



Republic of Kenya

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



Quarterly Economic and Budgetary Review

**Fourth Quarter
2010/2011**

August 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	Central 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
KNBS	Kenya National Bureau of Statistics
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: 2010/2011

1. Recent Economic Developments

Our economy remains resilient. Real GDP growth for the first quarter of 2011 was 4.9 per cent, up from 4.3 per cent for the same quarter of 2010. This growth was attributed to accelerated expansion in activities of the transport and communications, financial intermediation and construction industries and a rebound in the hotels and restaurants and electricity and water sectors during the quarter. The expansion was also supported by growths in manufacturing, wholesale and retail trade. The economic performance improved despite the period being characterized by poor rains and high energy prices which to a certain extent restrained growth in some sectors.

2. The Overall Fiscal Balance

The cumulative overall fiscal balance, on a commitment basis (excluding grants) registered a deficit of KShs. 144.3 billion (equivalent to 5.2 percent of GDP) through end-June 2011 compared with a deficit of KShs. 177.1 billion (equivalent to 7.2 percent of GDP) for FY 2009/10.

3. Total Revenue Collection

The Central Government cumulative revenue collection to end-fourth quarter of FY 2010/11 was KShs. 667.5 billion (equivalent to 24.2 percent of GDP) against a target of KShs. 686.4 billion (equivalent to 24.9 percent of GDP). This performance was below the programme target by KShs. 18.9 billion.

4. Government Expenditure and Net Lending

The Central Government cumulative expenditure and net lending for the period ending 30th June 2011 amounted to KShs. 811.8 billion. This was KSh.106.2 billion below the target of KShs.918.1 billion. This low absorption in expenditure arose mainly in operations and maintenance as well as non-capture of some district expenditures.

5. Guaranteed Loans

Cumulative actual payments of guaranteed debts for Parastatals with liquidity problems amounted to KShs. 1,149.6 million as at end-June 2011 against scheduled payments of KShs. 975.4 million. The variance between the actual payment and projected payments is attributed to exchange rate fluctuations.

6. External Financing

External financing amounted to net borrowing of KShs. 27.9 billion by the end of June 2011 compared to a net borrowing of KShs. 22.4 billion in a similar period in FY 2009/10.

7. Net Domestic Borrowing

The Net domestic borrowing for FY 2010/11 was KShs. 90.4 billion (equivalent to 3.3 percent of GDP), compared to the programme target of KShs. 125.6 billion (equivalent to 4.6 percent of GDP).

8. Total Domestic Debt

Total domestic debt stock increased by 15.7% from KShs. 660.3 billion at end-June 2010 to KShs. 764.1 billion by the end of June 2011.

9. External Debt

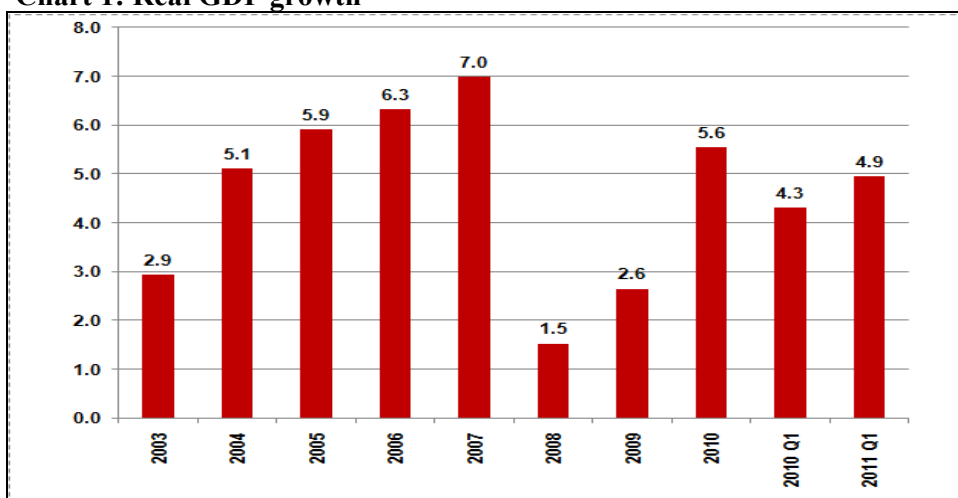
Total external debt rose from KShs. 565.5 billion in June 2010 to KShs. 727.3 billion by 30th June 2011. The debt stock comprised of multilateral (60.7 percent), bilateral (35.9 percent) and export credit (3.4 percent).

1.0 RECENT ECONOMIC DEVELOPMENTS

1.1 Economic Growth

1. Despite the challenges associated with drought and high food and fuel prices, the economy grew by 4.9 percent in the first quarter of 2011 compared with 4.3 percent in 2011 (Chart 1). Strong growth is expected to continue in the remainder of 2011 in many sectors with the exception of the agricultural sector whose growth is constrained as a result of weather conditions in the first months of the year.

Chart 1: Real GDP growth



Source: KNBS

2. The growth recorded in the first quarter of 2011 was attributed to accelerated expansion in activities of the transport and communications, financial intermediation and construction industries and a rebound in the hotels and restaurants and electricity and water sectors during the quarter. The expansion was also supported by growths in manufacturing, wholesale and retail trade. The economic performance improved despite the period being characterized by poor rains and high energy prices which to a certain extent restrained growth in some sectors.

3. The agricultural sector growth slowed to 2.2 per cent in the first quarter of calendar year 2011 compared to a growth of 5.7 per cent over the same quarter in 2010. Subdued rainfall during the quarter led to the deceleration in growth as a result of decreased production of a number of marketed products, notably the volume of tea and coffee. Tea deliveries to marketing boards declined by 23.8 per cent from 111.7 thousand metric tonnes in the first quarter of 2010 to 85.2 thousand metric tonnes in 2011 while deliveries of coffee declined by 28.0 per cent to 11.3 thousand metric tonnes. However, there was an increase in the export of horticultural produce supported by improved external demand which consequently boosted production in the agriculture sector during the quarter. Exports of cut flowers increased to 21,887 metric tonnes in 2011 compared to 18,639 metric tonnes in 2010. Vegetable exports increased by 23.4 per cent to 16,184 metric tonnes in the quarter ending March 2011. Over the same period, the quantity of exported fruits grew by 37.9 per cent to 6,499 metric tonnes from 4,712 metric tonnes in the quarter ending March 2010

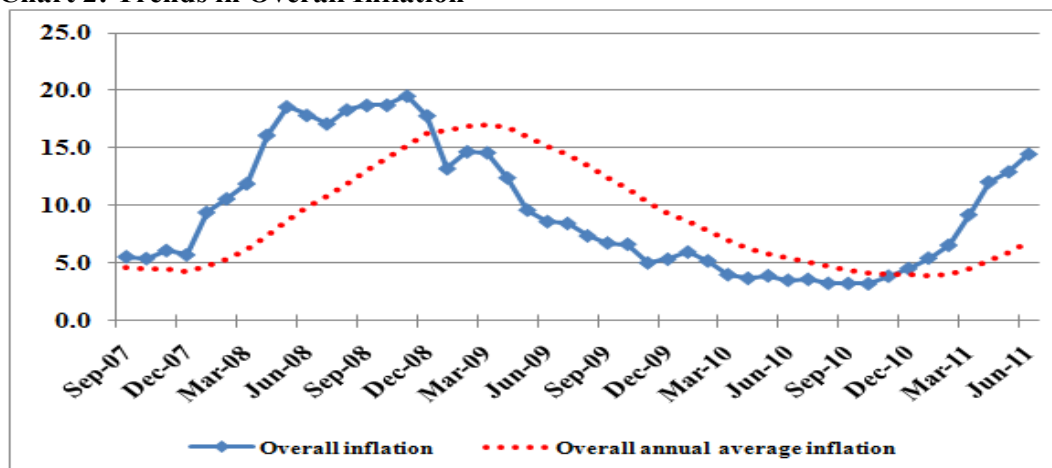
4. The financial intermediation sector recorded a growth of 10.9 per cent in the quarter ending March 2011 compared to a growth of 5.0 per cent in the same quarter of 2010. Notably, total domestic credit increased by 26.9 per cent to stand at KShs. 3.9 billion compared to an expansion of 3.1 per cent over a similar period of 2010. Similarly, total credit extended to the private sector increased by 22.8 per cent during the quarter against an increase of 16.7 per cent in the same quarter of 2010
5. Growth of the manufacturing sector slowed to 3.2 per cent during the quarter ending March 2011 compared 6.0 per cent attained during the same period in 2010. The slower growth was partly a consequence of a slowdown in some economic activities especially processing of coffee, manufacture of motor vehicles tyres, soap, beer, and assembly of motor vehicles.
6. The water and electricity sector rebounded to record a growth of 3.5 per cent compared to a contraction of 2.5 per cent in the quarter ending March 2010. The turnaround was largely attributed to increased production of hydro electricity whose generation is comparatively cheaper than that of thermal electricity. The increase in generation of hydro electricity was boosted by the good rains experienced in 2010
7. The hotels and restaurants sector recorded an impressive performance posting 8.3 per cent growth compared to a contraction of 2.7 per cent over the same period in 2010. The expansion was realized through increased arrivals of visitors at the Jomo Kenyatta and Moi International Airports
8. Transport and communication sector expanded by 6.5 per cent in the quarter ending March 2011 compared to a growth of 6.0 per cent in the same quarter of 2010. The growth was well spread with road and air transport recording modest growths while telecommunications expanded substantially mainly due to reduced call charges. The consumption of light diesel, which is an indicator of the performance in road transport, increased to 318.4 thousand metric tonnes from 301.5 thousand metric tonnes in the quarter ending March 2010
9. Activities of the construction sector expanded substantially mainly supported by increased bank credit to the private sector for real estate development. Consequently, the sector recorded an impressive growth of 10.7 per cent in the quarter ending March 2011, compared to the dismal performance of 0.3 per cent in 2010. The sector's growth was also supported by the massive road infrastructure projects being undertaken in various parts of the country. The growth in the sector was also reflected in cement consumption which significantly increased to 779.3 million tonnes from 667.1 million tonnes consumed in the quarter ending March 2010, representing a growth of 16.8 per cent

1.2 Inflation

10. Inflationary pressure persisted during the first half of 2011. The upward trend in the 12-month overall inflation rate persisted for the eighth consecutive month to reach 14.5 percent in June 2011. By July 2011, inflation had increased to 15.5 percent. The average annual inflation increased in the month of June 2011 to stand at 6.9 percent, from 6.0 percent in May 2011 (Chart 2). The upward trend in inflation was on account of high food and fuel prices, and rising cost of alcoholic drinks, even though the international crude oil prices

declined in June 2011.

Chart 2: Trends in Overall Inflation



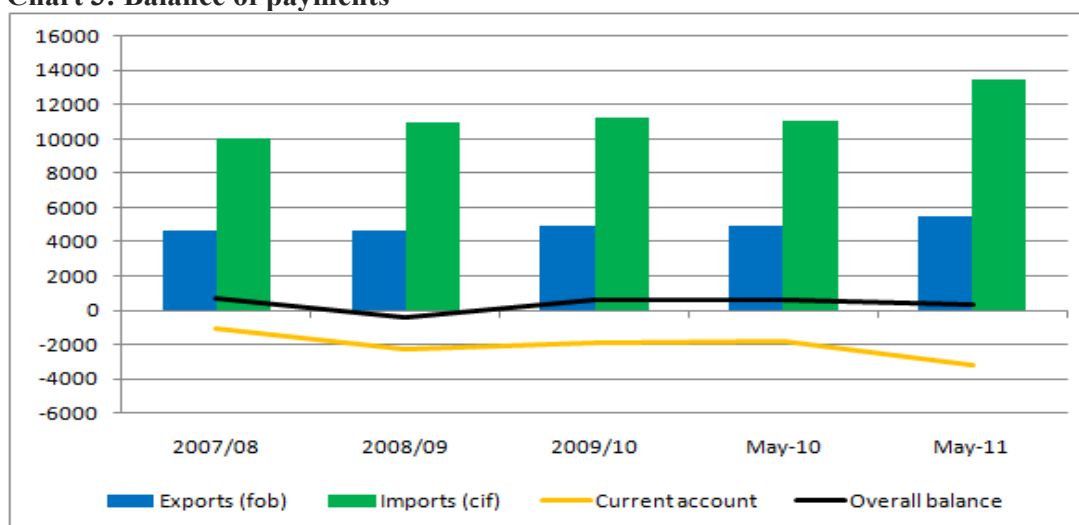
Source: KNBS

11. The alcoholic beverages, tobacco and narcotics basket's inflation responded swiftly to taxation measures announced in the FY 2011/2012 Budget and increased from 8.7 percent in May 2011 to 11.5 percent in June 2011. Food inflation increased from 20.1 percent in May 2011 to 22.5 percent in June 2011, with notable price increases in food items such as maize flour, maize grain, carrots, sugar and rice. Nonetheless, the prices of some food items such as potatoes, *sukuma wiki* (Kale) and green maize declined during the month of June with improved supplies of the foodstuffs due to the rains being experienced some parts of country. Inflation for all the other consumer baskets increased, with the exception of the communication basket, which experienced a marginal decline during the month.

