REPUBLIC OF KENYA

2022 ANNUAL BORROWING PLAN

FINANCIAL YEAR 2022/2023

PUBLIC DEBT MANAGEMENT OFFICE

THE NATIONAL TREASURY AND PLANNING

July 2022

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I. Introduction

1. *Section 63 (d) of the Public Finance Management (PFM) Act, 2012* requires the Public Debt Management Office to prepare an *Annual Borrowing Plan (ABP)* underpinning the Budget approved by the National Assembly and submit to the Cabinet Secretary responsible for matters relating to Finance and the Commission on Revenue Allocation. *Section 186 of PFM (National Government) Regulation, 2015* provides that the Medium-Term Debt Management Strategy *(MTDS) will be implemented through* the ABP.

2. The main objective of the 2022 MTDS *is to optimize concessional borrowing and minimize recourse to commercial borrowing* to lower cost of debt service and minimize of risks, particularly refinancing and settlement risks. The *optimal borrowing strategy* is a net financing mix of 32 percent from external sources and 68 per cent from domestic sources over the medium term. In addition, the strategy seeks to promote the development of domestic debt markets through issuance of medium to long term debt benchmark Treasury Bonds.

3. The 2022 ABP has been prepared against a backdrop of rising interest rates, inflationary pressures and volatility of exchange rates in both the domestic and international financial markets.

4. At end June 2022, public debt stood at **Kshs. 8.6 trillion** or 68 percent of GDP and is within the statutory debt ceiling of Kshs. 10 trillion under the PFM Act, 2012.

II. Fiscal Deficit

5. In Fy 2022/23 the deficit is estimated at **Kshs. 862.92 billion** or 6.2 percent of GDP, a 16.32 percent decline from the last fiscal year's level of **Kshs. 1,031.21 billion** or 8.2 percent of GDP.Table 1 below illustrates the net financing requirement of Kshs. 862.92 billion to close the fiscal deficit for the Fy2022/23.

Table 1: Net Financing Requirements (Kshs. Billion)

		FY 2021/22		FY 2022/23		Deviatin	Growth
		Amount (Kshs. Billion)	% of GDP	Amount (Kshs. Billion)	% of GDP	Amount (Kshs. Billion)	
A = (B+C)-D	**Net Financing Requirement**	**-1,031.21**	**8.20%**	**-862.92**	**6.20%**	**168.29**	**16.32%**
B	Total Revenue	2,191.95	17.30%	2,462.36	17.60%	270.41	12.34%
C	Total Grants	62.92	0.50%	33.32	0.20%	-29.60	-47.04%
	O/W. Program. Grant	23.35	0.20%	0.00	0.00%	-23.35	-100.00%
	Project Grant	39.57	0.30%	33.32	0.20%	-6.25	-15.80%
D	Total expenditures	3,286.08	26.00%	3,358.60	24.00%	72.52	2.21%

Source: **National Treasury**

III. The Borrowing Plan

6. The Fy2022/23 fiscal deficit estimated at **Kshs. 862.92 billion** will be financed by net external financing of **Kshs. 280.73 billion** (equivalent of 2.0 percent of GDP) and net domestic financing of **Kshs. 582.19 billion** (equivalent of 4.2 percent of GDP).This is consistent with the objectives of the *2022 MTDS* to finance the deficit largely through domestic borrowing to *lower costs and minimize risks* in the debt portfolio while promoting development of the domestic debt markets.

7. The ***net domestic financing*** of **Kshs 582.19 billion** on a net basis will largely comprise domestic borrowing through issuance of both *Treasury Bonds* and *Treasury Bills* of **Kshs. 579.05 billion (net)** in the domestic debt market with the Central Bank of Kenya (CBK) acting as a fiscal agent (Table 2).

Table 2: Sources of Net Domestic Financing (Kshs. million)

Sources		**FY 2022/23**
A= (B+C)-D	**Net Domestic Financing**	**582,190**
B	*Treasury Bills and Treasury Bonds (net issues)*	579,050
C	*Domestic Loan Repayments (Receipts)*	4,250
D	Domestic Loan Repayments CBK	(1 110)

Source: **National Treasury**

8. The domestic borrowing strategy entails *average monthly issuance* of **Kshs. 66 billion** in Treasury Bonds and *average weekly issuance* of **Kshs. 20 billion** in Treasury Bills. Treasury Bills will be issued in 91- day, 182 – day and 364 – day tenures while Treasury Bonds will be issued along benchmark bonds to build liquidity.

