

Republic of Kenya

THE NATIONAL TREASURY

Quarterly Economic and Budgetary Review

**First Half, Financial Year 2017/2018
Period ending 31st December, 2017**

February 2018 Edition

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LIST OF ABBREVIATIONS AND ACRONYMS

A-I-A	Appropriation in Aid
CBK	Central Bank of Kenya
FY	Fiscal Year
GDP	Gross Domestic Product
ICT	Information, Communication and Technology
IMF	International Monetary Fund
KNBS	Kenya National Bureau of Statistics
Ksh	Kenya Shillings
Mn	Million
NDA	Net Domestic Assets
NFA	Net Foreign Assets
NG-CDF	National Government Constituencies Development Fund
NSE	Nairobi Securities Exchange
QEBR	Quarterly Economic and Budgetary review
RDL	Railway Development Levy
US\$	United States Dollar

LEGAL BASIS/FOUNDATION/PROVISION FOR THE QEBR

The Quarterly Economic and Budgetary Review Report is Published in accordance with Section 83 of the Public Finance Management Act, 2012. It states as follows:

83. (1) An accounting officer for a national government entity shall prepare a report for each quarter of the financial year in respect of the entity.

(2) In preparing a quarterly report for a national government entity, the accounting officer shall ensure that the report—

(a) Contains information on the financial and non-financial performance of the entity; and

(b) Is in a form that complies with the standards prescribed and published by the Accounting Standards Board from time to time.

(3) Not later than fifteen days after the end of each quarter, the accounting officer shall submit the quarterly report to the Cabinet Secretary responsible for the entity and the National Treasury.

(4) The Cabinet Secretary responsible for an entity shall forward a copy of the report to the Cabinet Secretary and Controller of Budget.

(5) Not later than forty five days after the end of each quarter, the National Treasury shall—

(a) consolidate the quarterly reports and submit them to the National Assembly and a copy of the reports to the Controller of Budget, Auditor-General and the Commission on Revenue Allocation; and

(b) Publish and publicize the reports.

(6) In the case of an entity that is a state corporation, the accounting officer for the corporation shall submit the quarterly report to the Cabinet Secretary responsible for the corporation who shall, upon approving it, forward a copy to the Cabinet Secretary.

HIGHLIGHTS OF THE QUARTERLY ECONOMIC AND BUDGETARY REVIEW: FIRST HALF, 2017/2018

1. Economic growth

Kenya's economy remained resilient in 2017 supported by a largely stable macroeconomic environment and ongoing public infrastructure investments. The economy grew by 4.4 per cent in quarter 3, 5.0 per cent in Quarter 2, and 4.7 per cent in Quarter 1. However, uncertainty associated with political elections environment coupled with effects of adverse weather conditions slowed down performance of most sectors of the economy.

2. Inflation

Overall month on month inflation declined below the government's 5.0 per cent medium term target for the first time since June 2013. Inflation declined to 4.5 per cent in December 2017 and 4.7 per cent in November 2017 from 5.7 per cent in October 2017. The decline was largely on account of continued decline in prices of key food items such as potatoes, kales, oranges and mangoes due to favourable weather conditions and Government measures on prices of maize, powdered milk and sugar.

3. Balance of Payments

The overall balance of payments position improved to a surplus of US\$ 879.7 million (1.2 per cent of GDP) in the year to November 2017 from a deficit of US\$ 821.4 million (1.3 per cent of GDP) in the year to November 2016. The current account balance was at a deficit of US\$ 5,110.1 million (7.0 per cent of GDP) in the year to November 2017 from a deficit of US\$ 3,452.5 million (5.4 per cent of GDP) in the year to November 2016.

4. Foreign Exchange Reserves

The banking system's foreign exchange holding was at US\$ 9,202 million in November 2017 from US\$ 10,327 million in November 2016. The official foreign exchange reserves held by the Central Bank remained strong at US\$ 6,919.5 million (4.6 months of import cover) in November 2017 compared with US\$ 7,872.1 million (5.2 months of import cover) in November 2016.

5. Money and Credit

Broad money supply, M3, grew by 8.4 per cent in the year to November 2017 compared to a growth of 6.2 per cent in the year to November 2016. The growth in M3 was largely on account of an increase of net domestic credit to the Government and other public sectors.

6. Capital Markets

Activities at the stock market picked up in December 2017. The NSE 20 Share Index improved to 3,712 points in December 2017 from 3,157 points in December 2016 while Market Capitalization improved to Ksh 2,522 billion from Ksh 1,902 billion over the same period.

7. Total Revenue Collection

The National Government cumulative revenue collection including A-I-A for the period July 2017 to December 2017 amounted to Ksh 709.4 billion (equivalent to

8.20 per cent of GDP) against a target of Ksh 777.7 billion (8.99 per cent of GDP). This represented an underperformance of Ksh 68.3 billion mainly due to shortfalls in VAT, Excise duty, Income Tax, Investment Income and A-I-A collection.

8. Government Expenditure and Net Lending

The total cumulative expenditure and net lending inclusive of transfers to County governments for the period ending 30th December, 2017 amounted to Ksh 907.0 billion. This was Ksh 122.3 billion below the target of Ksh 1,029.3 billion and was largely attributed to low absorption levels in pension and wages and salaries for the National Government. Expenditure by County Government was also below target.

9. Guaranteed Loans

Between July 2017 and December 2017, the National Government paid a total of Ksh 703.18 million on account of guaranteed loans against the projected debt service of Ksh 777.72 million.

10. Overall Fiscal Balance

The cumulative overall fiscal balance, on a commitment basis (excluding grants), amounted to a deficit of Ksh 197.6 billion (equivalent to 2.28 per cent of GDP), as at end-December 2017.

11. External Financing

Between July 2017 and December 2017, external financing amounted to a net borrowing of Ksh 24.1 billion.

12. Net Domestic Borrowing

Net domestic financing amounted to a net borrowing of Ksh 183.6 billion (equivalent to 2.12 per cent of GDP) in the period ending 31st December 2017.

13. Domestic Debt

Total gross domestic debt stock increased by 15.0 per cent from Ksh 1,931.0 billion as at end-December 2016 to Ksh 2,220.3 billion by the end-December 2017.

14. External Debt

The total external debt stock, including the International Sovereign Bond, stood at Ksh 2,353.8 billion for the period ending December 2017. The debt stock comprised of multilateral debt (35.8 per cent), bilateral debt (33.3 per cent), Suppliers Credit debt (0.7 per cent), and Commercial banks' debt (30.3 per cent-including International Sovereign Bond).

RECENT ECONOMIC DEVELOPMENTS

1.0 RECENT ECONOMIC DEVELOPMENTS

1.1 Economic Growth

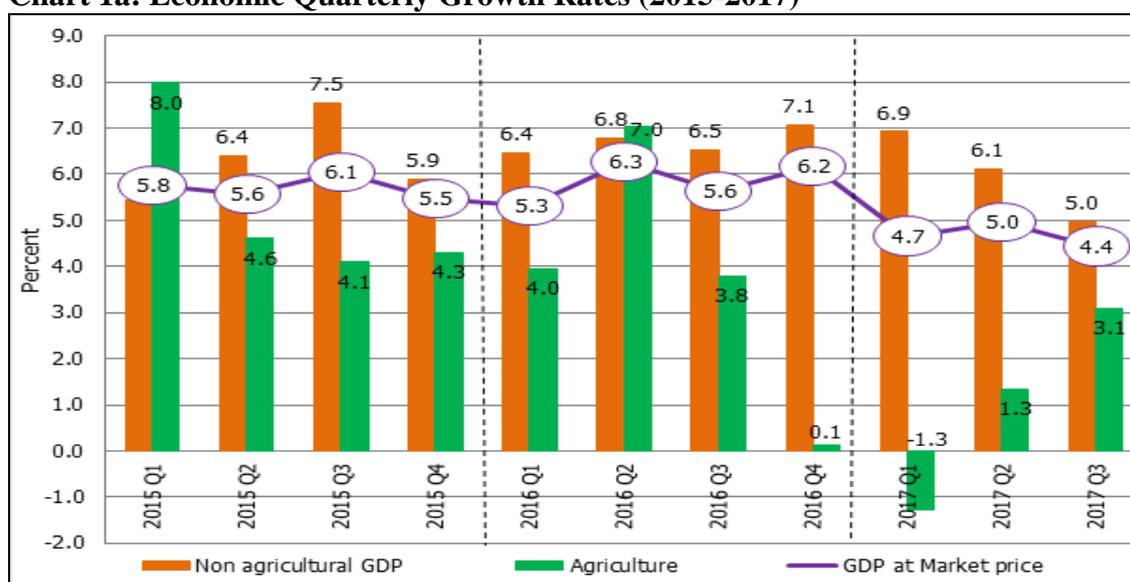
1. Kenya's economy remained resilient in 2017 supported by a largely stable macroeconomic environment and ongoing public infrastructure investments. The economy grew by 4.4 per cent in quarter 3, 5.0 per cent in Quarter 2, and 4.7 per cent in Quarter 1. However, uncertainty associated with political elections environment coupled with effects of adverse weather conditions slowed down performance of most sectors of the economy.

2. Growth in the third quarter of 2017 was supported by robust activities in information and communication (9.0 per cent); real estate (8.9 per cent) and accommodation and restaurant (7.3 per cent). On the other hand, the growth was somewhat constrained by subdued performances in manufacturing, electricity and water supply, construction and financial intermediation sectors.

3. Agricultural sector recovered in the third quarter of 2017 following improved weather conditions and grew by 3.1 per cent representing 0.6 percentage points to GDP growth compared to a growth of 1.3 per cent in the second quarter of 2017, this growth was however a slowdown from a 3.8 per cent growth (0.7 percentage points to GDP growth) in the third quarter in 2016. The performance of the sector was supported by improvement in production of tea and horticultural products thereby reducing the effect of underperformances of the other sub-sectors on the overall growth of the sector (**Chart 1a and 1b**).

4. The Non-agricultural sector remained vibrant despite the subdued performance in the third quarter of 2017 largely on account of the heightened political activity. The sector grew by 5.0 per cent in the third quarter of 2017 compared to a growth of 6.5 per cent in the same quarter in 2016. It has the largest percentage points to real GDP growth at 3.4 percentage points mainly supported by the service sector.

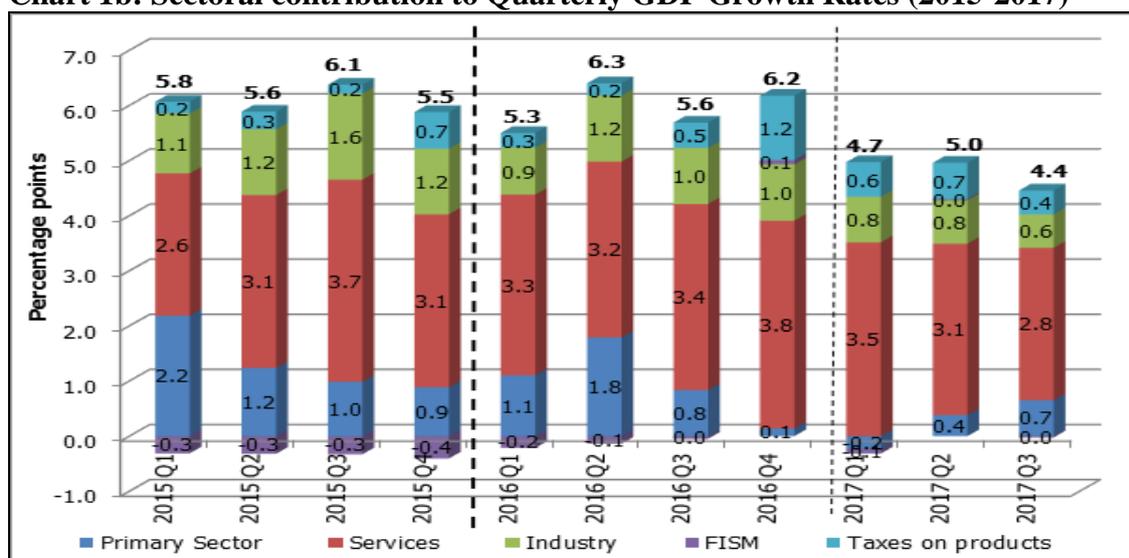
Chart 1a: Economic Quarterly Growth Rates (2015-2017)



Source: National Treasury; Data: Kenya National Bureau of Statistics

RECENT ECONOMIC DEVELOPMENTS

Chart 1b: Sectoral contribution to Quarterly GDP Growth Rates (2015-2017)



Source: National Treasury; Data: Kenya National Bureau of Statistics

5. Services remain the main source of growth. It grew by 5.3 per cent in the third quarter of 2017 compared to 6.6 per cent in the same quarter in 2016. The slowdown was reflected in the subdued performance in accommodation and restaurant (7.3 per cent), transport and storage (5.4 per cent) and financial and insurance (2.4 per cent).

6. Nevertheless, the services contributed 2.8 percentage points to real GDP growth in the third quarter of 2017 largely supported by the Real Estate (0.8 percentage points) and Transport and Storage (0.4 percentage points) and Information and communication (0.3 percentage points) (**Chart 1b**)

7. In particular, information and communication services maintained a strong growth of 9.0 per cent in the third quarter of 2017 compared to a growth of 8.8 per cent in the same quarter in 2016. This reflected strong demand (both households and firms) for telecom services, availability of affordable ICT gadgets and internet connectivity provided by the mobile and internet service providers, efforts by banks to lower costs by deploying new technologies and the ongoing ramping up of mobile banking operations.

8. The performance of Industry slowed to a growth of 3.3 per cent in the third quarter of 2017 compared to a growth of 5.5 per cent in the same quarter of 2016 following subdued performance of manufacturing (2.1 per cent), electricity and water supply (4.8 per cent) and construction (4.9 per cent). The slow growth in the sector was partly attributed to the extended electioneering period, prompting investors to scale down construction activities. It, however, accounted for 0.6 percentage points to growth during the quarter largely driven by the Construction Sector which contributed 0.3 percentage points to growth(**Chart 1b**).

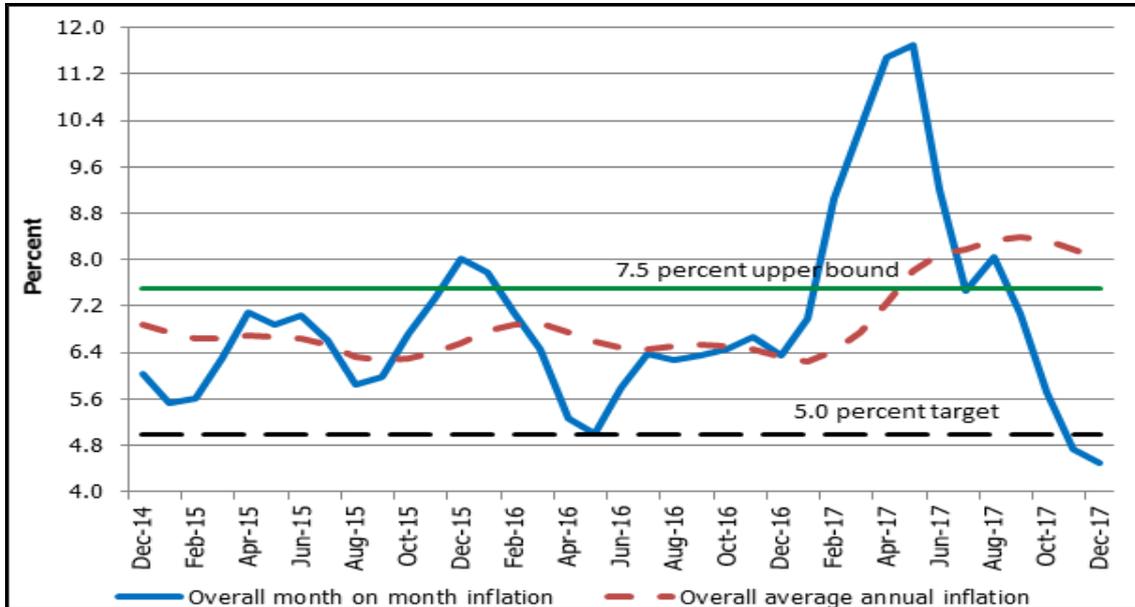
1.2 Inflation

9. Overall month on month inflation declined below the government's 5.0 per cent medium term target for the first time since June 2013. Inflation declined to 4.5 per cent in December 2017 and 4.7 per cent in November 2017 from 5.7 per cent in October 2017. The decline was largely on account of continued decline in prices of key food items such

RECENT ECONOMIC DEVELOPMENTS

as potatoes, kales, oranges and mangoes due to favourable weather conditions (**Chart 2a**). In the twelve month to December 2017, the average annual inflation rate was 8.0 per cent compared to 6.3 per cent in the same period in 2016.