1.3 Balance of Payments

12. The external payment position weakened in the year to May 2011. The overall balance of payments surplus decreased by 43.2 percent to US\$ 360 million in the year to May 2011 (Chart 3 and Table 1a) from US\$ 633 million in a similar period in 2010. This was on account of a widening of the current account deficit following deterioration in the trade account. Reflecting a faster growth in the value of merchandise imports relative to exports, the trade account balance worsened by 29.1 percent to US\$ 8,024 million from US\$ 6,215 million. This more than offset the increased surplus in the services account, resulting in the deterioration of the current account deficit from US\$ 1,851 million to US\$ 3,187 million. Meanwhile, following increased private capital and net inflows to commercial banks, the capital and financial account surplus improved by 42.8 percent to US\$ 3,547 million from US\$ 2,484 million.

Chart 3: Balance of payments



Source: CBK

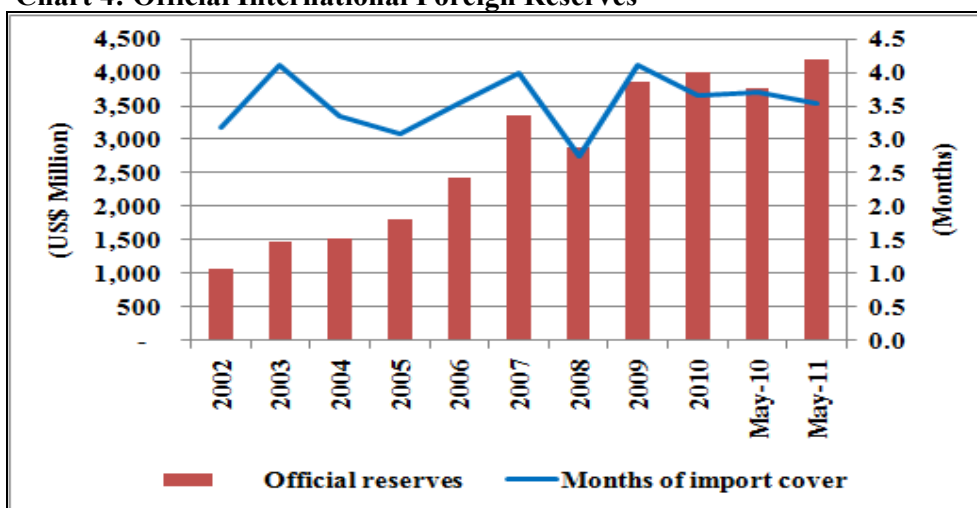
Table 1a: Balance of Payments Developments (US \$ Million)

	2007/08	2008/09	2009/10	2010	2011	%
	Act.	act	Prov.	May	May	Change
Current account	-1073	-2296	-1920	-1851	-3187	72.2
<i>Trade balance</i>	-5428	-6281	-6351	-6215	-8024	29.1
<i>Exports (fob)</i>	4648	4642	4932	4885	5462	11.8
Coffee	169	179	194	197	218	10.3
Tea	755	877	1127	1098	1109	1.0
Horticulture	739	668	715	713	736	3.2
Man. goods	571	570	570	558	654	17.2
Raw materials	320	247	219	225	250	11.2
Re-exports	213	281	317	318	301	-5.3
<i>Imports (cif)</i>	10076	10923	11283	11101	13486	21.5
Oil	2448	2556	2636	2614	3197	22.3
Chemicals	1318	1384	1427	1398	1796	28.4
Man. goods	1505	1477	1625	1577	1990	26.2
Machinery & trans. eqpt	2762	3151	3212	3110	3998	28.6
<i>Services</i>	4355	3985	4431	4364	4837	10.8
<i>Capital & financial</i>	1756	1874	2512	2484	3547	42.8
Overall balance	683	-422	592	633	360	-43.2
<i>Official reserves</i>	3445	3219	3799	3755	4202	11.9
<i>Months of import</i>	3.7	3.3	3.7	3.7	3.5	

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 rose to US\$ 4.2 billion by end-May 2011 from US\$ 3.8 billion at end-May 2010. However, due to increased value of merchandise imports, official reserves declined, in terms of months of imports cover, from 3.7 months to 3.5 months, but in terms of previous three years of import coverage, it was within the 4 months statutory minimum stipulated in the CBK Act (Chart 4).

Chart 4: Official International Foreign Reserves

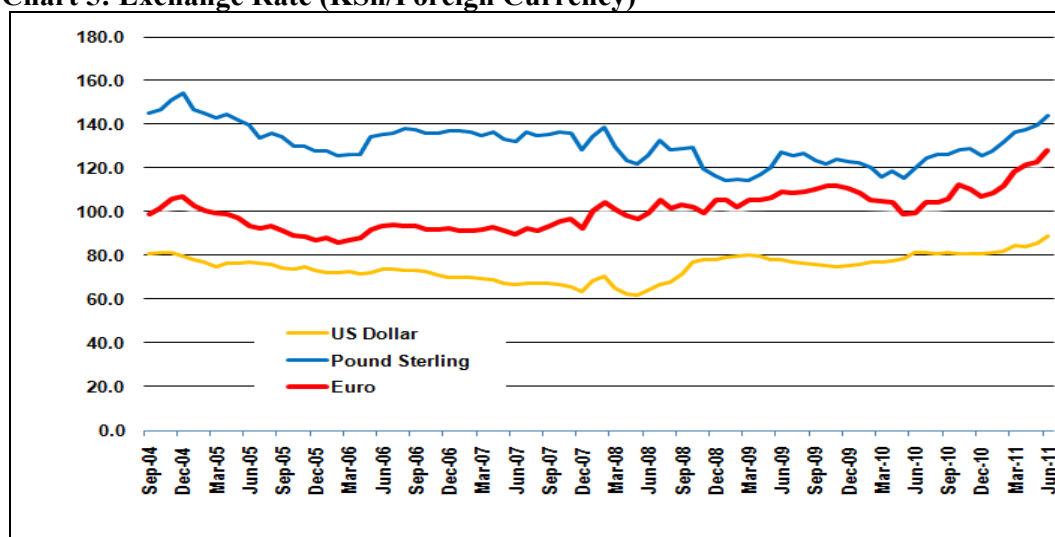


Source: CBK

1.5 Exchange Rates

14. Developments in the balance of payments were mirrored in the foreign exchange market, even though there was an element of speculative activity in the market. Owing to the weakening of the external position as a result of higher capital goods imports and the spike in fuel prices, the Kenya Shilling remained under pressure during the second quarter of 2011 (Chart 5). Against the US dollar, the shilling depreciated by 5.4 percent to trade at an average of KShs. 88.9 per dollar in June 2011 compared to KShs. 84.3 per dollar in March 2011. Against the Sterling Pound and the Euro, the shilling lost grounds to exchange at KShs. 144.1 and KShs. 127.7 in June 2011, respectively, compared to KShs. 136.2 and KShs.118.0 in March 2011. Regionally, the shilling lost to the South African Rand and Ugandan Shilling but stabilized against the Tanzanian shilling.

Chart 5: Exchange Rate (KSh/Foreign Currency)

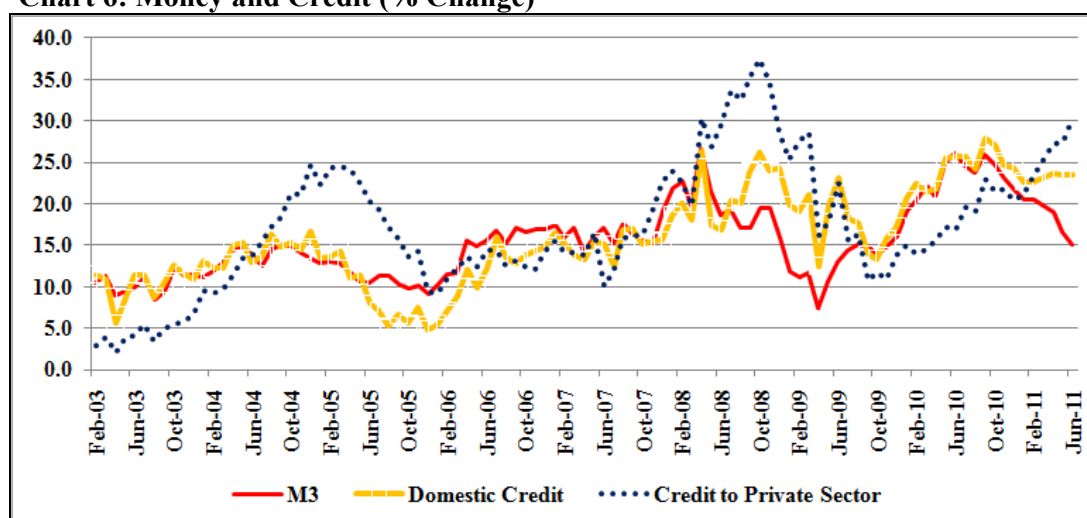


Source: CBK

1.6 Money and Credit

15. Expansion in broad money supply, M3, decelerated to 15.1 percent in the twelve months to June 2011 from 26.2 percent over a similar period in 2010 (Chart 6). The reduced expansion in money supply reflected slower growth in both Net Domestic Assets (NDA) and Net Foreign Assets (NFA) of the banking sector, which rose by 19.6 percent and 0.5 percent in the year to June 2011, respectively, compared with 34.6 percent and 4.6 percent a year ago. The slow growth in NDA reflected a reduction in government borrowing from the banking sector which declined by 0.4 percent compared to a growth of 59.7 percent over a similar period in 2010 while that of NFA was occasioned by a weaker external position. Meanwhile, following increased lending to the real estate, agricultural, manufacturing and mining and quarrying sectors, growth of credit to the private sector increased from 16.8 percent to 30.5 percent.

Chart 6: Money and Credit (% Change)

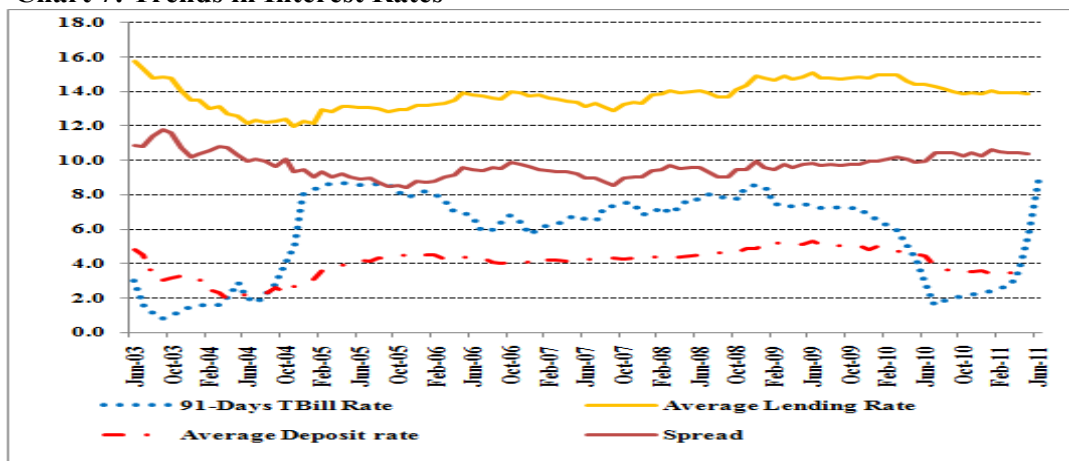


Source: CBK

1.7 Interest Rates

16. As shown in chart 7, short term interest rates trended upward during the fourth quarter of 2011. The average interest rate on the 91-day Treasury Bill rose to reach 9.0 percent in June 2011 from 2.8 percent in March 2011 while the average interest rate for the 182-day Treasury Bill rose to 9.9 percent from 3.1 percent. 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, which had risen to 30.5% by June 2011.

Chart 7: Trends in Interest Rates



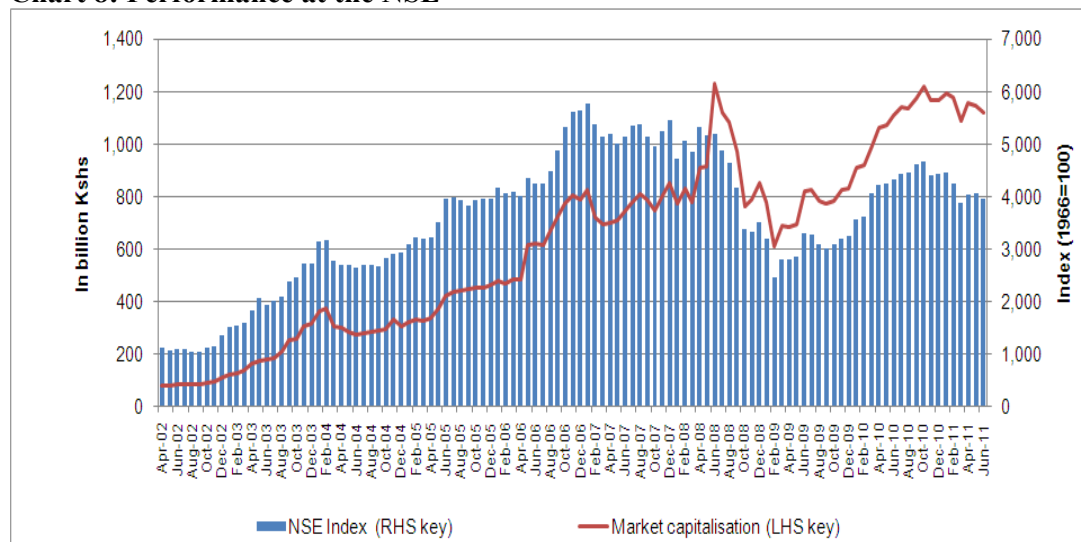
Source: CBK

17. In the short-end of the money market, the average interbank rate increased from 1.2 percent in March 2011 to 6.4 percent in June 2011 as the repo rate rose from 1.7 percent to 5.7 percent. Commercial banks’ rates remained stable with the average deposit rate stabilizing at 3.9 percent in the period March- May 2011, while the average lending rate at 13.9 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.

