



**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  
2011/2012

**November 2011 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: 2011/2012

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

Real GDP grew by 4.1 % in the second quarter of 2011, down from 4.6% in the same period in 2010. This slow down was attributed to rising inflation and exchange rate depreciation in addition to adverse impact of drought. Building and construction, wholesale and retail, financial intermediation and agriculture and forestry recorded improved growth, while electricity and water sectors declined as a result drought.

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

The cumulative overall fiscal balance, on a commitment basis (excluding grants) registered a deficit of KShs. 43.6 billion (equivalent to 1.3 percent of GDP) through end-September 2011 compared with a deficit of KShs. 22.3 billion (equivalent to 0.8 percent of GDP) for the similar period in FY 2010/11.

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

Cumulative revenue collection in the first quarter of FY 2011/12 was KShs. 149.1 billion (equivalent to 4.5 percent of GDP) against a target of KShs. 179.4 billion (equivalent to 5.5 percent of GDP). This performance was below the programme target by KShs. 30.2 billion.

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

Cumulative expenditure and net lending for the period ending 30<sup>th</sup> September 2011 amounted to KShs. 192.7 billion. This was KSh.47.2 billion below the target of KShs.239.9 billion. This low absorption in expenditure arose mainly in operations and maintenance, wages and salaries, pensions, as well as slow utilization of domestically and foreign financed development expenditure.

### 5. **Guaranteed Loans**

Cumulative actual payments of guaranteed debts for Parastatals with liquidity problems amounted to KShs. 271.9 million as at end-September 2011 against scheduled payments of KShs. 231.3 million. The variance between the actual payment and projected payments is attributed to exchange rate depreciation.

### 6. **External Financing**

External financing amounted to net borrowing of KShs. 2.9 billion by the end of September 2011 compared to a net borrowing of KShs. 1.9 billion in a similar period in FY 2010/11.

**7. Net Domestic Borrowing**

The net domestic borrowing was KShs. 12.3 billion (equivalent to 0.4 percent of GDP), compared to the programme target of KShs. 49.8 billion (equivalent to 1.5 percent of GDP).

**8. Total Domestic Debt**

Total domestic debt stock increased marginally from KShs. 764.2 billion at end-June 2011 to KShs. 764.3 billion by the end of September 2011.

**9. External Debt**

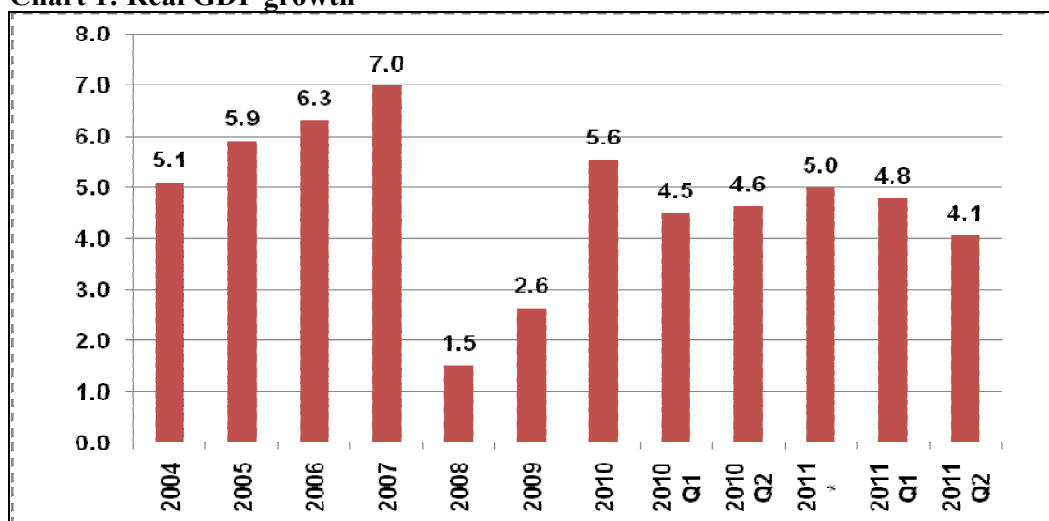
Total external debt rose from KShs. 722.9 billion in June 2011 to KShs. 799.8 billion by 30<sup>th</sup> September 2011. The debt stock comprised of multilateral (60.9 percent), bilateral (35.8 percent) and export credit (3.3 percent).

## 1.0 RECENT ECONOMIC DEVELOPMENTS

### 1.1 Economic Growth

1. Real GDP grew by 4.1% in the second quarter of 2011, compared to 4.6% in the same period in 2010. This slow down was attributed to rising inflation and exchange rate depreciation in addition to the adverse effects of drought. Building and construction, wholesale and retail, financial intermediation and agriculture and forestry recorded improved growth, while electricity and water sectors declined as a result drought.

**Chart 1: Real GDP growth**



Source: Data from KNBS.

\*BROP projection for 2011

2. Despite lower than normal rainfall, agriculture and forestry posted an impressive growth in the second quarter of 2011 expanding by 5.2 % compared to 3.0 % in the same quarter, 2010. The growth in this sector was supported by increase in horticulture and sugar cane deliveries. According to KNBS (Q2 release), export of cut flower increased by 65.6 % from 16.6 thousand metric tonnes in the second quarter of 2010 to 27.5 thousand metric tonnes in the second quarter of 2011. Over the same period, exports of vegetables and fruits increased from 15.0 thousand metric tonnes to 22.4 thousand metric tonnes and 6.4 thousand metric tonnes to 8.2 thousand metric tonnes, respectively. Similarly, sugarcane delivery increased from 1.3 million metric tonnes to 1.4 million metric tonnes.

3. Tea deliveries to marketing boards declined by 7.9 per cent from 101.3 thousand metric tonnes in the second quarter of 2010 to 93.3 thousand metric tonnes in the second quarter of 2011, while deliveries of coffee declined by 54.1 per cent from 7.4 thousand metric tonnes in the second quarter of 2010 to 3.4 thousand metric tonnes in the second quarter of 2011.

4. The financial intermediation sector recorded a growth of 5.6 per cent compared to a growth of 7.4 per cent in the same quarter of 2010. Broad money supply, M3, grew by 15.1 percent in the year to June 2011 compared with a growth of 26.2 percent in a corresponding period in 2010. The expansion in broad money supply (M3) was supported by increases in both net domestic assets (NDA) and net foreign assets (NFA) of the banking system on

## RECENT ECONOMIC DEVELOPMENTS

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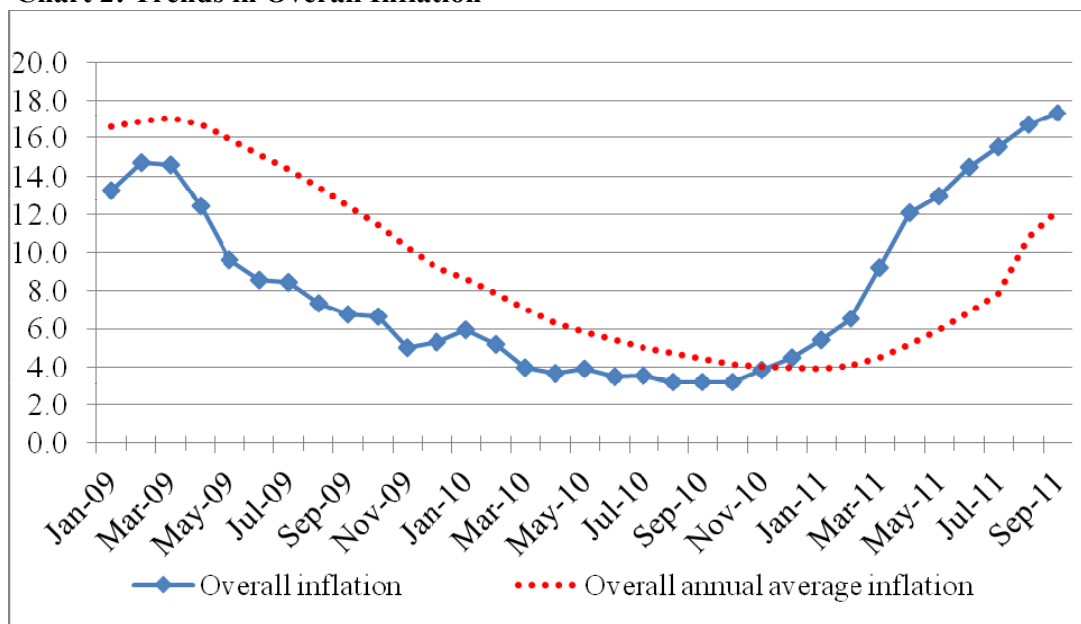
account of increased credit to private sector and holdings of foreign exchange by the Central Bank of Kenya.

5. Growth of the manufacturing sector slowed to 3.0 per cent compared to 4.9 per cent attained in same period in 2010. The increase in manufacturing outputs including cement, galvanized sheet, soap, maize meal, wheat flour, sugar, beer and cigarettes was partly offset by a decline in outputs of motor vehicle tyres, assembled motor vehicles, processed milk, coffee and soft drinks. The slowdown was also attributable to subdued demand emanating from rise in inflation.
6. The Electricity and water sector declined by 4.6 percent compared to a growth of 5.8 per cent in the same period 2010. The decline in the value added in this sector was as a result of a shift in electricity generation mix. Arising from drought and decline in water levels, production of hydro electricity declined, necessitating the use of thermal. The ongoing short rains for the month of October to November 2011, is expected to change the production mix from thermal to hydro.
7. The hotels and restaurants sector recorded an increase in tourist arrivals by 2.9 per cent for the second quarter of 2011 compared to a decline of 1.1 per cent in the same period in 2010. Jomo Kenyatta International Airport recorded 213,368 visitor arrivals compared to 187,991 arrivals over the same period last year, representing a growth of 13.5 per cent. However, Moi International Airport recorded a decline in arrivals from 23,053 in 2010 to 22,024 over the same period
8. Transport and communication sector expanded by 4.5 per cent compared to a growth of 5.2 per cent in the same quarter of 2010. This growth was mainly supported by expansion in activities of road and air transport. Communication subsector expanded at a slower rate of 0.5 per cent compared to a growth of 3.8 per cent in the same period of 2010. The growth in the road transport was reflected in the rise in consumption of light diesel, which increased from 296.6 thousand Metric Tonnes to 319.7 thousand Metric tones.
9. Construction sector expanded by 5.8 per cent compared to a growth of 3.6 per cent in the same quarter of 2010. The continued rise in public investments in infrastructure projects in roads, energy and water supported growth in this sector. Cement production and consumption increased by 8.7 per cent from 782.9 million tonnes to 851.2 million tones.

### **1.2 Inflation**

10. Inflationary pressure persisted to reach 17.32 percent in September 2011. The average annual inflation increased to 12.2 percent from 4.0 percent in September 2010 (Chart 2). The upward trend in inflation was on account of high food and fuel prices, and rising cost of transport, as well as the weakening of the shilling.
11. Food and non Alcoholic drinks' index went up by 0.98 per cent between August and September 2011 as a result of price increases of a number of food products such as sugar, beef, bread, milk and potatoes. Other items whose index rose include transport, restaurant and hotels, housing water electricity and gas. The pick-up is due to high prices of energy and food stuff.

**Chart 2: Trends in Overall Inflation**

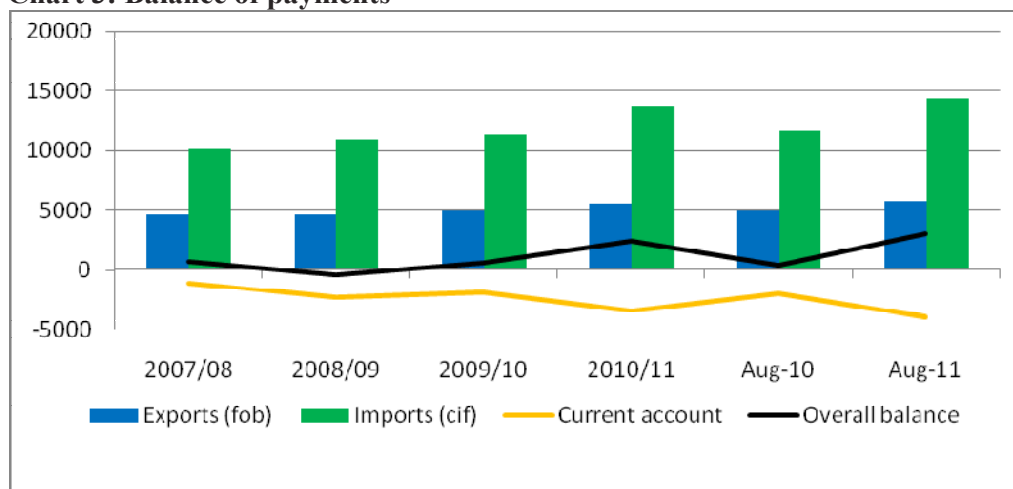


Source: Data from KNBS.

### 1.3 Balance of Payments

12. The external payment position weakened in the year to August 2011, reflecting a faster growth in imports relative to exports. The trade account balance worsened by 29.7 percent to US\$ 8,607 million from US\$ 6,638 million (Chart 3 and Table 1a). This more than offset the increased surplus in the services account, resulting in the deterioration of the current account deficit from US\$ 2,017 million to US\$ 3,915 million. The deficit in the current account was more than financed by capital inflows, thereby resulting in the overall balance of payment surplus.

