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ANNE SHIBUKO



THE NATIONAL TREASURY AND PLANNING

**ANNUAL PUBLIC DEBT MANAGEMENT REPORT
2018/19**

SEPTEMBER 2019

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FOREWORD

The *Annual Public Debt Management Report* highlights developments in public debt and borrowing during the FY 2018/2019. The report highlights the changing structure of total public debt portfolio, composition and structure of the debt as well as debt service obligations. The level of publicly guaranteed public debt, on-lent loans, Medium Debt Management Strategy (MTDS), commitment fees paid on undisbursed loans and results of most recent Debt Sustainability Analysis (DSA) are presented. The report provides a broad view of the costs and risks characteristics of Kenya's public debt and debt related transactions. The *Annual Public Debt Management Report* is a part of the reporting requirements on public debt under the PFM Act, 2012.

During the financial year ended June 30, 2019 total public and publicly guaranteed debt increased in nominal terms, to Kshs 5.8 trillion, which is 61.1 per cent of GDP as at end June 2019. It is comprised of 53 per cent external and 47 per cent domestic debt. External debt is largely concessional although recent large value commercial loans including issuance of Eurobonds have affected the cost and risk profile: the average maturity, grace period and average interest rate on new external loan commitments were 15 years, 6 years and 4 per cent, respectively. Kenya has continued to honour its debt obligations and has not accumulated any arrears. The *IMF Country Report No. 18/295, October 2018* re-affirmed that Kenya's public debt remains within the debt sustainability levels.

During the financial year, the National Treasury continued to take measures to strengthen public debt management. In accordance with the PFM Act, 2012 a new Head of Public Debt Management Office was recruited to provide leadership of the PDMO – the Office responsible for operational management of public debt. The PDMO has initiated the preparation of public *Debt and Borrowing Policy* anchored on international best practices to strengthen management of public debt. The proposed *Debt and Borrowing Policy* will be subject to public participation before its approval and adoption during the FY 2019/20.



HON. (AMB.) UKUR K. YATANI

Ag. CABINET SECRETARY/THE NATIONAL TREASURY AND PLANNING

ACKNOWLEDGEMENT

The coverage and scope of the financial year 2018/9 *Annual Debt Management Report* reflects the National Treasury's commitment to both transparency in reporting and accountability in the management of public debt. The disclosures in this report is presented in a manner meant to be understood by the general public in accordance with the Principles of Public Finance outlined in Chapter 12 of the Constitution of Kenya. During the year under review, the National Treasury in collaboration with the Central Bank of Kenya, the Capital Markets Authority and other stakeholders progressed implementation of set of measures to further deepen the domestic debt market for government securities. The reform measures to be implemented over the medium term will include establishment of Over-the-Counter Bonds Exchange; improvement in efficiency in issuance and settlement of government debt securities, separation of retail government securities investor from the institutional investors, review of the horizontal reform trading framework; increased transparency in securities trading; among other reforms.

I therefore take this opportunity to thank the key stakeholders particularly the market players through the monthly Financial Market Leaders Forum held at the Central Bank of Kenya for supporting the Government agenda on development of Kenya's financial markets.

Likewise, I wish to thank the staff at the National Treasury and particularly the Public Debt Management Office (PDMO) in managing public debt in line with the Medium Term Debt Strategy. Finally, let be acknowledge the team at the PDMO that put together the financial year 2018/9 *Annual Debt Management Report*.

We hope that this report will provide valuable information and enhance understanding of public debt management in Kenya and encourage dialogue and inform the proposed Debt and Borrowing Policy.

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



JULIUS MUIA, PhD, EBS

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(PFMA) 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.

Section 200 of the PFMA Regulations which 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
CCN	City Council of Nairobi
CPIA	Country Policy and Institutional Assessment
DSF	Debt Sustainability Framework
DSA	Debt Sustainability Analysis
EAC	East Africa Community
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
PPG	Public and Publicly Guaranteed
PFF	Project Facilitation Fund
PPP	Public Private Partnership
PV	Present Value
SGR	Standard Gauge Railway
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TEDS	Total External Debt Service
UK	United Kingdom
USA	United States of America
USD	United States Dollar

EXECUTIVE SUMMARY

The Gross Domestic Product (GDP) expanded from 4.9 percent in 2017 to 6.3 percent in 2018. The growth is attributed to expansion in the agricultural, manufacturing and the transport and service sectors. The outstanding total public and publicly guaranteed debt has steadily risen to Kshs 5,809,076 million as at end June 2019 due to increased borrowing to finance of the fiscal deficit. Over this period, public debt as a percentage of GDP grew from 42.1 percent to 61.1 percent; Domestic debt as a percentage of GDP rose from 23.4 percent to 29.3 percent, while external debt (including guaranteed debt) as a percentage of GDP rose from 18.8 percent to 31.8 percent. The ratio of debt service to revenue has increased steadily from 18.6 percent at end June 2013 to stand at 42.8 percent at end June 2019.