1.8 Capital Markets

18. As reflected by most market indicators, performance at the equities market improved during the month of June 2011 (Chart 8). The NSE 20 share Index increased by 2.1 percent from 3,887 points in March 2011 to 3,968 points in June 2011. Similarly, market capitalization rose from KShs. 1.09 trillion in March 2011 to KSh 1.12 trillion in June 2011.

Chart 8: Performance at the NSE

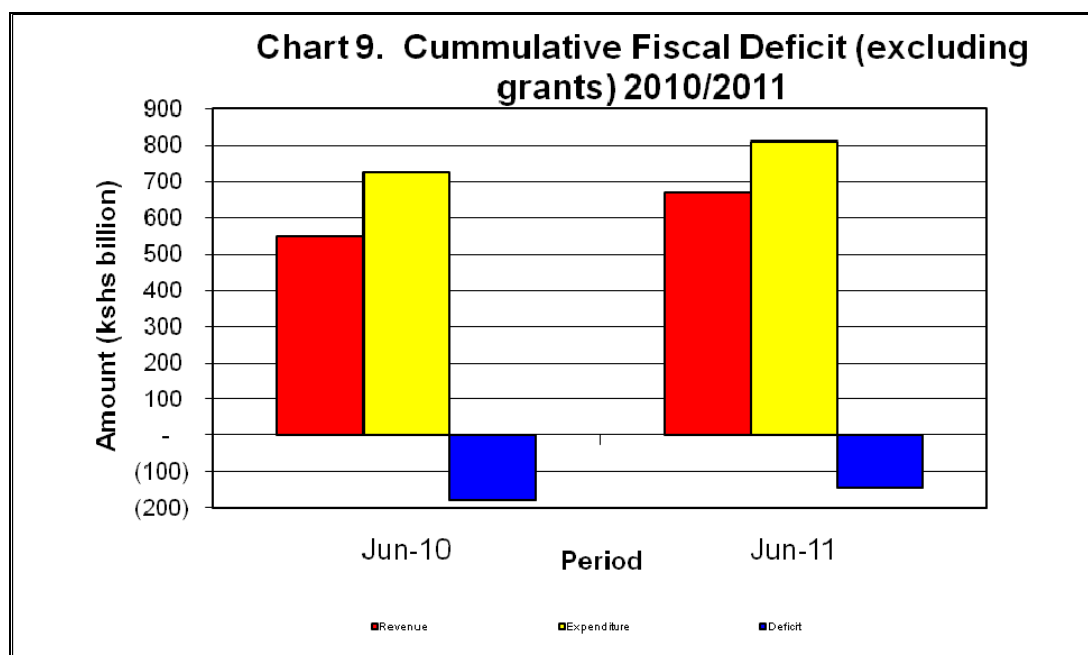


Source: NSE

2.0 FISCAL DEVELOPMENTS

2.1 Fiscal Outturn

19. As at end of fourth quarter of FY 2010/11, cumulative overall fiscal balance (on a commitment basis and excluding grants), amounted to KShs. 144.3 billion (equivalent to 5.2 percent of Gross Domestic Product (GDP)) against a targeted deficit of KShs. 187.9 billion (equivalent to 6.8 percent of GDP). Over the same period in the FY 2009/10, the fiscal deficit stood at KShs. 177.1 billion (equivalent to 7.2 percent of GDP). Including grants, the fiscal balance (on a commitment basis) recorded a deficit of 4.6 percent of GDP against a targeted deficit of 6.8 percent of GDP (*Chart 9 and Table 1*).



Source: Ministry of Finance

FISCAL DEVELOPMENTS

**Table 1: Budget Outturn, Fourth Quarter (Cumulative) Ending 30th
June 2011 (KShs. Million)**

	2009/2010 Quarter IV Actual	2010/2011 Quarter IV		Quarter IV Deviation	% growth	2010/2011 Quarter IV as % of GDP		2009/2010 Quarter IV % of GDP
		Actual*	Targets			Actual*	Targets	
A. TOTAL REVENUE AND GRANTS	568,784	686,308	730,149	(43,841)	20.66	24.86	26.45	23.14
1. Revenue	548,074	667,539	686,422	(18,883)	21.80	24.18	24.86	22.30
Ordinary Revenue	507,464	609,223	605,887	3,335	20.05	22.07	21.94	20.65
Import Duty	41,271	46,072	48,392	(2,320)	11.63	1.67	1.75	1.68
Excise Duty	74,112	80,567	86,774	(6,208)	8.71	2.92	3.14	3.02
Income tax	209,098	258,651	247,330	11,321	23.70	9.37	8.96	8.51
VAT	141,971	171,881	172,561	(680)	21.07	6.23	6.25	5.78
Investment Revenue	8,354	11,086	13,900	(2,814)	32.70	0.00	0.50	0.34
Others	32,658	40,967	36,931	4,036	25.44	1.48	1.34	1.33
Appropriation-in-Aid	40,610	58,316	80,534	(22,218)	43.60	2.11	2.92	1.65
2. Grants	20,710	18,769	43,728	(24,958)	(9.37)	0.68	1.58	0.84
Cash	7,953	7,468	13,634	(6,166)	(6.09)	0.27	0.49	0.32
Appropriation-in-Aid	12,757	11,301	30,093	(18,792)	(11.41)	0.41	1.09	0.52
B. EXPENDITURE and NET LENDING	725,200	811,849	918,053	(106,204)	11.95	29.40	33.25	29.50
1. Recurrent	510,516	592,427	611,646	(19,219)	16.04	21.46	22.15	20.77
Domestic Interest	57,382	69,209	67,193	2,016	20.61	2.51	2.43	2.33
Foreign Interest Due	6,141	6,989	6,989	0	13.82	0.25	0.25	0.25
Pension	28,977	25,724	28,797	(3,073)	(11.23)	0.93	1.04	1.18
Wages and Salaries	172,609	198,549	202,340	(3,792)	15.03	7.19	7.33	7.02
O & M/Others	245,407	291,956	306,327	(14,370)	18.97	10.57	11.09	9.98
2. Development and Net Lending	214,685	219,422	306,407	(86,986)	2.21	7.95	11.10	8.73
3. CCF	0	0	-	0	-	0.00	-	0.00
C. DEFICIT EXCL.GRANT (Commitment basis)	(177,126)	(144,310)	(187,904)	43,594	(18.53)	(5.23)	(6.81)	(7.21)
D. DEFICIT INCL.GRANTS (Commitment basis)	(156,416)	(125,541)	(187,904)	62,363	(19.74)	(4.55)	(6.81)	(6.36)
E. ADJUSTMENT TO CASH BASIS	(17,958)	6,768	(595)	7,362	(137.69)	0.25	(0.02)	(0.73)
F. DEFICIT INCL.GRANTS (Cash basis)	(174,374)	(118,773)	(188,498)	69,726	(31.89)	(4.30)	(6.83)	(7.09)
G. FINANCING	174,374	118,773	188,498	(69,725)	(31.89)	4.30	6.83	7.09
1. Foreign financing	22,895	28,390	62,905	(34,515)	24.00	1.03	2.28	0.93
Disbursements	39,811	48,245	82,881	(34,637)	21.18	1.75	3.00	1.62
Programme Cash Loans	0	0	-	0	-	0.00	-	0.00
Project Cash Loans	9,964	17,016	27,010	(9,993)	70.78	0.62	0.98	0.41
Loans AIA	29,848	31,228	55,872	(24,643)	4.63	1.13	2.02	1.21
Repayment due (current)	(18,738)	(20,461)	0	9.19	(0.74)	(0.74)	(0.74)	(0.76)
Rescheduling	456	484	484	0	-	0.02	0.02	0.02
Of which principal	456	484	484	0	-	0.02	0.02	0.02
Change in arrears (current)	1,366	122	-	122	(91.05)	0.00	-	0.06
2. Privatization proceeds	0	0	-	0	-	0.00	-	0.00
Infrastructure Bonds	34,442	0	-	0	-	0.00	-	1.40
3. Domestic financing	117,037	90,383	125,594	(35,211)	(22.77)	3.27	4.55	4.76
MEMO ITEM								
GDP ESTIMATE	2,458,000	2,761,000	2,761,000					

*Provisional

Source: Ministry of Finance

2.2 Revenue

20. Total cumulative revenue collection including A-I-A by the end of the fourth quarter ending 30th June 2011, was below the target by KShs. 18.9 billion. Ordinary revenue collection amounted to KShs. 609.2 billion against a target of KShs. 605.9 billion, resulting in an over performance of KShs. 3.3 billion. Cumulative ministerial Appropriations-In-Aid recorded an under performance of KShs. 22.2 billion for the period under review. The A-I-A, especially from the universities had not been captured in the ministry's expenditure return. (*Table 2 and Chart 10*).

**Table 2: Government Revenue, Fourth Quarter
Ending 30th June 2011
(KShs. Million)**

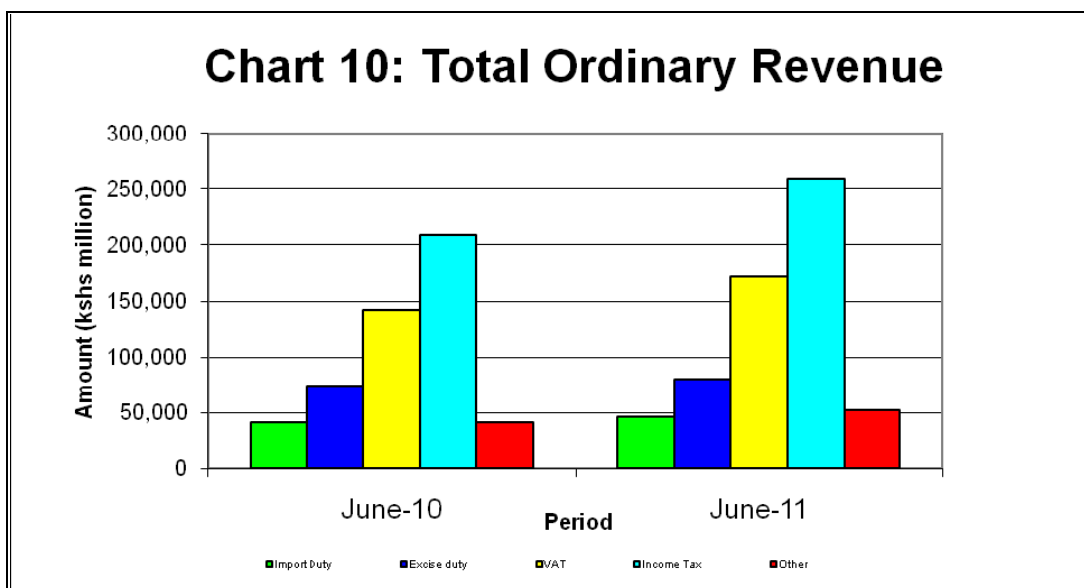
	2009/2010 Quarter IV Actual	2010/2011 Cum. Quarter IV		Deviation
		Actual	Target	
Total Revenue	548,074	667,539	686,422	(18,883)
(a) Ordinary Revenue	507,464	609,223	605,887	3,335
Import Duty	41,271	46,072	48,392	(2,320)
Excise Duty	74,112	80,567	86,774	(6,208)
PAYE	115,448	137,055	133,751	3,303
Other Income Tax	93,650	121,596	113,578	8,018
VAT Local	78,859	90,211	94,534	(4,323)
VAT Imports	63,112	81,670	78,027	3,643
Investment Revenue	8,354	11,086	13,900	(2,814)
Traffic Revenue	2,221	2,464	2,169	295
Essential Supplies Revenue	15,935	20,599	19,125	1,474
Others 1/	14,502	17,905	15,637	2,268
(b) Appropriation In Aid 2/	40,610	58,316	80,534	(22,218)
External Grants	20,710	18,769	43,728	(24,958)
Total Revenue and External Grants	568,784	686,308	730,149	(43,841)
	23.14	24.86	26.45	

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 cumulative revenue and grants in the period under review was 24.9 percent compared to 23.1 percent in the corresponding period of the FY 2009/10. External grants amounted to KShs. 18.8 billion against a target of KShs. 43.7 billion, representing an under performance of KShs. 25.0 billion.



