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THE NATIONAL TREASURY AND PLANNING

PUBLIC DEBT MANAGEMENT REPORT

2019/2020

SEPTEMBER 2020

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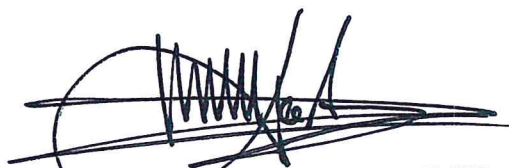
FOREWORD

The Annual Public Debt Management Report 2020 portrays developments in public debt and borrowing during the FY 2019/2020. It describes the changing structure of public debt as well as debt service obligations. The Report covers the level of publicly guaranteed public debt, on-lent loans, status of implementation of the Medium Debt Management Strategy (MTDS), commitment fees paid on undisbursed loans as well as results of the most recent Debt Sustainability Analysis (DSA). It also contains an analysis of the costs and risks characteristics of Kenya's public debt and debt related transactions. The Annual Public Debt Management Report forms part of the statutory reporting on public debt as prescribed by the PFM Act, 2012.

During the year under review, total public and publicly guaranteed debt increased in nominal terms, to Kshs 6.7 trillion, equivalent to 65.6 per cent of GDP as at end of June 2020. Public Debt composed of 52.5 per cent external and 47.5 per cent domestic debt. External debt is largely skewed towards concessional terms although commercial loans in the portfolio including Eurobonds have impacted the cost and risk profile including the average maturity period, grace period and average interest rate as new external loan commitments were 15 years, 6 years and 4 years, respectively. Kenya's has an up to date debt repayment track record with no arrears being reported. The public debt remains within the debt sustainability levels. It should be noted that increased public expenditure has led to sustained high levels of borrowing leading to fast accumulation of public debt over the recent years. Going forward, it is expected that in the absence of huge infrastructural projects, growth in public expenditure will be moderated to ensure that public debt accumulation is consistent with the levels of growth of GDP so as to safeguard public debt sustainability and hereby improve Kenya's credit rating thereby reducing cost of debt.

During the financial year, the National Treasury continued with measures aimed at revamping and strengthening public debt management. However, elevated public expenditure deficits remain the key threat to sustainability of public debt in Kenya. The PDMO has in place the *Public Debt and Borrowing Policy* approved by Cabinet in March 2020. The Policy, is anchored on international best practices and aims to strengthen and guide the management of public debt. The National Treasury is working closely with the Kenya Bankers' Association to establish an Over -The -Counter (OTC) platform to improve on the liquidity deficiency on Kenya's debt market transactions.

It is my belief that the contents of this report will provide illumination into the size, structure and dynamics of public debt management in Kenya for the period 2019/20.



HON. (AMB.) UKUR K. YATTANI, EGH
CABINET SECRETARY/THE NATIONAL TREASURY AND PLANNING

ACKNOWLEDGEMENT

Continued publication of the Public Debt Management Report reflects the National Treasury's commitment to sustaining both transparency in reporting and accountability in the management of public debt. The report is presented in a simplified manner to facilitate comprehension by the general public.

During the period under review, the National Treasury developed the Public Debt and Borrowing Policy which provides guidance on borrowing to finance budget deficits and management of public debt portfolio with a view to achieving minimization of costs and risks. The policy provides for a strong accountability framework in borrowing and management of public debt as well as splendidly seeking to promote the development of the domestic market for Government debt securities.

The 2019/2020 Public Debt Management Report was prepared during a period of stringent containment measures, including requirements for social distance, among others brought about by the Covid -19 pandemic. I thank the National Treasury staff, and particularly the Public Debt Management Office (PDMO), who worked diligently to ensure the production of the 2019/2020 Public Debt Management Report in time.

Funding for the Net Domestic Financing was achieved as planned during the year and I would like to thank the Central Bank of Kenya for playing the role of fiscal agency successfully.

We anticipate that the publication of this report will provide valuable information and enrich understanding of public debt management by the general public and relevant stakeholders, further eliciting dialogue and constructive criticism in line with the Debt and Borrowing Policy.

This report and other similar publications on public debt are available for reference in the National Treasury website: www.treasury.go.ke.



JULIUS MUIA, PhD, CBS

PRINCIPAL SECRETARY/NATIONAL TREASURY

Legal basis for the publication of the *Annual Public Debt Management Report*

The *Annual Public Debt Management Report* is published in accordance with:

Section 64 (2) (c) of the Public Finance Management Act, 2012 which states that the PDMO shall prepare statistical and analytical reports on debt and borrowing and submit to the Cabinet Secretary and the Commission on Revenue Allocation.

Regulation 200 of the PFM Regulation, 2015 states that not later than three months after the end of each financial year, the Cabinet Secretary shall prepare and submit an annual report to Parliament on public debt in the format set by the Cabinet Secretary. The annual public debt report shall include the following information:

- Review of previous year's financing of budget deficit;
- Composition of External debt;
- Publicly guaranteed debt;
- On-lent loans and contingent liabilities;
- Debt strategy and debt sustainability
- Outlook for the Medium Term; and
- Any commitment fees and penalties paid on any undisbursed amounts of a loan.

ABBREVIATIONS AND ACRONYMS

ADF	African Development Fund
ADB	African Development Bank
A-I-A	Appropriation in Aid
ATM	Average Time to Maturity
BPS	Budget Policy Statement
CBK	Central Bank of Kenya
CBR	Central Bank Rates
CCN	City Council of Nairobi
CPIA	Country Policy and Institutional Assessment
DSF	Debt Sustainability Framework
DSA	Debt Sustainability Analysis
EAC	East Africa Community
EAPC	East African Portland Cement
EBR	Economic Budget Review
FCCL	Fiscal Commitments and Contingent Liabilities
FY	Financial year
GBP	Sterling Pound
GDP	Gross Domestic Product
GoK	Government of Kenya
IDA	International Development Association
IFB	Infrastructure Bond
IMF	International Monetary Fund
IPPs	Independent Power Producers
ISB	International Sovereign Bond
KBC	Kenya Broadcasting Corporation
KenGen	Kenya Electricity Generating Company
MTDS	Medium Term Debt Management Strategy
NBFI	Non-Bank Financial Institution
NSSF	National Social Security Fund
PDMO	Public Debt Management Office
PFMA	Public Finance Management Act
PRG	Partial Risk Guarantees
PMG	Pay Master General
PPA	Power Purchase Agreements
PPG	Public and Publicly Guaranteed
PFF	Project Facilitation Fund
PPP	Public Private Partnership
PV	Present Value
Q4	Quarter four
QEBR	Quarterly Economic Budget Review
SBLC	Stand By letter of Credit
SGR	Standard Gauge Railway
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TARDA	Tana and Athi Rivers Development Authority
T-Bills	Treasury Bills
TEDS	Total External Debt Service
UK	United Kingdom
USA	United States of America
USD	United States Dollar

EXECUTIVE SUMMARY

Kenya's quest to address its development challenges over the last decade has been remarkable. The economy has withered off internal as well as external shocks growing at 5.7 percent in 2019. The growth however slowed down during the first quarter of 2020 to grow at 4.9 percent owing largely due to the twin shocks occasioned by the COVID-19 pandemic and the infestation by the desert locusts. Despite multiple shocks, the economy has continued to maintain a stable macroeconomic environment and a positive investor confidence.

The outstanding total public and publicly guaranteed public debt has been growing steadily over the last three years. In June 2018, the National Government debt was Kshs 5,047,234 million rising to Kshs 5,808,591 million in June 2019 and Kshs 6,693,338 million in June 2020. The proportion of debt relative to GDP rose from 57.1 percent in June 2018 to 65.6 percent in June 2020. Domestic debt as a percentage of GDP rose from 28.0 percent in June 2018 to 31.2 percent in June 2020 while external debt including guaranteed components rose from 29.0 percent of GDP in 2018 to 34.4 percent of GDP in 2020. The ratio of debt service to revenue rose from 43.9 percent in 2018 to 56.8 percent in 2019. However, the ratio dropped sharply in 2020 to 41.4 percent due to less debt service obligations during the year.

Treasury Bonds and Bills have remained key instruments of mobilizing domestic debt in Kenya. As at end June 2020, Treasury Bills accounted for 27.9 percent of total stock of domestic debt while the Treasury bonds accounted for 69.8 percent. Commercial banks have continued to dominate the domestic scene as the largest holders of government debt at 52 percent while non-banking institutions held 44.9 percent. The Government is undertaking reforms aimed at attracting a diversified range of investors in the domestic debt market.

The annual turnover in the secondary market for government securities has remained invariant at Kshs 536.5 billion in 2020. However, the turnover has been relatively depressed relative to the stock of Treasury Bonds issued in the primary market, partly due to the effects of Covid 19.

Kenya continues to hold a large proportion of her debt in foreign currency. As at end of June 2020, 67.3 percent of external debt was denominated in the USD, 18.0 percent in Euro, 6.6 percent in Japanese Yen, 5.4 percent in Yuan, 2.5 percent in Sterling Pounds while other currencies accounted for 0.2 percent.

The Outstanding debt stock of on-lent loans to Parastatals stood at Ksh 867,005 million as at end June 2020 with an increase of Ksh 69,158 million from Ksh 797,847 million by end June 2019 occasioned by new loans for Coast Water Service Board, Kenya Mortgage Refinance Company and Kenya Electricity Generating Company, translating to a rise of 8.67per cent.

CHAPTER ONE

NATIONAL GOVERNMENT'S FISCAL DEFICIT FINANCING AND PUBLIC DEBT

1.1 Economy

Kenya has made significant progress in instituting reforms in the political, structural and economic sectors that have led to sustained economic growth, social development and political gains over the last decade. Poverty, inequality, climate change, weak private sector investment and the vulnerability of the economy to internal and external shocks have remained the main challenge to achieving the desired level of development. In 2019, economic growth averaged 5.7 percent. However, the growth slowed down during the first quarter of 2020 averaging 4.9 percent owing largely to the COVID-19 pandemic and the infestation by the desert locusts. Despite these shocks, the economy has remained resilient maintaining a stable macroeconomic environment and a positive investor confidence.

The twin shocks have had a negative impact on the food security, productivity and growth of the agriculture sector in the country. The downside risks are projected to adversely affect trade between Kenya and the rest of the world if the protracted global recession persists.

The 12-month (year-on-year) inflation rate remained low, stable and within the Government target range of 5+/-2.5 percent at 4.6 percent in June 2020 down from 5.7 percent in June 2019. This was supported by low food prices due to favourable weather conditions, lower international oil prices, impact of the reduction of VAT and muted demand pressures.

1.1.1 Fiscal Balance

The overall actual fiscal balance in the FY 2019/20 was a deficit of Kshs 791,180 million (7.8 per cent of GDP) rising slightly as a share of GDP above 7.6 percent recorded in FY 2018/19 on the backdrop of COVID-19 pandemic. The deficit was financed through net external financing of Kshs 340,805 million (3.3 per cent of GDP), net domestic financing of Kshs 398,506 million (3.9 per cent of GDP) and other domestic financing of Kshs 51,869 million (Table 1-1). The relatively high fiscal deficits in the recent past is the key driver to debt accumulation.

Financing of fiscal deficits is guided by the Medium-Term Debt Strategy which specifies a combination of financing sources and their associated impact on the overall debt portfolio. The MTDS also specifies the most optimal strategy for implementation given the cost and risk characteristics of existing debt.

Table 1. 1: Kenya Financing Fiscal Balance (Kshs million)

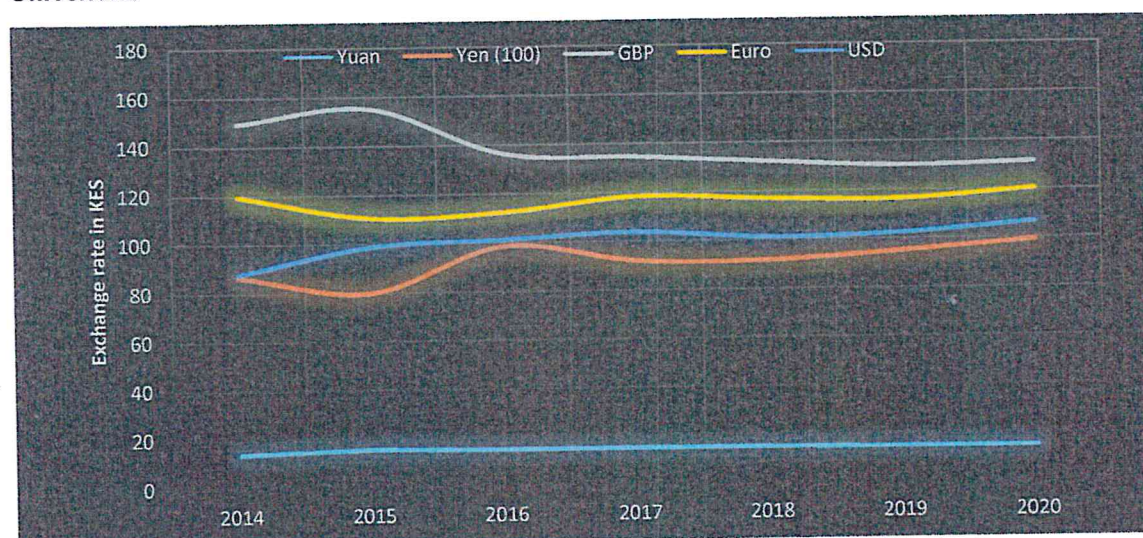
Financing item	FY 2017/18		FY 2018/19		FY 2019/20	
	Kshs million	As % of GDP	Kshs million	As % of GDP	Kshs million	As % of GDP
Net Foreign Financing	331,641	3.7	414,518	4.4	340,805	3.3
Net Domestic financing	273,710	3.1	303,662	3.2	448,331	3.9
Other Domestic Financing ¹	2,623	0.0	2,878	0.0	51,869	0.5
Total	607,974	6.9	721,058	7.6	791,180	7.8

Source: National Treasury, QEBR Q4, 2020

1.1.2 Kenya Shilling Exchange Rate

The foreign exchange market has experienced some volatility in the first half of 2020 largely due to uncertainties regarding the impact of COVID-19 pandemic and a significant strengthening of the hard currencies in the global markets. However, the Kenya Shilling remained competitive supported by a stable current account deficit. The Shilling depreciated against the US Dollar, Sterling Pound and the Euro exchanging at an average of Ksh 106.5, Ksh 131.2 and Ksh 120.1 in June 2020 from Ksh 102.2, Ksh 129.6 and Ksh 116.1 in June 2019, respectively (Figure 1-1; Table 1-2).