9. The 2022 ABP envisages no additional net borrowing from Treasury Bills by end June 2023. All proceeds from Treasury Bills issues are for cash or liquidity management purposes. The *average time to maturity* of Treasury Bonds will be maintained at the June 2022 level of 8.9 years. This will help to sustain the stability of the yield curve and foster confidence in the domestic market for government debt securities.

10. ***Net external financing*** comprise total disbursements (or external inflows) from both *current* and *additional external* loans *less* principal repayments due during the year. The estimated net external financing, i.e., *net* external borrowing is **Kshs. 280.73 billion.**

11. Total disbursements on external loans is estimated at **Kshs. 521.79 billion** comprising **Kshs. 105.6 billion** from ***commercial borrowing,*** **Kshs. 286.53 billion** from ***project loans*** multi- and bi-lateral lenders and ***program loans*** of **Kshs. 129.65 billion.** Principal repayments of external debt (outflows) is projected at **Kshs. 241.06 billion (see Table 3).**

Table 3: Sources of Net External Financing (Kshs. million)

		FY2022/23
A=B-F	**Net Foreign Financing**	**280,730**
B=C+D+E	***Total Disbursements***	*521,790*
C	Commercial Financing	**105,600**
	Bank loans	105,600
D	***Project Loans***	**286,533**
	Project Loans AIA	184,936
	Project Loans Revenue	101,597
E	***Program Loans***	**129,656**
	Program for Rresults	3,500
	IMF - ECF/EFF	63,222
	Development Policy Operations – WB	44,000
	COVID-19 Vaccine – WB	6,224
	Program Based Operation – ADB	12,710
	Use of IMF SDR Allocation	-
F	***Debt repayment – Principal***	**(241,060)**

Source: **National Treasury**

12. In terms of sources of ***Net External Financing***, ***commercial borrowing*** amounting to **Kshs. 105.6 billion** or approximately **US$ 900 million** will be from global banks including export credit agencies. disbursement from ***project loans*** are expected to flow from both multi- and bi-lateral lenders.

13. The World Bank Group is expected to provide ***Program loans*** as follows: **Kshs. 3.50 billion** forthe *Program for Results,* , **Kshs. 44 billion for** *Development Policy Operation (DPO)*and **Kshs. 6.22 billion** for COVID-19 vaccine.The African Development Bank Group will extend a loan of **Kshs. 12.71 billion** for *Program Based Operation* from Group. **while** the IMF will disburse **Kshs. 63.22 billion under** *Extended Fund Facility (EFF) & Extended Credit Facility (ECF)* upon successful implementation of the on-going reform program with Kenya.

IV. Investor Relations

14. The National Treasury is committed to *debt transparency* through timely, accurate and broader disclosures of debt and borrowing activities. During the fiscal year, the

Public Debt Management Office will continue to have periodic investor conference calls, deal and non-deal road shows to strengthen and diversify the investor base. Relevant policy, strategy, macro-economic data and other information will be available on the National Treasury, Central Bank of Kenya and the Kenya National Bureau of Statistics websites.

V. Implementation, review and disclosures

15. This ABP will be implemented over the period *1st July, 2022 to 30th June 2023.*

16. The ABP *is subject to revision* to align to new developments in the credit market, official development assistance and supplementary budgets.

17. ABP will be publicised to enhance *debt transparency* and *accountability* in accordance with the best practice.

PUBLIC DEBT MANAGEMENT OFFICE

Annex I: Planned issuance of Treasury Bills and Treasury Bonds (Kshs. million)

Value date	Primary Issuance of Treasury Bills & Bonds				
	T-Bills issuance				T-Bonds issuance
	91 days	182 days	364 days	Total T-Bills Proceeds	
04/07/2022	4,000	8,000	8,000	20,000	
11/07/2022	4,000	8,000	8,000	20,000	
18/07/2022	4,000	8,000	8,000	20,000	
25/07/2022	4,000	8,000	8,000	20,000	65,621
Jul-22	**16,000**	**32,000**	**32,000**	**80,000**	**65,621**
01/08/2022	4,000	8,000	8,000	20,000	
08/08/2022	4,000	8,000	8,000	20,000	
15/08/2022	4,000	8,000	8,000	20,000	65,621
22/08/2022	4,000	8,000	8,000	20,000	
22/08/2022	4,000	8,000	8,000	20,000	
Aug-22	**20,000**	**40,000**	**40,000**	**100,000**	**65,621**
05/09/2022	4,000	8,000	8,000	20,000	
12/09/2022	4,000	8,000	8,000	20,000	65,621
19/09/2022	4,000	8,000	8,000	20,000	
26/09/2022	4,000	8,000	8,000	20,000	
Sep-22	**16,000**	**32,000**	**32,000**	**80,000**	**65,621**
03/10/2022	4,000	8,000	8,000	20,000	
10/10/2022	4,000	8,000	8,000	20,000	65,621
17/10/2022	4,000	8,000	8,000	20,000	
24/10/2022	4,000	8,000	8,000	20,000	
31/10/2022	4,000	8,000	8,000	20,000	
Oct-22	**20,000**	**40,000**	**40,000**	**100,000**	**65,621**
07/11/2022	4,000	8,000	8,000	20,000	
14/11/2022	4,000	8,000	8,000	20,000	65,621
21/11/2022	4,000	8,000	8,000	20,000	
28/11/2022	4,000	8,000	8,000	20,000	

