

**Republic of Kenya**

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**Office of the Deputy Prime Minister and  
Ministry of Finance**

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# **Quarterly Economic and Budgetary Review**

**First Quarter  
2010/2011**

**November 2010 Edition**

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## **LIST OF ABBREVIATIONS AND ACCRONYMS**

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
CBR	Credit Bank Rate
CCF	Civil Contingency Fund
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
KACC	Kenya Anti-Corruption Commission
KBC	Kenya Broadcasting Corporation
Kshs	Kenya Shillings
NBFI's	Non Bank Financial Institutions
NDA	Net Domestic Asset
NFA	Net foreign Asset
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
TARDA	Tana and Athi Rivers Development Authority
VAT	Value Added Tax

## HIGHLIGHTS OF THE FIRST QUARTER ECONOMIC AND BUDGETARY REVIEW: 2010/2011

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### 1. **Recent Economic Developments**

Economic recovery continued into the second quarter of 2010 with real GDP growing by 5.4 percent up from 0.9 percent in the corresponding quarter of 2009. The high growth was mainly driven by strong performance in the agriculture, construction, manufacturing and financial sectors. This expansion was realized in an environment of lower interest rates, low inflation, increased production of cheaper electricity and better prospects in the agricultural sector.

### 2. **The Overall Fiscal Balance**

The cumulative overall fiscal balance, on a commitment basis (excluding grants) registered a deficit of Kshs 22.3 billion (equivalent to 0.8 percent of GDP) through end-September 2010 compared with a deficit of Kshs. 25.4 billion (equivalent to 1.1 percent of GDP) for a similar period in 2009.

### 3. **Total Revenue Collection**

The Central Government's cumulative revenue collection to end-September 2010 was Kshs 132.9 billion (equivalent to 4.9 percent of GDP) against a target of Kshs 154.9 billion (equivalent to 5.7 percent of GDP). This performance was below the programme target by Kshs 22.1 billion.

### 4. **Government Expenditure and Net Lending**

The Central Government expenditure and net lending for the period ending 30<sup>th</sup> September 2010 amounted to Kshs 155.2 billion, which was KShs.59.0 billion below the target of KShs.214.1 billion. This arose mainly from lower-than-targeted expenditure on operations and maintenance as well as non-capture of some district expenditures.

### 5. **Guaranteed Loans**

Cumulative scheduled principal payments of guaranteed debts for Parastatals with liquidity problems amounted to Kshs 161.6 million as at end-September 2010. The amount was being processed for payments by the time of preparing this report.

### 6. **External Financing**

External financing in the year to September 2010 was a net borrowing of Kshs 1.9 billion compared to a net repayment of Kshs 2.9 billion in a similar period in FY 2009/10.

**7. Net Domestic Borrowing**

Net domestic borrowing stood at Kshs 30.2 billion (equivalent to 1.1 percent of GDP) in the first quarter of FY 2010/11. This was below the programme target borrowing of Kshs 50.8 billion (equivalent to 1.9 percent of GDP).

**8. Total Domestic Debt**

The total domestic debt stock increased by 6.7% from Kshs 660.3 billion at end-June 2010 to Kshs. 704.7 billion by the end of September 2010.

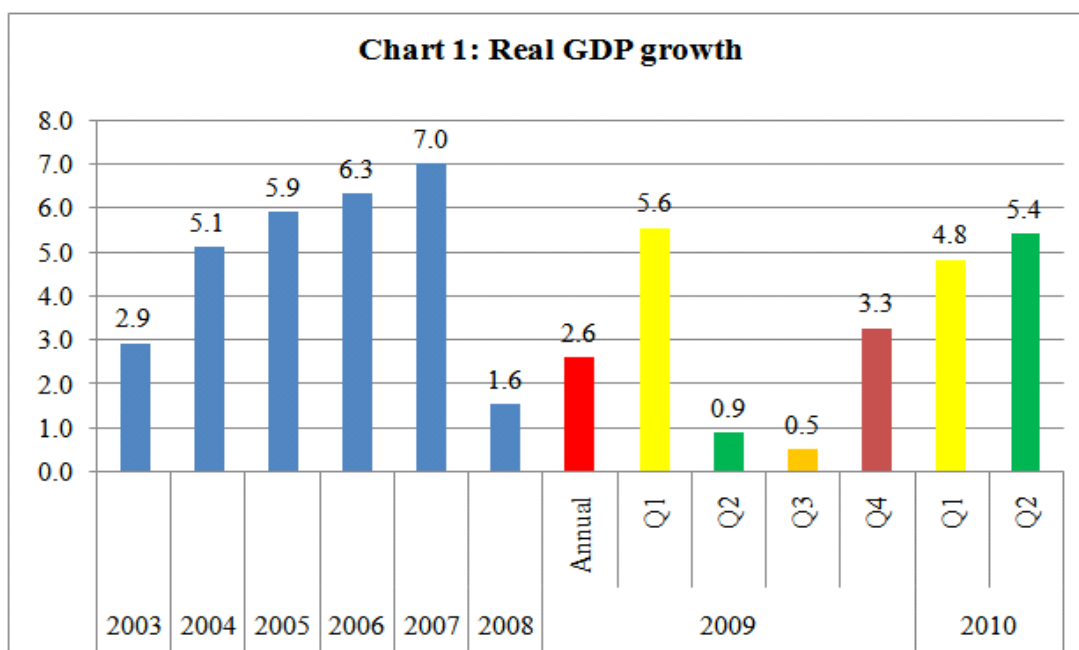
**9. External Debt**

The total external debt rose from Kshs. 565.5 billion at end-June 2010 to Kshs. 589.7 billion by 30<sup>th</sup> September 2010. The debt stock comprised of 60.5 percent, 35.8 percent and 3.7 percent for multilateral, bilateral and export credit, respectively.

## 1.0 RECENT ECONOMIC DEVELOPMENTS

### 1.1 Economic Growth

1. Economic recovery continued into the second quarter of 2010 with real GDP growing by 5.4 percent up from 0.9 percent in the corresponding quarter of 2009 (Chart 1). The high growth was mainly driven by strong performance in the agriculture, construction, manufacturing and financial sectors. This expansion was realized in an environment of lower interest rates and inflation, increased production of cheaper electricity and better prospects in the agricultural sector.



Source: Data from KNBS.

2. Recovery of the agricultural sector continued into the second quarter of 2010 with the sector expanding by 5.8 percent compared to a contraction of 4.4 percent in the corresponding quarter of 2009. The expansion was supported by improved and well spread rains that started in late 2009 and continued into 2010. Most of the key indicators such as maize, beans, potatoes, tea, and milk showed significant increases, which more than offset the reduced output of horticultural produce, coffee and sugar cane.

3. Performance of the manufacturing sector turned around to record a robust growth of 6.8 per cent compared to a contraction of 0.4 per cent during the same quarter in 2009. Increased growth was due to a strong performance of non food manufactures, especially cement production, galvanized iron sheet, laundry soap and processed, which accounted for over 90 percent of the growth.

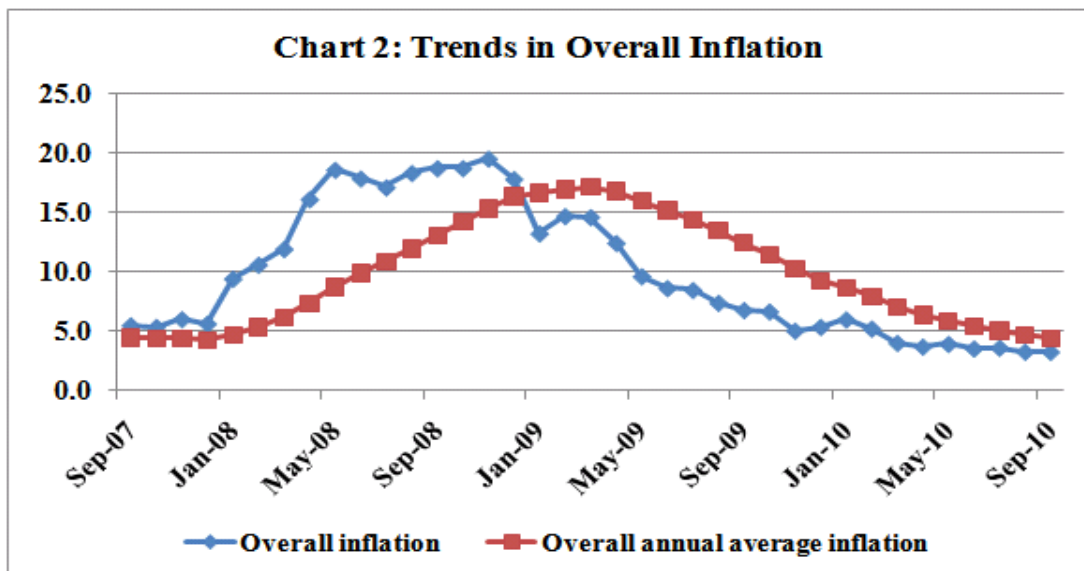
4. Hotels and restaurants sector maintained a positive growth of 1.0 percent against a backdrop of cancellation of travels due to volcanic eruption experienced in Iceland during the month of April. Total bed occupancy, one of the key indicators, increased from 1.33 million to 1.44 million during the quarter.

## RECENT ECONOMIC DEVELOPMENTS

5. Growth of the transport and communications sector rose from a contraction of 2.8 to 2.1 percent mainly supported by expansions in air transport, land transport and communication services. Communication services continue to be the main driving force in the sector.
6. Electricity and water supply recorded a robust growth of 14.4 percent up from 1.5 percent in the first quarter of 2010 and second quarter of 2009. Favourable weather contributed to the positive development with the hydro power expanding by 38.0 percent and geo-thermal generation expanding by 13.0 percent while thermal generation declined by 2 percent. Meanwhile, electricity consumption increased to 2,510 million KWh in the second quarter of 2010 from 1,365 million KWh over a similar period in 2009.
7. Financial intermediation sector continued to exhibit strong growth for the fourth consecutive quarter in a row. The sector expanded by 16 percent during second quarter and accounted for 11.7 percent to the overall growth. The construction sector also maintained a robust performance and posted a growth of 18.0 percent.

### 1.2 Inflation

8. The overall 12-month inflation at 3.2 percent in September 2010 was more or less the same level as in August 2010. Meanwhile, the average annual inflation declined during the month by 0.3 percent; from 4.7 percent in August 2010 to 4.4 percent in September 2010. Despite the marginal net decline, there were significant upward movements in all baskets except the communication and recreation baskets. The restaurants and hotels and the health baskets experienced increases of 1.7 percent and 1.0 percent, respectively, between August and September 2010. The prices of seasonal food items such as tomatoes, maize flour and maize grain fell during the month. The communications index also went down by 1.1 percent during the month as a result of the price wars among the service providers in August 2010 (Chart 2).



Source: Data from KNBS.

## RECENT ECONOMIC DEVELOPMENTS

### 1.3 Balance of Payments

9. Kenya's overall balance of payments recorded a surplus of US\$ 665 million in the year to July 2010, a turnaround from a deficit of US\$ 420 million over a similar period in 2009. This was on account of a narrowing of the current account deficit and improved surplus in the capital and financial account. Reflecting increased surplus in the services account, which more than offset deterioration in the trade balance, the current account deficit decreased from US\$ 2,241 million to US\$ 1,752 million in the year to July 2010. Similarly, the capital and financial account surplus rose by 32.7 percent to US\$ 2,417 million from US\$ 1,822 million in 2009 on account of increased private medium and long term capital and net inflows to commercial banks (Table 1a).

**Table 1a: Balance of Payments Developments (US \$ Million)**

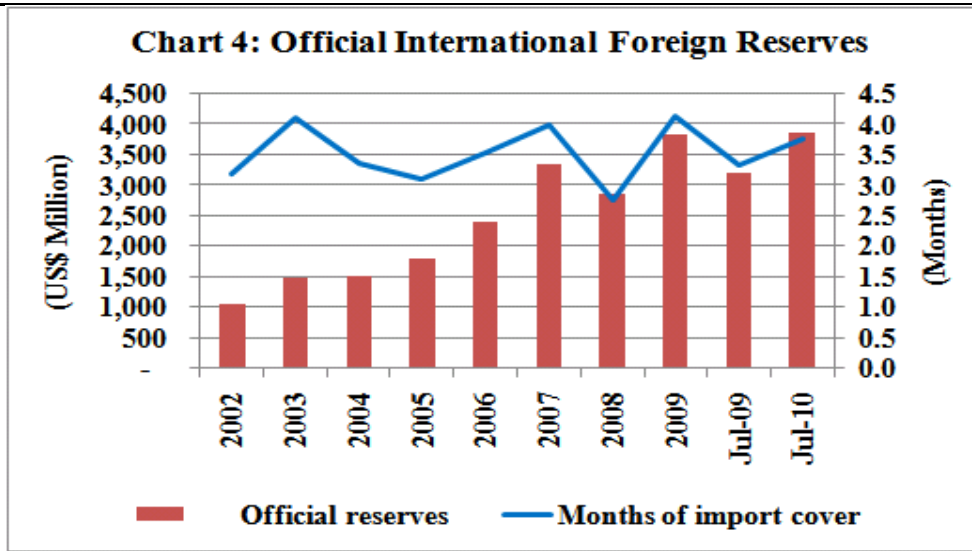
	2007/08	2008/09	2009/10	2009	2010	%
	Act.	act	Prov.	July	July	Change
<b>Current account</b>	<b>-1073</b>	<b>-2296</b>	<b>-627</b>	<b>-2241</b>	<b>-1752</b>	<b>-21.8</b>
<b>Trade balance</b>	<b>-5428</b>	<b>-6281</b>	<b>-6246</b>	<b>-6083</b>	<b>-6397</b>	<b>5.2</b>
<i>Exports (fob)</i>	4648	4642	4894	4595	4893	6.5
Coffee	169	179	194	187	181	-3.0
Tea	755	877	1127	862	1142	32.4
Horticulture	739	668	715	675	707	4.8
Man. goods	571	570	570	545	581	6.6
Raw materials	320	247	219	237	214	-10.0
Re-exports	213	281	325	297	307	3.3
<i>Imports (cif)</i>	10076	10923	11139	10678	11291	5.7
Oil	2448	2556	2632	2319	2647	14.1
Chemicals	1318	1384	1427	1373	1456	6.0
Man. goods	1505	1477	1625	1453	1651	13.6
Machinery & trans. eqpt	2762	3151	3212	3131	3334	6.5
<b>Services</b>	<b>4355</b>	<b>3985</b>	<b>5618</b>	<b>3842</b>	<b>4645</b>	<b>20.9</b>
<b>Capital &amp; financial</b>	<b>1756</b>	<b>1874</b>	<b>903</b>	<b>1822</b>	<b>2417</b>	<b>32.7</b>
<b>Overall balance</b>	<b>683</b>	<b>-422</b>	<b>276</b>	<b>-420</b>	<b>665</b>	
<i>Official reserves</i>	3445	3219	3799	3216	3868	20.3
<i>Months of import</i>	3.7	3.3	3.8	3.3	3.8	

Source: Data from CBK.