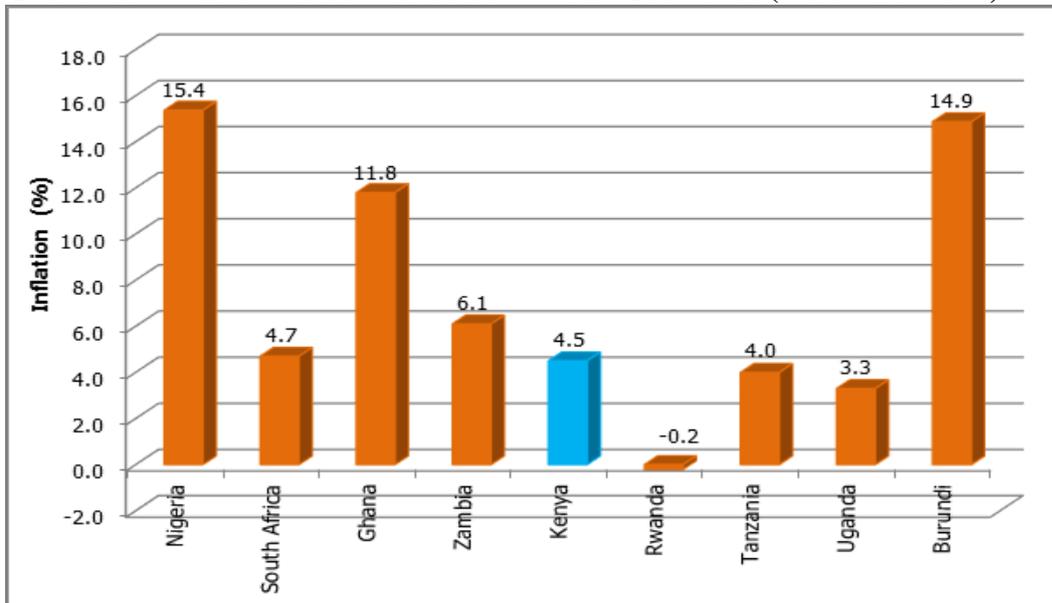
Chart 2a: Inflation



Source: National Treasury; Data: Kenya National Bureau of Statistics

10. Kenya's rate of inflation compares favorably with the rest of sub-Saharan African countries and especially its peers such as Nigeria and South Africa whose inflation rates were 15.4 percent and 4.7 percent, respectively (**Chart 2b**)

Chart 2b: Inflation Rates in selected African Countries (December 2017)



Source: National Treasury; Data: National Central Banks

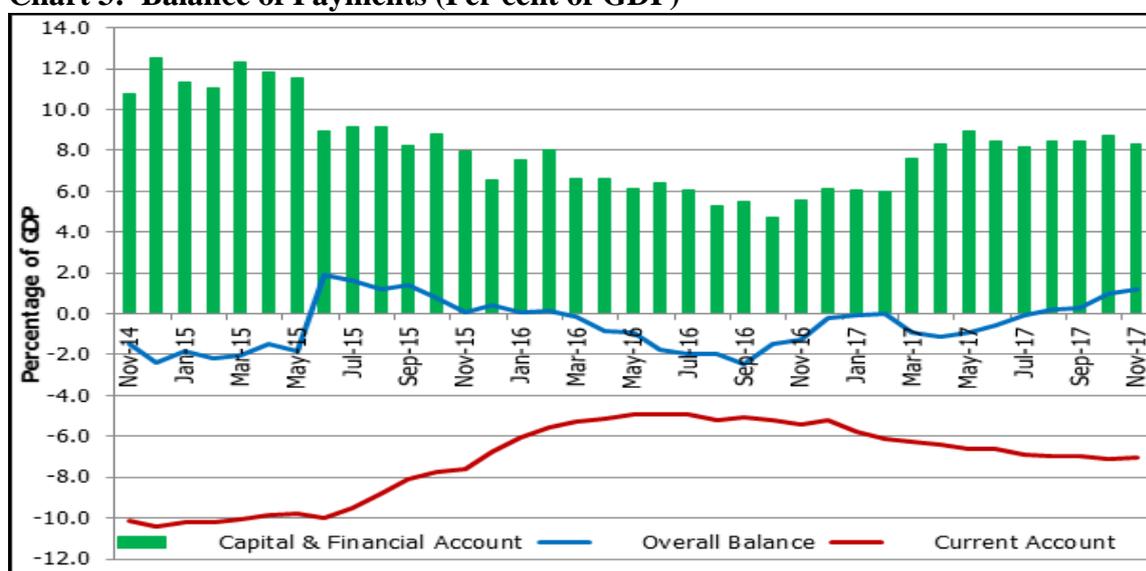
RECENT ECONOMIC DEVELOPMENTS

1.3 Balance of Payments

11. The overall balance of payments position improved to a surplus of US\$ 879.7 million (1.2 per cent of GDP) in the year to November 2017 from a deficit of US\$ 821.4 million (1.3 per cent of GDP) in the year to November 2016 (**Chart 3**) due to the improvement in the financial account that more than offset the widening current account deficit.

12. The current account balance was at a deficit of US\$ 5,110.1 million (7.0 per cent of GDP) in the year to November 2017 from a deficit of US\$ 3,452.5 million (5.4 per cent of GDP) in the year to November 2016. This reflects the widening of the trade account balance and the increased payments to foreign investors (due to high interest payments) despite an improvement in the secondary income account balance particularly increased workers' remittances

Chart 3: Balance of Payments (Per cent of GDP)



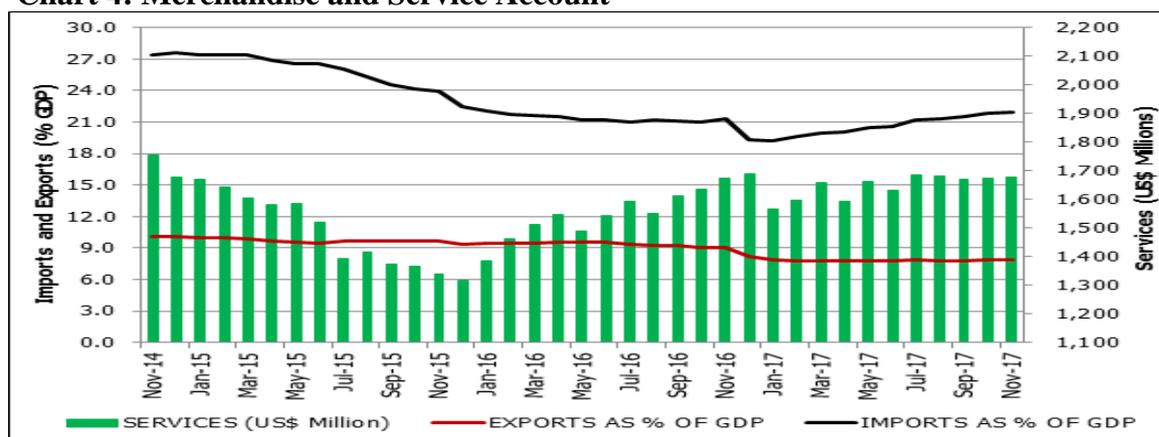
Source: National Treasury Data: Central Bank of Kenya

13. The deficit in the merchandise account widened by US\$ 2,477.7 million to US\$ 10,243 million in the year to November 2017 reflecting increase in payments for import of oil on account of the rebound in international oil prices and the increase in imports of machinery and transport equipment mostly on account of imports of wagons, locomotives and associated equipment related to the Standard Gauge Railway (SGR) project. In addition, net export of goods and services declined reflecting lower global demand for exports of manufactured goods; raw materials; chemicals and related products; and miscellaneous manufactured articles (**Chart 4**).

14. Flows in the Financial Account increased to US\$ 5,870.6 million in November 2017 compared with US\$ 3,298.5 million in November 2016, with the surplus reflecting higher liabilities compared to assets. The financial inflows were mainly in form of Foreign Direct Investments and other investments which stood at US\$ 360.6 million and US\$ 6,439.6 million, respectively in November 2017. Other investment inflows mainly include foreign financing for Government infrastructure projects.

RECENT ECONOMIC DEVELOPMENTS

Chart 4: Merchandise and Service Account



Source: National Treasury Data: Central Bank of Kenya

1.4 Foreign Exchange Reserves

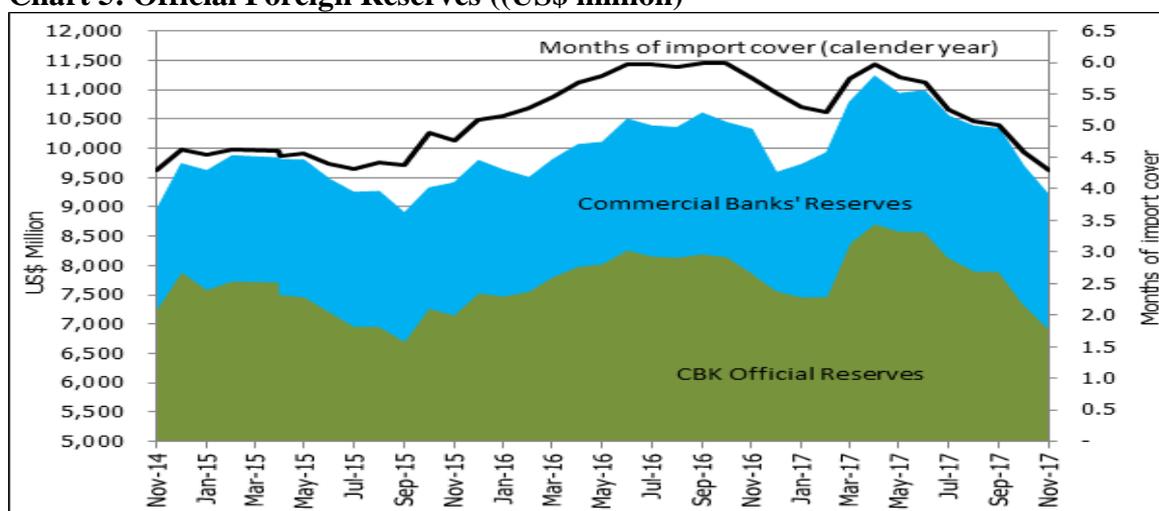
15. The banking system's foreign exchange holding was at US\$ 9,202 million in November 2017 from US\$ 10,327 million in November 2016 (Table 1 and Chart 5). The official foreign exchange reserves held by the Central Bank remained strong at US\$ 6,919.5 million (4.6 months of import cover) in November 2017 compared with US\$ 7,872.1 million (5.2 months of import cover) in November 2016 while commercial banks holdings was at US\$ 2,282.8 million in 2017 from US\$ 2,454.6 million in 2016.

Table 1: Foreign Exchange Reserves (US\$ million)

	Nov-16	Dec-16	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17
Gross Foreign Exchange Reserves	10,327	9,587	10,786	11,233	10,934	10,984	10,550	10,378	10,332	9,698	9,202
Official	7,872	7,573	8,379	8,715	8,591	8,580	8,135	7,910	7,899	7,341	6,920
Commercial Banks	2,455	2,015	2,407	2,518	2,343	2,405	2,415	2,468	2,433	2,357	2,283
Import cover (36 mths imports)	5.49	5.52	5.53	5.78	5.70	5.68	5.39	5.26	5.29	4.92	4.63

Source: National Treasury, Data: Central Bank of Kenya

Chart 5: Official Foreign Reserves ((US\$ million)



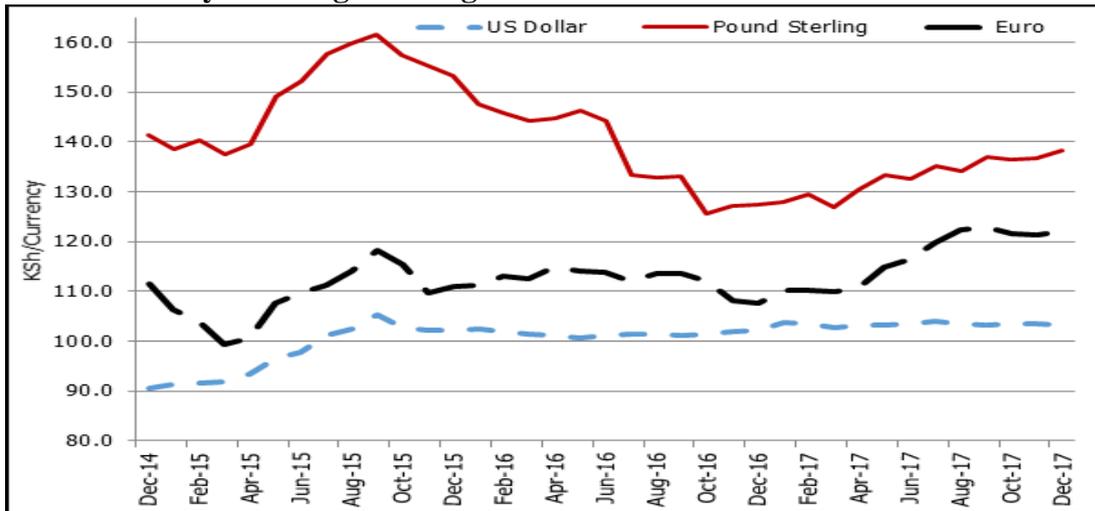
Source: National Treasury, Data: Central Bank of Kenya

RECENT ECONOMIC DEVELOPMENTS

1.5 Exchange Rates

16. The Kenya Shilling exchange rate remained broadly stable against major international currencies. As at December 2017, the shilling exchange rate against the Dollar was at Ksh 103.1 from Ksh 102.1 in December 2016. Against the Euro and the Sterling pound, the Shilling weakened to Ksh 122.0 and Ksh 138.2 in December 2017 from Ksh 107.7 and Ksh 127.7 in December 2016, respectively (**Chart 6a**).