**Chart 3: Balance of payments**



Source: CBK



RECENT ECONOMIC DEVELOPMENTS

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

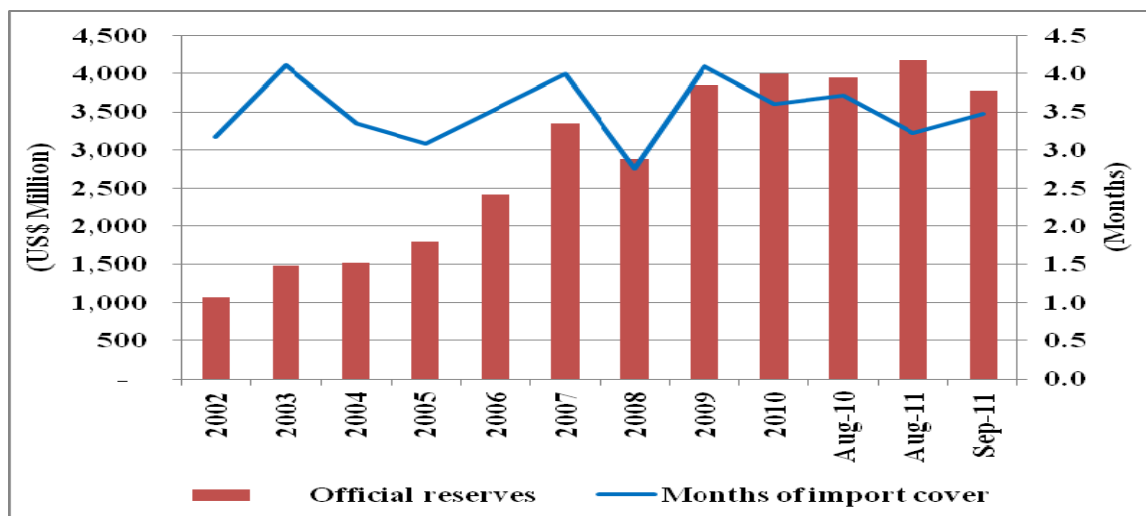
	2007/08	2008/09	2009/10	2010/11	2010	2011	%
	Act.	act	Prov.		Aug	Aug	Change
<b>Current account</b>	<b>-1073</b>	<b>-2296</b>	<b>-1920</b>	<b>-3380</b>	<b>-2017</b>	<b>-3915</b>	<b>94.1</b>
<i>Trade balance</i>	<i>-5428</i>	<i>-6281</i>	<i>-6351</i>	<i>-8118</i>	<i>-6638</i>	<i>-8607</i>	<i>29.7</i>
<i>Exports (fob)</i>	<i>4648</i>	<i>4642</i>	<i>4932</i>	<i>5541</i>	<i>4960</i>	<i>5720</i>	<i>15.3</i>
Coffee	169	179	194	213	193	218	13.2
Tea	755	877	1127	1108	1158	1130	-2.4
Horticulture	739	668	715	732	709	729	2.7
Man. goods	571	570	570	670	589	694	17.9
Raw materials	320	247	219	264	214	292	36.2
Re-exports	213	281	317	313	272	338	24.6
Other	1736	1732	869	1129	901	1150	27.5
<i>Imports (cif)</i>	<i>10076</i>	<i>10923</i>	<i>11283</i>	<i>13659</i>	<i>11599</i>	<i>14328</i>	<i>23.5</i>
Oil	2448	2556	2636	3299	2651	3663	38.2
Chemicals	1318	1384	1427	1847	1497	1882	25.7
Man. goods	1505	1477	1625	2021	1701	2135	25.5
Machinery & trans. eqpt	2762	3151	3212	3942	3373	3924	16.4
Other	1965	2234	2283	2388	2275	2554	12.3
<i>Services</i>	<i>4355</i>	<i>3985</i>	<i>4431</i>	<i>4738</i>	<i>4621</i>	<i>4693</i>	<i>1.5</i>
<i>Capital &amp; financial</i>	<i>1756</i>	<i>1874</i>	<i>2512</i>	<i>3641</i>	<i>2379</i>	<i>3999</i>	<i>68.1</i>
<b>Overall balance</b>	<b>683</b>	<b>-422</b>	<b>592</b>	<b>2431</b>	<b>362</b>	<b>3082</b>	<b>752.4</b>
<i>Official reserves</i>	<i>3445</i>	<i>3219</i>	<i>3799</i>	<i>4142</i>	<i>3942</i>	<i>4171</i>	<i>5.8</i>
<i>Months of import</i>	<i>3.7</i>	<i>3.3</i>	<i>3.7</i>	<i>3.3</i>	<i>3.7</i>	<i>3.2</i>	

Source: Data from CBK.

**1.4 Foreign Exchange Reserves**

13. Reflecting the developments in the balance of payments, official foreign exchange reserves held by the Central Bank of Kenya increased slightly to US\$ 4,171 million by end-August 2011 from US\$ 3,942 million at end-August 2010. In terms of months of imports cover, this represented 3.2 months by end-August 2011, down from to 3.7 months by end-August 2010. (Chart 4). By end –September 2011, foreign exchange held by the CBK had declined to about US\$3.7 billion.

**Chart 4: Official International Foreign Reserves**

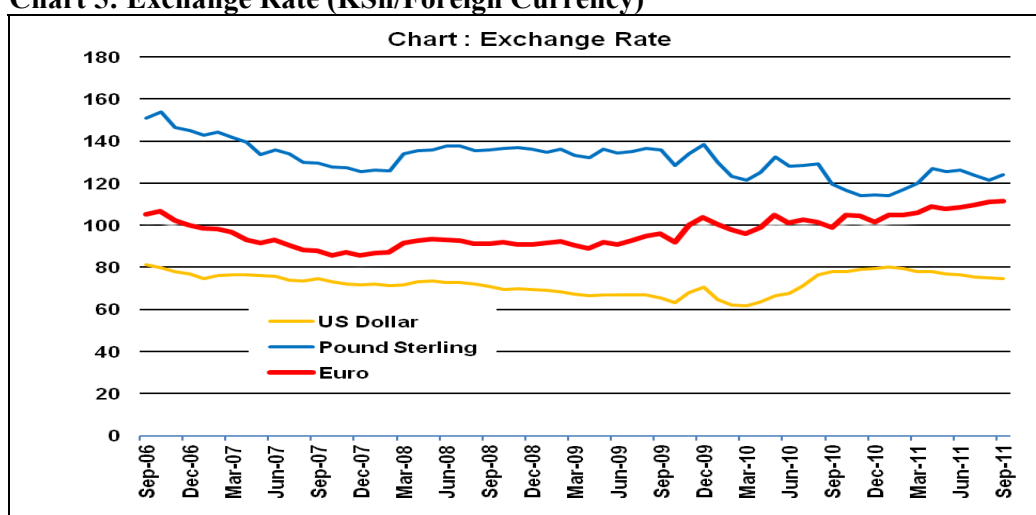


Source: Data from CBK.

## 1.5 Exchange Rates

14. The Kenya Shilling depreciated against major international currencies since the beginning of 2011 (Chart 5). Against the US dollar, the shilling weakened to trade at an average of Ksh. 99.8 in September 2011 compared to KSh 81.0 in January 2011. Against the Sterling Pound, the shilling exchange weakened to Ksh.155.8 in September 2011 compared to Ksh. 144.5 in June 2011. The Kenya shilling also weakened against the Euro, to exchange at Ksh. 135.4 in September 2011, compared to Ksh. 128 exchanged in June 2011. Against regional currencies, the Kenya shilling remained stable against the Ugandan shilling with a tendency to appreciate but weakened against the South African Rand, and the Tanzanian shilling.

**Chart 5: Exchange Rate (KSh/Foreign Currency)**

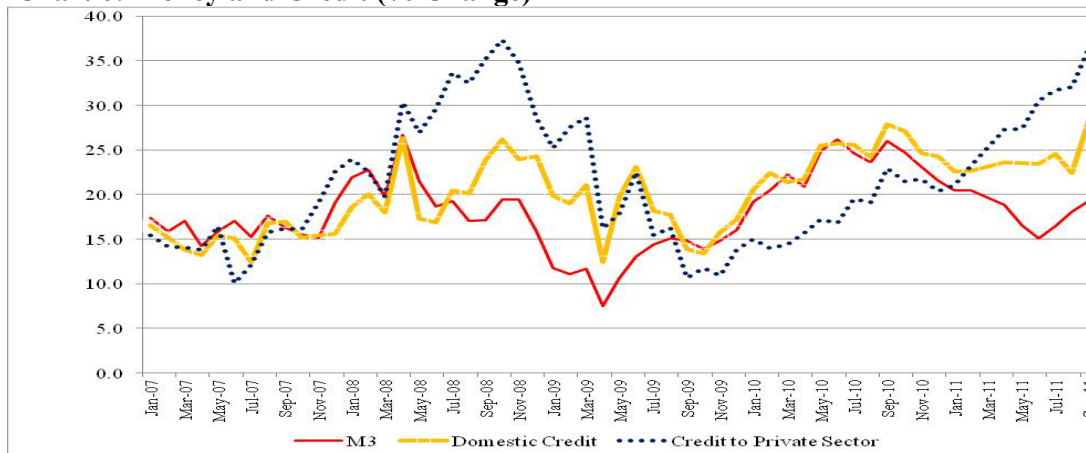


Source: Data from CBK.

## 1.6 Money and Credit

15. Broad money supply, M3, grew by 19.3 percent in the year to end-September 2011 compared with a growth of 26.0 percent in a corresponding period in 2010. The growth in M3 was higher than the projected M3 growth target of 15.7 percent for the month ending September 2011. Net credit to the Government declined by Ksh 72.6 billion (-20.6 percent) in the year to September 2011 compared with an increase of Ksh 142.9 billion (68.5 percent) in the corresponding period in 2010. Expansion in private sector credit rose to 36.3 percent in the year to September 2011 from 21.3 percent over a similar period in 2010.

**Chart 6: Money and Credit (% Change)**



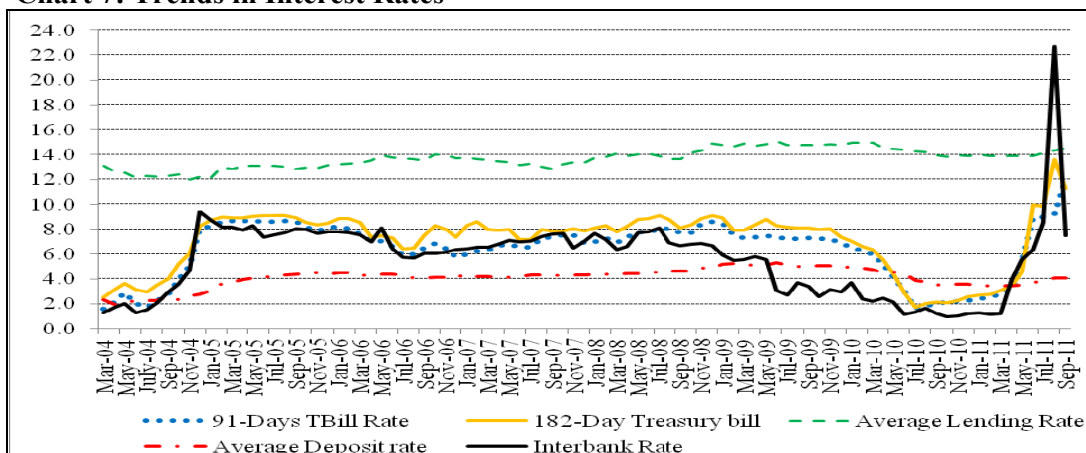
Source: Data from CBK.

### 1.7 Interest Rates

16. Short term interest rates trended upward during the third quarter of 2011. The average interest rate on the 91-day Treasury Bill rose to 11.9 percent in September 2011 from 9.0 percent in June 2011, while the average interest rate for the 182-day Treasury Bill rose to 11.3 percent in September 2011 from 9.9 percent in June 2011. The increase in the short term interest rates reflected tight liquidity conditions in line with tight monetary policy stance of the Central Bank to stem inflation and the slide in the Kenya shilling exchange rate against the major currencies. The increase in interest rates is expected to slow down the expansion of the credit to private sector.

17. In the short-end of the money market, the average interbank rate increased from 6.4 percent in June 2011 to 7.5 percent in September 2011. Commercial banks' rates remained stable with the average deposit rate at 4.1 percent in the period March 2011 to September 2011, while the average lending rate stabilized at 14.5 percent in the same period. As a result, the spread between the average lending and deposit rate remained more or less unchanged at 10.4 percent.

**Chart 7: Trends in Interest Rates**

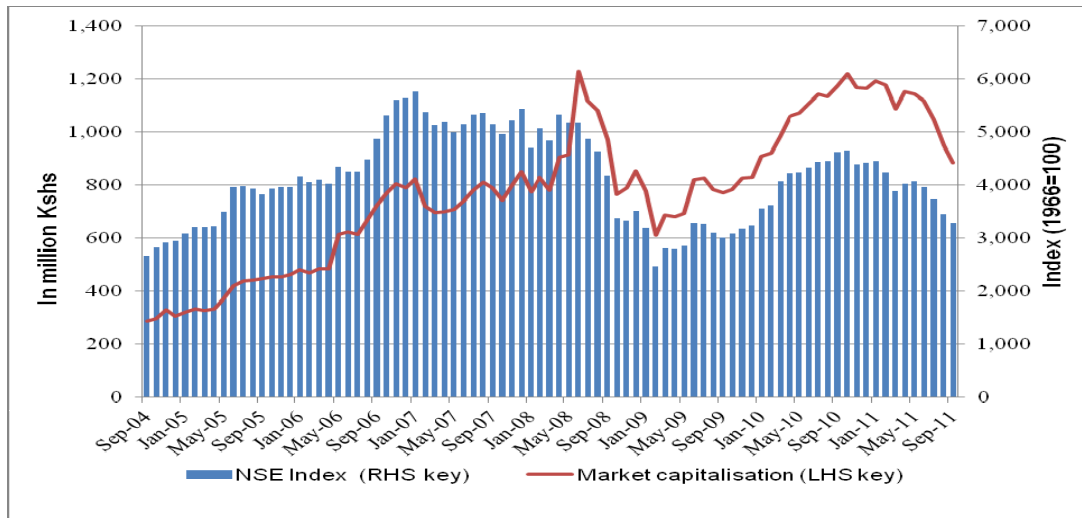


Source: Data from CBK.