Figure 1. 1: End of Month Mean Exchange rate of Kenya Shilling against selected Currencies



Source: Central Bank of Kenya

¹ Same as Domestic Loan Repayments (Receipts). Reference: QEBR fourth quarter 2019

Table 1. 2: Kenya Shilling Exchange Rate movement since 2014

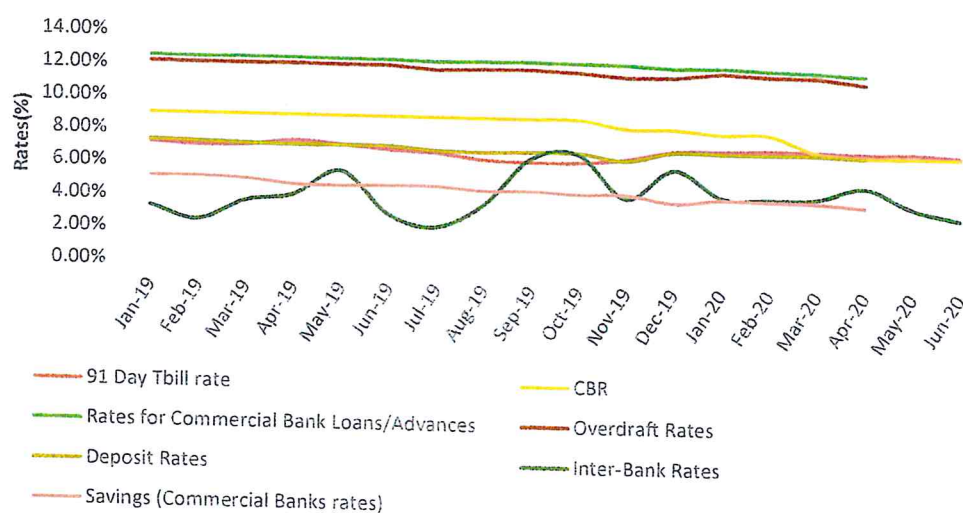
	2014	2015	2016	2017	2018	2019	2020
Yuan	14.12	15.90	15.21	15.29	15.27	14.88	15.05
Yen (100)	86.50	79.80	98.40	91.90	91.60	94.92	99.14
GBP	149.20	155.10	136.44	134.60	132.10	129.64	131.17
Euro	119.55	110.40	112.30	118.31	116.86	116.07	120.14
USD	87.63	98.64	101.10	103.71	101.05	102.17	106.52

Source: Central Bank of Kenya

1.1.3 Short-term interest rates

Over the last year, short-term interest rates have remained relatively stable with the exception of the inter-bank rate which has exhibited persistent volatility during the period under review. The benchmark rate has remained below the CBR with the CBR falling below the 91-day Treasury Bills rate in the second quarter of 2020. The weighted average rate for commercial bank loans and advances and the overdraft rates have been above the 11 percent mark over the last one year.

Figure 1. 2: Comparative Interest rates between January 2019 and June 2020



Source: Central Bank of Kenya

1.2 Total Public Debt

The outstanding total public and publicly guaranteed debt was Kshs 6,693,338 million as at end June 2020 compared to Kshs 5,808,622 million as at end June 2019 (Table 1-2). This reflected a 15.2 percent growth in the overall debt over the period under review. Over the same period, domestic debt increased by Kshs 391,589 million (or by 14.1 per cent) from Kshs 2,785,483 million to Kshs 3,177,526 million while external debt (including guaranteed debt) increased from Kshs 3,023,139 million to Kshs 3,515,812 million being an increase by Kshs 492,672 million or 16 percent growth rate). The increase in external debt was largely due to

growth in multilateral debt and depreciation of the shilling against hard currencies. The change in overall debt composition show an aggregate rise in debt over the review period.

Public Finance Management law has set the debt ceiling at Kshs 9 trillion which is a departure from the ratio ceiling of debt to GDP in Net Present Value terms of 50 percent. Although total outstanding debt remains below the statutory debt ceiling, total debt including committed undisbursed balances is edging closer to the ceiling.

Table 1. 3: Trends in Kenya's Total Public Debt (Kshs million)

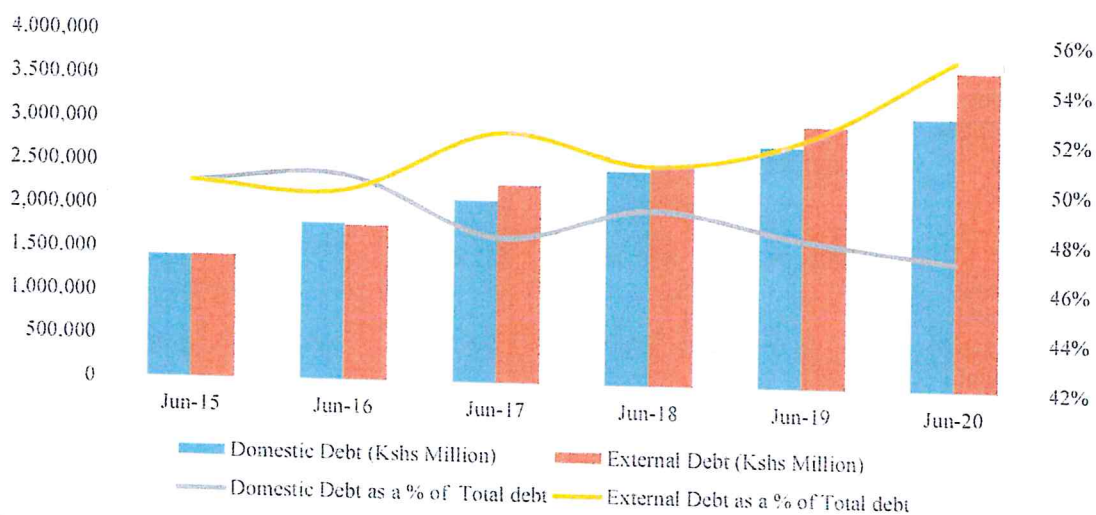
DEBT TYPE	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20
DOMESTIC DEBT							
Central Bank	65,700	63,335	99,856	54,506	110,782	109,607	98,878
Commercial Banks	617,221	730,419	927,307	1,142,889	1,266,457	1,414,431	1,653,194
Sub-total: Banks	682,921	793,754	1,027,163	1,197,395	1,377,239	1,524,038	1,752,072
Non-bank	601,406	626,690	787,970	915,315	1,101,596	1,261,899	1,425,454
Total Domestic	1,284,327	1,420,444	1,815,133	2,112,710	2,478,835	2,785,483	3,177,526
As a % of GDP	25.5%	24.4%	27.1%	27.6%	28.0%	29.3%	31.2%
As a % of total debt	53.0%	50.0%	50.3%	47.9%	49.1%	48.0%	47.5%
EXTERNAL DEBT							
Bilateral	248,636	405,562	491,864	669,840	759,017	917,980	993,696
Multilateral	593,397	680,192	794,797.5 0	839,722	825,299	909,791	1,316,835
Commercial Banks	234,799	276,937	432,377	634,109	830,652	1,019,030	1,022,402
Suppliers Credits	16,452	16,628	16,628	15,303	16,725	16,932	17,631
Sub-Total	1,093,284	1,379,319	1,735,667	2,158,973	2,431,693	2,863,734	3,350,564
GUARANTEE DEBT							
Bilateral	41,278	39,495	56,487	52,728.80	56,371.20	78,078.78	80,562
Multilateral	3,943	4,439	4,044	4,667.00	4,547.30	4,603.42	4,794
Commercial	0	0	0	77,783.80	75,787.50	76,723.73	79,892
Sub-Total	45,221	43,934	60,531	135,179.6 0	136,706	159,405.93	165,248
Total External debt	1,138,505	1,423,252	1,796,198	2,294,153	2,568,399	3,023,139	3,515,812

As a % of GDP	22.6%	24.4%	26.8%	30.0%	29.0%	31.8%	34.4%
As a % of total debt	47.0%	50.0%	49.7%	52.1%	50.9%	52.0%	52.5%
GRAND TOTAL	2,422,832	2,843,696	3,611,331	4,406,863	5,047,234	5,808,591	6,693,338
Total debt as a % of GDP	48.0%	48.8%	53.8%	57.5%	57.1%	61.1%	65.6%
Memorandum item							
GDP (in Kshs million)	5,073,776.8	5,831,528	6,709,671	7,675,172	8,518,004	9,303,050	10,196,618

Source: National Treasury and Central Bank of Kenya

In nominal terms, total public debt to GDP rose to 65.6 per cent from 61.1 per cent over the review period as shown in (Fig. 1-3). Domestic debt rose from 29.3 per cent of GDP to 31.2 per cent of GDP while external debt rose from 31.8 per cent of GDP to 29.0 per cent of GDP.

Figure 1. 3: Kenya's Public and Publicly Guaranteed Debt: June 2013-2020 (Kshs Millions)



Source: National Treasury and Central Bank of Kenya

1.3 Public Debt Service

Total public debt service payments declined from Kshs 850,071 million to Kshs 651,473 million over the review period. External and domestic debt service declined by Kshs 145,038 million and Kshs 53,560 million respectively. As a percentage of revenue, total debt service declined from 58.8 percent to 41.4 percent (Figure 1-2 and Table 1-3). The decline in the debt service ratios is attributed to reduced debt service obligations during the year under review.

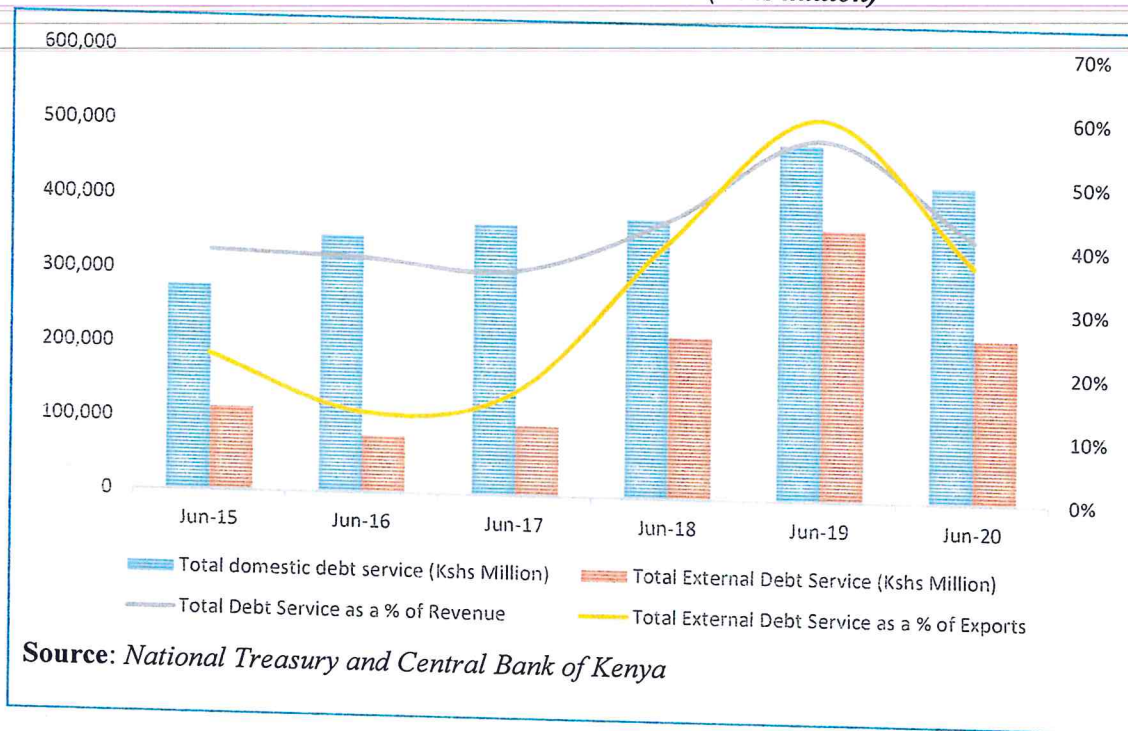
Table 1. 4: Total Public Debt Service (Kshs million) (Take to Annex)

	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20
External Principal	80,214	36,015	37,256	138,989	265,106	101,600
External Interest	33,330	42,568	58,367	81,649	103,372	121,840
Total External Debt Service (TEDS)	113,544	78,583	95,623	220,638	368,478	223,440
TEDS as a % of Total Debt Service (TDS)	29.0%	18.4%	20.6%	36.9%	43.3%	34.3%
Domestic Interest	139,727	172,857	212,865	239,497	272,351	315,453
Treasury bond redemption	138,891	176,153	154,722	138,373	209,242	112,580
Total domestic debt service	278,618	349,010	367,587	377,870	481,593	428,033
Domestic debt service as a % of TDS	71.0%	81.6%	79.4%	63.1%	56.7%	65.7%
Total Debt Service (TDS)	392,162	427,593	463,210	598,508	850,071	651,473
Ordinary Revenue	1,031,819	1,152,544	1,306,568	1,362,063	1,499,757	1,573,418
Export Earnings (goods only)	524,992	615,125	583,219	544,666	612,900	596,676.6
Total Debt Service as a % of Revenue	38.0%	37.1%	35.5%	43.9%	56.8%	41.4%
Total External Debt Service as a % of Exports	21.6%	12.8%	16.4%	40.5%	60.1%	37.4%

Source: National Treasury and Central Bank of Kenya

*Provisional

Figure 1. 4: Kenya Domestic and External Debt Service (Kshs million)



CHAPTER TWO

DOMESTIC DEBT

2.0 Domestic Debt Stock

The trend on domestic debt instruments holding has been consistent since the fiscal year 2015 with Treasury Bills and Treasury Bonds holding accounted for 27.9 per cent and 69.8 per cent of the total outstanding domestic debt respectively for fiscal year ending June 2020 against the June 2019 financial year holdings of 34.3 per cent and 62.8 per cent respectively (Figure 2-1). The proportion of Pre-1997 debt and others (includes Government overdraft) declined during the period under review due to repayments made.

Table 2. 1: Outstanding Domestic Debt (in Kshs million): June 2016 to June 2020

Instrument	Jun-17		Jun-18		Jun-19		Jun-20	
	Kshs	% of stock	Kshs	% of stock	Kshs	% of stock	Kshs	% of stock
Total Domestic Debt (A+B)	2,112,710	100	2,478,835	100	2,785,483	100	3,177,526	100
A Government Securities(1+2+3)	2,101,579	99.5	2,414,388	97.4	2,702,853	97.0	3,128,260	98.4
1) Treasury Bills	744,155	35.2	878,622	35.4	954,250	34.3	887,142	27.9
Banking Institutions	436,511	20.7	502,606	20.3	598,071	21.5	587,684	18.5
Others	307,644	14.6	376,016	15.2	356,179	12.8	299,458	9.4
2) Treasury Bonds	1,332,418	63.1	1,511,872	61.0	1,748,603	62.8	2,219,444	69.8
Banking Institutions	725,372	34.3	786,361	31.7	842,952	30.3	1,093,517	34.4
Others	607,603	28.8	725,511	29.3	905,650	32.5	1,125,927	35.4
3) Pre-1997 Government Debt	24,449	1.2	23,894	1.0	22,229	0.8	21,674	0.7
B. Others ²	11,132	0.5	64,447	2.6	60,855	2.2	49,267	1.6
Of which CBK Overdraft	0	0	56,849	2.3	57,328	2.1	47,150	1.5

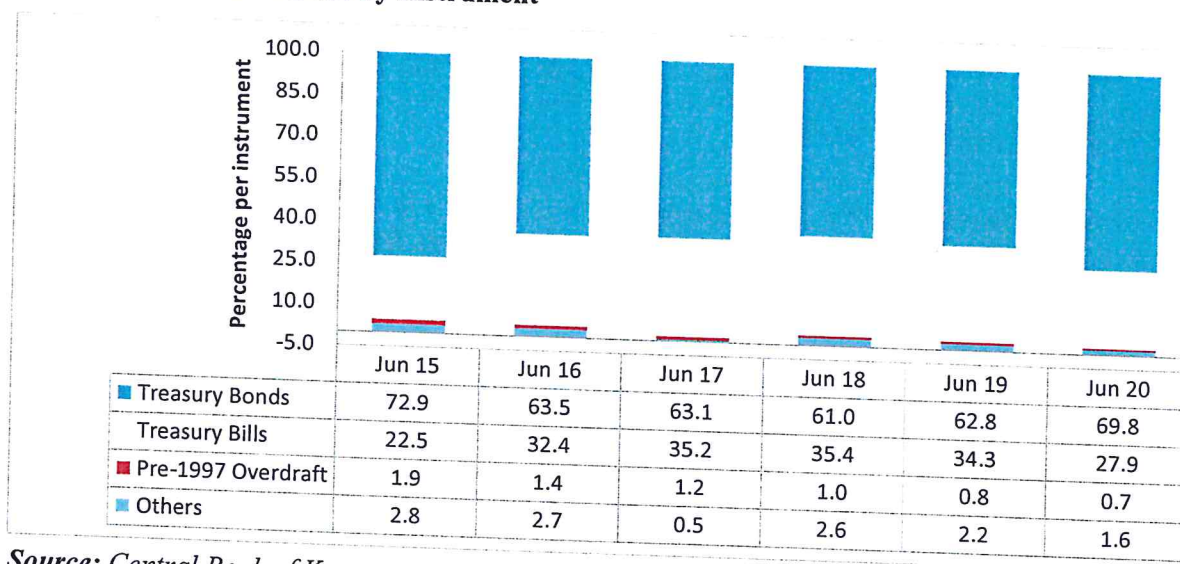
Source: Central Bank of Kenya

² Others consist of CBK Overdraft to GoK, cleared items awaiting transfer to PMG, commercial bank advances and Tax Reserve Certificates

2.1 Domestic Debt by Instrument

Treasury Bills and Treasury Bonds holding accounted for 27.9 per cent and 69.8 per cent of the total outstanding domestic debt respectively against the previous financial year holdings of 34.3 per cent and 62.8 per cent respectively (Figure 2-1). The proportion of Pre-1997 debt and others (includes Government overdraft) declined during the period under review.