### 1.4 Foreign Exchange Reserves

10. Reflecting developments in the balance of payments, official foreign exchange reserves held by the Central Bank of Kenya rose to US\$ 3.9 billion (3.8 months of import cover) by end-July 2010, from US\$ 3.2 billion (3.3 months of import cover) at end-July 2009. This level of official foreign exchange reserves (in terms of previous three years of import coverage) was within the 4 months statutory minimum stipulated in the CBK Act (Chart 4).

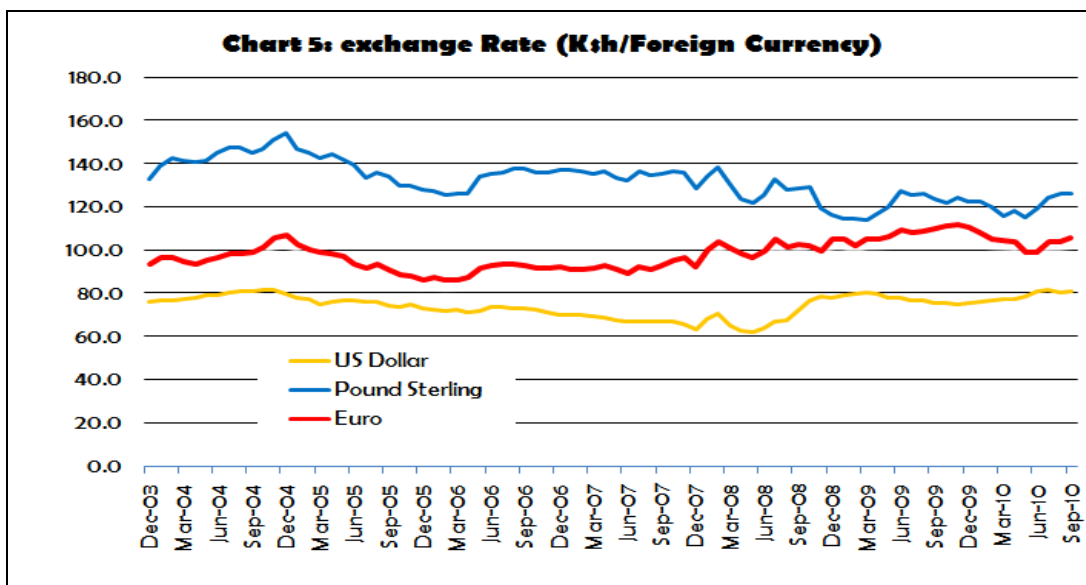




Source: Data from CBK.

### 1.5 Exchange Rates

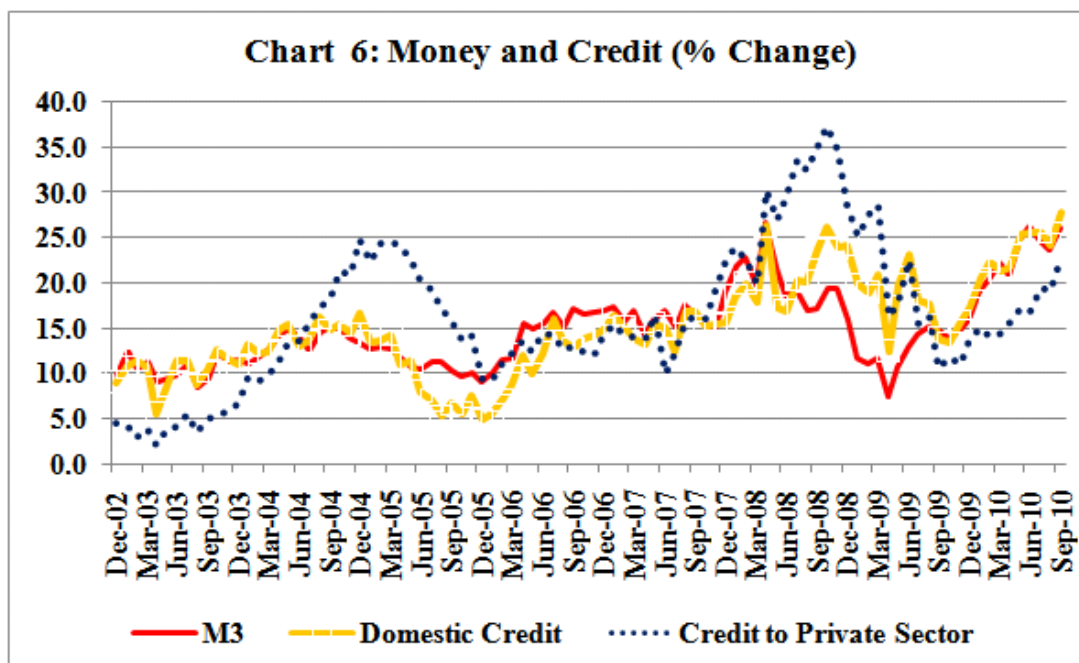
11. The Kenya Shilling remained stable though with a tendency to depreciate against most of the major international currencies during the month of September 2010 (Chart 5). Against the US dollar, the shilling weakened marginally to trade at an average of Kshs. 80.9 per dollar in September compared to Kshs. 80.4 per dollar in August 2010. Similarly, the shilling lost to the Euro to exchange at Kshs. 105.6 in September 2010 compared to Kshs.103.8 in August 2010. However, the shilling stabilized against the Sterling Pound to trade at an average of Kshs. 125.9 in August and September. Against the regional currencies, the shilling recorded mixed performances. The shilling lost to the South African Rand and Tanzanian shilling but gained against the Ugandan shilling.



Source: Data from CBK.

## 1.6 Money and Credit

12. Growth in broad money supply, M3, accelerated to 26.0 percent in the twelve months to September 2010, up from 14.8 percent over a similar period in 2009. The expansion in money supply reflected growth in both Net Foreign Assets (NFA) and Net Domestic Assets (NDA) of the banking sector following a stronger expansion in domestic credit and improvement in the balance of payments position. Reflecting improved economic activity, expansion of credit to the private sector rose sharply to 22.9 percent compared to 10.6 percent in 2009 (Chart 6).

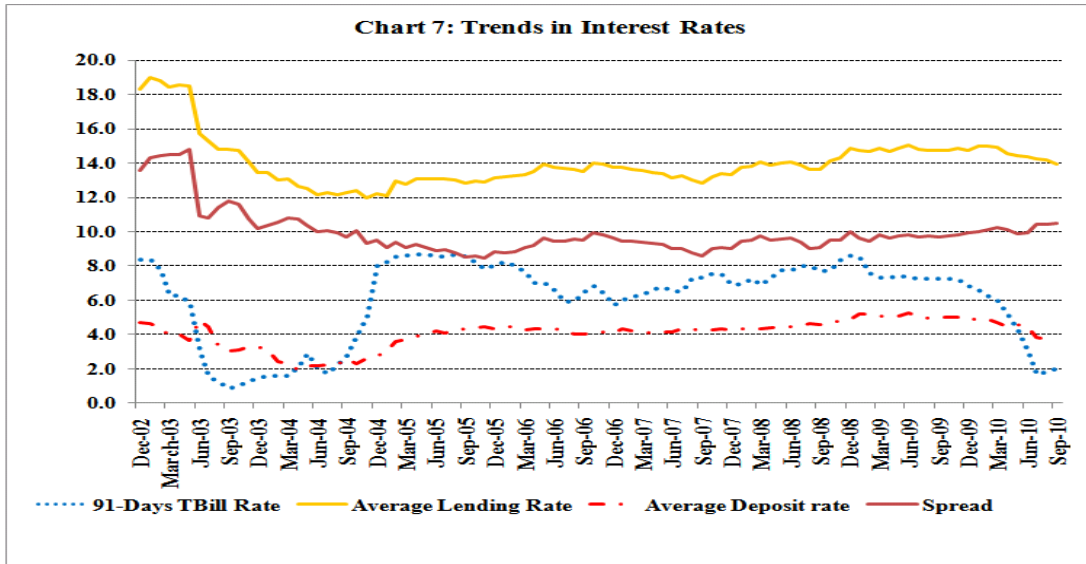


Source: Data from CBK.

## 1.7 Interest Rates

13. As shown in Chart 7, the downward trend in interest rates continued into the second half of 2010, though with indications of rising at the end of third quarter. After declining to 1.6 percent in July from 3.0 percent in June 2010, the average interest rate on the 91-day Treasury Bill rose to 1.8 percent in August 2010 and further to 2.0 percent in September 2010. Similarly, the 182-day Treasury Bill rate dropped from 2.9 percent in June 2010 to 1.7 percent in July 2010 but rose to 2.1 percent in September 2010. The increase in Treasury bill rates partly reflect increased government borrowing during the period.

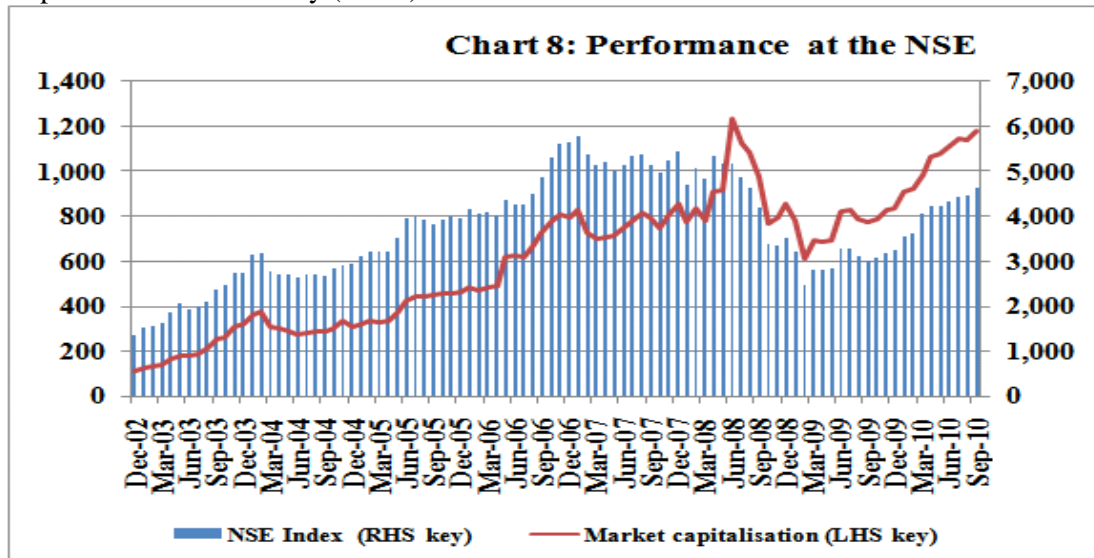
14. In the short-end of the money market, the average interbank rate rose from 1.2 percent in June 2010 to 1.7 percent by end-August 2010 but fell to 1.2 percent in September 2010. Commercial bank rates also fell with the average lending rate declining from 14.4 percent in June 2010 to 14.0 percent, while the average deposit rate dropped from 4.5 percent to 3.5 percent in September 2010. As a result of a larger decrease in the average deposit rate, the spread between the average lending and deposit rate rose from 9.9 percent in June 2010 to 10.5 percent in September 2010. This reflects continued structural rigidities in the banking sector.



Source: Data from CBK.

### 1.8 Capital Markets

15. The equities market remained buoyant during the third quarter of 2010. The NSE Index rose from 4,339 points in June to 4,455 points in August and further to 4,630 points in September 2010. Similarly, market capitalization increased from KSh 1.10 trillion in June 2010 to KSh 1.17 trillion in September (chart 8). The strengthening of the stock market indicators reflects improved profitability of key companies listed at the NSE and improvement in investor confidence in capital market, in part due to the bold reform measures taken by the Government to improve transparency and accountability in the operations of the NSE as well as steps to strengthen the supervisory capacity of the Capital Markets Authority (CMA).