Domestic debt is composed mainly of Treasury Bills and Treasury Bonds. As at end June 2019, Treasury Bills accounted for 34.3 percent of total stock of domestic debt while the Treasury Bonds accounted for 62.8 percent. The largest holders of domestic debt are commercial banks at 50.8 percent while non-banking institutions held 45.3 percent at end of the financial year 2019. Whereas commercial banks have dominated the government domestic debt market, the Government has instituted steps towards increasing participation of investors in Government securities market. The re-launch of M-Akiba Bond program seeks to deepen the retail segment of the Treasury Bonds market. The secondary market activity for government securities has been on the rise with an annual turnover of Kshs 536.5 billion in 2019 compared to Kshs 455.2 billion in 2018. The investor base in the secondary market has grown supported by the entry of M-Akiba Bond.

Public debt indicators show that the level of debt remain within debt sustainability thresholds set for Kenya. Kenya's public debt is vulnerable to exchange rate risk with 52 percent of the debt denominated in foreign currency and mainly the USD. Whereas multi-lateral and bi-lateral debts are a larger component of external debt with China as the leading external creditor, the structure of public debt has significantly changed as a result of hardening of borrowing terms. As end June 2019, commercial debt constitutes a significant component of total public debt. During the year under review, the Government paid Kshs 2,687,654,178.15 as commitment fees on undisbursed loans.

The on-lent loan portfolio declined from Kshs 823,178 million as at end June 2018 to stand at Kshs 797,847 million as at end June 2019. This decline is attributed to continued repayment of principal and interest on existing loan portfolio. The Government is currently developing a Fiscal Commitment and Contingent Liabilities Framework to manage emerging risks from PPPs and explicit guarantees.

CHAPTER ONE

NATIONAL GOVERNMENT'S FISCAL DEFICIT FINANCING AND PUBLIC DEBT

1.1. Economy

Real GDP growth for 2018 rose to 6.3 per cent from 4.9 per cent in 2017. The higher growth rate was driven by increased agricultural production, enhanced manufacturing activities, transportation and service sectors.

The strong growth was anchored on a relatively stable macroeconomic environment: Inflation declined and remained within the target of $5\pm 2.5\%$ at 4.7 per cent in 2018 compared to 8.0 per cent in 2017; exchange rate was stable at Kshs 102.3 to the US dollar; foreign exchange reserves at end June 2019 stood at USD 9,131 million or 5.81 months of import cover; current account deficit narrowed to Kshs 441.8 billion in 2018 from Kshs 503.4 billion in 2017 mainly due to a lower growth of imports of goods and services.

1.2. Fiscal Balance

The overall actual fiscal balance in the FY 2018/19 was a deficit of Kshs 721,054 million (7.6 per cent of GDP) and was financed through net external financing of Kshs 414,518 million (4.4 per cent of GDP), net domestic financing of Kshs 303,658 million (3.2 per cent of GDP) and other domestic financing of Kshs 2,878 million (Table 1-1).

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

Financing item	FY 2016/17		FY 2017/18		FY 2018/19	
	Kshs million	As % of GDP	Kshs million	As % of GDP	Kshs million	As % of GDP
Net Foreign Financing	385,745	5.0	331,641	3.7	414,518	4.4
Net Domestic financing	309,760	4.0	273,710	3.1	303,658	3.2
Other Domestic Financing¹	1,751	0.0	2,623	0.0	2,878	0.0
Total	697,256	9.0	607,974	6.9	721,054	7.6

Source: National Treasury, QEBR Q4, 2019

1.3. Fiscal Performance

At end of June 2019, total cumulative revenue collection including Appropriation-in-Aid (A-I-A) was Ksh 1,671.1 billion (17.6 percent of GDP) which is Ksh 123.5 billion below the target of Ksh 1,794.5 billion (18.9 percent of GDP). The shortfall was mainly due to shortfalls in both the ordinary revenues and the Ministerial A-I-A by Ksh 91.2 billion and Ksh 32.3 billion, respectively.