Figure 2. 1: Domestic Debt by Instrument



Source: Central Bank of Kenya

2.2 Domestic Debt by Holder

As at end of June 2020, commercial banks holding of Government debt securities increased to 52.0 per cent from 50.8 per cent in June 2019. The non-bank holding declined from 45.3 per cent to 44.9 per cent as at end June 2020. The non-residents holding remained unchanged at 1.0 per cent (Table 2-2).

Table 2. 2: Domestic Debt by Holder (Kshs Million)

Description		Jun-16	Jun-17	Jun-18	Jun-19	Jun-20
Banks	% of total	56.6	56.7	55.6	54.7	55.1
	Kshs	1,027,163	1,197,395	1,377,239	1,524,037	1,752,072
Central Bank of Kenya	% of total	5.5	2.6	4.5	3.9	3.1
	Kshs	99,856	54,506	110,782	109,607	98,878
Commercial Banks	% of total	51.1	54.1	51.1	50.8	52.0
	Kshs	927,307	1,142,889	1,266,457	1,414,275	1,653,194
Non-banks	% of total	43.4	43.3	44.4	45.3	44.9
	Kshs	787,970	915,315	1,101,596	1,261,899	1,425,454
Non residents	% of total	0.7	1.0	1.0	1.0	1.0
	Kshs	13,027	22,100	25,308	27,984	33,154
Non-bank Financial Institutions	% of total	42.7	42.3	43.4	44.3	43.8
	Kshs	774,943	893,215	1,076,288	1,233,915	1,392,300
Total	Kshs	1,815,133	2,112,710	2,478,835	2,785,483	3,177,526
	% of total	100	100	100	100	100
Description		Jun-16	Jun-17	Jun-18	Jun-19	Jun-20
Banks	% of total	56.6	56.7	55.6	54.7	55.1
	Kshs	1,027,163	1,197,395	1,377,239	1,524,037	1,752,072

Central Bank of Kenya	% of total	5.5	2.6	4.5	3.9	3.1
	Kshs	99,856	54,506	110,782	109,607	98,878
Commercial Banks	% of total	51.1	54.1	51.1	50.8	52.0
	Kshs	927,307	1,142,889	1,266,457	1,414,431	1,653,194
Non-banks	% of total	43.4	43.3	44.4	45.3	44.9
	Kshs	787,970	915,315	1,101,596	1,261,899	1,425,454
Non residents	% of total	0.7	1.0	1.0	1.0	1.0
	Kshs	13,027	22,100	25,308	27,984	33,154
Non-bank Financial Institutions	% of total	42.7	42.3	43.4	44.3	43.8
	Kshs	774,943	893,215	1,076,288	1,233,915	1,392,300
Total	Kshs	1,815,133	2,112,710	2,478,835	2,785,936	3,177,526
	% of total	100	100	100	100	100

Source: Central Bank of Kenya

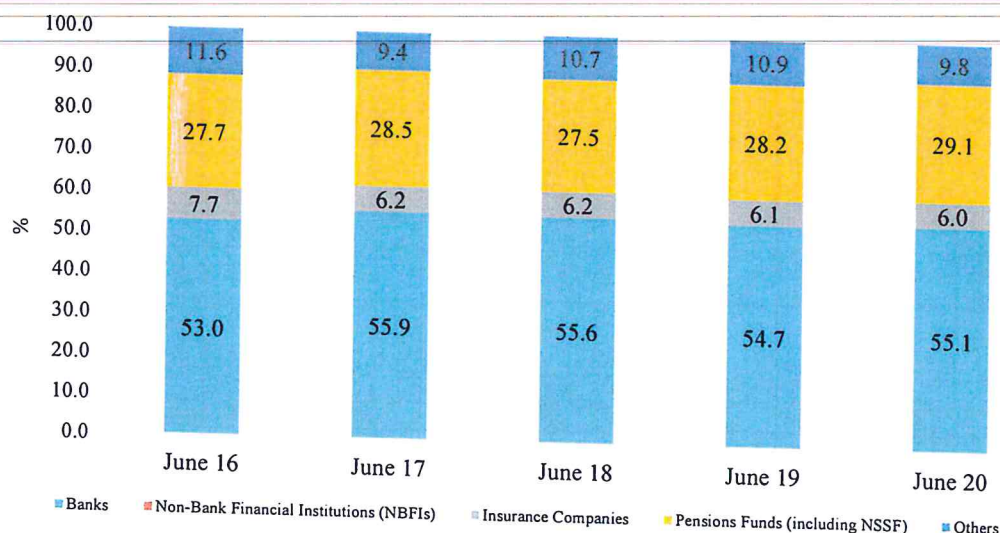
Pensions funds (including NSSF) accounted for 29.1 per cent of Treasury bills and bonds in June 2020 compared to 28.2 per cent in June 2019. However, holding by insurance companies declined from 6.1 percent to 6.0 percent during the period (Table 2-3 and Figure 2-2).

Table 2. 3: Outstanding Domestic Debt Stock by Holders (Kshs million)

Holder	June 16		June 17		June 18		June 19		June 20	
	Kshs	%	Kshs	%	Kshs	%	Kshs	%	Kshs	%
Banks	1,027,163	56.6	1,196,395	56.7	1,377,239	55.6	1,524,037	54.7	1,752,072.03	55.1
Non-Bank Financial Institutions (NBFIs)	183	0	183	0	183	0	183.22	0.0	183.22	0.0
Insurance Companies	134,392	7.4	128,420	6.1	154,509	6.2	170,832.68	6.1	192,216.15	6.0
Pensions Funds (including NSSF)	481,693	26.5	591,758	28.0	681,783	27.5	786,541.07	28.2	923,094.48	29.1
Others	171,634	9.5	194,885	9.2	265,121	10.7	304,341.78	10.9	309,959.99	9.8
Total	1,815,064	100	2,111,641	100	2,478,835	100	2,785,936.10	100.0	3,177,525.87	100.0

Source: Central Bank of Kenya

Figure 2. 2: Outstanding Domestic Debt Stock by Holders



Source: Central Bank of Kenya

2.3 Treasury Bills by Holder

The stock of Treasury Bills decreased by 7.0 per cent to Kshs 887,142 million in June 2020 from Kshs 954,250 million in June 2019. This is a shift from the past where the stock of Treasury Bills has been growing consistently. The shift is a deliberate effort by the Government to reduce refinancing risk that is associated with the issuance of short-term tenors. The proportion of Treasury Bills held by banks decreased to Kshs 587,684 million from Kshs 598,071 million during the same period. Holdings by pension funds increased to 18.1 per cent while proportion held by insurance companies decreased to 0.9 per cent from 1.9 per cent during the period (Table 2-4).

Table 2. 4: Outstanding Stock of Treasury Bills by Holder (Ksh million)

Holder	June 16		June 17		June 18		June 19		June 20	
	Ksh M	%	Ksh M	%	Ksh M	%	Ksh M	%	Ksh M	%
Banks	361,859	61.5	436,511	58.7	502,606	57.2	598,071	62.7	587,684	66.2
NBFIs	0	0	0	0	0	0	0.00	-	0.00	-
Insurance companies	18,356	3.1	13,747	1.8	21,172	2.4	18,225	1.9	7,640	0.9
Pensions Funds (including NSSF)	117,948	20	179,456	24.1	180,140	20.5	170,298	17.8	161,007	18.1
Others	89,924	15	114,441	15.4	174,705	19.9	167,657	17.6	130,811	14.7
Total	588,088	100	744,155	100	878,622	100	954,250	100.0	887,142	100.0

Source: Central Bank of Kenya

2.4 Treasury Bonds by Holder

There was a notable increase in the stock of outstanding Treasury Bonds from Kshs 1,748,603 million in June 2019 to Kshs 2,219,444 million in June 2020. This growth of 26.9 per cent is deliberate effort that is consistent with 2019 Medium Term Debt Strategy of issuing more Treasury Bonds with the aim of lengthening the Average Time to maturity of the domestic debt

portfolio. Pension funds holding decreased to 34.3 per cent from 35.2 per cent while commercial banks rose to 49.3 per cent from 48.2 per in the previous financial year (Table 2-5).

Table 2. 5: Outstanding Stock of Treasury Bonds by Holder (Kshs million)

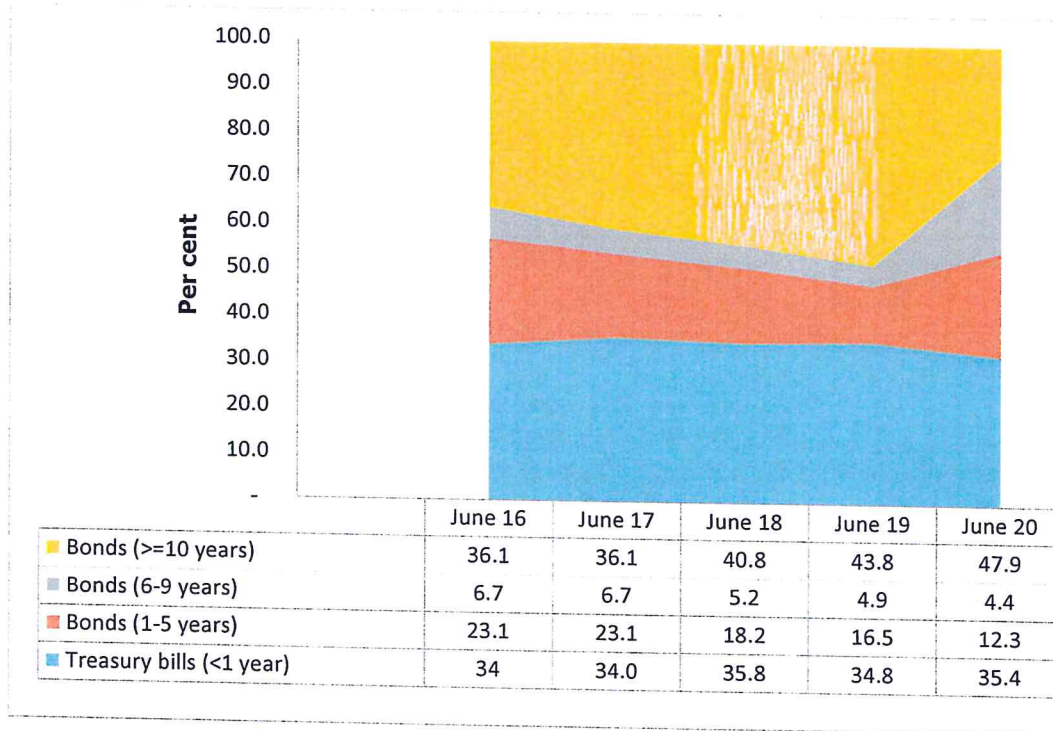
Holder	June 16		June 17		June 18		June 19		June 20	
	Kshs M	%	Kshs M	%	Kshs M	%	Kshs M	%	Kshs M	%
Banks	560,335	48.6	724,814	54.4	786,361	52	842,952	48.2	1,093,517	49.3
NBFIs	183	0	183	0	183	0	183	0.0	183	0.0
Insurance companies	116,035	10.1	114,673	8.6	133,337	8.8	152,608	8.7	184,576	8.3
Pensions Funds (including NSSF)	363,745	31.6	412,303	30.9	501,643	33.2	616,243	35.2	762,088	34.3
Others	111,723	9.7	80,887	6	90,348	6	136,616	7.8	179,080	8.1
Total	1,152,041	100	1,332,417	100	1,511,873	100	1,748,603	100.0	2,219,444	100.0

Source: Central Bank of Kenya

2.5 Treasury Bills and Treasury Bonds by Tenor

Treasury bills consists of 91-day, 182-day and 364- day tenors. Since June 2015, the proportion of domestic debt held in Treasury Bills have risen from 23.7 percent to 32.5 percent in June 2020. Treasury Bonds consists of 2, 5, 10, 15- and 20-year tenors under a benchmark bond program. While the Treasury Bonds with more than 10 years have been increasing in the past, the proportion as at end June declined to 24.3 per cent as a result of reduced issuance of long-term tenors during the fiscal year. The Government concentration during the fiscal year under review was issuance of Treasury Bonds with medium tenors leading to an increase in the proportion of 1-5 years and 6-9-year Treasury Bonds to 22.8 per cent and 20.4 per cent respectively. In line with the Medium Terms Debt Strategy, the Government has been issuing Treasury Bonds with the medium to longer dated tenors. (Figure 2-3).

Figure 2. 3: Government Domestic Debt Securities by Tenor

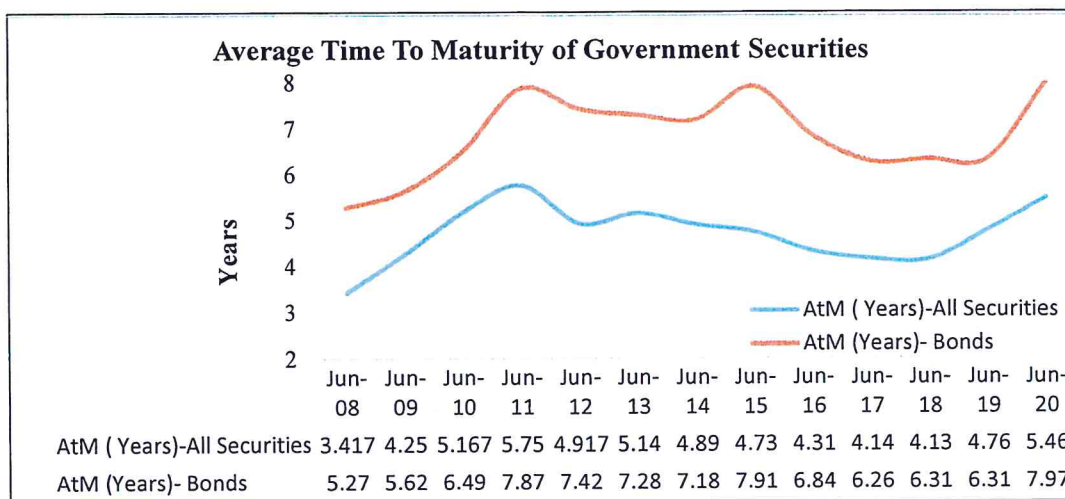


Source: Central Bank of Kenya

2.6 Treasury Bills and Bonds by Time to Maturity

The Average Time to Maturity (ATM) on Government domestic debt securities increased to 5.5 years as at end June 2020 from 4.8 years at end June 2019 while Average Time to Maturity for bonds alone increased to 8.0 years as at end June 2020. (Figure 2-4). Consistent with the Medium-Term Debt Strategy, the aim is to issue longer dated Treasury Bonds to minimize re-financing risk in the domestic debt portfolio.