**1.8 Capital Markets**

18. The NSE remained weak with the NSE 20 share index dropped by 29.1% from 4,630 points in September 2010 to 3,284 points in September 2011. Market capitalization also dipped from Ksh.1,174 billion in September 2010 to Ksh. 886 billion (decline of 24.5%) in September 2011, reflecting risk averse tendencies among market players. The euro zone debt crisis has resulted in uncertainty among investors who have resorted to investment in safe assets. This development reactively affected capital flows to Kenya as evidenced in weakening of indicators in stock exchange and low participation in government securities market. Chart 8 shows the performance of the NSE for the period to end of September 2011.

**Chart 8: Performance at the NSE**

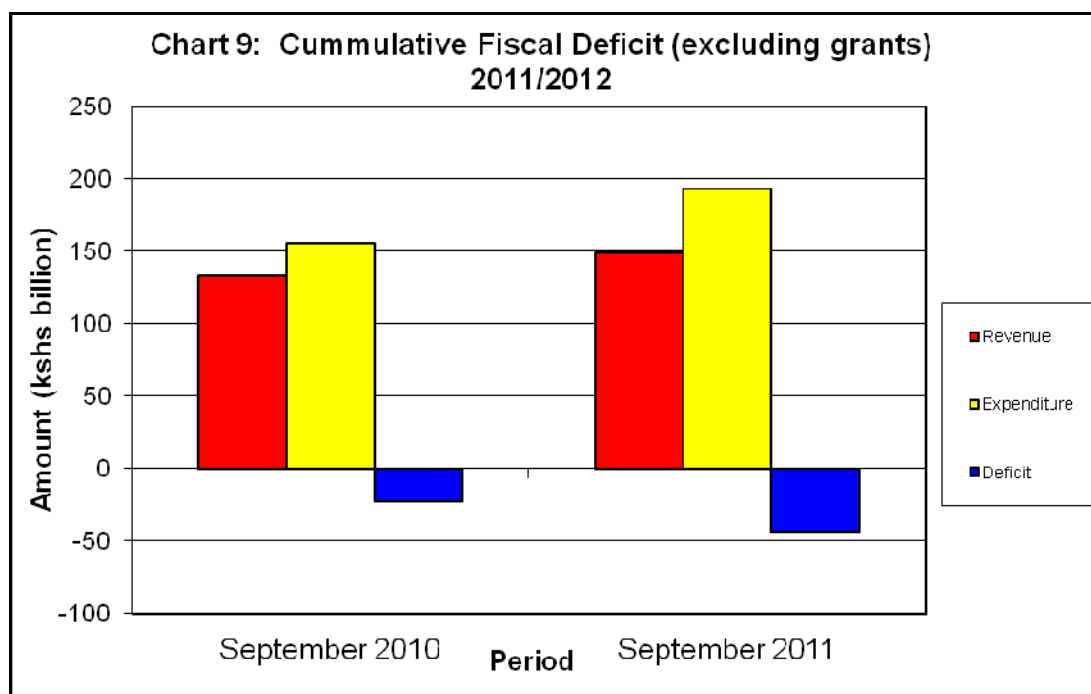


Source: Data from NSE.

## 2.0 FISCAL DEVELOPMENTS

### 2.1 Fiscal Outturn

19. The overall fiscal balance (on a commitment basis and excluding grants), in the first quarter of the FY 2011/12 ending 30<sup>th</sup> September 2011 recorded a deficit of Kshs. 43.6 billion (equivalent to 1.3 percent of Gross Domestic Product (GDP)), against a targeted deficit of Kshs. 60.5 billion (equivalent to 1.8 percent of GDP). Over the same period in the FY 2010/11, the fiscal deficit stood at Kshs. 22.3 billion (equivalent to 0.8 percent of GDP). While on a commitment basis including grants, it recorded a deficit of Kshs.40.8 billion (equivalent to 1.2 percent of GDP), against a targeted deficit of Kshs.56.3 billion (equivalent to 1.7 percent of GDP) (*Chart 9 and Table 1*).



Source: Ministry of Finance.

FISCAL DEVELOPMENTS

**Table 1: Budget Outturn, 2011/2012 (Kshs Million)**

	2010/2011 Quarter I Actual	2011/2012 Quarter I		Quarter I Deviation	% growth	2011/2012 Quarter I as % of GDP		2010/2011 Quarter I Actual as a % of GDP
		Actual	Targets			Actual	Targets	
<b>A. TOTAL REVENUE AND GRANTS</b>	<b>134,046</b>	<b>151,908</b>	<b>183,551</b>	<b>(31,643)</b>	<b>13.33</b>	<b>4.62</b>	<b>5.59</b>	<b>4.82</b>
1. Revenue	132,868	149,148	179,360	(30,212)	12.25	4.54	5.46	4.78
Ordinary Revenue	129,430	147,053	161,864	(14,811)	13.62	4.48	4.93	4.66
Import Duty	10,323	12,426	13,527	(1,101)	20.37	0.38	0.41	0.37
Excise Duty	18,968	17,760	20,772	(3,011)	(6.37)	0.54	0.63	0.68
Income tax	51,972	63,008	66,129	(3,121)	21.24	1.92	2.01	1.87
VAT	38,207	42,711	49,273	(6,562)	11.79	1.30	1.50	1.37
Investment Revenue	2,000	1,584	503	1,081	(20.82)	0.05	0.02	0.07
Others	7,961	9,564	11,661	(2,097)	20.13	0.29	0.35	0.29
Appropriation-in-Aid	3,437	2,096	17,496	(15,401)	(39.04)	0.06	0.53	0.12
2. Grants	1,178	2,760	4,191	(1,431)	134.22	0.08	0.13	0.04
Cash	1,170	2,047	1,353	694	75.03	0.06	0.04	0.04
Appropriation-in-Aid	9	713	2,838	(2,125)	8,038.74	0.02	0.09	0.00
<b>B. EXPENDITURE and NET LENDING</b>	<b>155,180</b>	<b>192,725</b>	<b>239,879</b>	<b>(47,154)</b>	<b>24.19</b>	<b>5.87</b>	<b>7.30</b>	<b>5.58</b>
1. Recurrent	119,497	143,835	166,677	(22,842)	20.37	4.38	5.07	4.30
Domestic Interest	14,487	17,366	17,444	(78)	19.88	0.53	0.53	0.52
Foreign Interest Due	1,596	1,551	1,551	0	(2.83)	0.05	0.05	0.06
Pension	7,339	6,386	9,780	(3,394)	(12.99)	0.19	0.30	0.26
Wages and Salaries	45,687	51,259	55,641	(4,381)	12.20	1.56	1.69	1.64
O & M/Others	50,388	67,272	82,261	(14,989)	33.51	2.05	2.50	1.81
<b>2. Development and Net Lending</b>	<b>35,684</b>	<b>48,891</b>	<b>73,203</b>	<b>(24,312)</b>	<b>37.01</b>	<b>1.49</b>	<b>2.23</b>	<b>1.28</b>
3. CCF	0	0	0	0	-	0.00	-	0.00
C. DEFICIT EXCL. GRANT (Commitment basis)	(22,312)	(43,577)	(60,519)	16,942	95.31	(1.33)	(1.84)	(0.80)
D. DEFICIT INCL. GRANTS (Commitment basis)	(21,134)	(40,817)	(56,329)	15,511	93.14	(1.24)	(1.71)	(0.76)
E. ADJUSTMENT TO CASH BASIS	(10,916)	25,578	0	25,578	(334.33)	0.78	-	(0.39)
F. DEFICIT INCL. GRANTS (Cash basis)	(32,050)	(15,239)	(56,329)	41,090	(52.45)	(0.46)	(1.71)	(1.15)
<b>G. FINANCING</b>	<b>32,050</b>	<b>15,239</b>	<b>56,329</b>	<b>(41,090)</b>	<b>(52.45)</b>	<b>0.46</b>	<b>1.71</b>	<b>1.15</b>
1. Foreign financing	1,884	2,947	6,494	(3,547)	56.46	0.09	0.20	0.07
Disbursements	8,105	9,776	14,044	(4,268)	20.61	0.30	0.43	0.29
Programme Cash	0	0	0	0	-	0.00	-	0.00
Loans								
Project Cash Loans	4,234	2,469	3,796	(1,326)	(41.68)	0.08	0.12	0.15
Loans AIA	3,871	7,307	10,249	(2,942)	88.73	0.22	0.31	0.14
Repayment due (current)	(5,876)	(7,550)	(7,550)	0	28.48	(0.23)	(0.23)	(0.21)
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)	(345)	721	0	721	(308.93)	0.02	-	(0.01)
Repayment (arrears)	0	0	0	0	-	0.00	-	0.00
2. Privatization proceeds	0	0	0	0	-	0.00	-	0.00
3. Domestic financing	30,167	12,292	49,835	(37,543)	(59.25)	0.37	1.52	1.09
<b>MEMO ITEM:</b>								
<b>GDP ESTIMATE</b>	<b>2,780,000.00</b>	<b>3,286,000.00</b>	<b>3,286,000.00</b>					

Source: Ministry of Finance

## FISCAL DEVELOPMENTS

### 2.2 Revenue

20. Cumulative Government revenue collection for the first quarter of the FY 2011/12 was below the target by Kshs 30.2 billion. Ordinary revenue collection amounted to Kshs 147.1 billion against a target of Kshs 161.9 billion, resulting in an under collection of Kshs 14.8 billion. The collection of A-I-A stood at ksh 2.1 billion against a target of 17.5 billion reflecting an under collection of Kshs 15.4 billion (Actual AIA collection by the Universities and ministries had not been reported by the time of producing this report). (*Table 2 and Chart 10*).

**Table 2: Government Revenue and External Grants, First Quarter Ending 30<sup>th</sup> Sept. 2011 (Kshs Million)**

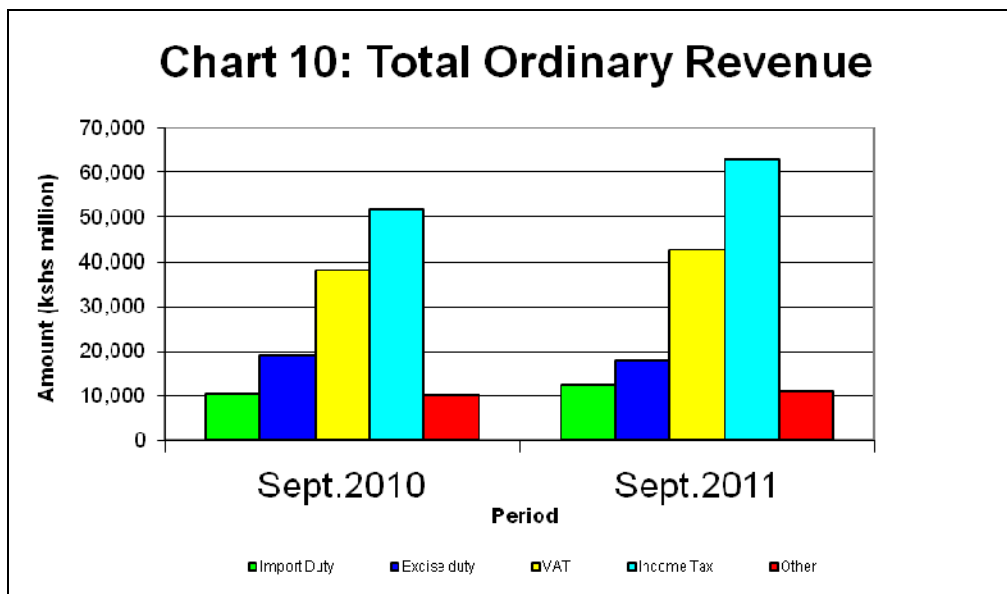
	2010/2011	2011/2012		Deviation
	Quarter I	Quarter I		
	Actual	Actual	Target	
<b>Total Revenue</b>	<b>132,868</b>	<b>149,148</b>	<b>179,360</b>	<b>(30,212)</b>
<b>(a) Ordinary Revenue</b>	<b>129,430</b>	<b>147,053</b>	<b>161,864</b>	<b>(14,811)</b>
Import Duty	10,323	12,426	13,527	(1,101)
Excise Duty	18,968	17,760	20,772	(3,011)
PAYE	28,145	33,861	34,982	(1,120)
Other Income Tax	23,827	29,147	31,147	(2,000)
VAT Local	20,641	19,780	26,808	(7,028)
VAT Imports	17,566	22,931	22,465	466
Investment Revenue	2,000	1,584	503	1,081
Traffic Revenue	498	574	603	(29)
Essential Supplies Revenue	4,095	6,072	5,687	385
Others 1/	3,368	2,918	5,370	(2,453)
<b>(b) Appropriation In Aid 2/</b>	<b>3,437</b>	<b>2,096</b>	<b>17,496</b>	<b>(15,401)</b>
<b>External Grants</b>	<b>1,178</b>	<b>2,760</b>	<b>4,191</b>	<b>(1,431)</b>
<b>Total Revenue and External Grants</b>	<b>134,046</b>	<b>151,908</b>	<b>183,551</b>	<b>(31,643)</b>
<b>In Percentage of GDP</b>	<b>4.82</b>	<b>4.62</b>	<b>5.59</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

21. As a proportion of GDP, total cumulative revenue and grants in the period under review was 4.6 percent compared to 4.8 percent in the corresponding period of the FY 2010/11. External grants amounted to Kshs 2.8 billion against a target of Kshs 4.2 billion, representing an under performance of Kshs 1.4 billion.