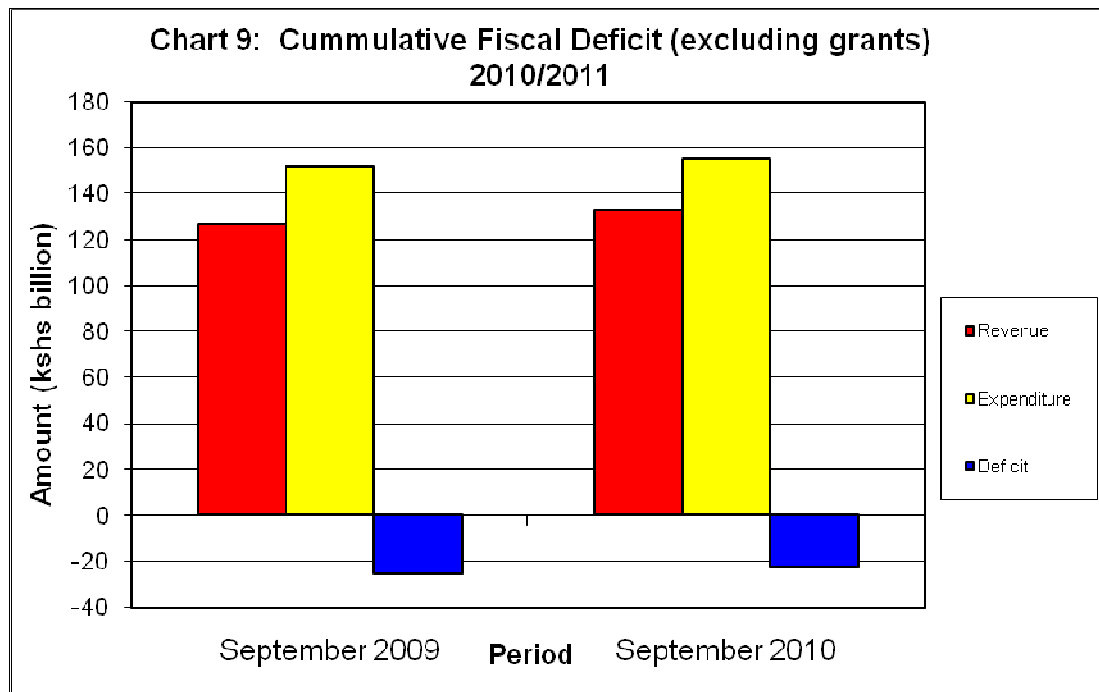


Source: Data from NSE.

## 2.0 FISCAL DEVELOPMENTS

### 2.1 Fiscal Outturn

16. The overall fiscal balance (on a commitment basis and excluding grants), in the first quarter ending 30<sup>th</sup> September 2010 recorded a deficit of Kshs. 22.3 billion (equivalent to 0.8 percent of Gross Domestic Product (GDP)), against a targeted deficit of Kshs. 59.2 billion (equivalent to 2.2 percent of GDP). Over the same period in the FY 2009/10, the fiscal deficit stood at Kshs. 25.4 billion (equivalent to 1.1 percent of GDP). While on a commitment basis including grants, it recorded a deficit of Kshs.21.1 billion (equivalent to 0.78 percent of GDP), against a targeted deficit of Kshs.55.2 billion (equivalent to 2.0 percent of GDP) (*Chart 9 and Table 1*).



Source: Ministry of Finance.

FISCAL DEVELOPMENTS

**Table 1: Budget Outturn, 2010/2011 (Kshs Million)**

	2009/2010 Quarter I Actual	2010/2011 Quarter I		Quarter I Deviation	% growth	2010/2011 Quarter I Actual as % of GDP		2009/2010 Quarter I Actual % of GDP
		Actual	Targets			Actual	Targets	
A. TOTAL REVENUE AND GRANTS	130,123	134,046	158,964	(24,918)	3.01	4.94	5.86	5.40
1. Revenue	126,654	132,868	154,928	(22,060)	4.91	4.90	5.71	5.26
Ordinary Revenue	116,701	129,430	137,662	(8,232)	10.91	4.77	5.07	4.84
Import Duty	9,490	10,323	11,435	(1,112)	8.77	0.38	0.42	0.39
Excise Duty	17,273	18,968	20,230	(1,261)	9.81	0.70	0.75	0.72
Income tax	45,394	51,972	56,005	(4,034)	14.49	1.92	2.06	1.88
VAT	34,547	38,207	42,350	(4,143)	10.59	1.41	1.56	1.43
Investment Revenue	4,307	2,000	679	1,321	(53.57)	0.07	0.03	0.18
Others	5,689	7,961	6,964	997	39.95	0.29	0.26	0.24
Appropriation-in-Aid	9,953	3,437	17,266	(13,829)	(65.47)	0.13	0.64	0.41
2. Grants	3,469	1,178	4,036	(2,858)	(66.03)	0.04	0.15	0.14
Cash	2,842	1,170	1,743	(574)	(58.85)	0.04	0.06	0.12
Appropriation-in-Aid	627	9	2,293	(2,284)	(98.60)	0.00	0.08	0.03
B. EXPENDITURE and NET LENDING	152,087	155,180	214,148	(58,968)	2.03	5.72	7.89	6.31
1. Recurrent	119,679	119,497	151,777	(32,280)	(0.15)	4.40	5.59	4.97
Domestic Interest	13,179	14,487	15,395	(908)	9.92	0.53	0.57	0.55
Foreign Interest Due	1,490	1,596	1,596	0	7.13	0.06	0.06	0.06
Pension	6,234	7,339	9,035	(1,696)	17.73	0.27	0.33	0.26
Wages and Salaries	42,808	45,687	47,922	(2,236)	6.73	1.68	1.77	1.78
O & M/Others	55,969	50,388	77,827	(27,440)	(9.97)	1.86	2.87	2.32
2. Development and Net Lending	32,408	35,684	62,372	(26,688)	10.11	1.32	2.30	1.34
3. CCF	0	0	0	0	-	0.00	-	0.00
C. DEFICIT EXCL.GRANT (Commitment basis)	(25,433)	(22,312)	(59,220)	36,908	(12.27)	(0.82)	(2.18)	(1.06)
D. DEFICIT INCL.GRANTS (Commitment basis)	(21,964)	(21,134)	(55,184)	34,050	(3.78)	(0.78)	(2.03)	(0.91)
E. ADJUSTMENT TO CASH BASIS	(14,856)	(10,916)	0	(10,916)	(26.52)	(0.40)	-	(0.62)
F. DEFICIT INCL.GRANTS (Cash basis)	(36,819)	(32,050)	(55,184)	23,134	(12.95)	(1.18)	(2.03)	(1.53)
G. FINANCING	36,819	32,050	55,184	(23,134)	(12.95)	1.18	2.03	1.53
1. Foreign financing	(2,892)	1,884	4,423	(2,539)	(165.12)	0.07	0.16	(0.12)
Disbursements	2,731	8,105	10,272	(2,167)	196.74	0.30	0.38	0.11
Programme Cash Loans	0	0	0	0	-	0.00	-	0.00
Project Cash Loans	797	4,234	3,497	737	431.35	0.16	0.13	0.03
Loans AIA	1,935	3,871	6,775	(2,904)	100.12	0.14	0.25	0.08
Repayment due (current)	(5,896)	(5,876)	(5,849)	(27)	(0.34)	(0.22)	(0.22)	(0.24)
Rescheduling	0	0	0	0	-	0.00	-	0.00
Of which principal	0	0	0	0	-	0.00	-	0.00
Of which interest	0	0	0	0	-	0.00	-	0.00
Change in arrears (current)	273	(345)	0	(345)	(226.67)	(0.01)	-	0.01
Repayment (arrears)	0	0	0	0	-	0.00	-	0.00
2. Privatization proceeds	0	0	0	0	-	0.00	-	0.00
3. Bank Restructuring Financing	0	0	0	0	-	0.00	-	0.00
3. Domestic financing	39,711	30,167	50,761	(20,594)	(24.03)	1.11	1.87	1.65
<b>MEMO ITEM: GDP ESTIMATE</b>	<b>2,410,000</b>	<b>2,713,000</b>	<b>2,713,000</b>					

Source: Ministry of Finance

## 2.2 Revenue

17. Cumulative Government revenue collection for the first quarter of the FY 2010/11 was below the target by Kshs 22.1 billion. Ordinary revenue collection amounted to Kshs 129.4 billion against a target of Kshs 137.7 billion, resulting in an under collection of Kshs 8.2 billion. The collection of A-I-A stood at ksh 3.4 billion against a target of 17.3 billion reflecting an under collection of ksh 13.9 billion (Actual AIA collection from the Universities had not been reported by the time of producing this document). (*Table 2 and Chart 10*).

**Table 2: Government Revenue and External Grants, First Quarter Ending 30<sup>th</sup> Sept 2010 (Kshs Million)**

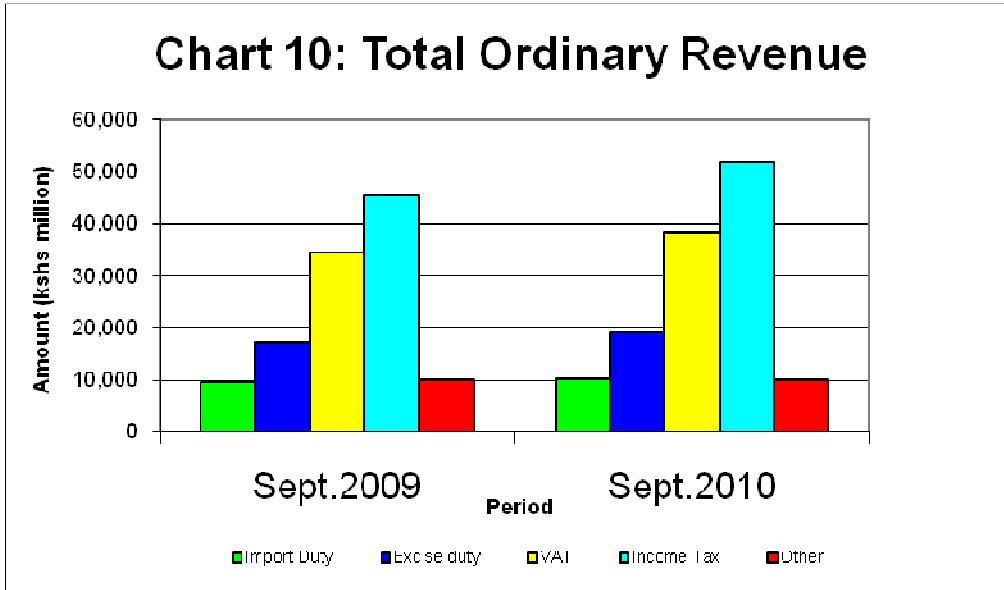
	2009/2010	2010/2011		Deviation
	Quarter I	Quarter I		
	Actual	Actual	Target	
<b>Total Revenue</b>	<b>126,653</b>	<b>132,868</b>	<b>154,928</b>	<b>(22,060)</b>
<b>(a) Ordinary Revenue</b>	<b>116,700</b>	<b>129,430</b>	<b>137,662</b>	<b>(8,232)</b>
Import Duty	9,490	10,323	11,435	<b>(1,112)</b>
Excise Duty	17,273	18,968	20,230	<b>(1,261)</b>
PAYE	25,179	28,145	31,316	<b>(3,171)</b>
Other Income Tax	20,215	23,827	24,689	<b>(862)</b>
VAT Local	20,865	20,641	24,327	<b>(3,685)</b>
VAT Imports	13,682	17,566	18,024	<b>(458)</b>
Investment Revenue			679	<b>1,321</b>
Traffic Revenue	4,307	2,000		
Essential Supplies Revenue	483	498	498	<b>(1)</b>
Others 1/	3,557	4,095	4,351	<b>(256)</b>
Others 1/	1,648	3,368	2,114	<b>1,254</b>
<b>(b) Appropriation In Aid 2/</b>	<b>9,953</b>	<b>3,437</b>	<b>17,266</b>	<b>(13,829)</b>
<b>External Grants</b>	<b>3,469</b>	<b>1,178</b>	<b>4,036</b>	<b>(2,858)</b>
<b>Total Revenue and External Grants</b>	<b>130,122</b>	<b>134,046</b>	<b>158,964</b>	<b>(24,918)</b>
<b>In Percentage of GDP</b>	<b>5.40</b>	<b>4.94</b>	<b>5.86</b>	

Source: Ministry of Finance

1/ includes aviation, land, forest, mining, 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

18. As a proportion of GDP, total cumulative revenue and grants in the period under review was 4.9 percent compared to 5.4 percent in the corresponding period of the FY 2009/10.



External grants amounted to Kshs 1.2 billion against a target of Kshs 4.0 billion, representing an under performance of Kshs 2.9 billion.

Source: Ministry of Finance

### 2.3 Expenditure

19. The total government expenditure and net lending, for the period under review, amounted to Kshs 155.2 billion, against a target of Kshs 214.1 billion. The shortfall of Kshs 59.0 billion was attributed to lower absorption recorded under both Recurrent and Development expenditures by the line ministries. (*Table 3 and Chart 11*). Recurrent expenditure as reported, amounted to Kshs 119.5 billion, against a target of Kshs 151.8 billion. Lower-than-targeted recurrent expenditures were recorded in the operations and maintenance /other expenditures which accounted for Kshs 27.4 billion. This was due to understated district level expenditures and AIA collections whose reports had not been received by the time of producing this report.

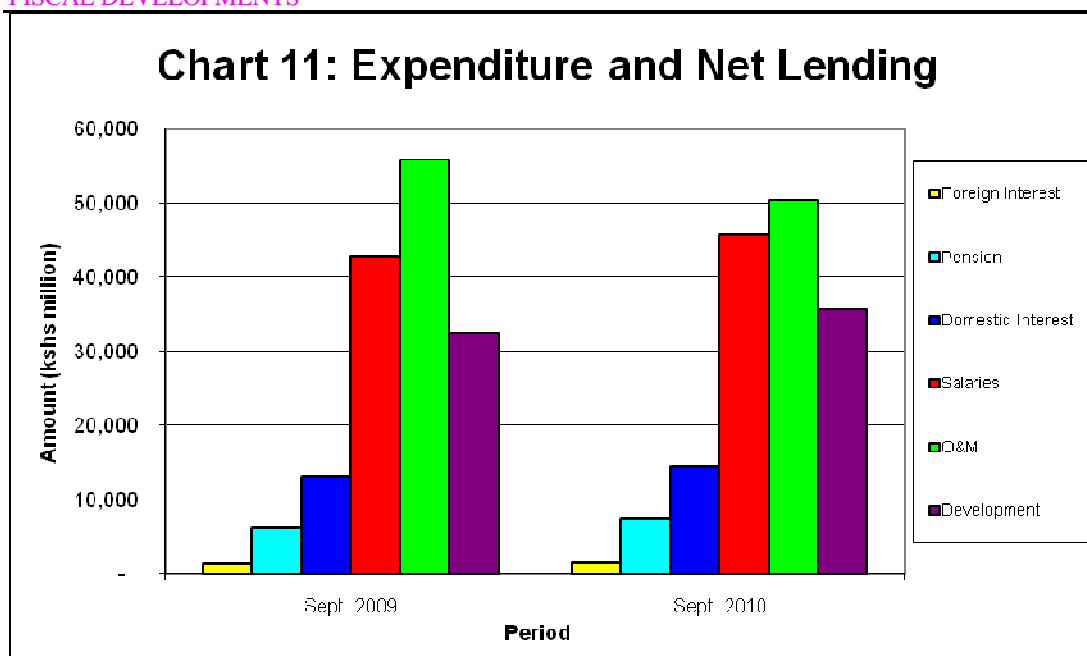
20. Similarly, scheduled foreign interest payments amounted to Kshs 1.6 billion, compared to Kshs 1.5 billion in FY 2009/10. The domestic interest payment totalled Kshs 14.5 billion, which was higher than Kshs 13.2 billion paid in the corresponding period of the previous financial year. This was mainly due to higher borrowing during the period under review. (*Table 3 and Chart 11*).