Total expenditures and net lending by end of June 2019 was Ksh 2,405.9 billion against the target of Ksh 2,555.1 billion, translating into under-expenditure of Ksh 149.2 billion. The under-expenditure was occasioned by the lower absorptions recorded in both the recurrent (wages and

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

salaries, pensions and operations and maintenance) and development expenditures by the National Government.

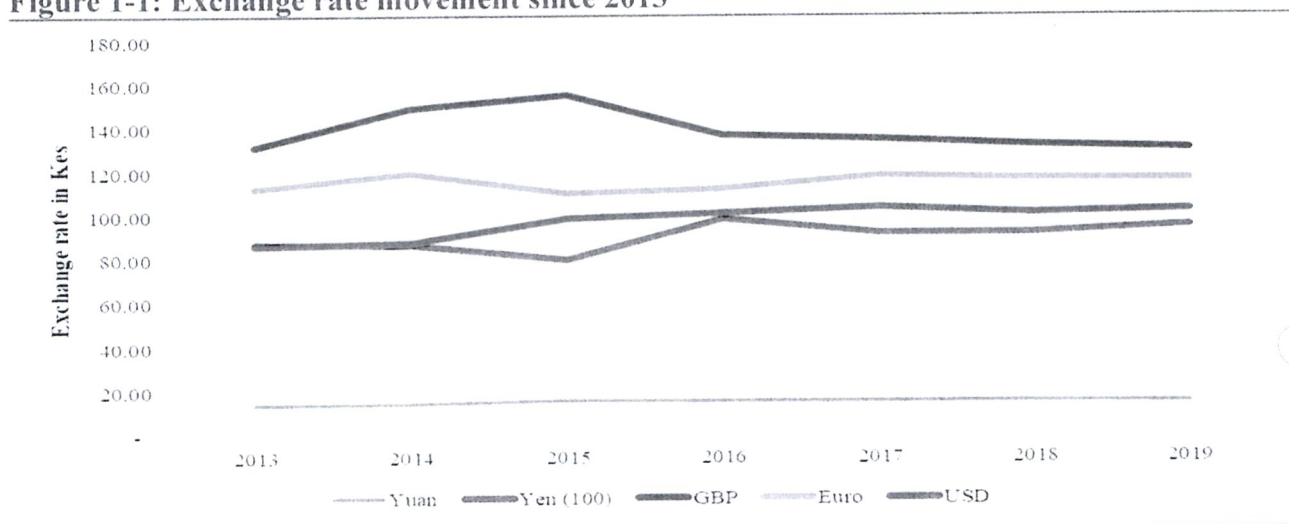
The fiscal outcome for the financial year ended June 30, 2019 complied with the fiscal responsibility principles and financial objectives set out in the PFM Act, 2012. The Government also maintained public debt and obligations at a sustainable level while managing fiscal risks prudently. Whereas the fiscal deficit rose above the previous fiscal year level, commitment to fiscal consolidation to gradually reduce the fiscal deficit over the medium-term to slow the growth of public debt while supporting inclusive economic growth remains unchanged.

1.4. Kenya Shilling Exchange Rate

The Kenya Shilling has recorded a cumulative depreciation of 18.9 percent against the US dollar (USD) between end 2013 and end of 2019 (Figure 1-1). This has largely been driven by domestic demand pressures as well as external factors, in particular the strengthening of the USD driven by rising yields on US Treasury instruments, which adversely affecting the currency markets in emerging market and frontier economies, including Kenya. During the year, Kenya shilling exchange rate recorded a cumulative depreciation of 3.5 percent against the Euro (EUR), 9.1 per cent against the Japanese Yen, 6.3 per cent against the Chinese Yuan over the same period. However, the Kenya shilling appreciated against British Pound Sterling (GBP) by 1.0 per cent.

Nearly over 70 per cent of the external debt is denominated in USD. Depreciation of the Kenya Shilling against the USD has a significant impact on the size of external public debt stock and external debt service due to the large exposure of external debt portfolio to the USD.