Source: Ministry of Finance

### 2.3 Expenditure

22. The total government expenditure and net lending, for the period under review, amounted to Kshs 192.7 billion, against a target of Kshs 239.9 billion. The shortfall of Kshs 47.2 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 143.8 billion, against a target of Kshs 166.7 billion. Lower-than-targeted recurrent expenditures were recorded in the operations and maintenance /other expenditures, pensions and wages & salaries which accounted for Kshs 15.0 billion, Kshs 3.4 billion and Kshs 4.4 billion, respectively. This was due to understated district level expenditures and one ministry and four commissions which had not submitted their expenditure returns by the time of producing this report. A-I-A collections by majority of ministries had not been reflected in the ministerial expenditure returns.

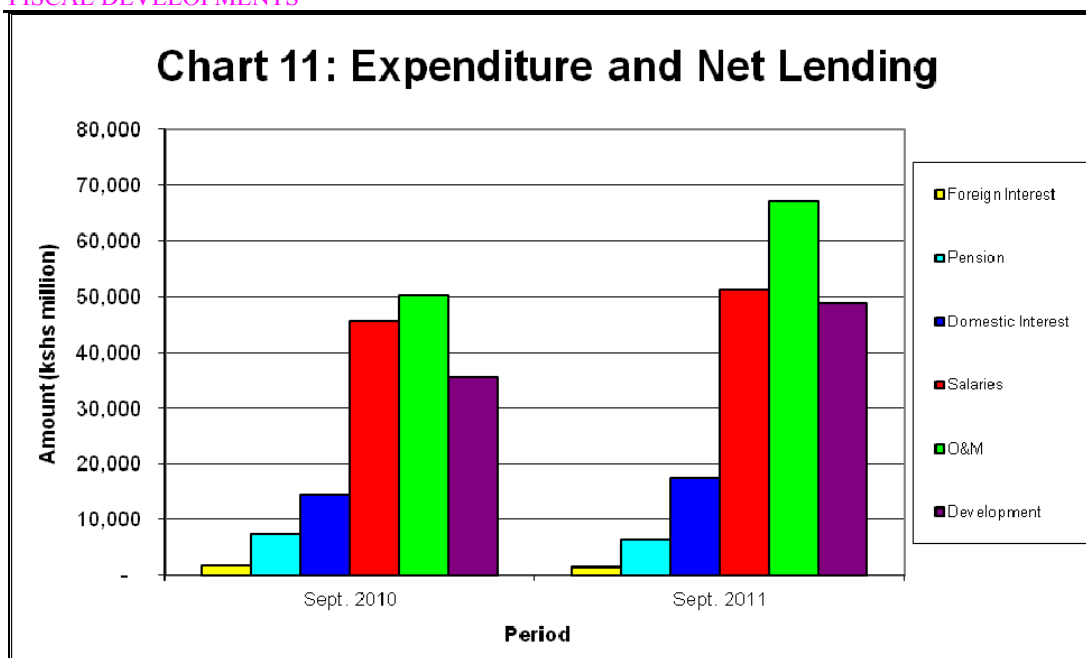
23. Scheduled foreign interest payments amounted to Kshs 1.55 billion, compared to Kshs 1.6 billion in FY 2010/11. The domestic interest payment totalled Kshs 17.4 billion, which was higher than Kshs 14.5 billion paid in the corresponding period of the previous financial year *(Table 3 and Chart 11)*.



**Table 3: Expenditure and Net Lending, First Quarter Ending 30<sup>th</sup>  
September 2011 (Kshs Million)**

	2010/2011 Quarter I Actual	2011/2012 Quarter I		Deviation
		Actual	Targets	
<b>1. RECURRENT</b>	<b>119,497</b>	<b>143,835</b>	<b>166,677</b>	<b>(22,842)</b>
Domestic Interest	14,487	17,366	17,444	(78)
Foreign Interest	1,596	1,551	1,551	0
Pensions	7,339	6,386	9,780	(3,394)
Wages and Salaries	45,687	51,259	55,641	(4,381)
Operation and Maintenance	50,388	67,272	82,261	(14,989)
O/W: Change in Pending Bills				
: Appropriation-in-Aid	3,357	1,584	16,456	(14,872)
<b>2. DEVELOPMENT</b>	<b>35,684</b>	<b>48,891</b>	<b>73,203</b>	<b>(24,312)</b>
Development Projects (Net)	31,528	40,129	58,845	(18,716)
Payment of Guaranteed Loans	195	231	231	0
Appropriation-in-Aid	3,961	8,531	14,127	(5,596)
Change in Pending Bills	-	-	0	
<b>3. CCF</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL EXPENDITURE</b>	<b>155,180</b>	<b>192,725</b>	<b>239,879</b>	<b>(47,154)</b>

Source: Ministry of Finance



Source: Ministry of Finance

24. The total cumulative ministerial expenditures stood at Kshs. 155.3 billion against a target of Kshs 195.9 billion. Recurrent expenditures were Kshs. 118.5 billion against a target of Kshs. 127.0 billion, while development expenditures stood at Kshs. 36.8 billion against a target of Kshs. 68.8 billion. On aggregate, both recurrent and development expenditures were below the targets. Analysis indicates that the Ministry of Education had over expenditures of Kshs. 4.6 billion, which was a result of among others, inclusion of the commitments in its expenditure returns. On the other hand, the Ministries that reported under expenditures includes: Roads; Water and Irrigation, Higher Education, Science and Technology; and Public Health and Sanitation, amounting to Kshs. 7.5 billion; Kshs. 5.5 billion; Kshs. 4.4 billion and Kshs. 3.3 billion, respectively. Over-spending by line ministries are mainly due to the use of A-I-A collected by ministries and inclusion of commitments in the expenditure returns while under expenditures are due to non inclusion of data from the districts in the expenditure returns. The ministry and commissions who had not provided expenditure returns by the time of preparing this report include: Forestry and Wildlife; Commission on Revenue Allocation; Human Rights and Equality Commission and Commission for the Implementation of the Constitution.

25. The Ministries of Education; Higher Education, Science and Technology; Medical Services, Public Health and Sanitation and Teacher Service Commission accounted for 48.0 percent of total recurrent expenditure. The Ministry of State for Provincial Administration & Internal Security accounted for a significant percentage of 10.7 percent of total recurrent expenditure.

26. Analysis on total development expenditure outlay indicates that the Ministry of Roads incurred the largest share which was also above the targeted expenditure, followed by the Ministries of Energy and Water and Irrigation accounting for 33.4 percent, 15.2 percent and 11.5 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 2011  
(Kshs Million)**

		September 2011			September 2011			September 2011			% total expenditure to total target
		Recurrent			Development			Total			
		Actual	Target	Variance	Actual	Target	Variance	Actual	Target	Variance	
1	Ministry of State for Provincial Administration & Internal Security	12,633	12,309	324	525	1,184	(658)	13,158	13,493	(335)	97.52
2	State House	358	319	39	22	106	(83)	381	425	(44)	89.58
3	Ministry of State for Public Service	105	290	(185)	-	179	(179)	105	469	(364)	22.45
4	Ministry of Foreign Affairs	2,243	2,267	(25)	-	217	(217)	2,243	2,484	(242)	90.27
5	Office of the Vice-President and Ministry of Home Affairs	2,145	3,467	(1,322)	183	480	(296)	2,328	3,947	(1,618)	59.00
6	Ministry of State for Planning, National Development & V2030	585	717	(132)	187	241	(54)	772	958	(186)	80.61
7	Office of the Deputy Prime Minister and Ministry of Finance	5,148	5,736	(588)	1,113	2,982	(1,869)	6,260	8,718	(2,457)	71.81
8	Ministry of State for Defence	12,017	11,308	709	-	-	-	12,017	11,308	709	106.27
9	Ministry of Regional Development Authorities	212	202	10	325	1,283	(958)	538	1,486	(948)	36.18
10	Ministry of Agriculture	1,759	2,400	(641)	697	1,835	(1,138)	2,456	4,235	(1,779)	57.99
11	Ministry of Medical Services	5,910	6,887	(977)	280	1,034	(754)	6,190	7,921	(1,731)	78.15
12	Office of the Deputy Prime Minister and Ministry of Local Government	438	183	255	757	1,529	(772)	1,194	1,712	(518)	69.76
13	Ministry of Roads	5,486	6,871	(1,385)	12,282	18,356	(6,074)	17,768	25,227	(7,459)	70.43
14	Ministry of Transport	277	1,024	(747)	459	671	(212)	736	1,695	(959)	43.43
15	Ministry of Labour and Human Resource Development	149	446	(297)	-	292	(292)	149	738	(589)	20.16
16	Ministry of Trade	325	465	(140)	120	215	(95)	445	680	(235)	65.46
17	Ministry of Justice, National Cohesion and Constitutional Affairs	610	528	82	53	260	(207)	663	788	(125)	84.18
18	Ministry of Gender and Children	613	994	(381)	175	1,204	(1,028)	788	2,198	(1,409)	35.87
19	Ministry of Livestock	870	1,012	(141)	-	501	(501)	870	1,512	(642)	57.56
20	Ministry of Water and Irrigation	999	1,515	(516)	4,232	9,233	(5,001)	5,231	10,748	(5,517)	48.67
21	Ministry of Environment and Mineral Resources	602	651	(49)	368	1,026	(659)	970	1,677	(707)	57.82
22	Ministry of Cooperative Development and Marketing	264	290	(26)	19	92	(73)	283	382	(100)	73.95
23	Cabinet Office	322	339	(17)	0	-	0	322	339	(17)	95.04
24	Ministry of East African Community	346	265	81	-	19	(19)	346	283	63	122.15
25	State Law Office	425	347	78	-	11	(11)	425	358	67	118.85
26	Judicial Department	695	1,702	(1,007)	40	630	(590)	735	2,332	(1,597)	31.52
27	Public Service Commission	65	167	(102)	-	-	-	65	167	(102)	38.73
28	Kenya National Audit Office	220	387	(167)	-	-	-	220	387	(167)	56.91
29	National Assembly	1,542	1,625	(83)	289	400	(111)	1,831	2,025	(194)	90.40
30	Ministry of Energy	393	608	(215)	5,580	7,583	(2,003)	5,973	8,191	(2,218)	72.93
31	Ministry of Education	14,733	9,284	5,449	1,297	2,185	(888)	16,030	11,469	4,561	139.77
32	Ministry of Information and Communications	428	486	(58)	1,370	1,340	30	1,798	1,826	(28)	98.47
33	Interim Independent Electoral Commission	369	517	(148)	-	-	-	369	517	(148)	71.36
34	Kenya Anti-Corruption Commission	367	420	(53)	-	-	-	367	420	(53)	87.31
35	Ministry of State for Special Programmes	1,269	1,024	245	74	211	(136)	1,343	1,235	108	108.76
36	Ministry of Lands	503	550	(47)	214	326	(112)	717	876	(159)	81.84
40	Ministry of State for Immigration and Registration of Persons	1,311	1,155	156	22	657	(635)	1,333	1,811	(479)	73.57
41	Ministry of State for National Heritage and Culture	439	382	57	229	172	57	668	553	114	120.69

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		September 2011			September 2011			September 2011			% total expenditure to total target
		Recurrent			Development			Total			
		Actual	Target	Variance	Actual	Target	Variance	Actual	Target	Variance	
42	Ministry of State for Youth Affairs and Sports	667	1,736	(1,070)	341	943	(602)	1,008	2,680	(1,672)	37.60
43	Ministry of Higher Education, Science and Technology	7,765	10,338	(2,573)	1,161	2,964	(1,803)	8,925	13,301	(4,376)	67.10
44	Ministry of Housing	138	427	(289)	220	580	(359)	358	1,006	(648)	35.61
45	National Security Intelligence Service	2,446	3,573	(1,127)	-	-	-	2,446	3,573	(1,127)	68.45
46	Ministry of Tourism	353	409	(55)	307	254	53	660	663	(2)	99.66
47	The Teachers Service Commission	26,627	26,847	(220)			-	26,627	26,847	(220)	99.18
48	Office of the Prime Minister	433	453	(20)	95	306	(211)	527	759	(232)	69.44
49	Ministry of Public Health and Sanitation	1,816	2,689	(874)	864	3,314	(2,450)	2,679	6,003	(3,324)	44.63
56	Ministry of Fisheries Development	213	244	(32)	12	485	(472)	225	729	(504)	30.86
57	Ministry of Nairobi Metropolitan Development	123	78	45	552	495	57	676	574	102	117.81
58	Ministry of Development of Northern Kenya and Other Arid Areas	53	84	(31)	341	538	(197)	394	622	(228)	63.36
59	Ministry of Public Works	299	450	(151)	1,477	1,909	(431)	1,777	2,359	(582)	75.31
60	Ministry of Industrialization	400	491	(91)	501	575	(75)	901	1,066	(165)	84.49
63	Directorate of Public Prosecution	25	89	(64)			-	25	89	(64)	27.69
		<b>118,531</b>	<b>127,047</b>	<b>(8,516)</b>	<b>36,783</b>	<b>68,813</b>	<b>(32,030)</b>	<b>155,315</b>	<b>195,860</b>	<b>(40,546)</b>	<b>79.30</b>

Source: Ministry of Finance

### 2.3.1 Guaranteed Loans to Parastatals

27. Scheduled principal and interest payments of guaranteed loans to Parastatals with liquidity problems amounted to Kshs 231.26 million in the first quarter of FY 2011/12. As at the end of the period under review, Kshs 271.88 million was paid. The variance between the actual payment and projected payments is attributed to weakening of the shilling exchange rate, against various currencies in which our debt is denominated (*Table 6*).