**Table 3: Expenditure and Net Lending, First Quarter Ending 30<sup>th</sup>  
September 2010 (Kshs Million)**

	2009/2010 Quarter I Actual	2010/2011 Quarter I		Deviation
		Actual	Targets	
<b>1. RECURRENT</b>	<b>119,679</b>	<b>119,497</b>	<b>151,777</b>	<b>(32,280)</b>
Domestic Interest	13,179	14,487	15,395	(908)
Foreign Interest	1,490	1,596	1,596	0
Pensions	6,234	7,339	9,035	(1,696)
Wages and Salaries	42,808	45,687	47,922	(2,236)
Operation and Maintenance	55,969	50,388	77,827	(27,440)
: Appropriation-in-Aid	9,459	3,357	16,225	(12,869)
<b>2. DEVELOPMENT</b>	<b>32,403</b>	<b>35,684</b>	<b>62,372</b>	<b>(26,688)</b>
Development Projects (Net)	26,007	31,528	52,041	(20,514)
Payment of Guaranteed Loans	195	195	222	(27)
Appropriation-in-Aid	6,200	3,961	10,109	(6,148)
<b>3. CCF</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL EXPENDITURE</b>	<b>152,082</b>	<b>155,180</b>	<b>214,149</b>	<b>(58,968)</b>

Source: Ministry of Finance





Source: Ministry of Finance

21. The total cumulative ministerial expenditures stood at Kshs. 122.4 billion against a target of kshs 148.8 billion. Recurrent expenditures were Kshs. 92.7 billion against a target of Kshs. 108.0 billion, while development expenditures stood at Kshs. 29.7 billion against a target of Kshs. 40.8 billion. On aggregate, both recurrent and development expenditures were below the respective targets. Among the ministries that had large overall under expenditures were Ministries of Roads, Finance and Higher Education, Science and Technology amounting to Kshs. 9.1 billion, Kshs. 3.9 billion and Kshs. 2.1 billion, respectively. The lower than expected expenditures are mainly attributed to non capture of the district expenditures and under reporting by ministries. Over-spending by line ministries on the other hand mainly arose from the use of A-I-As collected by ministries and commitments that remained unsettled at the end of the period under review.

22. The Ministries of Education; Higher Education, Science and Technology; Medical Services and Public Health and Sanitation accounted for 50.7 percent of total recurrent expenditure. The Ministry of State for Provincial Administration & Internal Security accounted for a significant percentage of 10.1 percent of total recurrent expenditure. The Ministries of Nairobi Metropolitan Development, Housing, Regional Development Authorities, Development of Northern Kenya and Other Arid Areas, and Public Works were some of the ministries, which accounted for the least share of the total recurrent expenditure in FY 2010/11.

23. Analysis on total development expenditure outlay indicates that the Ministry of Energy incurred the largest share which was also above the targeted expenditure, followed by the Ministries of Water and Irrigation, Planning, National Development & V2030, and Roads accounting for 34.1 percent, 13.3 percent, 12.7 percent and 12.1 percent of the total development expenditure, respectively. Details of the various Ministerial and Departmental expenditures for the period under review are shown in *Table 4*.

**Table 4: Ministerial Expenditures, First Quarter  
Ending 30<sup>th</sup> September 2010  
(Kshs Million)**

MINISTRIES	September 2010			September 2010			September 2010		
	Recurrent			Development			Total		
	Actual	Target	Variance	Actual	Target	Variance	Actual	Target	Variance
1. Ministry of State for Provincial Administration & Internal Security	9,397	8,529	867	236	344	(108)	9,632	8,873	759
2. State House	329	250	79	106	101	5	435	351	84
3. Ministry of State for Public Service	185	158	27	2	59	(57)	187	217	(30)
4. Ministry of Foreign Affairs	489	1,750	(1,261)	-	120	(120)	489	1,870	(1,381)
5. OVP&MHA	1,790	2,868	(1,078)	-	500	(500)	1,790	3,368	(1,578)
6. Ministry of Planning, National Development & V2030	437	434	3	3,776	3,762	14	4,213	4,196	18
7. Office of the DPM & Ministry of Finance	3,339	7,139	(3,800)	1,262	1,324	(62)	4,600	8,463	(3,862)
8. Department of Defense	9,038	9,813	(775)	0	-	0	9,038	9,813	(775)
9. Regional Development	21	205	(183)	0	1,336	(1,335)	21	1,540	(1,519)
10. Ministry of Agriculture	2,085	2,396	(311)	2,182	1,805	378	4,268	4,201	67
11. Ministry of Medical Services	2,889	4,454	(1,564)	-	122	(122)	2,889	4,575	(1,686)
12. Office of the DPM & Ministry of Local Government	46	84	(38)	-	345	(345)	46	429	(383)
13. Ministry of Roads	2,872	3,129	(257)	3,600	12,465	(8,865)	6,472	15,594	(9,122)
14. Ministry of Transport	200	176	24	24	71	(47)	224	247	(23)
15. Ministry of Labour & Human Resources	229	258	(29)	11	49	(38)	240	307	(67)
16. Ministry of Trade	276	367	(91)	14	10	4	290	377	(87)
17. Ministry of Justice, National Cohesion & Constitutional Affairs	415	1,072	(657)	0	25	(25)	415	1,097	(682)
18. Ministry of Gender and Children	333	524	(191)	169	28	142	503	552	(49)
19. Ministry of Livestock	685	711	(26)	58	169	(111)	742	880	(137)
20. Ministry of Water & Irrigation	759	924	(165)	3,955	4,596	(641)	4,714	5,520	(806)
21. Ministry of Environment & Mineral Resources	276	465	(189)	5	142	(137)	280	607	(326)
22. Ministry of Cooperative Development & Marketing	196	262	(66)	32	27	5	228	289	(61)
23. Cabinet Office	208	184	24	2	-	2	210	184	26
24. Ministry of East African Community	334	330	4	3	-	3	337	330	7
25. State Law Office	206	189	17	0	-	0	206	189	17
26. Judicial Department	179	765	(586)	4	100	(95)	184	865	(681)
27. Public Service Commission	79	69	10	0	-	0	79	69	10
28. Kenya National Audit Office	267	222	45	0	-	0	267	222	45
29. National Assembly	1,592	1,570	22	0	-	0	1,592	1,570	22
30. Ministry of Energy	362	362	(0)	10,116	7,186	2,930	10,478	7,549	2,930
31. Ministry of Education	35,658	35,331	326	70	14	56	35,728	35,345	382
32. Ministry of Information & Communication	404	419	(15)	475	443	32	878	862	17
33. Interim Independent Electoral Commission	1,217	2,600	(1,383)	0	-	0	1,217	2,600	(1,383)
34. Kenya Anti-Corruption Commission	311	300	11	15	45	(30)	325	345	(20)

## FISCAL DEVELOPMENTS

MINISTRIES	September 2010			September 2010			September 2010		
	Recurrent			Development			Total		
	Actual	Target	Variance	Actual	Target	Variance	Actual	Target	Variance
35. Ministry of Special Programme	1,200	877	323	1,398	1,386	12	2,598	2,263	335
36. Ministry of Lands	317	304	13	8	190	(182)	325	494	(169)
37. Ministry of Immigration & Registration of Persons	523	614	(91)	7	82	(75)	530	696	(166)
38. Ministry of National Heritage & Culture	465	493	(28)	77	98	(21)	541	591	(49)
39. Ministry of Youth Affairs & Sports	375	1,058	(683)	-	660	(660)	375	1,718	(1,343)
40. Ministry of Higher Education, Science & Technology	6,881	9,021	(2,140)	432	348	84	7,313	9,369	(2,056)
41. Ministry of Housing	99	155	(56)	160	330	(170)	258	485	(227)
42. National Security Intelligence Service	2,022	2,685	(663)	0	-	0	2,022	2,685	(663)
43. Ministry of Tourism	333	308	26	196	185	11	529	493	36
44. Office of the Prime Minister	440	427	13	37	40	(3)	477	467	10
45. Ministry of Public Health and Sanitation	1,539	1,905	(366)	0	444	(444)	1,539	2,349	(810)
46. Ministry of Forestry and Wildlife	653	983	(330)	-	291	(291)	653	1,274	(621)
47. Ministry of Fisheries Development	101	272	(170)	0	4	(4)	101	276	(174)
48. Ministry of Nairobi Metropolitan Development	36	46	(10)	5	176	(171)	40	222	(182)
49. Ministry of Development of Northern Kenya & Other Arid Areas	56	40	16	0	302	(302)	56	342	(286)
50. Ministry of Public Works	242	245	(3)	917	786	131	1,159	1,031	128
51. Ministry of Industrialization	303	283	20	325	266	59	628	549	80
52. Interim Independent Boundaries Review Commission	27	20	7	-	-	0	27	20	7
<b>TOTAL</b>	<b>92,717</b>	<b>108,045</b>	<b>(15,328)</b>	<b>29,678</b>	<b>40,772</b>	<b>(11,095)</b>	<b>122,395</b>	<b>148,818</b>	<b>(26,423)</b>

Source: Ministry of Finance

### 2.3.1 Guaranteed Loans to Parastatals

24. Scheduled payments of guaranteed debts for Parastatals with liquidity problems in the first quarter of FY 2010/11 amounted to Kshs 195.2 million, which was still being processed for payment as at the end of the quarter. This amount includes Kshs. 161.6 million of Principal and Kshs 33.6 million of interest (*Table 6*).

**TABLE 6: SCHEDULE AND ACTUAL PAYMENTS ON GUARANTEED DEBT FOR QUARTER ENDING 30<sup>TH</sup> SEPTEMBER 2010**

Borrower	Quarter I		cumulative Sept. 2010	
	Projections		Principal	Interest
	Principal	Interest		
NCC	34.34	1.54		
TARDA	127.23	32.07	-	
KBC	-			
<b>TOTAL (QTR)</b>	<b>161.57</b>	<b>33.61</b>		

\* Provisional

## 2.4 Financing the Budget Deficit

### 2.4.1 External Financing

25. The cumulative external financing as at end-September 2010 represented a net borrowing of Kshs 1.9 billion compared to a net repayment of Kshs 2.9 billion in the FY 2009/10. Total disbursements (inflows) including Appropriations-in-Aid amounted to Kshs 8.1 billion against a target of ksh 10.3 billion. This amount included Kshs 4.2 billion project cash loans and Kshs 3.9 billion project loans (A.I.A). External repayments (outflows) of principal amounted to Kshs 6.2 billion against a target of Kshs 5.9 billion. A total of Kshs 3.0 billion was paid to multilateral creditors while Kshs 3.2 billion was paid to bilateral creditors which include Kshs 1.6 billion arrears for the FY 2009/10 paid in the quarter under review. (*Table 7*).

**Table 7: External Financing, First Quarter Ending 30th September 2010  
(Kshs Million)**

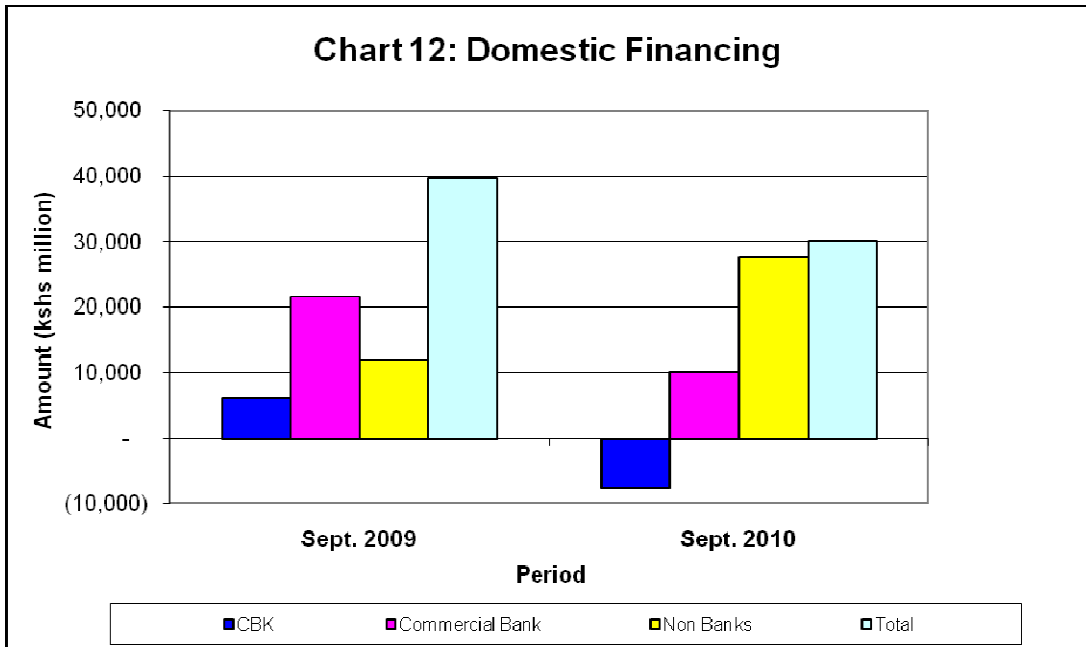
	Quarter 1 Actual 2009/10	Quarter I 2010/11	
		Actual	Target
<b>DISBURSEMENTS:</b>	<b>2,731.32</b>	<b>8,105.02</b>	<b>10,272.17</b>
Project Cash loans	796.77	4,233.64	3,496.95
Project loans A-I-A	1,934.55	3,871.39	6,775.22
<b>EXTERNAL REPAYMENTS:</b>	<b>5,623.69</b>	<b>6,221.40</b>	<b>5,876.17</b>
Bilateral	2,741.02	3,176.60	2,642.68
Multilateral	2,882.67	3,044.80	3,233.49
Commercial	0.00	-	-
<b>NET FOREIGN FINANCING</b>	<b>(2,892.37)</b>	<b>1,883.63</b>	<b>4,396.00</b>

\* Provisional

Source: Ministry of Finance

### 2.4.2 Domestic Financing

26. In the first quarter of the FY 2010/11, net domestic borrowing was Kshs 30.2 billion compared with Kshs 39.7 billion in the FY 2009/10. This comprised of a net borrowing of Kshs 10.1 billion from Commercial Banks, Kshs 26.1 billion from Non-Banking Financial Institutions, Kshs 1.5 billion from Non-Residents and a net repayment of Kshs 7.5 billion to Central Bank, (*table 8 and chart 12*).