Figure 1-1: Exchange rate movement since 2013



Source: Central Bank of Kenya

Table 1: Kenya Shilling Exchange Rate movement since 2013

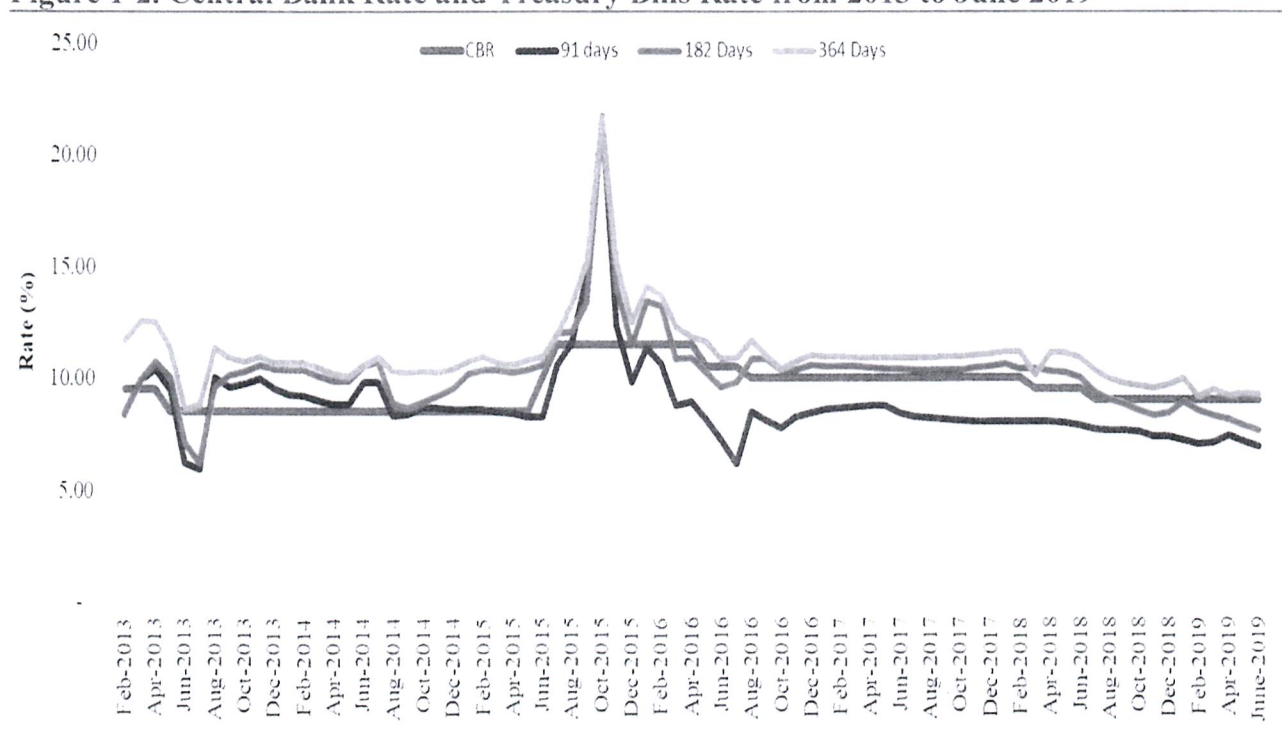
	2013	2014	2015	2016	2017	2018	2019
Yuan	14.00	14.12	15.90	15.21	15.29	15.27	14.88
Yen (100)	87.00	86.50	79.80	98.40	91.90	91.60	94.90
GBP	131.34	149.20	155.10	136.44	134.60	132.10	129.96
Euro	112.40	119.55	110.40	112.30	118.31	116.86	116.31
USD	86.01	87.63	98.64	101.10	103.71	101.05	102.30

Source: Central Bank of Kenya

1.5. Short-term interest rates on Government Domestic Debt Securities

Since the introduction of the interest rates cap, short-term interest rates on Treasury Bills have remained relatively stable and on downward trend in the second half of the financial year ended June 30, 2019 as shown in Figure 1-2. The prevailing average interest rate for the 364-day, 182-day and 91 day Treasury Bills was 9.69 per cent, 8.59 per cent and 7.37 per cent per annum, respectively.

Figure 1-2. Central Bank Rate and Treasury Bills Rate from 2013 to June 2019



Source: Central Bank of Kenya

1.6. Total Public Debt

As at end June 2019, the outstanding total public and publicly guaranteed debt, was Kshs 5,808,591 million (Table 1-2) compared to Kshs 5,047,234 million as at end June 2018. Over the period, domestic debt increased by Ksh 306,617 million (or by 12 per cent) to Kshs 2,785,452 million while external debt (including guaranteed debt) increased to Kshs 3,023,139 million from Kshs 2,568,398 million. The significant increase in external was largely due to over 22% growth in bi-lateral and commercial debts, and depreciation of the Kenya shilling against other currencies. The composition of overall debt show a rise in the proportion of external debt to 52.0 per cent of total public debt, up from 50.9 per cent, at end June 2018.