Source: Ministry of Finance

2.3 Expenditure

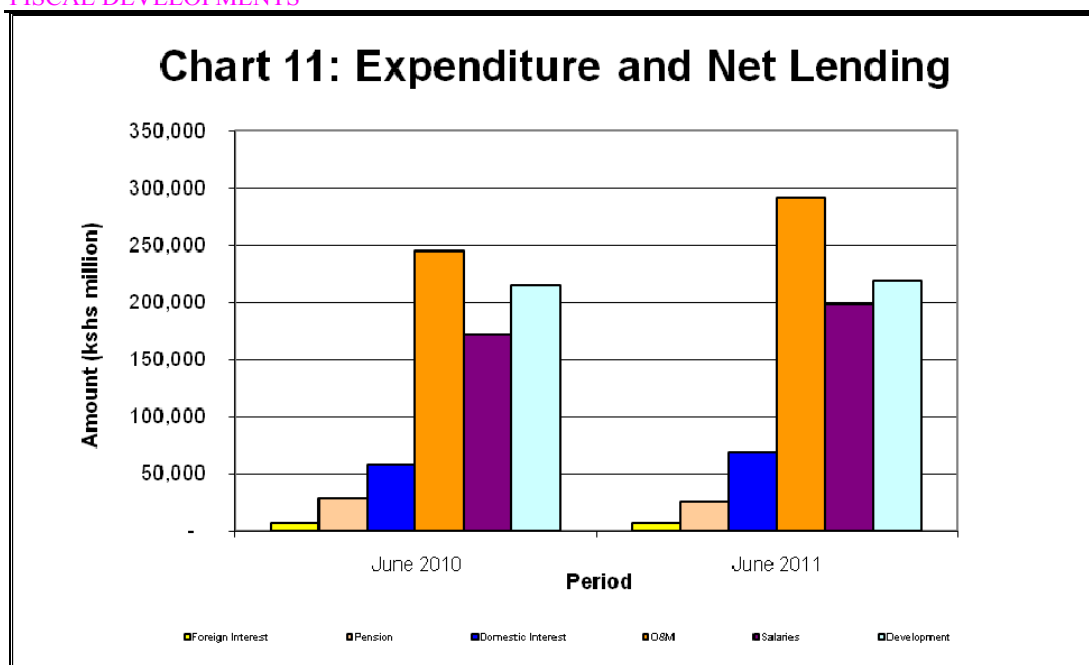
22. The total expenditure and net lending, for the period under review, amounted to KShs. 811.8 billion, against a target of KShs. 918.1 billion. The shortfall of KShs. 106.2 billion was attributed to lower absorption recorded in both recurrent and development expenditures by the line ministries (*Table 3 and Chart 11*). Recurrent expenditure amounted to KShs. 592.4 billion, against a target of KShs. 611.6 billion, with underperformance recorded in operations and maintenance, wages and salaries, and payments to pensioners which accounted for KShs. 14.4 billion, KShs. 3.8 billion and KShs. 3.1 billion, respectively. It should also be noted that the expenditure levels are understated due to poor reporting from districts and non reporting of A-I-A collections. The lag between spending at the district level and reporting to the headquarters also played a key role in the expenditure underperformance. The pension include CFS which reported under expenditure due to some commissions ceasing operation, while some commissions though budgeted never became operational by close of the financial year.

23. Actual foreign interest payments amounted to KShs. 7.0 billion, compared to KShs. 6.1 billion in the same period of the 2009/10 FY. The domestic interest payment totalled KShs. 69.2 billion, which was higher than KShs. 57.4 billion paid in the corresponding period of the previous financial year, mainly due to higher borrowing. (*Table 3 and Chart 11*).

**Table 3: Expenditure and Net Lending, Fourth Quarter Ending 30th
June 2011 (KShs. Million)**

	2009/2010 Quarter IV Actual	2010/2011 Quarter IV Actual	2010/2011 Quarter IV Targets	Deviation
1. RECURRENT	510,516	592,427	611,646	(19,219)
Domestic Interest	57,382	69,209	67,193	2,016
Foreign Interest	6,141	6,989	6,989	0
Pensions	28,977	25,724	28,797	(3,073)
Wages and Salaries	172,609	198,549	202,340	(3,792)
Operation and Maintenance	245,407	291,956	306,327	(14,370)
O/W: Change in Pending Bills				
: Civil Service Reform	36			-
: Appropriation-in-Aid	36,259	54,036	71,270	(17,233)
2. DEVELOPMENT	214,685	219,422	306,407	(86,986)
Development Projects (Net)	166,558	171,463	208,648	(37,185)
Payment of Guaranteed Loans	1,171	1,150	2,529	(1380)
Appropriation-in-Aid	46,956	46,809	95,230	(48,421)
Change in Pending Bills	-	-		
3. CCF				
	-	-	-	-
TOTAL EXPENDITURE	725,200	811,849	918,053	(106,204)

Source: Ministry of Finance



Source: Ministry of Finance

24. Total cumulative ministerial and other public agencies expenditures were KShs. 667.1 billion against a target of KShs. 811.8 billion. Recurrent expenditures were KShs. 468.5 billion against a target of kshs. 508.1 billion, while development expenditures were KShs. 198.5 billion against a target of KShs. 303.8 billion. Among the ministries that had large overall under expenditures, were Ministries Roads, Higher Education, Science and Technology, Water and Irrigation, Finance and Public Health and Sanitation, each with an under spending of over KShs10.0 billion. As indicated earlier, the discrepancy between actual and target expenditures partly reflect the non-capture of the district expenditures and hence under reporting by ministries. The ministries are preparing their Appropriation Accounts which will reflect the actual expenditures as at the end of June 2011. These ministerial expenditures are therefore, provisional.

25. As at the end of the fourth quarter of the FY 2010/11, expenditures by the ministries of Education; Higher Education, Science and Technology; Medical Services and Public Health and Sanitation accounted for 41.0 percent of total recurrent expenditure. The Ministry of State for Provincial Administration & Internal Security accounted for 9.6 percent of total recurrent expenditure, while the Ministry of Fisheries Development and Ministry of Development of Northern Kenya and other Arid Areas were some of the ministries, which reported the least total expenditure against their targets among others in the fourth quarter of FY 2010/11.

26. Analysis of development outlay indicates that the Ministry of Roads accounted for the largest share of the total development expenditures, followed by the Ministries of Energy, Water and Irrigation, and Planning and National Development which accounted for 24.0 percent, 13.2 percent, 9.7 percent and 7.9 percent, respectively. It is noted that the development expenditures in big ministries are below the target being explained again by non inclusion of expenditures from the districts and donor funds. 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 2011
(KShs. Million)**

MINISTRIES/DEPARTMENTS	June-11		Variance	June-11		Variance	June-11		Variance	% of total expenditures to total target
	Recurrent			Development			Total			
	Actual*	Target		Actual*	Target		Actual*	Target		
1 Ministry of State for Provincial Administration & Internal Security	44,905	49,148	(4,243)	1,887	3,109	(1,222)	46,793	52,258	(5,465)	89.54
2 State House	1,070	1,077	(7)	266	266	(1)	1,336	1,344	(8)	99.42
3 Ministry of State for Public Service	1,071	1,346	(275)	131	360	(229)	1,202	1,706	(504)	70.46
4 Ministry of Foreign Affairs	7,758	8,321	(562)	131	476	(345)	7,889	8,797	(908)	89.68
5 Office of the Vice-President and Ministry of Home Affairs	12,137	12,144	(7)	1,553	1,648	(95)	13,690	13,792	(102)	99.26
6 Ministry of Planning and National Development	2,141	2,387	(246)	15,692	18,200	(2,508)	17,833	20,587	(2,754)	86.62
7 Office of the Deputy Prime Minister and Ministry of Finance	22,776	24,615	(1,839)	9,661	18,766	(9,106)	32,437	43,381	(10,945)	74.77
8 Ministry of State for Defence	50,283	50,394	(111)	-	-	-	50,283	50,394	(111)	99.78
9 Ministry of Regional Development Authorities	811	817	(6)	5,045	7,526	(2,481)	5,856	8,343	(2,487)	70.19
10 Ministry of Agriculture	7,750	8,571	(821)	7,279	14,660	(7,381)	15,029	23,231	(8,202)	64.69
11 Ministry of Medical Services	22,984	27,090	(4,106)	1,534	4,474	(2,940)	24,518	31,564	(7,046)	77.68
12 Office of the Deputy Prime Minister and Ministry of Local Government	13,423	13,496	(73)	4,161	5,174	(1,013)	17,584	18,670	(1,086)	94.18
13 Ministry of Roads	24,365	23,691	674	47,650	66,528	(18,878)	72,015	90,218	(18,203)	79.82
14 Ministry of Transport	3,445	3,568	(123)	3,472	6,828	(3,356)	6,917	10,396	(3,480)	66.53
15 Ministry of Labour and Human Resource Development	1,106	1,315	(208)	436	1,128	(692)	1,542	2,443	(900)	63.14
16 Ministry of Trade	1,166	1,751	(585)	161	580	(419)	1,327	2,331	(1,004)	56.93
17 Ministry of Justice, National Cohesion and Constitutional Affairs	3,125	3,376	(251)	327	870	(543)	3,452	4,247	(794)	81.30
18 Ministry of Gender and Children	2,374	2,853	(479)	1,062	3,282	(2,219)	3,436	6,135	(2,699)	56.01
19 Ministry of Livestock	2,873	3,704	(831)	2,234	3,568	(1,334)	5,107	7,272	(2,164)	70.23
20 Ministry of Water and Irrigation	3,552	5,830	(2,278)	19,238	32,783	(13,545)	22,791	38,614	(15,823)	59.02
21 Ministry of Environment and Mineral Resources	2,204	2,453	(250)	1,844	2,554	(710)	4,047	5,007	(960)	80.83
22 Ministry of Cooperative Development and Marketing	736	1,059	(323)	158	146	11	893	1,205	(312)	74.12
23 Cabinet Office	858	902	(44)	198	464	(266)	1,056	1,366	(310)	77.30
24 Ministry of East African Community	924	945	(21)	44	110	(66)	968	1,055	(87)	91.76
25 State Law Office	1,366	1,480	(114)	36	40	(4)	1,403	1,520	(118)	92.26
26 Judicial Department	2,924	3,324	(400)	554	589	(35)	3,478	3,912	(435)	88.89
27 Public Service Commission	476	419	57	-	-	-	476	419	57	113.65
28 Kenya National Audit Office	1,279	1,452	(173)	-	-	-	1,279	1,452	(173)	88.07
29 National Assembly	7,008	7,556	(547)	-	-	-	7,008	7,556	(547)	92.76
30 Ministry of Energy	2,020	2,283	(263)	26,229	32,623	(6,394)	28,250	34,906	(6,657)	80.93
31 Ministry of Education	133,792	133,366	426	5,965	9,914	(3,949)	139,757	143,280	(3,523)	97.54
32 Ministry of Information and Communications	1,545	1,660	(115)	3,729	4,323	(594)	5,274	5,983	(709)	88.15
33 Interim Independent Electoral Commission	7,090	7,103	(13)	-	-	-	7,090	7,103	(13)	99.81
34 Kenya Anti-Corruption Commission	1,336	1,491	(155)	16	100	(84)	1,352	1,591	(239)	84.97
35 Ministry of State for Special Programmes	5,409	5,621	(212)	5,469	6,982	(1,512)	10,878	12,603	(1,724)	86.32
36 Ministry of Lands	1,544	2,062	(518)	2,830	3,441	(610)	4,374	5,502	(1,128)	79.50

FISCAL DEVELOPMENTS

MINISTRIES/DEPARTMENTS	June-11		Variance	June-11		Variance	June-11		Variance	% of total expenditures to total target
	Recurrent			Development			Total			
	Actual*	Target		Actual*	Target		Actual*	Target		
40 Ministry of State for Immigration and Registration of Persons	3,088	3,530	(442)	1,665	1,944	(279)	4,752	5,473	(721)	86.83
41 Ministry of State for National Heritage and Culture	1,691	1,731	(40)	361	439	(77)	2,052	2,169	(117)	94.60
42 Ministry of State for Youth Affairs and Sports	4,469	5,756	(1,287)	1,600	4,672	(3,072)	6,069	10,428	(4,359)	58.20
43 Ministry of Higher Education, Science and Technology	25,628	41,647	(16,019)	6,334	8,181	(1,847)	31,962	49,828	(17,866)	64.14
44 Ministry of Housing	1,405	1,715	(310)	1,661	2,082	(421)	3,066	3,797	(731)	80.76
45 National Security	10,616	10,627	(11)	-	-	-	10,616	10,627	(11)	99.89
46 Ministry of Tourism	1,457	1,513	(56)	799	1,195	(396)	2,257	2,708	(452)	83.32
48 Office of the Prime Minister	2,112	2,125	(13)	439	834	(395)	2,550	2,958	(408)	86.21
49 Ministry of Public Health and Sanitation	9,560	10,119	(558)	6,018	15,694	(9,676)	15,578	25,813	(10,234)	60.35
55 Ministry of Forestry and Wildlife	4,191	5,160	(969)	2,003	2,792	(789)	6,194	7,951	(1,757)	77.90
56 Ministry of Fisheries Development	1,047	1,131	(84)	1,116	3,201	(2,085)	2,164	4,332	(2,169)	49.94
57 Ministry of Nairobi Metropolitan Development	294	321	(27)	952	858	95	1,246	1,179	67	105.72
58 Ministry of Development of Northern Kenya and Other Arid Areas	275	249	27	1,105	2,588	(1,484)	1,380	2,837	(1,457)	48.64
59 Ministry of Public Works	1,683	2,085	(402)	3,172	4,560	(1,388)	4,854	6,645	(1,790)	73.06
60 Ministry of Industrialization	1,366	1,571	(205)	2,310	3,242	(931)	3,676	4,813	(1,137)	76.38
61 Interim Independent Boundaries Commission	27	124	(97)	-	-	-	27	124	(97)	21.77
Total	468,534	508,072	(39,538)	198,528	303,793	(105,265)	667,063	811,865	(144,803)	82.16

• Provisional

Source: Ministry of Finance

2.3.1 Guaranteed Loans to Parastatals

27. Scheduled cumulative principal payments of guaranteed loans to Parastatals with liquidity problems amounted to Kshs 975.38 million for FY 2010/11. As at the end of the period under review, Kshs 1,149.56 million was paid. The variance between the actual payment and projected payments attributed to exchange rate fluctuations, specifically the depreciation of the Kenya shilling against the US dollar. (*Table 5*).