Source: Data from CBK.

27. The stock of Treasury Bills held by Commercial Banks recorded a net decrease of Kshs 15.0 billion by the end of September 2010. However, the stock of Treasury Bills held by the Central Bank, Non-Banking Financial Institutions, and Non-Residents recorded a net increase of Kshs 2.0 million, Kshs 5.2 billion and Kshs 1.5 billion, respectively. Meanwhile, the stock of Fixed Rate Bonds held by Commercial Banks and Non-Banking Financial Institutions recorded a net increase of Kshs 14.4 billion and Kshs 7.2 billion, respectively. (*Table 8*).

**Table 8: Domestic Financing, First Quarter Ending 30<sup>th</sup> September 2010(Kshs Million)**

	SEPTEMBER 2009	JUNE 2010	SEPTEMBER 2010
<b>1.CENTRAL BANK</b>	<b>6,096</b>	<b>30,448</b>	<b>(7,545)</b>
Overdraft	2,889	12,525	2,914
IMF funds onlet to Govt	(2)	(475)	9
Treasury bills	6	7	2
Stocks	0	0	0
Floating rate T. Bonds	0	0	0
Fixed rate Bonds	0	2	(3)
Items on Transit	(1,344)	(1,114)	(226)
Frozen Account	0	(1,110)	0
Less Govt Deposits	4,547	20,613	(10,242)
<b>2.COM. BANKS</b>	<b>21,668</b>	<b>70,356</b>	<b>10,082</b>
Advances	1	1,503	7
Stocks	0	0	0
Treasury bills	6,139	61,858	(14,971)
Floating rate T. Bonds	0	0	0
Fixed rate Bonds	12,339	36,310	14,411
Special Bonds	0	(6,750)	0
Zero Coupon bonds	(1,451)	(7,536)	0
Infrastructure Bonds	0	14,748	16,163
Less Govt Deposits	4,640	(29,775)	(5,527)
<b>3. NON BANKS</b>	<b>12,111</b>	<b>29,262</b>	<b>26,081</b>
Stocks	0	(1)	(753)
Treasury bills	(1,083)	(21,576)	5,211
Floating Rate T. Bonds	0	0	0
Fixed rate Bonds	13,710	37,328	7,201
Zero Coupon bonds	(516)	(5,895)	0
Infrastructure Bonds	0	19,407	14,422
<b>NON RESIDENTS</b>	<b>(165)</b>	<b>428</b>	<b>1,549</b>
Treasury bills	(157)	98	1,549
Floating rate T. Bonds	0	0	0
Fixed rate Bonds	(7)	42	0
Infrastructure Bond	0	288	0
Zero Coupon bonds	(0)	(1)	0
<b>NET CREDIT</b>	<b>39,711</b>	<b>130,494</b>	<b>30,167</b>

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

### 3.0 PUBLIC DEBT

#### 3.1 Overall Debt Position

28. The gross public debt increased from Kshs 1,225.7 billion as at end of June 2010 to Kshs 1,294.4 billion by 30<sup>th</sup> September 2010, comprising of 45.6 percent and 54.4 percent of external and domestic debts, respectively. (Exchange rate Ksh/US\$=80.7781) (*Table 9*).

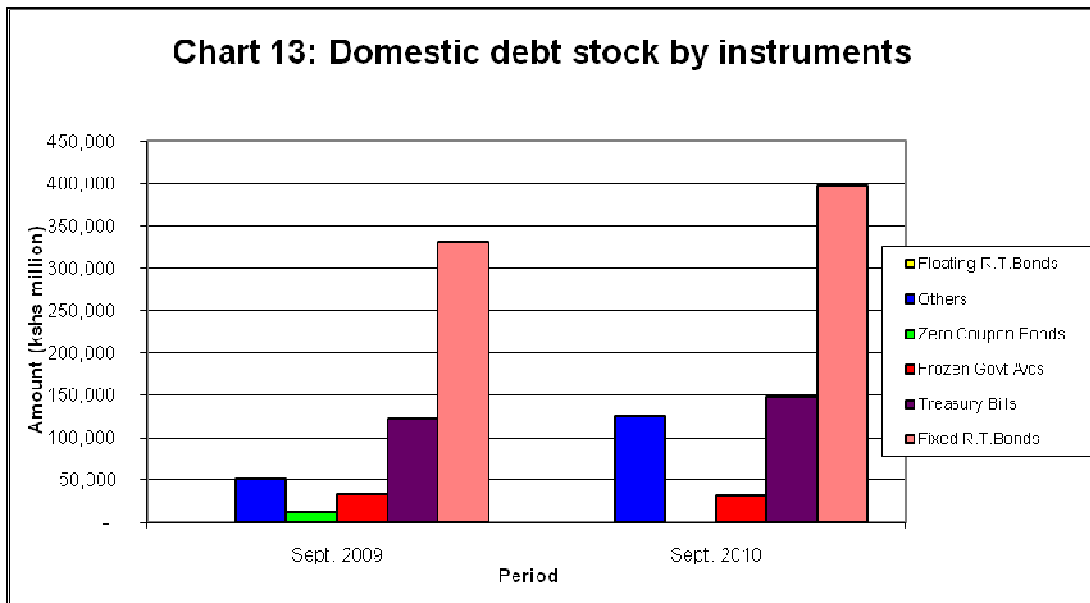
**Table 9: Kenya's Public and Publicly Guaranteed Debt,  
June 2005- September 2010 (Kshs millions)**

	Jun-05	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10	Sep-10
<b>EXTERNAL</b>							
BILATERAL	157,669	154,877	141,706	153,201	185,933	196,347	211,244
MULTILATERAL	255,784	255,550	240,259	268,223	327,633	348,647	356,920
COMMERCIAL BANKS	1,776	1,274	574	-	-	0	0
SUPPLIERS CREDIT	19,224	19,536	18,427	18,543	23,837	20,458	21,572
<b>SUB – TOTAL</b>	<b>434,453</b>	<b>431,237</b>	<b>400,966</b>	<b>439,967</b>	<b>537,403</b>	<b>565,452</b>	<b>589,736</b>
<b>DOMESTIC:</b>							
CENTRAL BANK	46,617	41,289	36,182	45,862	39,902	50,215	52,902
COMMERCIAL BANKS	122,912	149,473	186,802	182,905	250,708	351,579	367,439
<b>TOTAL BANKS</b>	<b>169,529</b>	<b>190,762</b>	<b>222,984</b>	<b>228,768</b>	<b>290,611</b>	<b>401,794</b>	<b>420,341</b>
NON BANKS	146,044	167,077	181,704	201,844	230,421	258,474	284,362
<b>SUB-TOTAL</b>	<b>315,573</b>	<b>357,839</b>	<b>404,688</b>	<b>430,612</b>	<b>521,032</b>	<b>660,268</b>	<b>704,703</b>
<b>GRAND TOTAL GROSS</b>	<b>750,026</b>	<b>789,076</b>	<b>805,654</b>	<b>870,579</b>	<b>1,058,435</b>	<b>1,225,720</b>	<b>1,294,439</b>
LESS ON-LENDING	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)
LESS GOVERNMENT DEPOSITS	(58,600)	(74,437)	(65,687)	(92,861)	(111,115)	(119,785)	(137,247)
<b>GRAND TOTAL NET</b>	<b>685,725</b>	<b>708,938</b>	<b>734,266</b>	<b>772,017</b>	<b>941,619</b>	<b>1,100,233</b>	<b>1,151,491</b>

Source: Ministry of Finance

### 3.2 Domestic Debt

29. The stock of domestic debt increased from Kshs 660.3 billion in June 2010 to Kshs 704.7 billion in September 2010, reflecting a net increase of Kshs 44.4 billion (*Table 10*). The stock of Treasury Bills held by Non-Banking Financial Institution and Non Residents recorded an increase from Kshs 21.5 billion in June 2010 to Kshs 26.3 billion in September 2010 an increase of 4.8 billion, while the stock of Treasury Bills held by Commercial Banks decreased by 14.9 billion in the same period. On the other hand, the stock of Treasury Bonds, Floating, Fixed Rate, Special and Zero coupon Bonds, increased from Kshs 394.1 billion in June 2010 to Kshs 413.8 billion in September 2010 (*chart 13*).



Source: Data from CBK.



**Table 10: Stock of Domestic Debt, First Quarter 2010/2011  
(Kshs million)**

	Jun-09	Sep-09	Jun-10	Sep-10
<b>1.CENTRAL BANK</b>	<b>39,902</b>	<b>41,453</b>	<b>50,215</b>	<b>52,902</b>
Overdraft	5,124	8,013	17,649	20,563
Frozen Govt Accounts	33,329	33,329	32,219	32,219
Treasury Bills	10	16	13	16
Items on Transit	1,430	87	316	90
Fixed rate bonds	9	9	17	14
<b>2.COM.BANKS</b>	<b>250,708</b>	<b>268,976</b>	<b>351,579</b>	<b>367,439</b>
Advances	93	105	1,596	1,608
Stocks	-	-	-	-
Treasury Bills	74,630	81,330	137,497	122,588
Floating Rate T. Bonds	-	-	-	-
Fixed Rate T. Bonds	138,051	151,203	174,962	188,539
Special Bonds	22,531	22,531	15,781	15,781
Zero Coupon Bonds	8,521	6,926	-	-
Infrastructure Bonds	6,883	6,883	21,744	38,924
<b>3. NON BANKS</b>	<b>225,103</b>	<b>237,735</b>	<b>255,387</b>	<b>279,762</b>
Stocks	755	755	753	-
Treasury Bills	40,065	38,916	19,313	22,577
Floating Rate T. Bonds	-	-	-	-
Fixed Rate T. Bonds	165,224	179,571	202,870	209,042
Tax Reserve Certificate	69	69	69	69
Zero Coupon Bonds	6,268	5,702	-	-
Infrastructure Bonds	12,723	12,723	32,382	48,074
<b>4. NON RESIDENTS</b>	<b>2,624</b>	<b>2,463</b>	<b>3,087</b>	<b>4,600</b>
Treasury Bills	2,089	1,936	2,227	3,740
Floating Rate T. Bonds	-	-	-	-
Fixed Rate T. Bonds	414	406	454	454
Zero Coupon Bonds	1	1	-	-
Infrastructure Bonds	121	121	407	407
<b>5. TOTAL DEBT</b>	<b>518,339</b>	<b>550,627</b>	<b>660,268</b>	<b>704,703</b>
6. LESS ON-LENDING	5,701	5,701	5,701	5,701
7. Less Govt Deposits	111,115	113,289	119,785	137,247
<b>8. NET DEBT</b>	<b>401,523</b>	<b>431,638</b>	<b>534,781</b>	<b>561,755</b>

NOTE: Treasury Bills reflected here are at face value as opposed to Table 8, given at cost  
Source: Central Bank of Kenya

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**3.3 External Public Debt**

30. In dollar terms external public debt decreased marginally from US\$ 6.90 billion in June 2010 to US\$ 6.42 billion as at end of September 2010. This is attributed to net principal repayments. (*Table 11 and Chart 14*).

