



Republic of Kenya

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

Quarterly Economic and Budgetary Review

**Fourth Quarter
2008/2009**

August 2009 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 FOURTH QUARTER ECONOMIC AND BUDGETARY REVIEW: 2008/2009

1. Recent Economic Developments

Real GDP expanded by 1.7 percent in 2008, down from 7.1 percent in the previous year. The growth was constrained by poor performance in the key sectors such as Agriculture and Forestry, which was impacted negatively by the effects of the post-election violence on farm production, higher fertilizer and oil prices, and failure of the short rains in October- November 2008

2. The Overall Fiscal Balance

The Cumulative overall fiscal balance, on a commitment basis (excluding grants) registered a deficit of Kshs 107.8 billion (equivalent to 4.8 percent of GDP) through end June 2009 compared with a deficit of Kshs. 102.7 billion (equivalent to 5.23 percent of GDP) for a similar period in 2008

3. Total Revenue Collection

The Central Government cumulative revenue collection to end-fourth quarter of FY 2008/09 was Kshs 487.9 billion (equivalent to 21.8 percent of GDP) against a target of Kshs 510.8 billion (equivalent to 22.8 percent of GDP). This was below the programme target by Kshs 22.9 billion.

4. Government Expenditure and Net Lending

The reported Central Government expenditure and net lending for the period ending 30th June 2009 amounted to Kshs 595.7 billion, which was KSh.80.3 billion below the target of KSh.676.0 billion. This situation arose mainly due to lower than targeted wages & salaries and non-captured expenditures from the districts.

5. Guaranteed Loans

Cumulative Scheduled payments of Guaranteed Loans for Parastatals with liquidity problems amounted to Kshs 1,193.22 million by the end of the fourth quarter of FY 2008/09, out of which, Kshs 782.49 million was paid.

6. External Financing

External financing in the fourth quarter registered a net borrowing of Kshs 11.8 billion compared to a net borrowing of Kshs 7.0 billion recorded in a similar period in FY 2007/08.

7. Net Domestic Borrowing

The net domestic borrowing stood at Kshs 69.4 billion (equivalent to 3.1 percent of GDP) in the fourth quarter of FY 2008/09. This was below the programme target borrowing of Kshs 75.9 billion (equivalent to 3.4 percent of GDP).

8. Total Domestic Debt

The total domestic debt stock increased by 18.1% from Kshs 430.6 billion at end-June 2008 to Kshs 518.5 billion by the end of June 2009.

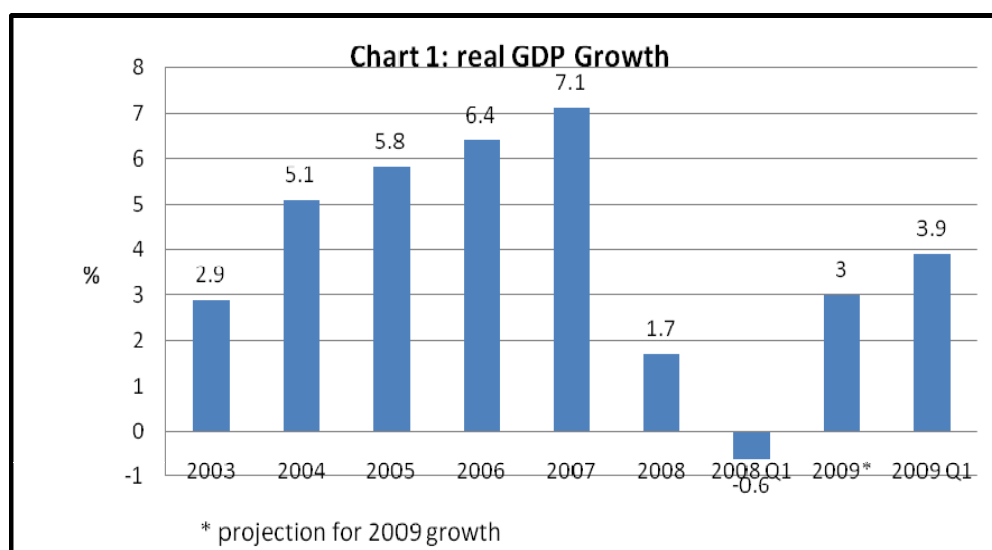
9. External Debt

The total external debt stood at Kshs. 519.4 billion at the end of fourth quarter. The debt stock comprised of multilateral 59.95 percent, bilateral 35.80 percent and Export Credit 4.26 percent.

1.0 RECENT ECONOMIC DEVELOPMENTS

1.1 Economic Growth

1. After staging a remarkable growth averaging 6.1 percent in the period 2004-2007 and peaking at 7.1 percent in 2007, the real GDP growth decelerated to 1.7 percent in 2008 due to both domestic and external shocks such as the post election violence, high food and fuel prices, drought and global financial crisis.
2. Reflecting a recovery from the dismal performance in 2008 as a result of the above shocks, real GDP in the first quarter of 2009 expanded by 3.9 percent compared to a contraction of 0.6 percent in the same quarter in 2008(Chart 1). This growth reflects a strong rebound over the projected first quarter growth of 2.8 percent



3. Agriculture and forestry sector contracted marginally by 0.9 percent in the first quarter of 2009, compared to a decline of 6.1 percent in the first quarter of 2008. The decline was mainly due to low production of key crops owing to unfavourable weather conditions and high cost of inputs which more than offset the decline in the oil prices. Total tea output fell by 20,624.8 metric tonnes from 134,572.0 metric tonnes in January-May 2008 to 113,947.2 metric tonnes in January-May 2009, representing a 15.3 percent decrease, which is attributed to the late onset of the long rains in tea growing areas. Meanwhile, the tea export prices rose slightly to an average of US\$ 2.5 per Kilogram in May 2009 compared to US\$ 2.3 per Kilogram in May 2008.
4. Exports of horticultural produce recorded decline of 8 percent in the period January to May 2009 with cumulative export volume amounting to 81,131.1 metric tonnes, compared with 89,290.3 metric tonnes recorded in January to May 2008 as external demand from Kenya's traditional markets remained slightly depressed. Production of coffee increased over the review with the total output for January to May 2009 standing at 33,612 metric tonnes compared with 22,913 metric tonnes recorded in a similar period in 2008. Meanwhile, coffee export prices have increased from US\$ 2.0 per kilogram in January 2009 to US\$ 2.7 per Kilogram in May 2009. Sugar cane production increased by 17.1 percent to reach

RECENT ECONOMIC DEVELOPMENTS

2,480,470 metric tones, compared to the same period in 2008

5. Gross value added for the Manufacturing Sector recorded a growth of 3.2 percent in the first three months of January to March 2009 compared to a 2.6 percent growth over the same period in 2008. This sector has witnessed a strong growth in cumulative sugar production recording a 11.8 percent increase to 245,177 metric tones in January – May 2009 from 219,344 metric tones recorded in the same period in 2008. Cement production rose by 30.6 percent from 790,657 metric tones in Jan-April 2008 to 1,032,427 metric tones in Jan- April 2009. Beer production, also recorded an increase of 14.4 percent from 149.6 million litres in Jan – may 2008 to 171.6 litres Jan- May 2009. However, Soda Ash and cigarettes production registered a decline of 26.1 percent and 6.4 percent respectively but overall the sector is poised for a positive growth in 2009.

6. After suffering from the effects of the post election violence and the prolonged global economic crisis, the hotels and restaurants sector recorded an impressive growth of 59.0 percent in the first quarter of 2009 compared to a decline of 53.3 percent in 2008. Going forward, the sector continues to record positive growth with a total of 344,608 international arrivals recorded in the period January – May 2009 compared to 229,080 recorded over the same period in 2008.(see table below).

	2007	2008	Jan-May 08	Jan-May 09	Jan - May 2009 % Share	Jan - May 2009 % Growth
CRUISE	2,837	6,877	3,168	11,809	3.4%	272.8%
MIAM	276,298	112,517	27,949	68,410	19.9%	144.8%
JKIA	769,597	609,606	197,963	264,389	76.7%	33.6%
TOTAL	1,048,732	729,000	229,080	344,608	100.0%	50.4%

Cruise ships - Entry through Port of Mombasa; JKIA - Entry through Jomo Kenyatta International Airport; MIAM - Entry through Moi International Airport Mombasa
N/A Not Available

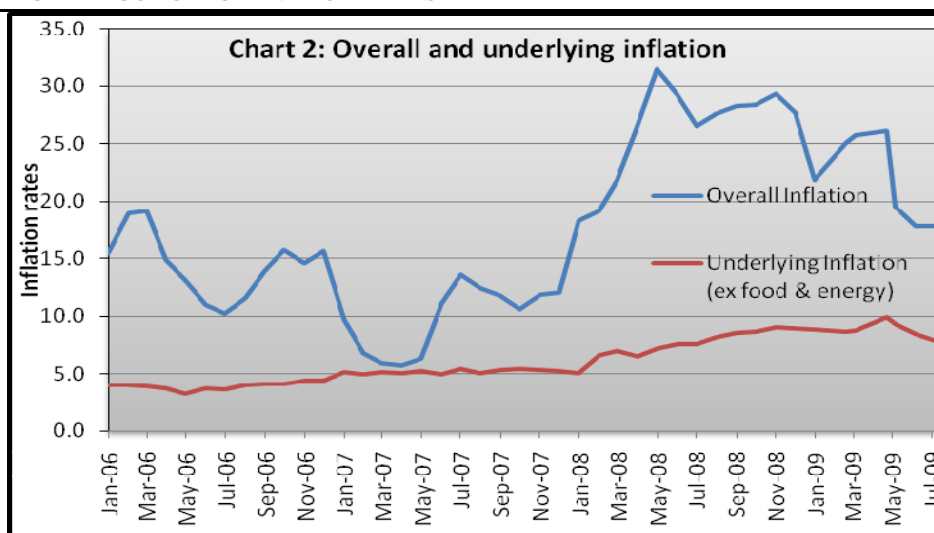
Source: Kenya Tourism Board

1.2 Inflation

7. The month-on-month overall inflation eased from the high of 19.5 percent in May 2009 to 17.8 percent in June and July 2009, respectively due to decline in the prices of food items such as english potatoes, cabbages, onions and green maize. The underlying rate of inflation, measured by excluding food and energy from the CPI basket, eased to from 9.37 in May 2009 to 8.51 and 7.9 percent, respectively in June and July 2009, but continue to remain above the 5 percent target mainly due to the second round effect of the higher than anticipated overall inflation(see chart 2).

8. It is expected that the current high inflationary pressure will stabilize above the single digit target, as the effects of the drought and shortages in food supplies continue to bite. Prices of energy are also likely to surge as the generation of electricity shifts from more hydro to more thermal generation on account of declining water levels

RECENT ECONOMIC DEVELOPMENTS



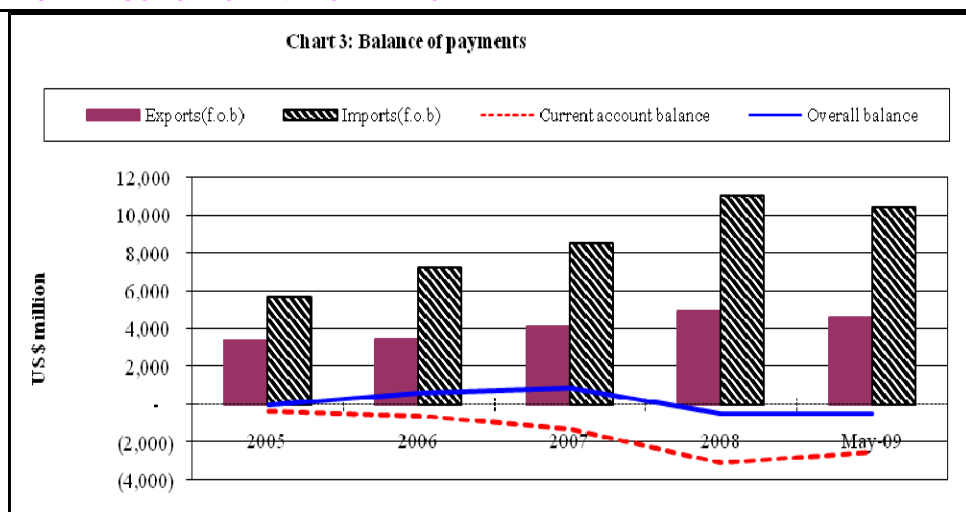
1.3 Balance of Payments

9. Kenya's balance of payments deteriorated from a surplus of US\$ 716 million in the year to May 2008 to a deficit of US\$ 497 million in the year to May 2009 following a faster widening in the current account deficit which was not fully financed by the expansion in the capital and financial account. The current account deficit widened from US\$ 1,113 million in the year to May 2008 to US\$ 2,535 million in the year to May 2009 reflecting growth in merchandise imports that surpassed the growth in exports of both goods and services (see Chart 3).

10. The trade deficit deteriorated by 14.6 percent to US\$ 6,221 million in the year to May 2009 compared with US\$ 5,426 million in the year to May 2008. This was attributed to sustained demand for merchandise imports, which rose by US\$ 865 million to US\$ 10,884 million in the year to May 2009. Merchandise exports also improved during the period in review but by a lesser margin of US\$ 71 million to US\$ 4,664 million, while the surplus in the services account decreased by 14.5 percent or US \$ 627 million to US\$ 3,686 million in the year to May 2009 mainly due to a decline in net receipts on non-factor services and net current transfers.

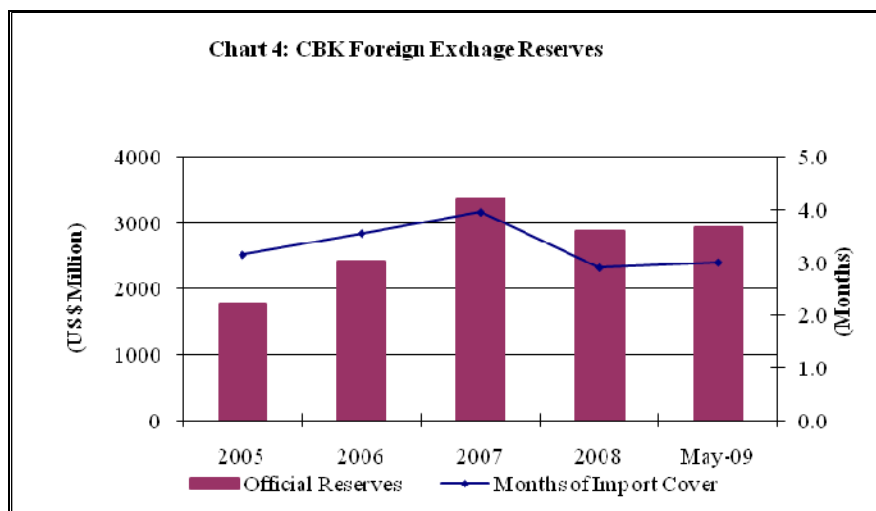
11. The capital and financial account improved by US \$ 209 million to a surplus of US\$ 2,038 million in the year to May 2009 compared with a surplus of US\$ 1,829 million in the year to May 2008. The improvement was wholly in the financial account, that increased by US \$ 237 million.