TABLE 5: SCHEDULE AND ACTUAL PAYMENTS ON GUARANTEED DEBT FOR THE PERIOD ENDING 30th JUNE 2011 (KSHS. MN)

Borrower	Quarter I		Quarter II		Quarter III		Quarter IV		Cumm. June 2011*	
	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual
NCC	34.34	0	-	35.05	34.34	35.05	0	0	68.68	70.1
TARDA	127.23	0	-	140.74	127.23	146.94	0	0	254.46	287.68
KBC	0	0	326.12	367.45	0	0	326.12	424.33	652.24	791.78
TOTAL (QTR)	161.57	0	326.12	543.24	161.57	181.99	326.12	424.33	975.38	1,149.56

* Provisional

Source: Ministry of Finance

2.4 Financing the Budget Deficit

2.4.1 External Financing

28. Cumulative external financing by end of June 2011 was a net borrowing of KShs. 27.9 billion (excludes debt swap and payment of arrears in table 1) compared to a net borrowing of KShs. 22.4 billion in same period of the FY 2009/10. Total disbursements (inflows) including Appropriations-in-Aid amounted to KShs. 48.2 billion in the fourth quarter of FY 2010/11 against a target of ksh 82.9 billion. This amount included KShs. 17.0 billion project cash loans and KShs. 31.2 billion project loans (A.I.A). External repayments (outflows) of principal amounted to KShs. 20.3 billion against a target of KShs. 20.5 billion, (*Table 6*).

Table 6: External Financing, Fourth Quarter Ending 30th June 2011 (KShs. Million)

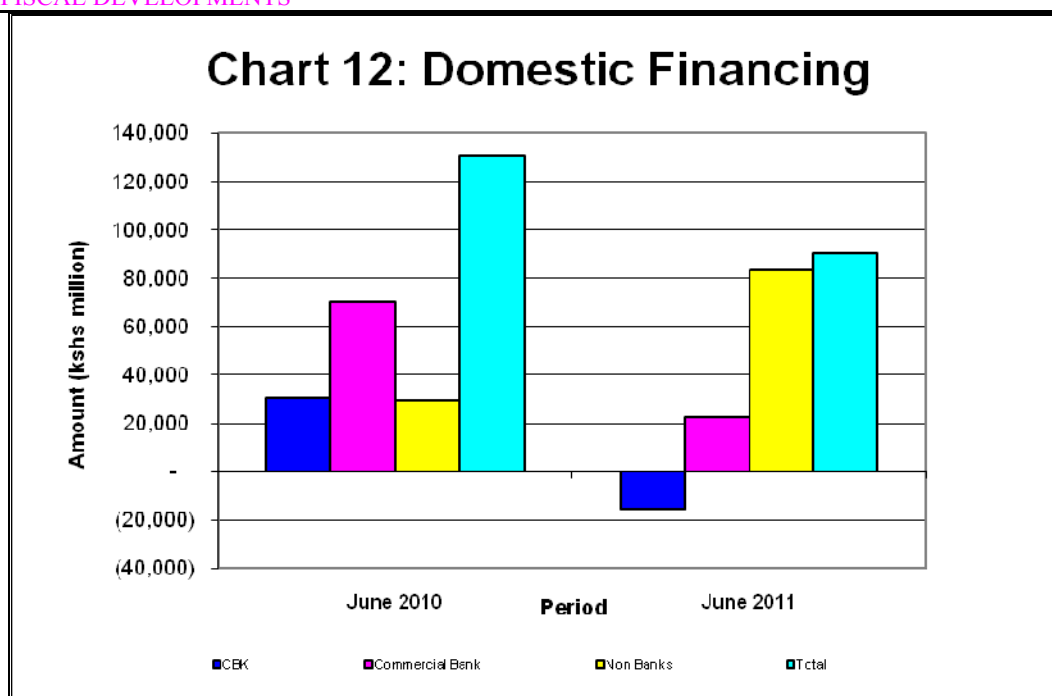
	Quarter IV Actual 2009/10	Quarter I Actual 2010/11	Quarter II Actual 2010/11	Quarter III Actual 2010/11	Quarter IV Actual 2010/11	Cumulative Actual* June 2011	June 2011 Target
DISBURSEMENTS:	39,811.25	8,270.22	12,481.79	13,239.76	14,252.92	48,244.69	82,881.43
Project Cash loans	9,963.61	4,233.64	2,783.28	3,612.40	6,386.94	17,016.27	27,009.71
Programme loans							0
Project loans A-I-A	29,847.64	4,036.58	9,698.50	9,627.35	7,865.98	31,228.42	55,871.72
EXTERNAL REPAYMENTS:	17,372.42	4,647.32	3,659.23	7,510.86	4,520.92	20,338.33	20,460.54
Bilateral	8,396.76	1,602.51	2,011.21	3,382.35	3,493.21	10,489.28	10,436.29
Multilateral	8,975.66	3,044.81	1,648.02	4,128.51	1,027.71	9,849.05	10,024.25
Commercial	0.00	-	-	0		0.00	-
Other	0	-	-	0		0.00	0
						0.00	
NET FOREIGN FINANCING	22,438.83	3,622.90	8,822.56	5,728.90	9,732.00	27,906.36	62,420.89

* Provisional

Source: Ministry of Finance

2.4.2 Domestic Financing

29. By the close of the FY 2010/11, net domestic borrowing amounted to KShs. 90.4 billion. The borrowing comprised of KShs. 22.4 billion from Commercial Banks ; KShs. 78.5 billion from Non-Bank Financial Institutions, KShs. 4.8 billion from Non Residents and net repayments of KShs. 15.4 billion to Central Bank (*Table 7*). Comparatively, for the same quarter in the FY 2009/10, net domestic borrowing was KShs. 130.5 billion, comprising of net borrowings of KShs. 30.4 billion from Central Bank, KShs. 70.4 billion from the Commercial Bank, KShs. 29.3 billion from Non-Bank Financial Institutions and KShs. 428.0 million from Non Residents (*chart 12*).



Source: Central Bank of Kenya

30. The stock of Treasury Bills held by Commercial Banks recorded a net decrease of KShs. 48.4 billion by the end of June 2011. However, the stock of Treasury Bills held by the Central Bank, Non-Banking Financial Institutions, and Non-Residents recorded net increases of KShs. 3.4 million, KShs. 17.9 billion and KShs. 1.0 billion, respectively. On the other hand, the stock of Fixed Rate Bonds held by Commercial Banks, Non-Banking Financial Institutions, Non residents and the Central Bank recorded a net increase of KShs. 57.4 billion, KShs. 46.9 billion, KShs. 3.8 million and KShs. 15.0 million, respectively, *(Table 7)*.

FISCAL DEVELOPMENTS

Table 7: Domestic Financing, Fourth Quarter Ending 30th June 2011(KShs. Millions)

	JUNE 2010	SEPTEMBER 2010	DECEMBER 2010	MARCH 2011	JUNE 2011
1.CENTRAL BANK	30,448	(7,545)	(3,448)	(8,395)	(15,361)
Overdraft	12,525	2,914	5,016	2,077.81	(10,078.38)
IMF funds onlet to Govt	(475)	9	(241)	(241.33)	(241.33)
Treasury bills	7	2	(2)	200.29	3.37
Stocks	0	0	-	-	-
Floating rate T. Bonds	0	0	-	-	-
Fixed rate Bonds	2	(3)	(4)	(4.46)	14.97
Items on Transit	(1,114)	(226)	(246)	(254.33)	13.93
Frozen Account	(1,110)	0	-	(555.00)	(555.00)
Less Govt Deposits	20,613	(10,242)	(7,971)	(9,618.33)	(4,518.68)
2.COM. BANKS	70,356	10,082	16,774	31,521	22,437
Advances	1,503	7	(1)	2.59	55.34
Stocks	0	0	-	-	-
Treasury bills	61,858	(14,971)	(29,125)	(31,211.74)	(48,379.06)
Floating rate T. Bonds	0	0	-	-	-
Fixed rate Bonds	36,310	14,411	30,130	52,135.96	57,383.33
Special Bonds	(6,750)	0	(219)	(780.80)	(780.80)
Zero Coupon bonds	(7,536)	0	-	-	-
Infrastructure Bonds	14,748	16,163	16,163	16,163.14	16,163.14
Less Govt Deposits	(29,775)	(5,527)	(175)	(4,788.12)	(2,005.04)
3. NON BANKS	29,262	26,081	40,022	54,625	78,513
Stocks	(1)	(753)	(753)	(753.35)	(753.35)
Treasury bills	(21,576)	5,211	6,365	3,367.10	17,917.51
Floating Rate T. Bonds	0	0	-	-	-
Fixed rate Bonds	37,328	7,201	19,988	37,589.17	46,926.61
Zero Coupon bonds	(5,895)	0	-	-	-
Infrastructure Bonds	19,407	14,422	14,422	14,421.88	14,421.88
NON RESIDENTS	428	1,549	1,129	1,640	4,794
Treasury bills	98	1,549	1,123	1,633.10	1,018.15
Floating rate T. Bonds	0	0	-	-	-
Fixed rate Bonds	42	0	6	6.97	3,775.76
Infrastructure Bond	288	0	-	-	-
Zero Coupon bonds	(1)	0	-	-	-
NET CREDIT	130,494	30,167	54,477	79,391	90,382

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. 1,100.2 billion as at end of June 2010 to KShs. 1,350.7 billion by 30th June 2011 comprising of 48.8 percent external and 51.2 percent domestic. (*Table 8*).

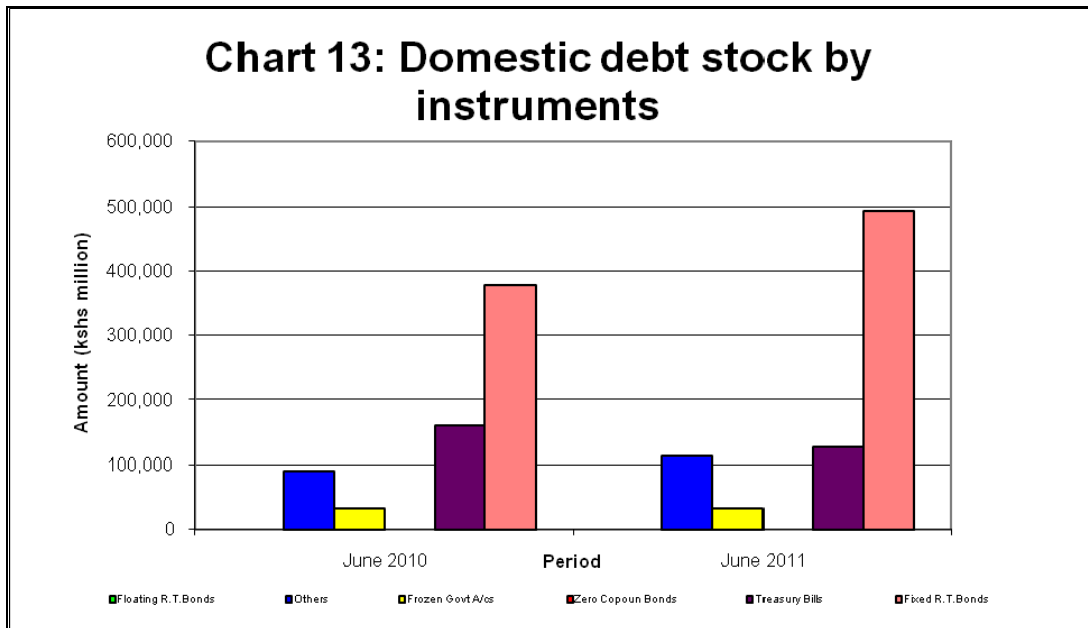
**Table 8: Kenya's Public and Publicly Guaranteed Debt,
June 2006- June 2011 (KShs. millions)**

	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10	Jun-11
EXTERNAL						
BILATERAL	154,877.00	141,706	153,201.00	185,933	196,347	256,965
MULTILATERAL	255,550.00	240,259	268,223.00	327,633	348,647	445,261
COMMERCIAL BANKS	1,274.00	574	-	-	0	-
SUPPLIERS CREDIT	19,536.00	18,427	18,543.00	23,837	20,458	25,040
SUB – TOTAL	431,237.00	400,966	439,967.00	537,403	565,452	727,266
DOMESTIC:						
CENTRAL BANK	41,289.00	36,182	45,862.30	39,902	50,215	39,613
COMMERCIAL BANKS	149,473.00	186,802	182,905.23	250,708	351,579	378,376
TOTAL BANKS	190,762.00	222,984	228,767.54	290,611	401,794	417,989
NON BANKS	167,077.00	181,704	201,844.20	230,421	258,474	346,155
SUB-TOTAL	357,839.00	404,688	430,611.73	521,032	660,268	764,144
GRAND TOTAL GROSS	789,076.00	805,654	870,578.73	1,058,435	1,225,720	1,491,410
LESS ON-LENDING	(5,701.00)	(5,701)	(5,701.00)	(5,701)	(5,701)	(5,701)
LESS GOVERNMENT DEPOSITS	(74,437.00)	(65,687)	(92,861.00)	(111,115)	(119,785)	(135,057)
GRAND TOTAL NET	708,938.00	734,266	772,016.73	941,619	1,100,233	1,350,652

Source: Ministry of Finance

3.2 Domestic Debt

32. The stock of domestic debt increased by KShs. 103.9 billion from KShs. 660.3 billion in June 2010 to KShs. 764.1 billion in June 2011. Analysis using figures in Table 9, indicate that, the stock of Treasury Bills held by Central Bank, Commercial Banks, Non-Banking Financial Institution and Non Residents recorded a decrease of KShs. 32.4 billion from KShs. 159.0 billion in June 2010 to KShs. 126.6 billion in June 2011. Meanwhile, the total stock of Treasury Bonds, Floating, Fixed Rate, Special and Zero coupon Bonds, increased by KShs. 114.2 billion from KShs. 394.1 billion in June 2010 to KShs. 508.3 billion in June 2011 (*Chart 13*). This development reflects the appetite for long term bonds by international investors especially on the Fixed Rate Treasury Bonds.



