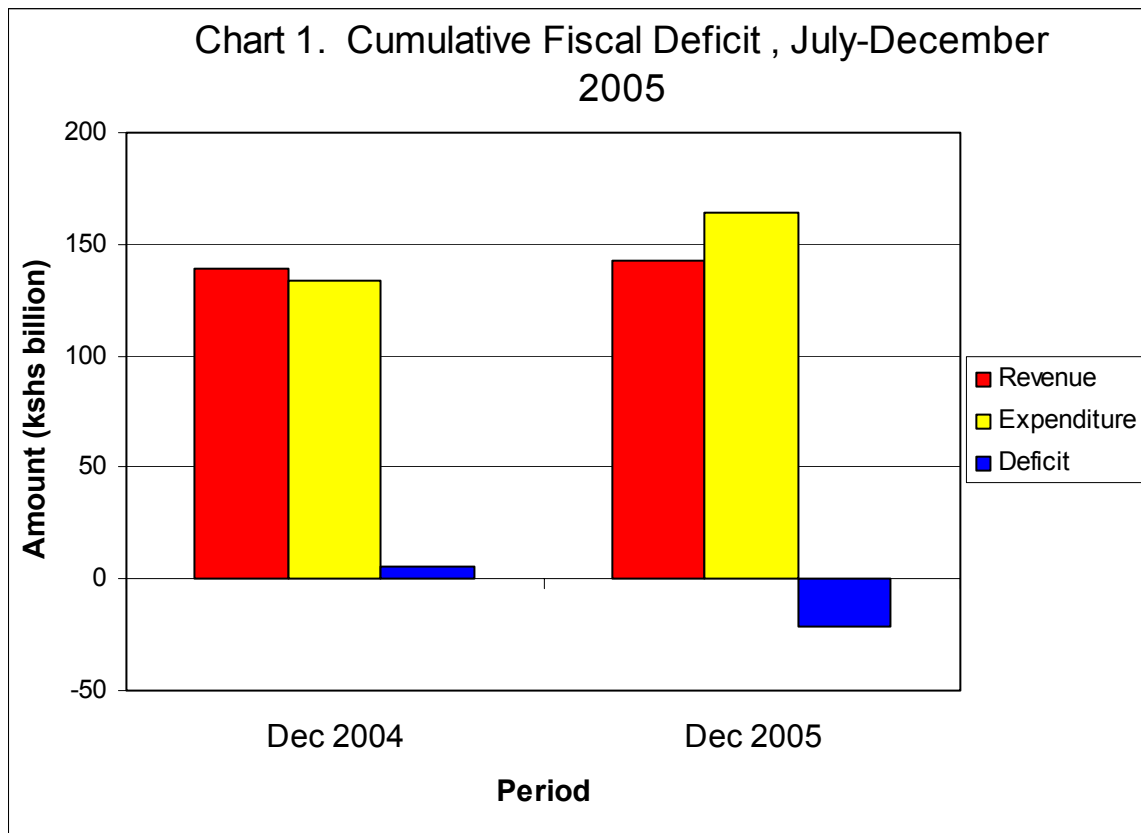


Table 1: BUDGET OUTTURN, Second Quarter (Cumulative) Ending 31st Dec. 2005

(Kshs Millions)

	2004/2005 Quarter II Actual	2005/2006 Quarter II Actual	2005/2006 Quarter II Targets	Quarter II Deviation	2005/06 Quarter II Actual as % of GDP	2005/06 Quarter II Target % of GDP	2004/2005 Quarter II Actual % of GDP
A. TOTAL REVENUE AND GRANTS	144,555	148,314	147,368	946	10.36	10.29	11.18
1. Revenue	138,944	142,616	141,393	1,223	9.96	9.88	10.75
Ordinary Revenue	129,297	131,615	133,405	(1,790)	9.19	9.32	10.00
Import Duty	11,872	9,923	11,010	(1,087)	0.69	0.77	0.92
Excise Duty	21,737	24,937	23,893	1,044	1.74	1.67	1.68
Income tax	44,602	52,398	53,122	(724)	3.66	3.71	3.45
VAT	36,003	33,753	35,970	(2,217)	2.36	2.51	2.79
Investment Revenue	2,861	320	37	283	0.02	0.00	0.22
Others	12,222	10,284	9,373	911	0.72	0.65	0.95
Appropriation-in-Aid	9,647	11,001	7,988	3,013	0.77	0.56	0.75
2. Grants	5,611	5,698	5,975	(277)	0.40	0.42	0.43
Cash	1,844	643	2,134	(1,491)	0.04	0.15	0.14
Appropriation-in-Aid	3,767	5,055	3,841	1,214	0.35	0.27	0.29
B. EXPENDITURE and NET LENDING	133,636	163,749	175,870	(12,121)	11.44	12.29	10.34
1. Recurrent	118,714	144,658	148,500	(3,842)	10.10	10.37	9.18
Domestic Interest	9,777	13,761	13,875	(114)	0.96	0.97	0.76
Foreign Interest Due	4,121	5,824	4,580	1,244	0.41	0.32	0.32
Pension	6,340	11,189	9,550	1,639	0.78	0.67	0.49
Wages and Salaries	53,054	54,593	54,312	281	3.81	3.79	4.10
O & M/Others	45,422	59,291	66,183	(6,892)	4.14	4.62	3.51
2. Development and Net Lending	14,922	18,264	26,270	(8,006)	1.28	1.84	1.15
3. CCF	0	827	1,100	(273)	0.06	0.08	0.00
C. DEFICIT EXCL. GRANT (Commitment basis)	5,308	(21,133)	(34,477)	13,344	(1.48)	(2.41)	0.41
D. DEFICIT INCL. GRANTS (Commitment basis)	10,919	(15,435)	(28,502)	13,067	(1.08)	(1.99)	0.84
E. ADJUSTMENT TO CASH BASIS	(7,190)	(5,827)	3,581	(9,408)	(0.41)	0.25	(0.56)
F. DEFICIT INCL. GRANTS (Cash basis)	3,729	(21,262)	(24,921)	3,659	(1.49)	(1.74)	0.29
G. FINANCING	(3,729)	21,262	24,921	(3,659)	1.49	1.74	(0.29)
1. Foreign financing	(822)	1,616	123	1,493	0.11	0.01	(0.06)
Disbursements	3,810	5,296	7,016	(1,720)	0.37	0.49	0.29
Programme Cash Loans	0	1,572	1,564	8	0.11	0.11	0.00
Project Cash Loans	1,913	1,786	4,117	(2,331)	0.12	0.29	0.15
Loans AIA	1,897	1,938	1,335	603	0.14	0.09	0.15
Repayment due (current)	(11,836)	(15,114)	(11,303)	(3,811)	(1.06)	(0.79)	(0.92)
Rescheduling	3,302	3,946	4,284	(338)	0.28	0.30	0.26
Of which principal	3,302	3,144	3,461	(317)	0.22	0.24	0.26
Of which interest	0	802	823	(21)	0.06	0.06	0.00
Change in arrears (current)	3,902	7,488	126	7,362	0.52	0.01	0.30
Repayment (arrears)	0	0	0	0	0.00	0.00	0.00
2. Privatization proceeds	0	0	0	0	0.00	0.00	0.00
3. Bank Restructuring costs	0	0	0	0	0.00	0.00	0.00
3. Domestic financing	(2,907)	19,646	24,798	(5,152)	1.37	1.73	(0.22)
Memo item							
Nominal GDP	1,292,550	1,431,579	1,431,579				

Source: Ministry of Finance

1.2 REVENUE

The total Government revenue for the first half of the financial year was above the programme target by Kshs 1,223 million, this was mainly due to higher than targeted Appropriation in Aid collection (AIA). Ordinary revenue collection amounted to Kshs 136,615 million against a target of Kshs 133,405 million, resulting in an under collection of Kshs 1,790 million. This is attributed to problems in operationalising the new tax administrative measures. Notable under collections were in VAT Local by Kshs 1,918 million, Import Duty by Kshs 1,087 million, Essential Supplies by Kshs 1,205 million and PAYE by Kshs 632 million. However, Excise Duty and Other revenue and tariffs were above their respective programme targets (*Table 2 and Chart 2*).

Table 2: Government Revenue and External Grants, Second Quarter (Cumulative) Ending 31st December 2005 (Kshs Million)

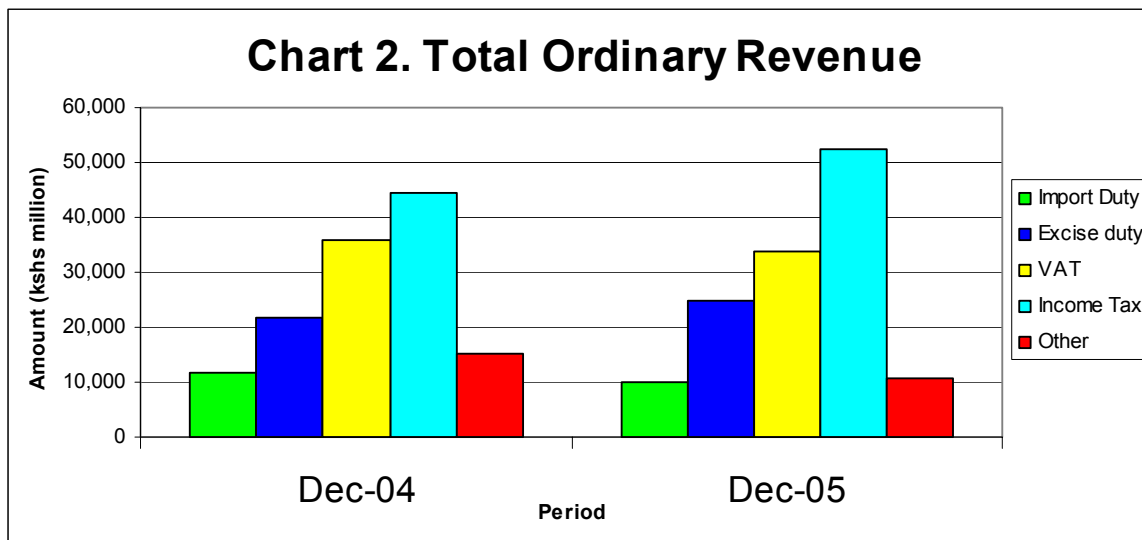
	2004/2005 Quarter II Actual	2005/2006 Quarter II Actual	2005/2006 Quarter II Target	Deviation
Total Revenue	138,944	142,617	141,393	1,224
(a) Ordinary Revenue	129,297	131,616	133,405	(1,789)
Import Duty	11,872	9,923	11,010	(1,087)
Excise Duty	21,737	24,937	23,893	1,044
PAYE	23,636	27,733	28,365	(632)
Other Income Tax	20,966	24,665	24,757	(92)
VAT Local	19,568	17,666	19,584	(1,918)
VAT Imports	16,435	16,088	16,386	(298)
Investment Revenue	2,861	320	37	283
Traffic Revenue	1,223	1,349	1,121	228
Airport Revenue	662	-	-	-
Aviation Revenue	389	-	-	-
Essential Supplies Revenue	3,500	3,950	5,155	(1,205)
Others 1/	6,448	4,985	3,097	1,888
(b) Appropriation In Aid 2/	9,647	11,001	7,988	3,013
External Grants	5,611	5,698	5,975	(277)
Total Revenue and External Grants	144,555	148,315	147,368	947

Source: Ministry of Finance

1/ includes land, forest and mining revenue, rent of buildings, trade licenses, fines and forfeitures, other taxes, reimbursements and other fund contributions, and miscellaneous revenue.