RECENT ECONOMIC DEVELOPMENTS



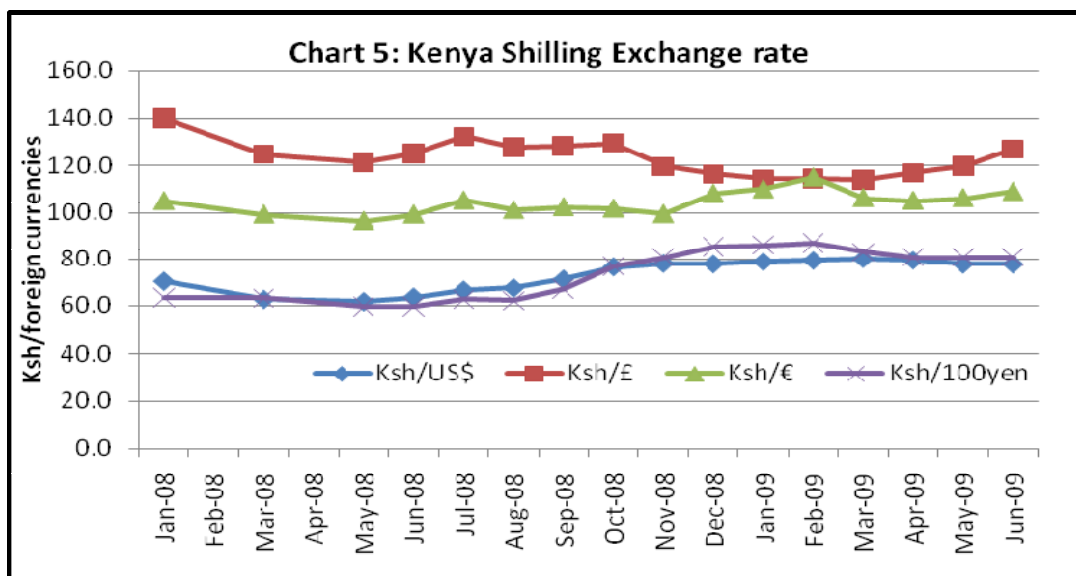
1.4 Foreign Exchange Reserves

12. Following developments in the balance of payments, official foreign exchange reserves held by the Central Bank of Kenya stood at US\$ 2,929 million (3.0 months of import cover) by end May, 2009, indicating a slight improvement from US\$ 2,875 (2.9 Months of import cover) in December 2008 (see Chart 4 above). This level of official foreign exchange reserves (in terms of Months of import coverage) is comfortable but still below the 4 months statutory minimum stipulated in the CBK Act. The coverage is a reflection of growth in the import bill on account of increased costs of oil and food imports and other capital goods. Notably, the stock of official reserves is subject to exchange rate variations given that reserves are reported in US dollar while a significant portion of reserves are also held in Sterling Pound and Euros. Thus, changes in these currencies' rate of exchange vis-à-vis the US dollar resulted in reserves revaluation losses.



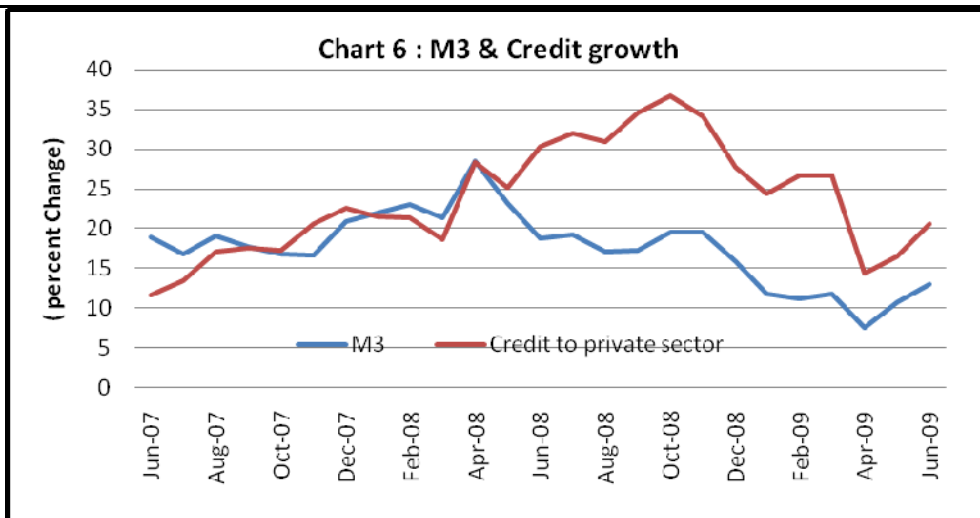
1.5 Exchange Rates

13. The Shilling remained stable against the US dollar as the foreign exchange inflows matched corporate demand. Against the Sterling Pound and the Euro, the Shilling depreciated to exchange at an average of Ksh 127.22 and 109.03 in June 2009 compared with Ksh 120.03 and 106.23 in May 2009 respectively. However, the Shilling strengthened against the Japanese Yen to trade at an average of Ksh 80.61 in June 2009 compared with Ksh 80.63 per 100 Japanese Yen in May 2009 (see Chart 5).



1.6 Money and Credit

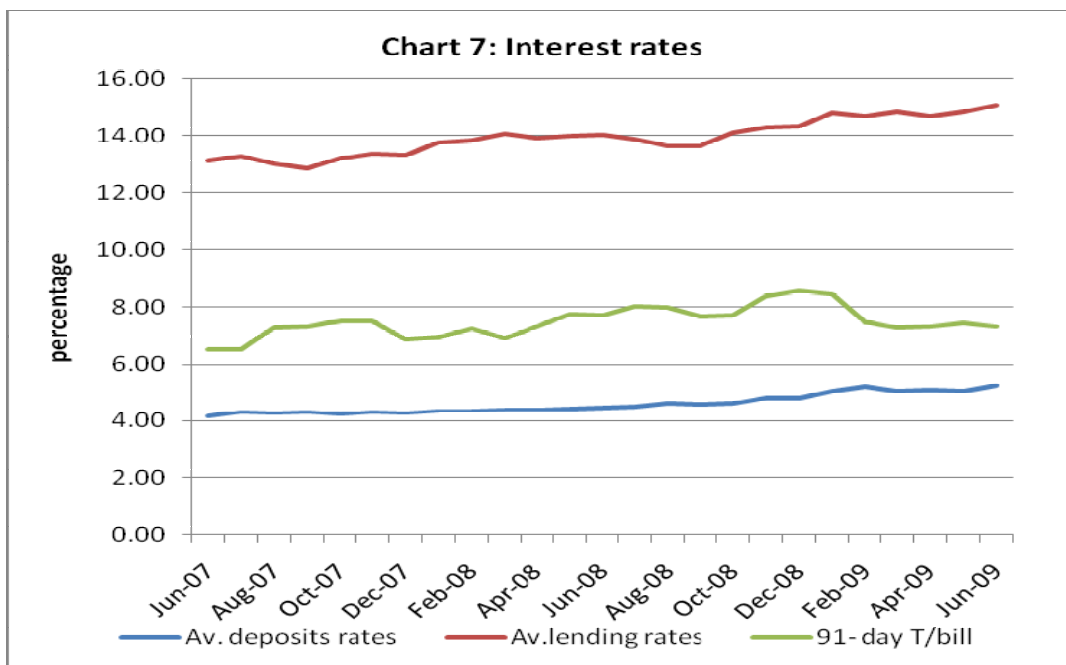
14. Expansion in broad money supply, M3, decelerated to 13.1% in the year to June 2009 compared to 18.7% over a similar period in 2008. The slower growth in money supply was due to a decline in NFA which fell by 4.5% compared to a growth of 7.0% over a similar period in 2008. Reflecting a strong expansion in domestic credit and other items of the banking system, growth in net domestic assets (NDA) of the banking system rose sharply to 22.3% in year to June 2009 compared to 13.1 over a similar period in 2008. Consequently, the contribution of NDA to the overall monetary expansion rose to 14.6% from 9.0% in June 2008 while that of NFA declined to negative 1.6% from 9.7% in 2008. Meanwhile, growth of credit to the private sector fell to 20.7% in the year to June 2009 from 29.6% in June 2008. The slow growth of credit to the private sector reflected depressed economic activity occasioned by both domestic and external challenges during the period (see Chart 6).



1.7 Interest Rates

15. The average interest rate on the 91-day Treasury bill fell from 8.59 percent in December 2008 to 7.3 percent in March 2009 and remained stable at this rate to end June 2009. The decline in T bill rates coupled with oversubscription in the Tbill auction market reflects ample liquidity in the interbank market (see Chart 7).

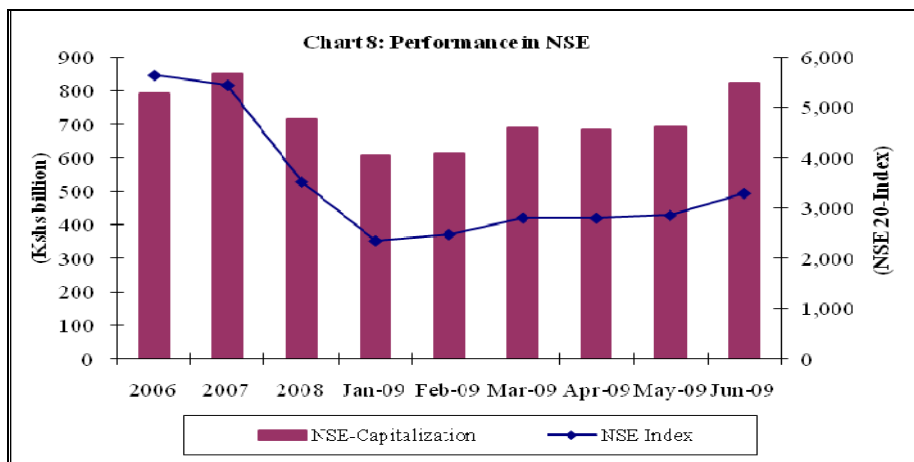
16. In the short-end of the money market, the average interbank rate fell sharply from 6.55 percent in May 2009 to 2.98 percent in June 2009, reflecting high liquidity condition in the money market and the Central Bank’s effort to encourage lending by commercial banks.



1.8 Capital Markets

17. Performance at the equity market remained strong during month of June 2009 as reflected by key market indicators. The NSE Index gained 442 points to settle at 3,295 points while market capitalization went up by 18.5% to KSh 822 billion from KSh 693 billion recorded in May 2009 (see chart 8).

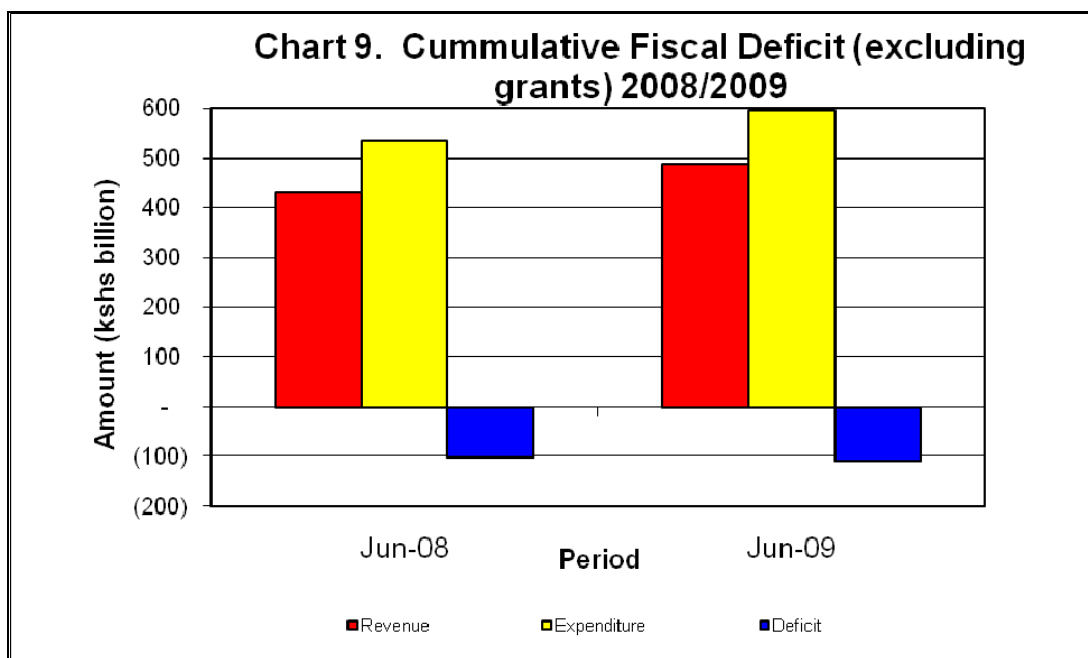
18. The improved performance of the stock exchange is attributed to the global recovery of similar markets as investors’ confidence starts to build up after prolonged effects of the global economic crisis. Some of the reforms aimed at improving corporate governance, improve transparency and strengthen regulatory capacity of CMA are, Capped shareholding of stockbrokerage firms and investment banks to 25 percent for any one individual; disqualification of individuals who controls directly or indirectly more than 25 percent of interest in any of these firms from holding senior management positions and introduction for a requirement for professional indemnity insurance cover for failure of their employees.



2.0 FISCAL DEVELOPMENTS

2.1 Fiscal Outturn

19. The overall fiscal balance (on a commitment basis and excluding grants), in the fourth quarter ending 30th June 2009, recorded a deficit of Kshs 107.8 billion (equivalent to 4.8 percent of Gross Domestic Product (GDP)) against a targeted deficit of Kshs 165.2 billion (equivalent to 7.4 percent of GDP). Over the same period in the FY 2007/08, the fiscal deficit stood at Kshs 102.7 billion (equivalent to 5.2 percent of GDP). On the other hand, the fiscal balance (on a commitment basis and including grants) recorded a deficit of 4.0 percent of GDP against a targeted deficit of 6.1 percent of GDP (*Chart 9 and Table 1*).