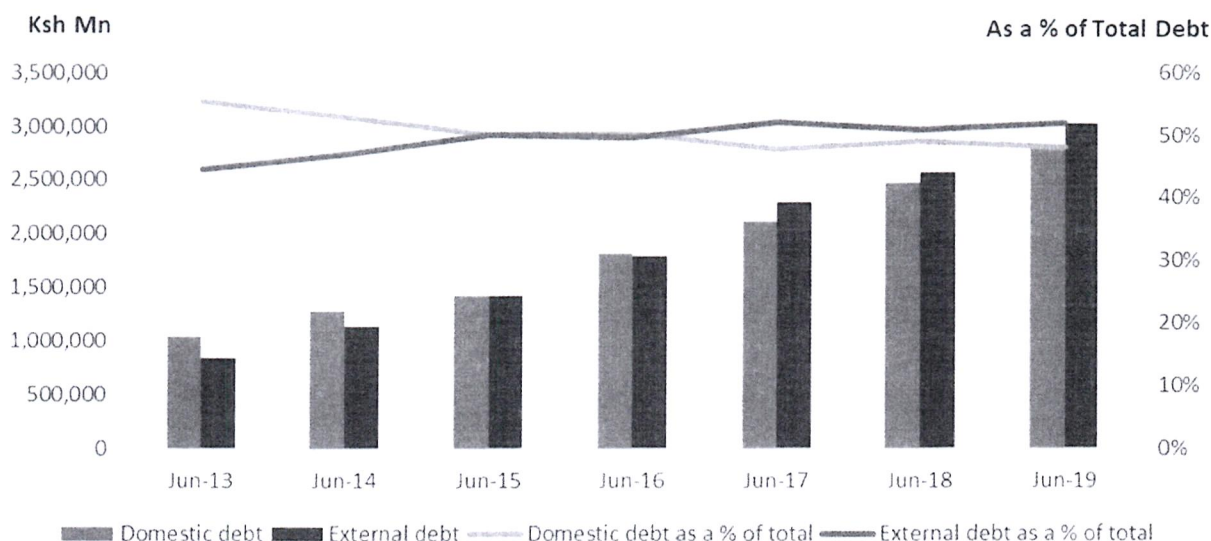
Table 1-2: Trends in Kenya's Total Public Debt (Kshs million)

DEBT TYPE	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19
DOMESTIC DEBT							
Central Bank	39,170	65,700	63,335	99,856	54,506	110,782	109,607
Commercial Banks	524,505	617,221	730,419	927,307	1,142,889	1,266,457	1,414,431
Sub-total: Banks	563,675	682,921	793,754	1,027,163	1,197,395	1,377,239	1,524,038
Non-bank Financial Institutions	486,880	601,406	626,690	787,970	915,315	1,101,596	1,261,899
Total Domestic	1,050,555	1,284,327	1,420,444	1,815,133	2,112,710	2,478,835	2,785,937
As a % of GDP	23.4%	25.5%	24.4%	27.1%	27.6%	28.0%	29.3%
As a % of total debt	55.5%	53.0%	50.0%	50.3%	47.9%	49.1%	48.0%
EXTERNAL DEBT							
Bilateral	217,970	248,636	405,562	491,864	669,839.70	759,016.70	917,980.46
Multilateral	507,920	593,397	680,192	794,797.50	839,721.70	825,298.70	909,791.39
Commercial Banks	58,928	234,799	276,937	432,377	634,108.90	830,652.10	1,019,029.88
Suppliers Credits	15,207	16,452	16,628	16,628	15,303.10	16,725.20	16,931.81
Sub-Total	800,025	1,093,284	1,379,319	1,735,667	2,158,973.4	2,431,692.7	2,863,733.54
GUARANTEE DEBT							
Bilateral	39,667	41,278	39,495	56,487	52,728.80	56,371.20	78,078.78
Multilateral	3,870	3,943	4,439	4,044	4,667.00	4,547.30	4,603.42
Commercial	0	0	0	0	77,783.80	75,787.50	76,723.73
Sub-Total	43,537	45,221	43,934	60,531	135,179.60	136,706	159,403
Total External debt	843,562	1,138,505	1,423,252	1,796,198	2,294,153	2,568,398.7	3,023,139.47
As a % of GDP	18.8%	22.6%	24.4%	26.8%	30.0%	29.0%	31.8%
As a % of total debt	44.5%	47.0%	50.0%	49.7%	52.1%	50.9%	52.0%
GRAND TOTAL	1,894,117	2,422,832	2,843,696	3,611,331	4,406,863	5,047,234	5,809,076
Total debt As a % of GDP	42.1%	48.0%	48.8%	53.8%	57.5%	57.1%	61.1%
Memorandum item							
GDP (in Kshs million)	4,496,000	5,044,236	5,831,528	6,709,671	7,658,138	8,845,854	9,510,446