2/ includes receipts from Road Maintenance Levy Fund.

Total revenue and grants, as a proportion of GDP, in the period under review was 10.4 percent compared to the targeted 10.3 percent, this was lower than 11.2 percent in the corresponding period of 2004/2005 financial year (see Table 1). External grants amounted to Kshs 5,698 million against a target of Kshs 5,975 million.



1.3 Expenditure

The total Government Expenditure and Net Lending in the period under review was Kshs 163,749 million, against a target of Kshs 175,870 million. This was below the target by Kshs 12,121 million and is mainly attributed to lower than targeted recurrent expenditures and the low disbursement of external funds, especially those meant for development related expenditures (*Table 3 and Chart 3*).

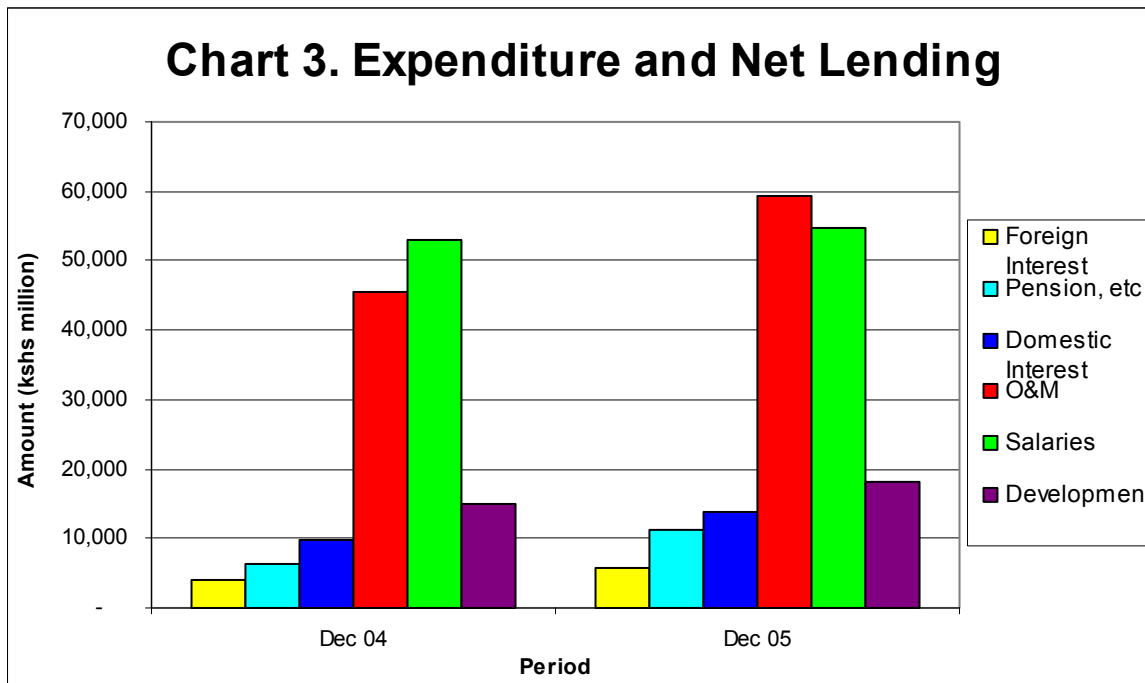
Recurrent expenditure amounted to Kshs 144,658 million against a target of Kshs 148,500 million. This shortfall was mainly due to low expenditures recorded in the following categories, namely: Operations and Maintenance (Kshs 6,892 million) and Domestic Interest (Kshs 114 million).

Scheduled Foreign interest payments for the period under review amounted to Kshs 5,824 million as compared to Kshs 4,121 million due in the same period in the 2004/2005 financial year. Domestic interest payment totalled Kshs 13,761 million compared with Kshs 9,777 million paid in the corresponding period in the previous financial year.

**Table 3: Expenditure and Net Lending, Second Quarter (Cumulative)
Ending December 2005
(Kshs Million)**

	2004/2005 Quarter II Actual	2005/2006 Quarter II Actual	2005/2006 Quarter II Targets	Deviation
1. RECURRENT	118,714	144,658	148,500	(3,842)
Domestic Interest	9,777	13,761	13,875	(114)
Foreign Interest	4,121	5,824	4,580	1,244
Pensions, etc	6,340	11,189	9,550	1,639
Wages and Salaries	53,054	54,593	54,312	281
Operation and Maintenance	45,422	59,291	66,183	(6,892)
O/W: Change in Pending Bills	0	681	0	681
: Civil Service Reform	0	714	714	0
: Appropriation-in-Aid	9,158	10,119	6,814	3,305
2. DEVELOPMENT	14,922	18,264	26,270	(8,006)
Net Issues	9,916	10,032	19,519	(9,487)
Payment of Guaranteed Loans	859	587	401	186
Appropriation-in-Aid	6,153	7,875	6,350	1,525
Change in pending bills	(2,006)	(230)	0	(230)
3. CCF	0	827	1,100	(273)
TOTAL EXPENDITURE	133,636	163,749	175,870	(12,121)

Source: Ministry of Finance



Analysis of Ministerial expenditures reveals that much of Government expenditure continues to go to the Social Sector Ministries. The Ministries of Education, Science and Technology, and Health incurred 46.4 percent of total recurrent expenditure for the period under review. Administrative Services also accounted for a significant percentage of total recurrent expenditure. The Office of the President led with Kshs 13,041 million followed by Department of Defence with Kshs 10,921 million, which represented 11.6 percent and 9.7 percent of the total recurrent expenditure respectively. The Public Service Commission and ministry of energy incurred the least share of the total recurrent expenditure, each accounting for 0.08 percent, and 0.1 percent respectively (*Table 4*).

In regard to development expenditure, the Ministry of Finance, Office of the President and the Ministry of Water and Irrigation incurred the largest share with each accounting for 35.6 percent, 18.8 percent and 11.9 percent of the total development expenditure, respectively. This is attributed mainly to prompt CDF disbursements by the ministry of finance. The Ministries of Lands and Housing, Foreign Affairs, Gender and sports and State Law Office, incurred very low development expenditures each accounting for below 0.2 percent, of the total development expenditure.

**Table 4: Ministerial Expenditures, Second Quarter (Cumulative)
Ending 31st December 2005
(Kshs. Million)**

MINISTRIES	Dec 2005			Dec 2005			Dec. 2005		
	Recurrent			Development			Total		
	Actual	Target	Variance	Actual	Target	Variance	Actual Rec+Dev	Target Rec+Dev	Variance
1. O.O.P	13,041	15,673	(2,632)	2,503	1,959	544	15,544	17,632	(2,088)
2. State House	453	420	33	47	35	12	500	455	45
3. DPM	1,363	1,304	59	24	127	(103)	1,387	1,431	(44)
4. Foreign Affairs & Int. Co-op.	2,397	2,634	(237)	0	14	(14)	2,397	2,648	(251)
5. OVP&MHA	3,898	3,568	330	166	263	(97)	4,064	3,831	233
6. Planning	297	416	(119)	92	268	(176)	389	684	(295)
7. Finance	5,114	5,281	(167)	4,751	5,349	(598)	9,865	10,630	(765)
8. Department of Defence	10,921	10,047	874	0	0	0	10,921	10,047	874
9. Regional Development	272	268	4	88	209	(121)	360	477	(117)
10. Agriculture & Rural Development	1,803	2,367	(564)	2	762	(760)	1,805	3,129	(1,324)
11. Health	8,963	8,881	82	313	353	(40)	9,276	9,234	42
12. Local Government	348	240	108	289	541	(252)	637	781	(144)
13. Roads & Public Works	4,822	5,367	(545)	819	2,151	(1,332)	5,641	2,917	2,724
14. Transport & Communication	594	671	(77)	121	145	(24)	715	816	(101)
15. Labour & Human Resources	404	392	12	7	105	(98)	411	497	(86)
16. Trade & Industry	827	706	121	127	113	14	954	819	135
17. Justice & Constitutional Affairs	261	252	9	138	46	92	399	298	101
18. Gender, Sports, Culture and SS	760	864	(104)	22	38	(16)	782	902	(120)
19. Livestock, Fisheries & Marketing	1,072	1,184	(112)	113	114	(1)	1,185	1,298	(113)
20. Water Resources Management.	880	1,093	(213)	1,586	1,764	(178)	2,466	2,857	(391)
21. Environment & Natural Resources	1,009	1,115	(106)	182	139	43	1,191	1,254	(63)
22. Cooperative Development	456	322	134	1	32	(31)	457	354	103
23. Attorney General	251	233	18	5	5	0	256	238	18
24. Judicial Department	935	719	216	84	68	16	1,019	787	232
25. Public Service Commission	86	91	(5)	0	0	0	86	91	(5)
26. Controller & Auditor General	457	529	(72)	0	0	0	457	529	(72)
27. National Assembly	1,472	2,193	(721)	0	0	0	1,472	2,193	(721)
28. Energy	112	62	50	992	423	569	1,104	485	619
29. Education, Science & Technology	43,164	44,109	(945)	572	428	144	43,736	44,537	(801)
30. Electoral Commission of Kenya	450	744	(294)	0	0	0	450	744	(294)
31. Lands & Settlement	1,070	982	88	29	107	(78)	1,099	1,089	10
32. National Security Intelligence Ser.	2,545	2,600	(55)	0	0	0	2,545	2,600	(55)
33. Tourism & Wildlife	878	745	133	255	22	233	1,133	767	366
34. KACC	452	486	(34)	0	0	0	452	486	(34)
35. East Africa & Regional Coop.	244	197	47	0	0	0	244	197	47
36. Information & Communication	291	288	3	0	7	(7)	291	295	(4)
TOTAL	112,362	117,043	(4,681)	13,328	15,587	(2,259)	125,690	132,630	(6,914)