FISCAL DEVELOPMENTS

Table 1: Budget Outturn, 2008/2009 (Kshs Million)

	2007/2008 Quarter IV Actual	2008/2009 Quarter IV		Quarter IV Deviation	% Growth	2008/09 Quarter IV as % of GDP		2007/200 8 Quarter IV % of GDP
		Actual	Targets			Actual	Target	
A. TOTAL REVENUE AND GRANTS	457,763	505,958	538,334	(32,376)	10.53	22.58	24.02	23.32
1. Revenue	432,219	487,892	510,816	(22,923)	12.88	21.77	22.79	22.02
Ordinary Revenue	396,488	455,779	463,776	(7,997)	14.95	20.34	20.70	20.20
Import Duty	32,944	36,181	36,459	(278)	9.82	1.61	1.63	1.68
Excise Duty	61,906	69,872	68,900	972	12.87	3.12	3.07	3.15
Income tax	156,832	184,447	183,600	847	17.61	8.23	8.19	7.99
VAT	111,939	126,854	128,600	(1,746)	13.32	5.66	5.74	5.70
Investment Revenue	3,133	6,919	7,920	(1,001)	120.81	0.31	0.35	0.16
Others	29,734	31,507	38,297	(6,790)	5.96	1.41	1.71	1.51
Appropriation-in-Aid	35,731	32,113	47,040	(14,927)	(10.13)	1.43	2.10	1.82
2. Grants	25,544	18,065	27,518	(9,453)	(29.28)	0.81	1.23	1.30
Cash	3,759	10,676	12,886	(2,210)	(100.00)	0.00	0.00	0.19
Appropriation-in-Aid	11,887	7,389	14,632	(7,243)	(37.84)	0.33	0.65	0.61
Programme loans	9,898	0	0	0	(100.00)	0.00	0.00	0.50
B. EXPENDITURE and NET LENDING	534,937	595,718	676,018	(80,299)	11.36	26.58	30.17	27.25
1. Recurrent	403,368	435,542	470,574	(35,031)	7.98	19.44	21.00	20.55
Domestic Interest	42,181	45,949	47,835	(1,886)	8.93	2.05	2.13	2.15
Foreign Interest Due	5,696	6,109	6,052	57	7.25	0.27	0.27	0.29
Pension	24,089	27,191	26,122	1,069	12.88	1.21	1.17	1.23
Wages and Salaries	145,996	155,220	158,800	(3,580)	6.32	6.93	7.09	7.44
O & M/Others	185,407	201,073	231,764	(30,691)	8.45	8.97	10.34	9.45
2. Development and Net Lending	131,568	160,176	205,444	(45,268)	21.74	7.15	9.17	6.70
3. CCF	0	0	0	0	0.00	0.00	0.00	0.00
C. DEFICIT EXCL.GRANT (Commitment basis)	(102,718)	(107,826)	(165,202)	57,376	4.97	(4.81)	(7.37)	(5.23)
D. DEFICIT INCL.GRANTS (Commitment basis)	(77,174)	(89,761)	(137,684)	47,923	16.31	(4.01)	(6.14)	(3.93)
E. ADJUSTMENT TO CASH BASIS	16,945	5,613	(412)	6,025	(66.87)	0.25	(0.02)	0.86
F. DEFICIT INCL.GRANTS (Cash basis)	(60,229)	(84,147)	(138,096)	53,949	39.71	(3.75)	(6.16)	(3.07)
G. FINANCING	60,229	84,147	138,096	(53,949)	39.71	3.75	6.16	3.07
1. Foreign financing	6,617	12,220	41,143	(28,924)	84.67	0.55	1.84	0.34
Disbursements	22,864	27,777	58,176	(30,399)	21.49	1.24	2.60	1.16
Programme Cash Loans	1,330	0	0	0	0.00	0.00	0.00	0.07
Project Cash Loans	8,190	10,434	17,642	(7,208)	27.39	0.47	0.79	0.42
Loans AIA	13,344	17,343	40,534	(23,191)	29.97	0.77	1.81	0.68
Repayment due (current)	(16,542)	(17,489)	(17,489)	0	5.72	(0.78)	(0.78)	(0.84)
Rescheduling	0	456	456	0	0.00	0.02	0.02	0.00
Of which principal	0	456	456	0	0.00	0.02	0.02	0.00
Of which interest	0	0	0	0	0.00	0.00	0.00	0.00
Change in arrears (current)	295	1,476	0	1,476	400.19	0.07	0.00	0.02
Commercial Financing	0	0	0	0	0.00	0.00	0.00	0.00
Repayment (arrears)	0	0	0	0	0.00	0.00	0.00	0.00
Expenditure Arrears securitization	0	0	0	0	0.00	0.00	0.00	0.00
2. Privatization proceeds	76,303	0	0	0	0.00	0.00	0.00	3.89
TKL Restructuring costs	(36,434)	2,500	2,500	0	0.00	0.11	0.11	(1.86)
TKL Restructuring Financing	27,634	0	0	0	0.00	0.00	0.00	1.41
3. Bank Restructuring costs	1,062	0	0	0	0.00	0.00	0.00	0.05
3. Bank Restructuring Financing	(1,062)	0	0	0	0.00	0.00	0.00	(0.05)
Other financing	0	0	0	0	0.00	0.00	0.00	0.00
o/w Infrastructure Bonds	0	18,576	18,576	0	0.83	0.83	0.83	0.00
3. Domestic financing	(13,891)	50,851	75,876	(25,025)	(466.07)	2.27	3.39	(0.71)
Memo Item:								
GDP ESTIMATE*	1,962,879	2,241,000	2,241,001					

Source: Ministry of Finance
*2009 Economic Survey

2.2 REVENUE

20. The total cumulative Government revenue collection for the FY 2008/09 was below the target by Kshs 22.9 billion. Ordinary revenue collection amounted to Kshs 455.8 billion against a target of Kshs 463.8 billion, resulting in an under collection of Kshs 8.0 billion. However, the total actual collection during the period March to June 2009 was Kshs 143.7 billion against a target of Kshs 147.4. Cumulative Ministerial Appropriation In Aid, recorded an under performance of Kshs 14.9 billion as at the period under review. (*Table 2 and Chart 10*).

**Table 2: Government Revenue, Fourth Quarter
Ending 30th June 2009
(Kshs Million)**

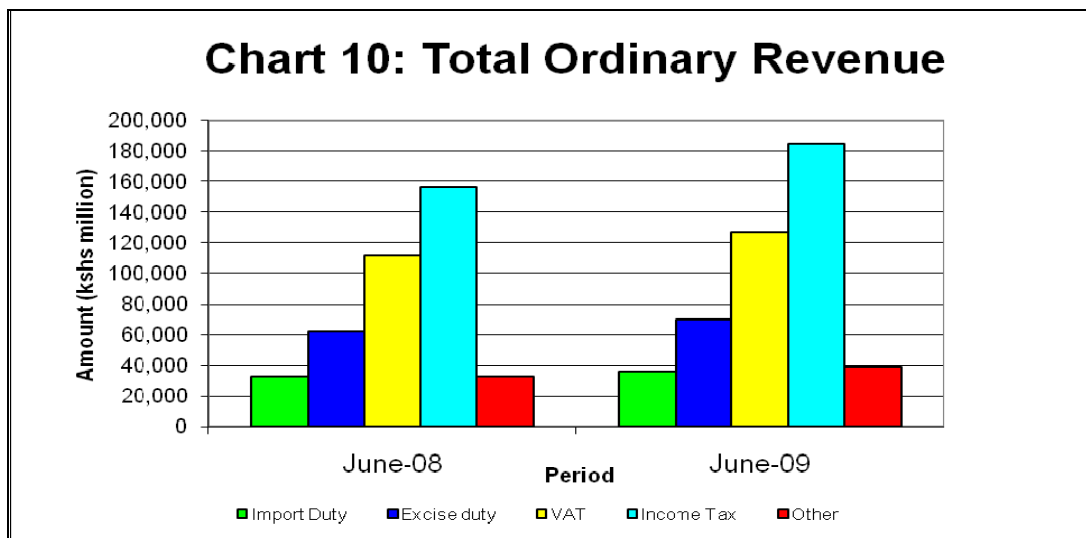
	2007/2008 Quarter IV Actual	2008/2009 March-June 2009		2008/2009 Quarter IV (Cumulative)		Deviation
		Actual	Target	Actual	Target	
Total Revenue	432,220	143,668	147,414	487,893	510,816	(22,923)
(a) Ordinary Revenue	396,489	133,926	129,242	455,780	463,776	(7,997)
Import Duty	32,944	9,119	9,135	36,181	36,459	(278)
Excise Duty	61,857	19,370	14,217	69,872	68,900	972
PAYE	81,655	33,790	26,388	104,657	95,246	9,411
Other Income Tax	75,177	28,536	29,689	79,790	88,354	(8,564)
VAT Local	58,131	18,497	16,891	66,216	68,181	(1,965)
VAT Imports	53,808	13,540	14,867	60,638	60,419	219
Investment Revenue	3,133	1,835	4,211	6,919	7,920	(1,001)
Traffic Revenue	1,880	497	765	2,656	2,767	(111)
Essential Supplies Revenue	12,913	3,458	4,134	14,951	15,592	(641)
Others 1/	14,989	5,283	8,946	13,900	19,938	(6,038)
(b) Appropriation In Aid 2/	35,731	9,742	18,172	32,113	47,040	(14,927)
External Grants	25,449	4,855	(127)	18,065	27,518	(9,453)
Total Revenue and External Grants	457,668	148,523	147,287	505,958	538,334	(32,376)
In % of GDP	23.32	6.63	6.57	22.58	24.02	

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

Source: Ministry of Finance

21. As a proportion of GDP, total revenue and grants in the period under review was 22.6 percent compared to 23.3 percent in the corresponding period of the FY 2007/08. External grants amounted to Kshs 18.1 billion against a target of Kshs 27.5 billion, an under performance of Kshs 9.5 billion. The Grants for the period March to June amounted to Kshs 4.9 billion.



2.3 Expenditure

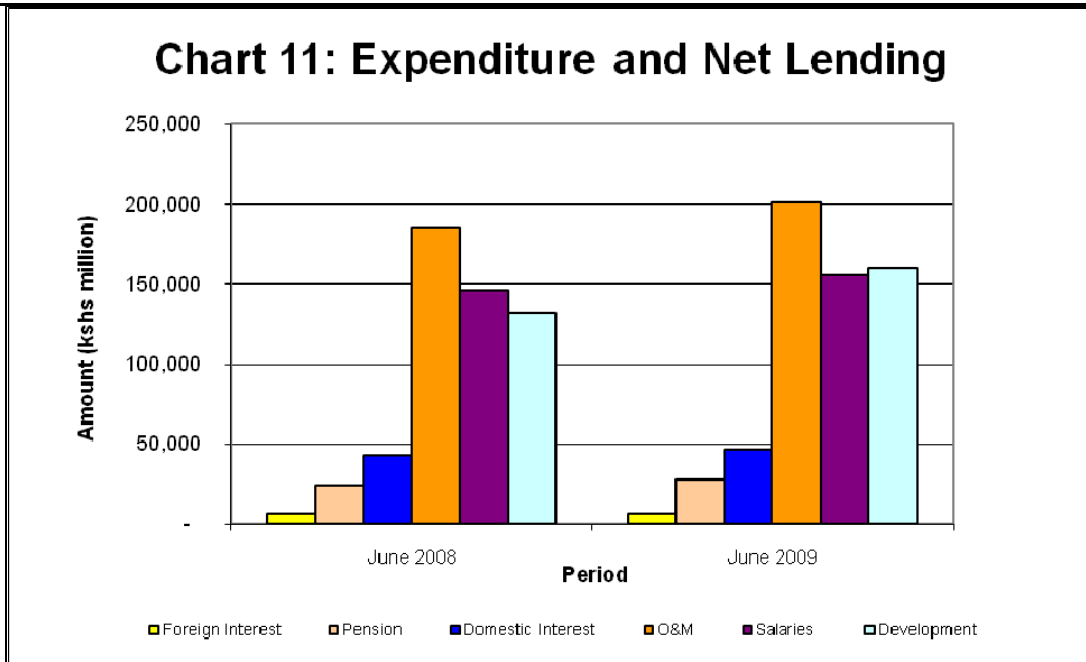
22. The reported total Government Expenditure and Net Lending, for the period under review, stood at Kshs 595.7 billion, against a target of Kshs 676.0 billion. The shortfall of Kshs 80.3 billion was attributed to lower absorption recorded under the recurrent and development expenditures by the line ministries for the financial year ending June 2009. **(Table 3 and Chart 11)**. In addition, the lower revenues collection affected exchequer issues to the spending units leading to lower than expected expenditure levels. Recurrent expenditure amounted to Kshs 435.5 billion, against a target of Kshs 470.6 billion. The KSh.35.0 billion shortfall was mainly due to low expenditures recorded in Salaries & Wages and Operations & Maintenance/other expenditures categories which accounted for Kshs 3.6 billion and Kshs 30.7 billion, respectively. Low expenditure levels are also due to understated district level expenditures whose reports had not been received by the time of producing this report.

23. Similarly, Scheduled foreign interest payments amounted to Kshs 6.1 billion, compared to Kshs 5.7 billion in the same period of the 2007/08 FY. The domestic interest payment totalled Kshs 45.9 billion, which was higher than Kshs 42.2 billion paid in the corresponding period of the previous financial year. **(Table 3 and Chart 11)**.

Table 3: Expenditure and Net Lending, Fourth Quarter Ending 30th June 2009 (Kshs Million)

	2007/2008 Quarter IV Actual	2008/2009 Quarter IV Actual	2008/2009 Quarter IV Targets	Deviation
1. RECURRENT	403,369	435,542	470,574	(35,031)
Domestic Interest	42,181	45,949	47,835	(1,886)
Foreign Interest	5,696	6,109	6,052	57
Pensions	24,089	27,191	26,122	1,069
Wages and Salaries	145,996	155,220	158,800	(3,580)
Operation and Maintenance	185,407	201,073	231,764	(30,691)
O/W: Change in Pending Bills	(781)	0	0	-
: Civil Service Reform	800	121.16	96	25
: Appropriation-in-Aid	32,012	29,761	41,022	(11,261)
2. DEVELOPMENT	131,859	160,177	205,444	(45,267)
Development Projects (Net)	102,643	109,610	111,310	(1,700)
Payment of Guaranteed Loans	2,328	2,373	2,423	(50)
Appropriation-in-Aid	26,630	48,194	91,711	(43,517)
Change in Pending bills	258	-	0	-
3. CCF	-	-	-	-
TOTAL EXPENDITURE	535,229	595,719	676,017	(80,299)

Source: Ministry of Finance



24. Analysis of ministerial expenditure shows that some ministries reported under-expenditures (due to non capture of the district expenditures and inadequate exchequer issues to the spending units), while some show over-expenditures (due to huge commitment that are yet to be paid). In the Fourth quarter of the FY 2008/09, the ministries of Education; Higher Education, Science and Technology; Medical Services and Public Health and Sanitation incurred 41.6 percent of total recurrent expenditure. The Ministry of State for Provincial Administration & Internal Security accounted for a significant percentage (9.4 percent) of total recurrent expenditure, while the Ministries of Energy, Nairobi Metropolitan Development and Development of Northern Kenya and other Arid Areas were some of the ministries which incurred the least share of the total recurrent expenditure in the Fourth quarter of FY 2008/09.