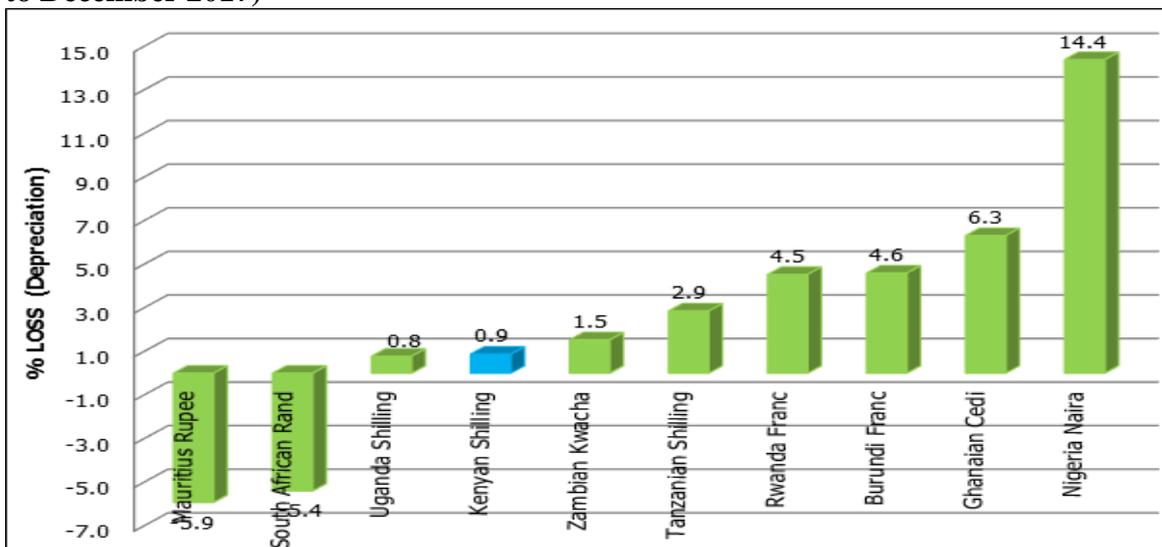
Chart 6a: Kenya Shilling Exchange Rate



Source: National Treasury, Data: Central Bank of Kenya

17. The Kenya Shilling exchange rate as compared to most sub-Saharan African currencies, has continued to display relatively less volatility (**Chart 6b**). This stability reflected resilient receipts from tea and horticulture despite lower export volumes due to adverse weather conditions in the first quarter of 2017. Additionally, receipts from tourism, coffee exports and Diaspora remittances remained strong.

Chart 6b: Performance of selected Currencies against the US Dollar (December 2016 to December 2017)



Source: National Treasury, Data: National Central Banks

RECENT ECONOMIC DEVELOPMENTS

1.6 Money and Credit

18. Broad money supply, M3, grew by 8.4 per cent in the year to November 2017 compared to a growth of 6.2 per cent in the year to November 2016 (**Table 2**). The growth in M3 was largely on account of an increase of net domestic credit to the Government and other public sectors. The contribution of net foreign assets declined.

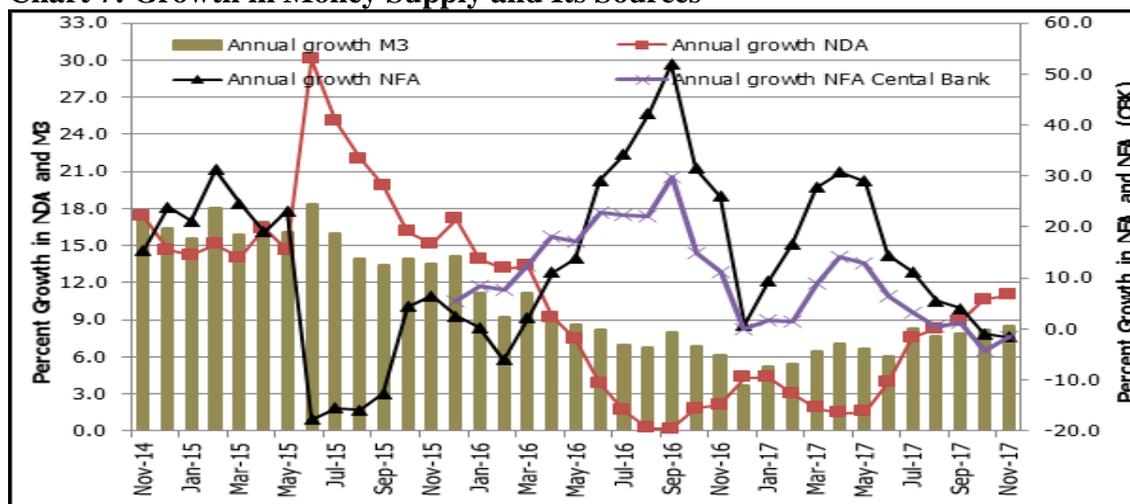
Table 2: Money and Credit Developments, Ksh billion

	2015	2016	2017	Absolute Change		percent change	
				2015-2016	2016-2017	12 months to	12 months to
				NOV	NOV	Nov-16	Nov-17
Money supply, M3 (1+2)	2,616.2	2,777.6	3,012.3	161.4	234.7	6.2	8.4
1. Net foreign assets (1.1+1.2)	446.1	562.0	553.1	115.9	-8.9	26.0	-1.6
1.1 Central Bank	580.6	645.0	635.6	64.4	-9.4	11.1	-1.5
1.2 Banking Institutions	-134.5	-82.9	-82.4	51.6	0.5	-38.3	-0.6
2. Net domestic assets (2.1+2.2)	2,170.1	2,215.6	2,459.2	45.5	243.6	2.1	11.0
2.1 Domestic credit (2.1.1+2.1.2+2.1.3)	2,815.9	2,925.8	3,172.3	109.9	246.5	3.9	8.4
2.1.1 Government (net)	568.4	565.0	740.7	-3.4	175.7	-0.6	31.1
2.1.2 Other public sector	81.4	103.6	112.4	22.2	8.8	27.3	8.5
2.1.3 Private sector	2,166.2	2,257.3	2,319.3	91.1	62.0	4.2	2.7
2.2 Other assets net	-645.8	-710.2	-713.1	-64.4	-2.9	10.0	0.4

Source: National Treasury, Data: Central Bank of Kenya

19. Net Foreign Assets (NFA) of the banking system in the year to November 2017 contracted by 1.6 per cent from a growth of 26.0 per cent over a similar period in 2016 (**Chart 7**). The contraction in the NFA of the Central Bank is attributed to government payments and debt servicing while a pickup in growth of the NFA by other banking institutions is on account of decreased deposit holdings by banks abroad and other accounts payable

Chart 7: Growth in Money Supply and Its Sources



Source: National Treasury, Data: Central Bank of Kenya

20. Meanwhile, the Net Domestic Assets (NDA) improved to a growth of 11.0 per cent in the year to November 2017 from the growth of 2.1 per cent over a similar period in 2016. The pickup in growth in 2017 is due to an improvement in the growth of net

RECENT ECONOMIC DEVELOPMENTS

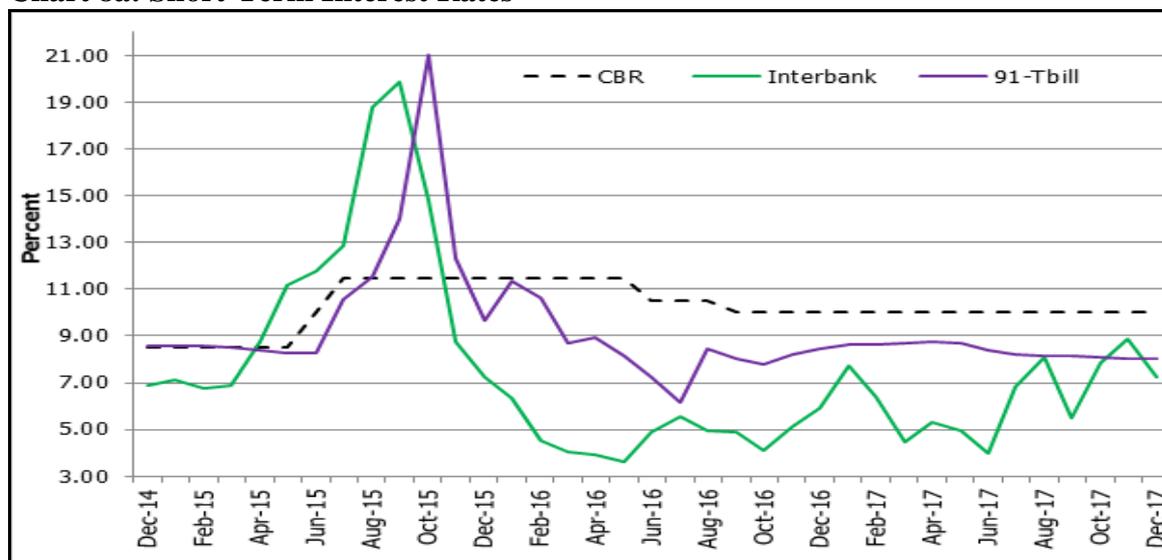
domestic credit. Domestic credit improved to an annual growth of Ksh 246.5 billion (8.4 per cent) in the year to November 2017 compared to a growth of Ksh 109.9 billion (3.9 per cent) in the year to November 2016. The improvement reflects increased lending to the Government and private sector.

21. Private sector credit increased to 2.7 per cent in November 2017 from 2.0 per cent in October 2017 and 1.7 per cent in September 2017, reversing the downward trend witnessed since August 2015. However, this was a slowdown compared to the 4.2 per cent growth in November 2016. The real estate, manufacturing, trade, consumer durables and private households have continued on a net basis to receive credit flows from the banking sector since January 2017.

1.7 Interest Rates

22. Interest rates remained stable and low in the period December 2016 to December 2017. During the period, the policy rate (Central Bank Rate) was retained at 10.0 per cent to anchor inflation expectations. The interbank rate has remained low at 7.3 per cent in December 2017 from 5.9 per cent in December 2016 due to ample liquidity in the money market (**Chart 8a**), while the 91-day Treasury bill rate declined to 8.0 per cent from 8.4 per cent over the same period. The 182 day and the 364 day Treasury bills averaged 10.6 per cent and 11.1 per cent in December 2017 from 10.5 per cent and 11.0 per cent in December 2016, respectively.

Chart 8a: Short-Term Interest Rates

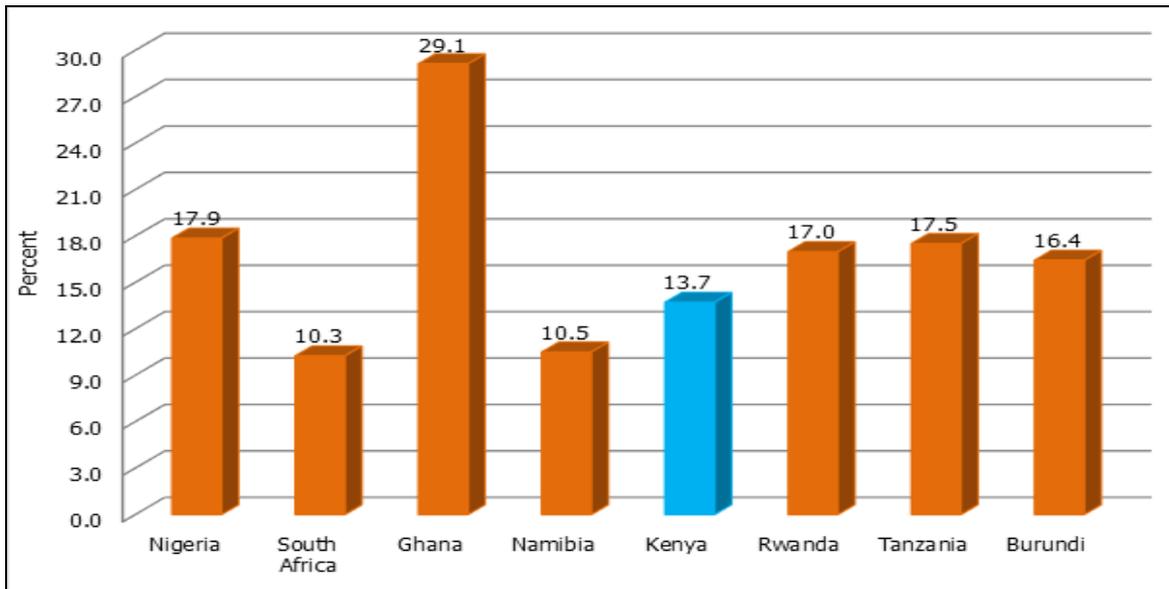


Source: National Treasury, Data: Central Bank of Kenya

The interest rate spread narrowed to 5.9 per cent in October 2017 from 6.0 per cent in October 2016 with the Commercial banks' average lending interest stabilizing at 13.7 per cent over the same period. Meanwhile, the average commercial banks' deposit rate increased to 7.8 per cent in October 2017 from 7.7 per cent in October 2016. Comparatively, Kenya has the lowest lending rates among the East African countries (Chart 8b)

RECENT ECONOMIC DEVELOPMENTS

Chart 8b: Commercial Banks Lending Rates of selected Countries (October 2017)

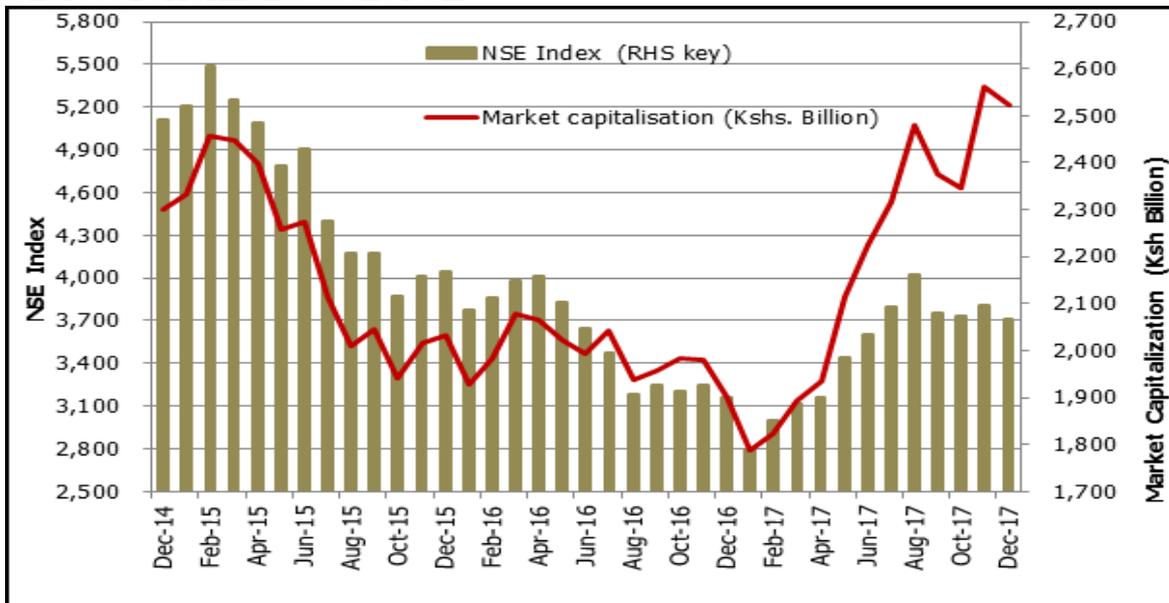


Source: National Treasury, Data: Central Bank of Kenya

1.8 Capital Markets

23. Activities at the stock market picked up in December 2017. The NSE 20 Share Index improved to 3,712 points in December 2017 from 3,157 points in December 2016 while Market Capitalization improved to Ksh 2,522 billion from Ksh 1,902 billion over the same period (Chart 9).