**TABLE 6: SCHEDULE AND ACTUAL PAYMENTS ON GUARANTEED DEBT FOR QUARTER ENDING 30<sup>TH</sup> SEPTEMBER 2011**

Borrower	Quarter 1				Cumm. September 2011*	
	Projected		Actual		Projected Principle + Interest	Actual Principle + Interest
	Principle	Interest	Principle	Interest		
NCC	37.25	3.64	40.66	1.84	40.89	42.5
TARDA	155.17	35.2	186.97	42.41	190.37	229.38
KBC	0	0	0	0	0	0
<b>TOTAL</b>	<b>192.42</b>	<b>38.84</b>	<b>227.63</b>	<b>44.25</b>	<b>231.26</b>	<b>271.88</b>

\* Provisional

Source: Ministry of Finance

## 2.4 Financing the Budget Deficit

### 2.4.1 External Financing

28. The cumulative external financing as at end-September 2011 represented a net borrowing of Kshs 2.9 billion compared to a net borrowing of Kshs 1.9 billion in the FY 2010/11. Total disbursements (inflows) including Appropriations-in-Aid amounted to Kshs 9.8 billion against a target of ksh 14.0 billion. This amount included Kshs 2.5 billion project cash loans and Kshs 7.3 billion project loans (A.I.A). External repayments (outflows) of principal amounted to Kshs 6.8 billion against a target of Kshs 7.5 billion. A total of Kshs 4.1 billion was paid to multilateral creditors while Kshs 2.8 billion was paid to bilateral creditors (*Table 7*).

**Table 7: External Financing, First Quarter Ending 30<sup>th</sup> September 2011 (Kshs Million)**

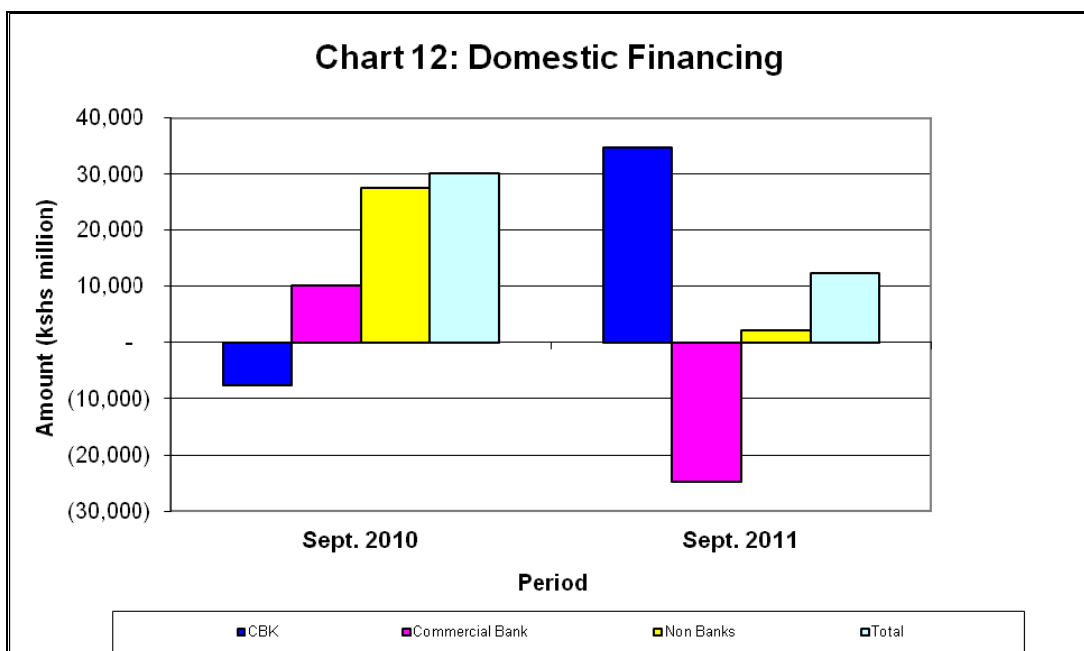
	Quarter 1 2010/11	Quarter I 2011/12	
	Actual	Actual*	Target
<b>DISBURSEMENTS:</b>	<b>8,105.02</b>	<b>9,775.66</b>	<b>14,044.05</b>
Project Cash loans	4,233.64	2,469.12	3,795.53
Programme loans	-		0
Project loans A-I-A	3,871.39	7,306.54	10,248.52
<b>EXTERNAL REPAYMENTS:</b>	<b>6,221.40</b>	<b>6,828.60</b>	<b>7,549.93</b>
Bilateral	3,176.60	2,754.92	3,439.37
Multilateral	3,044.80	4,073.68	4,110.55
Commercial	-	-	-
Other	0	0	0
<b>NET FOREIGN FINANCING</b>	<b>1,883.63</b>	<b>2,947.06</b>	<b>6,494.12</b>

\* Provisional

Source: Ministry of Finance

## 2.4.2 Domestic Financing

29. In the first quarter of the FY 2011/12, net domestic borrowing was Kshs 12.3 billion compared with Kshs 30.2 billion in the FY 2010/11. This comprised of a net borrowing of Kshs 34.8 billion from Central Bank, Kshs 2.1 billion from Non-Banking Financial Institutions, Kshs 131 million from Non-Residents and a net repayment of Kshs 24.7 billion to Commercial Banks, (*table 8 and chart 12*).



Source: Data from CBK.

30. The stock of Treasury Bills held by Commercial Banks and Non-Banking Financial Institutions recorded a net decrease of Kshs 15.2 billion and Kshs 319.0 million, respectively, by the end of September 2011. However, the stock of Treasury Bills held by the Central Bank and Non-Residents recorded a net increase of Kshs 1.2 billion and Kshs 243.0 million, respectively. Meanwhile, the stock of Fixed Rate Bonds held by Commercial Banks, Non-Banking Financial Institutions and Non-Residents recorded a net decrease of Kshs 8.6 billion, Kshs 98.0 million and Kshs 119.0 million, respectively. (*Table 8*).

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**Table 8: Domestic Financing, First Quarter Ending 30<sup>th</sup> September 2011(Kshs Million)**

	SEPTEMBER 2010	JUNE 2011	SEPTEMBER 2011
<b>1.CENTRAL BANK</b>	<b>(7,545)</b>	<b>(13,998)</b>	<b>34,838</b>
Overdraft	2,914	(10,078)	17,802
IMF funds onlet to Govt	9	(241)	0
Treasury bills	2	3	1,464
Stocks	0	0	0
Floating rate T. Bonds	0	0	0
Fixed rate Bonds	(3)	15	0
Items on Transit	(226)	93	(278)
Frozen Account	0	(555)	(555)
Less Govt Deposits	(10,242)	(3,235)	16,405
<b>2.COM. BANKS</b>	<b>10,082</b>	<b>22,437</b>	<b>(24,736)</b>
Advances	7	55	(30)
Stocks	0	0	0
Treasury bills	(14,971)	(48,379)	(15,165)
Floating rate T. Bonds	0	0	0
Fixed rate Bonds	14,411	57,383	(8,572)
Special Bonds	0	(781)	0
Zero Coupon bonds	0	0	0
Infrastructure Bonds	16,163	16,163	0
Savings and Development Bond	0	0	0
Less Govt Deposits	(5,527)	(2,005)	(969)
<b>3. NON BANKS</b>	<b>26,081</b>	<b>78,513</b>	<b>2,057</b>
Stocks	(753)	(753)	0
Treasury bills	5,211	17,918	(319)
Floating Rate T. Bonds	0	0	0
Fixed rate Bonds	7,201	46,927	(98)
Zero Coupon bonds	0		0
Infrastructure Bonds	14,422	14,422	0
Savings and Development Bond	0	0	2,475
<b>NON RESIDENTS</b>	<b>1,549</b>	<b>4,794</b>	<b>131</b>
Treasury bills	1,549	1,018	243
Floating rate T. Bonds	0	0	0
Fixed rate Bonds	0	3,776	(119)
Infrastructure Bond	0	0	0
Savings and Development Bond	0	0	7
Zero Coupon bonds	0	0	0
<b>NET CREDIT</b>	<b>30,167</b>	<b>91,745</b>	<b>12,290</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

31. The gross public debt increased from Kshs 1,487.1 billion as at end of June 2011 to Kshs 1,564.1 billion by 30<sup>th</sup> September 2011, comprising of 51.1 percent and 48.9 percent of external and domestic debts, respectively. The overall increase is attributed to external debt on account of the weakening of the Kenya shilling against world major currencies (*Table 9*).

**Table 9: Kenya's Public and Publicly Guaranteed Debt,  
June 2007- September 2011 (Kshs millions)**

	Jun-07	Jun-08	Jun-09	Jun-10	Jun-11	Sept -2011*
<b>EXTERNAL</b>						
BILATERAL	141,706	153,201	185,933	196,347	256,965	285,991
MULTILATERAL	240,259	271,134	331,105	352,333	440,882	487,202
COMMERCIAL BANKS	574	-	-	-	-	-
SUPPLIERS CREDIT	18,427	18,543	23,837	20,458	25,041	26,641
<b>SUB – TOTAL</b>	<b>400,966</b>	<b>442,878</b>	<b>540,875</b>	<b>569,138</b>	<b>722,888</b>	<b>799,834</b>
<b>DOMESTIC:</b>						
CENTRAL BANK	36,182	45,862	39,902	50,215	39,692	58,127
COMMERCIAL BANKS	186,802	182,905	250,708	351,579	378,376	355,021
<b>TOTAL BANKS</b>	<b>222,984</b>	<b>228,768</b>	<b>290,611</b>	<b>401,794</b>	<b>418,068</b>	<b>413,147</b>
NON BANKS	181,704	201,844	230,421	258,474	346,155	351,127
<b>SUB-TOTAL</b>	<b>404,688</b>	<b>430,612</b>	<b>521,032</b>	<b>660,268</b>	<b>764,223</b>	<b>764,275</b>
<b>GRAND TOTAL GROSS</b>	<b>805,654</b>	<b>873,490</b>	<b>1,061,907</b>	<b>1,229,406</b>	<b>1,487,111</b>	<b>1,564,109</b>
LESS ON-LENDING	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)
LESS GOVERNMENT DEPOSITS	(65,687)	(92,861)	(111,115)	(119,785)	(133,773)	(126,700)
<b>GRAND TOTAL NET</b>	<b>734,266</b>	<b>774,928</b>	<b>945,091</b>	<b>1,103,919</b>	<b>1,347,637</b>	<b>1,431,707</b>

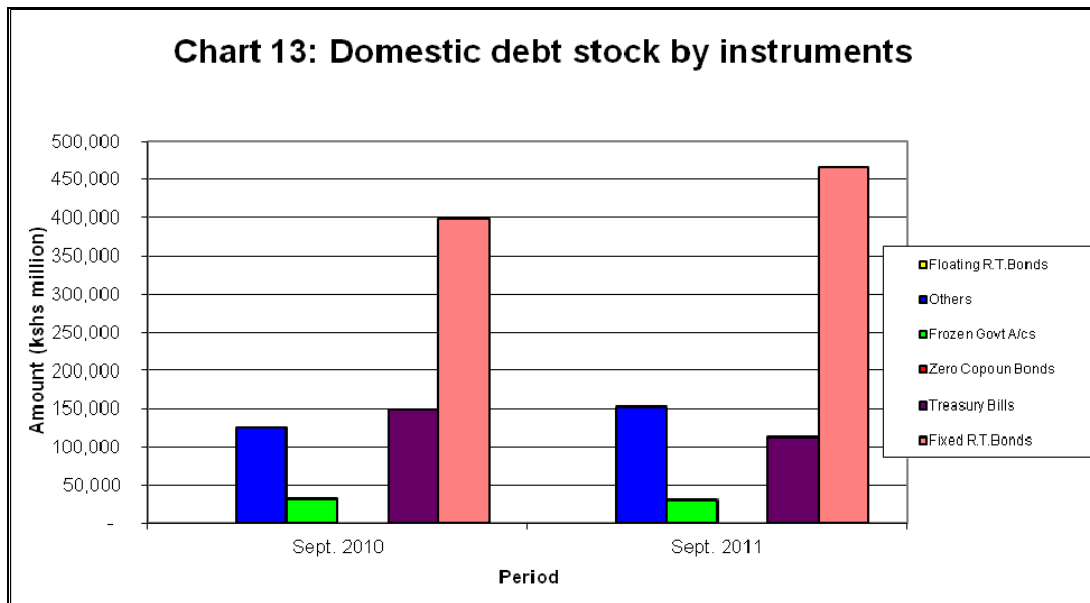
• Provisional

Source: Ministry of Finance



### 3.2 Domestic Debt

32. The stock of domestic debt remained more or less unchanged at Kshs 764.2 billion in June 2011 and September 2011 (*Table 10*). The stock of Treasury Bills held by the Central Bank, Non-Banking Financial Institution and Non Residents recorded an increase from Kshs 38.9 billion in June 2011 to Kshs 40.9 billion in September 2011 an increase of 2.0 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, decreased from Kshs 508.6 billion in June 2011 to Kshs 481.9 billion in September 2011 (*chart 13*).