Source: National Treasury and Central Bank of Kenya

In nominal terms, total public debt to GDP rose to 61.1 per cent from 57.1 per cent as at end June 2018 (Table 1-2 and Fig. 1-3). Over the period under review, domestic debt was 29.3 per cent of GDP compared to 28.0 per cent in at end June 2018, while external debt stood at 31.8 per cent of GDP, compared to 29.0 per cent of GDP.

Figure 1-3: Kenya's Public and Publicly Guaranteed Debt: June 2013-2019 (Kshs Millions)



Source: National Treasury and Central Bank of Kenya

1.7. Public Debt Service

As at end June 2019, the total public debt service payments amounted to Kshs 850,071 million of which external and domestic debt service was Kshs 368,478 million and Kshs 481,593 million, respectively.

During the year ended June 2019, the total debt service was equivalent to 56.8 per cent of revenue, up from 43.9 per cent the previous year (Table 1-3 and Figure 1-2). The sharp increase was due to syndicated commercial debts due including prepayments and the USD 750 million instalment due on the 2014 Eurobond. However, these debts were refinanced through the proceeds from the 2019 Eurobond.

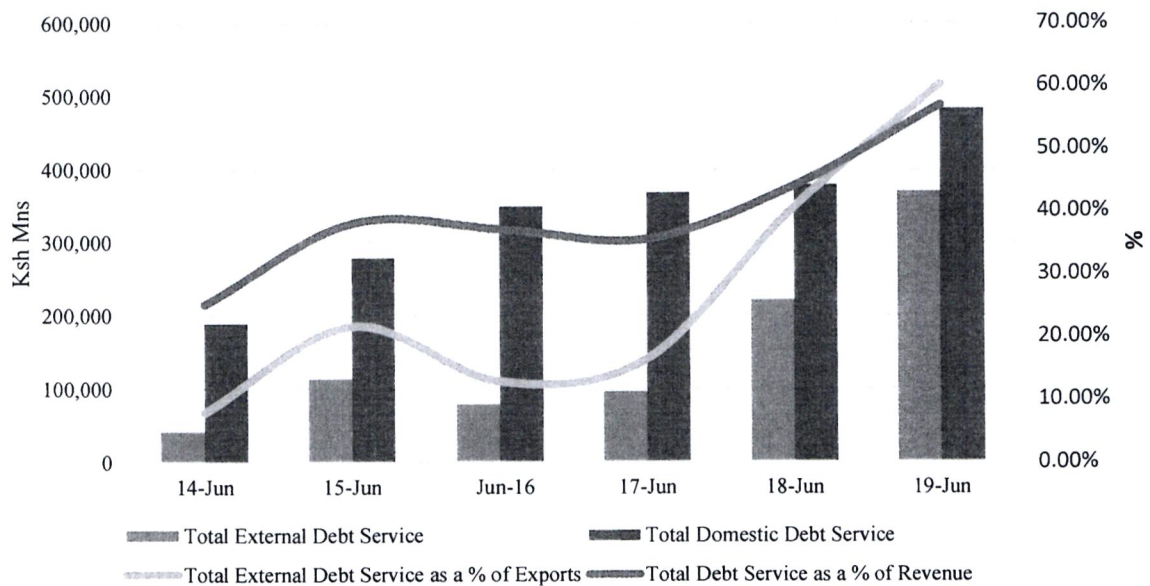
Table 1-3: Total Public Debt Service (Kshs million)