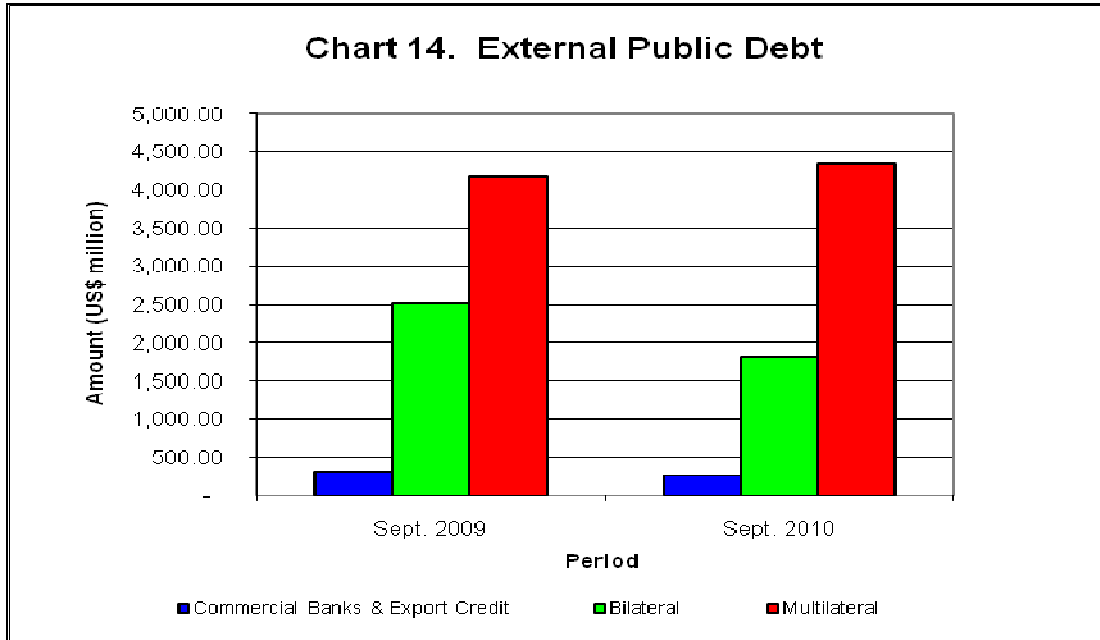
**Table 11: Kenya's External Public and Publicly Guaranteed Debt  
June 2006- September 2010 (US \$ Million)**

CREDITOR	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10	Sept. 2010*
<b><u>BILATERAL</u></b>						
AUSTRIA	32.99	45.60	50.26	28.74	22.14	23.26
BELGIUM	71.02	69.60	73.43	91.73	82.70	91.12
CANADA	17.15	22.15	21.64	20.54	19.65	15.05
DENMARK	32.38	32.25	36.11	30.52	27.96	31.03
FINLAND	2.17	1.77	1.85	1.67	1.45	1.54
FRANCE	252.34	277.75	354.02	364.22	343.93	393.79
GERMANY	188.28	198.11	243.67	213.08	198.20	213.41
ITALY	118.31	107.61	98.06	74.53	53.07	58.31
JAPAN	1,075.58	1,006.06	1,125.98	1,177.32	1,206.60	797.22
NETHERLANDS	28.94	37.25	35.83	27.74	22.91	25.46
UK	36.61	39.55	37.99	30.51	25.98	27.34
USA	79.08	70.90	75.16	73.48	69.94	65.15
OTHERS	153.17	164.76	214.05	275.71	322.31	62.88
<b>TOTAL BILATERAL</b>	<b>2,088.02</b>	<b>2,073.36</b>	<b>2,368.05</b>	<b>2,409.79</b>	<b>2,396.84</b>	<b>1,805.56</b>
<b><u>MULTILATERAL</u></b>						
ADB/ADF	349.71	353.09	465.80	423.17	500.51	481.35
BADEA	-	-	-	-	-	-
EEC/EIB	180.49	150.41	173.66	143.38	128.15	141.42
IBRD	-	-	-	-	-	-
IDA	2,765.38	2,867.69	3,194.00	3,149.55	3,130.30	3,211.09
IMF	154.41	212.76	271.24	455.24	416.40	428.24
OTHERS	8.98	27.06	42.63	74.92	80.77	84.60
<b>TOTAL MULTILATERAL**</b>	<b>3,458.97</b>	<b>3,611.01</b>	<b>4,147.33</b>	<b>4,246.26</b>	<b>4,256.13</b>	<b>4,346.70</b>
<b>COMMERCIAL BANKS 1/</b>	<b>17.25</b>	<b>4.30</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXPORT CREDIT</b>	<b>264.43</b>	<b>271.02</b>	<b>286.63</b>	<b>308.90</b>	<b>249.74</b>	<b>267.06</b>
<b>GRAND TOTAL</b>	<b>5,828.67</b>	<b>5,959.69</b>	<b>6,802.01</b>	<b>6,964.95</b>	<b>6,902.71</b>	<b>6,419.32</b>
BILATERAL	35.82	34.79	34.81	34.60	34.72	28.13
MULTILATERAL	59.34	60.59	60.97	60.97	61.66	67.71
COMMERCIAL BANKS 1/	0.30	0.07	-	-	-	-
EXPORT CREDIT	4.54	4.55	4.21	4.44	3.62	4.16
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

\*Provisional

\*\* include IMF debt serviced by CBK

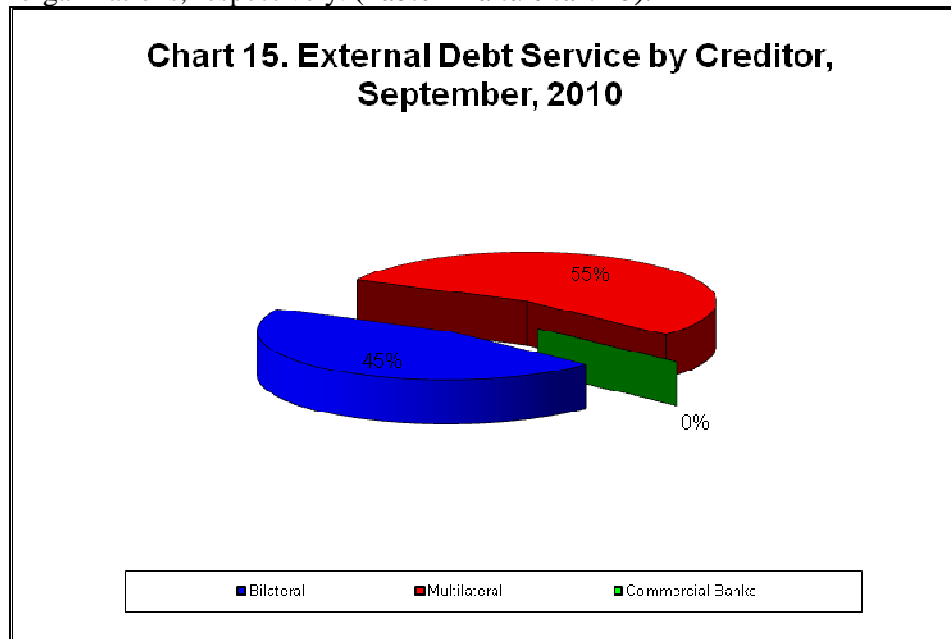
Source: Ministry of Finance



Source: Ministry of Finance.

### 3.3.1 External Debt Service

31. At the end of September 2010, the total cumulative actual debt service payments to external agencies amounted to Kshs 8.6 billion (include Kshs 1.6 bn arrears for the FY 2009/10 paid in the First quarter FY 2010/11). This comprised of Kshs 7.0 billion (81.2 percent) and Kshs 1.6 billion (18.8 percent) of principal and interest, respectively. Principal amount paid comprised of 45.4 percent and 54.6 percent to bilateral and multilateral organizations, respectively. (*Table 12 and chart 15*).



Source: Ministry of Finance.

FISCAL DEVELOPMENTS

**Table 12: External Debt Service, July 2010 – September 2010  
(Kshs Million)**

CATEGORY	PRINCIPAL	INTEREST	TOTAL
<b>BILATERAL</b>			
AUSTRIA	28.75	5.63	34.38
DENMARK	-	-	-
FINLAND	4.42	10.64	15.06
FRANCE	390.72	137.93	528.64
ITALY	246.12	9.49	255.61
JAPAN	1,505.34	560.93	2,066.27
SAUDI FUND	212.67	26.01	238.68
SPAIN	26.19	9.51	35.70
USA	72.49	70.24	142.73
CANADA	29.90	7.30	37.20
BELGIUM	271.17	33.39	304.56
CHINA	-	61.63	61.63
GERMANY	240.08	94.18	334.26
KUWAIT	64.83	43.67	108.50
NETHERLANDS	-	5.35	5.35
SWEDEN	10.56	1.66	12.22
SWITZERLAND	11.01	1.42	12.43
UK	62.34	15.14	77.48
KOREA	-	-	-
<b>TOTAL BILATERAL**</b>	<b>3,176.60</b>	<b>1,094.11</b>	<b>4,270.71</b>
<b>MULTILATERAL</b>			
ADB/ADF	333.20	73.44	406.64
BADEA	-	7.81	7.81
EEC	80.91	13.24	94.15
EIB	-	42.53	42.53
IDA	2,576.43	379.67	2,956.10
OPEC	23.83	1.85	25.68
NDF	-	-	-
IFAD	30.43	6.91	37.34
*IMF	775.56	0	775.56
<b>TOTAL MULTILATERAL</b>	<b>3,820.36</b>	<b>525.45</b>	<b>4,345.81</b>
<b>COMM.BANKS/ SUPPL.CREDIT</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>GRAND TOTAL</b>	<b>6,996.96</b>	<b>1,619.56</b>	<b>8,616.52</b>

\* IMF debt serviced by CBK

Source: Ministry of Finance.

## 4.0 CORE POVERTY PROGRAMMES (CPP)

32. The Core Poverty Projects/Programmes (CPP) are programmes/projects that impact positively on the lives of the poor by: (i) increasing their incomes or improving their quality of life or enhancing security; (ii) empowering them or improving governance; and (iii) promoting equity and equality in our society. These programmes are given high priority by the Government and are cushioned against budget cuts to ensure that the goals are achieved as planned. The overall expenditure on these programmes for the ministries that had reported some expenditure by the end of first quarter of FY 2010/11 was Kshs 6.6 billion, equivalent to 12.8 percent of the total budget allocation to CPP.

### 4.1 Recurrent Expenditures

33. The total recurrent expenditure (non-wage) of the Core poverty programmes was Ksh 4.5 billion during the first quarter; this was equivalent to 13.1 percent of the total recurrent budget allocation on programmes that had reported some expenditures as at the end of the period under review. Table 13 below shows a summary of the ministerial recurrent expenditures on CPP.

**Table 13: Recurrent Expenditures 2010/11 (Non-Wage) Kshs.**

PRIORITY PROGRAMME (DETAILS)	PRINTED ESTIMATES 2010/11	PAYMENTS	COMITMENTS	
MINISTRY OF EDUCATION	12,932,403,615	626,693,230	-	626,693,230
MINISTRY OF AGRICULTURE	1,366,268,605	202,737,389	-	202,737,389
MINISTRY OF LABOUR AND HUMAN RESOURCES DEVELOPMENT	26,328,781	1,480,590	-	1,480,590
KENYA ANTI-CORRUPTION COMMISSION	1,421,000,000	310,731,029		310,731,029
MINISTRY OF ROADS	9,259,200,000	2,588,693,097	-	2,588,693,097
MINISTRY OF GENDER AND CHILDREN	1,505,537,662	15,893,921	957,508	16,851,429
MINISTRY OF WATER AND IRRIGATION	836,967,822	21,944,400	9,059,450	31,003,850
KENYA NATIONAL AUDIT OFFICE	438,278,790	76,787,574	-	76,787,574
STATE LAW OFFICE	92,561,666	10,782,212	4,012,708	14,794,920
MINISTRY OF COOPERATIVE DEVELOPMENT AND MARKETING	187,370,900	9,100	5,655,507	5,664,607
MINISTRY OF FORESTRY AND WILDLIFE	2,546,900,000	282,483,334	-	282,483,334
MINISTRY OF FISHERIES DEVELOPMENT	43,725,569	-	560,810	560,810
MINISTRY OF STATE FOR SPECIAL PROGRAMMES	3,685,813,632	310,625,299	49,209,498	359,834,797
MINISTRY OF JUSTICE,NATIONAL COHESION AND CONSTITUTIONAL AFFAIRS	60,211,815	719,486	439,733	1,159,219

## FISCAL DEVELOPMENTS

<b>TOTAL</b>	<b>34,402,568,857</b>	<b>4,449,580,662</b>	<b>69,895,214</b>	<b>4,519,475,876</b>
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Source: Ministry of Finance

### 4.2 Development Expenditures

34. Under the development budget, the total expenditures on CPP as at the end of the first quarter amounted to Ksh 2.1 billion, equivalent to 12.0 percent of the total development CPP allocation for the ministries that had reported some expenditures as at the end of the period under review. Ministries with low expenditures were due to non-captures of the expenditures from the districts. Table 14 below gives summary details of the ministerial development CPP expenditures.

**Table 14: Development Expenditures (Kshs.)**

PRIORITY PROGRAMME (DETAILS)	PRINTED ESTIMATES 2010/2011	PAYMENTS	COMIT	PAY+COMIT
MINISTRY OF STATE FOR PROVINCIAL ADMINISTRATION AND INTERNAL SECURITY	1,013,728,178	67,810,777	-	67,810,777
MINISTRY OF AGRICULTURE	2,453,775,859	92,659,099	-	92,659,099
MINISTRY OF HEALTH	3,162,876,200	233,377,657	-	233,377,657
MINISTRY OF ENERGY	2,692,000,000	271,058,647	-	271,058,647
MINISTRY OF HOUSING	747,000,000	5,195,994	2,646,524	7,842,518
MINISTRY OF INDUSTRIALIZATION	757,804,000	92,499,999	-	92,499,999
MINISTRY OF STATE FOR SPECIAL PROGRAMMES	4,740,080,808	1,229,878,800	-	1,229,878,800
MINISTRY OF PUBLIC HEALTH AND SANITATION	1,979,227,537		86,305,359	86,305,359
OFFICE OF THE DEPUTY PRIME MINISTER AND MINISTRY OF FINANCE	4,000,000		35,446,818	35,446,818
MINISTRY OF TRADE	68,000,000	3,264,000		3,264,000
<b>TOTAL</b>	<b>17,618,492,582</b>	<b>1,995,744,972</b>	<b>124,398,701</b>	<b>2,120,143,673</b>