25. However, analysis on development expenditure outlay indicates that the Ministry of Energy incurred the largest share, followed by the Ministries of Roads, Planning & National Development and Finance accounting for 23.0 percent, 19.7 percent, 8.4 percent and 7.9 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, Fourth Quarter
Ending 30th June 2009
(Kshs Million)**

	June 2009			June 2009			June 2009		
	Recurrent			Development			Total		
	Actual	Target	Variance	Actual	Target	Variance	Actual	Target	Variance
1. Ministry of State for Provincial Administration & Internal Security	33,326	40,747	(7,422)	1,382	2,996	(1,614)	34,708	43,743	(9,036)
2. State House	1,079	1,089	(10)	134	222	(88)	1,213	1,311	(98)
3. Ministry of State for Public Service	1,241	1,246	(5)	104	323	(219)	1,344	1,569	(224)
4. Ministry of Foreign Affairs	6,717	7,826	(1,109)	1,611	1,818	(207)	8,328	9,644	(1,316)
5. Office of the Vice-President and Ministry of Home Affairs	9,416	9,523	(107)	1,120	1,139	(19)	10,536	10,662	(126)
6. Ministry of Planning and National Development	2,131	2,756	(625)	10,323	13,007	(2,684)	12,454	15,762	(3,309)
7. Office of the Deputy Prime Minister and Ministry of Finance	13,032	13,355	(323)	9,791	14,379	(4,588)	22,823	27,734	(4,911)
8. Ministry of State for Defence	40,754	41,209	(455)	-	-	0	40,754	41,209	(455)
9. Ministry of Regional Development Authorities	688	712	(23)	614	1,207	(592)	1,303	1,918	(616)
10. Ministry of Agriculture	7,050	7,819	(769)	4,750	8,890	(4,140)	11,800	16,709	(4,909)
11. Ministry of Medical Services	22,911	23,126	(215)	2,615	2,763	(148)	25,526	25,889	(363)
12. Office of the Deputy Prime Minister and Ministry of Local Government	10,546	10,547	(1)	2,375	3,462	(1,088)	12,920	14,010	(1,089)
13. Ministry of Roads	11,304	21,159	(9,855)	24,326	46,437	(22,111)	35,630	67,596	(31,967)
14. Ministry of Transport	3,072	3,214	(143)	1,657	2,481	(825)	4,728	5,696	(967)
15. Ministry of Labour and Human Resource Development	968	1,000	(31)	340	400	(59)	1,309	1,399	(91)
16. Ministry of Trade	1,555	1,521	33	213	395	(182)	1,767	1,916	(149)
17. Ministry of Justice, National Cohesion and Constitutional Affairs	1,384	1,617	(233)	168	596	(429)	1,552	2,214	(662)
18. Ministry of Gender and Children	968	1,640	(672)	258	1,421	(1,164)	1,226	3,062	(1,836)
19. Ministry of Livestock	3,058	3,579	(521)	759	2,272	(1,513)	3,817	5,852	(2,034)
20. Ministry of Water and Irrigation	2,309	4,678	(2,368)	6,604	18,197	(11,593)	8,913	22,875	(13,962)
21. Ministry of Environment and Mineral Resources	1,882	2,164	(282)	816	1,254	(438)	2,698	3,418	(720)
22. Ministry of Cooperative Development and Marketing	760	863	(104)	115	135	(20)	874	998	(124)
23. Cabinet Office	1,065	1,221	(156)	110	2,947	(2,837)	1,176	4,169	(2,993)
24. Ministry of East African Community	478	455	23	-	-	0	478	455	23
25. State Law Office	895	1,031	(136)	43	43	0	938	1,074	(136)
26. Judicial Department	1,999	2,013	(14)	442	437	6	2,442	2,450	(8)
27. Public Service Commission	365	365	0	-	-	0	365	365	0
28. Kenya National Audit Office	1,138	1,408	(270)	-	-	0	1,138	1,408	(270)
29. National Assembly	6,386	6,782	(397)	0	-	0	6,386	6,782	(397)
30. Ministry of Energy	380	366	14	28,418	31,260	(2,842)	28,798	31,626	(2,828)
31. Ministry of Education	104,494	106,193	(1,699)	3,993	9,867	(5,874)	108,487	116,000	(7,513)
32. Ministry of Information and Communications	1,217	1,246	(29)	1,443	2,018	(575)	2,660	3,263	(603)
33. Electoral Commission of Kenya	459	838	(380)	-	-	0	459	838	(380)
34. Kenya Anti-Corruption Commission	1,149	1,239	(90)	2	63	(61)	1,152	1,302	(150)

FISCAL DEVELOPMENTS

	June 2009			June 2009			June 2009		
	Recurrent			Development			Total		
	Actual	Target	Variance	Actual	Target	Variance	Actual	Target	Variance
33.Ministry of State for Special Programmes	11,973	12,078	(106)	3,314	3,968	(654)	15,287	16,046	(759)
34.Ministry of Lands	1,316	1,756	(440)	113	560	(447)	1,429	2,316	(887)
35.Ministry of State for Immigration and Registration of Persons	2,666	3,211	(545)	575	641	(66)	3,241	3,852	(611)
36.Ministry of State for National Heritage and Culture	1,818	1,524	294	238	293	(55)	2,056	1,816	239
Ministry of State for Youth Affairs and Sports	4,165	4,231	(66)	2,855	7,830	(4,975)	7,020	12,061	(5,041)
37.Ministry of Higher Education, Science and Technology	19,125	19,335	(210)	3,200	3,386	(186)	22,325	22,720	(395)
38.Ministry of Housing	1,034	1,716	(682)	704	2,066	(1,362)	1,737	3,782	(2,044)
National Security Intelligence Service	7,700	7,702	(2)	-	-	0	7,700	7,702	(2)
39.Ministry of Tourism	2,623	1,689	934	1,183	447	736	3,806	2,136	1,670
40.Office of the Prime Minister	251	1,066	(815)	10	77	(68)	260	1,143	(883)
41.Ministry of Public Health and Sanitation	1,608	4,563	(2,955)	852	4,185	(3,333)	2,460	8,748	(6,288)
42.Ministry of Forestry and Wildlife	3,501	3,705	(204)	1,508	1,883	(375)	5,008	5,587	(579)
43.Ministry of Fisheries Development	474	892	(418)	121	171	(50)	595	1,062	(468)
44.Ministry of Nairobi Metropolitan Development	220	268	(49)	569	1,690	(1,121)	789	1,959	(1,170)
45.Ministry of Development of Nothern Kenya and Other Arid Areas	166	196	(30)	1,065	2,574	(1,509)	1,231	2,770	(1,539)
46.Ministry of Public Works	715	991	(275)	2,190	2,287	(97)	2,906	3,278	(372)
47.Ministry of Industrialization	812	1,092	(280)	621	820	(199)	1,433	1,912	(479)
	356,342	390,564	(34,223)	123,643	203,305	(79,662)	479,985	593,869	(113,884)

Source: Ministry of Finance

2.3.1 Guaranteed Loans to Parastatals

26. Scheduled payments of guaranteed debts for Parastatals with liquidity problems in the fourth quarter of FY 2008/09 amounted to Kshs 447.06 million which was still outstanding at the end of the quarter. An amount of Kshs 193.24 million paid in the fourth quarter, relates to arrears due in the third quarter with the difference resulting from exchange rate movements during the period under review. (*Table 6*).

TABLE 6: SCHEDULE AND ACTUAL PAYMENTS ON GUARANTEED DEBT FOR QUARTER ENDING 30TH JUNE 2009

Borrower	Quarter I		Quarter II		Quarter III		Quarter IV		Cumm. June 2009*	
	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual
NCC	36.61	36.61			48.23	0	0	39.21	84.84	75.82
TARDA	131.37	131.37			177.55	0	0	154.03	308.92	285.40
KBC	0	0	421.86	0	0	421.86	447.06	0	868.92	421.86
TELKOM	0	0			0	0	0	0	-	-
TOTAL (QTR)	167.98	167.98	421.86	0	225.78	421.86	447.06	193.24	1,262.68	783.08

* Provisional

Source: Ministry of Finance

2.4 Financing the Budget

2.4.1 External Financing

27. The cumulative external financing to end June 2009 represented a net borrowing of Kshs 11.8 billion compared to a net borrowing of Kshs 7.0 billion in the FY 2007/08. Total disbursements (inflows) including Appropriations-in-Aid amounted to Kshs 27.8 billion in the fourth quarter of FY 2008/09. This amount included Kshs 10.4 billion Project Cash Loans and Kshs 17.3 billion Project Loans (A.I.A). External Repayments (outflows) of principal on the other hand, amounted to Kshs 16.0 billion (*Table 7*). For the period March to June 2009 the total repayments amounted to Kshs 3.0 billion, while disbursement was Kshs 10.3 billion.

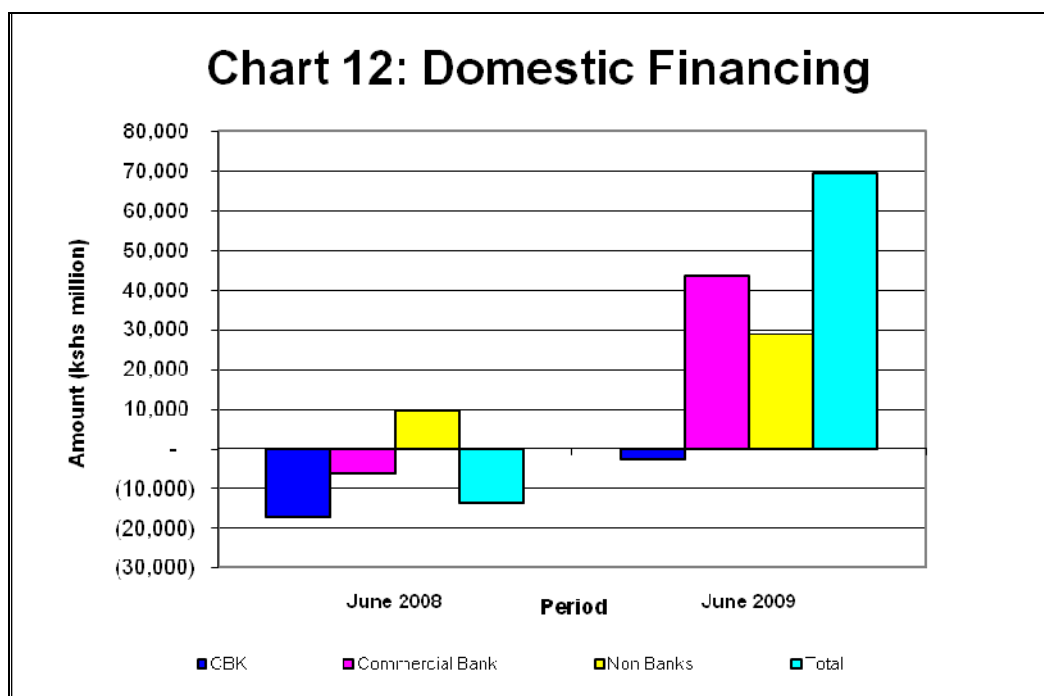
Table 7: External Financing, Fourth Quarter Ending 30th June 2009 (Kshs Million)

	Cumulative June 2008	Quarter I 2008/09	Quarter II 2008/09	Quarter III 2008/09	Quarter IV 2008/09	Cumulative June 2009	June- 2009 target
DISBURSEMENTS:	22,863.71	3,562.00	6,614.46	7,293.54	10,306.59	27,776.59	58,176.02
Project Cash loans	8,189.75	2,969.00	2,871.47	1,733.53	2,859.55	10,433.55	17,641.54
Programme loans	1,330.00	-	-	0.00	0.00	0.00	-
Project loans A-I-A	13,343.96	593.00	3,742.99	5,560.01	7,447.03	17,343.03	40,534.48
EXTERNAL REPAYMENTS:	15,814.69	3,990.37	3,058.02	5,989.67	2,975.01	16,013.07	17,488.60
Bilateral	7,845.62	1,917.28	1,370.45	3,163.86	1,449.40	7,900.99	9,102.94
Multilateral	7,397.04	2,073.09	1,687.57	2,825.81	1,525.61	8,112.08	8,385.66
Commercial	572.03	0.00	0.00	0.00	0.00	0.00	-
NET FOREIGN FINANCING	7,049.02	(428.37)	3,556.44	1,303.87	7,331.58	11,763.52	40,687.42

Source: Ministry of Finance

2.4.2 Domestic Financing

28. At the close of the FY 2008/09, the overall performance in the Government's financial position resulted in net borrowing of Kshs 69.4 billion. This comprised of a net borrowing of Kshs 43.6 billion from the Commercial Banks ; Kshs 28.8 billion from Non-Bank Financial Institutions and Kshs 66.0 million from Non Residents and a net repayment of Kshs 3.0 billion to the Central Bank (*table 8*). Comparatively, for the same period in the FY 2007/08, the overall performance in the Government's financial position resulted in net repayment of Kshs 13.9 billion, comprising of net repayment of Kshs 17.1 billion to the Central Bank, Kshs 6.2 billion to the Commercial Bank and a net borrowing of Kshs 8.0 billion from Non-Bank Financial Institutions, Kshs 1.4 billion from Non Residents (*chart 12*).



29. The stock of Treasury Bills held by the Central Bank recorded a net decrease of Kshs 8.5 billion by the end of the FY2008/09. However, the stock of Treasury Bills held by Commercial Banks, Non-Bank Financial Institutions and Non-Residents financial Institutions recorded a net increase of Kshs 46.5 billion, Kshs 391.0 million and Kshs 44.0 million, respectively. On the other hand, the stock of Fixed Rate Bonds held by Non Residents recorded a net decrease of Kshs 97.0 million, while those held by Central Bank, Non Bank Financial Institutions and Commercial Banks increased by Kshs 9.0 million, Kshs 7.3 billion and Kshs 14.3 billion, respectively. **(Table 8).**

FISCAL DEVELOPMENTS

Table 8: Domestic Financing, Fourth Quarter Ending 30th June 2009 (Kshs Million)

	JUNE 2008	SEPTEMBER 2008	DECEMBER 2008	MARCH 2009	JUNE 2009
1.CENTRAL BANK	(17,117)	5,445	20,592	21,463	(2,958)
Overdraft	(41)	4,393	15,093	6,199	5,124
IMF funds on-let to Govt.	(357)	85	(92)	(95)	(336)
Treasury bills	8,535	(8,530)	(8,538)	(8,374)	(8,529)
Stocks	0	0	0	0	0
Floating rate T. Bonds	0	0	0	0	0
Fixed rate Bonds	0	0	9	9	9
Items on Transit	2,296	(1,371)	(2,741)	(2,725)	(1,454)
Frozen Account(pre-1997 Govt. overdraft)	(1,110)	0	(555)	(555)	(1,110)
Govt. Deposits	(26,440)	10,868	17,416	27,005	3,338
2.COM. BANKS	(6,240)	16,429	1,139	16,140	43,563
Advances	(639)	(7)	(4)	(2)	0
Stocks	0	0	0	0	0
Treasury bills	(18,056)	18,970	15,077	27,845	46,505
Floating rate T. Bonds	(588)	0	0	0	0
Fixed rate Bonds	18,088	2,164	2,795	(1,412)	7,287
Special Bonds	(1,000)	(1,711)	(4,500)	(4,500)	(5,744)
Zero Coupon bonds	(3,311)	0	2,380	4,274	4,274
Infrastructure Bonds	0	0	0	6,456	6,456
Govt. Deposits	(734)	(2,987)	(14,608)	(16,520)	(15,215)
3. NON BANKS	8,036	3,359	4,429	13,448	28,756
Stocks	0	0	0	0	0
Treasury bills	(9,177)	4,741	3,017	2,089	391
Floating Rate T. Bonds	(154)	0	0	0	0
Fixed rate Bonds	15,088	(2,087)	(558)	(2,739)	14,267
Zero Coupon bonds	2,278	706	1,970	2,096	2,096
Infrastructure Bonds	0	0	0	12,002	12,002
NON RESIDENTS	1,430	654	585	133	66
Treasury bills	1,599	670	597	36	44
Floating rate T. Bonds	0	0	0	0	0
Fixed rate Bonds	(168)	(16)	(12)	(22)	(97)
Infrastructure Bond	0	0	0	118	118
Zero Coupon bonds	0	0	0	1	1
NET CREDIT	(13,891)	25,887	26,745	51,184	69,427

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

30. The gross public debt in Kenya Shilling terms increased from Kshs 870.6 billion as at end of June 2008 to Kshs 1,037.8 billion by 30th June 2009. The domestic debt increased by 20.4 percent while the external debt increased by 18.1 percent (Exchange rate Ksh 77.16 to 1 US\$). (Table 9).