Source: Ministry of Finance

1.3.1 Pending Bills

**Table 5: Stock of Pending Bills,
(Kshs Million)**

Min/Dept.	June 30, 2005			December 31, 2005			Change during the Period		
	Rec.	Dev.	Total	Rec.	Dev.	Total	Rec.	Dev.	Total
Office Of the President	3,920.4	852.8	4,773.1	4,677.7	708.3	5,386.0	757.3	(144.5)	612.8
State House	68.5	15.5	84.0	26.6	11.2	37.9	(41.9)	(4.3)	(46.1)
DPM	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign Affairs	0.0	0.0	0.0	221.7	0.0	221.7	221.7	0.0	221.7
Home Affairs	721.2	0.0	721.2	647.1	0.0	647.1	(74.1)	0.0	(74.1)
Planning & National Development	47.1	14.8	61.9	7.5	0.0	7.5	(39.6)	(14.8)	(54.4)
Finance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Defence	501.0	0.0	501.0	0.0	-	0.0	(501.0)	-	(501.0)
Regional Authorities	373.1	911.2	1,284.3	1,144.3	0.0	1,144.3	771.2	(911.2)	(140.0)
Agriculture and Rural Dev.	500.0	78.0	578.0	45.1	0.0	45.1	(454.9)	(78.0)	(532.9)
Health	111.1	5.6	116.8	25.2	3.4	28.6	(85.9)	(2.2)	(88.1)
Local Government	6.0	737.7	743.7	1.5	454.8	456.3	(4.5)	(282.9)	(287.4)
Roads and Public Works	176.6	488.8	665.3	204.7	521.7	726.4	28.1	32.9	61.0
Transport	64.1	0.0	64.1	0.0	0.0	0.0	(64.1)	0.0	(64.1)
Labour and Human Resources	86.1	22.3	108.4	0.0	236.3	236.3	(86.1)	214.0	127.9
Trade and Industry	1.1	0.0	1.1	20.6	9.9	30.6	19.5	9.9	29.5
Tourism & Wildlife	8.2	0.6	8.8	0.0	0.0	0.0	(8.2)	(0.6)	(8.8)
Livestock and Fisheries Dev	10.0	0.0	10.0	0.1	9.6	9.7	(9.9)	9.6	(0.3)
Water and Irrigation	34.2	0.7	34.9	324.0	433.5	757.7	289.8	432.8	722.6
Environment and Nat. Resources	47.9	298.5	337.4	47.9	337.4	385.3	0.0	47.9	47.9
Cooperative Development	0.0	0.0	0.0	0.0	0.5	0.5	0.0	0.5	0.5
State Law Office	4.9	0.0	4.9	3.8	0.0	3.8	(1.1)	0.0	(1.1)
Judicial Department	0.0	0.0	0.0	13.3	0.0	13.3	13.3	0.0	13.3
PSC	0.0	0.0	0.0	0.0	-	0.0	0.0	-	0.0
National Audit Office	0.0	0.0	0.0	0.0	-	0.0	0.0	-	0.0
National Assembly	0.0	0.0	0.0	0.0	-	0.0	0.0	-	0.0
Energy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Education, Science and Tech.	0.0	1,357.9	1,357.9	0.0	1,330.9	1,330.9	0.0	(27.0)	(27.0)
Electoral Commission of Kenya	0.0	0.0	0.0	0.0	-	0.0	0.0	-	0.0
Justice & Constitutional Affairs	86.1	24.7	110.8	2.5	0.0	2.5	(83.6)	(24.7)	(108.3)
Lands and Housing	0.0	0.0	0.0	86.8	402.2	489.0	86.8	402.2	489.0
Gender, Sport, & Social Services	100.4	0.0	100.4	48.3	109.9	158.2	(52.1)	109.9	57.8
National Security Int. Service	0.0	0.0	0.0	0.0	-	0.0	0.0	-	0.0
Information & Communication	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	6,868.0	4,800.1	11,668.8	7,548.8	4,569.9	12,118.6	680.8	(230.2)	450.5

Source: Ministry of Finance

The stock of pending bills increased by Kshs 450.5 million from Kshs 11,668.8 million as at the end of June 30th 2005 to Kshs 12,118.6 million by end December 2005. The stock of recurrent pending bills increased by Kshs 680.8 million, while the stock of development pending bills decreased by Kshs 230.2 million. There were increases in pending bills of the Ministries of Water and Irrigation by Kshs 722.6 million (mainly due to inadequate provision for utilities in the recurrent and the contractors and suppliers on development), Office of the President by Kshs 612.8 million and Lands and Housing by Kshs 489.0 million and Foreign Affairs by Kshs 221.7 million.

These increases were mainly due to inadequate provision and lack of liquidity to pay for the utilities (*Table 5*).

1.3.2 Guaranteed Loans for Parastatals

Scheduled Payments of Guaranteed Loans for Parastatals with liquidity problems amounted to Kshs 586.62 million during the second quarter. However these loans were rescheduled under the Paris Club and the Government will start servicing in 2006/07 financial year. (*Table 6*).

**Table 6: Guaranteed Loans, July 2005 – December 2005
(Kshs Million)**

	PRINCIPAL	INTEREST	TOTAL	PAID	BALANCE
Nairobi City Council	33.60	4.81	38.41	-	38.41
TARDA 1/	102.86	38.90	141.76	-	141.76
KBC 2/	263.64	92.30	355.94	-	355.94
ICDC 3/	46.20	4.31	50.51	-	50.51
TOTAL	446.30	140.32	586.62	-	586.62

1/ TARDA stands for Tana and Athi Rivers Development Authority

2/ KBC stands for Kenya Broadcasting Corporation

3/ ICDC stands for Industrial and Commercial Development Corporation

Source: Ministry of Finance

1.4 Financing the Budget

1.4.1 External Financing

During the period under review, external financing (loans) represented a net borrowing of Kshs 814 million (which excludes rescheduled interest of kshs 802 million as in table 1) against a targeted borrowing of Kshs 123 million. Comparatively, the external financing for the same period in the 2004/2005 financial year was a net repayment of Kshs 822.25 million.

Total disbursements (inflows) including Appropriations-in-Aid amounted to Kshs 5,296 million. This amount includes Kshs 1,786 million Project Cash Loans, Kshs 1,572 million Programme Loans and Kshs 1,938 million Project Loans A.I.A. Repayments (Outflows) of principal, on the other hand, amounted to Kshs 4,481.8 million, the bulk of these being made to multilateral Creditors (*Table 7*).

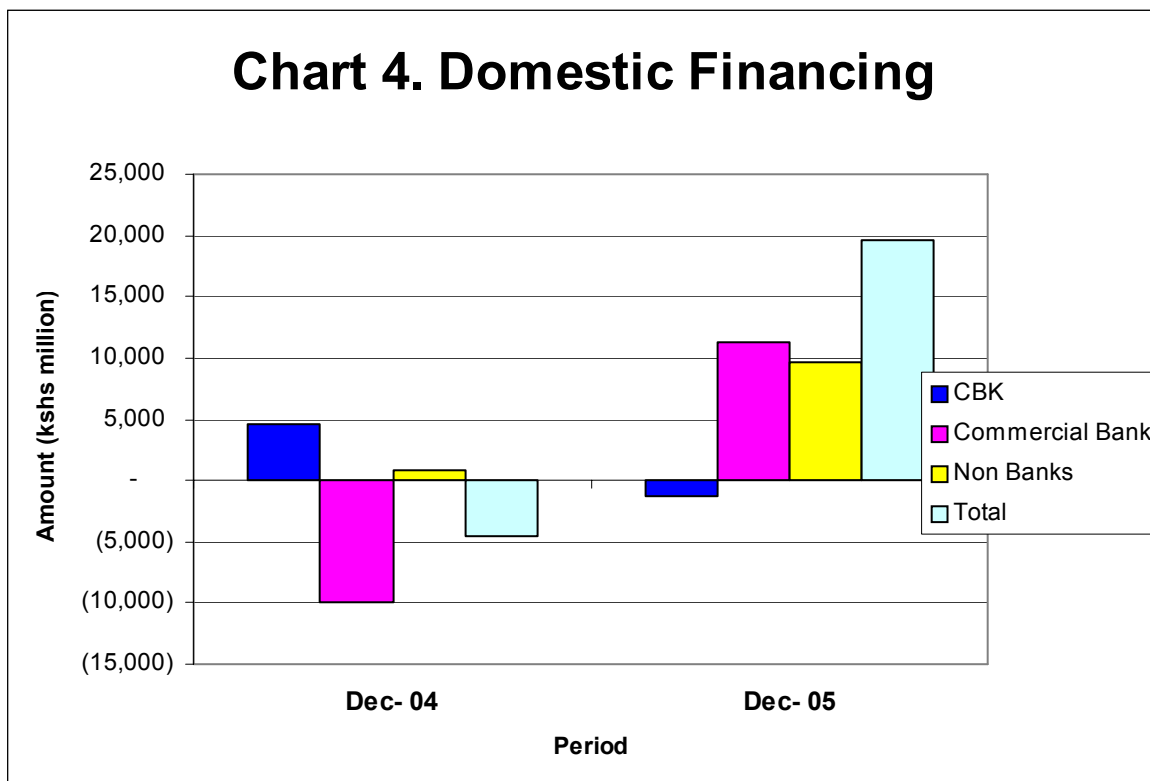
Table 7: Net External Financing (Loans), Ending 31st December 2005(Kshs Million)

	Dec. 2004	Quarter 1	Quarter II	Cummulative Dec. 2005	June 2006 Target
DISBURSEMENTS:	3,610.00	3,617.00	1,679.00	5,296.00	15,741.00
Project Cash loans	1,913.00	1,432.00	354.00	1,786.00	6,469.00
Programme loans	0.00	1,572.00	-	1,572.00	1,572.00
Project loans A-I-A	1,897.00	613.00	1,325.00	1,938.00	7,700.00
EXTERNAL REPAYMENTS:	4,632.25	2,612.82	1,868.95	4,481.77	11,016.38
Bilateral	941.54	423.73	318.53	742.26	2,619.08
Multilateral	3,604.29	2,189.09	1,550.42	3,739.51	7,956.30
Commercial	86.42	-	0.00	0.00	441.00
NET FOREIGN FINANCING	(822.25)	1,004.18	(189.95)	814.23	4,724.62

Source: Ministry of Finance

1.4.2 Domestic Financing

In the second quarter of the 2005/2006 fiscal year, the net domestic financing resulted in a net borrowing of Kshs 19,646 million. This comprised a net repayment of Kshs 1,335 million to the Central Bank, Kshs 323 million to Non Residents and a net borrowing of Kshs 11,364 million from Commercial Banks, Kshs 9,940 million from Non-Bank Financial Institutions. Comparatively, the same period in the 2004/2005 fiscal year registered a net repayment of Kshs 2,906 million, which represented a net borrowing of Kshs 4,558 million from the Central Bank, Kshs 2,913 million from Non-Banks Financial Institutions, Kshs 860 million from Non Residents and a net repayment of Kshs 11,237 million to Commercial Banks (*chart 4*).