Value date	Primary Issuance of Treasury Bills & Bonds				
	T-Bills issuance				T-Bonds issuance
	91 days	182 days	364 days	Total T-Bills Proceeds	
Nov-22	**16,000**	**32,000**	**32,000**	80,000	**65,621**
05/12/2022	4,000	8,000	8,000	20,000	
12/12/2022	4,000	8,000	8,000	20,000	65,621
19/12/2022	4,000	8,000	8,000	20,000	
26/12/2022	4,000	8,000	8,000	20,000	
Dec-22	**16,000**	**32,000**	**32,000**	**80,000**	**65,621**
02/01/2023	4,000	8,000	8,000	20,000	
09/01/2023	4,000	8,000	8,000	20,000	
16/01/2023	4,000	8,000	8,000	20,000	
23/01/2023	4,000	8,000	8,000	20,000	65,621
30/01/2023	4,000	8,000	8,000	20,000	
Jan-23	**20,000**	**40,000**	**40,000**	**100,000**	**65,621**
06/02/2023	4,000	8,000	8,000	20,000	
13/02/2023	4,000	8,000	8,000	20,000	
20/02/2023	4,000	8,000	8,000	20,000	65,621
27/02/2023	4,000	8,000	8,000	20,000	
Feb-23	**16,000**	**32,000**	**32,000**	**80,000**	**65,621**
06/03/2023	4,000	8,000	8,000	20,000	
13/03/2023	4,000	8,000	8,000	20,000	
20/03/2023	4,000	8,000	8,000	20,000	65,621
27/03/2023	4,000	8,000	8,000	20,000	
Mar-23	**16,000**	**32,000**	**32,000**	**80,000**	**65,621**
03/04/2023	4,000	8,000	8,000	20,000	
10/04/2023	4,000	8,000	8,000	20,000	
17/04/2023	4,000	8,000	8,000	20,000	65,621
24/04/2023	4,000	8,000	8,000	20,000	
Apr-23	**16,000**	**32,000**	**32,000**	**80,000**	**65,621**
01/05/2023	4,000	8,000	8,000	20,000	

Value date	Primary Issuance of Treasury Bills & Bonds				
	T-Bills issuance				T-Bonds issuance
	91 days	182 days	364 days	Total T-Bills Proceeds	
08/05/2023	4,000	8,000	8,000	20,000	
15/05/2023	4,000	8,000	8,000	20,000	
22/05/2023	4,000	8,000	8,000	20,000	65,621
29/05/2023	4,000	8,000	8,000	20,000	
May-23	**20,000**	**40,000**	**40,000**	**100,000**	**65,621**
05/06/2023	4,000	8,000	8,000	20,000	
12/06/2023	4,000	8,000	8,000	20,000	65,621
19/06/2023	4,000	8,000	8,000	20,000	
26/06/2023	4,000	8,000	8,000	20,000	
Jun-23	**16,000**	**32,000**	**32,000**	**80,000**	**65,621**
TOTAL	**208,000**	**416,000**	**416,000**	**1,040,000**	**787,452**

Source: **National Treasury**

Annex II: External Financing Plan (Kshs.)