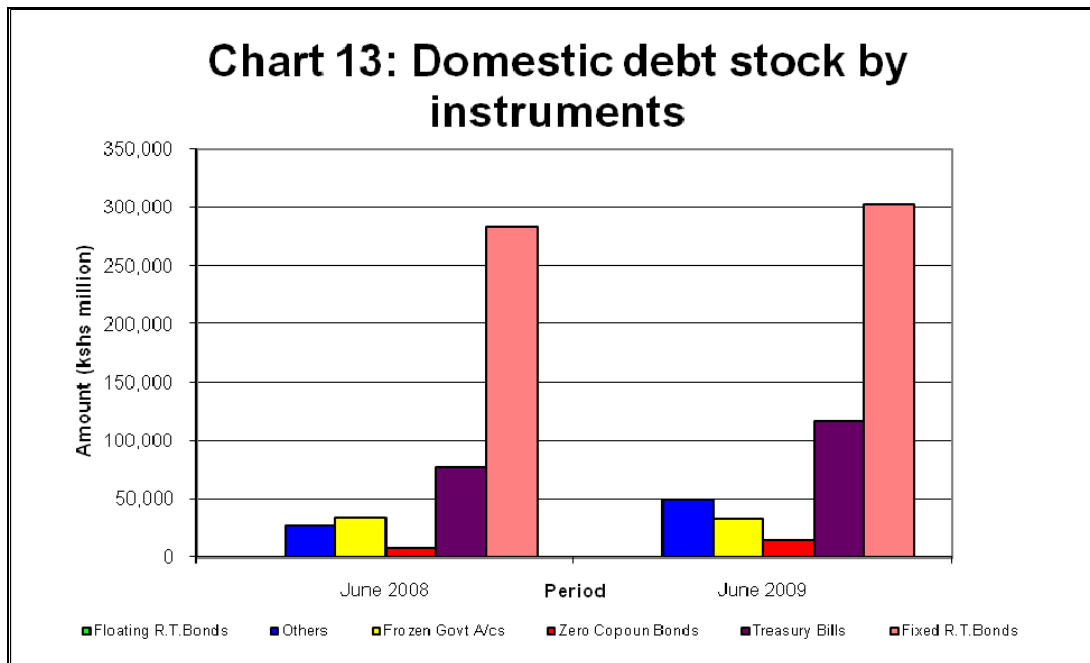
Table 9: Kenya's Public and Publicly Guaranteed Debt, June 2003- June 2009 (Kshs millions)

	Jun-03	Jun-04	Jun-05	Jun-06	Jun-07	Jun-08	Jun-09
EXTERNAL							
BILATERAL	142,563	162,914	157,669	154,877	137,890	153,200	185,933
MULTILATERAL	233,829	260,658	255,784	255,550	240,349	268,224	311,381
COMMERCIAL BANKS	3,597	2,911	1,776	1,274	286	-	0
SUPPLIERS CREDIT	27,034	16,674	19,224	19,536	18,039	18,543	22,116
SUB – TOTAL	407,023	443,157	434,453	431,237	396,564	439,967	519,430
DOMESTIC:							
CENTRAL BANK	45,290	50,774	46,617	41,289	36,182	45,862	39,902
COMMERCIAL BANKS	112,369	128,214	122,912	149,473	186,802	182,905	250,708
TOTAL BANKS	157,659	178,988	169,529	190,762	222,984	228,768	290,611
NON BANKS	131,722	127,247	146,044	167,077	181,704	201,844	227,728
SUB-TOTAL	289,381	306,235	315,573	357,839	404,688	430,612	518,339
GRAND TOTAL GROSS	696,404	749,392	750,026	789,076	801,252	870,579	1,037,769
LESS ON-LENDING	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)
LESS GOVERNMENT DEPOSITS	(38,046)	(48,281)	(58,600)	(74,437)	(65,687)	(92,861)	(111,115)
GRAND TOTAL NET	652,657	695,410	685,725	708,938	729,864	772,017	920,953

Source: Ministry of Finance

3.2 Domestic Debt

31. The stock of domestic debt increased from Kshs 430.6 billion in June 2008 to Kshs 518.3 billion in June 2009, reflecting a net increase of Kshs 87.7 billion (*Table 10*). The stock of Treasury Bills held by Central Bank, Commercial Banks, Non Banks Financial Institution and Non Residents recorded an increase from Kshs 76.8 billion in June 2008 to Kshs 116.8 billion in June 2009. On the other hand, the stock of Treasury Bonds, Floating, Fixed Rate, Special and Zero coupon Bonds, increased from Kshs 315.2 billion in June 2008 to Kshs 341.0 billion in June 2009 (*chart 13*).



FISCAL DEVELOPMENTS

**Table 10: Stock of Domestic Debt, Fourth Quarter 2008/2009
(Kshs million)**

	Jun-08	Sep-08	Dec-08	March-09	Jun-09
1.CENTRAL BANK	45,862	40,355	49,131	40,416	39,901
Overdraft	-	4,393	15,093	6,199	5,124
Pre 1997 Govt. Overdraft (Frozen Govt. Accounts)	34,439	34,439	33,884	33,884	33,329
Treasury Bills	8,539	9	1	165.44	8.16
Items on Transit	2,885	1,514	144	159	1,430
Fixed rate bonds	0	0	9	9	9
2.COM.BANKS	182,905	202,925	205,059	222,830	245,503
Advances	427	80	331	83	101
Stocks	-	-	-	-	-
Treasury Bills	26,413	46,040	42,137	55,174	74,630
Floating Rate T. Bonds	-	-	-	-	-
Fixed Rate T. Bonds	129,269	131,659	132,405	128,395	132,837
Special Bonds	23,244	23,244	23,775	23,775	22,531
Zero Coupon Bonds	3,552	1,901	6,411	8,521	8,521
Infrastructure Bonds	0	0	0	6,883	6,883
3. NON BANKS	199,293	202,808	198,984	208,810	230,318
Stocks	755	755	755	755	755
Treasury Bills	39,854	44,573	42,645	41,760	40,067
Floating Rate T. Bonds	-	-	-	-	-
Fixed Rate T. Bonds	154,476	152,691	149,403	147,235	170,437
Tax Reserve Certificate	69	69	69	69	69
Zero Coupon Bonds	4,138	4,721	6,112	6,268	6,268
Infrastructure Bonds	0	0	0	12,723	12,723
4. NON RESIDENTS	2,552	3,246	3,178	2,694	2,624
Treasury Bills	2,042	2,752	2,679	2,084	2,089
Floating Rate T. Bonds	-	-	-	-	-
Fixed Rate T. Bonds	510	494	498	488	414
Zero Coupon Bonds	0	0	0	1	1
Infrastructure Bonds	0	0	0	121	121
5. TOTAL DEBT*	430,612	449,334	456,351	474,750	518,346
6. LESS ON-LENDING	5,701	5,701	5,701	5,701	5,701
7. Less Govt. Deposits	92,861	96,753	98,902	91,568	108,503
8. NET DEBT	332,050	346,880	351,748	377,481	404,142

* Excl IMF funds

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

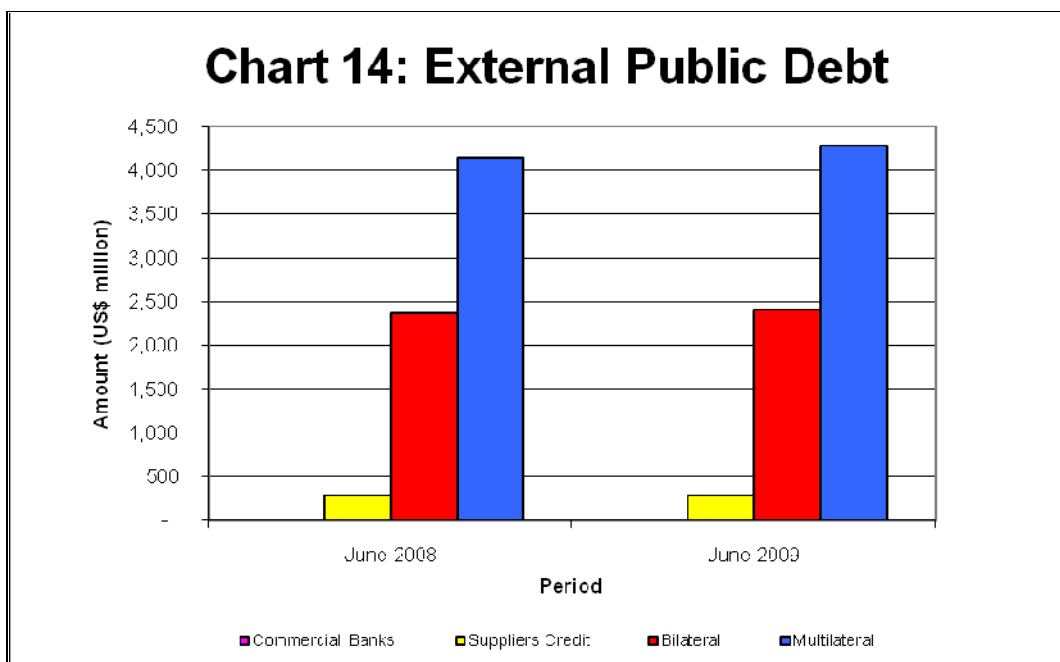
32. External public debt decreased from US\$ 6.8 billion in June 2008 to US\$ 6.7 billion by end June 2009, a decrease of US\$ 68.3 million. The net decrease is attributed to the appreciation of the Kenya shilling at the beginning of the period under review (*Table 11 and Chart 14*).

**Table 11: Kenya's External Public and Publicly Guaranteed Debt
June 2003- June 2009 (US \$ Million)**

CREDITOR	June 2003	June 2004	June 2005	June 2006	June 2007	June 2008	June 2009
<u>BILATERAL</u>							
AUSTRIA	30.50	33.14	32.35	32.99	45.60	50.26	28.74
BELGIUM	30.50	59.41	68.00	71.02	69.60	73.43	91.73
CANADA	36.40	22.18	17.00	17.15	22.15	21.64	20.54
DENMARK	26.10	26.22	31.00	32.38	32.25	36.11	30.52
FINLAND	3.60	3.08	1.76	2.17	1.77	1.85	1.67
FRANCE	182.60	201.02	237.33	252.34	277.75	360.22	364.23
GERMANY	109.80	137.14	169.63	188.28	198.11	243.67	213.08
ITALY	117.90	126.33	94.14	118.31	107.61	98.06	74.53
JAPAN	1,071.00	1,058.80	1,109.50	1,075.58	1,006.06	1,125.98	1,177.31
NETHERLANDS	50.40	52.79	28.94	37.25	35.60	35.83	27.74
U.K.	35.80	33.35	36.94	36.61	39.55	37.99	30.51
USA	89.70	74.55	79.40	79.08	70.90	68.96	73.48
OTHERS	138.40	153.90	163.00	153.17	164.76	214.05	275.71
SUBTOTAL	1,922.70	1,981.91	2,068.99	2,096.33	2,071.67	2,368.05	2,409.79
<u>MULTILATERAL</u>							
ADB/ADF	321.50	315.10	310.00	349.71	353.09	465.80	423.17
EEC/EIB	115.50	128.00	111.00	180.49	150.41	173.66	143.38
IBRD	11.50	14.22	0.50	0.00	0.00	0.00	0.00
IDA	2,616.60	2,492.88	2,757.00	2,765.38	2,867.69	3,194.00	3,149.56
IMF	80.75	111.50	172.00	154.41	212.76	271.24	244.60
OTHERS	6.90	0.75	6.00	8.98	27.06	41.31	74.93
SUBTOTAL	3,152.75	3,062.45	3,356.50	3,458.97	3,611.01	4,146.01	4,035.64
COMMERCIAL BANKS	48.50	46.9	23.30	17.25	4.30	0.00	0.00
EXPORT CREDIT	364.5	200.57	252.27	264.43	271.02	286.63	286.63
GRAND TOTAL**	5,488.45	5,291.83	5,701.06	5,836.98	5,958.00	6,800.69	6,732.06
Bilateral	35.0	37.5	36.3	35.9	34.8	34.8	35.8
Multilateral	57.4	57.9	58.9	59.3	60.6	61.0	59.9
Commercial Banks	0.9	0.9	0.4	0.3	0.1	0.00	0.0
Export Credit	6.6	3.8	4.4	4.5	4.6	4.2	4.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

** include IMF item

Source: Ministry of Finance



3.3.1 External Debt Service

33. At the end of June 2009, principal repayments of external debt amounted to Kshs 17.4 billion, comprising of Kshs 7.9 billion (45.4 percent), and Kshs 9.5 billion (54.6 percent) to bilateral and multilateral respectively. Conversely, interest payments to bilateral creditors were Kshs 3.1 billion (51.9 percent) while interest payments to multilateral creditors amounted to Kshs 2.8 billion (48.1 percent). Total cumulative actual central government external debt service for the period under review amounted to Kshs 23.3 billion, comprising of Kshs 11.0 billion (47.1 percent), and Kshs 12.3 billion (52.9 percent) to bilateral and multilateral respectively (*Table 12 and chart 15*).

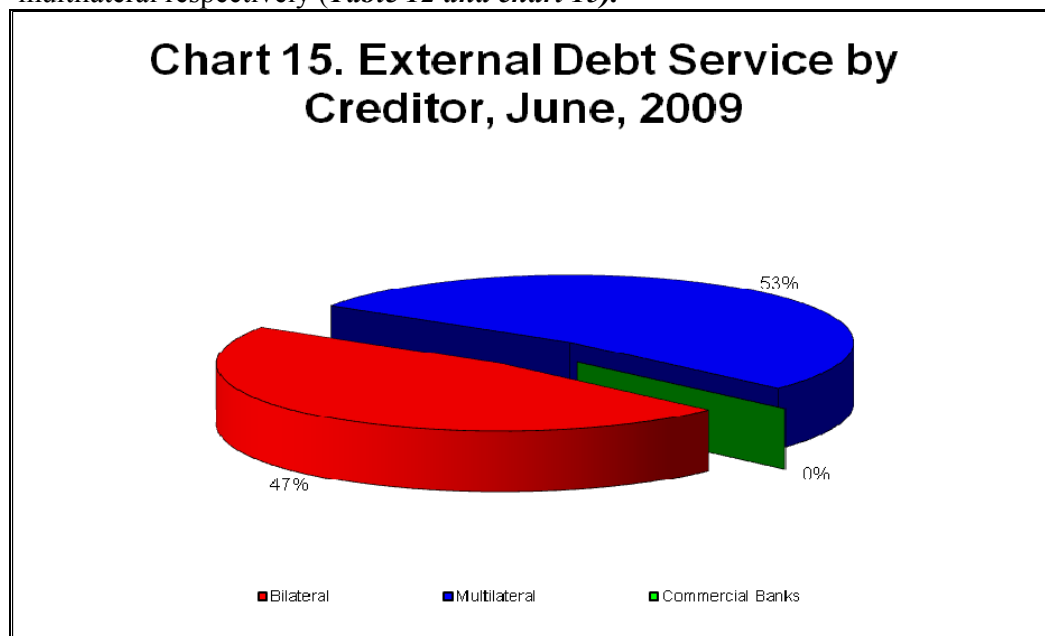


Table 12: External Debt Service, July 2008 – June 2009
(Kshs Million)

CATEGORY	PRINCIPAL	INTEREST	TOTAL
BILATERAL			
AUSTRIA	201.2	64.97	266.17
DENMARK	137.7	0	137.7
FINLAND	4.73	3.99	8.72
FRANCE	1,182.07	629.23	1811.30
ITALY	670.75	28.12	698.87
JAPAN	3,638.66	1,195.71	4834.37
SAUDI FUND	435.77	69.53	505.3
SPAIN	82.73	44.26	126.99
USA	145.73	210.7	356.43
CANADA	21.8	25.61	47.41
BELGIUM	367.56	177.82	545.38
CHINA	233.56	219.4	452.96
GERMANY	265.39	162.74	428.13
KUWAIT	98.88	28.93	127.81
NETHERLANDS	276.82	53.12	329.94
SWEDEN	7.39	7.61	15
SWITZERLAND	7.74	6.07	13.81
UK	98.44	116.14	214.58
KOREA	24.07	20.59	44.66
TOTAL BILATERAL	7,900.99	3,064.54	10,965.53
MULTILATERAL			
ADB/ADF	554.46	572.79	1,127.25
BADEA	39.24	14.74	53.98
EEC	238.12	42.61	280.73
EIB	1,274.79	193.2	1,467.99
IMF*	1,375.40	271.19	1,646.59
IDA	5,858.27	1,695.76	7,554.03
OPEC	147.25	29.26	176.51
NDF	0	18.88	18.88
TOTAL MULTILATERAL	9,487.53	2,838.43	12,325.96
COMM.BANKS/ SUPPL.CREDIT	0	0	0
GRAND TOTAL	17,388.52	5,902.97	23,291.49

* IMF debt serviced by CBK

Source: Ministry of Finance.