Figure 2. 4: Average Time to Maturity of Government Domestic Debt Securities

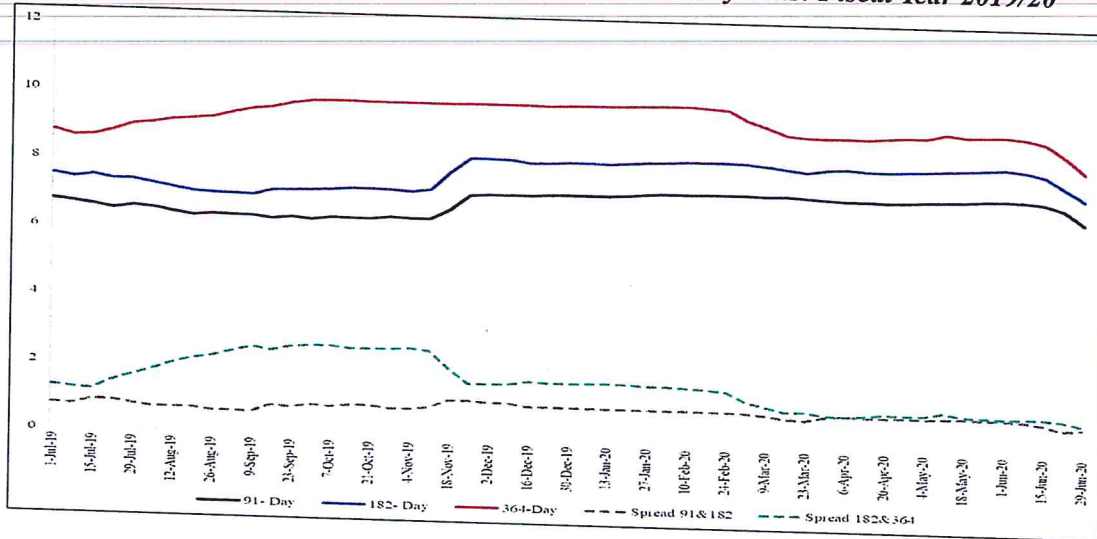


Source: Central Bank of Kenya

2.7 Average Interest Rates on Treasury Bills

The average interest rates on Treasury Bills remained stable throughout the financial year as reflected by stable interest rates spreads across tenors except on the Month of June 2020. The month of June 2020 witnessed an average subscription of more than 150 per cent for each 91-day, 182 day and 364-day instrument. There was a slight decline in the average interest rate that may be attributed to increased liquidity in the government securities domestic market. Overall, average interest rates for the 91-day, 182-day and 364-day Treasury Bills rate declined from 6.8 percent per annum, 7.6 percent per annum and 9.0 percent per annum in June 2019 to 6.7 percent, 7.4 percent per annum and 8.2 percent per annum in June 2020 respectively (Figure 2-5). In general, the average interest rates on Treasury Bills.

Figure 2. 5: Average Interest Rates and spreads on Treasury Bills: Fiscal Year 2019/20

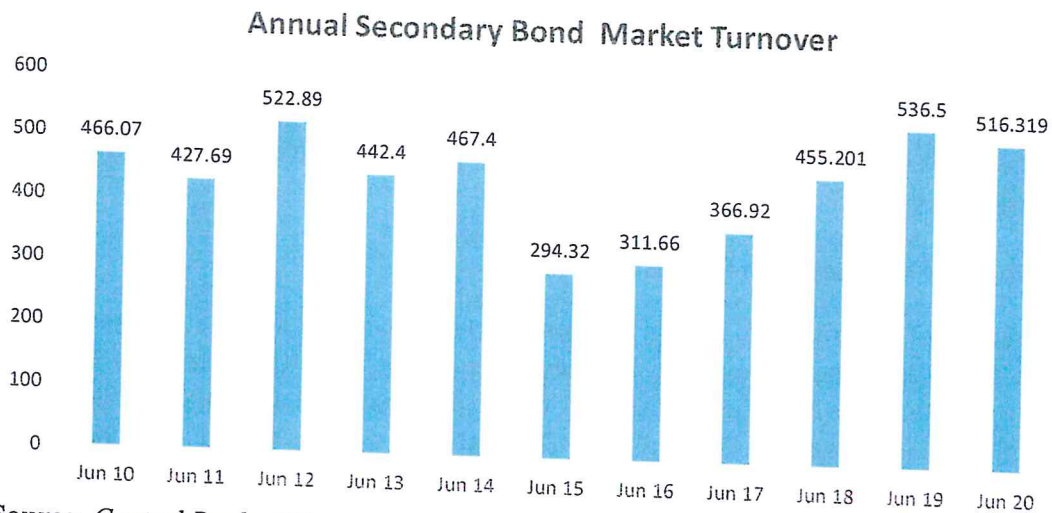


Source: Central Bank of Kenya

2.8 Government Securities Trading

There has been improved turnover in the secondary market for Treasury Bonds over the years from fiscal year 2015 to date. During the financial year ended June 2020 trading was good even though it slightly reduced from the previous year position. (Figure 2-6). However, the turnover relative depression may be slightly attributed to the decreased activities in the domestic secondary market.

Figure 2. 6: Annual Treasury Bonds Trading, June 2010-June 2020

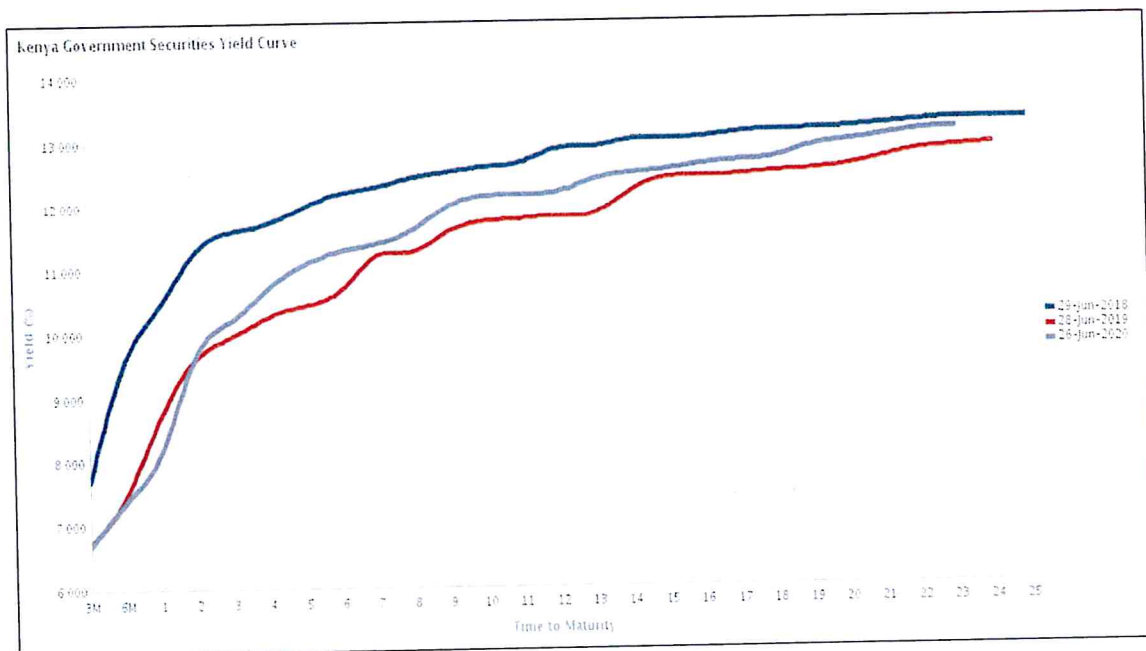


Source: Central Bank of Kenya

2.9 Government Securities Yield Curve

The Government successfully issued Treasury Bills and Treasury Bonds in the primary market to raise the resources to finance the Budget approved by the National Assembly at minimum risk and cost. In addition, the issuance program takes cognizance of the need to promote the development of the domestic debt market. A stable and reliable yield curve provides a pricing reference to all issuers of fixed income securities. The yield curve shifted upward sloping at the shorter end but flatter at the longer end (Figure 2-7).

Figure 2. 7: Government of Kenya Securities Yield Curve, June 2020



Source: National Securities Exchange

Issuance of Treasury benchmark bonds for longer dated tenures reduced refinancing risks of total outstanding debt.

2.10 Interest Payments on Domestic Debt

The structure of domestic debt interest payments remained constant as in the past years. The growth in domestic interest payment has doubled since June 2015 with interest on Treasury Bonds accounting for a higher percentage out of the total domestic interest payment that is paid by the Government during the financial year. The total interest payments and other charges on the overall domestic debt stood at Kshs 315,453 million as at end June 2020 being an increase of Kshs 43,102 million from the previous fiscal year position (Table 2-6). During the fiscal year under review, interest payment on Treasury Bills reduced as the stock declined while Interest on Treasury Bonds rose as the stock on increased.

The domestic debt burden continues to rise as depicted by the growth in ratios on Domestic Interest to Revenue and Domestic interest to GDP. As at end June 2020, the ratios of domestic

interest payments to total revenue and GDP increased to 18.2 percent and 3.1 per cent as a per cent of GDP compared to previous financial years.

Table 2. 6: Interest Payments on Domestic Debt (Kshs Million)

Type of Debt	June 2016	June 2017	June 2018	June 2019	June 2020
Treasury Bills	37,491	66,270	66,545	81,876	80,517
Treasury Bonds	127,496	144,566	167,030	184,771	228,028
CBK Commission	3,000	3,000	3,000	3,000	3,000
Pre - 1997 Debt	794	759	725	707.1	669
Others (Overdraft)	4,077	1270	2,197	1,996.9	3,239
Total	172,857	212,865	239,497	272,351	315,453
Ratios (Per cent)					
Domestic Interest/Revenue	14.9	15.2	17.6	16.8	18.2
Domestic Interest/GDP	2.6	2.8	2.7	2.9	3.1

Source: Central Bank of Kenya

CHAPTER THREE

EXTERNAL DEBT

3.1 Public and publicly guaranteed external debt

Public external debt stock increased to Kshs 3,368,195 million in June 2020 from Kshs 2,863,733 million in June 2019, a rise of 17.6 percent (Table 3-1 and Figure 3-1). The increase was attributed to disbursements from multilateral creditors as well as foreign exchange rate movements. The disputed external commercial debt (suppliers' credit) is estimated at Kshs 17,631 million or 0.5 per cent of total external public debt as at end June 2020.

Table 3. 1: External Debt by Creditor Type (Kshs Million)

Creditor type	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20*
Bilateral	248,636	405,562	491,864	669,840	759,017	917,980	993,696
Multilateral	593,397	680,192	794,797	839,721	825,299	909,791	1,316,835
Commercial Banks	234,799	276,937	432,377	634,109	830,652	1,019,030	1,022,402
Suppliers Credits	16,452	16,628	16,628	15,303	16,725	16,932	17,631
Total	1,093,284	1,379,319	1,735,667	2,158,973	2,431,693	2,863,733	3,350,564
As a percentage of total external debt							
Multilateral	22.7	29.4	28.3	31.0	33.9	31.8	39.3
Bilateral	54.3	49.3	45.8	38.9	31.2	32.1	29.7
Commercial Banks	21.5	20.1	24.9	29.4	34.2	35.6	30.5
Suppliers Credits	1.5	1.2	1.0	0.7	0.7	0.6	0.5

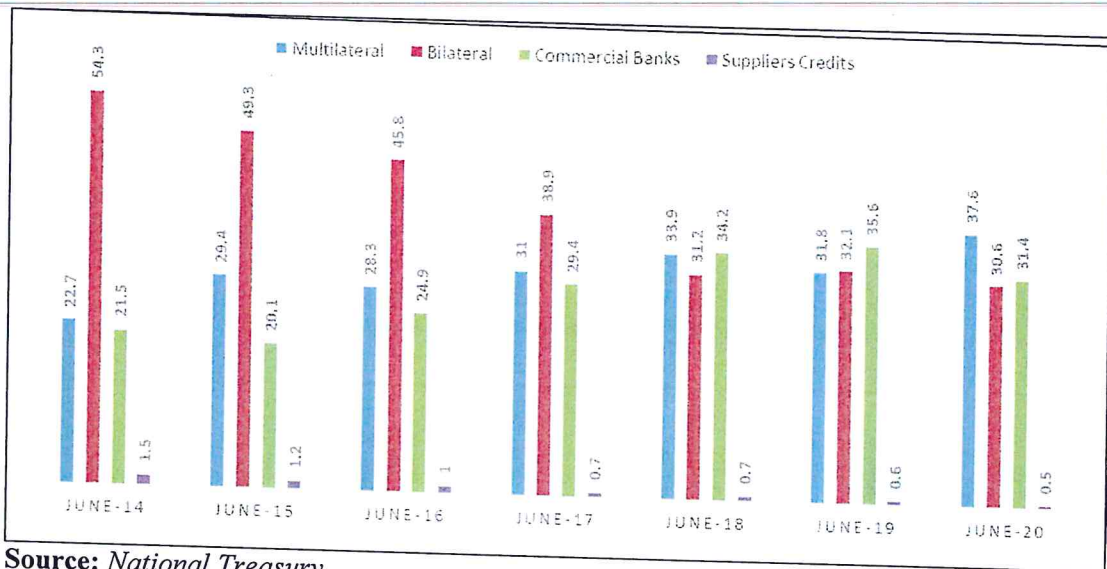
*Provisional

Source: National Treasury

3.1.1 Classification of external debt by creditor category

The share of multilateral creditors increased to 39.1 per cent in June 2020 from 31.8 per cent in June 2019. The huge rise of multilateral debt stock is due to the Government contracting concessional debt from the World Bank, IMF, IBRD and ADB. This is in line with the 2020 medium term debt strategy of contracting debt on concessional terms. The share of debt from bilateral creditors and commercial banks decreased from 32.1 per cent and 35.6 per cent to 29.5 per cent and 30.9 per cent respectively between June 2019 and June 2020. (Table 3-1 and Figure 3-1). The stock of commercial debt in absolute terms largely remained the same as the Government shunned the commercial debt market to lower the cost of external debt service. The nominal increase in commercial debt stock was attributed to foreign exchange depreciation.

Figure 3. 1: External Debt by Creditor Type (Kshs Million)

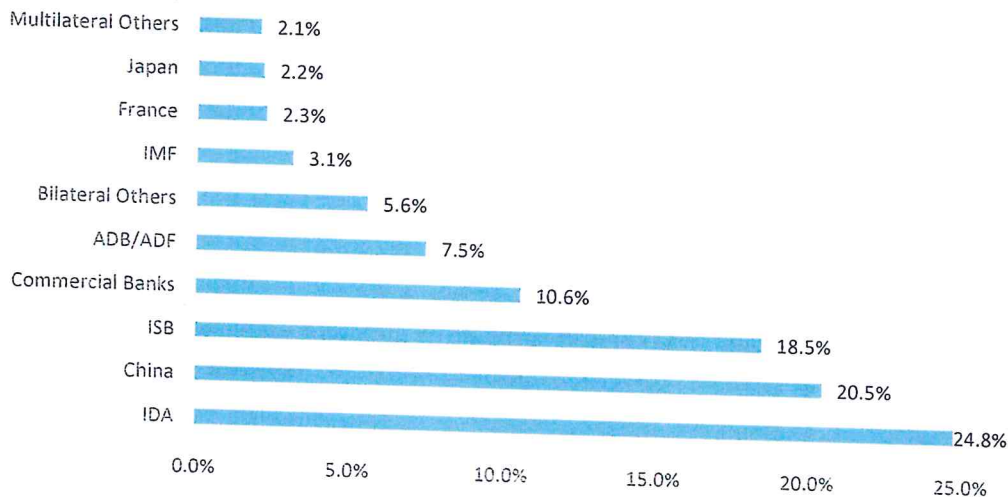


Source: National Treasury

3.1.2 Classification by Major Creditors

Figure 3.2 shows classification by creditors as at end June 2020. The major creditors are World Bank Group (IDA), China, International Sovereign Bond (ISB) holders and Commercial Banks, each with weights of 25 percent, 21 per cent, 19 per cent and 11 per cent respectively.