Chart 9: Performance at the NSE



Source: National Treasury, Data: Central Bank of Kenya

FISCAL DEVELOPMENTS

2.0 FISCAL DEVELOPMENTS

2.1 Revenue

24. By the end of December 2017, total cumulative revenue including A-I-A collected amounted to Ksh 709.4 billion against a target of Ksh 777.7 (**Table 3 and Chart 10**). This performance was below the target by Ksh 68.3 billion. Ordinary revenue collection was Ksh 656.9 billion against a target of Ksh 701.7 billion an under performance of Ksh 44.8 billion. The Railway Development Levy collection amounted to Ksh 10.47 billion against a target of Ksh 10.48 billion. Cumulative ministerial A-I-A recorded an under performance of Ksh 23.5 billion for the period under review, reflecting under reporting by the ministries in their expenditure return for the period under review. However, compared to the last FY., the Revenue collection increased by 5.2 per cent.

Table 3: Government Revenue and External Grants, Period Ending 31st December, 2017 (Ksh Million)

	2016/2017 Actual	2017/18		Deviation KShs.	Deviation in percentage
		Actual	Target		
Total Revenue (a+b)	674,155	709,400	777,727	(68,327)	(8.79)
(a) Ordinary Revenue	623,715	656,898	701,725	(44,828)	(6.39)
Import Duty	42,883	47,530	49,732	(2,202)	(4.43)
Excise Duty	81,664	75,182	87,902	(12,720)	(14.47)
PAYE	144,065	158,174	182,930	(24,756)	(13.53)
Other Income Tax	145,209	161,499	151,018	10,481	6.94
VAT Local	91,950	95,912	101,285	(5,372)	(5.30)
VAT Imports	68,586	71,386	83,354	(11,967)	(14.36)
Investment Revenue	21,646	15,152	11,128	4,024	36.16
Traffic Revenue	1,335	1,332	1,458	(126)	(8.65)
Taxes on Intl. Trade & Trans.(IDF Fee)	11,371	11,280	13,301	(2,021)	(15.19)
Others ¹	15,005	19,451	19,618	(167)	(0.85)
(b) Appropriation In Aid ²	50,440	52,502	76,002	(23,499)	(30.92)
o/w Railway Development Levy	13,350	10,469	10,482	(13)	(0.12)
(c) External Grants	5,775	7,828	25,379	(17,551)	(69.16)
Total Revenue and External Grants	679,930	717,228	803,106	(85,878)	(10.69)
Total Revenue and External Grants as a percentage of GDP	8.88	8.29	9.28		-

1/ includes rent of buildings, fines and forfeitures, other taxes, reimbursements and other fund contributions, and miscellaneous revenue.

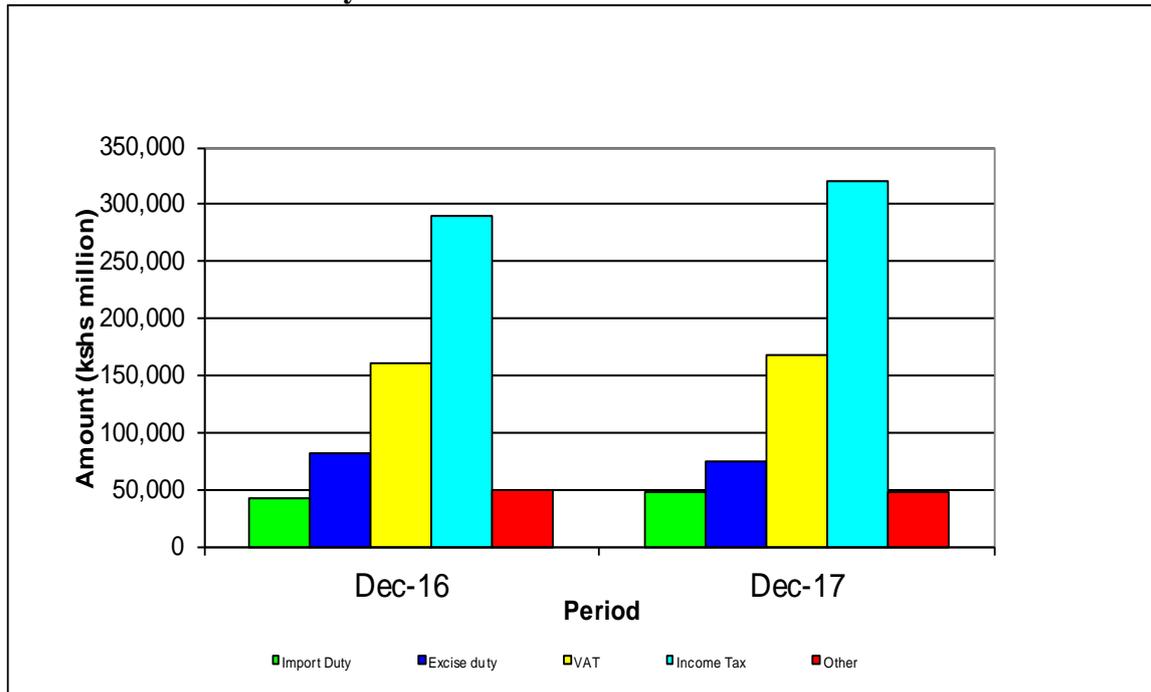
2/ includes receipts from Road Maintenance Levy Fund and A-I-A from Universities

Source: National Treasury

25. As a proportion of GDP, the total cumulative revenue and grants in the period under review amounted to 8.29 per cent compared to 8.88 per cent in the corresponding period of the FY 2016/17. External grants amounted to Ksh 7.8 billion against a target of Ksh 25.4 billion, representing an under performance of Ksh 17.6 billion.

FISCAL DEVELOPMENTS

Chart 10: Total Ordinary Revenue



Source: National Treasury

2.2 Expenditure

26. The total expenditure and net lending for the period under review amounted to Ksh 907.0 billion, against a target of Ksh 1,029.3 billion. The shortfall of Ksh 122.3 billion was attributed to lower absorption recorded in both recurrent and development expenditures by the National Government and County Governments. (Table 4 and Chart 11). Recurrent expenditure for National Government amounted to Ksh 629.7 billion (excl. Ksh 17.4 billion for Parliament and Judiciary), against a target of Ksh 594.4 billion, with underperformance mainly recorded in wages and salaries, pension and A-I-A which accounted for Ksh 8.2 billion, Ksh 8.6 billion and Ksh 15.3 billion respectively.

27. Foreign interest payments amounted to Ksh 40.2 billion, compared to Ksh 25.2 billion in the same period of the FY 2016/17. The domestic interest payments totalled Ksh 114.6 billion, which was higher than Ksh 100.1 billion paid in the corresponding period of the previous financial year.

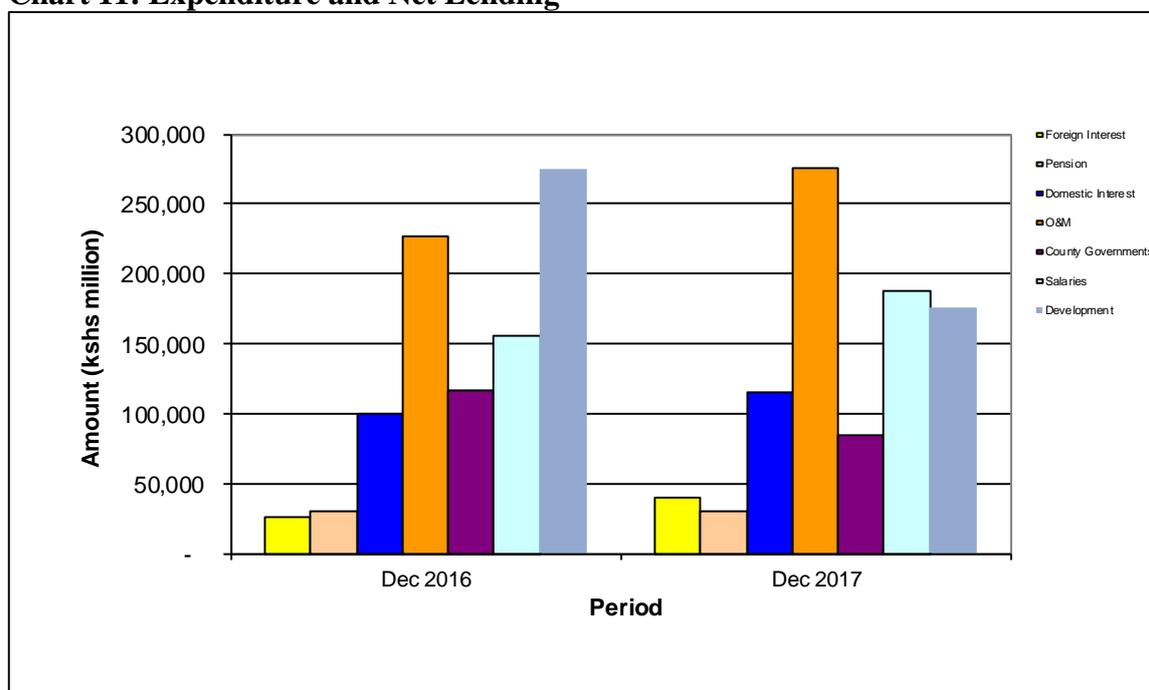
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Table 4: Expenditure and Net Lending, Period Ending 31st December, 2017 (Ksh Million)

	2016/2017 Actual	2017/18		Deviation	% Growth
		Actual	Targets		
1. RECURRENT	520,361	629,666	594,402	35,264	21.0
Domestic Interest	100,088	114,630	97,057	17,573	14.5
Foreign Interest	25,210	40,215	41,279	(1,064)	59.5
Pensions	29,984	29,860	38,412	(8,552)	(0.4)
Wages and Salaries	155,742	187,383	195,630	(8,247)	20.3
Operation and Maintenance	209,337	257,579	222,025	35,554	23.0
O/W : Appropriation-in-Aid	36,637	39,724	54,994	(15,270)	8.4
2. DEVELOPMENT	274,744	175,262	258,185	(82,923)	(36.2)
Development Projects (Net)	152,831	123,295	140,603	(17,308)	(19.3)
Payment of Guaranteed Loans	1,283	1,703	1,333	370	32.7
Appropriation-in-Aid	120,630	48,821	116,249	(67,428)	(59.5)
3. County Governments	116,252	84,671	148,486	(63,815)	(27.2)
4. Parliamentary Service	11,927	11,747	15,474	(3,726)	-
5. Judicial Service	5,226	5,619	6,373	(755)	-
6. Equalization Fund	-	1,443	3,858	(2,415)	-
7. CF	-	-	2,500	(2,500)	-
TOTAL EXPENDITURE	928,510	906,965	1,029,278	(122,313)	(2.3)

Source: National Treasury

Chart 11: Expenditure and Net Lending



Source: National Treasury

28. The total cumulative ministerial and other public agencies expenditure was Ksh 638.0 billion against a target of Ksh 899.0 billion (**Table 5**). Recurrent expenditure was Ksh 465.9 billion against a target of Ksh 590.6 billion, while development expenditure was Ksh 172.1 billion against a target of Ksh 308.5 billion. The percentage of total expenditures to the target was 71.0 per cent, while the percentage of total expenditures to

FISCAL DEVELOPMENTS

the target for recurrent and development were 78.9 per cent and 55.8 per cent respectively, as at the end of the period under review. Out of the Total expenditure recurrent was 73.0 per cent and Development was 27.0 Per cent. As indicated earlier, the discrepancy between actual and target expenditures partly reflect the non-capture of the sub-National expenditures and hence under reporting by Ministries. These ministerial expenditures are therefore, provisional.

29. As at the end of 31st December, 2017, expenditures by the Ministry of Education, Science and Technology; Teachers Service Commission and Ministry of Health (Social Sector) accounted for 40.3 per cent of total recurrent expenditure. While the State Department for Interior, and Ministry of Defence accounted for 9.8 per cent and 10.7 per cent respectively.

30. Analysis of development outlay indicates that the Ministry of Energy and Petroleum accounted for the largest share of the total development expenditures (15.2 per cent), followed by the Department for Infrastructure (14.8 per cent), Department of Transport (11.8 per cent) and the State Department Interior (5.5 per cent). The development expenditures in large ministries were below the target because of non-inclusion of expenditures from some donor funded projects.

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Table 5: Ministerial Expenditures, Period Ending 31st December, 2017 (Ksh Million)