The stock of Treasury Bills held by Commercial Banks and Non-Bank Financial Institutions registered increases of Kshs 3,651 million and Kshs 1,971million respectively, while those held by the Central Bank and Non-Residents registered net reductions of Kshs 7 million and Kshs 235 million respectively during the period under review. On the other hand, the Fixed Rate Treasury Bonds held by Commercial Banks, Non Bank Financial Institutions and Non Residents registered a net increment of Kshs 12,819 million, Kshs 13,299 million and Kshs 121 million respectively. The zero coupon bonds held by the Commercial Banks, Non-Bank Financial Institutions and Non-Residents registered a reduction of Kshs 2,795 million, Kshs 3,684 million and Kshs 209 million, respectively during the period under review. **(Table 8)**

**Table 8: Cumulative Domestic Financing, Second Quarter Ending 31st
December 2005(Kshs Million)¹**

	DECEMBER 2004	JUNE 2005	SEPTEMBER 2005	DECEMBER 2005
1.CENTRAL BANK	4,558	(10,401)	1,192	(1,335)
Overdraft	0	(4007)	3,683	3,683
IMF funds on let to Govt	60	(110)	(75)	(156)
Treasury bills	879	4	(1)	(7)
Stocks	0	0	0	0
Floating rate T. Bonds	0	0	0	0
Fixed rate Bonds	0	0	0	0
Items on Transit	(4,154)	846	(5,505)	(5,349)
Less Govt Deposits	8,773	(6,134)	3,090	494
Frozen Account	(1,000)	(1,000)	0	0
2.COM. BANKS	(10,017)	(15,327)	5,625	11,364
Advances	233	(235)	(103)	(471)
Stocks	0	0	0	0
Treasury bills	(7,183)	(9,681)	4,581	3,651
Floating rate T. Bonds	(3,189)	(5,632)	(867)	(1,420)
Fixed rate Bonds	683	(8,462)	3,854	12,819
Zero Coupon Bonds	(867)	12,931	0	(2,795)
Less Govt Deposits	306	(4,248)	(1,840)	(420)
3. NON BANKS	1,694	16,757	6,368	9,940
Stocks	0	0	0	0
Treasury bills	7,015	15,274	2,136	1,971
Floating Rate T. Bonds	(7,085)	(7,710)	(1,123)	(1,646)
Fixed rate Bonds	(303)	(2,606)	5,355	13,299
Zero Coupon Bonds	2,067	11,799	-	(3,684)
4. NON RESIDENTS	859	2,299	732	(323)
Treasury bills	693	1,900	664	(235)
Floating rate T. Bonds	(1)	0	0	0
Fixed rate Bonds	(43)	22	68	121
Zero Coupon Bonds	210	377	0	(209)
NET CREDIT	(2,906)	(6,672)	13,917	19,646

Note: Treasury bills as reflected here are given at cost value as opposed to Table 10 given at Face value.

Source: Central Bank of Kenya

1. Cumulative from the beginning of the respective fiscal year.

2. PUBLIC DEBT

2.1 Overall Debt Position

The Total Public Debt in shilling terms decreased from Kshs 750,026 million as at the end of June 2005 to Kshs 743,228 million by 31st December 2005. This was as a result of a 6.0 percent decrease in external debt and an increase in domestic debt¹ of 6.2 percent during the period under review. The huge reduction of the external debt (Kenya Shilling terms) is mainly due to the appreciation of the Kenya Shilling against the major foreign currencies (*Table 9*).

Table 9: Kenya's Public and Publicly Guaranteed Debt, June 2000– December 2005 (Kshs millions)

	June 00	June 01	June 02	June 03	June 04	June 05	Dec 05
EXTERNAL:							
BILATERAL	138,567	132,269	129,973	142,593	162,914	157,669	146,637
MULTILATERAL	230,740	228,497	222,452	233,829	260,658	255,784	240,065
COMMERCIAL BANKS	24,913	29,423	24,031	3,597	2,911	1,776	1,685
EXPORT CREDIT	1,474	3,789	1,292	27,034	16,674	19,224	19,839
SUB-TOTAL	395,694	393,978	377,748	407,053	443,157	434,453	408,226
DOMESTIC:							
CENTRAL BANK ²	50,986	47,196	42,841	45,290	50,774	46,617	44,945
COMMERCIAL BANKS	69,102	62,046	78,000	112,369	128,214	122,912	134,674
TOTAL BANKS	120,088	109,242	120,841	157,659	178,988	169,529	179,619
NON-BANKS	86,039	102,572	115,150	131,722	127,247	146,044	155,383
SUB-TOTAL	206,127	211,814	235,991	289,381	306,235	315,573	335,002
GRAND TOTAL GROSS	601,821	605,792	613,739	696,434	749,392	750,026	743,228
LESS ON-LENDING	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)
LESS GOVERNMENT DEPOSITS	(37,021)	(43,877)	(29,659)	(38,046)	(48,281)	(58,600)	(58,526)
GRAND TOTAL NET	559,099	556,214	578,379	652,687	695,473	685,725	679,001

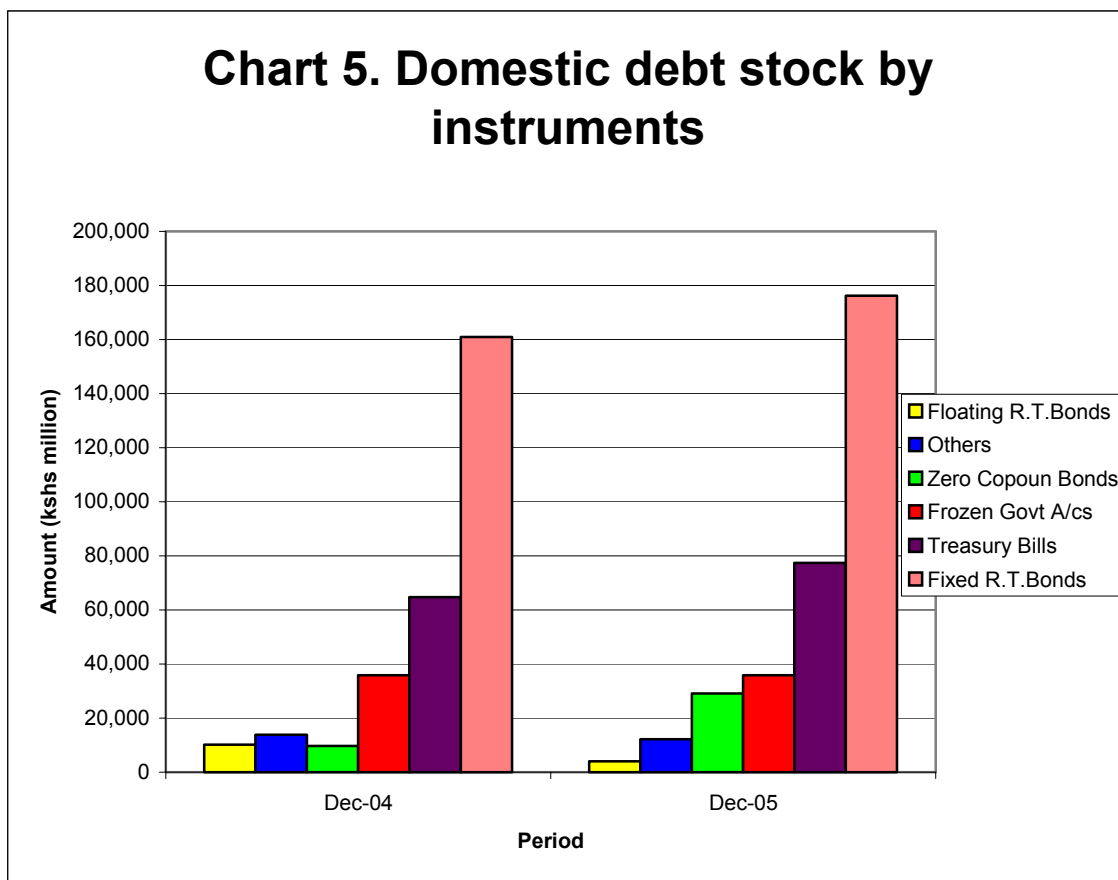
Source: Ministry of Finance

1. The domestic debt figures are net of Government deposits held in financial institutions.

2 The IMF funds on let to Government have been excluded from Central Bank to avoid double counting since they are already included

2.2 Domestic Debt

The stock of domestic debt increased from Kshs 315,573 million in June 2005 to Kshs 335,002 million in December 2005, reflecting a net increase of Kshs 19,429 million (*Table 10*). The stock of Treasury Bills held by Central Bank, Commercial Banks, Non Bank Financial Institutions and Non Residents increased slightly from Kshs 71,938 million in June 2005 to Kshs 77,437 million in December 2005, while the stock of Treasury Bonds, Floating, Fixed Rate and Zero Coupon, increased from Kshs 193,359 million in June 2005 to Kshs 209,425 in December 2005 (*chart 5*).