Source: Data from CBK.

**Table 10: Stock of Domestic Debt, First Quarter 2011/2012  
(Kshs million)**

	Jun-10	Sep-10	Jun-11	Sep-11
<b>1. CENTRAL BANK</b>	<b>50,215</b>	<b>52,902</b>	<b>39,692</b>	<b>58,127</b>
Overdraft	17,649	20,563	7,571	25,373
Frozen Govt Accounts	32,219	32,219	31,664	31,109
Treasury Bills	13	16	16	1,480
Items on Transit	316	90	409	131
Fixed rate bonds	17	14	32	34
<b>2. COM. BANKS</b>	<b>351,579</b>	<b>367,439</b>	<b>378,376</b>	<b>355,021</b>
Advances	1,596	1,608	2,243	2,336
Stocks	-	-	-	-
Treasury Bills	137,497	122,588	87,736	72,873
Floating Rate T. Bonds	-	-	-	-
Fixed Rate T. Bonds	174,962	188,539	234,473	218,739
Special Bonds	15,781	15,781	15,000	15,000
Zero Coupon Bonds	-	-	-	-
Savings and Development Bond	-	-	-	7,148
Infrastructure Bonds	21,744	38,924	38,924	38,924
<b>3. NON BANKS</b>	<b>255,387</b>	<b>279,762</b>	<b>338,299</b>	<b>343,061</b>
Stocks	753	-	-	-
Treasury Bills	19,313	22,577	35,636	35,839
Floating Rate T. Bonds	-	-	-	-
Fixed Rate T. Bonds	202,870	209,042	254,520	243,999
Tax Reserve Certificate	69	69	69	69
Zero Coupon Bonds	-	-	-	-
Infrastructure Bonds	32,382	48,074	48,074	48,074
Savings and Development Bond	-	-	-	15,081
<b>4. NON RESIDENTS</b>	<b>3,087</b>	<b>4,600</b>	<b>7,856</b>	<b>8,066</b>
Treasury Bills	2,227	3,740	3,217	3,546
Floating Rate T. Bonds	-	-	-	-
Fixed Rate T. Bonds	454	454	4,233	4,114
Zero Coupon Bonds	-	-	-	-
Savings and Development Bond	-	-	-	-
Infrastructure Bonds	407	407	407	407
<b>5. TOTAL DEBT</b>	<b>660,268</b>	<b>704,703</b>	<b>764,223</b>	<b>764,275</b>
6. LESS ON-LENDING	5,701	5,701	5,701	5,701
7. Less Govt Deposits	119,785	137,247	133,773	126,700
<b>8. NET DEBT</b>	<b>534,781</b>	<b>561,755</b>	<b>624,749</b>	<b>631,873</b>

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

FISCAL DEVELOPMENTS

**3.3 External Public Debt**

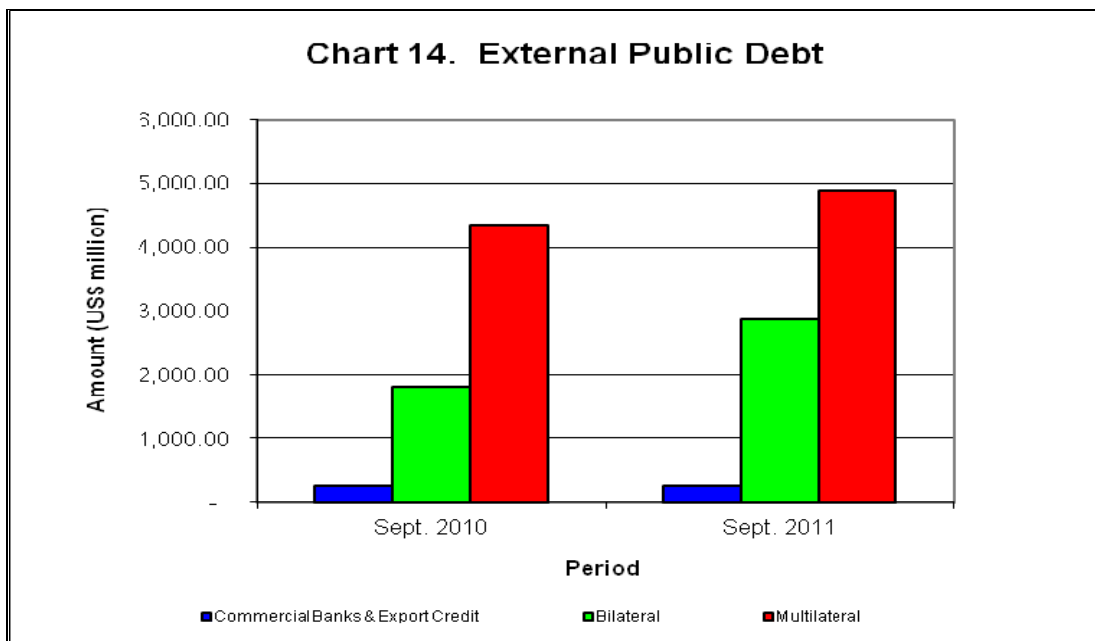
33. In dollar terms, external public debt decreased by US\$ 32.48 million from US\$ 8,044.29 million in June 2011 to US\$ 8,011.81 million by end of September 2011. This comprised of debt owed to bilateral (35.8%), multilateral (60.9%) and suppliers credit (3.3%) (*Table 11 and Chart 14*).

**Table 11: Kenya's External Public and Publicly Guaranteed Debt  
June 2007- September 2011 (US \$ Million)**

CREDITOR	Jun-07	Jun-08	Jun-09	Jun-10	Jun-11	Sept-2011*
<b><u>BILATERAL</u></b>						
AUSTRIA	45.60	50.26	28.74	22.14	22.45	19.43
BELGIUM	69.60	73.43	91.73	82.70	100.57	95.51
CANADA	22.15	21.64	20.60	19.60	14.2	18.65
DENMARK	32.25	36.11	30.52	28.00	35.4	28.92
FINLAND	1.77	1.85	1.67	1.45	1.47	1.42
FRANCE	277.75	354.02	364.22	343.93	448.98	438.38
GERMANY	198.11	243.67	213.08	198.20	296.78	280.3
ITALY	107.61	98.06	74.53	53.07	48.83	45.76
JAPAN	1,006.00	1,125.98	1,177.40	1,206.80	1,244.58	1,289.30
NETHERLANDS	35.60	35.83	27.74	22.91	33.52	42.02
UK	39.55	37.99	30.51	26.00	25.91	25.12
USA	70.90	75.16	73.48	69.94	65.66	64.82
OTHERS	164.60	214.05	275.71	322.31	521.18	515.1
<b>TOTAL BILATERAL</b>	<b>2,071.49</b>	<b>2,368.05</b>	<b>2,409.93</b>	<b>2,397.05</b>	<b>2,859.53</b>	<b>2,864.73</b>
<b><u>MULTILATERAL</u></b>						
ADB/ADF	353.09	465.80	423.17	500.51	585.83	642.35
BADEA	-	-	-	-	-	-
EEC/EIB	150.41	173.66	143.38	128.15	139.06	127.66
IBRD	-	-	-	-	0	0
IDA/IFAD	2,867.69	3,239.00	3,194.50	3,175.30	3,552.80	3,438.53
IMF**	212.76	271.24	244.60	416.40	529.49	572.74
OTHERS	27.06	42.63	74.92	80.77	98.93	98.95
<b>TOTAL MULTILATERAL</b>	<b>3,611.01</b>	<b>4,192.33</b>	<b>4,080.57</b>	<b>4,301.13</b>	<b>4,906.11</b>	<b>4,880.23</b>
<b>COMMERCIAL BANKS 1/ EXPORT CREDIT</b>	<b>4.30 271.02</b>	<b>- 286.63</b>	<b>- 308.90</b>	<b>- 249.74</b>	<b>- 278.65</b>	<b>- 266.85</b>
<b>GRAND TOTAL</b>	<b>5,957.82</b>	<b>6,847.01</b>	<b>6,799.40</b>	<b>6,947.92</b>	<b>8,044.29</b>	<b>8,011.81</b>
<b>SHARE OF THE TOTAL DEBT IN PERCENTAGE</b>						
BILATERAL	34.77	34.59	35.44	34.50	35.55	35.76
MULTILATERAL	60.61	61.23	60.01	61.91	60.99	60.91
COMMERCIAL BANKS 1/ EXPORT CREDIT	0.07 4.55	- 4.19	- 4.54	- 3.59	- 3.46	- 3.33
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00

\*Provisional

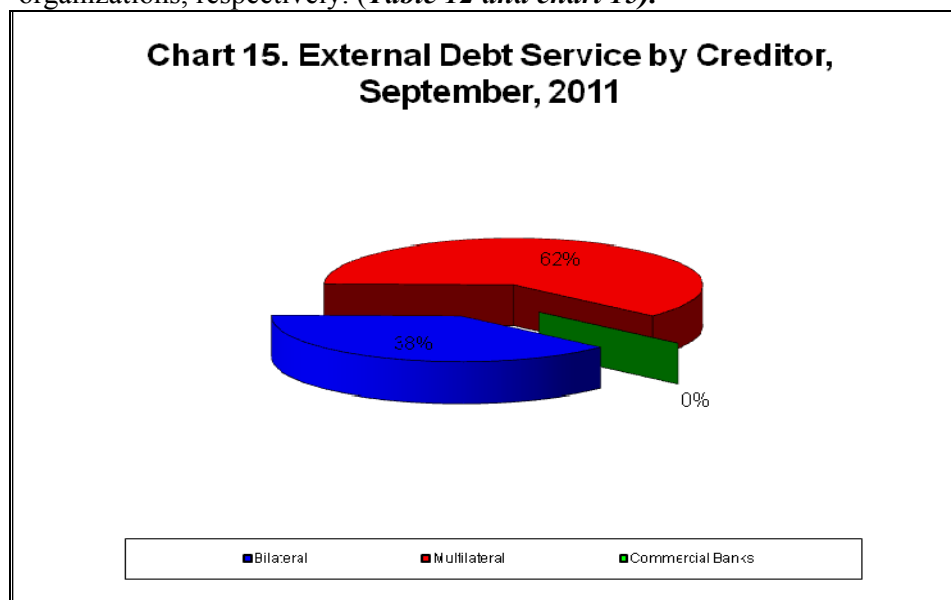
\*\* include IMF debt serviced by CBK



Source: Ministry of Finance.

### 3.3.1 External Debt Service

34. At the end of September 2011, the total cumulative actual debt service payments to external agencies amounted to Kshs 9.1 billion. This comprised of Kshs 7.6 billion (83.4 percent) and Kshs 1.5 billion (16.6 percent) of principal and interest, respectively. Principal amount paid comprised of 36.2 percent and 63.8 percent to bilateral and multilateral organizations, respectively. (*Table 12 and chart 15*).



Source: Ministry of Finance.

**Table 12: External Debt Service, July 2011– September 2011**  
(Kshs Million)

CATEGORY	PRINCIPAL*	INTEREST*	TOTAL*
<b>BILATERAL</b>			
AUSTRIA	-	8.98	8.98
FINLAND	-	-	-
FRANCE	-	31.23	31.23
ITALY	38.71	1.16	39.87
JAPAN	1,884.05	367.65	2,251.70
SAUDI FUND	243.94	26.66	270.60
SPAIN	65.37	26.32	91.69
<b>USA</b>	39.80	22.86	62.66
CANADA	-	-	-
BELGIUM	235.90	35.29	271.19
GERMANY			-
CHINA	182.53	195.65	378.18
KUWAIT	64.62	16.95	81.57
NETHERLANDS		9.78	9.78
SWEDEN		-	-
SWITZERLAND		-	-
DENMARK	-	-	-
KOREA	-	-	-
UK	-	-	-
<b>TOTAL BILATERAL</b>	<b>2,754.92</b>	<b>742.53</b>	<b>3,497.45</b>
<b>MULTILATERAL</b>			
ADB/ADF	385.13	95.98	481.11
BADEA	42.58	5.84	48.42
EEC	101.24	15.36	116.60
EIB	140.80	50.65	191.45
IDA	3,158.86	558.47	3,717.33
OPEC	197.34	15.33	212.67
NDF	-	12.89	12.89
IFAD	47.71	13.47	61.18
**IMF	779.50	-	779.50
<b>TOTAL MULTILATERAL</b>	<b>4,853.16</b>	<b>767.99</b>	<b>5,621.15</b>
<b>GRAND TOTAL</b>	<b>7,608.08</b>	<b>1,510.52</b>	<b>9,118.60</b>

• Provisional

\*\* IMF debt serviced by CBK

Source: Ministry of Finance.

## 4.0 CORE POVERTY PROGRAMMES (CPP)

35. 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 2011/12 was Kshs 24.6 billion, equivalent to 23.9 percent of the total budget allocation to CPP.

### 4.1 Recurrent Expenditures

36. The total recurrent expenditure (non-wage) of the Core poverty programmes was Ksh 18.2 billion during the first quarter; this was equivalent to 34.6 percent of the total recurrent budget allocation on programmes that had reported some expenditures as at the end of the period under review. The free primary education (FPE), free secondary education (FSE), child welfare and orphans and vulnerable children are among the programmes whose expenditures have been reported within their respective ministries. Table 13 below shows a summary of the ministerial/dept. recurrent expenditures on CPP.