MINISTRY/DEPARTMENT/COMMISSIONS	Dec-17		Variance	Dec-17		Variance	Dec-17		Variance	% total expenditure to total target
	Recurrent			Development			Total			
	Actual*	Target	Actual*	Target	Actual*	Target				
1011 The Presidency	3,347	4,138	(791)	164	393	(228)	3,511	4,531	(1,019)	77.5
1021 State Department for Interior	45,836	65,208	(19,373)	9,535	9,041	493	55,370	74,250	(18,879)	74.6
1023 State Department for Correctional Services	9,279	10,784	(1,505)	168	532	(364)	9,447	11,316	(1,869)	83.5
1032 State Department for Devolution	319	479	(159)	232	1,770	(1,538)	551	2,248	(1,697)	24.5
1033 State Department for Special Programmes	3,282	3,893	(611)	1,686	2,284	(599)	4,968	6,178	(1,210)	80.4
1034 State Department for Planning and Statistics	2,522	2,646	(123)	8,821	14,147	(5,326)	11,343	16,792	(5,449)	67.6
1041 Ministry of Defence	49,918	53,052	(3,134)	-	23	(23)	49,918	53,075	(3,157)	94.1
1052 Ministry of Foreign Affairs	1,662	6,594	(4,932)	2	124	(122)	1,664	6,718	(5,054)	24.8
1063 State Department for Basic Education	62,320	49,774	12,545	1,911	4,608	(2,697)	64,230	54,382	9,848	118.1
1064 State Department for Vocational And Technical Training	1,171	1,241	(71)	5,926	7,001	(1,075)	7,097	8,243	(1,146)	86.1
1065 State Department for University Education	34,115	54,523	(20,408)	2,187	1,745	442	36,301	56,268	(19,966)	64.5
1071 The National Treasury	14,534	41,887	(27,353)	4,014	23,375	(19,360)	18,548	65,262	(46,713)	28.4
1081 Ministry of Health	12,799	17,018	(4,219)	9,510	15,011	(5,502)	22,308	32,029	(9,721)	69.7
1091 State Department for Infrastructure	22,430	27,201	(4,771)	25,540	64,994	(39,454)	47,970	92,195	(44,225)	52.0
1092 State Department for Transport	691	3,234	(2,544)	20,339	44,485	(24,145)	21,030	47,719	(26,689)	44.1
1093 State Department for Marine time Affairs	103	164	(61)	-	-	-	103	164	(61)	62.7
1094 State Department for Housing & Urban Development	728	775	(47)	5,036	6,360	(1,324)	5,765	7,135	(1,370)	80.8
1095 State Department for Public Works	323	388	(66)	97	93	3	419	482	(62)	87.1
1103 State Department for Water Services	1,213	2,364	(1,151)	14,699	16,126	(1,428)	15,912	18,491	(2,579)	86.1
1104 State Department for Irrigation	199	437	(238)	3,313	7,079	(3,766)	3,512	7,516	(4,004)	46.7
1105 State Department of Environment	1,433	1,442	(9)	761	737	24	2,194	2,179	15	100.7
1106 State Department for Natural Resources	3,356	6,291	(2,935)	941	1,441	(500)	4,297	7,732	(3,435)	55.6
1112 Ministry of Lands and Physical Planning	1,067	1,118	(51)	1,184	1,730	(546)	2,251	2,848	(597)	79.0
1122 State Department for Information Communication and Technology &	314	420	(106)	4,171	5,274	(1,103)	4,484	5,694	(1,209)	78.8
1123 State Department for Broadcasting & Telecommunications	1,277	1,468	(191)	87	191	(104)	1,364	1,659	(295)	82.2
1132 State Department for Sports Development	1,449	2,139	(690)	1,447	1,475	(28)	2,896	3,614	(718)	80.1
1133 State Department For Arts And Culture	1,409	1,468	(60)	200	219	(19)	1,609	1,688	(79)	95.3
1152 State Department of Energy	926	1,149	(223)	26,079	41,274	(15,195)	27,005	42,423	(15,419)	63.7
1153 State Department of Petroleum	66	86	(20)	616	1,923	(1,307)	681	2,009	(1,328)	33.9
1161 State Department for Agriculture	7,872	9,040	(1,168)	3,216	8,210	(4,993)	11,089	17,250	(6,161)	64.3
1162 State Department for Livestock	3,276	4,198	(922)	1,715	1,847	(132)	4,991	6,044	(1,053)	82.6
1164 State Department for Fisheries and The Blue Economy	847	816	31	63	229	(165)	910	1,045	(135)	87.1
1172 State Department for Investment and Industry	1,004	1,057	(52)	948	1,181	(233)	1,952	2,238	(286)	87.2
1173 State Department for Cooperatives	288	761	(473)	353	336	17	641	1,098	(457)	58.4
1174 State Department for Trade	741	1,079	(338)	3	82	(78)	745	1,161	(416)	64.1
1183 State Department for East African Integration	1,152	1,454	(301)	-	33	(33)	1,152	1,486	(334)	77.5
1184 State Department for Labour	776	837	(62)	38	216	(178)	814	1,053	(240)	77.3
1185 State Department for Social Protection	3,880	9,052	(5,172)	6,195	7,258	(1,063)	10,075	16,310	(6,235)	61.8
1191 Ministry of Mining	307	600	(293)	59	924	(865)	366	1,524	(1,158)	24.0
1201 Ministry of Tourism	676	1,377	(701)	84	980	(896)	760	2,357	(1,597)	32.2
1211 State Department of Public Service and Youth Affairs	6,852	11,608	(4,757)	7,502	7,856	(354)	14,354	19,464	(5,110)	73.7
1212 State Department for Gender	319	665	(346)	1,509	1,533	(24)	1,829	2,198	(370)	83.2
1252 State Law Office and Department of Justice	1,815	2,116	(300)	10	284	(274)	1,825	2,400	(575)	76.0
1261 The Judiciary	5,534	6,258	(724)	968	1,605	(637)	6,502	7,863	(1,361)	82.7
1271 Ethics and Anti-Corruption Commission	1,592	1,609	(17)	-	634	(634)	1,592	2,243	(651)	71.0
1281 National Intelligence Service	17,857	15,665	2,193	-	-	-	17,857	15,665	2,193	114.0
1291 Directorate of Public Prosecutions	852	1,051	(199)	2	1	1	854	1,052	(198)	81.2
1311 Registrar of Political Parties	344	432	(89)	-	-	-	344	432	(89)	79.5
1321 Witness Protection Agency	131	224	(93)	-	-	-	131	224	(93)	58.5
2011 Kenya National Commission on Human Rights	207	214	(8)	-	-	-	207	214	(8)	96.5
2021 National Land Commission	535	457	78	73	75	(2)	608	532	76	114.2
2031 Independent Electoral and Boundaries Commission	25,390	32,860	(7,471)	-	345	(345)	25,390	33,205	(7,815)	76.5
2041 Parliamentary Service Commission	3,906	4,959	(1,052)	695	1,191	(495)	4,602	6,149	(1,548)	74.8
2042 National Assembly	7,841	10,515	(2,674)	-	-	-	7,841	10,515	(2,674)	74.6
2051 Judicial Service Commission	85	115	(30)	-	-	-	85	115	(30)	73.8
2061 Commission on Revenue Allocation	112	203	(91)	-	-	-	112	203	(91)	55.3
2071 Public Service Commission	665	711	(46)	5	15	(10)	670	726	(57)	92.2
2081 Salaries and Remuneration Commission	270	327	(57)	-	-	-	270	327	(57)	82.5
2091 Teachers Service Commission	89,884	105,126	(15,242)	-	59	(59)	89,884	105,185	(15,301)	85.5
2101 National Police Service Commission	172	229	(57)	-	16	(16)	172	245	(73)	70.3
2111 Auditor General	1,898	2,514	(616)	12	70	(57)	1,911	2,584	(673)	73.9
2121 Controller of Budget	197	272	(75)	-	-	-	197	272	(75)	72.5
2131 The Commission on Administrative Justice	186	207	(22)	-	-	-	186	207	(22)	89.6
2141 National Gender and Equality Commission	173	178	(5)	-	-	-	173	178	(5)	97.4
2151 Independent Policing Oversight Authority	127	378	(251)	-	38	(38)	127	416	(289)	30.5
Total	465,851	590,550	(124,699)	172,116	308,471	(136,355)	637,967	899,021	(261,054)	71.0

*Provisional

Source: National Treasury

2.2.1 Guaranteed Loans to Parastatals Payments

31. Cumulative principal and interest payments of guaranteed loans to parastatals with liquidity problems amounted to Ksh 703.2 million (principal of Ksh 661.9 million and interest Ksh 41.3 million) against a payment target of Ksh 777.7 million (Table 6) for period ending 31st December, 2017.

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Table 6: Schedule and actual payments on Guaranteed Debt for the period ending 31st December, 2017 (Ksh million)

Borrower	Quarter I		Quarter II		Cumm. December 2017*	
	Projected	Actual	Projected	Actual	Projected	Actual
EAPC	203.65	187.29		-	203.65	187.29
TARDA	163.92	147.04		0.20	163.92	147.24
KBC	-	-	410.15	368.65	410.15	368.65
TOTAL (QTR)	367.58	334.33	410.15	368.85	777.72	703.18

* Provisional

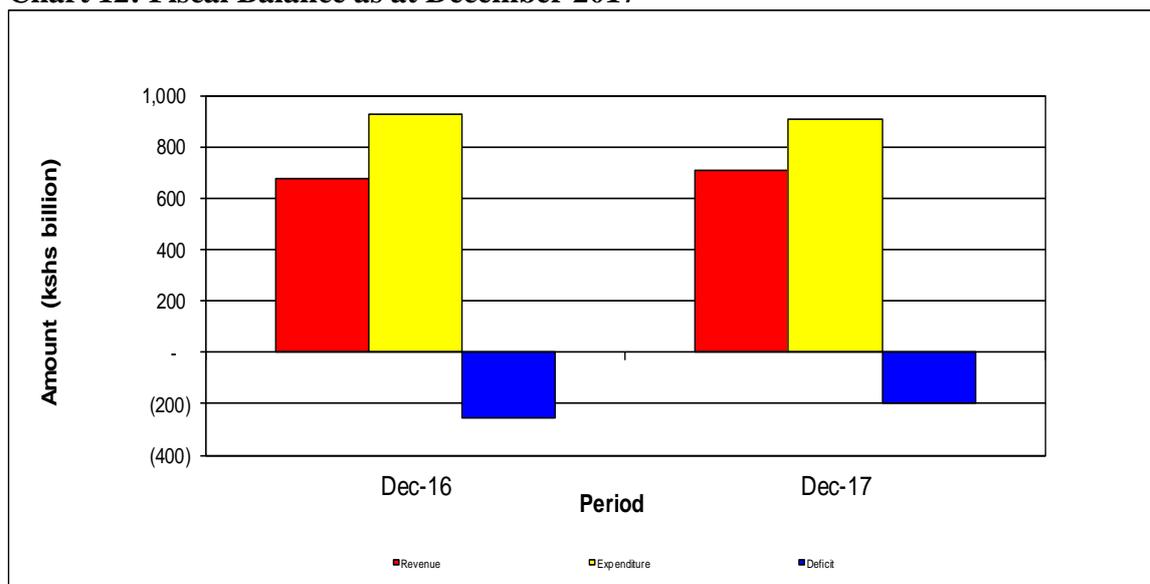
Source: National Treasury

2.3 Fiscal Outturn

32. Between July 1, 2017 and December 31, 2017, cumulative overall fiscal balance (on a commitment basis and excluding grants), amounted to Ksh 197.6 billion (equivalent to 2.28 per cent of GDP) against a targeted deficit of Ksh 251.6 billion (equivalent to 2.91 per cent of GDP) (**Chart 12 and Table 7**). Over the same period in 2016, the fiscal deficit stood at Ksh 254.4 billion (equivalent to 3.32 per cent of GDP). Including grants, the fiscal balance (on a commitment basis) deficit stood at 2.19 per cent of GDP against a targeted deficit of 2.61 per cent of GDP. The Fiscal Outturns for the past years is provided as **Annex I**.

33. The Government is planning to begin presenting its fiscal accounts in Government Finance Statistics Manual 2014 (GFSM 2014) format moving forward from the current GFSM 1986 format. GFSM 2014 is the latest standard for analysis, presentation of government fiscal accounts. Going forward our analysis of fiscal performance will be based on the GFSM 2014 presentation. In this edition of QEBR, we have attached the key GFS standard tables for public to note. Annex II to VI is a presentation of the Budget outturn using the GFSM 2014, for the budget 2017/18 and the first quarter 2017/18 actual.

Chart 12: Fiscal Balance as at December 2017



Source: National Treasury

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Table 7: Budget Outturn, Cumulative Ending 31st December, 2017 (Ksh Million)

	2016/2017 Actual	2017/2018		Deviation	% growth	2017/2018 as a % of GDP		2016/2017 Actual as a % of GDP
		Actual*	Targets			Actual	Targets	
A. TOTAL REVENUE AND GRANTS	679,930	717,228	803,106	(85,878)	5.49	8.29	9.28	8.88
1. Revenue	674,155	709,400	777,727	(68,327)	5.23	8.20	8.99	8.80
Ordinary Revenue	623,715	656,898	701,725	(44,828)	5.32	7.59	8.11	8.14
Import Duty	42,883	47,530	49,732	(2,202)	10.84	0.55	0.57	0.56
Excise Duty	81,664	75,182	87,902	(12,720)	(7.94)	0.87	1.02	1.07
Income tax	289,275	319,672	333,947	(14,275)	10.51	3.69	3.86	3.78
VAT	160,536	167,299	184,638	(17,339)	4.21	1.93	2.13	2.10
Investment Revenue	21,646	15,152	11,128	4,024	(30.00)	0.18	0.13	0.28
Others	27,711	32,063	34,378	(2,315)	15.70	0.37	0.40	0.36
Appropriation-in-Aid	50,440	52,502	76,002	(23,499)	4.09	0.61	0.88	0.66
2. Grants	5,775	7,828	25,379	(17,551)	35.55	0.09	0.29	0.08
AMISOM Receipts	199	2,730	179	2,552	1,274.26	0.03	0.00	0.00
Revenue	2,565	2,382	5,992	(3,611)	(7.14)	0.03	0.07	0.03
Appropriation-in-Aid	3,012	2,002	19,208	(17,205)	(33.52)	0.02	0.22	0.04
Italian Debt Swap	0	0	0	-	-	0.00	-	0.00
County Health Facilities - DANIDA	0	714	0	714	-	0.01	-	0.00
B. EXPENDITURE and NET LENDING	928,510	906,965	1,029,278	(122,313)	(2.32)	10.48	11.89	12.12
1. Recurrent	537,513	647,032	616,249	30,783	20.38	7.48	7.12	7.02
Domestic Interest	100,088	114,630	97,057	17,573	14.53	1.32	1.12	1.31
Foreign Interest	25,210	40,215	41,279	(1,064)	59.52	0.46	0.48	0.33
Pension	29,984	29,860	38,412	(8,552)	(0.41)	0.35	0.44	0.39
Wages and Salaries	155,742	187,383	195,630	(8,247)	20.32	2.17	2.26	2.03
O & M/Others	226,489	274,945	243,872	31,073	21.39	3.18	2.82	2.96
2. Development and Net Lending	274,744	173,819	258,185	(84,366)	(36.73)	2.01	2.98	3.59
3. Equalization Fund	0	1,443	3,858	(2,415)	-	0.02	0.04	0.00
4. County Governments	116,252	84,671	148,486	(63,815)	(27.17)	0.98	1.72	1.52
5. CF	0	0	2,500	(2,500)	-	0.00	0.03	0.00
C. DEFICIT EXCL.GRANT (Commitment basis)	(254,354)	(197,565)	(251,551)	53,986	(22.33)	(2.28)	(2.91)	(3.32)
D. DEFICIT INCL.GRANTS (Commitment basis)	(248,579)	(189,737)	(226,172)	36,436	(23.67)	(2.19)	(2.61)	(3.25)
E. ADJUSTMENT TO CASH BASIS	-29,631	(19,484)	-	(19,484)	(34.25)	(0.23)	-	(0.39)
F. DEFICIT INCL.GRANTS (Cash basis)	(278,211)	(209,221)	(226,172)	16,952	(24.80)	(2.42)	(2.61)	(3.63)
G. FINANCING	278,211	209,221	226,172	(16,952)	(24.80)	2.42	2.61	3.63
1. Foreign financing	113,376	24,086	61,467	(37,381)	(78.76)	0.28	0.71	1.48
Disbursements	129,060	52,502	92,581	(40,079)	(59.32)	0.61	1.07	1.69
Programme Loans	3,658	2,324	300	2,024	(36.47)	0.03	0.00	0.05
Project Cash Loans	11,473	5,378	16,247	(10,869)	(53.12)	0.06	0.19	0.15
Project Loans AIA	30,976	34,040	58,029	(23,989)	9.89	0.39	0.67	0.40
Project Loans SGR_PHASE_1&2A_AIA	72,839	0	18,005	(18,005)	(100.00)	0.00	0.21	0.95
Commercial Financing	10,114	10,760	0	10,760	6.39	0.12	-	0.13
O/W syndicated loan	10,114	0	0	-	(100.00)	0.00	-	0.13
Debt repayment - Principal	(15,684)	(28,416)	(31,114)	2,697	81.18	(0.33)	(0.36)	(0.20)
2. Other Domestic Financing	239	1,579	1,253	326	560.28	0.02	0.01	0.00
4. NET DOMESTIC FINANCING	164,595	183,556	163,452	20,104	11.52	2.12	1.89	2.15
MEMO ITEM								
GDP ESTIMATE	7,658,100.00	8,654,618.00	8,654,618.00					

*Provisional

Source: National Treasury

2.4 Financing

2.4.1 External Financing

34. Cumulative external financing for the period between July 1st 2017 and December 31st 2017 amounted to a net borrowing of Ksh 24.1 billion (**Table 8**). Total disbursements (inflows) including Appropriations-in-Aid amounted to Ksh 52.5 billion for the period ending 31st December, 2017 against a target of Ksh 92.6 billion. The actual disbursement amount included Ksh 5.4 billion Project cash loans, Ksh 34.0 billion project loans A.I.A. and Ksh 2.3 billion Programme loans. External repayments (outflows) of principal debt amounted to Ksh 28.4 billion. The amount comprises of principal repayments due to bilateral multilateral organizations and Commercial amounting to Ksh 9.5 billion, Ksh 7.5 billion and Ksh 11.3 billion, respectively.