**Table 10: Stock of Domestic Debt, Second Quarter Ending 31st Dec.
2005(Kshs million)**

	DEC 2004	JUNE 2005	SEPT 2005	DEC 2005
1.CENTRAL BANK	46,499	46,617	44,795	44,945
Overdraft	9,232	5,225	8,909	8,909
Frozen Govt Accounts	35,917	35,917	35,917	35,917
Treasury Bills	882	7	6	0
Items on Transit	468	5,468	(37)	119
2.COM.BANKS	119,544	122,912	130,652	134,674
Advances	3,007	2,539	2,436	2,068
Stocks	0	0	0	0
Treasury Bills	33,904	31,863	36,585	35,649
Floating Rate T. Bonds	5,439	4,215	3,347	2,793
Fixed Rate T. Bonds	73,011	63,888	67,877	76,861
Zero Coupon Bonds	4,183	20,407	20,407	17,302
3. NON BANKS	124,354	139,542	146,094	149,243
Stocks	1,058	1,058	1,058	1,058
Treasury Bills	25,698	34,522	36,731	36,488
Floating Rate T. Bonds	4,759	2,914	1,789	1,265
Fixed Rate T. Bonds	87,519	85,297	90,765	98,748
Zero Coupon Bonds	5,251	15,682	15,682	11,615
Tax Reserve Certificate	69	69	69	69
4. NON RESIDENTS	4,977	6,502	7,260	6,140
Treasury Bills	4,272	5,546	6,236	5,300
Floating Rate T. Bonds	0	0	0	0
Fixed Rate T. Bonds	458	523	591	646
Zero Coupon Bonds	247	433	433	194
5. TOTAL DEBT	295,734	315,573	328,801	335,002
6. LESS ON-LENDING	(5,701)	(5,701)	(5,701)	(5,701)
7. Less Govt. Deposits	(39,139)	(58,600)	(57,350)	(58,526)
8. NET DEBT	250,534	251,272	265,750	270,775

NOTE: Treasury bills reflected here are at face value as opposed to Table 8, given at cost

Source: Central Bank of Kenya

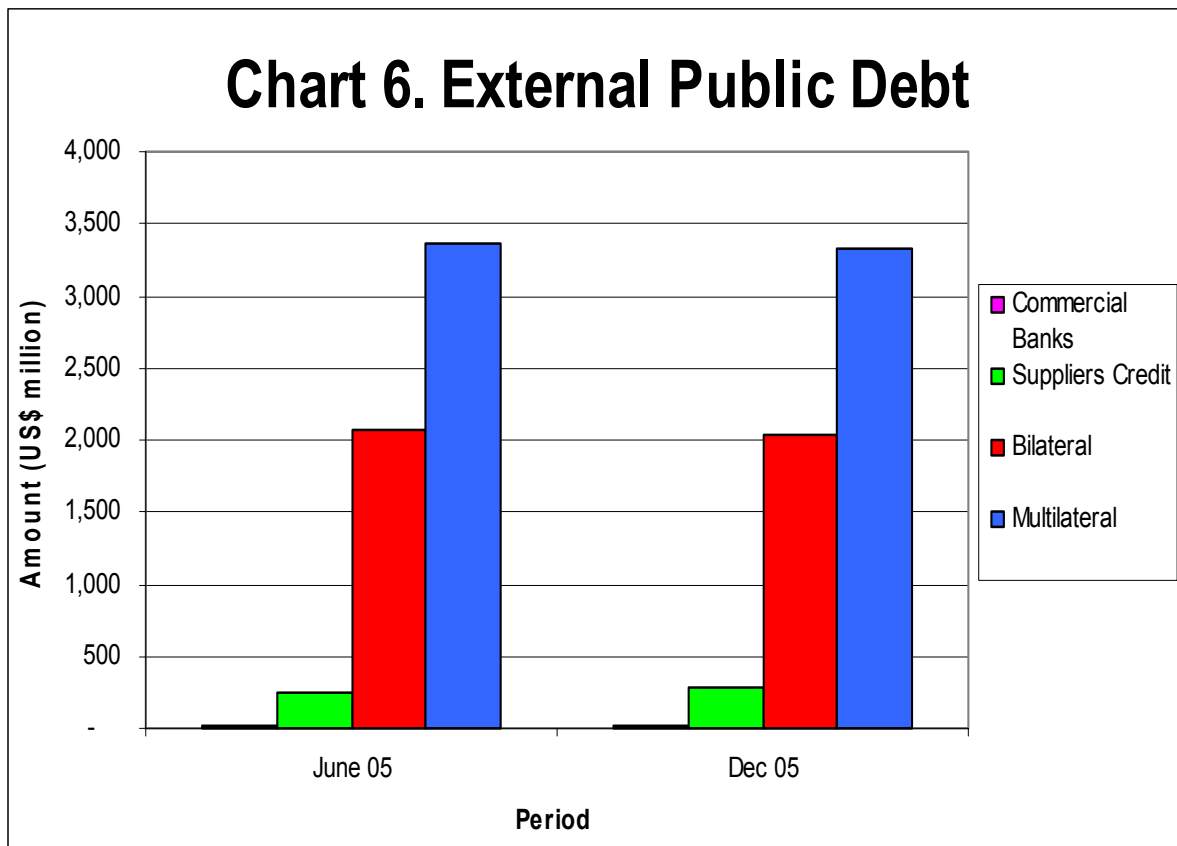
2.3 External Public Debt

External debt stock stood at approximately US \$ 5.65 billion as at the end of December 2005 showing a slight decrease from the June 2005 position of US \$ 5.7 billion. Loans from multilateral agencies constitute a big portion of Kenya's external debt due to their favourable lending terms of low interest rates and long-term repayment period. Overall external debt consists of 58.8 percent Multilateral, 35.9 percent Bilateral, 4.9 percent Export or Suppliers Credit and the remainder being Commercial Banks (*Table 11 and Chart 6*).

**Table 11: Kenya's External Public and Publicly Guaranteed Debt
2000-2005 US (\$ Million)**

CREDITOR	June 2000	June 2001	June 2002	June 2003	June 2004	June 2005	Dec 2005
<u>BILATERAL</u>							
AUSTRIA	34	16.1	25.0	30.50	33.14	32.35	31.24
BELGIUM	38	30.6	29.8	30.50	59.41	68.00	69.53
CANADA	41	67.7	28.0	36.40	22.18	17.00	17.00
DENMARK	40	32.4	24.8	26.10	26.22	31.00	30.20
FINLAND	2	2.5	5.0	3.60	3.08	1.76	1.81
FRANCE	179	219.6	199.0	182.60	201.02	237.33	244.90
GERMANY	109	98.1	94.4	109.80	137.14	169.63	169.40
ITALY	82	125.8	136.1	117.90	126.33	94.14	99.66
JAPAN	1,031	922.2	824.0	1,071.00	1,058.80	1,109.50	1,046.46
NETHERLANDS	58	52.4	44.2	50.40	52.79	28.94	39.65
U.K.	37	35.8	40.82	35.80	33.35	36.94	35.28
USA	72	43.0	55.4	89.70	74.55	79.40	85.40
OTHERS	54	49.7	143.1	138.40	153.90	163.00	157.65
SUBTOTAL	1,777	1,695.9	1,649.62	1,922.70	1,981.91	2,068.99	2,028.18
<u>MULTILATERAL</u>							
ADB/ADF	308	328.4	292.8	321.50	315.10	310.00	327.09
EEC/EIB	115	156.7	148.0	115.50	128.92	111.00	136.44
IBRD	91	20.0	11.50	11.50	14.22	0.50	0.00
IDA	2,332	2,306.8	2,263.0	2,616.60	2,492.88	2,757.00	2,693.60
IMF	104	111.3	98.0	80.75	111.50	172.00	158.76
OTHERS	9	6.3	10.05	6.90	0.75	6.00	4.51
SUBTOTAL	2,959	2,929.5	2,823.35	3,152.75	3,063.37	3,356.50	3,320.40
COMMERCIAL BANKS	319	377.2	305	48.50	46.9	23.30	23.30
EXPORT CREDIT	19	48.6	16.4	364.5	200.57	252.27	274.40
GRAND TOTAL	5,074	5,051.2	4,794.37	5,488.45	5,292.76	5,701.06	5,646.28
In Percentage of total Debt							
Bilateral	35.0	33.6	34.4	35.0	36.8	36.3	35.9
Multilateral	58.3	58.0	58.9	57.4	58.8	58.9	58.8
Commercial Banks	6.3	7.5	6.4	0.9	0.7	0.4	0.4
Export Credit	0.4	1.0	0.3	6.6	3.8	4.4	4.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Ministry of Finance



2.3.1 External Debt Service

The external debt service as at end December 2005 amounted to Kshs 6,186.92 million. The distribution of the debt service was 20.24 percent Bilateral with the main beneficiaries being Kuwait, Saudi Fund, France, Spain and Belgium. The Multilateral debt service stood at 79.76 percent with the main beneficiaries being IDA, EIB, ADB and EEC (*Table 12*).

Table 12: External Debt Service, July – December 2005
(Kshs Million)

CATEGORY	Principal	Interest	TOTAL
<u>BILATERAL</u>			
AUSTRIA	14.86	33.39	48.25
DENMARK	0	0	0
FINLAND	0	0	0
FRANCE	52.51	124.86	177.37
ITALY	12.47	1.56	14.03
JAPAN	170.74	82.69	253.43
SAUDI FUND	222.06	103.9	325.96
KUWAIT	49.48	19.52	69
SPAIN	88.34	64.56	152.9
NETHERLANDS	0	0	0
USA	0	13.59	13.59
UK	0	0	0
BELGIUM	78.49	40.92	119.41
INDIA	0	0	0
CHINA	0	0	0
CANADA	0	9.01	9.01
GERMANY	0	7.58	7.58
SWEDEN	0	0	0
SWITZERLAND	0	0	0
KOREA	53.31	8.61	61.92
TOTAL BILATERAL	742.26	510.19	1,252.45
<u>MULTILATERAL</u>			
ADB	438.51	206.53	645.04
BADEA	0	0.11	0.11
EEC	135.66	27.87	163.53
EIB	976.86	146.94	1,123.80
IBRD	0.00	0	-
IDA	2,172.76	808.9	2,981.66
OPEC	15.73	4.6	20.33
TOTAL MULTILATERAL	3,739.52	1,194.95	4,934.47
COMMERCIAL BANKS 1/	0.00	0	0.00
GRAND TOTAL	4,481.78	1,705.14	6,186.92

Source: Ministry of Finance

3.0 CORE POVERTY PROGRAMMES

The Core Poverty Projects/Programmes (CPP) are those that impact positively on the lives of the poor, thereby reducing the levels of poverty in the society. Their implementation is expected to impact directly on the standard of living in the Kenyan society by increasing incomes for the poor, improving the quality of life, enhancing security, empowering the poor, improving governance as well as promoting equity and equality in our society. These programmes are given core priority by the government to cushion them from budget cuts and ensure that their goals are achieved as targeted. The overall expenditures on these programmes by the end of the second quarter of the F/Y. 2005/06 was Kshs 25.8 billion equivalent to 51% of the total budget allocation on the CPP.

3.1 ANALYSIS OF RECURRENT EXPENDITURES

The total recurrent expenditure (non-wage) of the Core Poverty Programmes for all the ministries/departments, by the end of the second quarter, was kshs.12.5 billion equivalent to 54.1% of the total allocation. The table below is a summary of ministries/departments total payments and commitments for the second quarter on the Core Poverty Programmes.

TABLE 13: RECURRENT EXPENDITURES (NON-WAGE) KSHS.