Figure 3. 2: Classification by Major Creditors



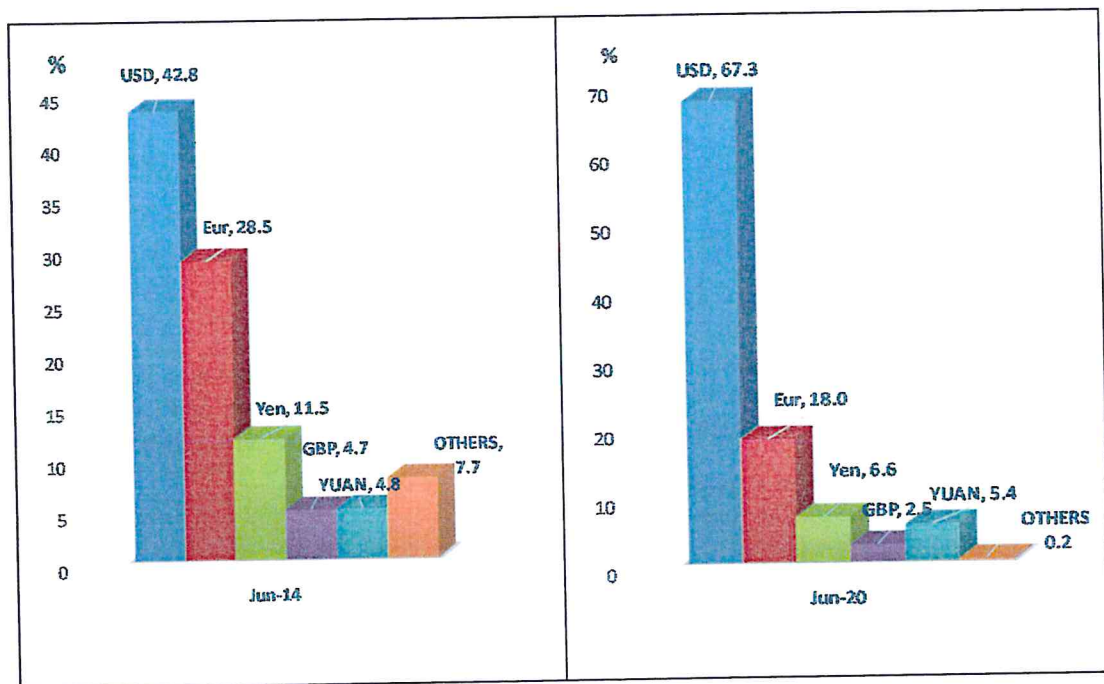
Source: National Treasury

3.1.3 Classification by Currency

The currency composition of external debt has significantly shifted over the years. In 2014 the USD constituted 42.8 percent of total external debt while in June 2020 this has risen over the years to 67.3 percent. The USD rise to dominance began in 2012 mainly due to various USD denominated commercial loans and international sovereign bonds contracted or issued during the period 2012 to 2019 (Figure 3-3).

Other currencies are the Euro (18.0 per cent), Japanese Yen (6.6 per cent), Chinese Yuan (5.4 per cent), and the Sterling Pound (GBP) (2.5 per cent) while other currencies accounted for 0.2 per cent.

Figure 3. 3: Currency composition of External Debt end June 2020



Source: National Treasury

3.1.4 Maturity Structure of external deb

Table 3-2 shows the outstanding external debt by maturity structure. Debt maturing in less than 4 years, 5 to 10 and over 10 years accounts for 9.0 per cent, 27.8 per cent and 63.1 per cent of total external debt stock respectively. Long -tenor loans minimize refinancing risks by allowing more time for repayment of obligations.

Table 3. 2: Outstanding External Debt by Maturity Structure (per cent)

Remaining Maturity	June 2014	June 2015	June 2016	June 2017	June 2018	June 2019	June 2020
1 -4 years	14.7	8.2	11.4	15.4	6.7	2.9	9.0
5-10 years	22.9	25.5	24.7	22.5	21.9	20.7	27.8
Over 10 years	62.4	66.3	63.9	62.1	71.4	76.3	63.1

Source: The National Treasury

The elevated debt maturity over the next 4 years at 9 percent from 2.9 percent in FY 2018-2019 is explained by the upcoming maturity of the 10-year international sovereign bond of USD 2,000 million in the FY 2023/2024.

3.2 External Debt Service

Principal and interest payments on public external debt amounted to Kshs. 223,440 million in FY2019/2020, from Kshs 368,478 million in FY2018/2019 (Table 3-3). The decline was on account of lower repayments on commercial debt. During the FY 2019-2020 the Government spent Kshs. 1,901 million to pay commitment fees on committed undisbursed loans.

Table 3. 3: External Debt Service Payments by Creditor Category (Kshs million)

Creditor		Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20
Multilateral	Principal	11,550	13,349	15,424	15,821	16,205	17,786	18,782
	Interest	5,580	4,881	5,641	5,764	6,038	7,422	9,788
	Sub Total	17,130	18,230	21,065	21,585	22,243	25,208	28,571
Bilateral	Principal	13,419	13,097	19,789	19,329	21,357	30,119	40,149
	Interest	6,640	10,574	15,270	22,613	30,255	33,379	34,344
	Sub Total	20,059	23,671	35,059	41,942	51,613	63,498	74,492
Commercial	Principal	831	53,768	802	771	100,083	217,201	42,669
	Interest	3,380	17,875	21,657	29,882	45,281	62,571	77,708
	Sub Total	4,211	71,643	22,460	30,653	145,364	279,772	120,377
Grand Total	Principal	25,800	80,214	36,015	35,921	137,645	265,106	101,600
	Interest	15,600	33,330	42,568	58,259	81,574	103,372	121,840
	Total	41,400	113,544	78,583	94,180	219,220	368,478	223,440
As a percentage of total external debt service								
Multilateral		41.4	16.1	26.8	22.6	10.1	6.8	12.8
Bilateral		48.5	20.8	44.6	45.4	23.5	17.2	33.3
Commercial		10.2	63.1	28.6	32.1	66.1	75.9	53.9
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0

*Provisional

Source: The National Treasury

3.3 Average Terms of New External Loan Commitments

The average maturity, grace period and average interest rate on new external loan commitments as at end of June 2020, were 26.2 years, 7.4 years and 0.5 per cent respectively (Table 3-4). These terms are in line with the Government's external debt strategy of contracting loans on highly concessional or "soft" terms.

Table 3. 4: Average Terms of New External Loan Commitments

Terms	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20
Average Maturity (years)	18.1	21.0	20.3	17.6	20.8	15.3	26.2
Grace Period (years)	6.2	6.4	6.2	4.5	10.3	5.6	7.4
Average Interest Rate (%)	2.6	2.5	2.6	2.6	3.9	3.9	0.5

Source: National Treasury

3.4 External Loans Disbursements

Disbursements on external project loans and A-I-A decreased by 35 per cent to Kshs 442,403 million as at end June 2020 from Kshs 680,759 million in June 2019 mainly due to decreased in disbursements from commercial sources. (Table 3-5).

Table 3. 5: External Loans Disbursements (Kshs million)

Type of disbursement	Jun-15		Jun-16		Jun-17		Jun-18		Jun-19		Jun-20	
	Kshs Mn	%	Kshs Mn	%	Kshs Mn	%	Kshs Mn	%	Kshs Mn	%	Kshs Mn	%
Project Cash Loans	8,600	2.8	43,654	14.3	30,908	7.3	24,214	5.5	41,681	6.1	47,798	10.8
Project loans A-I-A	151,400	49.6	55,369	18.2	86,322	20.5	162,872	36.9	100,622	14.8	104,525	23.6
Project loans A-I-A, SGR	-	-	52,357	17.2	111,367	26.4	54,000	12.2	35,201	5.2	12,242	2.8
Project loans A-I-A, SGR Phase 2A	-	-	-	-	-	-	-	-	44,759	6.6	32,569	7.4
Commercial Financing	145,000	47.5	145,031	47.6	186,303	44.2	200,000	45.3	373,712	54.9	5,870	1.3
Programme loans	-	-	8,574	2.8	6,767	1.6	-	-	84,784	12.5	239,399	54.1
Total	305,000	100	304,986	100	421,667	100	441,086	100	680,759	100	442,403	100.0

Source: The National Treasury

3.5 Publicly Guaranteed Debt

The total outstanding Government guaranteed debt increased by Kshs 5,841 million to Kshs 165,248 million in June 2020 from Kshs 159,406 million at end June 2019 (Table 3-6). The increase is attributed to movements in foreign exchange rates.

Table 3. 6: Stock of Publicly Guaranteed External Debt by Creditor Category (Ksh Millions)

Creditor Category	Jun 13	Jun 14	Jun 15	Jun 16	Jun 17	Jun 18	Jun 19	June 20
Commercial	-	-	-	-	77,784	75,787	76,724	79,892
Bilateral	39,667	41,278	39,495	56,487	52,729	56,371	78,079	80,562
Multilateral	3,870	3,943	4,439	4,044	4,667	4,547	4,603	4,794
Total	43,537	45,221	43,934	60,531	135,180	136,705	159,406	165,248

*Provisional

Source: National Treasury

3.5.1 Payments by the Government on Publicly Guaranteed Debt

During the FY 2019/2020, the Government paid Kshs 661.2 million as called up guaranteed debts owed by public enterprises that were in financial distress (Table 3-7). These payments were on behalf of East Africa Portland Cement (EAPC) and Tana and Athi River Development Authority (TARDA).

Table 3. 7: Payments by the Government on Guaranteed Debt (Kshs million)

Year	Borrower	Quarter I	Quarter II	Quarter III	Quarter IV	Total
2014/15	CCN	39	-	40	-	79
	TARDA	142	-	130	-	273
	KBC	-	325	-	339	664
	Total	181	325	170	339	1,015
2015/16	CCN	-	-	-	-	-
	TARDA	148	-	149	-	297
	KBC	-	356	-	398	753
	Total	148	356	149	398	1,050
2016/17	EAPC	-	199	188	-	387
	TARDA	164	-	146	-	309
	KBC	-	366	-	382	747
	Total	164	565	333	382	1,443
2017/18	EAPC	187	-	192	-	379
	TARDA	147	-	154	-	301
	KBC	-	369	-	370	739
	Total	334	369	346	369	1,419
2018/19	EAPC	176	-	176	-	352
	TARDA	140	-	142	-	282
	KBC	-	359	-	381	740
	Total	316	359	318	381	1,374
2019/20	EAPC	182.7	-	182.7	-	365.4
	TARDA	147.0	-	148.8	-	295.8
	Total	329.7	-	331.5	-	661.2

Source: National Treasury

The PFM Act, 2012 Section 61 and PFM Regulations Section 201 require that any money paid by the National Treasury in respect of a guarantee shall be a debt to the national government by the entity and is recoverable from the borrower whose loan was guaranteed.

CHAPTER FOUR

ONLENT LOANS

4.1 Introduction

In accordance with the Public Finance Management Act 2012, Section 57, the National Government through the National Treasury has been contracting loans from either external or domestic sources and in turn lends to state corporations as exercised. This arrangement is guided by the following considerations:

- i. The Public Corporation plays a strategic role;
- ii. The Public enterprise has weak balance sheet and cannot attract competitive funding; and
- iii. The level of priority of the project on the development agenda of the Government.

4.2 Stock of On-Lent Loans

The Outstanding debt stock for all on-lent loans to Parastatals stood at Ksh 867,005 million as at the end June 2020 with an increase Ksh 69, 158 million from Ksh 797,847 million by end June 2019 occasioned by new loans for Coast Water Service Board, Kenya Mortgage Refinance Company and Kenya Electricity Generating Company, thus, translating to 8.67 per cent rise as shown in (Table 4-1).

Table 4. 1: Stock of On-Lent Loans in (Ksh million)

Sector	June 2017	June 2018	June 2019	June 2020
Education	11,108	11,089	11,088	11,088
Finance	3,868	3,050	3,243	2,778
Water and Irrigation	61,782	105,069	79,174	121,486
Tourism	188	175	175	170
Energy and Petroleum	212,493	187,502	185,155	205,110
Transport and Infrastructure	501,383	500,183	475,695	477,810
Planning and Devolution	8,877	8,069	350	7,696
Agriculture, Livestock and Fisheries	10,286	7,568	1 4,586	15,685
Trade and Industry	457	457	2140	177
Cooperative	931	476	402	287
Total	811,372	823,178	797,847	867,005

Source: National Treasury

4.3 On-Lent Loans (including Arrears)

The outstanding stock together with arrears on the on-lent loan portfolio as at end June 2020 was Ksh 909,729 million of which the outstanding stock, principal arrears and accrued interest accounted for Ksh 867,006 million, Ksh 10,829 million and Ksh 30,894 million, respectively (Table 4-2).

Table 4. 2: On-Lent Loans (including Arrears) as at June 2020 (Ksh million)

Sector	Outstanding loans	Principal Arrears	Accrued Interest	Total
Finance	27,781	-	-	27,781
Education	11,089	1,031	3,699	15,819
Tourism	170	123	3,197	3,490
Water and Irrigation	121,486	1,205	9,551	132,242
Energy & Petroleum	205,110	-	-	205,110
Transport & Infrastructure	477,810	-	-	477,810
Trade & Industry	177	-	-	177
Planning & Devolution	7,697	7,101	637	15,435
Agriculture, Livestock & Fisheries	15,686	1,369	13,811	30,865
Total	867,006	10,829	30,894	908,729

Source: National Treasury

4.4 Receipts from On-Lent Loans

The Government received Kshs 5,016 million from on-lent loans during the FY2019/2020 out of which Kshs 3,221 million was principal and Kshs 1,795 million was interest (Table 4-3).

Table 4. 3: Receipts from on-lent loans by End June 2020 (Ksh)

Organization	Principal Receipt	Interest receipt	Total
Agricultural Settlement Fund	1,317,728	777,234	2,094,962
Athi Water Services Authority	-	15,527,875	15,527,875
Co-Operative Bank Ltd	22,050,879	2,005,093	24,055,972
Eldoret Water & Sewerage Co. Ltd	23,333,334	-	23,333,334
Equity Bank Ltd.	45,255,871	6,009,881	51,265,752
Faulu Micro-Finance Bank Ltd	39,261,444	6,379,985	45,641,429
KENGEN	1,094,565,590	997,175,826	2,091,741,416
KP & LC	1,577,242,669	512,769,846	2,090,012,515
Kenya Airport Authority	98,652,648	45,281,674	143,934,323
Kenya Civil Aviation Authority	154,431,582	106,829,169	261,260,752
Kenya Utalii College	5,000,000	-	5,000,000
Kenya Women Micro-Finance Bank Ltd	40,222,389	6,536,138	46,758,527
Lake Victoria North Water Services Board	3,932,244	17,595,866	21,528,110
Nyeri Water & Sewerage	50,417,076	16,070,443	66,487,519
Rafiki Micro-Finance Bank Ltd	18,558,764	3,015,799	21,574,563
Rift valley water services board	27,414,725	55,764,064	83,178,789
SMEP	19,759,278	3,210,883	22,970,161
TOTAL	3,221,416,221	1,794,949,778	5,016,365,999

Source: National Treasury

CHAPTER FIVE

FISCAL COMMITMENTS AND CONTINGENT LIABILITIES

5.1 Recognizing Potential Fiscal Risks

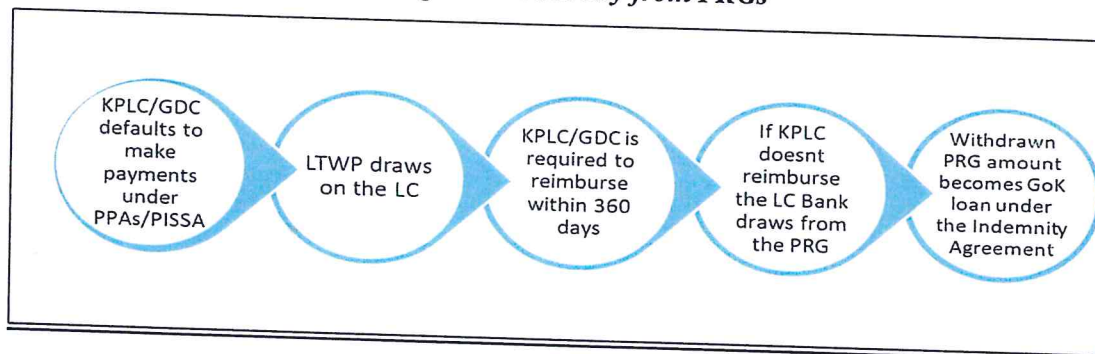
The Government is embracing delivery of financing infrastructure development by crowding in private sector capital through non-debt financing models such as Public Private Partnerships (PPP). PPP's by their nature creates additional fiscal commitments and contingent liabilities depending on the Government financial support measure offered.