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Table 8: External Financing, Period Ending 31st December, 2017 (Ksh Million)

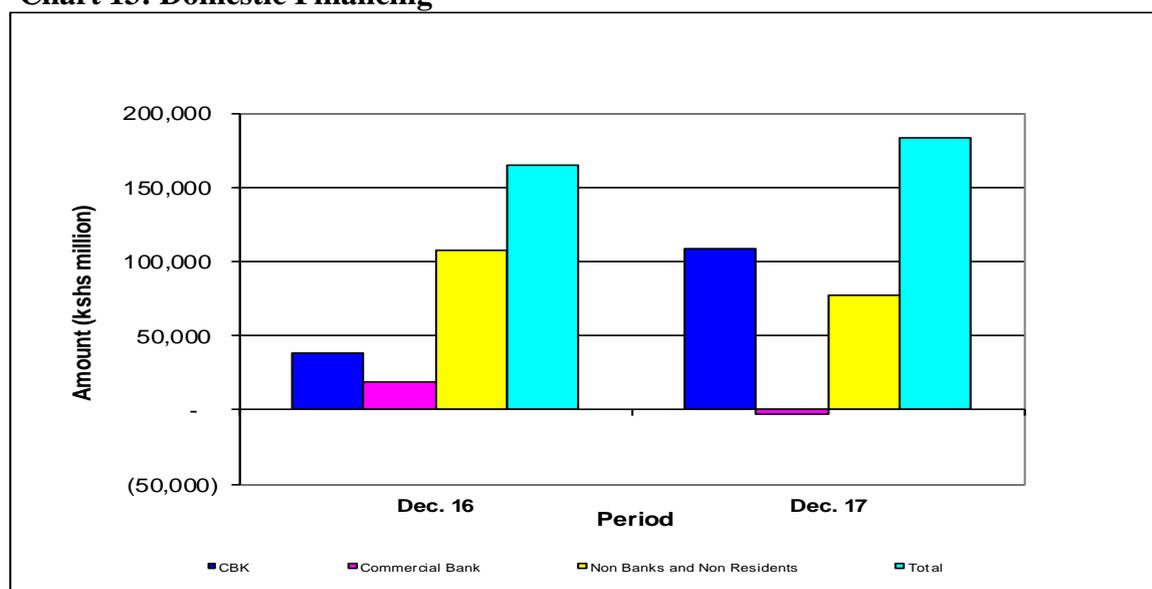
	Quarter II 2016/17 cummulative	Quarter I 2017/18	Quarter II 2017/18	Cumulative December 2017*	
	Actual			Actual	Target
DISBURSEMENTS:	129,060.34	16,285.20	36,217	52,502	92,581.23
Project Cash loans	11,473.31	2,094.24	3,284	5,378	16,247.38
Project loans A-I-A	30,976.00	14,190.96	19,849	34,040	58,028.85
Project Loans SGR_PHASE_1&2A_AIA	72,839.09	-	-	-	18,005.00
Commercial Financing	10,114.00	-	10,760	10,760	-
Programme Loans	3,657.94	-	2,324	2,324	300.00
EXTERNAL REPAYMENTS:	15,684.20	9,073.06	19,343.44	28,416.50	47,281.79
Bilateral(incl. Italy Debt SWAP)	8,443.68	5,345.20	4,202.56	9,547.77	9,109.74
Multilateral (excl. IMF)	6,856.36	3,727.86	3,821.36	7,549.22	13,189.19
Commercial	384.16	-	11,319.51	11,319.51	24,982.86
NET FOREIGN FINANCING	113,376.14	7,212.13	16,873.82	24,085.95	45,299.44

Source: National Treasury

2.4.2 Domestic Financing

35. By the end of December 2017, net domestic borrowing amounted to Ksh 183.6 billion against a target borrowing of Ksh 163.5 billion (**Table 7**). The borrowing comprised of Ksh 108.9 billion from the Central Bank of Kenya, Ksh 74.4 billion from Non-Banking Financial Institutions, Ksh 3.2 billion from Non Residents, and a net repayment of Ksh 2.9 billion to the Commercial Banks, (**Table 9**). Comparatively, for the same period in 2016, the net domestic borrowing amounted to Ksh 164.6 billion, comprising of Ksh 18.9 billion from commercial banks, Ksh 1.1 billion from Non Residents, Ksh 106.8 billion from Non-Banks and Ksh 37.8 billion from the Central Bank of Kenya, (**Chart 13**).

Chart 13: Domestic Financing



Source: Central Bank of Kenya

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36. The stock of Treasury Bills held by Non- Banks and Non-Residents recorded net increase of Ksh 9.2 billion, and Ksh 1.9 billion respectively, while the stock of Treasury Bills held by Commercial Banks decreased by Ksh 70.3 billion. The stock of Fixed Rate Bonds held by Commercial Banks, Non-Residents and non-Banks recorded a net increase of Ksh 45.5 billion, Ksh 1.5 billion, and Ksh 45.1 billion respectively.

Table 9: Domestic Financing, Period Ending 31st December, 2017 (Ksh Million)

	DECEMBER	MARCH	JUNE	SEPTEMBER	DECEMBER
	2016	2017	2017	2017	2017
1.CENTRAL BANK	37,830	35,840	(22,370)	8,300	108,925
Overdraft	(14,271)	(13,934)	(44,204)	24,717	42,316
Treasury bills rediscounts	-	-	-	-	-
Fixed rate Bonds	-	-	-	-	-
Items on Transit	(57)	(52)	(37)	(21)	(24)
Frozen Account	-	(555)	(555)	-	-
Less Govt Deposits	52,158	50,380	22,426	(16,396)	66,633
2.COM. BANKS	18,858	12,527	169,536	12,618	(2,947)
Advances	275	352	5,508	471	(4,293)
Treasury bills	(10,647)	(28,561)	53,818	(23,450)	(70,291)
Fixed rate Bonds	24,219	22,162	99,764	36,097	45,497
Special Bonds	-	-	(5,000)	-	-
Zero Coupon bonds	-	-	-	-	-
Infrastructure Bonds	6,147	10,291	10,291	(8,967)	15,789
Savings and Development Bond	-	-	-	-	-
Less Govt Deposits	(1,136)	8,282	5,155	8,466	10,351
3. NON BANKS	106,819	132,395	160,676	26,317	74,355
Treasury bills	44,574	60,341	98,820	1,723	9,249
Fixed rate Bonds	44,471	49,071	38,722	33,189	45,085
Zero Coupon bonds	-	-	-	-	-
Infrastructure Bonds	17,774	22,983	22,983	(8,843)	19,773
Savings and Development Bond	-	-	-	-	-
M-Akiba Bond	-	-	150	248	248
4. NON RESIDENTS	1,088	1,372	1,917	1,940	3,222
Treasury bills	(363)	(142)	(356)	1,317	1,867
Fixed rate Bonds	1,115	1,179	1,938	1,019	1,464
Infrastructure Bond	336	335	335	(396)	(109)
Savings and Development Bond	-	-	-	-	-
Zero Coupon bonds	-	-	-	-	-
5. NET CREDIT	164,595	182,134	309,760	49,176	183,556

Note: Treasury bills as reflected here are given at cost value as opposed to Table 11 given at Face value.

Source: Central Bank of Kenya

3.0 PUBLIC DEBT

3.1 Overall Debt Position

37. The gross public debt increased by Ksh 746.7 billion, from Ksh 3,827.4 billion as at end of December 2016 to Ksh 4,574.1 billion by 31st December 2017, comprising of 51.5 per cent of External debt and 48.5 per cent of Domestic debt. The overall increase is attributed to increased external debt due to exchange rate fluctuations and, disbursements from external loans debt during the period. Net public debt increased by Ksh 769.9 billion, from Ksh 3,448.7 billion as at end of December 2016 to Ksh 4,218.6 billion by end of the period under review (Table 10).

FISCAL DEVELOPMENTS

Table 10: Kenya's Public and Publicly Guaranteed Debt, December 2015 to December 2017 (Ksh million)

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sept. 17	Dec. 17*
EXTERNAL									
BILATERAL	481,282	478,883	548,351	545,652	641,763	689,119	724,823	742,064	782,588
MULTILATERAL	751,154	762,089	798,842	839,936	781,256	806,922	841,899	842,814	841,847
COMMERCIAL BANKS	366,231	360,175	432,377	452,495	458,122	594,140	712,100	708,231	712,274
SUPPLIERS CREDIT	16,516	16,359	16,628	16,628	15,302	11,210	15,914	17,089	17,086
SUB - TOTAL	1,615,183	1,617,506	1,796,198	1,854,711	1,896,443	2,101,391	2,294,736	2,310,198	2,353,795
DOMESTIC:									
CENTRAL BANK	101,386	102,648	99,856	58,945	85,528	85,316	55,061	79,201	96,797
COMMERCIAL BANKS	764,399	829,688	927,307	969,790	947,030	975,803	1,141,889	1,148,296	1,124,950
TOTAL BANKS	865,785	932,336	1,027,163	1,028,735	1,032,559	1,061,119	1,196,950	1,227,497	1,221,747
NON BANKS & NON RESIDENTS	674,232	714,192	787,970	825,820	898,415	883,834	915,316	949,098	998,598
SUB-TOTAL	1,540,017	1,646,527	1,815,133	1,854,555	1,930,973	1,944,953	2,112,265	2,176,595	2,220,345
GRAND TOTAL GROSS	3,155,200	3,264,033	3,611,331	3,709,266	3,827,417	4,046,344	4,407,001	4,486,793	4,574,140
LESS ON-LENDING	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)	(5,701)
LESS GOVERNMENT DEPOSITS	(305,496)	(320,041)	(394,856)	(426,911)	(373,016)	(364,909)	(428,774)	(432,113)	(349,836)
GRAND TOTAL NET	2,844,004	2,938,291	3,210,775	3,276,654	3,448,699	3,675,734	3,972,526	4,048,978	4,218,603

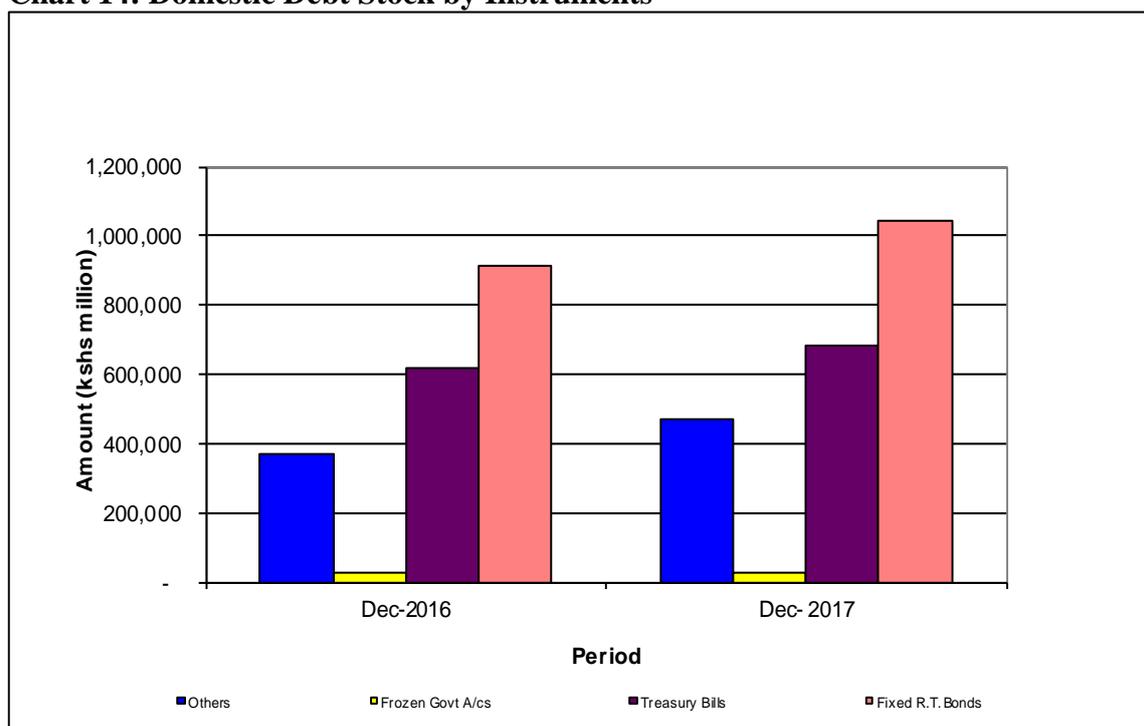
*Provisional

Source: National Treasury

3.2 Domestic Debt

38. The stock of gross domestic debt increased by Ksh 294.2 billion from Ksh 1,926.2 billion in December 2016 to Ksh 2,220.3 billion in December 2017. The stock of Treasury Bills held by Central Bank, Commercial Banks, Non-Banking Financial Institution and Non Residents increased by Ksh 64.5 billion from Ksh 620.2 billion in December 2016 to Ksh 684.7 billion in December 2017, (Table 11). The total stock of Treasury Bonds, Fixed Rate and Special increased by Ksh 123.1 billion from Ksh 923.5 billion in December 2016 to Ksh 1,104.6 billion in December 2017, (Chart 14).