MINISTRY/DEPARTMENT	Printed Estimates (NET)	Actual Payments (Cumulative)	Commitment (Cumulative)	Total Payment+Commitment
MINISTRY OF EDUCATION,SCIENCE & TECHNOLOGY	9,100,959,517	2,499,699,049	351,580,486	2,851,279,535
MINISTRY OF HEALTH	4,004,245,321	1,093,731,559	2,534,155,465	3,627,887,024
OFFICE OF THE PRESIDENT	2,064,586,279	2,349,166,765	664,234,776	3,013,401,541
OVP AND MINISTRY OF HOME AFFAIRS	93,100,000	2,178,415	17,961,927	20,140,342
MINISTRY OF ENVIRONMENT & NATURAL RESOURCES	372,516,900	50,054,808	76,087,978	126,142,786
MINISTRY OF AGRICULTURE	841,626,081	28,285,008	2,940,856	31,225,864
MINISTRY OF LABOUR AND HUMAN RESOURCES DEV.	39,839,577	15,749,461	7,237,564	22,987,025
KENYA ANTI-CORRUPTION COMMISSION	607,696,580	155,398,662	18,660,529	174,059,191
MINISTRY OF LANDS & HOUSING	95,034,675	57,000,000	0	57,000,000
MINISTRY OF LOCAL GOVERNMENT	1,116,800,000	460,000,000	0	460,000,000
MINISTRY OF ROADS AND PUBLIC WORKS	3,560,000,000	1,006,244,619	721,796,505	1,728,041,124
MINISTRY OF GENDER,SPORTS,CULTURE & SOCIAL SERV.	49,323,801	15,896,356	945,560	16,841,916
MINISTRY OF WATER AND IRRIGATION	521,640,000	83,281,363	76,055,116	159,336,479
NATIONAL AUDIT OFFICE	239,108,876	89,169,485	8,914,626	98,084,111
STATE LAW OFFICE	23,646,173	12,107,103	0	12,107,103
MINISTRY OF LIVESTOCK & FISHERIES DEVELOPMENT	190,661,200	28,186,193	2,419,143	30,605,336
MINISTRY OF COOPERATIVE DEV. AND MARKETING	105,041,600	1,537,231	31,373,584	32,910,815
TOTAL	23,025,826,580	7,947,686,077	4,514,364,115	12,462,050,192

Source of data: Ministries/Departments monthly expenditure returns

3.2 ANALYSIS OF DEVELOPMENT EXPENDITURES

The analysis below shows that the expenditure in the development portfolio was very low compared to the recurrent expenditure, as at the end of the second quarter. Besides, it was reported that only 23% of the total budget provision was spent. The ministry of Local government reported an over-expenditure on the construction of roads by 17% of its allocation. The details of expenditures directly funded by the donors were not available to the line Ministries/Departments.

TABLE 14: DEVELOPMENT EXPENDITURES (KSHS.)

MINISTRY/DEPARTMENT	Total Printed Estimates	Total Actual Payments (Cumulative)	Commitment (Cumulative)	Total Payment+Commitment
OFFICE OF THE PRESIDENT	5,778,728,942	1,179,152,608	658,123,312	1,837,275,920
OVP AND MINISTRY OF HOME AFFAIRS	94,208,500	1,794,903	7,862,122	9,657,025
MINISTRY OF AGRICULTURE	2,878,492,400	1,264,542	382,883	1,647,425
MINISTRY OF HEALTH	8,630,029,971	694,071,825	274,677,008	968,748,833
MINISTRY OF ROADS AND PUBLIC WORKS	1,477,000,000	3,583,000	-	3,583,000
MINISTRY OF ENVIRONMENT AND NATURAL RESOURCES	347,159,544	25,734,169	9,178,373	34,912,542
MINISTRY OF EDUCATION, SCIENCE & TECHNOLOGY	1,331,457,050	639,457,050	-	639,457,050
MINISTRY OF PLANNING AND NATIONAL DEVELOPMENT	920,100,000	6,753,206	-	6,753,206
MINISTRY OF GENDER, SPORTS, CULTURE AND SOCIAL SERVICES	107,000,000	983,900	25,000	1,008,900
MINISTRY OF WATER AND IRRIGATION	5,155,200,000	738,477,869	602,446,807	1,340,924,676
MINISTRY OF JUSTICE & CONSTITUTION AFFAIRS	912,200,000	117,171,939	17,533,804	134,705,743
MINISTRY OF LANDS & HOUSING	532,300,000	1,435,673	4,463,900	5,899,573
MINISTRY OF TRADE AND INDUSTRY	560,367,000	38,616,441	-	38,616,441
MINISTRY OF FINANCE	339,800,000	21,574,557	-	21,574,557
MINISTRY OF ENERGY	2,614,000,000	924,006,540	336,132,330	1,260,138,870
MINISTRY OF LIVESTOCK AND FISHERIES DEVELOPMENT	1,298,860,000	66,625,544	39,788,558	106,414,102
MINISTRY OF COOPERATIVE DEVELOPMENT AND MARKETING	42,600,000	9,591,505	-	9,591,505
MINISTRY OF LOCAL GOVERNMENT	1,305,788,374	1,491,072,493	41,373,280	1,532,445,773
STATE LAW OFFICE	145,250,000	784,053	5,310,300	6,094,353
JUDICIARY SERVICES	281,000,000	83,185,577	1,050,000	84,235,577
TOTAL	34,751,541,781	6,045,337,394	1,998,347,677	8,043,685,071

Source of data: Ministries/Departments monthly expenditure returns

FISCAL RESULTS, FINANCIAL YEAR 1998/99 – 2005/2006

(Kshs. Millions)

	1998/99	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005*	2005/06**
A.TOTAL REVENUE	196,257	178,443	192,313	196,613	210,750	254,681	289,802	325,565
1.Revenue	173,550	163,769	175,481	175,746	190,591	226,478	265,715	291,064
Income Tax	55,235	54,402	53,429	55,862	66,744	77,410	94,095	110,016
VAT	39,205	40,944	50,298	50,871	56,135	61,725	75,989	77,732
Import Duty	28,444	28,605	28,726	21,584	18,477	22,324	23,532	21,732
Excise Duty	28,733	28,493	28,318	32,077	35,643	40,085	44,151	54,077
Other Revenue	21,933	11,325	14,710	15,352	13,592	24,934	27,948	27,507
2.Appropriation –in –Aid	22,707	14,674	16,832	20,867	20,159	28,203	24,087	34,499
B.EXPENDITURE & NET LENDING	197,341	175,119	232,921	225,760	264,144	282,187	303,373	415,104
1.Recurrent	165,331	156,535	198,941	200,807	220,618	244,476	257,746	314,360
Wages and Salaries	63,253	65,861	68,119	77,638	85,087	95,850	105,612	114,515
Interest Payments	40,055	29,387	31,035	30,384	36,026	29,700	30,470	38,280
Domestic Interest	31,743	20,752	23,232	23,744	27,567	23,281	23,375	28,478
Foreign Interest Due	8,312	8,635	7,803	6,640	8,459	6,419	7,095	9,802
Pensions, etc	5,171	5,145	6,136	8,995	9,450	13,612	12,568	21,421
Civil Service Reform	750	443	6,095	1,665	957	273	0	1,309
Operations & maintenance/ Others	56,102	55,699	71,584	82,125	89,098	105,041	107,096	138,835
Of which Appropriation-in-Aid	13,567	14,836	14,723	17,733	18,221	23,443	20,999	27,274
2.Development & Net Lending	32,010	18,584	33,980	24,953	43,526	37,711	45,627	86,944
Development Projects	13,332	7,096	9,434	11,727	16,835	25,943	28,824	59,472
Appropriation-in-Aid	17,727	10,252	11,592	14,526	17,894	12,341	15,929	26,394
Payment of guaranteed loans	(1,084)	3,324	3,957	1,862	1,799	1,368	860	1,078
3. Drought Development Expenditures	951	1,880	5,806	0	0	0	2,000	13,800
D.DEFICIT EXCL. GRANTS (Commitment Basis)	4,920	4,247	(40,608)	(29,147)	(53,394)	(27,506)	(13,571)	(89,541)
E.GRANTS	3,836	7,571	24,080	6,823	14,942	16,224	14,905	35,132
F.DEFICIT INCL.GRANTS (Commitment basis)	(6,107)	(5,770)	(16,528)	(22,324)	(38,452)	(11,282)	1,334	(54,409)
G. ADJUSTMENT TO CASH BASIS	(2,271)	1,801	3,423	(5,085)	2,683	11,282	5,964	2,750
H.DEFICIT INCL.GRANTS (cash basis)	2,271	(1,801)	(13,105)	(27,409)	(34,779)	0	7,298	(51,659)
I.FINANCING	(8,745)	(19,337)	13,105	27,409	34,779	0	(7,298)	51,659
Foreign Financing	11,016	17,536	12,489	(13,314)	(12,143)	(8,809)	(625)	5,720
Domestic Financing	11,016	17,536	616	40,723	46,922	8,809	(6,673)	45,939
Of which Domestic Borrowing	0	0	616	40,723	46,922	8,809	(6,673)	36,639
Others	0	0	0	0	0	0	0	9,300
In Percentage of GDP								
A.TOTAL REVENUE	28.7	26.5	19.9	19.2	20.3	22.3	22.8	22.7
1.Revenue	26.9	23.5	18.1	17.1	18.3	19.8	20.9	20.3
Income Tax	8.9	7.5	5.5	5.4	6.4	6.8	7.4	7.7
VAT	5.6	5.3	5.2	5.0	5.4	5.4	6.0	5.4
Import Duty	4.0	3.8	3.0	2.1	1.8	2.0	1.8	1.5
Excise Duty	4.6	3.9	2.9	3.1	3.4	3.5	3.5	3.8
Other Revenue	3.8	3.0	1.5	1.5	1.3	2.2	2.2	1.9
2.Appropriation –in –Aid	1.8	3.1	1.9	2.0	1.9	2.5	1.9	2.4
B.EXPENDITURE & NET LENDING	31.1	26.7	23.7	22.3	24.8	24.7	23.8	29.0
1.Recurrent	25.6	22.3	20.6	19.6	21.2	21.4	20.2	22.0
Wages and Salaries	9.9	8.6	7.0	7.6	8.2	8.4	8.3	8.0
Interest Payments	6.1	5.4	3.2	3.0	3.5	2.6	2.4	2.7
Domestic Interest	4.8	4.3	2.4	2.3	2.7	2.0	1.8	2.0
Foreign Interest Due	1.2	1.1	0.8	0.6	0.8	0.6	0.6	0.7
Pensions	0.8	0.7	0.6	0.9	0.9	1.2	1.0	1.5
Civil Service Reform	0.1	0.1	0.6	0.2	0.1	0.0	0.0	0.1
O & M/ Others	8.7	7.6	7.4	8.0	8.6	9.2	8.4	9.7
of which Appropriation-in-Aid	1.3	1.8	1.5	1.7	1.8	2.1	1.6	1.9
2.Development & Net Lending	5.5	4.3	3.2	2.7	3.5	3.3	3.6	6.1
Development Projects	2.1	1.8	1.0	1.1	1.6	2.3	2.3	4.2
Appropriation-in-Aid	3.0	2.4	1.2	1.4	1.7	1.1	1.3	1.8
Payment of guaranteed loans	0.4	0.1	0.4	0.2	0.2	0.1	0.1	0.1
3. Drought Expenditures	0.0	0.0	2.6	0.0	0.0	0.0	0.2	1.0
D.DEFICIT EXCL. GRANTS (Commitment Basis)	(2.5)	(0.1)	(4.2)	(2.8)	(5.1)	(2.4)	(1.1)	(6.3)
E.GRANTS	0.8	0.7	2.5	0.7	1.4	1.4	1.2	2.5
F.DEFICIT INCL.GRANTS (Commitment basis)	(1.6)	0.5	(1.7)	(2.2)	(3.7)	(1.0)	0.1	(3.8)
G.ADJUSTMENT TO CASH BASIS	0.5	(0.8)	0.4	(0.5)	(0.3)	1.0	0.5	0.2
H.DEFICIT INCL.GRANTS (cash basis)	(1.1)	(0.3)	(1.4)	(2.7)	(3.3)	0.0	0.6	(3.6)
I.FINANCING	1.1	0.3	1.4	2.7	3.3	0.0	(0.6)	3.6
Foreign Financing	(1.1)	(1.2)	1.3	(1.3)	(1.2)	(0.8)	0.0	0.4
Domestic Financing	2.3	1.5	0.1	4.0	4.5	0.8	(0.5)	3.2
Of which Domestic Borrowing	2.3	1.5	0.1	4.0	4.5	0.8	(0.5)	2.6
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6
Memorandum Item: Nominal GDP at Market price (Kshs. million)	739,800.0	777,838.0	967,838.0	1,025,918.0	1,038,764.0	1,141,780.0	1,273,716.0	1,431,579.0