4.0 CORE POVERTY PROGRAMMES (CPP)

34. 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 by the end of fourth quarter of FY 2008/09 was Kshs 45.2 billion equivalent to 53.0 percent of the total budget allocation to CPP.

4.1 Recurrent Expenditures

35. The total recurrent expenditure (non-wage) of the Core poverty programmes was Ksh 21.3 billion during the fourth quarter; this was equivalent to 65.0 percent of the total recurrent budget allocation. Table 13 below is a summary of the ministerial recurrent expenditures on CPP.

Table 13: Recurrent Expenditures 2008/09 (Non-Wage) Kshs.

MINISTRY/DEPT.	PRINTED 2008/09	PAYMENTS	COMITMENTS	PAY+COMIT
EDUCATION,	11,862,360,706	7,116,250,286	5,299,800	7,121,550,086
HEALTH SERVICES	2,564,391,992	1,405,512,103	6,719,868	1,412,231,971
AGRICULTURE	1,352,727,747	1,041,155,453	124,001,115	1,165,156,568
MINISTRY OF LABOUR & HUMAN RESOURCES DEVELOPMENT	28,631,471	18,325,205	8,005,079	26,330,283
KENYA ANTI-CORRUPTION COMMISSION	1,268,100,000	1,149,493,912		1,149,493,912
ROADS	4,705,733,163	3,241,975,791		3,241,975,791
NATIONAL AUDIT OFFICE	374,414,745	376,974,720	-	376,974,720
STATE LAW OFFICE	117,247,813	421,319,342	16,119,219	437,438,561
LIVESTOCK	235,251,843	39,789,833	16,444,353	56,234,186
COOPERATIVE DEVELOPMENT & MARKETING	170,391,439	8,440,238	91,031,001	99,471,239
FORESTRY AND WILDLIFE	1,588,842,040	237,023,498		237,023,498
MINISTRY OF LOCAL GOVERNMENT	1,850,000,000	830,586,849	537,825	831,124,674
MINISTRY OF SPECIAL PROGRAMMES	4,791,680,000	4,371,192,383	-	4,371,192,383
MINISTRY OF STATE FOR PROVINCIAL ADM.	57,990,846	55,414,648		55,414,648
MINISTRY OF PUBLIC HEALTH & SANITATION	288,428,485	265,497,112	12,688,292	278,185,404
MINISTRY OF WATER AND IRRIGATION	596,786,216	188,266,409	35,853,199	224,119,608
OFFICE OF THE VICE-PRESIDENT AND MINISTRY OF HOME AFFAIRS	17,939,189	3,479,522	6,800,280	10,279,802
MINISTRY OF JUSTICE, NATIONAL COHESION AND CONSTITUTIONAL AFFAIRS	45,312,000	826,611	43,234,076	44,060,687
MINISTRY OF GENDER AND CHILDREN	717,877,418	100,776,990	18,826,926	119,603,917
MINISTRY OF FISHERIES DEVELOPMENT	94,000,000	17,654,784	8,553,510	26,208,294
TOTAL	32,728,107,113	20,889,955,689	394,114,544	21,284,070,233

4.2 Development Expenditures

36. Under the development budget, the total expenditures on CPP in the fourth quarter amounted to Ksh 23.9 billion, equivalent to 45.0 percent of the total development CPP allocation. Notable under-performance was recorded in the ministry of lands the ministry of Lands and Ministry of Forestry and Wildlife attributed to low absorption of the externally funded projects. Other 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.)

MINISTRY/DEPT.	PRINTED ESTIMATES 2008/09	PAYMENTS	COMIT	PAY+COMIT
MINISTRY OF STATE FOR PROVINCIAL ADM.& INTERNAL SECURITY	1,172,413,386	181,920,688		181,920,688
MINISTRY OF AGRICULTURE	3,263,685,481	594,640,465	10,031,633	604,672,098
MINISTRY OF HEALTH	3,330,784,610	1,068,100,127	453,836,038	1,521,936,165
MINISTRY OF ENVIRONMENT AND NATURAL RESOURCES	711,153,343	464,711,603	156,891,824	621,603,426
MINISTRY OF EDUCATION	8,976,938,288	3,360,509,308		3,360,509,308
LIVESTOCK DEVELOPMENT	1,068,875,109	111,905,919	824,180	112,730,099
JUDICIARY SERVICES	454,200,000	429,416,187	6,054,746	435,470,933
HOUSING	678,500,000	190,557,252	15,191,664	205,748,916
MINISTRY OF INDUSTRIALIZATION	80,000,000	48,284,336	4,162,826	52,447,162
MINISTRY OF FORESTRY AND WILDLIFE	263,320,000	8,430,520	2,034,000	10,464,520
MINISTRY OF FINANCE	252,500,000	21,221,444		21,221,444
MINISTRY OF TRADE	10,000,000	9,592,000		9,592,000
MINISTRY OF LANDS	50,000,000	1,738,311		1,738,311
MINISTRY OF LOCAL GOVERNMENT	3,516,520,014	1,190,507,274	329,707,375	1,520,214,649
MINISTRY OF ROADS	3,497,000,000	447,804,091	10,805,816	458,609,907
MINISTRY OF PUBLIC HEALTH & SANITATION	3,790,417,800	256,364,470	2,117,860	258,482,330
MINISTRY OF SPECIAL PROGRAMMES	2,404,820,306	3,398,197,449		3,398,197,449
MINISTRY OF ENERGY	11,892,200,000	9,539,589,582	667,780	9,540,257,362
MINISTRY OF GENDER	1,253,598,424	137,217,809	-	137,217,809
MINISTRY OF JUSTICE,NATIONAL COHESION AND CONSTITUTIONAL AFFAIRS	380,610,421	36,006,692	13,001,175	49,007,867
MINISTRY OF WATER AND IRRIGATION	5,461,651,000	1,366,226,005	16,715,465	1,382,941,470
STATE LAW OFFICE	71,000,000	20,241,185	5,355,000	25,596,185
GRAND TOTAL	52,580,188,182	22,883,182,719	1,027,397,380	23,910,580,099

ANNEX I

ANNEX I FISCAL RESULTS, 2001/02 – 2008/2009 (Kshs. Millions)

	2001/2002	2002/2003	2003/2004	2004/2005	2005/06	2006/07	2007/08	2008/09*
A.TOTAL REVENUE	196,613	210,750	254,681	289,802	311,251	373,030	432,220	487,892
1.Revenue	175,746	190,591	226,478	265,715	283,427	340,010	396,489	455,779
Income Tax	55,862	66,744	77,410	94,095	108,897	124,855	156,832	184,447
VAT	50,871	56,135	61,725	75,989	76,263	96,270	111,939	126,854
Import Duty	21,584	18,477	22,324	23,532	20,511	27,510	32,944	36,181
Excise Duty	32,077	35,643	40,085	44,151	50,309	56,406	61,858	69,872
Other Revenue	15,352	13,592	24,934	27,948	27,447	34,970	32,916	38,426
2.Appropriation –in –Aid	20,867	20,159	28,203	24,087	27,824	33,020	35,731	32,113
B.EXPENDITURE & NET LENDING	225,760	264,144	282,187	303,373	382,818	419,570	534,842	595,719
1.Recurrent	200,807	220,618	244,476	255,746	306,515	306,847	403,368	435,542
Wages and Salaries	77,638	85,087	95,850	105,612	112,277	127,258	145,996	155,220
Interest Payments	30,384	36,026	29,700	30,470	41,247	42,537	47,877	52,058
Domestic Interest	23,744	27,567	23,281	23,375	31,445	36,860	42,181	45,949
Foreign Interest Due	6,640	8,459	6,419	7,095	9,802	5,677	5,696	6,109
Pensions, etc	8,995	9,450	13,612	12,568	19,759	20,449	24,089	27,191
Civil Service Reform	1,665	957	273	-	1,300	1,392	800	121
Operations & maintenance/ Others	82,125	89,098	105,041	107,096	131,932	115,211	184,606	200,951
Of which Appropriation-in-Aid	17,733	18,221	23,443	20,999	23,891	28,701	32,343	29,761
2.Development & Net Lending	24,953	43,526	37,711	45,627	67,692	80,354	131,473	160,176
Development Projects	11,727	16,835	25,943	28,824	48,037	62,123	86,213	111,962
Appropriation-in-Aid	14,526	17,894	12,341	15,929	18,607	16,750	42,932	45,842
Payment of guaranteed loans	1,862	1,799	1,368	860	4,000	-	2,328	2,373
3. Drought Development Expenditures	-	-	-	2,000	1,048	1,481	-	-
D.DEFICIT EXCL. GRANTS (Commitment Basis)	(29,147)	(53,394)	(27,506)	(13,571)	(71,567)	(46,540)	(102,622)	(107,826)
E.GRANTS	6,823	14,942	16,224	14,905	20,070	15,494	25,449	27,518
F.DEFICIT INCL.GRANTS (Commitment basis)	(22,324)	(38,452)	(11,282)	1,334	(51,497)	(30,697)	(77,173)	(80,308)
G. ADJUSTMENT TO CASH BASIS	(5,085)	2,683	11,282	5,964	15,030	(5,571)	84,738	(36,712)
H.DEFICIT INCL.GRANTS (cash basis)	(27,409)	(34,779)	-	7,298	(36,467)	(36,269)	7,566	(117,020)
I.FINANCING	27,409	34,779	-	(7,298)	36,467	36,269	(7,566)	(117,020)
Foreign Financing	(13,314)	(12,143)	(8,809)	(625)	1,216	(2,392)	6,326	41,143
Domestic Financing	40,723	46,922	8,809	(6,673)	35,251	38,661	(13,891)	69,427
Of which Domestic Borrowing	40,723	46,922	8,809	(6,673)	7,000	4,000	-	50,851
Others	-	-	-	-	-	-	-	-
A.TOTAL REVENUE	19.20	19.39	21.01	21.55	20.49	21.63	22.02	21.77
1.Revenue	17.10	17.54	18.68	19.76	18.66	19.72	20.20	20.34
Income Tax	5.40	6.14	6.39	7.00	7.17	7.24	7.99	8.23
VAT	5.00	5.17	5.09	5.65	5.02	5.58	5.70	5.66
Import Duty	2.10	1.70	1.84	1.75	1.35	1.60	1.68	1.61
Excise Duty	3.10	3.28	3.31	3.28	3.31	3.27	3.15	3.12
Other Revenue	1.50	1.25	2.06	2.08	1.81	2.03	1.68	1.71
2.Appropriation –in –Aid	2.00	1.86	2.33	1.79	1.83	1.92	1.82	1.43
B.EXPENDITURE & NET LENDING	22.30	24.31	23.28	22.56	25.20	24.33	27.25	26.58
1.Recurrent	19.60	20.30	20.17	19.01	20.18	17.80	20.55	19.44
Wages and Salaries	7.60	7.83	7.91	7.85	7.39	7.38	7.44	6.93
Interest Payments	3.00	3.32	2.45	2.27	2.72	2.47	2.44	2.32
Domestic Interest	2.30	2.54	1.92	1.74	2.07	2.14	2.15	2.05
Foreign Interest Due	0.60	0.78	0.53	0.53	0.65	0.33	0.29	0.27
Pensions	0.90	0.87	1.12	0.93	1.30	1.19	1.23	1.21
Civil Service Reform	0.20	0.09	0.02	-	0.09	0.08	0.04	0.01
O &M/ Others	8.00	8.20	8.66	7.96	8.68	6.68	9.40	8.97
of which Appropriation-in-Aid	1.70	1.68	1.93	1.56	1.57	1.66	1.65	1.81
2.Development & Net Lending	2.70	4.01	3.11	3.39	4.46	4.66	6.70	7.15
Development Projects	1.10	1.55	2.14	2.14	3.16	3.60	4.39	5.00
Appropriation-in-Aid	1.40	1.65	1.02	1.18	1.22	0.97	2.19	2.05
Payment of guaranteed loans	0.20	0.17	0.11	0.06	0.26	-	0.12	0.11
3. Drought Expenditures	-	-	-	0.15	0.07	0.09	-	-
D.DEFICIT EXCL. GRANTS (Commitment Basis)	(2.80)	(4.91)	(2.27)	(1.01)	(4.71)	(2.70)	(5.23)	(4.81)
E.GRANTS	0.70	1.37	1.34	1.11	1.32	0.90	1.30	1.23
F.DEFICIT INCL.GRANTS (Commitment basis)	(2.20)	(3.54)	(0.93)	0.10	(3.39)	(1.78)	(3.93)	(3.58)
G.ADJUSTMENT TO CASH BASIS	(0.50)	0.25	0.93	0.44	0.99	(0.32)	4.32	(1.64)
H.DEFICIT INCL.GRANTS (cash basis)	(2.70)	(3.20)	-	0.54	(2.40)	(2.10)	0.39	(5.22)
I.FINANCING	2.70	3.20	-	(0.54)	2.40	2.10	(0.39)	5.22
Foreign Financing	(1.30)	(1.12)	(0.73)	(0.05)	0.08	(0.14)	0.32	1.84
Domestic Financing	4.00	4.32	0.73	(0.50)	2.32	2.24	(0.71)	3.39
Of which Domestic Borrowing	4.00	4.32	0.73	(0.50)	0.46	0.23	-	3.10
Others	-	-	-	-	-	-	-	-
Memorandum Item: Nominal GDP at Market price (Kshs. millions)	959,049.5	1,086,717.5	1,212,261.5	1,345,026.0	1,519,079.0	1,724,197.0	1,962,879.0	2,099,798.0