Chart 14: Domestic Debt Stock by Instruments



Source: Data from CBK

FISCAL DEVELOPMENTS

Table 11: Stock of Domestic Debt, by end December 2017 (Ksh million)

	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
1.CENTRAL BANK	107,637	101,386	102,648	99,856	58,945	85,528	85,316	55,061	79,201	96,797
Overdraft	45,924	45,233	46,455	44,204	3,319	29,933	30,270	0	24,717	42,316
Frozen Govt Accounts	26,676	26,114	26,114	25,559	25,559	25,559	25,004	25,004	24,449	24,449
Treasury bills / bonds rediscounts	25,545	20,588	20,588	20,588	20,588	20,588	20,588	20,588	20,588	20,588
Items on Transit	47	26	65	80	52	23	28	43	22	19
Fixed rate bonds	9,445	9,426	9,426	9,426	9,426	9,426	9,426	9,426	9,426	9,426
2.COM.BANKS	682,694	764,399	829,688	927,307	969,790	947,030	975,803	1,141,889	1,148,296	1,124,950
Advances	1,717	5,446	5,559	5,093	5,530	5,857	5,657	11,020	15,977	7,524
Stocks	-	-	-	-	-	-	-	-	-	-
Treasury Bills	172,346	244,167	296,347	361,859	382,112	349,544	328,624	415,923	391,905	343,340
Floating Rate T. Bonds	-	-	-	-	-	-	-	-	-	-
Fixed Rate T. Bonds	373,861	373,753	390,314	403,844	433,059	428,536	426,565	504,989	541,061	550,284
Special Bonds	10,000	10,000	10,000	10,000	10,000	10,000	10,000	5,000	5,000	5,000
Zero Coupon Bonds	-	-	-	-	-	-	-	-	-	-
Savings and Development Bond	7,648	7,648	7,648	7,648	7,648	7,648	7,648	7,648	7,648	7,648
Infrastructure Bonds	117,122	123,385	119,820	138,863	131,441	145,444	197,309	197,309	186,704	211,154
3. NON BANKS	586,102	661,652	702,233	774,943	809,375	879,998	862,291	893,215	924,962	973,164
Stocks	-	-	-	-	-	-	-	-	-	-
Treasury Bills	61,237	117,923	149,588	199,033	210,788	243,989	260,232	301,522	304,742	312,661
Floating Rate T. Bonds	-	-	-	-	-	-	-	-	-	-
Fixed Rate T. Bonds	393,498	404,174	416,825	422,830	456,711	468,465	473,083	462,566	460,708	472,532
Tax Reserve Certificate	69	69	69	69	69	69	69	69	69	69
Zero Coupon Bonds	-	-	-	-	-	-	-	-	-	-
Infrastructure Bonds	110,718	118,906	115,171	132,431	121,227	146,894	108,327	108,327	138,464	166,925
Savings and Development Bond	20,580	20,580	20,580	20,580	20,580	20,580	20,580	20,580	20,580	20,580
M- Akiba Bond	-	-	-	-	-	-	-	150	398	398
4. NON RESIDENTS	11,533	12,580	11,958	13,027	12,020	13,632	21,543	22,100	24,136	25,434
Treasury Bills	7,469	8,132	6,370	6,608	4,760	6,069	6,322	6,122	7,567	8,134
Floating Rate T. Bonds	-	-	-	-	-	-	-	-	-	-
Fixed Rate T. Bonds	3,611	3,994	5,135	5,966	6,806	7,110	7,174	7,934	8,955	9,401
Zero Coupon Bonds	-	-	-	-	-	-	-	-	-	-
Savings and Development Bond	9	9	9	9	9	9	9	7	9	9
Infrastructure Bonds	445	445	445	445	445	445	8,037	8,037	7,605	7,890
5. TOTAL DEBT	1,387,966	1,540,017	1,646,527	1,815,133	1,850,129	1,926,189	1,944,953	2,112,265	2,176,595	2,220,345
6. LESS ON-LENDING	5,701	5,701	5,701	5,701	5,701	5,701	5,701	5,701	5,701	5,701
7. Less Govt Deposits	208,869	305,496	320,041	394,856	426,911	373,016	364,909	428,774	432,113	349,836
8. NET DEBT	1,173,395	1,228,821	1,320,785	1,414,577	1,417,518	1,547,472	1,574,343	1,677,790	1,738,780	1,864,809

NOTE: Treasury Bills reflected here are at face value as opposed to Table 9, given at cost

Source: Central Bank of Kenya

3.3 External Public Debt

39. In dollar terms, external public debt stock increased by US \$ 4,253.0 million from US\$ 18,504.5 million in December 2016 to US\$ 22,757.4 million by end of December 2017 (**Table 12 and Chart 15**). The debt stock comprised 33.3 per cent, 35.8 per cent, 30.1 per cent and 0.7 per cent of debt owed to bilateral, multilateral institutions, Commercial Banks and suppliers' credit, respectively. This increase is attributed to disbursements made during the period.

FISCAL DEVELOPMENTS

Table 12: Kenya's External Public and Publicly Guaranteed Debt December 2015-December 2017 (US \$ Million)

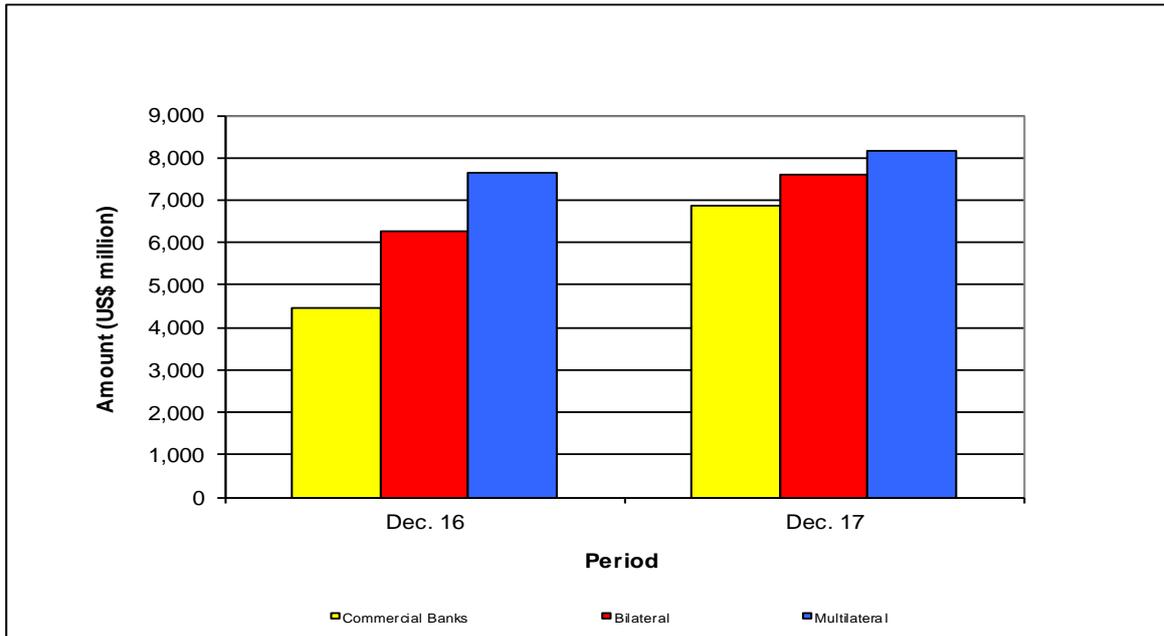
CREDITOR	Dec. 2015	Mar. 2016	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sept. 2017	Dec. 2017*
<u>BILATERAL</u>									
AUSTRIA	10.02	10.38	7.69	10.29	8.33	5.34	5.67	5.11	4.38
BELGIUM	68.01	66.18	72.16	77.10	70.45	86.56	94.82	101.84	100.06
CANADA	8.20	8.20	8.01	8.01	7.26	7.26	6.26	5.19	4.07
DENMARK	15.68	16.25	15.24	15.36	13.64	12.69	13.49	12.66	12.01
FINLAND	29.40	0.47	2.45	14.13	11.34	16.24	16.55	16.05	16.15
FRANCE	589.97	606.29	587.79	597.62	547.79	574.20	614.59	687.89	622.52
GERMANY	220.12	222.12	225.18	355.91	284.91	294.30	311.98	314.25	324.67
ITALY	13.43	8.81	6.15	6.22	1.17	5.94	6.31	6.42	1.20
JAPAN	795.64	835.50	1,025.20	985.45	841.59	850.60	883.47	879.29	824.81
NETHERLANDS	18.88	17.48	23.24	21.91	16.58	18.40	17.74	15.78	11.03
UK	12.44	12.02	9.81	9.45	7.46	7.63	6.27	6.46	4.70
USA	41.67	40.01	40.08	37.23	36.34	34.16	33.72	30.98	29.25
CHINA	2,734.72	3,141.41	3,097.14	3,258.07	4,089.09	4,426.05	4,614.78	4,733.94	5,202.37
OTHERS	145.92	170.06	212.89	335.16	326.03	351.11	363.18	362.06	423.66
TOTAL BILATERAL	4,704.10	5,155.18	5,333.03	5,731.90	6,261.97	6,690.48	6,988.82	7,177.91	7,580.89
<u>MULTILATERAL</u>									
ADB/ADF	1,645.79	1,732.41	1,967.01	1,768.98	1,760.18	1,788.41	1,880.33	1,993.19	1,983.67
BADEA				31.36	33.86	28.17	28.43	28.16	29.63
EEC/EIB	209.71	212.38	208.43	201.69	187.37	190.62	197.49	197.09	197.56
IBRD									
IDA/IFAD									
IMF**	4,564.97	4,684.74	4,928.48	4,998.98	4,846.50	5,026.45	5,210.20	5,132.15	5,181.44
OTHERS	860.55	845.21	839.22	837.40	741.11	748.01	748.59	760.79	711.84
	60.82	90.83	91.01	58.83	54.05	52.53	52.65	51.99	50.79
TOTAL MULTILATERAL	7,341.84	7,565.57	8,034.16	7,897.24	7,623.06	7,834.20	8,117.68	8,163.36	8,154.92
COMMERCIAL BANKS 1/	3,579.57	3,554.34	4,377.73	4,373.30	4,470.11	5,740.26	6,116.15	6,864.39	6,856.07
EXPORT CREDIT	161.43	161.43	91.06	152.66	149.30	150.55	153.45	165.51	165.51
GRAND TOTAL	15,786.94	16,436.52	17,835.97	18,155.10	18,504.45	20,415.48	21,376.10	22,371.18	22,757.39
In percentage of total									
BILATERAL	29.80	31.36	29.90	31.57	33.84	32.77	32.69	32.09	33.31
MULTILATERAL	46.51	46.03	45.04	43.50	41.20	38.37	37.98	36.49	35.83
COMMERCIAL BANKS 1/	22.67	21.62	24.54	24.09	24.16	28.12	28.61	30.68	30.13
EXPORT CREDIT	1.02	0.98	0.51	0.84	0.81	0.74	0.72	0.74	0.73
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

*Provisional

** include IMF item

Source: National Treasury

Chart 15: External Public Debt

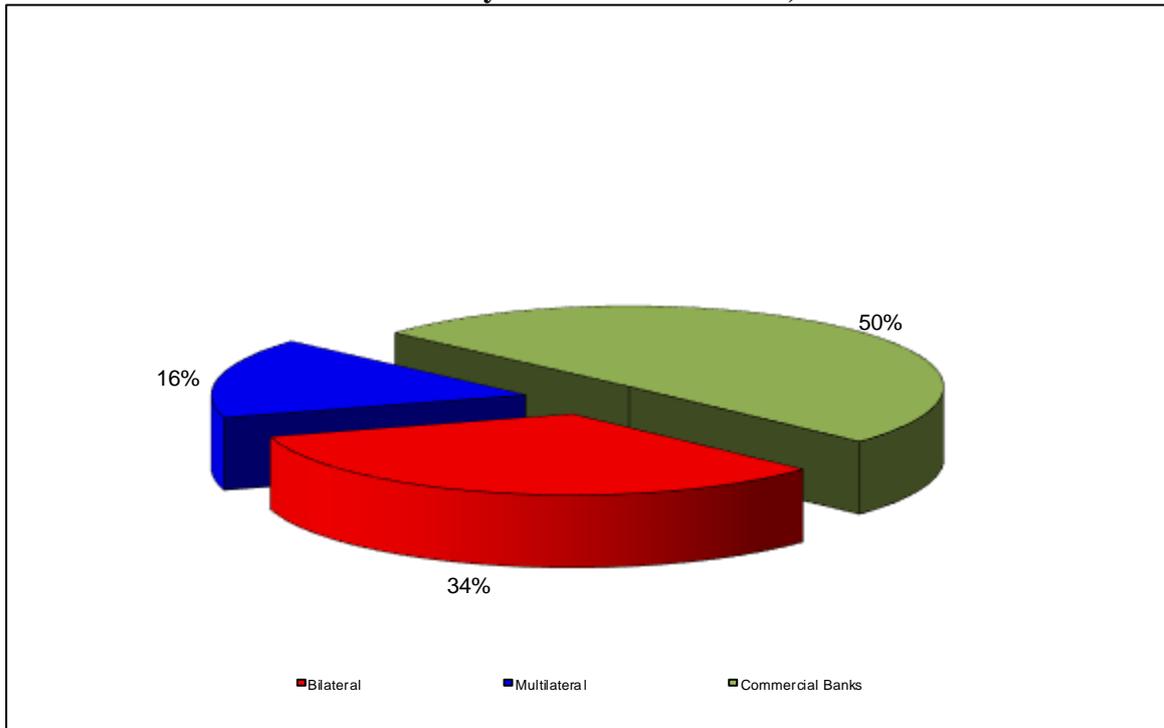


Source: National Treasury

3.3.1 External Debt Service

40. At the end of December 2017, the total cumulative debt service payments to external creditors amounted to Ksh 68.6 billion. This comprised of Ksh 28.4 billion (41.4 per cent) principal and Ksh 40.2 billion (58.6 per cent) interest (*Table 13 and chart 16*).

Chart 16: External Debt Service by Creditors December, 2017



Source: National Treasury

FISCAL DEVELOPMENTS

Table 13: External Debt Service, July – December 2017 (Ksh Million)

CATEGORY	PRINCIPAL*	INTEREST*	TOTAL*
BILATERAL			
AUSTRIA	82.67	4.93	87.60
FINLAND	10.84	106.86	117.70
FRANCE	1,861.22	865.94	2,727.16
ITALY	3.85	703.63	707.48
JAPAN	2,964.43	326.78	3,291.21
SAUDI FUND	324.28	95.45	419.73
SPAIN	422.63	179.03	601.66
USA	81.83	21.33	103.15
CANADA	89.30	3.17	92.47
BELGIUM	469.27	60.26	529.53
GERMANY	488.89	241.55	730.44
CHINA	2,055.41	10,662.81	12,718.21
KUWAIT	52.40	9.15	61.55
NETHERLANDS	240.30	9.08	249.38
SWEDEN	-	-	-
SWITZERLAND	36.04	0.28	36.32
DENMARK	82.76	-	82.76
KOREA	59.03	16.36	75.39
UK	187.60	3.77	191.38
INDIA	-	45.87	45.87
OTHERS/NEW LOANS	35.02	98.86	133.89
TOTAL BILATERAL	9,547.77	13,455.12	23,002.89
MULTILATERAL			
ADB/ADF	703.19	973.37	1,676.57
BADEA	82.67	14.28	96.95
EIB/EEC	278.59	459.18	737.77
IDA	6,145.86	1,983.26	8,129.12
OPEC	236.46	54.63	291.09
NDF	32.53	12.33	44.86
IFAD	69.91	26.98	96.89
**IMF			-
TOTAL MULTILATERAL	7,549.22	3,524.02	11,073.24
COMMERCIAL	11,319.51	23,235.82	34,555.33
GRAND TOTAL	28,416.50	40,214.97	68,631.47

* Provisional

** IMF debt serviced by CBK

Source: National Treasury

FISCAL RESULTS, 2010/11 – 2017/2018 (Ksh Millions)