External Funding	Approved Estimates	Disbursement Projections for External Financing (FY2022/23)			
		Q1	Q2	Q3	Q4
		Proj.	Proj.	proj.	proj.
		Sep-22	Dec-22	Mar-23	Jun-23
Kenya Shillings (Kshs)					
Inflows					
Program loans	**129,656,297,625**	**16,171,887,809**	**31,807,310,471**	**1,050,000,000**	**80,627,099,345**
IMF - ECF/EFF	63,222,337,440	-	27,995,238,095	-	35,227,099,345
WB - Development Policy Operations (DPO)	44,000,000,000				44,000,000,000
AfDB - Program Based Operation (PBO)	12,709,815,433	12,709,815,433			-
Program for Results (P for R)	3,500,000,000	350,000,000	700,000,000	1,050,000,000	1,400,000,000
Support for COVID-19 Vaccine Purchase	6,224,144,752	3,112,072,376	3,112,072,376	-	
Use of IMF SDR Allocation					
Commercial Borrowing	**105,600,320,866**	**35,000,000,000**	**-**	**70,600,320,866**	**-**
Sovereign Bond (Eurobond) / Syndicated Loan	105,600,320,866	35,000,000,000		70,600,320,866	
Project loans	**286,533,197,412**	**28,653,319,741**	**57,306,639,482**	**85,959,959,224**	**114,613,278,965**
Project Loans Revenue	**101,597,022,816**	**10,159,702,282**	**20,319,404,563**	**30,479,106,845**	**40,638,809,126**
Total Bilateral	13,914,479,458	1,391,447,946	2,782,895,892	4,174,343,837	5,565,791,783
France	9,024,479,458	902,447,946	1,804,895,892	2,707,343,837	3,609,791,783
Germany- KfW	4,590,000,000	459,000,000	918,000,000	1,377,000,000	1,836,000,000
Italy	300,000,000	30,000,000	60,000,000	90,000,000	120,000,000
Total Multilateral	**87,682,543,358**	**8,768,254,336**	**17,536,508,672**	**26,304,763,007**	**35,073,017,343**
ADB/ADF	8,066,500,000	806,650,000	1,613,300,000	2,419,950,000	3,226,600,000
EIB	4,600,000,000	460,000,000	920,000,000	1,380,000,000	1,840,000,000
IFAD	4,209,668,000	420,966,800	841,933,600	1,262,900,400	1,683,867,200
IDA	70,806,375,358	7,080,637,536	14,161,275,072	21,241,912,607	28,322,550,143
Project Loans AiA	**184,936,174,596**	**18,493,617,460**	**36,987,234,919**	**55,480,852,379**	**73,974,469,838**
Total Bilateral	**98,449,745,735**	**9,844,974,574**	**19,689,949,147**	**29,534,923,721**	**39,379,898,294**
Belgium	4,561,124,881	456,112,488	912,224,976	1,368,337,464	1,824,449,952
China	29,459,000,000	2,945,900,000	5,891,800,000	8,837,700,000	11,783,600,000
France	12,838,353,000	1,283,835,300	2,567,670,600	3,851,505,900	5,135,341,200
Germany- KfW	7,668,000,000	766,800,000	1,533,600,000	2,300,400,000	3,067,200,000

External Funding	Approved Estimates	Disbursement Projections for External Financing (FY2022/23)			
		Q1	Q2	Q3	Q4
		Proj.	Proj.	proj.	proj.
		Sep-22	Dec-22	Mar-23	Jun-23
Kenya Shillings (Kshs)					
Inflows					
India	440,000,000	44,000,000	88,000,000	132,000,000	176,000,000
Italy	5,765,700,000	576,570,000	1,153,140,000	1,729,710,000	2,306,280,000
Japan	30,041,567,854	3,004,156,785	6,008,313,571	9,012,470,356	12,016,627,142
South Korea	3,486,000,000	348,600,000	697,200,000	1,045,800,000	1,394,400,000
Kuwait	450,000,000	45,000,000	90,000,000	135,000,000	180,000,000
Saudi Arabia	955,000,000	95,500,000	191,000,000	286,500,000	382,000,000
Spain	2,656,000,000	265,600,000	531,200,000	796,800,000	1,062,400,000
Abu Dhabi Fund	129,000,000	12,900,000	25,800,000	38,700,000	51,600,000
Total Multilateral	**86,486,428,861**	**8,648,642,886**	**17,297,285,772**	**25,945,928,658**	**34,594,571,544**
ADB/ADF	47,697,214,309	4,769,721,431	9,539,442,862	14,309,164,293	19,078,885,724
BADEA	1,484,000,000	148,400,000	296,800,000	445,200,000	593,600,000
IFAD	1,178,120,000	117,812,000	235,624,000	353,436,000	471,248,000
OPEC	546,000,000	54,600,000	109,200,000	163,800,000	218,400,000
IDA	35,581,094,552	3,558,109,455	7,116,218,910	10,674,328,366	14,232,437,821
Project grants	**33,316,702,775**	**3,331,670,278**	**6,663,340,555**	**9,995,010,833**	**13,326,681,110**
Project Grant Revenue	**12,477,874,803**	**1,247,787,480**	**2,495,574,961**	**3,743,362,441**	**4,991,149,921**
Total Bilateral	**2,701,401,000**	**270,140,100**	**540,280,200**	**810,420,300**	**1,080,560,400**
Denmark	1,137,450,000	113,745,000	227,490,000	341,235,000	454,980,000
France	165,230,000	16,523,000	33,046,000	49,569,000	66,092,000
Germany- KfW	314,990,000	31,499,000	62,998,000	94,497,000	125,996,000
Sweden	1,007,731,000	100,773,100	201,546,200	302,319,300	403,092,400
USAID/USA	76,000,000	7,600,000	15,200,000	22,800,000	30,400,000
Total Multilateral	**9,776,473,803**	**977,647,380**	**1,955,294,761**	**2,932,942,141**	**3,910,589,521**
ADB/ADF	445,729,999	44,573,000	89,146,000	133,719,000	178,292,000
African Union	431,000,000	43,100,000	86,200,000	129,300,000	172,400,000
AGRA	11,417,513	1,141,751	2,283,503	3,425,254	4,567,005
EDF/EEC	2,507,146,159	250,714,616	501,429,232	752,143,848	1,002,858,464
EIB	400,000,000	40,000,000	80,000,000	120,000,000	160,000,000
FORD Foundation	10,131,000	1,013,100	2,026,200	3,039,300	4,052,400