Note: * indicate Preliminary results and ** Revised Estimates

Source: Ministry of Finance

2003/04 Approved Estimates and 2004/05 Budget for Some State Corporations

	Name	Actual 2003/2004 Ksh.'000	Forecast 2004/2005 Ksh.'000	Budget 2005/2006 Ksh.'000
1	Kenya Institute of Administration	162,224	176,658	184,730
2	Capital Markets Authority	145,759	117,800	141,978
3	Retirement Benefits Authority	191,447	180,550	195,050
4	Kenya Revenue Authority	3,883,000	5,676,000	7,208,000
5	Registration Of Accountants Board	2,781	3,140	3,647
6	Registration Of Certified Public Secretaries Board	1,517	1,797	1,828
7	KIPPRA	312,477	221,985	192,652
8	Kenya Civil Aviation Authority	-	1,974,195	2,059,500
9	Kenya Maritime Authority	-	-	180,000
10	Kenya Industrial Research & Development Institute	144,358	145,878	264,161
11	Export Processing Zones Authority	306,894	315,736	360,353
12	Kenya Industrial Estates	188,704	153,130	364,138
13	Investment Promotion Centre	-	90,000	275,718
14	Catering Training & Tourism Development Levy Trustees.	443,520	526,480	545,394
15	Kenya Tourist Board	738,974	752,850	976,748
16	Kenya Utalii College	547,360	472,677	533,811
17	Communication Commission of Kenya	1,757,551	1,821,310	1,915,350
18	Agricultural Development Corporation	373,484	567,621	830,467
19	Horticultural Crops Development Authority	176,044	197,448	207,410
20	National Irrigation Board	192,267	450,864	382,720
21	Coffee Research Foundation	142,557	211,268	200,960
22	Pyrethrum Board Of Kenya	1,085,653	1,240,785	1,465,157
23	Pest Control Products Board	31,188	36,432	42,759
24	KEPHIS	301,295	295,200	289,900
25	Sugar Research Foundation	-	172,761	220,662
26	Kenya Sugar Board	113,128	219,157	305,281
27	Tea Board Of Kenya	175,677	170,448	173,358
28	Tea Research foundation of Kenya	121,910	105,058	136,768
29	Kenya Sisal Board	11,519	11,853	15,554
30	Kenya Agricultural Research Institute	1,639,294	2,726,777	3,309,000
31	Kenya Dairy Board	87,009	85,035	100,638
32	Kenya Marine & Fisheries Research Institute	231,238	366,414	497,428
33	Cooperative College Of Kenya	94,690	100,937	103,886
34	Egerton University	1,880,493	1,999,925	2,566,537
35	Jomo Kenyatta University of Agriculture & Technology	916,981	1,500,202	1,980,622
36	Kenyatta University	1,572,170	2,150,196	2,800,914
37	Maseno University	621,300	938,078	1,039,589
38	Moi University	1,737,911	2,391,877	2,734,394
39	University Of Nairobi	4,080,679	5,101,300	6,557,786
40	High Education Loans Board	565,350	653,391	714,000
41	Commission For High Education	108,277	109,587	171,236
42	Kenya National Examination Council	1,502,104	1,527,318	1,640,240
43	Kenyatta National Hospital	3,409,863	6,649,746	7,296,200
44	Moi Teaching & Referral Hospital	783,911	1,310,665	1,920,734
45	Kenya Medical Training College	951,359	949,899	1,003,013
46	Kenya Medical Research Institute	1,739,496	2,414,739	2,856,212

	Name	Actual 2003/2004 Ksh.'000	Forecast 2004/2005 Ksh.'000	Budget 2005/2006 Ksh.'000
47	Tana & Athi River Development Authority	167,146	220,144	260,000
48	Ewaso Ng'iro North Development Authority	31,316	54,243	68,256
49	Coast Development Authority	48,613	77,092	117,766
50	Electricity Regulatory Board	116,532	125,693	131,097
51	Bomas of Kenya	107,825	98,699	87,500
52	National Museums of Kenya	559,535	779,353	1,083,266
53	Sports Stadia Management Board	-	119,150	207,060
54	Kenya National Library Services	351,158	402,453	680,970
	Totals	34,855,538	49,161,994	59,602,398

2003/2004 Actual Expenditures and 2004/2005 Budget Estimates for Local Authorities

LA Code	Local Authority Name	FY 2003-04 Budget Estimates	FY 2003-04 Budget Actuals	Variance	FY 2004-05 Approved Estimates
1	Nairobi City	9,801,000,000	5,977,525,562	3,823,474,438	4,875,059,758
6	Ahero TC	27,283,832	NA	-	22,151,036
11	Awendo TC	25,673,612	23,957,709	1,715,903	24,843,622
16	Baringo CC	42,523,718	43,488,913	(965,195)	43,788,109
21	Bomet CC	36,295,451	36,397,592	(102,141)	36,315,512
26	Bomet MC	16,347,582	26,749,489	(10,401,907)	17,836,759
31	Bondo CC	35,804,073	35,577,979	226,094	33,122,079
36	Bondo TC	18,777,597	12,245,735	6,531,862	13,244,911
41	Bungoma CC	76,999,788	76,653,387	346,401	99,756,802
46	Bungoma MC	58,590,534	NA	-	42,552,317
51	Bureti CC	28,785,755	34,419,035	(5,633,280)	33,276,998
56	Burnt Forest TC	7,319,941	7,653,614	(333,673)	6,835,346
61	Busia CC	34,962,129	38,540,693	(3,578,564)	32,738,794
66	Busia MC	53,266,179	38,841,618	14,424,561	37,454,835
71	Butere-Mumias CC	70,421,217	68,309,949	2,111,268	78,465,526
76	Chepareria TC	5,834,860	3,736,242	2,098,618	3,911,502
81	Chogoria TC	9,493,701	12,469,513	(2,975,812)	10,148,286
86	Chuka MC	16,483,455	16,211,143	272,312	13,866,632
91	Eldama Ravine TC	17,002,004	17,379,502	(377,498)	18,740,504
96	Eldoret MC	290,247,000	226,830,714	63,416,286	314,349,579
101	Embu CC	38,074,711	25,338,834	12,735,877	31,780,878
106	Embu MC	74,824,881	80,069,113	(5,244,232)	79,596,315
111	Funyula TC	5,158,321	6,675,831	(1,517,510)	4,505,224
116	Garissa CC	38,972,201	35,516,291	3,455,910	12,630,968
121	Garissa MC	43,719,344	41,936,154	1,783,190	21,120,000
126	Gucha CC	35,474,588	27,223,856	8,250,732	39,107,994
131	Gusii CC	48,360,758	32,921,800	15,438,958	51,980,682
136	Homa Bay CC	35,652,622	26,730,764	8,921,858	35,396,212
141	Homabay MC	45,026,511	40,607,744	4,418,767	34,697,440
143	Ijara CC	9,188,176	9,114,541	73,635	3,028,454
146	Isiolo CC	108,434,949	88,897,584	19,537,365	97,466,946
151	Iten-Tambach TC	11,302,167	9,147,105	2,155,062	11,167,877
156	Kabarnet MC	18,882,816	17,709,562	1,173,254	20,280,635
161	Kajiado TC	21,278,974	15,790,747	5,488,227	13,129,020
166	Kakamega CC	68,325,788	NA	-	66,582,705
171	Kakamega MC	81,977,072	62,643,089	19,333,983	66,119,624
176	Kandara TC	6,237,840	4,933,991	1,303,849	4,949,170
181	Kangema TC	11,775,396	10,278,735	1,496,661	9,174,985
186	Kangundo TC	42,514,562	37,989,969	4,524,593	40,083,795
191	Kapenguria MC	15,493,711	15,318,669	175,042	16,180,075
196	Kapsabet MC	26,229,702	29,515,887	(3,286,185)	27,442,739
201	Karatina MC	3,912,000	52,113,306	(48,201,306)	31,348,528
206	Karuri TC	32,451,385	24,470,618	7,980,767	26,741,280
211	Kehancha MC	58,685,313	57,598,167	1,087,146	35,059,185
216	Keiyo CC	32,314,225	28,999,034	3,315,191	20,484,142
221	Kendu Bay TC	8,234,292	NA	-	8,552,033
226	Kericho MC	86,116,427	NA	-	79,077,381