Note: * indicate Preliminary results

Source: Ministry of Finance

ANNEX II

ANNEX II Budget for State Corporations 2005/06 – 2008/09

	Name	Actual 2005/2006	Actual 2006/2007	Actual 2007/2008	Budget 2008/2009
1	Kenya Institute of Administration	157,105	150,454	197,660	225,631
2	Capital Markets Authority	126,374	161,543	187,403	294,993
3	Retirement Benefits Authority	167,839	202,905	0	
4	Kenya Revenue Authority	6,039,350	6,891,019	7,818,000	9,836,000
5	Registration Of Accountants Board	2,196	2,155	4,987	
6	Registration Of Certified Public Secretaries Board	1,299	1,256	1,283	2,043
7	KIPPRA	188,105	157,898	181,199	204,590
8	Kenya Maritime Authority	94,657	96,551	164,169	202,356
9	Kenya Industrial Research & Development Institute	154,936	234,725	250,460	292,858
10	Export Processing Zones Authority	68,241	92,264	248,482	315,123
11	Kenya Industrial Estates	145,625	147,251	151,130	165,619
12	Investment Promotion Centre	85,705	92,136	100,062	
13	Kenya Utalii College	407,020	481,613	764,653	694,887
14	Communication Commission of Kenya	950,994	1,025,245	945,931	1,305,417
15	Horticultural Crops Development Authority	308,562	320,914	460,980	530,619
16	National Irrigation Board	239,750	305,556	379,813	276,000
17	Pest Control Products Board	37,456	35,990	48,628	71,354
18	KEPHIS	317,075	368,380	528,446	589,038
19	Kenya Sugar Research Foundation	160,306	214,104	212,525	264,416
20	Kenya Sugar Board	317,625	285,297	290,362	319,612
21	Kenya Agricultural Research Institute	2,615,074	3,151,161	3,262,560	3,256,901
22	Kenya Marine & Fisheries Research Institute	406,955	433,725	395,873	471,201
23	Egerton University	1,868,340	2,139,203	2,561,969	2,618,982
24	Jomo Kenyatta University of Agriculture & Technology	1,277,786	1,588,926	2,004,374	2,499,707
25	Kenyatta University	2,424,729	2,506,715	3,221,800	3,520,067
26	Maseno University	922,335	1,015,259	1,190,879	1,615,111
27	Moi University	2,211,668	2,549,086	3,666,341	4,346,397
28	University Of Nairobi	6,722,308	5,500,501	5,764,921	6,541,308
29	High Education Loans Board	294,254	314,601	347,323	435,789
30	Kenyatta National Hospital	3,880,309	5,253,316	5,208,358	5,925,277
31	Kenya Medical Training College	1,230,870	1,362,410	1,560,672	1,936,041
32	Kenya Medical Research Institute	2,893,004	3,353,199	3,924,424	4,376,176
33	Tana & Athi River Development Authority	771,551	821,495	0	
34	Ewaso Ng'iro North Development Authority	28,795	32,071	41,832	45,904
35	Bomas of Kenya	130,779	97,894	102,519	125,391
36	National Museums of Kenya	477,333	629,597	1,011,528	814,787
37	Kenya National Library Services	479,716	444,000	443,083	639,000
38	Ewaso Nyiro South	53,056	64,752	41,832	45,904
39	Kenya Ferry Services	465,390	484,413		610,449
40	National Cereal And Produce Board	2,120,255	2,736,395	4,078,691	5,700,316
41	National Housing	428,842	554,951	606,967	668,406
42	NEMA	336,902	361,323	0	
43	Agro-Chemical And Food Company Ltd	377,336	125,295	636,199	909,952
44	Coffee Development Fund		124,820	688,533	265,198

ANNEX II

	Name	Actual 2005/2006	Actual 2006/2007	Actual 2007/2008	Budget 2008/2009
45	Athi Water Services Board	458,136	681,278	583,522	469,430
46	Kenya Investment Authority	85,705	92,136	104,555	246,540
47	Co-Operative College Of Kenya	91,111	119,980	151,271	167,486
48	Kenya Literature Bureau	381,133	377,226	0	
49	Kenya Medical Supplies Agency	245,080	353,941	450,699	556,597
50	Kenya Accountants And Secretaries National Examination Board	278,216	320,926	372,192	515,700
51	The Jomo Kenyatta Foundation	195,597	205,454	465,061	522,603
52	Kisii University	117,398	132,271	135,015	144,261
53	Kenyatta International Conference Center, (KICC)	178,428	240,526	260,411	417,912
54	Kenya Water Institute (KEWI)	62,892	92,632	0	
55	Kenya Wildlife Services (KWS)	2,637,971	3,422,622	5,809,631	4,588,887
56	Lake Victoria South Water Services Board (LVSWB)	97,811	126,732	108,400	
57	Kenya Wines Agencies Limited (KWAL)	297,364	396,818	1,290,050	1,482,088
58	Nyayo Tea Zones Development Corporation	206,697	382,516	341,521	385,474
59	National Water Conservation & Pipeline Corporation	2,193,070	2,560,064	0	
60	Sport Stadia Management Board (SSMB)	151,057	182,704	196,829	225,173
61	The Jomo Kenyatta Foundation	195,597	205,454	465,061	522,603
62	Kenya Airports Authority	-	-	3,238,899	3,794,253
63	Kenya Broadcasting Corporation	-	-	1,388,099	1,395,894
64	Kenya coconut development authority	-	-	25,500	64,772
65	National Health Insurance Fund	-	-	4,272,850	4,980,765
66	National Social Security Fund	-	-	3,685,931	3,436,737
67	Postal Corporation of Kenya	-	-	3,030,230	3,234,270
68	South Nyanza Sugar company	-	-	2,755,966	3,236,708
69	Chemelil Sugar company	-	-	2,704,314	2,603,319
70	Athi water services Board	-	-	583,522	469,430

Source: Ministry of Finance

ANNEX III: EXPENDITURES AND APPROVED BUDGETS FOR LOCAL AUTHORITIES

	Local Authority Name	FY 2003-04	FY 2004-05	FY 2005-06	FY 2007-08	FY 2008-09
		ACTUAL	ACTUAL	ACTUAL	ACTUAL	ESTIMATES
1	Nairobi City	5,977,525,562	3,224,208,882	4,981,810,866	8,037,898,825	7,678,045,436
6	Ahero TC	NA	16,910,521	21,459,348	25,878,012	40,639,153
11	Awendo TC	23,957,709	21,454,108	30,361,315	42,521,558	52,180,526
16	Baringo CC	43,488,913	28,064,837	44,004,834	66,089,723	72,526,775
21	Bomet CC	36,397,592	36,544,076	48,168,015	84,896,187	86,221,519
26	Bomet MC	26,749,489	17,487,732	20,660,830	28,239,624	31,711,289
31	Bondo CC	35,577,979	26,241,228	40,521,098	60,417,395	69,928,561
36	Bondo TC	12,245,735	13,507,298	17,030,240	21,023,937	24,166,601
41	Bungoma CC	76,653,387	43,198,883	88,775,900	157,622,511	157,269,808
46	Bungoma MC	NA	70,047,112	39,035,554	94,604,370	99,100,407
51	Bureti CC	34,419,035	41,173,467	40,942,849	58,400,405	67,267,664
56	Burnt Forest TC	7,653,614	6,936,590	11,495,445	13,760,848	15,894,019
61	Busia CC	38,540,693	34,999,521	45,862,867	66,112,872	70,824,899
66	Busia MC	38,841,618	26,646,482	50,255,902	82,772,331	83,327,739
71	Butere-Mumias CC	68,309,949	68,828,782	75,844,086	105,322,026	118,730,156
76	Chepareria TC	3,736,242	2,816,185	5,561,445	5,955,982	7,188,768
81	Chogoria TC	12,469,513	7,079,278	11,657,057	16,863,167	16,985,683
86	Chuka MC	16,211,143	12,599,756	20,917,624	31,174,232	33,568,311
91	Eldama Ravine TC	17,379,502	17,349,618	31,134,695	28,776,202	35,864,409
96	Eldoret MC	226,830,714	254,441,783	348,949,235	411,468,413	542,697,505
101	Embu CC	25,338,834	23,605,591	31,720,815	49,856,145	49,107,573
106	Embu MC	80,069,113	35,901,048	60,957,595	83,502,273	105,254,353
111	Funyula TC	6,675,831	4,360,561	4,976,071	7,962,568	8,223,667
116	Garissa CC	35,516,291	37,280,135	45,442,531	66,481,173	76,428,559
121	Garissa MC	41,936,154	35,009,979	45,359,870	79,679,035	92,536,430
126	Gucha CC	27,223,856	37,508,967	42,407,180	70,387,310	73,918,653
131	Gusii CC	32,921,800	36,573,562	46,062,036	73,281,528	74,527,282
136	Homa Bay CC	26,730,764	27,023,848	33,480,679	45,529,420	54,891,313
141	Homa Bay MC	40,607,744	30,568,404	42,906,835	64,052,890	77,505,375
143	Ijara CC	9,114,541	10,394,766	11,780,803	18,503,995	15,661,570
146	Isiolo CC	88,897,584	19,893,750	169,987,075	181,695,585	200,324,611
151	Iten-Tambach TC	9,147,105	7,797,222	13,119,119	18,462,543	18,300,760
156	Kabarnet MC	17,709,562	13,972,905	18,853,396	26,065,316	29,530,593
161	Kajiado TC	15,790,747	9,362,104	15,326,117	20,066,096	22,747,529
166	Kakamega CC	NA	54,243,808	73,695,418	119,071,520	119,347,395
171	Kakamega MC	62,643,089	59,686,503	78,950,446	112,572,963	140,800,497
176	Kandara TC	4,933,991	5,070,919	6,381,331	10,349,898	10,930,895
181	Kangema TC	10,278,735	8,347,604	11,108,408	18,686,202	15,396,084
186	Kangundo TC	37,989,969	26,725,094	39,789,747	59,825,648	66,222,487
191	Kapenguria MC	15,318,669	15,736,619	22,417,825	34,867,242	39,783,797
196	Kapsabet MC	29,515,887	22,214,208	33,534,346	43,485,183	56,826,006
201	Karatina MC	52,113,306	35,309,087	41,882,325	48,097,605	52,311,144
206	Karuri TC	24,470,618	23,633,459	33,063,168	50,829,036	51,357,774
211	Kehancha MC	57,598,167	33,708,676	46,183,783	56,380,756	71,143,195
216	Keiyo CC	28,999,034	18,956,620	26,457,395	38,567,111	41,146,726
221	Kendu Bay TC	NA	5,022,710	7,167,568	10,680,451	115,586,605
226	Kericho MC	NA	66,379,501	78,277,952	90,643,739	123,648,131
231	Keroka TC	13,313,379	12,815,914	18,903,352	32973569	26974041

ANNEX III

	Local Authority Name	FY 2003-04 ACTUAL	FY 2004-05 ACTUAL	FY 2005-06 ACTUAL	FY 2007-08 ACTUAL	FY 2008-09 ESTIMATES
236	Kerugoya/Kutus MC	34,069,483	27,579,857	45,048,825	55,395,185	64,167,051
241	Kiambu CC	62,295,513	54,362,486	71,847,637	104,162,157	112,411,347
246	Kiambu MC	NA	36,560,984	55,228,338	74,849,811	76,890,733
251	Kikuyu TC	54,779,338	52,268,885	66,500,359	77,864,911	88,597,768
256	Kilifi CC	52,344,550	579,765,597	85,531,762	130,074,054	149,433,554
261	Kilifi TC	31,371,593	34,982,864	44,565,199	67,194,451	68,906,007
266	Kimilili MC	18,498,733	15,424,039	25,589,978	36,237,713	41,753,437
271	Kipkelion TC	10,241,250	7,954,821	9,843,244	14,342,708	15,728,280
276	Kipsigis CC	50,656,123	64,065,621	64,348,313	84,724,820	98,119,113
281	Kirinyaga CC	111,298,816	96,097,550	120,459,140	171,834,466	181,860,213
286	Kisii MC	46,455,782	61,488,824	75,484,132	119,660,269	119,153,911
291	Kisumu CC	27,987,395	20,576,672	28,830,507	48,433,985	46,396,889
296	Kisumu MC	283,036,079	241,673,332	381,899,824	485,836,573	766,095,631
301	Kitale MC	69,700,416	75,998,372	95,762,575	122,281,562	181,996,832
306	Kitui CC	65,247,813	59,888,764	79,498,284	113,920,899	122,695,202
311	Kitui MC	44,335,165	36,693,244	51,503,335	72,184,219	80,340,618
316	Koibatek CC	22,000,146	16,846,027	45,855,313	39,194,290	48,800,450
321	Kwale CC	66,577,347	88,161,428	115,011,021	174,711,093	204,345,626
326	Kwale TC	15,378,211	7,471,726	10,835,870	17,253,926	14,496,437
331	Laikipia CC	50,972,972	42,770,895	53,465,667	73,973,058	75,471,242
336	Lamu CC	17,678,508	18,796,815	28,404,313	42,085,310	48,260,666
341	Limuru MC	28,989,378	31,129,766	34,340,133	51,343,325	52,039,181
346	Litein TC	18,823,562	15,924,799	20,058,112	27,716,109	30,578,971
351	Lodwar MC	14,648,472	13,098,115	14,872,245	22,333,840	31,173,785
356	Londiani TC	11,310,131	9,285,811	10,593,601	13,178,600	16,603,432
361	Luanda TC	15,274,800	13,983,956	17,140,185	36,299,214	31,622,767
366	Lugari CC	NA	37,191,947	44,651,570	61,462,837	80,292,799
371	Machakos MC	60,972,181	62,974,809	92,349,988	129,292,702	138,290,873
376	Makueni CC	113,708,710	92,701,252	116,819,524	187,237,852	192,955,598
381	Makuyu TC	9,557,374	9,468,588	14,818,968	27,804,946	23,718,313
386	Malaba TC	32,817,139	8,156,223	34,098,042	55,449,202	48,220,852
391	Malakisi TC	6,259,409	6,803,201	7,770,647	12,254,786	13,728,183
396	Malava TC	11,540,637	8,665,613	15,786,574	20,727,481	22,729,377
401	Malindi CC	43,491,090	18,946,362	48,225,134	69,394,516	66,388,198
406	Malindi MC	121,794,369	76,710,045	115,588,775	151,210,471	179,641,982
411	Mandera CC	30,566,175	27,750,313	39,849,453	66,991,854	69,122,923
416	Mandera TC	25,530,726	20,236,960	30,900,665	45,059,193	48,179,040
421	Maragwa CC	52,386,898	55,723,403	72,511,626	95,089,112	102,759,057
426	Maragwa TC	8,812,924	9,110,065	16,699,999	17,854,329	21,221,876
431	Marakwet CC	23,148,701	21,517,135	28,008,581	37,440,309	42,049,968
436	Maralal TC	14,323,278	16,976,694	20,894,617	26,279,212	29,327,273
441	Mariakani TC	NA	13,030,644	25,447,609	37,790,160	39,270,289
446	Marsabit CC	28,597,160	19,582,622	30,397,046	42,346,385	45,305,953
451	Masaku CC	108,418,698	78,929,244	114,456,978	185,531,072	175,772,831
456	Masimba TC	8,596,651	6,891,346	8,212,703	12,994,314	13,392,469
461	Matuu TC	14,464,507	12,996,199	23,130,732	28,399,300	30,341,000
466	Maua MC	21,840,723	16,137,926	28,192,476	40,268,614	41,528,810
471	Mavoko MC	92,789,143	85,021,306	144,638,590	220,151,503	199,903,265
476	Mbeere CC	23,440,403	30,349,431	37,870,540	71,576,291	59,121,420
481	Mbita Point TC	9,042,098	8,352,927	12,430,459	16,723,092	18,855,822
486	Meru CC	NA	78,674,398	95,362,165	131,036,282	145,943,019
491	Meru MC	57,064,459	52,440,590	67,113,178	98,464,249	111,938,913