## ANNEX I

## ANNEX I FISCAL RESULTS, 2003/04 – 2010/2011 (Kshs. Millions)

	2003/2004	2004/2005	2005/06	2006/07	2007/08	2008/09	2009/10*	2010/11**
<b>A.TOTAL REVENUE</b>	254,681	289,802	311,251	373,030	432,220	487,893	586,377	689,639
1.Revenue	226,478	265,715	283,427	340,010	396,489	455,780	538,836	609,639
Income Tax	77,410	94,095	108,897	124,855	156,832	184,447	216,760	254,877
VAT	61,725	75,989	76,263	96,270	111,939	126,854	146,792	172,360
Import Duty	22,324	23,532	20,511	27,510	32,944	36,181	41,372	48,903
Excise Duty	40,085	44,151	50,309	56,406	61,858	69,872	74,644	86,205
Other Revenue	24,934	27,948	27,447	34,970	32,916	38,426	59,268	47,294
2.Appropriation –in –Aid	28,203	24,087	27,824	33,020	35,731	32,113	47,541	80,000
<b>B.EXPENDITURE &amp; NET LENDING</b>	282,187	303,373	382,818	419,570	534,842	595,719	791,835	918,036
1.Recurrent	244,476	255,746	306,515	306,847	403,368	435,542	536,395	592,451
Wages and Salaries	95,850	105,612	112,277	127,258	145,996	155,220	173,499	191,690
Interest Payments	29,700	30,470	41,247	42,537	47,877	52,058	64,779	74,868
Domestic Interest	23,281	23,375	31,445	36,860	42,181	45,949	58,438	67,879
Foreign Interest Due	6,419	7,095	9,802	5,677	5,696	6,109	6,341	6,989
Pensions, etc	13,612	12,568	19,759	20,449	24,089	27,191	28,441	28,609
Civil Service Reform	273	-	1,300	1,392	800	121	50	50
Operations & maintenance/ Others	105,041	107,096	131,932	115,211	184,606	200,952	269,626	297,234
Of which Appropriation-in-Aid	23,443	20,999	23,891	28,701	32,343	40,611	42,807	72,087
2.Development & Net Lending	37,711	45,627	67,692	80,354	131,473	160,177	255,440	323,585
Development Projects	25,943	28,824	48,037	62,123	86,213	111,962	181,408	222,638
Appropriation-in-Aid	12,341	15,929	18,607	16,750	42,932	45,842	71,659	98,594
Payment of guaranteed loans	1,368	860	4,000	-	2,328	2,373	2,373	2,353
3. Drought Expenditures	-	2,000	1,048	1,481	-	-	-	2,000
Expenditures/CCF	-	-	-	-	-	-	-	-
<b>D.DEFICIT EXCL. GRANTS (Commitment Basis)</b>	(27,506)	(13,571)	(71,567)	(46,540)	(102,622)	(107,826)	(205,458)	(228,397)
<b>E.GRANTS</b>	16,224	14,905	20,070	15,494	25,449	18,065	31,190	40,363
<b>F.DEFICIT INCL.GRANTS (Commitment basis)</b>	(11,282)	1,334	(51,497)	(30,697)	(77,173)	(89,761)	(174,268)	(188,034)
<b>G. ADJUSTMENT TO CASH BASIS</b>	11,282	5,964	15,030	(5,571)	84,738	(27,259)	-	-
<b>H.DEFICIT INCL.GRANTS (cash basis)</b>	-	7,298	(36,467)	(36,269)	7,566	(117,020)	(174,268)	(188,034)
<b>I.FINANCING</b>	-	(7,298)	36,467	36,269	(7,566)	117,020	174,268	188,034
Foreign Financing	(8,809)	(625)	1,216	(2,392)	6,326	41,143	48,208	82,745
Domestic Financing	8,809	(6,673)	35,251	38,661	(13,891)	75,876	126,060	105,289
Of which Domestic Borrowing	8,809	(6,673)	7,000	4,000	-	69,427	93,210	105,289
Others	-	-	-	-	-	-	32,850	-
<b>A.TOTAL REVENUE</b>	21.11	21.55	20.49	21.63	22.02	21.77	24.33	25.42
1.Revenue	18.78	19.76	18.66	19.72	20.20	20.34	22.36	22.47
Income Tax	6.42	7.00	7.17	7.24	7.99	8.23	8.99	9.39
VAT	5.12	5.65	5.02	5.58	5.70	5.66	6.09	6.35
Import Duty	1.85	1.75	1.35	1.60	1.68	1.61	1.72	1.80
Excise Duty	3.32	3.28	3.31	3.27	3.15	3.12	3.10	3.18
Other Revenue	2.07	2.08	1.81	2.03	1.68	1.71	2.46	1.74
2.Appropriation –in –Aid	2.34	1.79	1.83	1.92	1.82	1.43	1.97	2.95
<b>B.EXPENDITURE &amp; NET LENDING</b>	23.39	22.56	25.20	24.33	27.25	26.58	32.86	33.84
1.Recurrent	20.27	19.01	20.18	17.80	20.55	19.44	22.26	21.84
Wages and Salaries	7.95	7.85	7.39	7.38	7.44	6.93	7.20	7.07
Interest Payments	2.46	2.27	2.72	2.47	2.44	2.32	2.69	2.76
Domestic Interest	1.93	1.74	2.07	2.14	2.15	2.05	2.42	2.50
Foreign Interest Due	0.53	0.53	0.65	0.33	0.29	0.27	0.26	0.26
Pensions	1.13	0.93	1.30	1.19	1.23	1.21	1.18	1.05
Civil Service Reform	0.02	-	0.09	0.08	0.04	0.01	0.00	0.00
O &M/ Others	8.71	7.96	8.68	6.68	9.40	8.97	11.19	10.96
of which Appropriation-in-Aid	1.94	1.56	1.57	1.66	1.65	1.81	1.78	2.66
2.Development & Net Lending	3.13	3.39	4.46	4.66	6.70	7.15	10.60	11.93
Development Projects	2.15	2.14	3.16	3.60	4.39	5.00	7.53	8.21
Appropriation-in-Aid	1.02	1.18	1.22	0.97	2.19	2.05	2.97	3.63
Payment of guaranteed loans	0.11	0.06	0.26	-	0.12	0.11	0.10	0.09
3. Drought Expenditures	-	0.15	0.07	0.09	-	-	-	0.07
<b>D.DEFICIT EXCL. GRANTS (Commitment Basis)</b>	(2.28)	(1.01)	(4.71)	(2.70)	(5.23)	(4.81)	(8.53)	(8.42)
<b>E.GRANTS</b>	1.35	1.11	1.32	0.90	1.30	0.81	1.29	1.49
<b>F.DEFICIT INCL.GRANTS (Commitment basis)</b>	(0.94)	0.10	(3.39)	(1.78)	(3.93)	(4.01)	(7.23)	(6.93)
<b>G.ADJUSTMENT TO CASH BASIS</b>	0.94	0.44	0.99	(0.32)	4.32	(1.22)	-	-
<b>H.DEFICIT INCL.GRANTS (cash basis)</b>	-	0.54	(2.40)	(2.10)	0.39	(5.22)	(7.23)	(6.93)
<b>I.FINANCING</b>	-	(0.54)	2.40	2.10	(0.39)	5.22	7.23	6.93
Foreign Financing	(0.73)	(0.05)	0.08	(0.14)	0.32	1.84	2.00	3.05
Domestic Financing	0.73	(0.50)	2.32	2.24	(0.71)	3.39	5.23	3.88
Of which Domestic Borrowing	0.73	(0.50)	0.46	0.23	-	3.10	3.87	3.88
Others	-	-	-	-	-	-	1.36	-
<b>Memorandum Item:</b>								
Nominal GDP at Market price (Kshs. million)	1,206,194.50	1,345,026.00	1,519,079.00	1,724,197.00	1,962,879.00	2,241,000.00	2,410,000.00	2,713,000.00

Note: \* indicate Preliminary results and \*\* Printed Estimates

Source: Ministry of Finance

## ANNEX II: REPORTED ACTUAL EXPENDITURES, REVENUES AND BUDGETED REVENUES FOR LOCAL AUTHORITIES

LA CODE	LOCAL AUTHORITY NAME	FY 2008-09 ESTIMATES REVENUE	FY 2008-09 ACTUAL REVENUE	FY 2008-09 ACTUAL RECURRENT AND CAPITAL EXPENDITURES	FY 2009-10 ESTIMATES REVENUE
1	Nairobi City	7,678,045,436	9,571,921,639	7,728,512,062	8,617,959,067
6	Ahero TC	40,639,153	30,740,921	24,571,747	36,454,298
11	Awendo TC	52,180,526	50,775,792	44,942,930	56,290,481
16	Baringo CC	72,526,775	73,776,903	60,463,835	79,063,858
21	Bomet CC	86,221,519	83,577,700	78,655,193	95,053,945
26	Bomet MC	31,711,289	36,573,728	27,841,131	34,891,042
31	Bondo CC	69,928,561	70,245,948	65,374,200	74,876,339
36	Bondo TC	24,166,601	34,614,172	32,630,593	33,006,736
41	Bungoma CC	157,269,808	194,337,174	162,410,077	225,535,386
46	Bungoma MC	99,100,407	112,468,930	87,470,296	115,514,328
51	Bureti CC	67,267,664	69,494,119	51,440,060	71,050,749
56	Burnt Forest TC	15,894,019	25,538,124	10,068,070	18,079,958
61	Busia CC	70,824,899	79,660,845	71,625,861	79,828,730
66	Busia MC	83,327,739	80,181,211	55,278,909	84,442,802
71	Butere-Mumias CC	118,730,156	109,053,601	101,042,291	130,004,405
76	Chepareria TC	7,188,768	7,729,178	7,780,958	7,940,348
81	Chogoria TC	16,985,683	19,017,876	16,449,907	20,606,027
86	Chuka MC	33,568,311	34,782,390	30,504,613	37,935,736
91	Eldama Ravine TC	35,864,409	35,951,404	37,000,402	39,149,333
96	Eldoret MC	542,697,505	517,816,384	395,230,067	529,599,241
101	Embu CC	49,107,573	16,746,593	46,915,382	56,759,145
106	Embu MC	105,254,353	115,122,152	92,187,158	116,167,436
111	Funyula TC	8,223,667	8,322,943	6,713,967	10,431,412
116	Garissa CC	76,428,559	74,512,064	53,030,294	83,805,282
121	Garissa MC	92,536,430	77,330,010	61,726,809	86,881,990
126	Gucha CC	73,918,653	75,317,170	76,192,422	84,467,940
131	Gusii CC	74,527,282	72,197,379	58,417,535	89,168,777
136	Homa Bay CC	54,891,313	57,693,437	52,086,345	60,548,128
141	Homa Bay MC	77,505,375	67,422,694	71,043,186	73,601,268
143	Ijara CC	15,661,570	17,645,440	13,359,923	21,614,172
146	Isiolo CC	200,324,611	148,867,187	160,408,173	206,053,894
151	Iten-Tambach TC	18,300,760	22,685,863	23,960,505	20,960,647
156	Kabarnet MC	29,530,593	36,288,748	36,184,011	30,184,353
161	Kajiado TC	22,747,529	28,421,292	24,509,789	27,325,007
166	Kakamega CC	119,347,395	132,464,623	111,829,476	140,781,051
171	Kakamega MC	140,800,497	143,196,121	106,923,213	142,288,399
176	Kandara TC	10,930,895	11,205,334	9,778,975	13,393,315
181	Kangema TC	15,396,084	24,343,745	20,735,087	20,392,742
186	Kangundo TC	66,222,487	74,648,170	68,932,099	75,031,426
191	Kapenguria MC	39,783,797	37,863,691	33,531,462	40,765,634
196	Kapsabet MC	56,826,006	52,453,316	55,870,566	56,250,120
201	Karatina MC	52,311,144	57,093,454	46,632,233	54,481,099
206	Karuri TC	51,357,774	57,352,634	51,089,497	60,591,109
211	Kehancha MC	71,143,195	85,192,776	71,623,735	86,440,585
216	Keiyo CC	41,146,726	44,259,159	44,329,031	78,690,907
221	Kendu Bay TC	115,586,605	12,037,385	10,931,862	13,808,213
226	Kericho MC	123,648,131	203,874,490	145,454,389	128,548,474



## ANNEX II

LA CODE	LOCAL AUTHORITY NAME	FY 2008-09 ESTIMATES REVENUE	FY 2008-09 ACTUAL REVENUE	FY 2008-09 ACTUAL RECURRENT AND CAPITAL EXPENDITURES	FY 2009-10 ESTIMATES REVENUE
231	Keroka TC	26974041	32,417,858	29,088,019	28,457,898
236	Kerugoya/Kutus MC	64,167,051	63,046,975	69,382,410	64,931,839
241	Kiambu CC	112,411,347	122,601,376	94,954,956	126,954,159
246	Kiambu MC	76,890,733	80,681,901	60,327,963	84,023,627
251	Kikuyu TC	88,597,768	88,475,568	95,143,567	93,911,069
256	Kilifi CC	149,433,554	162,885,640	127,624,168	167,372,625
261	Kilifi TC	68,906,007	76,594,414	59,058,954	79,723,485
266	Kimilili MC	41,753,437	41,735,028	34,603,878	43,575,893
271	Kipkelion TC	15,728,280	20,559,269	18,798,087	18,308,401
276	Kipsigis CC	98,119,113	108,007,457	103,473,358	105,123,648
281	Kirinyaga CC	181,860,213	172,563,950	181,486,182	192,055,023
286	Kisii MC	119,153,911	141,795,439	129,654,139	134,131,687
291	Kisumu CC	46,396,889	49,329,701	37,327,663	54,944,311
296	Kisumu MC	766,095,631	534,739,729	428,624,441	583,766,740
301	Kitale MC	181,996,832	168,604,823	85,449,156	179,204,374
306	Kitui CC	122,695,202	133,607,573	109,658,735	136,385,150
311	Kitui MC	80,340,618	84,387,304	71,103,444	85,000,859
316	Koibatek CC	48,800,450	46,493,064	51,366,835	52,353,629
321	Kwale CC	204,345,626	220,132,000	198,773,523	230,136,887
326	Kwale TC	14,496,437	34,776,586	23,673,831	23,488,227
331	Laikipia CC	75,471,242	88,533,326	77,777,378	83,828,023
336	Lamu CC	48,260,666	52,257,054	49,563,284	56,293,246
341	Limuru MC	52,039,181	68,382,212	59,977,007	59,895,177
346	Litein TC	30,578,971	31,416,836	30,079,968	34,378,086
351	Lodwar MC	31,173,785	28,425,474	20,420,963	29,698,416
356	Londiani TC	16,603,432	16,079,955	24,845,200	18,098,396
361	Luanda TC	31,622,767	45,345,341	44,757,600	41,113,315
366	Lugari CC	80,292,799	83,072,730	69,585,146	91,284,976
371	Machakos MC	138,290,873	169,447,981	165,825,269	152,764,539
376	Makueni CC	192,955,598	194,163,943	212,489,193	223,540,816
381	Makuyu TC	23,718,313	31,719,187	26,627,471	30,844,945
386	Malaba TC	48,220,852	66,554,687	64,271,419	59,971,311
391	Malakisi TC	13,728,183	13,739,860	10,127,744	17,828,904
396	Malava TC	22,729,377	28,157,932	17,078,190	29,875,991
401	Malindi CC	66,388,198	75,289,991	68,178,888	75,671,878
406	Malindi MC	179,641,982	165,511,019	135,096,170	179,458,422
411	Mandera CC	69,122,923	74,249,584	69,709,568	80,219,183
416	Mandera TC	48,179,040	53,828,565	45,419,164	54,351,537
421	Maragwa CC	102,759,057	106,774,677	89,396,904	111,286,816
426	Maragwa TC	21,221,876	26,756,540	20,294,588	21,780,414
431	Marakwet CC	42,049,968	50,057,713	39,916,834	48,443,482
436	Maralal TC	29,327,273	28,892,573	21,278,174	32,366,791
441	Mariakani TC	39,270,289	42,863,188	36,520,625	45,488,566
446	Marsabit CC	45,305,953	60,502,269	41,047,632	52,527,197
451	Masaku CC	175,772,831	205,148,610	176,343,950	208,032,225
456	Masimba TC	13,392,469	13,830,897	11,279,272	16,102,653
461	Matuu TC	30,341,000	30,615,485	27,243,606	33,305,300
466	Maua MC	41,528,810	45,700,770	42,741,585	50,430,536
471	Mavoko MC	199,903,265	249,733,836	246,503,945	234,862,878
476	Mbeere CC	59,121,420	78,618,839	73,369,880	76,627,714
481	Mbita Point TC	18,855,822	19,304,723	17,599,955	21,259,047