The existing PPPs are mainly in the energy sector in form of the Independent Power Producers (IPPs). The Government support measures to IPPs have been through provision of Letters of Support (see Appendix V) and the Indemnity Agreements to Multilateral Development Institutions (MDIs) issuing Partial Risk Guarantees (PRG's).

Private investors and their lenders in the PPP space require these kind of support measures to cover political risks and commercial defaults. In the event of termination of a PPP due to a political event, the Government may be liable to compensate the termination amounts and take over the operations of the residual project. The PRGs are used to cover a Stand by Letter of Credit (SBLC) issued by a commercial bank that can be drawn in case a commercial risk event arises. Such an instance would be failure of Kenya Power and Lighting Plc and Geothermal Development Corporation (GDC) to meet their obligations under the Power Purchase Agreement (PPA) and a Project Implementation and Steam Supply Agreements (PISSA) respectively.

The trigger event leading to liabilities (debt) of the PRGs is not immediate. It is a chain of events, including non-reimbursement by KPLC/GDC to banks within a period of 360 days. This leads to withdrawal from the PRG which then becomes a liability/loan to GoK. Withdrawal under the PRG leads to debts/liability to Government.

Figure 5. 1: Flow of events leading to GoK liability from PRGs



5.1.1 Indemnity Agreements Issued by GoK to backstop PRG's

The ADB and IDA PRGs and MIGA guarantee provides comfort to investors and lenders in support of the projects. These have enabled projects developed on a project finance basis to reach financial close. The total PRG's covered by Indemnity Agreements amounts to Ksh. 19,602 million. (See details in Appendix V)

Table 5. 1: Projects Issued with PRGs guaranteed SBLCs, Indemnity agreements

	Project description	Project cost Millions	PRG amount Millions	PRG Ksh Millions	Issuer
1	87MW Thika thermal power project	USD 146	USD 45	4,819	World Bank
2	83MW Triumph thermal power plant	USD 157	USD 45	4,819	World Bank
3	80MW Gulf thermal power plant	USD 108	USD 45	4,819	World Bank
4	OrPower4's 36MW Olkaria III	USD 212	Cancelled (USD 31)	-	World Bank
5	Proposed 300 MW Lake Turkana Wind Power	Euro 623	Euro 46	5,145	ADB
	Total			19,602	

Source: *National Treasury*

The total exposure under Indemnity Agreements amounts to Kshs. 20,100 million which includes principal amount and accrued interest. The total exposure of the PRG amounts is composed of principal of Kshs. 19,602 million and accrued interest of Kshs. 458 million (Libor plus 2 percent). This is only in the event that all the IPPs draw the SBLC's in full.

It is noted that this amount will lead to an increase in the debt stock by Kshs. 20.1 billion and a reduction in the resource envelope from the World Bank and ADB for development projects. The debt shall be paid under the World Bank and ADB/ADF lending terms to GoK.

CHAPTER SIX

PUBLIC DEBT MANAGEMENT STRATEGY

6.1. Legal Framework

The National Treasury prepared the Medium-Term Debt Management Strategy (MTDS) 2019 as per Section 33 of the PFM Act to guide borrowing.

Section 62(3) of the PFM Act, 2012 specifies debt management objectives as (a) minimize the cost of public debt management and borrowing over the long-term taking account of risk; (b) promote the development of the market institutions for Government debt securities; and (c) ensure the sharing of the benefits and costs of public debt between the current and future generations as provided for under the Constitution.

6.2 Public Debt Management Strategy

The 2019 MTDS was developed to raise financing from external and domestic sources for the FY2019/20 and the medium-term. The MTDS intended to minimize the cost of public debt and borrowing over the long-term taking account risk; promote the development of the market institutions for Government debt securities; and ensure the sharing of the benefits and costs of public debt between the current and future generations. It was prepared taking into account the terms of anticipated borrowing, the type of borrowing and the attendant risks or shocks that could impact on government's ability to meet its debt obligations and taking into account new developments in the market.

The MTDS is a rolling plan, and is subject to an annual review. Accordingly, the debt management strategy for 2019-2022 was formulated and clearly articulated in the 2019 Budget Policy Statement in line with the Medium-Term Fiscal Framework.

6.3 Review of Implementation of 2019 MTDS

During the financial year 2019/2020 the Government's debt management strategy was to borrow 38 per cent of its financing needs from external sources and 62 per cent from domestic sources in gross terms. External borrowing strategy comprised 26 per cent concessional, 8 per cent semi concessional and 4 per cent on commercial terms while domestic borrowing strategy comprised 30 percent Treasury bills and 70 percent Treasury bonds with a focus on medium to long term instruments.

As at end June, 2020, gross domestic financing was Ksh 1,122,757 million (71.7 percent of total gross financing) while gross external borrowing was Ksh 442.0 billion (28.3 per cent of total gross financing). On the domestic side the actual outstanding domestic securities between Treasury bills Treasury bonds was 30 per cent and 70 per cent respectively.

During the financial year 2019/20 (ended June 2020), a total of Ksh. 791.2 billion net new borrowing was raised to fund the fiscal deficit of which Ksh 340.8 billion was raised through external borrowing, while Ksh 398.5 billion was raised in the domestic debt market in addition to Ksh. 51.9 billion raised as other domestic financing.

In the domestic borrowing, the actual proportion for Treasury bills and bonds stood at 30 per cent and 70 per cent, respectively as at end June, 2020. Thus, the desired target of 30:70 in terms of Treasury Bills and Treasury bonds mix was met in FY2019/20. There was a notable increase in the stock of outstanding Treasury Bonds from Kshs 1,748,603 million in June 2019 to Kshs 2,219,444 million in June 2020. This growth of Treasury Bonds by 26.9 per cent was a deliberate effort that was consistent with 2019 MTDS of issuing more Treasury Bonds with the aim of lengthening the average time to maturity (ATM) of the domestic debt portfolio. A total of 27 Treasury bonds was issued during the FY2019/20.

In line with the strategy Government issued benchmark bonds of 5, 10, 15, 20 and 25 years among other tenor's treasury bonds to lengthen maturity profile of the domestic debt. This was done through new bond issuances, tap issue and re-opening of key existing bonds of not less than to 5 years to maturity to create large sized benchmarks to increase liquidity and facilitate better market making. The National Treasury and Central Bank of Kenya as the Fiscal Agent continued to engage the market participants through Consultative Forum for Domestic Debt Market. Issuance of Treasury Bonds with medium term tenors led to an increase in the proportion of 1-5 years and 6-9-year Treasury Bonds to 22.8 per cent and 20.4 per cent respectively in line with the MTDS.

There has been progress in investor diversification evidenced by growth in the pension sector and insurance companies' holdings as at end June, 2020. This is in line with 2019 MTDS. ATM on Government domestic debt securities increased to 5.5 years by end June 2020 against the 2018 MTDS target of 4.1 years. The ATM for Treasury bonds was 8.0 years as at end June 2020.

The outturn for external borrowing comprised of 23.0 per cent concessional, 4.9 per cent semi concessional and 0.4 per cent on commercial terms against 2019 MTDS strategy of financing the fiscal deficit by 26.0 per cent concessional, 8.0 per cent semi concessional and 4.0 per cent on commercial terms. The strategy was achieved through borrowing from majorly multilateral lenders. The action has led to increase in proportion of multilateral debt to 39.1 per cent as at end June, 2020 compared to 31.8 per cent as at end June, 2019 while proportion of commercial debt declined to 30.9 per cent compared to 35.6 per cent as at end June, 2019. A total of USD 1,000 million was contracted from World Bank Group for Development Policy Operations, SDR540 million from IMF Rapid Credit Facility and Euro 188 million from African Development Bank all on concessional terms. This was part of improving the public debt portfolio mix and lowering the cost of public debt.

2019 MTDS proposed to lengthen the average maturity and minimize the cost of public debt. The outturn for external public debt was an increase of average maturity to 26.2 years while average interest rate on new external loan commitments as at end of June 2020 declined to 0.5 per cent for new external loan commitments. These terms are in line with the 2019 Government's external debt strategy of contracting loans on highly concessional or "soft" terms. The implementation of the 2019 MTDS is shown in the costs and risk indicators table.

As shown in Table 6-1, there were deviations of actual borrowing mix against the FY2019/20 MTDS.

Table 6. 1: MTDS targets against actual borrowing (Per cent)

Borrowing source		FY2016/17	FY2017/18	FY2018/19	FY2019/20*
External	MTDS	60	60	57	38
	Actual	55	55	58	28
	Deviation	5	5	-1	10
Domestic	MTDS	40	40	43	62
	Actual	45	45	42	72
	Deviation	-5	-5	1	-10

*provisional

Source: National Treasury

6.4 Evaluation of Costs and Risk Characteristics

The FY2019/20 MTDS aimed at lengthening the maturity structure of debt, lower interest rate costs and minimize refinancing risk, as reflected by improved risk indicators (Table 6-3). The indicators show reduced overall refinancing risks. Interest payment as a share of GDP rose due to accumulation of debt while interest rate risk rose marginally on account of rise in debt re-fixing within one year.

Average Time to Maturity (ATM) on Government domestic debt securities increased to 5.5 years by end June 2020 against the 2019 MTDS target of 4.1 years.

The overall average time to maturity for external loans increased to 11.0 years as at end June, 2020 compared to 10.1 years as at end FY2017/18, this was against a target of 12.2 years. Average time to maturity of total portfolio increased to 8.9 years as at end June, 2020 compared to 7.4 years as at end June, 2020 against a target of 9.4 years.

Interest payment as a share of GDP is rising on account of accumulation of debt. Fiscal consolidation is critical to the realization of the objective of lowering cost of public debt. Interest rate risk rose marginally on account of rise in debt re-fixing within one year. Gradual reduction of treasury bills stock and variable interest rate external debt is important to lower interest rate risk.

About 53 per cent of total public debt is exposed to exchange rate risk as at end June, 2020. The main exposure is to the USD making up about 67.3 per cent of the external debt stock.

Refinancing risk indicators have improved compared to the targets. Debt maturing in 1 year as a per centage of total debt being 11.6 years compared with a target of 19.3 years.

Table 6. 2: Evaluation of Cost and Risk Indicators

Risk Indicators		FY2019/20 MTDS Targets	Actual End June 2020	Deviation (4-3)	Remark on deviation
1	2	3	4	5	
	Nominal debt as % of GDP	48.7	65.5	16.8	Increased public debt accumulation
	Present value debt as % of GDP	40.7	61.3	20.6	
	Interest payment as % of GDP	2.9	4.3	0.2	Increased fiscal risk
	Implied interest rate (%)	6.5	7.2	0.7	
Refinancing risk	Debt maturing in 1yr (% of total)	19.3	11.6	-7.7	Reduced refinancing risk
	Debt maturing in 1yr (% of GDP)	9.4	8.6	-0.8	
	ATM External Portfolio (years)	12.2	11.0	-1.2	
	ATM Domestic Portfolio (years)	4.1	5.5	1.4	
	ATM Total Portfolio (years)	9.4	8.9	-0.5	
Interest rate risk	ATR (years)	9.1	8.2	-0.9	Marginal rise in interest rate risk
	Debt re-fixing in 1yr (% of total)	25.0	29.2	4.2	
	Fixed rate debt (% of total)	93.2	85.8	-7.4	
Foreign exchange (FX) risk	FX debt as % of total	62.2	53.0	-9.2	Improved foreign exchange risk

Source: *The National Treasury*

CHAPTER SEVEN

DEBT SUSTAINABILITY ANALYSIS

7.1. Legal Framework

Section 15 (2) (c) requires the National Treasury to maintain public debt and obligations at a sustainable level as approved by Parliament for the national government.

7.2 Background on Debt

Kenya's overall public debt has increased in recent years. Gross public debt increased from about 48.0 percent of GDP as at end-June 2014 to about 65.6 percent of GDP as at end-June, 2020, reflecting, among other factors, high deficits in the past, partly due to implementation of large infrastructure projects. About 53 per cent of Kenya's public debt is owed to external creditors. External debt was 34.4 per cent of GDP while domestic debt was 31.2 per cent of GDP as at end June, 2020.

Most of Kenya's external public debt remains on concessional terms. However, about 31 per cent is commercial debt.

7.3 Underlying Assumptions

Despite growth slowdown in 2020 related to the global shock caused by the COVID-19 crisis, medium- to long-term growth prospects remain favourable with projected growth of 5.4 per cent in FY2022/23. Key investment projects, improved public investment management, and improvements in the business environment will support growth in the medium to long term. Inflation is expected to remain at 5±2.5 per cent target range in the near and medium term.

The overall fiscal balance is expected to decline in the medium term from 7.9 percent of GDP in 2019/20. Tax revenues is projected to decline as a share of GDP over the medium from 17.0 per cent in FY2019/20 and 18.3 per cent in FY2018/19.

7.4 Country Classification and Determination of Scenario Stress Tests

The World Bank composite indicator (CI) indicates that Kenya has a strong debt carrying capacity. The debt carrying capacity assists in determining the public and publicly guaranteed (PPG) external debt indicative thresholds and total public debt benchmarks.

One tailored stress test combines contingent liabilities of a one-time debt shock (equivalent to 7 percent of GDP) to capture a scenario reflecting both contingent liabilities from state owned enterprises (equal to 2 percent of GDP) and a need for bank recapitalization (equal to 5 percent of GDP). The second tailored stress test is a market financing shock which is applied to low income countries with market access, such as Kenya which has outstanding international sovereign bonds. The scenario assesses rollover risks resulting from a deterioration in global risk sentiment, temporary nominal depreciation, and shortening of maturities of new external commercial borrowing.

7.5 External Debt Sustainability

The PV of PPG external debt-to-exports ratio breaches the indicative threshold of 240 percent in 2020–2024, as Kenya’s exports of goods and services have been hit by the global COVID-19 shock, but the ratio gradually declines over the remaining projection period as exports are expected to recover from the global shock. The PV of PPG external debt as a share of GDP is expected to remain below the 55 percent indicative threshold throughout the projection period.

The external debt service-to-exports ratio exceeds the indicative threshold of 21 per cent in 2020–2024. External debt service to revenue ratio is expected to be exceeded in 2024 partly due to repayment of international sovereign bond. However, the debt service-to-exports ratio remains below the threshold afterwards.

Table 7-1: External Debt Sustainability

Indicators	Thresholds	2020	2021	2022	2023	2024
PV of debt-to-GDP ratio	55	26.8	27.9	27.8	27.6	27.2
PV of debt-to-exports ratio	240	288.0	260.6	258.5	255.2	249.4
PPG Debt service-to-exports ratio	21	27.5	25.9	25.5	24.4	36.1
PPG Debt service-to-revenue ratio	23	14.5	15.9	15.9	14.8	22.0

Source: IMF Country Report No. 20/156, May 2020

7.6 Public Debt Sustainability Analysis

Total public debt as a share of GDP is projected to increase through to FY2020/2023 on the back of the COVID-19 global shock, and decline in FY2023/24. PV of debt-to-GDP is projected to remain below the indicative benchmark in PV terms (Table 6-2). The PV of public debt to-revenue ratio would increase from 338.1 percent in 2020 to 357.4 in 2022 before decreasing to 341.2 percent in 2024. The debt service-to-revenue ratio is expected to remain stable in the longer term.