ANNEX III

		FY 2003-04	FY 2004-05	FY 2005-06	FY 2007-08	FY 2008-09
	Local Authority Name	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ESTIMATES
496	Meru South CC	22,408,777	22,108,792	29,862,783	39,444,901	45,390,023
501	Migori CC	31,290,985	37,480,082	53,428,611	67,713,035	82,759,464
506	Migori MC	44,042,430	28,672,359	37,880,048	52,291,427	70,311,717
511	Molo TC	24,460,155	19,516,253	33,834,447	42,899,685	45,431,469
516	Mombasa MC	NA	785,609,764	1,057,726,087	1,861,830,719	2,026,902,115
521	Mt. Elgon CC	NA	19,034,131	22,955,441	35,343,449	37,826,456
526	Moyale CC	29,070,835	24,982,019	26,352,150	41,187,219	36,233,776
531	Mtiti Andei TC	NA	9,316,464	12,589,709	16,551,362	17,494,747
536	Muhoroni TC	13,899,889	11,035,680	16,295,861	26,496,813	26,846,237
541	Mumias MC	38,564,865	30,366,188	46,549,617	73,171,164	88,786,498
546	Murang'a CC	59,820,651	52,301,896	77,216,606	107,922,639	114,915,639
551	Murang'a MC	36,294,858	25,553,111	48,129,537	69,616,038	66,387,088
556	Mwingi CC	29,350,745	34,296,788	40,187,468	70,901,749	63,672,032
561	Mwingi TC	17,600,081	16,537,325	23,330,522	30,312,407	36,214,351
566	Naivasha MC	76,240,361	62,950,771	70,791,605	104,852,387	117,943,557
571	Nakuru CC	173,067,513	160,827,505	172,269,144	261,773,250	297,725,146
576	Nakuru MC	304,008,034	341,553,490	370,393,611	574,830,925	607,125,500
581	Nambale TC	9,275,826	7,034,267	9,141,130	14,960,138	13,985,544
586	Nandi CC	57,203,535	62,009,102	72,011,509	101,425,511	119,036,068
591	Nandi Hills TC	13,801,353	12,312,861	21,098,660	33,403,856	31,871,998
596	Nanyuki MC	NA	73,788,881	158,377,491	128,844,235	174,482,430
601	Narok CC	364,837,460	37,776,739	509,465,917	709,783,309	706,770,307
606	Narok TC	20,652,275	18,885,265	33,196,619	54,423,327	51,935,391
616	Nyahururu MC	68,308,879	64,306,743	78,858,468	75,375,594	109,996,647
621	Nyamache TC	8,421,589	5,796,413	7,317,832	13,442,129	12,627,571
626	Nyamarambe TC	NA	6,579,694	8,056,920	12,507,356	13,069,554
631	Nyambene CC	50,297,683	66,906,496	87,528,299	122,614,204	142,185,243
636	Nyamira CC	41,655,903	46,007,362	58,603,822	88,360,993	102,563,098
641	Nyamira TC	12,619,683	13,019,066	16,248,939	26,521,838	27,639,997
646	Nyandarua CC	88,305,981	89,625,792	137,805,768	181,188,835	188,242,918
651	Nyando CC	29,991,254	32,635,130	41,189,091	59,698,454	66,382,905
656	Nyansiongo TC	14,504,084	9,526,703	9,523,938	14,234,472	16,167,898
661	Nyeri CC	89,222,362	79,418,779	122,249,077	158,963,346	179,540,590
667	Nyeri MC	124,181,771	93,457,889	118,160,907	174,720,737	223,481,342
671	Nzoia CC	55,432,890	55,047,187	79,799,691	124,069,686	126,316,503
676	Ogembo TC	15,856,349	9,228,831	12,187,951	21,613,748	23,384,249
681	Olkalou TC	26,101,780	19,328,360	32,860,544	43,201,928	51,275,729
686	Olkejuado CC	103,514,681	80,000,939	135,172,083	249,566,556	219,019,766
691	Othaya TC	15,073,444	12,762,103	18,632,868	26,004,995	28,398,905
696	Oyugis TC	22,175,355	21,059,770	28,383,734	32,186,273	41,130,405
701	Pokot CC	23,997,676	24,262,250	31,539,299	65,033,777	55,782,731
706	Port Victoria TC	12,163,300	5,493,024	8,655,746	12,198,534	13,513,556
711	Rachuonyo CC	27,564,319	25,284,455	31,099,362	47,704,343	52,762,908
716	Rongo TC	20,674,942	14,178,323	24,595,363	33,444,102	38,148,001
721	Ruiru MC	42,991,939	58,772,870	71,732,922	115,178,014	140,344,202
726	Rumuruti TC	11,631,737	7,770,457	13,639,383	18,998,945	20,027,924
731	Runyenjes MC	21,368,763	14,388,419	22,185,848	30,160,495	31,383,393
736	Sagana TC	11,484,338	8,808,678	11,440,458	16,941,254	16,822,040
741	Samburu CC	99,035,098	27,545,318	123,399,182	152,795,053	157,821,365
746	Siaya CC	48,806,566	39,598,340	47,175,117	72,107,604	80,287,184
751	Siaya MC	16,935,845	17,481,204	19,240,886	54,257,326	40,502,398
756	Sirisia TC	4,023,497	4,022,540	5,231,149	7,902,173	7,224,952

ANNEX III

	Local Authority Name	FY 2003-04 ACTUAL	FY 2004-05 ACTUAL	FY 2005-06 ACTUAL	FY 2007-08 ACTUAL	FY 2008-09 ESTIMATES
761	Sotik TC	10,254,471	10,189,628	17,518,541	20,388,659	21,308,443
766	Suba CC	21,185,830	20,547,093	29,864,166	53,365,158	50,694,111
771	Suneka TC	15,568,521	11,801,522	12,957,439	19,520,238	20,665,696
776	Tabaka TC	6,826,529	6,740,163	9,187,493	12,417,013	18,930,531
781	Taita Taveta CC	43,939,867	33,548,759	40,060,136	59,285,702	86,058,855
786	Tana River CC	29,010,978	33,008,334	40,141,108	58,234,253	72,296,916
791	Taveta TC	22,648,413	16,172,017	31,880,645	54,190,320	45,644,439
796	Teso CC	15,307,864	17,168,636	21,125,104	32,989,820	37,754,252
801	Tharaka CC	21,639,847	15,916,179	23,673,296	35,021,773	33,944,481
806	Thika CC	75,994,697	70,307,543	99,855,128	150,421,195	150,706,097
811	Thika MC	232,965,720	138,399	310,948,438	501,396,676	431,813,586
816	Transmara CC	90,820,150	19,823,474	106,937,804	94,496,214	131,482,413
821	Turkana CC	37,635,640	49,328,403	62,872,950	103,774,266	109,029,371
826	Ugunja TC	8,506,595	8,333,609	10,402,702	13,249,892	16,429,275
831	Ukwala TC	8,664,616	7,926,550	9,819,327	14,000,157	15,771,925
836	Vihiga CC	34,051,486	37,232,708	46,490,952	69,808,368	77,655,767
841	Vihiga MC	26,050,394	24,723,399	37,722,511	67,167,247	63,837,869
846	Voi MC	22,011,528	25,286,004	30,249,246	47,501,857	49,503,913
851	Wajir CC	52,676,267	46,305,926	61,723,007	101,299,510	106,679,578
856	Wareng CC	82,011,826	55,991,311	89,697,297	119,281,338	134,391,810
861	Webuye MC	NA	22,412,805	43,874,344	52,610,843	64,198,605
866	Wote TC	15,375,974	13,255,627	18,399,790	10,311,807	15,826,874
871	Yala TC	8,072,412	6,985,568	8,189,909	12,274,849	13,100,684
		12,988,430,149	10,685,236,721	15,522,577,495	23,412,251,496	24,736,328,537

Notes:

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

**OPENING REMARKS BY THE PERMANENT
SECRETARY/TREASURY JOSEPH K. KINYUA CBS. ON KENYA'S
REFORM EXPERIENCE, DURING THE VALIDATION
WORKSHOP OF THE DOING BUSINESS (DB) 2010, HELD ON
THURSDAY 14TH MAY 2009**

Permanent Secretaries present;
Senior Government officers;
Private Sector Representatives;
Development partners;
Distinguished Guests;
Ladies and Gentlemen

1. I am pleased to be with you this morning and to officiate this important Doing Business 2010 Validation Workshop. Your presence today demonstrates the importance your organizations attach to our business regulatory reform agenda pursued. As has always been the case, partnership between the private and public institutions of this country, is the only way forward for our reform process, and shall continue to help us in our efforts towards building a conducive and attractive investment environment.
2. As you are aware, Ladies and Gentlemen, Doing Business is a World Bank Initiative that has been applied across 181 economies, and continues to attract more countries on its list. It measures the efficiency and ease of conducting business and attracting investments in a country by looking at specific Indicators and measuring them across all countries with the same parameters.
3. The Government undertook a concerted effort to improve the country's Doing Business (2010) Indicators for the purpose of Formatted improving our international ranking against 181 economies of the world as well as publishing the gains made and the investment opportunities open to both local and international investors. Through the office of the Deputy Prime Minister and Ministry of Finance, we inaugurated the DB Reform Team on 23rd February, 2009 to spearhead and fast track the reform process. The Doing Business reform team consisted of members from both the public and private sectors.
4. The team has now finalized its work and has come up with a draft report which will be presented to you today for validation. You are all therefore, invited to look at the report and ascertain the facts therein and share your views or comments on the findings provided in the report by the Team.
5. Ladies and Gentlemen, we take pride in the progress we have made to date, having concentrated on 6 key indicators, viz; Starting a Business; Dealing with Construction Permits; Registering Property; Getting Credit; Paying Taxes and Trading Across Borders. And we have gone a step further to implement other reforms in 2009. For this year's reform updates, details will be presented to you by different Government officials handling the specific indicators. In summary, however, I wish to highlight the following key reforms;

6. First, the number of days taken to Start a Business in Kenya has been reduced from 30 days reported in DB 2009 to 25 days, thus saving of 5 days. This has been achieved mainly because of elimination of some steps in the registration process such as typing of certificates. Certificates are now generated automatically from the system. Registration approvals are also now being done on the system without consulting physical files.
7. Second, review of the Companies Act is in its final stages as the Draft Bill has been finalized by the Kenya Law Reform Commission and forwarded to the AG for legal drafting.
8. Third, Kenya Investment Authority in collaboration with other Public Bodies is working on the modalities of setting up a One Stop Shop in Kenya. This will consolidate Government approvals for Starting a Business at one access virtual point.
9. Fourth, in Dealing with Construction Permits, the time taken to request and obtain a building permit is now confirmed to be 14days, down from 50days recorded last year, a saving of 36days. This resulted from the second phase of the Performance contracting initiative at the Nairobi City Council.
10. While on Registering Property, a review of the current Titles Registration procedure at the Ministry of Lands has been done with a view to streamlining, simplifying and reducing the procedures. Transformation of manual system of land records into a digital format is being worked on. All paper records are being updated and then computerized.
11. On Getting Credit, the Kenya Law Reform Commission (KLRC) has drafted a number of landmark Bills awaiting parliamentary approval that would significantly improve the legal environment and extend creditor and debtor rights while bringing local laws into line with world-class legislation.
12. And on Trading Across Borders, the paper-based customs administration has been replaced with an electronic data interface system. The programme has enabled importers and exporters to lodge their documentation online. The number of days taken to export from Kenya has fallen from 29 days to 17 days, saving 12 days, while the number of days taken to import goods into Kenya has fallen from 37 to 25 days, saving 12 days. The improvement is explained by KRA's process of selective post clearance verification and risk analysis. KRA also authorized an Economic Operators Scheme for importers, exporters, transporters and clearing agents whose cargo are green channeled and allowed direct release.
13. These have significantly reduced delays on cargo clearance. The new National Single Window System (the Port Community Based System) also provides an electronic platform for submission and receipt of trade related documentation. The platform enables exchange and automated processing of electronic trade/cargo clearance documents documentation. It provides a facility for parties involved in trade and transport to lodge standardized information and documents with a single entry point or portal to fulfill all import, export and transit-related regulatory requirements.
14. Ladies and Gentlemen, as part of the reform process, the Government recently inaugurated the Regulatory Reforms Working Committee, which is a high level committee of public and private sector representatives, mandated to embark on comprehensive regulatory reforms. Under licensing reforms, for instance, the Committee will not only control the stock

of existing licenses but also improve the quality of new regulations. In this regard, we will be launching in July 2009, the electronic registry of licenses in which the public will be able to access all information relating to licenses in Kenya.

15. The e-Registry will not only host all business licenses in force but also ensure scrutiny and transparency of license requirements. Only licenses that will be hosted in the e-Registry will be enforceable. The e - Registry will also encourage information disclosure for all procedures and documents required to do business and ensure that they are updated.

16. We have also started stakeholder consultations on the Business Regulation Bill and the Regulatory Reform Strategy. These two documents will indeed provide the policy and legal underpinning of business regulation reforms going forward. In the medium term, we will be seeking to institutionalize a Regulatory Impact Assessment System to sieve the quality of new regulations in which case, all regulations having an impact on businesses activity will be systematically scrutinized to ensure that they do not unnecessarily impose additional costs, before they are uploaded on to the e-Registry.

17. Ladies and Gentlemen,, many investors choose Kenya as an investment destination because off what the country has to offer,, including;; Strategic Location;; Skilled and qualified Human Resource;; Tourism;; Macroeconomic Stability;; Market Access;; and abundant Natural Resources.. The Government has taken measures to promote investments in this country through diverse ways such as;; Investment Guarantees;; Investment Incentives;; favorable Taxation levels;; as well as a smooth Investment Procedure that is efficient,, cost effective and friendly to investors.

18. Going forward, we are determined to deepen our reform efforts in order to achieve our Vision 2030 objectives, and we feel quite confident that we will be one of the top ten reformers again even in DB 2010 as we consider that is where we belong.

I Thank You for Your Attention and Wish You Fruitful Deliberations.

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ECONOMIC STIMULUS PROGRAMME 2009/10

The 2009/10 Budget Speech whose theme is ‘**Overcoming Today’s Challenges for a Better Kenya Tomorrow**’, is premised on the need to urgently overcome the socio-economic challenges facing the Country. the implementation of the budget therefore, would not only restore the confidence of Kenyans in their country and its institutions, but would also jump start the return of the economy back to a long term growth path, while at the same time, providing the impetus for building a cohesive, equitable and prosperous Kenya.

The key objectives of the Economic Stimulus Programme (ESP) are as follows:

- boost the country’s economic recovery and return the economy back to the envisioned medium term growth path;
- expand economic opportunities in rural areas for employment creation;
- promote regional development for equity and social stability;
- improve infrastructure and the quality education and healthcare for all Kenyans;
- invest in the conservation of the environment, renewable energy and food Security;
- Expand the access to, and build the ICT capacity of our people in order to expand their economic opportunities and accelerate economic growth.

THE KEY COMPONENTS OF ESP ARE AS FOLLOWS:

- **Construction of Fresh-Produce/Grain and Wholesale Markets** in 180 constituencies
- **Construction and Equipping of One Jua Kali Shed Per Constituency** in order to empower youth to directly benefit from the massive social infrastructure projects and construction works at the constituency level
- **Building of two Primary Schools, one Centers of Excellence, Recruitment of Teachers so as** to upgrade infrastructure and improve on the quality of education for a better foundation consistent with the requirements of the modern labour market. It **also involves Planting of Trees** to appreciate the value of a clean environment and learn how to conserve the environment.
- **Making Quality Healthcare Accessible to all Kenyans**, the project aimed at rolling out a comprehensive program of healthcare reforms covering infrastructure development, promotion of preventive healthcare and devolved management of facilities.
- **Reduce Reliance on Rain-Fed Agriculture** through rehabilitation and expansion of irrigable land under Bura, Hola, Tarda, Wei Wei and Kerio Valley.
- **Construction of Fish-Farming Ponds for 140 Constituencies** to improve nutrition and create over 120,000 employment and income opportunities
- **Expanding ICT Access** to Kenyans through secondary schools

Implementation Period

The implementation period is envisaged to be six (6) months and it is expected to be completed by end December 2009. The total budget for the ESP is KShs. 22 Billion.