Source: Central Bank of Kenya

**Table 9: Stock of Domestic Debt, Fourth Quarter 2010/2011
(KShs. million)**

	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11
1.CENTRAL BANK	50,215	52,902	54,979	51,679	39,613
Overdraft	17,649	20,563	22,666	19,727	7,571
Frozen Govt Accounts	32,219	32,219	32,219	31,664	31,664
Treasury Bills	13	16	11	214	16
Items on Transit	316	90	70	62	330
Fixed rate bonds	17	14	13	12	32
2.COM.BANKS	351,579	367,439	367,291	388,293	378,376
Advances	1,596	1,608	1,546	2,361	2,243
Stocks	-	-	-	-	-
Treasury Bills	137,497	122,588	106,920	104,772	87,736
Floating Rate T. Bonds	-	-	-	-	-
Fixed Rate T. Bonds	174,962	188,539	204,340	227,237	234,473
Special Bonds	15,781	15,781	15,562	15,000	15,000
Zero Coupon Bonds	-	-	-	-	-
Infrastructure Bonds	21,744	38,924	38,924	38,924	38,924
3. NON BANKS	255,387	279,762	293,895	309,396	338,299
Stocks	753	-	-	-	-
Treasury Bills	19,313	22,577	23,659	20,592	35,636
Floating Rate T. Bonds	-	-	-	-	-
Fixed Rate T. Bonds	202,870	209,042	222,093	240,661	254,520
Tax Reserve Certificate	69	69	69	69	69
Zero Coupon Bonds	-	-	-	-	-
Infrastructure Bonds	32,382	48,074	48,074	48,074	48,074
4. NON RESIDENTS	3,087	4,600	4,163	4,680	7,856
Treasury Bills	2,227	3,740	3,296	3,813	3,217
Floating Rate T. Bonds	-	-	-	-	-
Fixed Rate T. Bonds	454	454	460	461	4,233
Zero Coupon Bonds	-	-	-	-	-
Infrastructure Bonds	407	407	407	407	407
5. TOTAL DEBT	660,268	704,703	720,328	754,048	764,144
6. LESS ON-LENDING	5,701	5,701	5,701	5,701	5,701
7. Less Govt Deposits	119,785	137,247	133,429	133,652	135,057
8. NET DEBT	534,781	561,755	581,198	614,695	623,386

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

Source: Central Bank of Kenya

3.3 External Public Debt

33. In dollar terms, external public debt increased by US \$ 1,190.0 million from US\$ 6,902.9 million in June 2010 to US\$ 8,093.0 million by end of June 2011. This comprised of debt owed to bilateral (35.3%), multilateral (61.2%) and suppliers' credit (3.4%). This increase is attributed mainly to exchange rate depreciation. (Exchange rate Ksh/US\$= 89.8639) (Table 10 and Chart 14).

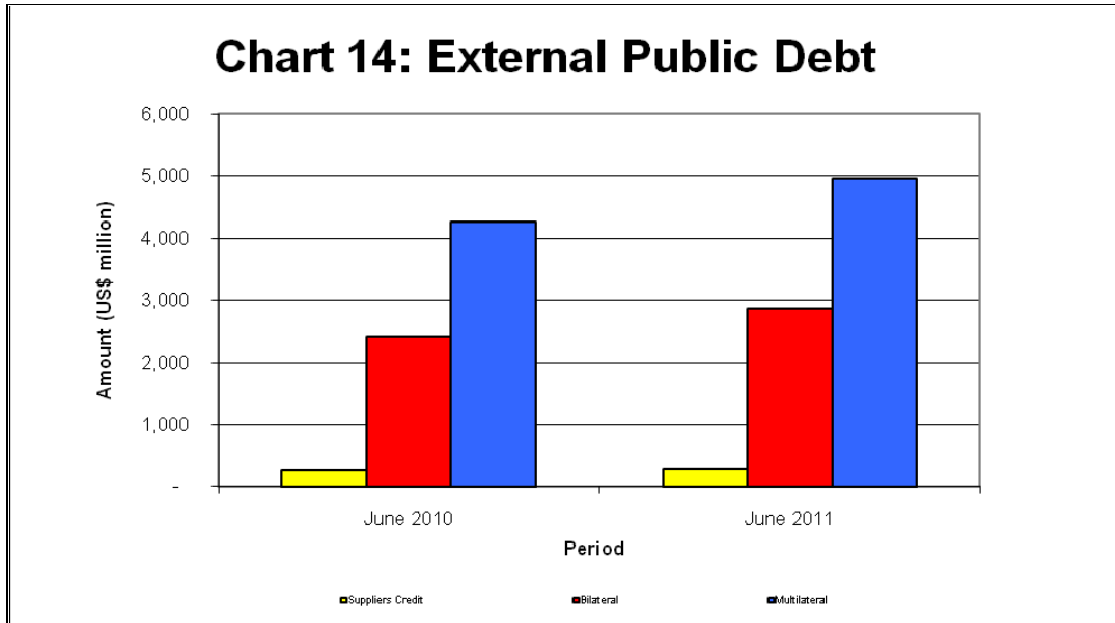
**Table 10: Kenya's External Public and Publicly Guaranteed Debt
June 2006- June 2011 (US \$ Million)**

CREDITOR	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10	Jun-11*
<u>BILATERAL</u>						
AUSTRIA	33.00	45.60	50.26	28.74	22.14	22.45
BELGIUM	71.02	69.60	73.43	91.73	82.70	100.57
CANADA	17.15	22.15	21.64	20.60	19.60	18.65
DENMARK	32.38	32.25	36.11	30.52	28.00	30.88
FINLAND	2.17	1.77	1.85	1.67	1.45	1.47
FRANCE	252.34	277.75	354.02	364.22	343.93	448.98
GERMANY	188.28	198.11	243.67	213.08	198.20	296.78
ITALY	118.31	107.61	98.06	74.53	53.07	48.83
JAPAN	1,075.58	1,006.00	1,125.98	1,177.40	1,206.80	1,244.57
NETHERLANDS	37.30	35.60	35.83	27.74	22.91	33.52
UK	36.61	39.55	37.99	30.51	26.00	25.91
USA	79.08	70.90	75.16	73.48	69.94	65.66
OTHERS	153.17	164.60	214.05	275.71	322.31	521.21
TOTAL BILATERAL	2,096.39	2,071.49	2,368.05	2,409.93	2,397.05	2,859.48
<u>MULTILATERAL</u>						
ADB/ADF	349.71	353.09	465.80	423.17	500.51	585.83
EEC/EIB	180.49	150.41	173.66	143.38	128.15	186.76
IDA/IFAD	2,765.38	2,867.69	3,133.90	3,149.55	3,130.30	3,554.03
IMF	154.41	212.76	271.24	455.24	416.40	529.49
OTHERS	8.98	27.06	41.30	74.92	80.77	98.71
TOTAL MULTILATERAL**	3,458.97	3,611.01	4,085.90	4,246.26	4,256.13	4,954.82
COMMERCIAL BANKS 1/	17.25	4.30	-	-	-	-
EXPORT CREDIT	264.43	271.02	286.63	308.90	249.74	278.65
GRAND TOTAL	5,837.04	5,957.82	6,740.58	6,965.09	6,902.92	8,092.95
BILATERAL	35.92	34.77	35.13	34.60	34.73	35.33
MULTILATERAL	59.26	60.61	60.62	60.96	61.66	61.22
COMMERCIAL BANKS 1/	0.30	0.07	-	-	-	-
EXPORT CREDIT	4.53	4.55	4.25	4.43	3.62	3.44
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00

*Provisional

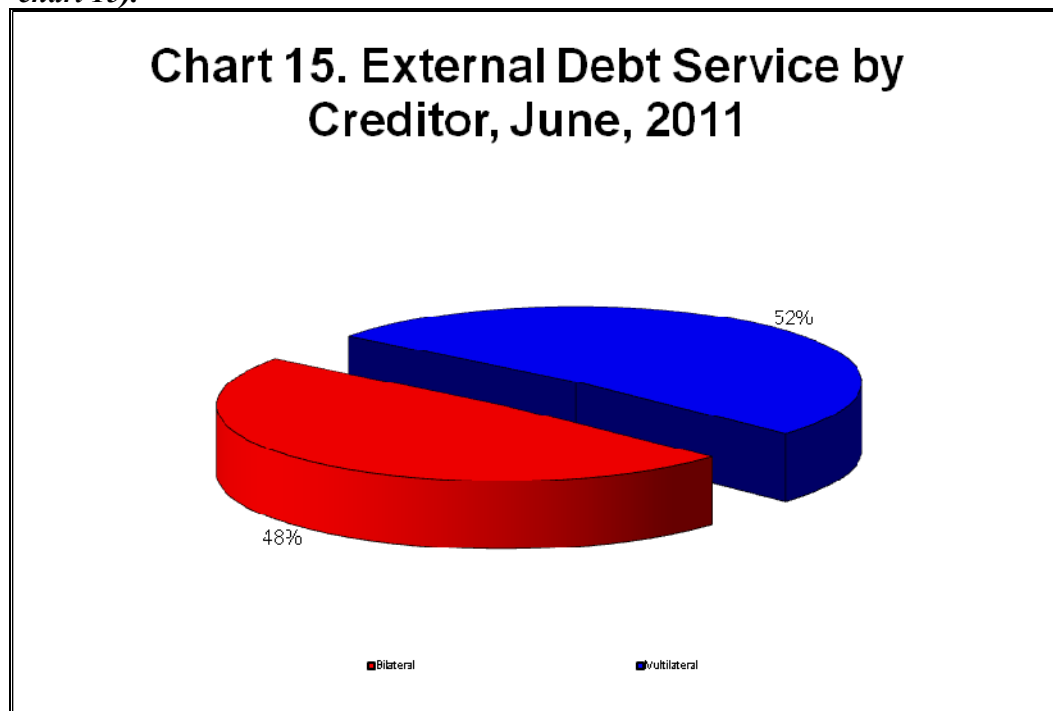
** include IMF item

Source: Ministry of Finance



3.3.1 External Debt Service

34. At the end of June 2011, the total cumulative actual debt service payments to external creditors amounted to Kshs 28.5 billion. This comprised of Kshs 22.7 billion (79.9 percent) principal and Kshs 5.7 billion (20.1 percent) interest. The principal includes Kshs 2.4 billion to IMF serviced by CBK. The percentage of the total amount paid to bilateral and multilateral organizations was 48.4 percent and 51.6 percent, respectively. (*Table 11 and chart 15*).



**Table 11: External Debt Service, July 2010 – June 2011
(KShs. Million)**

CATEGORY	PRINCIPAL*	INTEREST*	TOTAL*
BILATERAL			
AUSTRIA	144.6	20.59	165.19
FINLAND	9.91	12.16	22.07
FRANCE	1,302.27	497.38	1,799.65
ITALY	602.16	17.77	619.93
JAPAN	5,026.56	1,449.99	6,476.55
SAUDI FUND	503.92	61.76	565.68
SPAIN	106.43	47.69	154.12
USA	279.9	199.83	479.73
CANADA	35.49	9.12	44.61
BELGIUM	818.29	113.72	932.01
GERMANY	518.73	224.92	743.65
CHINA	323.01	475.4	798.41
DANISCO	74.35	0	74.35
KUWAIT	107.92	30.64	138.56
NETHERLANDS	282.38	80.94	363.32
SWEDEN	29.94	5.29	35.23
SWITZERLAND	13.48	1.34	14.82
DENMARK	179.2	0	179.20
KOREA	55.26	16.86	72.12
UK	75.48	37.57	113.05
TOTAL BILATERAL	10,489.28	3,302.97	13,792.25
MULTILATERAL			
ADB/ADF	770.29	406.5	1,176.79
BADEA	57.16	40.33	97.49
EEC	315.35	44.88	360.23
EIB	658.53	184.7	843.23
IDA	7,813.83	1,666.14	9,479.97
OPEC	151.82	46	197.82
NDF	0	0	-
IFAD	82.07	44.6	126.67
**IMF	2,398.17	0	
TOTAL MULTILATERAL	12,247.22	2,433.15	14,680.37
GRAND TOTAL	22,736.50	5,736.12	28,472.62

* 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 provisional expenditure on these programmes by the end of fourth quarter of FY 2010/11 was KShs. 44.6 billion equivalent to 68.1 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 Kshs. 30.5 billion during the fourth quarter; this was equivalent to 82.4 percent of the total recurrent budget allocation. Table 12 below is a summary of the ministerial recurrent expenditures on CPP.