**Table 13: Recurrent Expenditures 2011/12 (Non-Wage) Kshs.**

MINISTRY/DEPT.	ESTIMATES 2011/12	PAYMENTS	COMITMENTS	PAY+COMIT
MINISTRY OF EDUCATION,	28,361,130,081	13,825,585,128	-	13,825,585,128
MINISTRY OF HEALTH	2,627,394,017	-	469,169,067	469,169,067
MINISTRY OF AGRICULTURE	1,804,944,852	414,738,839	5,586,448	420,325,287
KENYA ANTI-CORRUPTION COMMISSION	1,617,030,000	349,076,293	17,820,743	366,897,036
MINISTRY OF ROADS	9,830,000,000	2,581,272,985	-	2,581,272,985
MINISTRY OF GENDER , CHILDREN AND SOCIAL DEVELOPMENT	1,027,060,275	15,893,921	957,508	16,851,429
MINISTRY OF WATER AND IRRIGATION	863,103,707	81,062,565	-	81,062,565
KENYA NATIONAL AUDIT OFFICE	503,240,000	69,228,197	-	69,228,197
STATE LAW OFFICE	32,259,710	11,796,612	-	11,796,612
MINISTRY OF COOPERATIVE DEVELOPMENT AND MARKETING	158,075,300	803,270	877,081	1,680,351
MINISTRY OF STATE FOR PROVINCIAL ADMINISTRATION & INTERNAL SECURITY	50,591,112	3,507,302	-	3,507,302
MINISTRY OF STATE FOR SPECIAL PROGRAMMES	3,652,827,084	310,625,299	49,209,498	359,834,797
MINISTRY OF PUBLIC HEALTH AND SANITATION	2,188,895,816	-	13,343,942	13,343,942
MINISTRY OF ENVIRONMENT & NATURAL RESOURCES	16,723,042	279,001	6,772,510	7,051,511
<b>GRAND TOTAL</b>	<b>52,733,274,996</b>	<b>17,663,869,411</b>	<b>563,736,797</b>	<b>18,227,606,208</b>

Source: Ministry of Finance

## 4.2 Development Expenditures

37. Under the development budget, the total expenditures on CPP as at the end of the first quarter amounted to Kshs 6.4 billion, equivalent to 12.7 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.)**

MINISTRIES/DEPT.	ESTIMATES 2011/12	PAYMENTS	COMIT	PAY+COMIT
MINISTRY OF STATE FOR PROVINCIAL ADMINISTRATION & INTERNAL SECURITY	1,262,108,484	116,822,913	138,084,693	254,907,606
MINISTRY OF AGRICULTURE	2,758,823,916	120,915,317	500,952	121,416,269
MINISTRY OF HEALTH	4,917,803,594	-	94,897,666	94,897,666
MINISTRY OF ENVIRONMENT AND NATURAL RESOURCES	2,788,145,260	114,532,923	52,944,901	167,477,824
MINISTRY OF EDUCATION	1,348,000,000	209,621,199	-	209,621,199
MINISTRY OF WATER AND IRRIGATION	3,663,693,232	2,212,960,001	-	2,212,960,001
MINISTRY OF ENERGY	5,784,771,950	794,635,331	39,395	794,674,726
JUDICIARY SERVICES	390,555,000	9,259,029	103,019	9,362,048
MINISTRY OF HOUSING	482,353,332	5,195,994	2,646,524	7,842,518
MINISTRY OF ROADS	5,000,000	525,000	-	525,000
MINISTRY OF GENDER , CHILDREN AND SOCIAL DEVELOPMENT	1,192,109,812	174,917,139	-	174,917,139
OFFICE OF THE DEPUTY PRIME MINISTER AND MINISTRY OF LOCAL GOVERNMENT	6,375,140,000	815,575,262	-	815,575,262
MINISTRY OF STATE FOR SPECIAL PROGRAMMES	4,609,709,980	1,229,878,800	-	1,229,878,800
MINISTRY OF PUBLIC HEALTH AND SANITATION	14,829,697,872		307,410,813	307,410,813
MINISTRY OF TRADE	105,910,000	3,264,000		3,264,000
<b>GRAND TOTAL</b>	<b>50,513,822,432</b>	<b>5,808,102,908</b>	<b>596,627,963</b>	<b>6,404,730,871</b>

## ANNEX I

## ANNEX I FISCAL RESULTS, 2004/05 – 2011/12 (Kshs. Millions)

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11*	2011/12**
<b>A.TOTAL REVENUE</b>	289,802	311,251	373,030	432,220	487,893	586,377	667,539	787,572
1.Revenue	265,715	283,427	340,010	396,489	455,780	538,836	609,223	713,615
Income Tax	94,095	108,897	124,855	156,832	184,447	216,760	258,651	291,594
VAT	75,989	76,263	96,270	111,939	126,854	146,792	171,881	205,329
Import Duty	23,532	20,511	27,510	32,944	36,181	41,372	46,072	55,569
Excise Duty	44,151	50,309	56,406	61,858	69,872	74,644	80,567	93,263
Other Revenue	27,948	27,447	34,970	32,916	38,426	59,268	52,053	67,861
2.Appropriation –in –Aid	24,087	27,824	33,020	35,731	32,113	47,541	58,316	73,957
<b>B.EXPENDITURE &amp; NET LENDING</b>	303,373	382,818	419,570	534,842	595,719	725,201	811,849	1,066,807
1.Recurrent	255,746	306,515	306,847	403,368	435,542	510,516	592,427	663,686
Wages and Salaries	105,612	112,277	127,258	145,996	155,220	172,609	198,549	222,562
Interest Payments	30,470	41,247	42,537	47,877	52,058	63,523	76,199	84,056
Domestic Interest	23,375	31,445	36,860	42,181	45,949	57,382	69,209	76,558
Foreign Interest Due	7,095	9,802	5,677	5,696	6,109	6,141	6,989	7,497
Pensions, etc	12,568	19,759	20,449	24,089	27,191	28,977	25,724	34,773
Civil Service Reform	-	1,300	1,392	800	121	50	5	8
O & M/ Others	107,096	131,932	115,211	184,606	200,952	245,357	291,951	322,287
Of which Appropriation-in-Aid	20,999	23,891	28,701	32,343	40,611	42,807	54,036	70,695
2.Development & Net Lending	45,627	67,692	80,354	131,473	160,177	214,685	219,422	401,121
Development Projects	28,824	48,037	62,123	86,213	111,962	165,461	171,463	262,470
Appropriation-in-Aid	15,929	18,607	16,750	42,932	45,842	46,956	46,809	136,081
Payment of guaranteed loans	860	4,000	-	2,328	2,373	2,268	1,150	2,570
3. Drought Development	2,000	1,048	1,481	-	-	-	-	2,000
Expenditures/CCF	-	-	-	-	-	-	-	-
<b>D.DEFICIT EXCL. GRANTS</b> (Commitment Basis)	(13,571)	(71,567)	(46,540)	(102,622)	(107,826)	(138,824)	(144,310)	(279,235)
<b>E.GRANTS</b>	14,905	20,070	15,494	25,449	18,065	31,190	18,769	41,112
<b>F.DEFICIT INCL.GRANTS</b> (Commitment basis)	1,334	(51,497)	(30,697)	(77,173)	(89,761)	(107,634)	(125,541)	(238,122)
<b>G. ADJUSTMENT TO CASH BASIS</b>	5,964	15,030	(5,571)	84,738	(27,259)	(28,437)	6,768	1,955
<b>H.DEFICIT INCL.GRANTS (cash basis)</b>	7,298	(36,467)	(36,269)	7,566	(117,020)	(136,071)	(118,773)	(236,167)
<b>I.FINANCING</b>	(7,298)	36,467	36,269	(7,566)	117,020	174,374	118,773	236,167
Foreign Financing	(625)	1,216	(2,392)	6,326	41,143	22,895	28,390	116,668
Domestic Financing	(6,673)	35,251	38,661	(13,891)	75,876	151,479	90,383	119,499
Of which Domestic Borrowing	(6,673)	7,000	4,000	-	69,427	117,037	90,383	119,499
Others	-	-	-	-	-	34,442	-	-
<b>AS A PERCENTAGE OF GDP</b>								
<b>A.TOTAL REVENUE</b>	21.55	20.49	21.63	22.02	21.80	23.86	24.01	23.97
1.Revenue	19.76	18.66	19.72	20.20	21.92	20.37	21.91	21.72
Income Tax	7.00	7.17	7.24	7.99	8.24	8.82	9.30	8.87
VAT	5.65	5.02	5.58	5.70	5.67	5.97	6.18	6.25
Import Duty	1.75	1.35	1.60	1.68	1.62	1.68	1.66	1.69
Excise Duty	3.28	3.31	3.27	3.15	3.12	3.04	2.90	2.84
Other Revenue	2.08	1.81	2.03	1.68	1.72	2.41	1.87	2.07
2.Appropriation –in –Aid	1.79	1.83	1.92	1.82	1.43	1.93	2.10	2.25
<b>B.EXPENDITURE &amp; NET LENDING</b>	22.56	25.20	24.33	27.25	26.62	29.50	29.20	32.47
1.Recurrent	19.01	20.18	17.80	20.55	19.46	20.77	21.31	20.20
Wages and Salaries	7.85	7.39	7.38	7.44	6.94	7.02	7.14	6.77
Interest Payments	2.27	2.72	2.47	2.44	2.33	2.58	2.74	2.56
Domestic Interest	1.74	2.07	2.14	2.15	2.05	2.33	2.49	2.33
Foreign Interest Due	0.53	0.65	0.33	0.29	0.27	0.25	0.25	0.23
Pensions	0.93	1.30	1.19	1.23	1.21	1.18	0.93	1.06
Civil Service Reform	-	0.09	0.08	0.04	0.01	0.00	0.00	0.00
O & M/ Others	7.96	8.68	6.68	9.40	8.98	9.98	10.50	9.81
of which A-in-A	1.56	1.57	1.66	1.65	1.81	1.74	1.94	2.15
2.Development & Net Lending	3.39	4.46	4.66	6.70	7.16	8.73	7.89	12.21
Development Projects	2.14	3.16	3.60	4.39	5.00	6.73	6.17	7.99
Appropriation-in-Aid	1.18	1.22	0.97	2.19	2.05	1.91	1.68	4.14
Payment of guaranteed loans	0.06	0.26	-	0.12	0.11	0.09	0.04	0.08
3. Drought Expenditures	0.15	0.07	0.09	-	-	-	-	0.06
<b>D.DEFICIT EXCL. GRANTS</b> (Commitment Basis)	(1.01)	(4.71)	(2.70)	(5.23)	(4.82)	(5.65)	(5.19)	(8.50)
<b>E.GRANTS</b>	1.11	1.32	0.90	1.30	0.81	1.27	0.68	1.25
<b>F.DEFICIT INCL.GRANTS</b> (Commitment basis)	0.10	(3.39)	(1.78)	(3.93)	(4.01)	(4.38)	(4.52)	(7.25)
<b>G.ADJUSTMENT TO CASH BASIS</b>	0.44	0.99	(0.32)	4.32	(1.22)	(1.16)	0.24	0.06
<b>H.DEFICIT INCL.GRANTS (cash basis)</b>	0.54	(2.40)	(2.10)	0.39	(5.23)	(5.54)	(4.27)	(7.19)
<b>I.FINANCING</b>	(0.54)	2.40	2.10	(0.39)	5.23	7.09	4.27	7.19
Foreign Financing	(0.05)	0.08	(0.14)	0.32	1.84	0.93	1.02	3.55
Domestic Financing	(0.50)	2.32	2.24	(0.71)	3.39	6.16	3.25	3.64
Of which Domestic Borrowing	(0.50)	0.46	0.23	-	3.10	4.76	3.25	3.64
Others	-	-	-	-	-	1.40	-	-
<b>Memorandum Item:</b>								
Nominal GDP at Market price (Kshs. million)	1,345,026.00	1,519,079.00	1,724,197.00	1,962,879.00	2,238,000.00	2,458,000.00	2,780,000.00	3,286,000.00