## ANNEX II

LA CODE	LOCAL AUTHORITY NAME	FY 2008-09 ESTIMATES REVENUE	FY 2008-09 ACTUAL REVENUE	FY 2008-09 ACTUAL RECURRENT AND CAPITAL EXPENDITURES	FY 2009-10 ESTIMATES REVENUE
486	Meru CC	145,943,019	169,255,386	97,375,772	159,545,934
491	Meru MC	111,938,913	111,486,387	77,678,923	124,448,005
496	Meru South CC	45,390,023	43,220,263	32,101,729	50,059,168
501	Migori CC	82,759,464	83,757,418	73,099,721	91,354,708
506	Migori MC	70,311,717	58,144,982	37,465,891	65,902,443
511	Molo TC	45,431,469	49,577,193	35,358,241	54,722,503
516	Mombasa MC	2,026,902,115	2,070,923,217	1,751,558,427	1,859,824,954
521	Mt. Elgon CC	37,826,456	41,083,017	49,659,168	43,707,967
526	Moyale CC	36,233,776	49,039,334	36,261,715	43,849,653
531	Mtitu Andei TC	17,494,747	18,354,040	8,763,836	20,502,104
536	Muhoroni TC	26,846,237	28,043,770	25,386,129	31,740,550
541	Mumias MC	88,786,498	83,868,161	67,487,582	90,108,452
546	Murang'a CC	114,915,639	117,803,833	104,072,902	127,616,356
551	Murang'a MC	66,387,088	75,795,585	72,778,410	75,752,665
556	Mwingi CC	63,672,032	78,545,243	97,392,643	79,872,190
561	Mwingi TC	36,214,351	38,442,097	32,719,151	40,257,340
566	Naivasha MC	117,943,557	139,600,000	112,849,901	127,465,277
571	Nakuru CC	297,725,146	314,313,437	242,839,145	335,417,960
576	Nakuru MC	607,125,500	664,801,360	560,529,553	628,744,732
581	Nambale TC	13,985,544	20,733,202	13,321,488	17,518,072
586	Nandi CC	119,036,068	116,766,050	97,277,265	129,888,167
591	Nandi Hills TC	31,871,998	40,630,599	36,035,738	36,081,121
596	Nanyuki MC	174,482,430	145,041,785	145,812,899	181,445,050
601	Narok CC	706,770,307	595,922,652	543,501,559	812,486,916
606	Narok TC	51,935,391	72,010,899	70,323,312	61,728,662
616	Nyahururu MC	109,996,647	112,327,753	91,842,582	119,790,320
621	Nyamache TC	12,627,571	13,683,287	10,410,731	16,079,138
626	Nyamarambe TC	13,069,554	13,847,182	11,857,697	15,674,643
631	Nyambene CC	142,185,243	142,903,629	156,606,382	153,790,821
636	Nyamira CC	102,563,098	96,634,807	73,396,610	113,623,728
641	Nyamira TC	27,639,997	29,037,579	19,837,257	30,800,536
646	Nyandarua CC	188,242,918	196,829,687	164,911,267	206,350,896
651	Nyando CC	66,382,905	65,624,452	52,420,118	73,629,038
656	Nyansiongo TC	16,167,898	14,947,443	14,765,358	17,628,430
661	Nyeri CC	179,540,590	173,740,671	152,197,744	194,672,840
667	Nyeri MC	223,481,342	218,433,659	164,836,841	225,365,483
671	Nzoia CC	126,316,503	133,789,697	141,930,681	144,927,546
676	Ogembo TC	23,384,249	22,312,447	22,749,304	22,932,148
681	Olkalou TC	51,275,729	49,961,568	44,908,498	58,609,311
686	Olkejuado CC	219,019,766	298,034,501	284,614,728	271,461,075
691	Othaya TC	28,398,905	27,233,142	22,358,892	29,276,406
696	Oyugis TC	41,130,405	36,719,405	26,761,184	41,816,049
701	Pokot CC	55,782,731	63,446,153	49,930,751	71,150,159
706	Port Victoria TC	13,513,556	13,538,432	14,488,907	15,649,265
711	Rachuonyo CC	52,762,908	56,903,460	43,492,046	59,119,834
716	Rongo TC	38,148,001	45,027,966	39,577,131	42,557,866
721	Ruiru MC	140,344,202	141,008,960	114,646,925	131,514,698
726	Rumuruti TC	20,027,924	21,725,192	19,451,599	22,810,381
731	Runyenjes MC	31,383,393	32,634,318	29,468,185	35,338,141
736	Sagana TC	16,822,040	20,678,142	20,226,234	20,220,461
741	Samburu CC	157,821,365	157,029,430	161,122,494	175,972,046

## ANNEX II

LA CODE	LOCAL AUTHORITY NAME	FY 2008-09 ESTIMATES REVENUE	FY 2008-09 ACTUAL REVENUE	FY 2008-09 ACTUAL RECURRENT AND CAPITAL EXPENDITURES	FY 2009-10 ESTIMATES REVENUE
746	Siaya CC	80,287,184	82,102,928	78,673,436	89,943,249
751	Siaya MC	40,502,398	40,696,542	33,662,819	50,551,051
756	Sirisia TC	7,224,952	8,943,594	7,902,776	10,733,949
761	Sotik TC	21,308,443	25,698,000	22,117,641	23,252,699
766	Suba CC	50,694,111	47,586,284	40,469,341	62,266,961
771	Suneka TC	20,665,696	24,976,249	20,521,586	23,884,026
776	Tabaka TC	18,930,531	13,878,055	10,882,223	15,873,782
781	Taita Taveta CC	86,058,855	65,095,235	49,360,892	74,296,799
786	Tana River CC	72,296,916	76,682,699	39,574,540	79,059,848
791	Taveta TC	45,644,439	91,157,449	78,780,480	57,457,329
796	Teso CC	37,754,252	37,718,963	30,792,067	42,378,015
801	Tharaka CC	33,944,481	42,966,493	33,100,296	40,846,207
806	Thika CC	150,706,097	181,853,542	131,527,601	174,265,501
811	Thika MC	431,813,586	523,915,208	428,280,829	524,252,342
816	Transmara CC	131,482,413	91,509,896	90,601,841	123,948,004
821	Turkana CC	109,029,371	124,018,967	117,149,893	124,784,653
826	Ugunja TC	16,429,275	19,191,656	18,755,601	23,530,044
831	Ukwala TC	15,771,925	16,124,614	17,682,918	18,148,282
836	Vihiga CC	77,655,767	78,021,990	74,150,704	86,515,349
841	Vihiga MC	63,837,869	61,157,363	61,983,422	72,102,335
846	Voi MC	49,503,913	56,148,453	45,681,504	53,927,474
851	Wajir CC	106,679,578	108,601,229	50,744,959	128,377,643
856	Wareng CC	134,391,810	139,984,735	147,936,285	148,012,809
861	Webuye MC	64,198,605	52,313,324	54,834,212	61,831,312
866	Wote TC	15,826,874	33,831,857	29,750,509	38,136,313
871	Yala TC	13,100,684	13,067,894	10,051,225	15,629,210

**STATEMENT BY HON. UHURU KENYATTA, MP, DEPUTY PRIME MINISTER AND MINISTER FOR FINANCE ON THE OCCASION OF SIGNING OF THE ADB FINANCING AGREEMENT FOR THE INTERCONNECTION OF ELECTRIC GRIDS OF THE NILE EQUATORIAL LAKES COUNTRIES (NELSAP) PROJECT ON 20TH SEPTEMBER, 2010 AT 10.00 AM, TREASURY BUILDING**

**MRS. DOMINA BUZINGO, RESIDENT REPRESENTATIVE, ADB**

**MEMBERS OF THE ADB DELEGATION**

**PERMANENT SECRETARY/TREASURY**

**LADIES AND GENTLEMAN**

1. Let me take this early opportunity to welcome you all to the Treasury. I wish to especially thank the African Development Bank for the support to our development agenda.
2. Our partnership with the Bank has continued to grow stronger especially following the establishment of the Kenya Country Office. Indeed, the Nairobi Office has effectively facilitated communication between us and the Bank's management in its temporary Headquarters in Tunis.
3. Ladies and Gentlemen, today marks yet another important occasion of the signing with African Development Bank, a loan agreement for Units of Account Thirty Nine Million Nine Hundred and Seventy (UA 39.97 million), which is equivalent to Ksh.3.97 billion. This is part of a large project in the energy sector involving the five Nile Equatorial Lakes Countries, namely: Democratic Republic of Congo, Rwanda, Burundi, Uganda, and Kenya. The total cost of the entire project is 160.2million UA for the five countries.
4. The project is, therefore, very important to the region as it will provide the basic infrastructure required for the promotion of cooperation and integration of energy grids of the five beneficiary countries, increase cross – border sharing of electric energy and facilitate the development of low cost energy resources. In addition, the project lays the necessary groundwork for the creation of a regional electricity market that would include both the Nile Basin Development Programme and the East African Energy Pool (EAEP).
5. The major component of the project is the construction and upgrading of 769 kms of 220kv and 110kv power lines as well as the construction and reinforcement of 17 transformer stations to interconnect the grids of the five Nile Equatorial Lakes Countries. In addition to the Kenya – Uganda interconnection there will be Uganda- Rwanda interconnection, upgrading of the Burundi, Democratic Republic of Congo and the Rwanda inter connection lines. The loan will also cover training and operational costs.
6. Ladies and Gentlemen, I am informed that the potential for hydropower from DRC at Hinga dam is more than 40,000 MW which is enough clean power for the whole region. The construction of the power

lines and substations is, therefore, a step in the right direction as the region prepares to tap its power potential.

7. Ladies and Gentlemen, turning to the Kenyan component of this project, the loan amount as I earlier indicated is Units of Account 39.97 million or about Ksh 3.97 billion, which will finance the section of the Kenya- Uganda interconnection line. This component is categorized as LOT 1 and it consists of the construction of a 220kv double circuit transmission line from the border with Uganda to the substation at Lessos. As part of this project, Lessos substation will be expanded with additional transformers and accompanying gear.
8. The importance of this project cannot, therefore, be overemphasized. At the national level, it will benefit the local communities, enterprises and trading entities, private and government institutions through increased access to reliable and affordable electricity for domestic, industrial and commercial use. The access to electricity particularly in the rural areas will facilitate the achievements of national objectives and programmes in various sectors including education, health, communication, and water to mention but a few. The project will certainly contribute to our economic growth and attainment of other Vision 2030 objectives.
9. Madam Buzingo, ADB's contribution towards the realization of this project is laudable and a clear testimony of the Bank's commitment to the development of the region. Apart from the financial support, the Bank has played a leading role in the mobilization of the other donors to support the project. Indeed, these efforts are not only in the energy sector but in the other sectors as well. In the energy sector the Bank has also financed the construction of Mombasa-Nairobi power transmission line and the upgrading of Mariakani substation; while other national transmission lines are under preparation.
10. Other sectors benefiting from ADB's support include roads, water sanitation, health and institutional reforms. These are sectors that are critical to the growth of our economy and achievement of Vision 2030 objectives.
11. Ladies and gentlemen, the Kenyan people made a historical milestone last August by voting for the new Constitution. The Government is committed to the implementation of the new constitution and will spare no efforts towards the achievement of this goal. We are, however, aware that the implementation of the institutions identified in the constitution will require substantial financial resources
12. While we have set aside some resources for that purpose, we have no doubt it will not be sufficient given other development obligations we have to also fulfill. We therefore remain hopeful that we can count on the support of all our friends like the ADB, towards financing the implementation of the Institutions set out in this document. We will soon get back to our partners on this matter when we conclude the financial estimates for implementation of the Constitution.
13. In conclusion, let me once again reiterate our appreciation of the financial support we, as a country, have continued to receive from the African Development Bank.

Thank you.