Table 12: Recurrent Expenditures 2010/11 (Non-Wage) in KShs.

MINISTRIES/DEPARTMENTS	PRINTED ESTIMATES 2010/11	PAYMENTS	COMITMENTS	PAY+COMIT
MINISTRY OF EDUCATION, SCIENCE & TECHNOLOGY	12,932,403,615	9,802,164,328	30,643,970	9,832,808,299
MINISTRY OF AGRICULTURE	1,366,268,605	794,923,781	14,631,729	809,555,509
MINISTRY OF LABOUR AND HUMAN RESOURCES DEVELOPMENT	26,328,781	13,770,922	551,040	14,321,962
KENYA ANTI-CORRUPTION COMMISSION	1,421,000,000	1,335,907,897	-	1,335,907,897
MINISTRY OF ROADS	9,259,200,000	8,895,272,221	56,525,849	8,951,798,070
MINISTRY OF GENDER, CHILDREN AND SOCIAL DEVELOPMENT	1,505,537,662	861,998,504	14,174,437	876,172,941
MINISTRY OF WATER AND IRRIGATION	836,967,822	386,496,270	8,137,302	394,633,572
KENYA NATIONAL AUDIT OFFICE	438,278,790	354,194,607	6,069,819	360,264,426
STATE LAW OFFICE	92,561,666	249,706,692	14,991,612	264,698,304
MINISTRY OF COOPERATIVE DEVELOPMENT AND MARKETING	187,370,900	38,331,271	42,086,800	80,418,071
MINISTRY OF FORESTRY AND WILDLIFE	2,546,900,000	1,914,322,967	-	1,914,322,967
MINISTRY OF FISHERIES DEVELOPMENT	43,725,569	42,271,115	967,756	43,238,871
MINISTRY OF STATE FOR SPECIAL PROGRAMMES	3,685,813,632	4,901,102,464		4,901,102,464
MINISTRY OF JUSTICE, NATIONAL COHESION AND CONSTITUTIONAL AFFAIRS	60,211,815	63,440,893	-	63,440,893
MINISTRY OF STATE FOR PROVINCIAL ADMINISTRATION AND INTERNAL SECURITY	51,053,325	27,856,557		27,856,557
OFFICE OF THE VICE-PRESIDENT AND MINISTRY OF HOME AFFAIRS	17,706,792	5,311,764		5,311,764
OFFICE OF THE DEPUTY PRIME MINISTER AND MINISTRY OF LOCAL GOVERNMENT	2,460,000,000	643,743,539		643,743,539
MINISTRY OF ENVIRONMENT AND MINERAL RESOURCES	9,944,044	6,816,794	1,244,316	8,061,110
TOTAL	36,941,273,018	30,337,632,587	190,024,628	30,527,657,215

4.2 Development Expenditures

37. Under the development budget, the total expenditures on CPP in the fourth quarter amounted to KShs. 14.1 billion, equivalent to 49.2 percent of the total development CPP allocation. Notable under-performance was recorded in the ministries of Agriculture, Public Health and Sanitation, and Trade which was attributed to low absorption of the externally funded projects. Other Ministries with low expenditures were also due to non-captures of the expenditures from the districts. Table 13 below gives summary of the ministerial development CPP expenditures.

Table 13: Development Expenditures (KShs.)

MINISTRIES/DEPARTMENTS	PRINTED ESTIMATES 2010/2011	PAYMENTS	COMIT	PAY+COMIT
MINISTRY OF STATE FOR PROVINCIAL ADMINISTRATION & INTERNAL SECURITY	1,013,728,178	397,192,409	-	397,192,409
MINISTRY OF AGRICULTURE	2,453,775,859	428,514,331	-	428,514,331
MINISTRY OF MEDICAL SERVICES	3,162,876,200	1,140,689,086	-	1,140,689,086
MINISTRY OF ENERGY	2,692,000,000	1,906,284,869		1,906,284,869
MINISTRY OF HOUSING	747,000,000	475,907,800	23,278,674	499,186,474
MINISTRY OF INDUSTRIALIZATION	757,804,000	241,999,999	-	241,999,999
MINISTRY OF STATE FOR SPECIAL PROGRAMMES	4,740,080,808	3,886,106,831		3,886,106,831
MINISTRY OF PUBLIC HEALTH AND SANITATION	1,979,227,537	268,758,966		268,758,966
OFFICE OF THE DEPUTY PRIME MINISTER AND MINISTRY OF FINANCE	4,000,000		35,446,818	35,446,818
MINISTRY OF TRADE	68,000,000	55,000,000		55,000,000
MINISTRY OF GENDER AND CHILDREN	2,758,808,972	628,236,474		628,236,474
MINISTRY OF ENVIRONMENT AND MINERAL RESOURCES	1,587,231,881	709,211,633	106,733,731	815,945,364
MINISTRY OF EDUCATION	461,213,706	622,675,545		622,675,545
STATE LAW OFFICE	31,400,000	30,849,727	1,253,345	32,103,072
MINISTRY OF JUSTICE,NATIONAL COHESION AND CONSTITUTIONAL AFFAIRS	12,000,000	6,600,000		6,600,000
OFFICE OF THE DEPUTY PRIME MINISTER AND MINISTRY OF LOCAL GOVERNMENT	4,356,275,000	2,068,845,850	36,820,038	2,105,665,889
JUDICIARY	588,550,000	479,036,799	22,720,312	501,757,111
MINISTRY OF LIVESTOCK	1,146,746,528	378,808,453	119,097,673	497,906,126
MINISTRY OF COOPERATIVE DEVELOPMENT AND MARKETING	27,970,000	5,764,070	2,485,000	8,249,070
TOTAL	28,588,688,669	13,730,482,843	347,835,592	14,078,318,434

ANNEX I

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

	2003/2004	2004/2005	2005/06	2006/07	2007/08	2008/09	2009/10*	2010/11**
A.TOTAL REVENUE	254,681	289,802	311,251	373,030	432,220	487,893	548,074	667,539
1.Revenue	226,478	265,715	283,427	340,010	396,489	455,780	507,464	609,223
Income Tax	77,410	94,095	108,897	124,855	156,832	184,447	209,098	258,651
VAT	61,725	75,989	76,263	96,270	111,939	126,854	141,971	171,881
Import Duty	22,324	23,532	20,511	27,510	32,944	36,181	41,271	46,072
Excise Duty	40,085	44,151	50,309	56,406	61,858	69,872	74,112	80,567
Other Revenue	24,934	27,948	27,447	34,970	32,916	38,426	41,012	52,053
2.Appropriation –in –Aid	28,203	24,087	27,824	33,020	35,731	32,113	40,610	58,316
B.EXPENDITURE & NET LENDING	282,187	303,373	382,818	419,570	534,842	595,719	725,201	811,849
1.Recurrent	244,476	255,746	306,515	306,847	403,368	435,542	510,516	592,427
Wages and Salaries	95,850	105,612	112,277	127,258	145,996	155,220	172,609	198,549
Interest Payments	29,700	30,470	41,247	42,537	47,877	52,058	63,523	76,199
Domestic Interest	23,281	23,375	31,445	36,860	42,181	45,949	57,382	69,209
Foreign Interest Due	6,419	7,095	9,802	5,677	5,696	6,109	6,141	6,989
Pensions/Other CFS	13,612	12,568	19,759	20,449	24,089	27,191	28,977	25,724
Civil Service Reform	273	-	1,300	1,392	800	121	50	5
O & M/ Others	105,041	107,096	131,932	115,211	184,606	200,952	245,357	291,951
O/W Appropriation-in-Aid	23,443	20,999	23,891	28,701	32,343	40,611	42,807	54,036
2.Development & Net Lending	37,711	45,627	67,692	80,354	131,473	160,177	214,685	219,422
Development Projects	25,943	28,824	48,037	62,123	86,213	111,962	165,461	171,463
Appropriation-in-Aid	12,341	15,929	18,607	16,750	42,932	45,842	46,956	46,809
Payment of guaranteed loans	1,368	860	4,000	-	2,328	2,373	2,268	1,150
3. Drought Development	-	2,000	1,048	1,481	-	-	-	-
Expenditures/CCF	-	-	-	-	-	-	-	-
D.DEFICIT EXCL. GRANTS (Commitment Basis)	(27,506)	(13,571)	(71,567)	(46,540)	(102,622)	(107,826)	(177,127)	(144,310)
E.GRANTS	16,224	14,905	20,070	15,494	25,449	18,065	31,190	18,769
F.DEFICIT INCL.GRANTS (Commitment basis)	(11,282)	1,334	(51,497)	(30,697)	(77,173)	(89,761)	(145,937)	(125,541)
G. ADJUSTMENT TO CASH BASIS	11,282	5,964	15,030	(5,571)	84,738	(27,259)	(28,437)	6,768
H.DEFICIT INCL.GRANTS (cash basis)	-	7,298	(36,467)	(36,269)	7,566	(117,020)	(174,374)	(118,773)
I.FINANCING	-	(7,298)	36,467	36,269	(7,566)	117,020	174,374	118,773
Foreign Financing	(8,809)	(625)	1,216	(2,392)	6,326	41,143	22,895	28,390
Domestic Financing	8,809	(6,673)	35,251	38,661	(13,891)	75,876	151,479	90,383
Of which Domestic Borrowing	8,809	(6,673)	7,000	4,000	-	69,427	117,037	90,383
Others	-	-	-	-	-	-	34,442	-
AS A PERCENTAGE OF GDP								
A.TOTAL REVENUE	21.11	21.55	20.49	21.63	22.02	21.80	22.30	24.18
1.Revenue	18.78	19.76	18.66	19.72	20.20	20.37	20.65	22.07
Income Tax	6.42	7.00	7.17	7.24	7.99	8.24	8.51	9.37
VAT	5.12	5.65	5.02	5.58	5.70	5.67	5.78	6.23
Import Duty	1.85	1.75	1.35	1.60	1.68	1.62	1.68	1.67
Excise Duty	3.32	3.28	3.31	3.27	3.15	3.12	3.02	2.92
Other Revenue	2.07	2.08	1.81	2.03	1.68	1.72	1.67	1.89
2.Appropriation –in –Aid	2.34	1.79	1.83	1.92	1.82	1.43	1.65	2.11
B.EXPENDITURE & NET LENDING	23.39	22.56	25.20	24.33	27.25	26.62	29.50	29.40
1.Recurrent	20.27	19.01	20.18	17.80	20.55	19.46	20.77	21.46
Wages and Salaries	7.95	7.85	7.39	7.38	7.44	6.94	7.02	7.19
Interest Payments	2.46	2.27	2.72	2.47	2.44	2.33	2.58	2.76
Domestic Interest	1.93	1.74	2.07	2.14	2.15	2.05	2.33	2.51
Foreign Interest Due	0.53	0.53	0.65	0.33	0.29	0.27	0.25	0.25
Pensions/Other CFS	1.13	0.93	1.30	1.19	1.23	1.21	1.18	0.93
Civil Service Reform	0.02	-	0.09	0.08	0.04	0.01	0.00	0.00
O & M/ Others	8.71	7.96	8.68	6.68	9.40	8.98	9.98	10.57
O/W Appropriation-in-Aid	1.94	1.56	1.57	1.66	1.65	1.81	1.74	1.96
2.Development & Net Lending	3.13	3.39	4.46	4.66	6.70	7.16	8.73	7.95
Development Projects	2.15	2.14	3.16	3.60	4.39	5.00	6.73	6.21
Appropriation-in-Aid	1.02	1.18	1.22	0.97	2.19	2.05	1.91	1.70
Payment of guaranteed loans	0.11	0.06	0.26	-	0.12	0.11	0.09	0.04
3. Drought Expenditures	-	0.15	0.07	0.09	-	-	-	-
D.DEFICIT EXCL. GRANTS (Commitment Basis)	(2.28)	(1.01)	(4.71)	(2.70)	(5.23)	(4.82)	(7.21)	(5.23)
E.GRANTS	1.35	1.11	1.32	0.90	1.30	0.81	1.27	0.68
F.DEFICIT INCL.GRANTS (Commitment basis)	(0.94)	0.10	(3.39)	(1.78)	(3.93)	(4.01)	(5.94)	(4.55)
G.ADJUSTMENT TO CASH BASIS	0.94	0.44	0.99	(0.32)	4.32	(1.22)	(1.16)	0.25
H.DEFICIT INCL.GRANTS (cash basis)	-	0.54	(2.40)	(2.10)	0.39	(5.23)	(7.09)	(4.30)
I.FINANCING	-	(0.54)	2.40	2.10	(0.39)	5.23	7.09	4.30
Foreign Financing	(0.73)	(0.05)	0.08	(0.14)	0.32	1.84	0.93	1.03
Domestic Financing	0.73	(0.50)	2.32	2.24	(0.71)	3.39	6.16	3.27
Of which Domestic Borrowing	0.73	(0.50)	0.46	0.23	-	3.10	4.76	3.27
Others	-	-	-	-	-	-	1.40	-
Memorandum Item: Nominal GDP at Market price (KShs., millions)	1,206,194.5	1,345,026.0	1,519,079.0	1,724,197.0	1,962,879.0	2,238,000.0	2,458,000.0	2,761,000.0