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

Source: Ministry of Finance



## ANNEX II

## ANNEX II: ESTIMATES OF GOVERNMENT GRANTS (RECURRENT & DEVELOPMENT) TO SOME STATE CORPORATIONS 2008/09-2010/11

	STATE CORPORATION	2008-2009	2009-2010	2010-2011
1	Bukura agricultural college	128,424,000	95,100,000	136,733,000
2	Coffee Research Foundation	-	14,000,000	30,000,000
3	Horticultural Crops Development Authority	280,000,000	320,000,000	320,000,000
4	Kenya Agricultural Research Institute	1,858,248,000	2,242,301,000	2,260,520,000
5	Kenya coconut development authority	33,490,000	80,000,000	80,000,000
6	Nyayo tea zones Development Corporation	17,355,000	4,486,000	6,918,000
7	Coffee Development Fund	659,475,000	213,870,000	310,000,000
8	Coffee Board of Kenya	-	305,000	32,500,000
9	Kenya Plant Health Inspectorate Services	423,000,000	448,000,000	448,000,000
10	Kenya Sugar Research Foundation	-	88,000,000	180,000,000
11	National Cereals and Produce Board	1,171,671,000	970,573,000	848,248,000
12	Pests Products Control Board	40,000,000	38,899,000	55,000,000
13	Pyrethrum Board of Kenya	55,000,000	250,000,000	30,000,000
14	Tea Board of Kenya	21,500,000	60,000,000	60,000,000
15	Tea Research Foundation	17,000,000	10,000,000	30,000,000
16	Cooperative College of Kenya	102,085,000	77,487,000	83,000,000
17	SACCO Society Regulatory Authority	-	36,000,000	63,200,000
18	Chuka University	259,792,000	499,821,000	547,700,000
19	Commission For High Education	174,986,000	185,986,000	185,986,000
20	Egerton University	1,840,209,000	2,187,981,000	2,095,981,000
21	Higher Education Loans Board	158,391,000	158,391,000	273,689,000
22	Jomo kenyatta University of agriculture and technology	1,235,248,000	1,614,128,000	1,584,458,000
23	Kenya Education Staff Institute	70,000,000	113,000,000	97,000,000
24	Kenya Institute of Education	585,885,000	586,885,000	586,885,000
25	Kenya National Examinations Council	572,033,000	469,948,000	670,000,000
26	Kenya polytechnic University college	226,000,000	680,871,000	689,400,000
27	Kenyatta University	1,972,457,000	2,618,705,000	2,963,500,000
28	Kimathi University	189,000,000	282,385,000	377,165,000
29	Kisii university college	167,000,000	490,396,000	548,000,000
30	Maseno University	902,319,000	1,070,078,000	1,157,082,000
31	Masinde Muliro university of science and tech	749,879,000	761,327,000	733,665,000
32	Meru University	170,500,000	278,874,000	444,000,000
33	Moi University	2,185,227,000	2,581,919,000	2,783,826,000
34	Narok University	152,000,000	223,484,000	244,000,000
35	Pwani university College	163,115,000	389,893,000	386,327,000
36	School Equipment Production Unit	40,000,000	20,000,000	10,000,000
37	South Eastern university College	150,836,000	352,532,000	480,670,000
38	University of Nairobi	3,699,715,000	4,158,413,000	4,606,630,000
39	Bondo Unoversity College	-	230,000,000	377,000,000
40	Chepkoleil University College	-	-	1,884,949,000
41	Kabianga University College	83,804,000	224,808,000	412,308,000
42	Karatina University College	-	-	269,314,000
43	Laikipia University College	-	-	344,508,000
44	Mombasa University College	195,000,000	608,101,000	568,000,000
45	National Bio-safety Authority	-	48,378,000	100,000,000
46	Multimedia university college of Kenya	-	160,231,000	326,000,000
47	Energy Regulatory Commission	49,575,000	-	20,000,000
48	Geothermal Development Corpoation	-	5,931,817,000	12,262,000,000

## ANNEX II

	STATE CORPORATION	2008-2009	2009-2010	2010-2011
49	Kenya Electricity Transmission Company LTD	325,000,000	3,715,980,000	4,096,000,000
50	National Oil Corporation of Kenya	-	-	380,000,000
51	Rural electrification Authority	3,710,000,000	1,255,000,000	1,112,000,000
54	Kenya Investment Authority	455,491,000	340,000,000	285,000,000
55	Privatisation Commission	140,000,000	360,000,000	360,000,000
56	Public Procurement Oversight Authority	200,000,000	200,000,000	300,000,000
57	Registration of Certified Public secretaries	-	1,210,000	1,210,000
58	State Corporations Appeals	16,375,000	19,375,000	21,232,000
59	Kenya Trade Network Agency	-	-	20,000,000
60	Kenya Revenue Authority	7,197,976,000	8,471,479,000	10,504,236,000
61	Kenya Marine and Fisheries Research Institute	382,119,000	462,800,000	508,000,000
62	Kenya Forestry Research Institute	639,176,000	731,232,000	849,500,000
63	Kenya Forestry Service	1,828,341,000	2,556,026,000	2,020,727,000
64	Kenya Wildlife Service	1,125,277,000	1,384,461,000	1,501,300,000
65	Kenya National Library Services	565,021,000	655,000,000	630,800,000
66	Kenya Medical Training Centre	1,078,143,000	1,178,719,000	1,325,719,000
67	Kenyatta National Hospital	3,615,809,000	3,431,809,000	3,857,966,000
68	Moi Referral and Teaching Hospital	1,146,115,000	1,346,295,000	1,346,295,000
69	Kenya medical Supplies Agency	3,601,090,000	6,764,566,000	4,922,200,000
70	National Museums of Kenya	500,000,000	557,652,000	560,000,000
71	NGO Coordination Bureau	92,900,000	128,497,000	120,000,000
72	Kenya Industrial & Research Development Institute	308,229,000	518,368,000	539,973,000
73	Kenya Industrial Estates	21,000,000	90,000,000	295,000,000
74	Anti-Counterfeit Agency	-	-	202,000,000
75	Kenya Accredation Service	-	-	106,000,000
76	Kenya Bureau of Standard	230,000,000	220,000,000	100,000,000
77	Kenya Industrial Property Institute	21,178,000	29,000,000	29,000,000
78	Numerical Machine Complex	50,000,000	50,000,000	50,000,000
79	Brand Kenya	188,000,000	147,000,000	147,000,000
80	Kenya Film Commission, (KFC)	77,000,000	76,500,000	85,500,000
81	Kenya Broadcasting Corporation	-	200,000,000	500,000,000
82	Kenya Film Classification Board	-	42,399,000	118,000,000
83	Kenya ICT Board	1,155,000,000	624,500,000	2,519,770,000
84	Kenya YearBook Editorial Board	-	47,100,000	60,000,000
85	Media Council of Kenya	-	60,000,000	50,000,000
86	Council of Legal Education	112,592,000	233,000,000	234,000,000
89	Leather Development Council	-	-	11,972,000
90	Kenya Dairy Board	35,321,000	35,321,000	20,320,000
91	Kenya Meat Commission	3,075,000	33,000,000	-
92	Kenya Institute of Administration	40,000,000	35,000,000	25,000,000
93	Constituency Development Fund	408,000,000	369,879,000	428,490,000
94	Kenya V2030 Secretariat	-	-	563,500,000
95	Kenya Institute for Public Policy Research & Analysis	84,000,000	116,000,000	175,000,000
96	Kenya National Bureau of statistics	1,591,000,000	7,745,000,000	841,000,000
97	National Coordinating Agency for Population & Dev't	116,000,000	129,500,000	399,020,000
98	National campaign against drug abuse authority	210,000,000	210,000,000	310,000,000
99	Kenya Medical Research Institute	1,143,076,000	1,100,000,000	1,349,000,000
100	Ewaso-Ng'iro South River Basin Dev't Authority	81,557,000	145,619,000	199,012,000
101	Kerio Valley Development Authority	153,000,000	705,136,000	246,302,000
102	Lake Basin Development Authority	291,074,000	160,745,000	257,924,000
103	Tana & Athi Rivers Development Authority	187,620,000	250,437,000	477,896,000
104	Kenya National highways authority	-	285,754,000	150,000,000
106	Kenya rural roads authority	-	-	15,471,000,000

## ANNEX II

	STATE CORPORATION	2008-2009	2009-2010	2010-2011
107	Kenya Urban roads Board	30,000,000	845,042,000	1,061,012,000
108	Nationa Aids Control Council	485,395,000	499,000,000	525,000,000
109	Natinal Crime Research Centre	-	-	46,000,000
110	Witness protection Agency	-	-	65,000,000
111	Kenya Copyright Board	30,000,000	62,000,000	52,000,000
112	Bomas of Kenya Ltd.	213,000,000	237,000,000	336,000,000
115	Kenya Tourism Board	783,098,000	750,000,000	815,000,000
117	Kenya Utalii College	50,000,000	80,000,000	103,000,000
118	Export Processing Zones Authority	269,112,000	248,150,000	347,356,000
119	Export Promotion Council	151,860,000	185,460,000	239,200,000
120	Kenya Airports Authrity	663,558,000	816,347,000	1,965,519,000
122	Kenya Maritime Authority	120,000,000	160,000,000	135,000,000
123	Kenya Ferry Services	295,211,000	367,000,000	520,000,000
125	Kenya Railways Corporation	51,572,000	-	1,500,000,000
126	Athi water services Board	77,928,000	83,654,000	90,000,000
127	Tana water services board	16,949,000	140,487,000	80,000,000
128	Water resources management Authority	125,092,000	152,694,000	513,812,000
129	Coast Water Services Board	49,046,000	132,191,000	1,501,500,000
130	Kenya Water Institute	177,000,000	133,000,000	281,534,000
131	Tanaathi water services	162,963,000	266,900,000	259,499,000
132	Lake Victoria North Region Water Service Board	56,579,000	76,900,000	75,000,000
133	National Irrigation Board	614,106,000	2,394,953,000	2,058,300,000
134	Northern Water Services Board (NWSB)	171,158,000	140,000,000	130,000,000
135	Rift Valley Water Service Board	153,696,000	422,693,000	341,350,000
136	Water Service Trust Fund	96,986,000	102,803,000	120,000,000
137	Water Services Regulatory Board	8,309,000	10,341,000	48,000,000
138	Youth development Fund	500,000,000	550,000,000	550,000,000
139	Sports Stadia Management Board	79,000,000	83,473,000	267,000,000

Source: Ministry of Finance

## **THE OFFICIAL LAUNCH OF THE PROGRAMME FOR RURAL OUTREACH OF FINANCIAL INNOVATIONS AND TECHNOLOGIES (PROFIT) BY PERMANENT SECRETARY/TREASURY**

1. The PS/T welcomed the participants to launch of the Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT).
2. He said that the launch marks another milestone in the collaboration between the Government of Kenya and the International Fund for Agricultural Development (IFAD) as it further extends the government collaborative efforts to other stakeholders and Development Partners including USAID, Alliance for a Green Revolution in Africa (AGRA), Consultative Group to Assist the Poor (CGAP), BRAC Development Institute, Kenya's own commercial banks and microfinancial institutions, as well as the cooperative sector.
3. The initiative he said is important as it aims at facilitating on a sustainable basis access to credit by rural and agro-based enterprises. He also said that the credit is key to increasing productivity and incomes of rural households.
4. Agricultural development remains a top priority for the Government in addressing poverty, unemployment and food security. The Government has reinforced this in a series of policy documents, including the Economic Recovery Strategy for Wealth and Employment Creation (ERS) in 2003, the Strategy for Revitalizing Agriculture (SRA) of 2004, Vision 2030 and The Agricultural Sector Development Strategy (ASDS) 2010. All these policy documents emphasize the need for the sector to be more innovative, commercially oriented and modern in its approach to doing business.
5. To demonstrate the commitment, the Government has strived to live to the Maputo Declaration on Agriculture and Food Security by the African Union and signed by Heads of States in 2003, committing them to allocate at least 10% of their national budgets to agriculture. In Fiscal Year 2011/12 Budget, Ksh 100 billion was allocated to this sector, a level which exceeds the 10% Maputo Declaration target.
6. However, a constant underlying theme is the need for access to affordable credit and risk management products, particularly to small scale agricultural producers. This is because, despite its contribution to GDP and indeed employment, agriculture receives a mere 3% of total credit extended to the economy.
7. Many commercial banks limit lending to the agriculture due to the perceived high risks associated with the sector. Inadequate knowledge of the agricultural value chain limit banks ability to develop innovative financial products for the sector. Other challenges include limited branch networks due to poor rural branch penetration, and stringent collateral requirements, which most small farm enterprises find it difficult to raise.

8. A recent study commissioned by the Ministry of Finance estimates that the annual credit need of key agricultural value chains stands at Ksh. 130 billion. The current level of credit to agriculture at Ksh.40 billion implies a funding gap of about Ksh.90 billion. This means that only 30% of the demand for credit by the agriculture sector is currently met.
9. The Government of Kenya acknowledges the need for partnerships to sustainably increase lending to the agricultural sector. These include our ongoing collaboration with the Alliance for a Green Revolution in Africa (AGRA), Equity Bank and IFAD. A Risk Sharing Facility to Equity Bank of Kenya in 2008 provided by AGRA, IFAD and Government of Kenya (\$2.5 million) has so far supported lending of \$22 Million, about 44% of the targeted leverage of \$50 million in loans to the agricultural sector. The Risk Sharing Facility also lowered interest rates from 18% to 10%, making loans more affordable.
10. He recognized the role of IFAD in reducing poverty through programmes that target the agricultural sector. Since 1979, IFAD has financed 15 loan projects and grant programmes that have focused on the agricultural and rural sector in support of Government efforts to reduce poverty mainly sector. Five of those programmes are currently ongoing, with PROFIT being the latest one to join the portfolio. The Government saluted IFAD's new strategy focusing on strengthening ongoing projects while adding a robust policy and institutional dimension to increase impact and allow for replicating successful experiences in the field.
11. He said PROFIT is a unique programme that will be implemented by various partners working throughout the country. These include commercial banks, MFIs and SACCOs; bilateral and multilateral agencies such as IFAD and BRAC Development Institute; other development partners including USAID and CGAP; and Government agencies and the line Ministries. Although the Ministry of Finance will coordinate this programme, all the institutions mentioned here will all work together, guided by our common aim of poverty reduction among the rural poor.
12. PROFIT further supports the development of a range of innovative financial products –such as savings and remittance services, community infrastructure loans, value chain financing, medium-term financing, and index-based weather insurance and health insurance. It will improve access to these innovative financial services by the poor and rural households. Its promoters expect to reach all corners of rural Kenya, especially arid and semi-arid areas with the high incidence of poverty. It will target smallholder farmers, pastoralists, artisanal fishermen, women, landless labourers and our young people. He asked all to join hands in supporting this initiative in every way that we can.
13. He then declared the “Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT)”, officially launched.