ANNEX III

LA Code	Local Authority Name	FY 2003-04	FY 2003-04	Variance	FY 2004-05
		Budget Estimates	Budget Actuals		Approved Estimates
231	Keroka TC	26,677,311	13,313,379	13,363,932	22,359,072
236	Kerugoya/Kutus MC	42,746,744	34,069,483	8,677,261	36,343,670
241	Kiambu CC	57,707,405	62,295,513	(4,588,108)	62,336,187
246	Kiambu MC	47,495,000	NA	-	51,763,009
251	Kikuyu TC	51,862,308	54,779,338	(2,917,030)	53,294,573
256	Kilifi CC	63,783,847	52,344,550	11,439,297	69,430,906
261	Kilifi TC	36,051,151	31,371,593	4,679,558	31,408,924
266	Kimilili MC	19,846,882	18,498,733	1,348,149	18,525,641
271	Kipkelion TC	9,928,020	10,241,250	(313,230)	10,193,995
276	Kipsigis CC	68,402,179	50,656,123	17,746,056	64,329,835
281	Kirinyaga CC	100,432,277	111,298,816	(10,866,539)	94,886,127
286	Kisii MC	64,990,878	46,455,782	18,535,096	63,625,982
291	Kisumu CC	31,660,569	27,987,395	3,673,174	23,433,540
296	Kisumu MC	364,470,387	283,036,079	81,434,308	421,969,815
301	Kitale MC	105,130,063	69,700,416	35,429,647	86,141,279
306	Kitui CC	56,298,899	65,247,813	(8,948,914)	60,808,758
311	Kitui MC	56,348,264	44,335,165	12,013,099	34,407,580
316	Koibatek CC	25,824,783	22,000,146	3,824,637	26,845,043
321	Kwale CC	139,117,890	66,577,347	72,540,543	99,757,049
326	Kwale TC	14,327,228	15,378,211	(1,050,983)	9,426,756
331	Laikipia CC	45,972,051	50,972,972	(5,000,921)	54,285,788
336	Lamu CC	20,418,457	17,678,508	2,739,949	22,015,804
341	Limuru MC	36,156,115	28,989,378	7,166,737	31,481,882
346	Litein TC	21,074,244	18,823,562	2,250,682	19,131,929
351	Lodwar MC	16,723,853	14,648,472	2,075,381	13,791,970
356	Londiani TC	13,596,749	11,310,131	2,286,618	9,723,592
361	Luanda TC	15,213,710	15,274,800	(61,090)	15,660,197
366	Lugari CC	55,756,016	NA	-	42,323,000
371	Machakos MC	77,960,340	60,972,181	16,988,159	83,694,980
376	Makueni CC	130,920,457	113,708,710	17,211,747	106,312,416
381	Makuyu TC	11,520,386	9,557,374	1,963,012	11,672,026
386	Malaba TC	24,617,428	32,817,139	(8,199,711)	26,366,460
391	Malakisi TC	6,491,557	6,259,409	232,148	6,664,630
396	Malava TC	10,387,549	11,540,637	(1,153,088)	10,298,378
401	Malindi CC	34,144,761	43,491,090	(9,346,329)	39,416,178
406	Malindi MC	105,365,678	121,794,369	(16,428,691)	128,635,569
411	Mandera CC	35,433,757	30,566,175	4,867,582	33,677,536
416	Mandera TC	26,730,312	25,530,726	1,199,586	14,876,048
421	Maragwa CC	60,123,697	52,386,898	7,736,799	60,790,757
426	Maragwa TC	18,345,896	8,812,924	9,532,972	13,408,177
431	Marakwet CC	21,373,496	23,148,701	(1,775,205)	22,837,651
436	Maralal TC	17,239,825	14,323,278	2,916,547	15,359,808
441	Mariakani TC	23,628,574	NA	-	20,129,982
446	Marsabit CC	25,745,580	28,597,160	(2,851,580)	34,614,100
451	Masaku CC	110,503,868	108,418,698	2,085,170	110,663,575
456	Masimba TC	18,521,370	8,596,651	9,924,719	9,882,468
461	Matuu TC	18,881,535	14,464,507	4,417,028	20,098,520
466	Maua MC	18,445,240	21,840,723	(3,395,483)	25,724,773
471	Mavoko MC	81,668,932	92,789,143	(11,120,211)	78,035,197

ANNEX III

LA Code	Local Authority Name	FY 2003-04	FY 2003-04	Variance	FY 2004-05
		Budget Estimates	Budget Actuals		Approved Estimates
476	Mbeere CC	35,596,661	23,440,403	12,156,258	39,391,568
481	Mbita Point TC	10,435,056	9,042,098	1,392,958	10,205,072
486	Meru CC	96,930,287	NA	-	85,721,208
491	Meru MC	73,929,287	57,064,459	16,864,828	56,344,971
496	Meru South CC	26,171,844	22,408,777	3,763,067	27,056,576
501	Migori CC	46,934,418	31,290,985	15,643,433	21,593,666
506	Migori MC	55,557,071	44,042,430	11,514,641	40,129,442
511	Molo TC	31,435,246	24,460,155	6,975,091	28,420,982
516	Mombasa MC	1,199,825,798	NA	-	1,225,763,946
521	Mt. Elgon CC	24,189,705	NA	-	20,084,016
526	Moyale CC	29,255,898	29,070,835	185,063	28,261,571
531	Mtiti Andei TC	18,396,564	NA	-	13,706,286
536	Muhoroni TC	12,860,711	13,899,889	(1,039,178)	13,155,076
541	Mumias MC	49,925,623	38,564,865	11,360,758	36,873,007
546	Murang'a CC	61,079,375	59,820,651	1,258,724	60,206,046
551	Murang'a MC	38,745,560	36,294,858	2,450,702	38,881,247
556	Mwingi CC	33,386,239	29,350,745	4,035,494	34,559,815
561	Mwingi TC	14,849,823	17,600,081	(2,750,258)	17,567,580
566	Naivasha MC	64,942,522	76,240,361	(11,297,839)	68,421,558
571	Nakuru CC	157,715,775	173,067,513	(15,351,738)	165,701,896
576	Nakuru MC	500,843,067	304,008,034	196,835,033	362,047,534
581	Nambale TC	12,400,502	9,275,826	3,124,676	9,576,439
586	Nandi CC	59,372,114	57,203,535	2,168,579	76,396,217
591	Nandi Hills TC	14,062,845	13,801,353	261,492	13,836,878
596	Nanyuki MC	127,176,963	NA	-	132,103,995
601	Narok CC	27,590,425	364,837,460	(337,247,035)	377,850,927
606	Narok TC	20,218,985	20,652,275	(433,290)	22,791,031
616	Nyahururu MC	79,533,226	68,308,879	11,224,347	75,906,138
621	Nyamache TC	6,687,783	8,421,589	(1,733,806)	6,603,517
626	Nyamarambe TC	11,400,389	NA	-	8,043,518
631	Nyambene CC	65,785,558	50,297,683	15,487,875	73,872,413
636	Nyamira CC	46,889,245	41,655,903	5,233,342	42,281,613
641	Nyamira TC	29,279,587	12,619,683	16,659,904	28,019,454
646	Nyandarua CC	81,113,536	88,305,981	(7,192,445)	85,709,684
651	Nyando CC	55,373,711	29,991,254	25,382,457	59,914,342
656	Nyansiongo TC	10,629,056	14,504,084	(3,875,028)	10,649,080
661	Nyeri CC	83,405,384	89,222,362	(5,816,978)	89,085,293
667	Nyeri MC	88,191,311	124,181,771	(35,990,460)	92,680,669
671	Nzoia CC	66,058,134	55,432,890	10,625,244	71,745,022
676	Ogembo TC	12,984,546	15,856,349	(2,871,803)	11,734,103
681	Olkalou TC	25,113,315	26,101,780	(988,465)	21,856,232
686	Olkejuado CC	116,878,336	103,514,681	13,363,655	112,866,929
691	Othaya TC	14,007,318	15,073,444	(1,066,126)	14,353,331
696	Oyugis TC	20,071,540	22,175,355	(2,103,815)	17,678,714
701	Pokot CC	43,364,888	23,997,676	19,367,212	28,000,442
706	Port Victoria TC	10,518,261	12,163,300	(1,645,039)	11,379,492
711	Rachuonyo CC	35,162,776	27,564,319	7,598,457	27,886,836
716	Rongo TC	20,693,569	20,674,942	18,627	22,210,547
721	Ruiru MC	55,812,435	42,991,939	12,820,496	58,497,967

ANNEX III

LA Code	Local Authority Name	FY 2003-04	FY 2003-04	Variance	FY 2004-05
		Budget Estimates	Budget Actuals		Approved Estimates
726	Rumuruti TC	17,165,388	11,631,737	5,533,651	12,232,826
731	Runyenjes MC	22,992,604	21,368,763	1,623,841	21,303,744
736	Sagana TC	11,545,215	11,484,338	60,877	13,731,669
741	Samburu CC	87,507,176	99,035,098	(11,527,922)	101,031,914
746	Siaya CC	36,131,295	48,806,566	(12,675,271)	40,130,610
751	Siaya MC	17,649,167	16,935,845	713,322	20,439,137
756	Sirisia TC	4,599,347	4,023,497	575,850	4,418,313
761	Sotik TC	16,512,848	10,254,471	6,258,377	17,251,773
766	Suba CC	19,500,949	21,185,830	(1,684,881)	24,950,169
771	Suneka TC	13,669,866	15,568,521	(1,898,655)	4,597,091
776	Tabaka TC	11,610,253	6,826,529	4,783,724	8,388,578
781	Taita Taveta CC	42,516,344	43,939,867	(1,423,523)	33,341,249
786	Tana River CC	38,345,626	29,010,978	9,334,648	30,842,864
791	Taveta TC	29,097,866	22,648,413	6,449,453	23,182,010
796	Teso CC	15,200,273	15,307,864	(107,591)	15,798,470
801	Tharaka CC	16,531,869	21,639,847	(5,107,978)	15,363,336
806	Thika CC	75,151,588	75,994,697	(843,109)	76,113,208
811	Thika MC	229,565,050	232,965,720	(3,400,670)	238,106,176
816	Transmara CC	58,551,825	90,820,150	(32,268,325)	70,524,069
821	Turkana CC	54,645,090	37,635,640	17,009,450	52,447,324
826	Ugunja TC	10,966,924	8,506,595	2,460,329	9,910,380
831	Ukwala TC	9,569,241	8,664,616	904,625	10,761,688
836	Vihiga CC	56,718,412	34,051,486	22,666,926	57,921,540
841	Vihiga MC	35,103,504	26,050,394	9,053,110	47,617,306
846	Voi MC	23,426,923	22,011,528	1,415,395	27,357,635
851	Wajir CC	43,716,942	52,676,267	(8,959,325)	55,961,541
856	Wareng CC	63,544,280	82,011,826	(18,467,546)	70,452,325
861	Webuye MC	30,971,214	NA	-	36,523,152
866	Wote TC	19,099,088	15,375,974	3,723,114	18,211,909
871	Yala TC	15,803,379	8,072,412	7,730,967	17,541,030
		19,117,986,492	12,988,430,149	6,129,556,343	14,243,081,248

Notes:

1. These figures denoted * represent planned figures reported by the LA(s) all the other figures are approved by the minister for Local Government.
2. NA signifies that the information is incomplete or not yet submitted by the LA.