External Funding	Approved Estimates	Disbursement Projections for External Financing (FY2022/23)			
		Q1	Q2	Q3	Q4
		Proj.	Proj.	proj.	proj.
		Sep-22	**Dec-22**	**Mar-23**	**Jun-23**
Kenya Shillings (Kshs)					
Inflows					
Global fund	2,659,835,432	265,983,543	531,967,086	797,950,630	1,063,934,173
IGAD	94,000,000	9,400,000	18,800,000	28,200,000	37,600,000
IDA	1,203,900,000	120,390,000	240,780,000	361,170,000	481,560,000
UNDP	714,810,000	71,481,000	142,962,000	214,443,000	285,924,000
UNFPA	249,320,000	24,932,000	49,864,000	74,796,000	99,728,000
UNEP	83,800,000	8,380,000	16,760,000	25,140,000	33,520,000
UNICEF	77,600,000	7,760,000	15,520,000	23,280,000	31,040,000
WFP	136,183,700	13,618,370	27,236,740	40,855,110	54,473,480
IFAD	528,000,000	52,800,000	105,600,000	158,400,000	211,200,000
Green Climate Fund	223,600,000	22,360,000	44,720,000	67,080,000	89,440,000
Project Grant AiA	**20,838,827,972**	**2,083,882,797**	**4,167,765,594**	**6,251,648,392**	**8,335,531,189**
Total Bilateral	**5,282,527,044**	**528,252,704**	**1,056,505,409**	**1,584,758,113**	**2,113,010,818**
Denmark	405,800,168	40,580,017	81,160,034	121,740,050	162,320,067
Finland	314,818,200	31,481,820	62,963,640	94,445,460	125,927,280
France	1,314,241,365	131,424,137	262,848,273	394,272,410	525,696,546
Germany- KfW	1,820,557,059	182,055,706	364,111,412	546,167,118	728,222,824
Japan	1,051,296,026	105,129,603	210,259,205	315,388,808	420,518,410
South Korea	196,761,375	19,676,137	39,352,275	59,028,412	78,704,550
Netherlands	21,643,751	2,164,375	4,328,750	6,493,125	8,657,500
Sweden	68,866,481	6,886,648	13,773,296	20,659,944	27,546,592
USAID/USA	88,542,619	8,854,262	17,708,524	26,562,786	35,417,047
Total Multilateral	**15,556,300,928**	**1,555,630,093**	**3,111,260,186**	**4,666,890,278**	**6,222,520,371**
ADB/ADF	1,821,278,871	182,127,887	364,255,774	546,383,661	728,511,548
EDF/EEC	990,693,523	99,069,352	198,138,705	297,208,057	396,277,409
Global fund	8,467,424,909	846,742,491	1,693,484,982	2,540,227,473	3,386,969,964
IDA	398,245,023	39,824,502	79,649,005	119,473,507	159,298,009
UNDP	137,732,962	13,773,296	27,546,592	41,319,889	55,093,185
UNFPA	1,183,027,767	118,302,777	236,605,553	354,908,330	473,211,107
GAVI	2,557,897,874	255,789,787	511,579,575	767,369,362	1,023,159,149

Source: **National Treasury**