Table 7-2: Kenya’s Public debt sustainability

Indicators	Thresholds	2020	2021	2022	2023	2024
PV of debt-to-GDP ratio	70	61.3	63.4	63.9	63.6	62.2
PV of public debt-to-revenue and grants ratio		338.1	356.6	357.4	351.3	341.2
Debt service-to-revenue and grants ratio		53.8	68.0	74.5	71.5	78.6

Source: IMF Country Report No. 20/156, May 2020

7.7 Debt Sustainability Analysis Findings

Kenya’s debt remains sustainable. The risk of external debt distress has moved to high from moderate due to the impact of the global COVID-19 crisis which worsened existing vulnerabilities. The COVID-19 crisis has led to a decline in exports and economic growth. Addressing the crisis required a strong fiscal response from the Government that led to increased budget deficits. Consequently, a number of debt indicators worsened. External and public debt vulnerabilities also

reflect the high deficits of the past, including due to a decline in tax revenues as a share of GDP in recent years.

Solvency indicators for the present value (PV) of external debt-to GDP ratio and PV of total public debt-to-GDP ratios are below the indicative threshold/benchmark. However, there are breaches of one solvency indicator (i.e., PV of external debt-to-exports ratio) and one liquidity indicator (i.e., the external debt service-to-exports ratio) above the thresholds. It is expected that the debt indicators will improve as exports rebound after the global shock goes away. The analysis highlights the need for sustained fiscal consolidation to reduce the level of public debt to more prudent levels over the medium term. The debt sustainability analysis suggests that Kenya is susceptible to export and market financing shocks, and more prolonged and protracted shocks to the economy would also present downside risks to the debt outlook. Economic impact and policy response to the COVID-19 crisis are rapidly evolving and global risks are heavily skewed to the downside.

The analysis indicates that concessional borrowing should continue to play an important role in financing investment projects due to its lower cost and longer maturity profile, while non-concessional borrowing should be limited to financing those projects with high social and economic returns. Kenya has about US\$10 billion of committed but undisbursed official development assistance. To reduce payment of commitment fees on undisbursed funds and reduce reliance on commercial financing, measures are expected to be taken to unblock the low-cost financing. Regarding the future, public investment in infrastructure will be critical to raise growth and export potential, both of which will support Kenya's external debt sustainability.

CHAPTER EIGHT

OUTLOOK FOR THE MEDIUM TERM

8.1 Public Debt Stock in the Medium Term

The total public debt in nominal terms was Kshs 6,693.3 billion as at end June 2020 and is projected to increase to Kshs 10,418 billion by June 2024 (Table 7-1). In nominal terms public debt to GDP is projected to increase to 67.2 per cent in June 2024 from 65.6 per cent in June 2020.

As a proportion of GDP, external public debt is projected to fall 31.7 per cent in June 2024 from 34.5 per cent in June 2020 and domestic debt to increase to 35.5 per cent in June 2024 from 31.2 per cent in June 2020.

Table 8. 1: Projected Public Debt Stock in (Kshs Billions)

	JUNE 2020	JUNE 2021	JUNE 2022	JUNE 2023	JUNE 2024
External Debt	3,516	3,913	4,324	4,607	4,911
% of GDP	34.5	34.7	34.6	33.2	31.7
Domestic Debt	3,178	3,732	4,238	4,886	5,507
% of GDP	31.2	33.1	33.9	35.2	35.5
Total Public Debt	6,694	7,645	8,562	9,493	10,418
% of GDP	65.6	67.9	68.5	68.4	67.2
Memoranda items					
Nominal GDP	10,199	11,267	12,502	13,879	15,495

Source: *National Treasury*

8.2 Debt Service in the Medium Term

In nominal terms, the total debt service as a proportion of revenue is projected to rise to 50.5 per cent in FY2023/24 from 31.1 per cent in FY2019/20 (Table 7-2). As a percentage of GDP, total debt service is projected to increase to 7.2 per cent in FY2023/24 from 5.3 per cent in FY2019/20.

Domestic interest is projected to increase to Kshs 454.2 billion in FY2023/24 from Kshs 315.4 billion in FY2019/20. However, as a percentage of revenue, domestic interest is projected to decrease to 20.5 per cent in FY2023/24 from 18.2 per cent in FY2019/20. As a ratio of GDP, domestic interest will decrease to 2.9 per cent in FY2023/24 from 3.1 per cent FY2019/20.

Interest on external debt is projected to increase to Kshs 207.5 billion in FY2023/24 from Kshs 121.8 billion in FY2019/20. As a ratio of GDP, interest on external debt will rise to 1.3 per cent in FY2023/24 from 1.2 per cent in FY2019/20.

Principal repayments on external debt is projected to increase to Kshs 459.9 billion in FY2023/24 from Kshs 101.6 billion in FY2019/20. As a ratio of GDP, the external repayments will increase to 3.0 per cent in FY2023/24 from 1.0 per cent in FY2019/20.

Table 8. 2: Projected Debt Service (Kshs billion)

Fiscal Years	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Domestic Interest	315.4	308.4	370.4	382.6	454.2
% of GDP	3.1	2.7	3.0	2.8	2.9
% of Revenue	18.2	17.3	19.8	18.9	20.5
External Interest	121.8	154.7	170.2	195	207.5
% of GDP	1.2	1.4	1.4	1.4	1.3
% of Revenue	7.0	8.7	9.1	9.6	9.3
Total Interest	437.2	463.1	540.6	577.6	661.7
% of GDP	4.3	4.1	4.3	4.2	4.3
% of Revenue	25.2	26.0	28.9	28.5	29.8
External Principal	101.6	179.6	239.4	257.6	459.9
% of GDP	1.0	1.6	1.9	1.9	3.0
% of Revenue	5.9	10.1	12.8	12.7	20.7
Total debt service	538.8	642.7	780.0	835.2	1,121.6
% of GDP	5.3	5.7	6.2	6.0	7.2
% of Revenue	31.1	36.1	41.7	41.2	50.5
Revenue	1,733.6	1,782.4	1,872.6	2,027.5	2,219.8
GDP	10,199.0	11,267.0	12,502.0	13,879.0	15,495.0

Source: National Treasury

APPENDICES

Appendix I: Outstanding Treasury Bonds

ISSUE NUMBER	MATURITY DATE	FACE VALUE
MAB2/2017/003	07-Sep-2020	247,750,000
MAB2/2017/003	07-Sep-2020	197,000,000
MAB2/2017/003	07-Sep-2020	183,000,000
MAB2/2017/003	07-Sep-2020	263,600,000
FXD2/2010/010	19-Oct-2020	13,847,900,000
FXD2/2010/010	19-Oct-2020	1,111,650,000
FXD2/2010/010	19-Oct-2020	3,890,350,000
FXD2/2010/010	19-Oct-2020	9,337,900,000
FXD2/2010/010	19-Oct-2020	5,200,100,000
FXD2/2015/005	23-Nov-2020	30,673,850,000
FXD1/2019/002	25-Jan-2021	23,708,850,000
FXD1/2019/002	25-Jan-2021	7,412,000,000
IFB1/2009/012	08-Feb-2021	7,868,365,500
FXD1/2016/005	19-Apr-2021	19,544,200,000
FXD2/2016/005	19-Jul-2021	24,395,300,000
FXD3/2016/005	20-Sep-2021	23,051,050,000
IFB2/2009/012	22-Nov-2021	5,388,325,000
FXD1/2007/015	07-Mar-2022	3,654,600,000
SFX1/2007/015	13-May-2022	6,000,000,000
FXD2/2007/015	06-Jun-2022	7,236,950,000
FXD2/2007/015	06-Jun-2022	25,445,650,000
FXD1/2012/010	13-Jun-2022	443,150,000
FXD1/2012/010	13-Jun-2022	5,298,850,000
FXD1/2012/010	13-Jun-2022	11,061,750,000
FXD1/2012/010	13-Jun-2022	18,469,950,000
FXD1/2017/005	22-Aug-2022	12,109,150,000
FXD1/2017/005	22-Aug-2022	17,490,000,000
FXD2/2017/005	17-Oct-2022	13,492,100,000
FXD2/2017/005	17-Oct-2022	7,220,000,000
FXD3/2007/015	07-Nov-2022	7,841,100,000
FXD3/2007/015	07-Nov-2022	10,189,100,000
FXD3/2007/015	07-Nov-2022	14,927,900,000
FXD1/2008/015	13-Mar-2023	7,380,900,000
FXD1/2008/015	13-Mar-2023	4,695,250,000
FXD1/2008/015	13-Mar-2023	2,692,550,000
FXD1/2008/015	13-Mar-2023	20,021,100,000
FXD1/2018/005	20-Mar-2023	23,055,800,000
FXD1/2018/005	20-Mar-2023	7,739,750,000
FXD1/2013/010	19-Jun-2023	12,121,350,000
FXD1/2013/010	19-Jun-2023	521,700,000
FXD1/2013/010	19-Jun-2023	11,909,050,000
FXD1/2013/010	19-Jun-2023	4,737,700,000
FXD1/2013/010	19-Jun-2023	9,958,400,000
IFB1/2011/012	18-Sep-2023	11,735,500,000
FXD1/2014/010	15-Jan-2024	15,030,150,000
FXD1/2014/010	15-Jan-2024	15,587,650,000
FXD1/2014/010	15-Jan-2024	5,234,350,000

FXD1/2019/005	19-Feb-2024	20,587,250,000
FXD1/2019/005	19-Feb-2024	44,772,250,000
FXD2/2019/005	06-May-2024	39,201,400,000
FXD1/2009/015	07-Oct-2024	9,420,450,000
FXD1/2009/015	07-Oct-2024	11,806,950,000
FXD1/2009/015	07-Oct-2024	10,725,050,000
IFB1/2017/007	18-Nov-2024	41,469,450,000
IFB1/2015/009	02-Dec-2024	25,119,550,000
FXD3/2019/005	09-Dec-2024	18,737,950,000
FXD3/2019/005	09-Dec-2024	9,747,300,000
FXD3/2019/005	09-Dec-2024	16,345,250,000
FXD1/2010/015	10-Mar-2025	10,206,450,000
FXD1/2010/015	10-Mar-2025	12,129,800,000
FXD1/2010/015	10-Mar-2025	5,000,000,000
FXD1/2020/005	10-Mar-2025	357,650,000
FXD1/2020/005	05-May-2025	20,774,600,000
IFB1/2016/009	05-May-2025	8,960,350,000
IFB1/2013/012	12-May-2025	36,303,200,000
FXD2/2010/015	15-Sep-2025	27,925,350,000
IFB1/2020/006	08-Dec-2025	13,513,100,000
FXD1/2016/010	25-May-2026	20,226,650,000
IFB1/2014/012	17-Aug-2026	18,306,450,000
IFB1/2015/012	12-Oct-2026	27,045,950,000
FXD1/2017/010	15-Mar-2027	51,192,200,000
FXD1/2017/010	19-Jul-2027	5,178,850,000
FXD1/2017/010	19-Jul-2027	7,014,300,000
FXD1/2017/010	19-Jul-2027	5,488,450,000
FXD1/2017/010	19-Jul-2027	6,307,250,000
FXD1/2017/010	19-Jul-2027	624,700,000
FXD1/2017/010	19-Jul-2027	5,388,400,000
FXD1/2017/010	19-Jul-2027	5,172,450,000
FXD1/2012/015	06-Sep-2027	21,089,450,000
FXD1/2012/015	06-Sep-2027	6,004,150,000
FXD1/2012/015	06-Sep-2027	21,843,500,000
FXD1/2013/015	07-Feb-2028	5,875,700,000
FXD1/2013/015	07-Feb-2028	7,507,100,000
FXD1/2013/015	07-Feb-2028	15,582,800,000
FXD2/2013/015	07-Feb-2028	13,172,850,000
FXD2/2013/015	10-Apr-2028	17,385,850,000
FXD2/2013/015	10-Apr-2028	9,615,400,000
FXD2/2013/015	10-Apr-2028	9,186,600,000
FXD1/2008/020	10-Apr-2028	3,688,750,000
FXD1/2008/020	05-Jun-2028	1,912,250,000
FXD1/2008/020	05-Jun-2028	7,613,900,000
FXD1/2008/020	05-Jun-2028	10,834,800,000
FXD1/2008/020	05-Jun-2028	9,683,350,000
FXD1/2018/010	05-Jun-2028	8,100,800,000
FXD1/2018/010	14-Aug-2028	19,363,100,000
FXD2/2018/010	14-Aug-2028	21,221,500,000
FXD2/2018/010	04-Dec-2028	26,143,600,000
FXD1/2019/010	04-Dec-2028	6,623,550,000
	12-Feb-2029	32,800,400,000

FXD1/2019/010	12-Feb-2029	19,243,600,000
IFB1/2017/012	12-Feb-2029	14,330,400,000
FXD2/2019/010	02-Apr-2029	51,325,000,000
IFB1/2020/009	02-Apr-2029	78,973,600,000
FXD3/2019/010	06-Aug-2029	45,005,050,000
FXD4/2019/010	12-Nov-2029	28,344,450,000
FXD4/2019/010	12-Nov-2029	8,082,100,000
FXD4/2019/010	12-Nov-2029	32,923,550,000
FXD1/2011/020	05-May-2031	9,365,800,000
IFB1/2016/015	06-Oct-2031	40,029,650,000
FXD1/2012/020	01-Nov-2032	3,461,350,000
FXD1/2012/020	01-Nov-2032	4,956,500,000
FXD1/2012/020	01-Nov-2032	10,882,700,000
FXD1/2012/020	01-Nov-2032	9,363,050,000
FXD1/2012/020	01-Nov-2032	2,060,550,000
FXD1/2012/020	01-Nov-2032	13,857,500,000
IFB1/2018/015	10-Jan-2033	41,184,800,000
FXD1/2018/015	09-May-2033	13,223,850,000
FXD1/2018/015	09-May-2033	17,482,750,000
FXD1/2018/015	09-May-2033	15,116,850,000
FXD1/2018/015	09-May-2033	3,431,400,000
FXD2/2018/015	03-Oct-2033	7,848,300,000
FXD2/2018/015	03-Oct-2033	21,216,050,000
FXD1/2019/015	09-Jan-2034	14,716,500,000
FXD1/2019/015	09-Jan-2034	15,850,150,000
FXD2/2019/015	24-Apr-2034	19,314,450,000
FXD2/2019/015	24-Apr-2034	17,227,200,000
FXD2/2019/015	24-Apr-2034	5,905,650,000
FXD3/2019/015	10-Jul-2034	50,552,950,000
FXD1/2020/015	05-Feb-2035	5,191,250,000
FXD1/2010/025	28-May-2035	20,192,500,000
IFB1/2019/016	08-Oct-2035	71,028,550,000
FXD1/2016/020	01-Sep-2036	12,761,200,000
FXD1/2018/020	01-Mar-2038	8,564,250,000
FXD1/2018/020	01-Mar-2038	7,841,300,000
FXD1/2018/020	01-Mar-2038	6,856,600,000
FXD1/2018/020	01-Mar-2038	8,321,600,000
FXD2/2018/020	05-Jul-2038	10,635,550,000
FXD2/2018/020	05-Jul-2038	5,211,100,000
IFB1/2018/020	25-Oct-2038	36,787,300,000
FXD1/2019/020	21-Mar-2039	9,018,150,000
FXD1/2019/020	21-Mar-2039	14,541,900,000
SDB1/2011/030	21-Jan-2041	8,718,100,000
SDB1/2011/030	21-Jan-2041	10,041,550,000
SDB1/2011/030	21-Jan-2041	3,376,800,000
SDB1/2011/030	21-Jan-2041	1,752,500,000
SDB1/2011/030	21-Jan-2041	2,003,350,000
SDB1/2011/030	21-Jan-2041	667,900,000
SDB1/2011/030	21-Jan-2041	19,000,000
SDB1/2011/030	21-Jan-2041	712,400,000
SDB1/2011/030	21-Jan-2041	853,100,000
FXD1/2018/025	25-May-2043	5,152,600,000