Note: * indicate Preliminary results and ** Provisional

Source: Ministry of Finance

ANNEX II

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

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

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

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481	Mbita Point TC	18,855,822	19,304,723	17,599,955	21,259,047
486	Meru CC	145,943,019	169,255,386	97,375,772	159,545,934
491	Meru MC	111,938,913	111,486,387	77,678,923	124,448,005
496	Meru South CC	45,390,023	43,220,263	32,101,729	50,059,168
501	Migori CC	82,759,464	83,757,418	73,099,721	91,354,708
506	Migori MC	70,311,717	58,144,982	37,465,891	65,902,443
511	Molo TC	45,431,469	49,577,193	35,358,241	54,722,503
516	Mombasa MC	2,026,902,115	2,070,923,217	1,751,558,427	1,859,824,954
521	Mt. Elgon CC	37,826,456	41,083,017	49,659,168	43,707,967
526	Moyale CC	36,233,776	49,039,334	36,261,715	43,849,653
531	Mtitu Andei TC	17,494,747	18,354,040	8,763,836	20,502,104
536	Muhoroni TC	26,846,237	28,043,770	25,386,129	31,740,550
541	Mumias MC	88,786,498	83,868,161	67,487,582	90,108,452
546	Murang'a CC	114,915,639	117,803,833	104,072,902	127,616,356
551	Murang'a MC	66,387,088	75,795,585	72,778,410	75,752,665
556	Mwingi CC	63,672,032	78,545,243	97,392,643	79,872,190
561	Mwingi TC	36,214,351	38,442,097	32,719,151	40,257,340
566	Naivasha MC	117,943,557	139,600,000	112,849,901	127,465,277
571	Nakuru CC	297,725,146	314,313,437	242,839,145	335,417,960
576	Nakuru MC	607,125,500	664,801,360	560,529,553	628,744,732
581	Nambale TC	13,985,544	20,733,202	13,321,488	17,518,072
586	Nandi CC	119,036,068	116,766,050	97,277,265	129,888,167
591	Nandi Hills TC	31,871,998	40,630,599	36,035,738	36,081,121
596	Nanyuki MC	174,482,430	145,041,785	145,812,899	181,445,050
601	Narok CC	706,770,307	595,922,652	543,501,559	812,486,916
606	Narok TC	51,935,391	72,010,899	70,323,312	61,728,662
616	Nyahururu MC	109,996,647	112,327,753	91,842,582	119,790,320
621	Nyamache TC	12,627,571	13,683,287	10,410,731	16,079,138
626	Nyamarambe TC	13,069,554	13,847,182	11,857,697	15,674,643
631	Nyambene CC	142,185,243	142,903,629	156,606,382	153,790,821
636	Nyamira CC	102,563,098	96,634,807	73,396,610	113,623,728
641	Nyamira TC	27,639,997	29,037,579	19,837,257	30,800,536
646	Nyandarua CC	188,242,918	196,829,687	164,911,267	206,350,896
651	Nyando CC	66,382,905	65,624,452	52,420,118	73,629,038
656	Nyansiongo TC	16,167,898	14,947,443	14,765,358	17,628,430
661	Nyeri CC	179,540,590	173,740,671	152,197,744	194,672,840
667	Nyeri MC	223,481,342	218,433,659	164,836,841	225,365,483
671	Nzoia CC	126,316,503	133,789,697	141,930,681	144,927,546
676	Ogembo TC	23,384,249	22,312,447	22,749,304	22,932,148
681	Olkalou TC	51,275,729	49,961,568	44,908,498	58,609,311
686	Olkejuado CC	219,019,766	298,034,501	284,614,728	271,461,075
691	Othaya TC	28,398,905	27,233,142	22,358,892	29,276,406
696	Oyugis TC	41,130,405	36,719,405	26,761,184	41,816,049
701	Pokot CC	55,782,731	63,446,153	49,930,751	71,150,159
706	Port Victoria TC	13,513,556	13,538,432	14,488,907	15,649,265
711	Rachuonyo CC	52,762,908	56,903,460	43,492,046	59,119,834
716	Rongo TC	38,148,001	45,027,966	39,577,131	42,557,866
721	Ruiru MC	140,344,202	141,008,960	114,646,925	131,514,698
726	Rumuruti TC	20,027,924	21,725,192	19,451,599	22,810,381
731	Runyenjes MC	31,383,393	32,634,318	29,468,185	35,338,141

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736	Sagana TC	16,822,040	20,678,142	20,226,234	20,220,461
741	Samburu CC	157,821,365	157,029,430	161,122,494	175,972,046
746	Siaya CC	80,287,184	82,102,928	78,673,436	89,943,249
751	Siaya MC	40,502,398	40,696,542	33,662,819	50,551,051
756	Sirisia TC	7,224,952	8,943,594	7,902,776	10,733,949
761	Sotik TC	21,308,443	25,698,000	22,117,641	23,252,699
766	Suba CC	50,694,111	47,586,284	40,469,341	62,266,961
771	Suneka TC	20,665,696	24,976,249	20,521,586	23,884,026
776	Tabaka TC	18,930,531	13,878,055	10,882,223	15,873,782
781	Taita Taveta CC	86,058,855	65,095,235	49,360,892	74,296,799
786	Tana River CC	72,296,916	76,682,699	39,574,540	79,059,848
791	Taveta TC	45,644,439	91,157,449	78,780,480	57,457,329
796	Teso CC	37,754,252	37,718,963	30,792,067	42,378,015
801	Tharaka CC	33,944,481	42,966,493	33,100,296	40,846,207
806	Thika CC	150,706,097	181,853,542	131,527,601	174,265,501
811	Thika MC	431,813,586	523,915,208	428,280,829	524,252,342
816	Transmara CC	131,482,413	91,509,896	90,601,841	123,948,004
821	Turkana CC	109,029,371	124,018,967	117,149,893	124,784,653
826	Ugunja TC	16,429,275	19,191,656	18,755,601	23,530,044
831	Ukwala TC	15,771,925	16,124,614	17,682,918	18,148,282
836	Vihiga CC	77,655,767	78,021,990	74,150,704	86,515,349
841	Vihiga MC	63,837,869	61,157,363	61,983,422	72,102,335
846	Voi MC	49,503,913	56,148,453	45,681,504	53,927,474
851	Wajir CC	106,679,578	108,601,229	50,744,959	128,377,643
856	Wareng CC	134,391,810	139,984,735	147,936,285	148,012,809
861	Webuye MC	64,198,605	52,313,324	54,834,212	61,831,312
866	Wote TC	15,826,874	33,831,857	29,750,509	38,136,313
871	Yala TC	13,100,684	13,067,894	10,051,225	15,629,210

KEYNOTE ADDRESS BY THE PERMANENT SECRETARY/TREASURY (PS/T) ON THE VALIDATION WORKSHOP FOR THE DOING BUSINESS 2012 REPORT, HELD ON THE 27TH MAY, 2011 AT THE KICC NAIROBI

- ❖ In his keynote address the PS/T said that this was the sixth time that Kenya was participating in the annual exercise intended to measure the progress made by 183 economies in the world, on regulatory reforms that lead to improvement in the investment and business environment of a country, which is critical to attracting both local and international investments.
- ❖ He said that the Government had made substantial progress in terms of administrative and legal reforms that had simplified and eased the processes of starting and running a business in Kenya. The main agencies driving the reforms, as per the DB Indicators, had been at the forefront ensuring that they created a platform that is conducive to any investor who wishes to invest in Kenya. He emphasized on the need for the spirit of reforms and creation of “Reform Champions” within Kenyan, who will run towards making Kenya the best investment destination in the world.
- ❖ He said that this is a World Bank initiative that is welcome, as it helps Kenya to benchmark against its peers and best practices in various areas of economic transformation and development, and enables Kenya to set targets and work towards achieving them. It also presents an opportunity to learn from others and improve on existing shortcomings.
- ❖ Kenya has been implementing various business regulatory reforms in key institutions over the last five years. These institutions include:
 - The Companies Registry, where, the banking hall has been modernized and is now more attractive to all its patrons who wish to conduct name searches, register businesses or companies, and collect their certificates.
 - Kenya Revenue Authority, where a comprehensive approach towards VAT reforms has been initiated, to improve on the “Paying Taxes” indicator. In addition, operational efficiency has increased at the Port of Mombasa and KRA due to the consolidated of document approval procedures; and the replacement of paper based customs administration with the Revenue Administration Reform and Modernization Programme (RARMP), which is an electronic data interface system. This commenced in April 2005 and was completed in June 2010.
- ❖ Other reforms include:
 - The simplification of the Single Business Permit, through decentralization of the licensing function to Divisions and Wards thus fast-tracking the process and reducing the time taken to obtain a license to about a day, according to the Nairobi City Council. This is a critical permit that affects all businesses. Its simplification, therefore, has immediate positive ripple effects on business operations.
 - The Lands Registry has also been modernized, with the introduction of the digitization of land records and simplification of administrative procedures such as obtaining land rates certificates, inspections and property valuation, among others.
 - To further improve international/cross border trade and facilitate investment, Kenya has set up the National Single Window Systems Project, which implements an electronic Single Window platform for submission, receipt and processing of trade

related cargo clearance documentation. The electronic platform will be the sole entry point for lodgment of trade transaction documentation. It will integrate the electronic systems of stakeholders involved in the cargo clearance process e.g. Kenya Revenue Authority, Kenya Bureau of Standards, Kenya Plant Health Inspectorate Services, Kenya Ports Authority, etc. The National Single Window Systems Project was gazetted on 14th January 2011, as the Kenya Trade Network Agency, and is expected to be fully operational by December 2011

- The Electronic Regulatory Registry (the e-Registry), which 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
- These reforms, he said would be cascaded to the Local Authorities as is currently being measured under the Sub National Doing Business Indicators, by the World Bank Group. The Kenya Local Government Reform Programme, under the Ministry of Local Government, and the Office of the Prime Minister are taking the lead on this.
- ❖ Critical reforms are also being implemented in various fronts including public financial management, private sector development and financial sector development. The reforms are aimed at removing binding constraints to higher economic growth as well as creating a conducive environment for business to flourish.
- ❖ Kenya development blue print, the Vision 2030, places a heavy responsibility on the private sector as the engine of growth and driver of the main projects identified under the six key sectors of the economic pillar, namely: agribusiness, financial services, wholesale and retail, manufacturing, tourism, and Business Process Outsourcing. He, therefore, call upon the private sector to take up the mantle and rise to the challenge.
- ❖ The Government, he said is committed to continue focusing on removing those factors that continue to constrain faster growth while creating an enabling environment for strong private sector activity. Specifically the government will seek to achieve the following:-
 - Maintenance of a stable macroeconomic framework and creating an enabling environment for business to thrive;
 - Setting up the essential frameworks for implementing the new Constitutional order;
 - Encourage domestic and foreign direct investment in the flagship projects identified under Vision 2030;
 - Further scaling up public investment especially in infrastructure – roads, energy, railways and ports, partly financed through concessional external borrowing and/or Public-Private Partnerships (PPPs); as well as physical infrastructure to improve public transport and access to electricity, water, sanitation and housing.
 - Enhancing the quality of education and skills development, food security and protecting the livelihoods of the poor and vulnerable members of our society, and
 - Improving the business environment especially with licensing reforms, elimination of hurdles to business start-ups and ease of cross-border trade.
- ❖ The Government is also focusing on the other sectors such as railway transport, (the government intends to build a new standard gauge railway line from Mombasa to Malaba), expanding the port of Mombasa, energy and other infrastructure projects. Opportunities

accorded by the PPP framework for foreign investors keen on undertaking PPP projects. Other areas still untapped include modern agriculture and biotechnology.

- ❖ Beyond the Doing Business Indicators, Kenya is open for business! There exists opportunities for foreign and local investors in various sectors, including; power generation, water, roads, housing, financial services, manufacturing and tourism and related services, BPO and other infrastructure subsectors. The laying of undersea fibre optic cables has also linked Kenya and the EAC region to low-cost and high speed international connectivity providing ample opportunities and partnerships in areas of voice and data communication. In fact, the telecommunication, banking and investment as well as tourism are sectors most attractive to foreign investors.
- ❖ The Government continues to pursue, an export-led and private sector driven growth strategy. Specifically, aimed at further deepening and broadening the scope of the business regulatory reforms, improving the investment climate and completing the remaining licensing reforms including enacting a Business Regulation law, and operationalization of an e-Registry as well as streamlining business registration processing.
- ❖ In conclusion he said that, leveraging on the benefits of the new Constitution and the spirit of entrenching reforms, the implementation of various regulatory reforms will usher in a new perception of Kenya as a secure and, therefore, the preferred investment destination. As the biggest economy within the East African Community, Kenya provides a launching pad to access markets in Eastern and Central Africa.
- ❖ He appreciated the strong working partnership of the Government with the Private Sector, Development Partners and various Government Agencies, which has enabled Kenya to achieve a fundamental shift of focus from the piecemeal, short term reforms to broader and more comprehensive reforms that will have a lasting impact on the investment climate.
- ❖ At the end of his remarks, he wished participants fruitful deliberations and looked forward to a better performance in the next edition of the Doing Business Report. He then declared the workshop, officially opened.