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17*	2017/18**
A.TOTAL REVENUE	659,603	748,128	866,505	974,418	1,106,378	1,219,054	1,400,578	1,704,503
1.Revenue	621,852	681,766	775,698	918,990	1,031,248	1,152,875	1,305,794	1,549,367
Income Tax	272,439	312,463	373,086	449,590	508,581	560,665	625,050	765,602
VAT	171,881	176,386	184,916	232,630	259,685	289,213	339,034	383,522
Import Duty	46,072	51,712	57,650	67,555	74,048	79,188	89,943	102,401
Excise Duty	80,567	78,884	85,660	102,029	115,872	139,540	165,474	197,370
Other Revenue	50,893	62,320	74,386	67,185	73,062	84,269	86,293	100,471
2.Appropriation –in –Aid	37,752	66,362	90,807	55,428	75,130	66,179	94,784	155,136
B.EXPENDITURE & NET LENDING	819,767	945,313	1,132,126	1,300,589	1,639,199	1,768,453	2,108,951	2,298,875
1.Recurrent	584,126	650,414	816,365	752,502	860,569	1,014,050	1,178,472	1,347,380
Wages and Salaries	197,959	218,833	274,407	281,197	297,978	307,421	336,636	391,259
Interest Payments	78,876	81,913	121,235	134,821	171,876	215,329	271,233	280,720
Domestic Interest	71,887	71,873	110,184	119,193	139,615	172,857	212,865	210,148
Foreign Interest Due	6,989	10,039	11,051	15,628	32,261	42,471	58,368	70,572
Pensions, etc	26,670	26,082	27,611	30,155	37,508	53,401	62,933	76,173
Civil Service Reform	5	6	10	-	-	-	-	-
Operations & maintenance/ Others	280,616	323,580	393,102	306,330	353,206	437,899	507,671	599,228
Of which Appropriation-in-Aid	45,691	61,578	68,551	28,205	50,566	45,108	62,842	112,175
2.Development & Net Lending	234,566	294,899	305,978	319,274	509,713	453,925	609,710	598,970
Development Projects	183,658	190,116	186,231	225,850	278,676	300,686	362,004	334,441
Appropriation-in-Aid	48,379	102,144	117,346	91,239	228,511	145,071	239,263	254,415
Payment of guaranteed loans	2,529	2,639	2,400	2,185	2,125	2,167	2,443	2,398
3. Drought Development	1,075	-	-	-	4,951	5,000	-	-
4. Transfer to County Governments	-	-	9,783	193,390	229,336	264,039	284,708	306,200
5. Parliamentary Service	-	-	-	22,743	22,743	19,777	24,215	32,893
6. Judicial Service	-	-	-	12,951	11,887	11,662	11,846	13,433
7. Equalization Fund	-	-	-	-	400	6,000	6,000	7,716
D.DEFICIT EXCL. GRANTS (Commitment)	(160,164)	(197,185)	(265,621)	(326,172)	(532,821)	(549,398)	(708,373)	(594,372)
E.GRANTS	19,253	15,645	20,990	26,957	28,117	29,598	26,312	58,821
F.DEFICIT INCL.GRANTS (Commitment)	(140,910)	(181,540)	(244,631)	(299,214)	(504,703)	(519,801)	(682,061)	(535,551)
G. ADJUSTMENT TO CASH BASIS	20,765	3,752	(12,553)	(8,505)	33,129	45,231	(15,194)	-
H.DEFICIT INCL.GRANTS (cash basis)	(120,145)	(177,788)	(257,184)	(307,720)	(471,574)	(474,570)	(697,255)	(535,551)
I.FINANCING	120,145	177,788	257,184	307,720	471,574	474,570	697,255	535,551
Foreign Financing	28,602	112,575	85,306	104,726	217,479	269,924	385,745	255,954
Other Domestic	1,160	1,813	2,102	1,267	2,992	2,389	1,751	3,809
NET DOMESTIC FINANCING	90,383	63,400	169,776	201,727	251,102	202,257	309,760	275,789
Of which Sovereign Bond Deposits	-	-	-	-	140,509	-	-	-
Others	-	-	-	-	110,593	-	-	-
In Percentage of GDP								
A.TOTAL REVENUE	19.13	18.73	19.24	19.20	18.98	18.73	18.29	19.36
1.Revenue	18.04	17.07	17.23	18.11	17.69	17.71	17.05	17.60
Income Tax	7.90	7.82	8.28	8.86	8.73	8.61	8.16	8.70
VAT	4.99	4.42	4.11	4.58	4.46	4.44	4.43	4.36
Import Duty	1.34	1.29	1.28	1.33	1.27	1.22	1.17	1.16
Excise Duty	2.34	1.97	1.90	2.01	1.99	2.14	2.16	2.24
Other Revenue	1.48	1.56	1.65	1.32	1.25	1.29	1.13	1.14
2.Appropriation –in –Aid	1.10	1.66	2.02	1.09	1.29	1.02	1.24	1.76
B.EXPENDITURE & NET LENDING	23.78	23.67	25.14	25.63	28.13	27.17	27.54	26.11
1.Recurrent	16.94	16.28	18.13	14.83	14.77	15.58	15.39	15.30
Wages and Salaries	5.74	5.48	6.09	5.54	5.11	4.72	4.40	4.44
Interest Payments	2.29	2.05	2.69	2.66	2.95	3.31	3.54	3.19
Domestic Interest	2.09	1.80	2.45	2.35	2.40	2.66	2.78	2.39
Foreign Interest Due	0.20	0.25	0.25	0.31	0.55	0.65	0.76	0.80
Pensions	0.77	0.65	0.61	0.59	0.64	0.82	0.82	0.87
O &M/ Others	8.14	8.10	8.73	6.04	6.06	6.73	6.63	6.81
of which Appropriation-in-Aid	1.33	1.54	1.52	0.56	0.87	0.69	0.82	1.27
2.Development & Net Lending	6.80	7.38	6.79	6.29	8.75	6.97	7.96	6.80
Development Projects	5.33	4.76	4.14	4.45	4.78	4.62	4.73	3.80
Appropriation-in-Aid	1.40	2.56	2.61	1.80	3.92	2.23	3.12	2.89
Payment of guaranteed loans	0.07	0.07	0.05	0.04	0.04	0.03	0.03	0.03
3. Drought Expenditures	0.03	-	-	-	0.08	0.08	-	-
4. Transitional Transfer to County	-	-	0.22	3.81	3.93	4.06	3.72	3.48
5. Parliamentary Service	-	-	-	0.44	0.39	0.30	0.32	0.37
6. Judicial Service	-	-	-	0.26	0.20	0.18	0.15	0.15
7. Equalization Fund	-	-	-	-	0.01	0.09	0.08	0.09
D.DEFICIT EXCL. GRANTS (Commitment)	(4.65)	(4.94)	(5.90)	(6.43)	(9.14)	(8.44)	(9.25)	(6.75)
E.GRANTS	0.56	0.39	0.47	0.53	0.48	0.45	0.34	0.67
F.DEFICIT INCL.GRANTS (Commitment)	(4.09)	(4.54)	(5.43)	(5.90)	(8.66)	(7.99)	(8.91)	(6.08)
G.ADJUSTMENT TO CASH BASIS	0.60	0.09	(0.28)	(0.17)	0.57	0.69	(0.20)	-
H.DEFICIT INCL.GRANTS (cash basis)	(3.48)	(4.45)	(5.71)	(6.06)	(8.09)	(7.29)	(9.10)	(6.08)
I.FINANCING	3.48	4.45	5.71	6.06	8.09	7.29	9.10	6.08
Foreign Financing	0.83	2.82	1.89	2.06	3.73	4.15	5.04	2.91
Other Domestic	0.03	0.05	0.05	0.02	0.05	0.04	0.02	0.04
NET DOMESTIC FINANCING	2.62	1.59	3.77	3.98	4.31	3.11	4.04	3.13
Of which Sovereign Bond Deposits	-	-	-	-	2.41	-	-	-
Others	-	-	-	-	1.90	-	-	-
Memorandum Item:								
Nominal GDP at Market price (Kshs. million)	3,447,609.95	3,994,393.13	4,503,256.73	5,073,776.75	5,828,115.16	6,508,084.41	7,658,100.00	8,804,904.60

Note: * indicate Preliminary results

- Budget

Source: National Treasury

ANNEX II

Budgetary Central Government*
STATEMENT OF SOURCES AND USES OF CASH

GFSM CODE	Description	Annual Budget	Quarterly
		2017/18	2017Q1
	CASH FLOWS FROM OPERATING ACTIVITIES:		
1	Cash receipts from operating activities	1,763,324	347,154
11	Taxes	1,588,767	341,856
12	Social contributions	168	24
13	Grants	58,821	1,597
14	Other receipts	115,568	3,677
2	Cash payments for operating activities	2,064,102	376,965
21	Compensation of employees	417,475	92,189
22	Purchases of goods and services	196,968	37,289
24	Interest	280,720	67,154
25	Subsidies	31,019	12,815
26	Grants	1,056,738	154,114
27	Social benefits	75,307	13,403
28	Other payments	5,876	-
IO	Net cash inflow from operating activities (1-2-ADJz)	(300,779)	(29,810)
	CASH FLOWS FROM INVESTMENTS IN NONFINANCIAL ASSETS (NFAs):		
31A	Purchases of nonfinancial assets	217,290	26,491
311A	Fixed assets	214,445	26,491
312A	Strategic stocks	1,294	-
313A	Valuables		
314A	Nonproduced assets	1,551	-
31	Net cash outflow: investments in NFAs (31=31.1-31.2)	217,290	26,491
SD	Cash surplus / deficit (1-2-ADJz-31+CSDz)	(518,069)	(56,301)
	CASH FLOWS FROM FINANCING ACTIVITIES:		
32x	Net acquisition of financial assets other than cash	8,279	1,288
321x	Domestic	8,279	1,288
322x	Foreign		
33	Net incurrence of liabilities	529,345	64,226
331	Domestic	274,679	57,105
332	Foreign	254,666	7,121
NFB	Net cash inflow from financing activities (-32x+33)	521,065	62,939
NB	Net change in the stock of cash (3212+3222)	2,996	6,637

Source: National Treasury

- National Government
- Accounting method is on a cash

Budgetary Central Government STATEMENT OF GOVERNMENT OPERATIONS

GFSM CODE	Description	Annual Budget	Quarterly
		2017/18	2017Q1
	Accounting method:	Non Cash	Non Cash
	TRANSACTIONS AFFECTING NET WORTH:		
1	Revenue	1,763,324	347,154
11	Taxes	1,588,767	341,856
12	Social contributions	168	24
13	Grants	58,821	1,597
14	Other revenue	115,568	3,677
2	Expense	2,064,102	376,965
21	Compensation of employees	417,475	92,189
22	Use of goods and services	196,968	37,289
23	Consumption of fixed capital
24	Interest	280,720	67,154
25	Subsidies	31,019	12,815
26	Grants	1,056,738	154,114
27	Social benefits	75,307	13,403
28	Other expense	5,876	-
GOB	Gross operating balance (1-2+23+NOBz)	(300,779)	(29,810)
NOB	Net operating balance (1-2+NOBz)	(300,779)	(29,810)
	TRANSACTIONS IN NONFINANCIAL ASSETS:		
31	Net Acquisition of Nonfinancial Assets	217,290	26,491
311	Fixed assets	214,445	26,491
312	Change in inventories	1,294	-
313	Valuables
314	Nonproduced assets	1,551	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(518,069)	(56,301)
	TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):		
32	Net acquisition of financial assets	12,088	9,747
321	Domestic	12,088	9,747
322	Foreign		
33	Net incurrence of liabilities	529,345	64,226
331	Domestic	274,679	57,105
332	Foreign	254,666	7,121
Vertical check: Difference between net lending/borrowing and financing (1-2-31=32-33-NLBz=0)		(813)	(1,822)

Source: National Treasury

ANNEX IV

**Budgetary Central Government
REVENUE**

GFSM CODE	Description	Annual Budget	Quarterly
		2017/18	2017Q1
	Accounting method:	Cash	Cash
1	REVENUE	1,763,324	347,154
11	Taxes	1,588,767	341,856
111	Taxes on income, profits, and capital gains	765,602	157,245
1111	Payable by individuals	400,573	72,446
1112	Payable by corporations and other enterprises	365,029	84,799
112	Taxes on payroll and workforce		
113	Taxes on property	3,636	1,261
1134	Taxes on financial and capital transactions	3,523	1,261
1136	Other recurrent taxes on property	113	-
114	Taxes on goods and services	649,374	145,917
1141	General taxes on goods and services	383,522	86,382
11411	Value-added taxes	383,522	86,382
1142	Excises	197,370	40,328
1143	Profits of fiscal monopolies		
1144	Taxes on specific services	68,482	19,207
115	Taxes on international trade and transactions	156,608	32,179
1151	Customs and other import duties	102,401	20,974
1156	Other taxes on international trade and transactions	54,207	11,205
116	Other taxes	13,546	5,254
12	Social contributions	168	24
121	Social security contributions		
122	Other social contributions	168	24
1221	Employee contributions	168	24
13	Grants	58,821	1,597
131	From foreign governments	21,827	1,497
1311	Current		
1312	Capital	21,827	1,497
132	From international organizations	36,993	100
1321	Current	6,100	100
1322	Capital	30,893	-
14	Other revenue	115,568	3,677
141	Property income	23,525	273
1411	Interest	2,032	89
1412	Dividends	18,162	50
1415	Rent	3,332	133
142	Sales of goods and services	83,512	2,648
1421	Sales of market establishments		
1422	Administrative fees	83,512	2,648
143	Fines, penalties, and forfeits	2,908	578
145	Miscellaneous and unidentified revenue	5,624	178

Source: National Treasury

ANNEX V

**Budgetary Central Government
EXPENSE**

GFSM CODE	Description	Annual Budget	Quarterly
		2017/18	2017Q1
2	EXPENSE	2,064,102	376,965
21	Compensation of employees	417,475	92,189
211	Wages and salaries	403,379	86,580
212	Social contributions	14,097	5,609
2121	Actual social contributions	14,097	5,609
2122	Imputed social contributions		
22	Use of goods and services	196,968	37,289
23	Consumption of fixed capital		
24	Interest	280,720	67,154
241	To nonresidents	70,572	17,283
242	To residents other than general government	210,148	49,871
243	To other general government units		
25	Subsidies	31,019	12,815
251	To public corporations	30,585	12,755
252	To private enterprises	434	60
26	Grants	1,056,738	154,114
261	To foreign governments		
2611	Current		
2612	Capital		
262	To international organizations	7,638	276
2621	Current	7,638	276
2622	Capital		
263	To other general government units	1,049,100	153,838
2631	Current	489,992	53,341
2632	Capital	559,108	100,497
27	Social benefits	75,307	13,403
271	Social security benefits		
272	Social assistance benefits		
273	Employer social benefits	75,307	13,403
28	Other expense	5,876	-
281	Property expense other than interest		
282	Miscellaneous other expense	5,876	-
2821	Current	5,000	-
2822	Capital	876	-

Source: National Treasury

ANNEX VI

**Budgetary Central Government
TRANSACTIONS IN ASSETS AND LIABILITIES**

GFSM CODE	Description	Annual Budget	Quarterly
		2017/18	2017Q1
3	CHANGE IN NET WORTH: TRANSACTIONS c/	(299,966)	(27,988)
31	Net acquisition of nonfinancial assets d/	217,290	26,491
311	Fixed assets	214,445	26,491
311A	Acquisitions: fixed assets	214,445	26,491
3111	Buildings and structures	174,476	25,867
3111A	Acquisitions: buildings and structures	174,476	25,867
3112	Machinery and equipment	36,873	-
3112A	Acquisitions: machinery and equipment	36,873	-
3113	Other fixed assets	3,096	624
3113A	Acquisitions: other fixed assets	3,096	624
312	Inventories	1,294	-
3121	Strategic stocks	1,294	-
314	Nonproduced assets	1,551	-
314A	Acquisitions: nonproduced assets	1,551	-
3141	Land	1,547	-
3141A	Acquisitions: land	1,547	-
3144	Intangible nonproduced assets	4	-
3144A	Acquisitions: intangible nonproduced assets	4	-
32	Net acquisition of financial assets [321+322+323]	12,088	9,747
3202	Currency and deposits [3212+3222]	3,809	8,459
3204	Loans [3214+3224]	8,279	1,288
321	Domestic	12,088	9,747
3212	Currency and deposits	3,809	8,459
3214	Loans	8,279	1,288
33	Net incurrence of liabilities [331+332]	529,345	64,226
3303	Securities other than shares [3313+3323]	475,789	31,938
3304	Loans [3314+3324]	53,556	32,288
331	Domestic	274,679	57,105
3313	Securities other than shares	275,789	31,938
3314	Loans	(1,110)	25,166
332	Foreign	254,666	7,121
3323	Securities other than shares	200,000	-
3324	Loans	54,666	7,121
	Memorandum items:		
3M2	Change in net financial worth: transactions (=32-33) i/	(517,257)	(54,479)

Source: National Treasury