FXD1/2018/025	25-May-2043	22,991,850,000
FXD1/2018/025	25-May-2043	15,073,650,000
IFBI/2019/025	22-Feb-2044	16,828,650,000
Grand Totals		2,220,339,804,765

Appendix II: Outstanding Treasury Bills

ISSUE NUMBER	MATURITY DATE	REDEMPTION AMOUNT
2241/364	06-Jul-20	25,153,350,000.00
2323/182	06-Jul-20	1,107,000,000.00
2363/091	06-Jul-20	910,700,000.00
2242/364	13-Jul-20	32,335,050,000.00
2324/182	13-Jul-20	2,277,900,000.00
2364/091	13-Jul-20	518,950,000.00
2243/364	20-Jul-20	11,533,150,000.00
2325/182	20-Jul-20	6,612,050,000.00
2365/091	20-Jul-20	2,630,450,000.00
2244/364	27-Jul-20	17,883,350,000.00
2326/182	27-Jul-20	5,344,900,000.00
2366/091	27-Jul-20	8,924,350,000.00
2245/364	03-Aug-20	12,955,850,000.00
2327/182	03-Aug-20	6,302,150,000.00
2367/091	03-Aug-20	2,542,800,000.00
2246/364	10-Aug-20	19,677,600,000.00
2328/182	10-Aug-20	17,337,200,000.00
2368/091	10-Aug-20	2,466,150,000.00
2247/364	17-Aug-20	16,448,550,000.00
2329/182	17-Aug-20	6,669,450,000.00
2369/091	17-Aug-20	7,775,850,000.00
2248/364	24-Aug-20	9,717,750,000.00
2330/182	24-Aug-20	7,909,250,000.00
2370/091	24-Aug-20	7,992,800,000.00
2249/364	31-Aug-20	8,496,700,000.00
2331/182	31-Aug-20	2,771,450,000.00
2371/091	31-Aug-20	2,285,850,000.00
2250/364	07-Sep-20	7,879,450,000.00
2332/182	07-Sep-20	2,050,400,000.00
2372/091	07-Sep-20	4,309,500,000.00
2251/364	14-Sep-20	7,907,800,000.00
2333/182	14-Sep-20	2,609,250,000.00
2373/091	14-Sep-20	3,924,050,000.00
2252/364	21-Sep-20	21,244,200,000.00
2334/182	21-Sep-20	3,747,100,000.00
2374/091	21-Sep-20	6,465,200,000.00
2253/364	28-Sep-20	12,677,600,000.00
2335/182	28-Sep-20	3,480,250,000.00
2375/091	28-Sep-20	695,400,000.00
2254/364	05-Oct-20	8,531,600,000.00

2336/182	05-Oct-20	4,773,350,000.00
2255/364	12-Oct-20	12,089,800,000.00
2337/182	12-Oct-20	1,626,050,000.00
2256/364	19-Oct-20	8,371,600,000.00
2338/182	19-Oct-20	772,550,000.00
2257/364	26-Oct-20	14,261,450,000.00
2339/182	26-Oct-20	4,619,100,000.00
2258/364	02-Nov-20	14,027,100,000.00
2340/182	02-Nov-20	2,621,450,000.00
2259/364	09-Nov-20	24,619,300,000.00
2341/182	09-Nov-20	3,938,850,000.00
2260/364	16-Nov-20	12,275,850,000.00
2342/182	16-Nov-20	4,604,350,000.00
2261/364	23-Nov-20	5,308,050,000.00
2343/182	23-Nov-20	5,732,950,000.00
2263/364	30-Nov-20	4,374,000,000.00
2344/182	30-Nov-20	1,457,900,000.00
2264/364	07-Dec-20	5,178,950,000.00
2345/182	07-Dec-20	9,218,300,000.00
2265/364	14-Dec-20	6,074,950,000.00
2346/182	14-Dec-20	6,966,000,000.00
2266/364	21-Dec-20	7,679,100,000.00
2347/182	21-Dec-20	4,375,550,000.00
2267/364	28-Dec-20	3,790,800,000.00
2348/182	28-Dec-20	1,583,900,000.00
2269/364	04-Jan-21	9,385,400,000.00
2270/364	11-Jan-21	40,439,150,000.00
2271/364	18-Jan-21	12,433,700,000.00
2272/364	25-Jan-21	20,267,900,000.00
2273/364	01-Feb-21	22,392,400,000.00
2274/364	08-Feb-21	8,680,600,000.00
2275/364	15-Feb-21	24,209,350,000.00
2276/364	22-Feb-21	27,650,900,000.00
2277/364	01-Mar-21	10,954,450,000.00
2278/364	08-Mar-21	20,558,300,000.00
2279/364	15-Mar-21	19,432,300,000.00
2280/364	22-Mar-21	18,398,200,000.00
2281/364	29-Mar-21	5,324,750,000.00
2282/364	05-Apr-21	23,194,950,000.00
2283/364	12-Apr-21	6,545,750,000.00
2284/364	19-Apr-21	11,841,400,000.00
2285/364	26-Apr-21	6,852,100,000.00

2287/364	03-May-21	11,558,050,000.00
2288/364	10-May-21	9,320,750,000.00
2289/364	17-May-21	12,970,400,000.00
2290/364	24-May-21	14,384,150,000.00
2291/364	31-May-21	12,497,800,000.00
2292/364	07-Jun-21	5,091,050,000.00
2293/364	14-Jun-21	13,391,500,000.00
2294/364	21-Jun-21	4,452,450,000.00
2295/364	28-Jun-21	12,470,100,000.00
Grand Totals		887,141,500,000.00

Appendix III: Stock of Publicly Guaranteed Debt by June 2020 (Kshs Million)

Agency	Year	Purpose of the loan	Credit or	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	June-20
Nairobi City County	1985	Umoja II Housing Project	USA	-	-	-	-	-	-
KBC	1989	KBC Modernization Project	Japan	2,404	2,224	1,386	1,035	357	-
Telkom Kenya Ltd	1990	Purchase of Microwave Telephone System	Canada	375	-	-	-	-	-
Tana and Athi River Development Authority	1990	Tana Delta Irrigation Project	Japan	1,172	1,156	811	673	279	-
East African Portland Cement	1990	Cement Plant Rehabilitation Project	Japan	1,457	1,438	1,008	836	346	-
KenGen Ltd	1995	Mombasa Diesel Generating Power Project	Japan	3,393	3,767	3,325	2,923	2,421	2,108
	1997	Sondu Miriu Hydropower Project	Japan	3,372	3,827	3,422	3,099	2,727	2,515
	2004	Sondu Miriu Hydropower Project II	Japan	8,005	9,534	8,753	8,404	8,207	8,233
	2007	Sondu Miriu Hydropower Project – Sang’oro Power Plant	Japan	3,416	4,218	3,972	3,827	3,760	3,789
	2010	Olkaria Unit 4 and 5 Geothermal Power Project	Japan	44	55	51	51	19,389	19,549

Agency	Year	Purpose of the loan	Credit or	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	June-20
	2010	Rehabilitation and Expansion of the Hydropower Plant Kindaruma	Germany		3,514	3,302	2,970	2,607	1,879
	2011	Rehabilitation and Upgrade of the Geothermal Plant Olkaria	Germany		4,656	4,875	4,510	3,924	3,113
Kenya Ports Authority	2007	Mombasa Port Modernization Project	Japan	15,856	22,099	21,211	23,808	23,903	23,185
Kenya Railways	2008	Kenya Railways Concessions	IDA	4,439	4,044	4,667	4,547	4,603	4,793
Kenya Ports Authority	2016	Kenya Port Development Project Phase 2	Japan			614	6,333	10,158	16,189
Kenya Airways	2017	Kenya Airways	Afrexim	0	0	77,784	75,787	76,724	79,893
Kenya Farmers Association	2005	Revival of KFA	Local banks	Unutilized	Unutilized	Unutilized		Unutilized	Unutilized
National Cereals & Produce Board (GSM-102)	2009	Importation of maize under GSM-102	USA	Unutilized	Unutilized	Unutilized		Unutilized	Unutilized
Total				43,933	60,530	135,179	138,803	159,405	165,247

Source: National Treasury

Appendix IV: Public and Publicly Guaranteed External Debt by Creditor (Kshs Million)

CREDITOR	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20
1. BILATERAL							
AUSTRIA	717	743	1,030	513	578	1,803	1,399
BELGIUM	8,096	6,142	7,469	9,938	10,208	11,591	11,975
CANADA	1,349	1,270	809	538	409	111	-
DENMARK	1,992	1,437	1,541	1,356	1,175	875	604
FINLAND	94	71	269	1,712	1,642	1,796	1,427
GERMANY	26,571	22,559	-	31,669	34,655	37,277	35,479
ITALY	1,716	1,101	622	654	125	36,293	37,244
JAPAN	84,515	79,017	-	91,456	101,886	135,229	151,685
NETHERLANDS	2,702	1,960	2,350	1,753	1,079	343	55
UK	1,841	1,467	992	650	463	60	-
USA	4,542	4,462	4,035	3,497	2,947	2,089	1,580
CHINA	80,859	252,039	313,127	478,607	559,071	661,059	719,359
OTHERS	13,341	13,756	31,385	36,963	53,822	107,534	113,451
TOTAL	289,914	445,056	798,841	722,568	829,846	996,059	1,074,257
ADB/ADF	102,118	161,532	179,227	197,490	204,776	229,638	263,749
EEC/EIB	20,657	20,625	21,073	20,399	19,455	17,241	16,796
IDA/IFAD/IBRD	371,374	407,294	488,330	540,515	516,774	608,989	921,341
IMF	83,282	86,150	84,847	77,637	71,588	49,208	110,605
OTHERS	9,057	9,030	9,204	8,347	2,795	9,319	9,138
TOTAL	597,340	320,871	492,908	844,389	815,388	914,395	1,321,629
3. COMMERCIAL BANKS	234,799	276,937	432,377	711,893	906,389	1,095,754	1,102,294
4. EXPORT CREDIT	16,452	16,628	16,628	15,303	16,725	16,932	17,631
GRAND TOTAL	1,138,505	1,423,252	1,796,198	2,294,153	2,568,299	3,023,139	3,515,811

Source: National Treasury

Appendix V: Public Private Partnership (PPP) operational Projects with Kenya, Government support measures and Termination Terms

No.	Project Name	Project Description	Project Value (\$ Mn)	Status	Type/Value/ Government Support Measure	Amount of Termination Payment (Default by GOK)	Call Government Support Measure (Y/N)
1.	Africa Geothermal International 140 MW	25-year Power Purchase Agreement on a Build, Own, Operate (BOO) basis at Longonot geothermal power project adjacent to Olkaria, Kenya	760	Financial Close: 3 rd April, 2014 Status: Under Construction	Letter of support being finalized	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination 3. Net Present Value of 5 Years profits at 10%	NO
2.	Lake Turkana Wind Power – 300 MW	The wind turbine farm is being developed on BOO basis in Loyangalani, Marsabit West, on a 20 Year PPA with Kenya Power	847	Financial Close: 24 th March, 2014 Status: Commissioning is ongoing	Letter of support covering political risks issued on 28 th February, 2013 Indemnity Agreement LC to be replaced with Escrow Account	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination 3. Net Present Value of 5 Years profits at 10%	NO
3.	Gulf Power – 80.32 MW	The Heavy Fuel Oil (HFO) power plant is being developed on a BOO basis, in the Athi River region, on a 20-year PPA with KPLC.	108	Financial Close: 18 th November, 2013 Status: Operational	Letter of support covering political risks issued on 2 nd July 2012 Indemnity Agreement covering PRG payments was signed on 14 th March	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination 3. Net Present Value of 5 Years profits at 10%	NO

4.	Triumph Power – 82 MW	The Heavy Fuel Oil (HFO) power plant is being developed on a BOO basis, at Kitengela near the Athi River area of Mavoko, on a 20- year PPA with KPLC.	156.5	Financial Close: 7 th August 2013 Status: Operational	Letter of support covering political risks issued on 2 nd July 2012 Indemnity Agreement covering PRG payments was signed on 5 th December 2012. PRG Amount US\$ 45 Mn	2013. PRG amount US\$ 35 Mn and Euros 7 Mn	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination 3. Net Present Value of 5 Years profits at 10%	NO
5.	Thika Power - 87MW	The Heavy Fuel Oil (HFO) power plant is being developed on a BOO basis, at Kitengela near the Athi River area of Mavoko, on a 20- year PPA with KPLC.	146	Financial Close: 11 th October 2012 Status: operational from August 2013	Letter of support covering political risks issued on 2 nd July 2012 Indemnity Agreement covering PRG payments was signed on 28th August 2014. PRG Amount US\$ 35 Mn and Euros 7.7 Mn	2013. PRG amount US\$ 35 Mn and Euros 7 Mn	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination 3. Net Present Value of 5 Years profits at 10%	NO

6.	Kinangop Power – 60.8MW	The wind power plant is being developed on a BOO basis in South Kinangop, Nyandarua County on a 20-year PPA with KPLC.	150	Financial Close: 31st December 2012 Status: In development	Letter of support covering political risks issued on 26 th July, 2013	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination 3. Net Present Value of 5 Years profits at 10%	NO
7.	Orpower 150MW III Geothermal power plant* (1 st plant 48MW, 2 nd plant 36MW, 3 rd plant 16MW and 4 th Plant 29MW)	Description: 20 year - BOO	558	Financial Close: January 1999 Status: Operational	Letter of support covering political risks issued on 16 th April, 2015 Indemnity Agreement LC covering PRG payments of Amount US\$ 31Mn	1. Total Project cost depreciated at 5% per annum 2. Expenses incurred by the seller as a result of termination 3. Losses incurred by the Seller	NO
8.	Rabat Power Plant – 90 MW	20 year - BOO	155	Financial Close: October, 2008 Status: Operational	Indemnity Agreement LC Account	Net Present Value of Non- Scalable Capacity Charges for the remaining period to the expiry of the term discounted at 12% per annum	NO
9.	74MW Tsavo	Located in Mombasa next to Kilindini seaport, the Heavy Fuel Oil (HFO) power	85	Financial Close: September 1999	Indemnity Agreement	1. Net Present Value of Non-scalable Capacity Charges for the remaining period to the expiry of the term discounted at 10% per annum.	NO

		plant is on BOO basis over a 20-year period	Status: Operational			2. Expenses incurred by the Seller as a result of termination. 3. The value of the stock of fuel and other consumables and spare parts at the Plant
10.	40 MW Alten Solar Power Project	Feed in Tariff Power Plant on BOO basis	Status: Financial Close Pending	105	Letter of support covering political risks issued	None NO
11.	Chania Green	Feed in Tariff Power Plant on a BOO basis	Construction ongoing	102	Letter of support covering political risks issued	1. Total amount outstanding and unpaid to all Financing Parties – Debt & Equity 2. All amounts paid to Seller by way of subscription in Seller capital, less dividends and other distribution made to shareholders of Seller 3. Redundancy payments/ Termination & Breakage costs 4. Value of unpaid construction works as at termination NO
12.	Biojoule	Feed in Tariff Power Plant on a BOO basis	Operational	6	Letter of support covering political risks issued	Monthly Liquidated Damages, until the operating year when the agreement would have terminated by effluxion of time, an amount equivalent to the average monthly revenue which the seller would have earned. NO