	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19
External Principal	25,800	80,214	36,015	37,256	138,989	265,106
External Interest	15,600	33,330	42,568	58,367	81,649	103,372
Total External Debt Service (TEDS)	41,400	113,544	78,583	95,623	220,638	368,478
TEDS as a % of Total Debt Service (TDS)	18.0%	29.0%	18.4%	20.6%	36.9%	43.3%

	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19
Domestic Interest	119,200	139,727	172,857	212,865	239,497	272,351
Treasury bond redemption	69,844	138,891	176,153	154,722	138,373	209,242
Total domestic debt service	189,044	278,618	349,010	367,587	377,870	481,593
Domestic debt service as a % of TDS	82.0%	71.0%	81.6%	79.4%	63.1%	56.7%
Total Debt Service (TDS)	230,444	392,162	427,593	463,210	598,508	850,071
Ordinary Revenue	918,990	1,031,819	1,152,972	1,306,568	1,362,786	1,496,930
Export Earnings (goods only)	523,059	524,992	615,125	583,219	544,666	612,900
Total Debt Service as a % of Revenue	25.1%	38.0%	37.1%	35.5%	43.9%	56.8%
Total External Debt Service as a % of Exports	7.9%	21.6%	12.8%	16.4%	40.5%	60.1%

Source: National Treasury and Central Bank of Kenya

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



Source: National Treasury and Central Bank of Kenya

1.8. Cost and Risk in the Public Debt Portfolio

Analysis of the cost and risk indicators of public debt reveals that during the financial year ended June 2019, the annual total interest payments on domestic debt was 3.9 per cent of GDP. Interest payments on external debt and domestic debt accounted for 1.1 per cent and 2.8 per cent of GDP, respectively. Interest payments on total public debt were 19.1% of total revenue (Table 1-4).

Kenya's public debt is vulnerable to exchange rate risk. During the financial year ended June 30, 2019 over 52.0 per cent of the total public debt is denominated in foreign currency compared to 50.9 percent the previous year.

The overall interest payment is projected to be 3.9 percent of GDP, with interest payment on external debt and domestic debt accounting for 1.1 percent and 2.8 per cent of GDP respectively. The low interest payment on external debt is attributed to the large proportion of external concessional financing in the existing public debt portfolio. As at end-June, 2019 the weighted average interest rate on the total debt portfolio is projected to be 7.7 percent of GDP. The external and domestic debt portfolios weighted average interest rates were 4.4 per cent and 11.3 per cent respectively.

Table 1-4: Kenya Public Debt: Cost and risk indicators as at end June 2019

Risk Indicators		External debt	Domestic debt	Total debt
Public Debt (in millions of Kshs)		3,023,139.5	2,785,937	5,809,076.5
Public Debt (in millions of USD)		29,552.2	27,228.7	56,780.9
Nominal debt as % GDP		31.8	29.3	61.1
Cost of debt	Interest payment as % GDP	1.1	2.8	3.9
	Interest payment as % Total Revenue	7.7	19.1	26.8
	Weighted Av. IR (%)	4.4	11.3	7.7
Refinancing risk	ATM (years)	10.1	4.7	7.4
	Debt maturing in 1yr (% of total)	12.6	42.7	27.4
	Debt maturing in 1yr (% of total revenue)	22.2	72.6	94.8
	Debt maturing in 1yr (% of GDP)	3.2	10.5	13.8
Interest rate risk	ATR (years)	9.7	4.7	7.3
	Debt re-fixing in 1yr (% of total)	22.5	42.7	32.4
	Fixed rate debt (% of total)	84.2	100.0	91.9
FX risk	FX debt (% of total debt)	52.0	0	52.0

Source: National Treasury and Central Bank of Kenya

CHAPTER TWO DOMESTIC DEBT

2.1 Domestic Debt Stock

Kenya's domestic debt comprises of total stock of Government debt securities (Treasury Bills and Treasury Bonds), Pre-1997 Government debt and Government Overdraft facility at the Central Bank of Kenya. As at end June 2019, the stock of domestic debt stood at Kshs 2,785,936 million reflecting an increase of 12.4 per cent from June 2018 position (Kshs 2,478,835 million) (Table 2-1 and Figure 2-1). The increase in the stock of domestic debt was attributed to net domestic borrowing of Kshs 307,101 million to finance the budget deficit for the financial year 2018/9.

Table 2-1: Outstanding Domestic Debt (in Kshs million): June 2015 to June 2019

	Instrument	Jun-15		Jun-16		Jun-17		Jun-18		Jun-19	
		Kshs	% of stock	Kshs	% of stock	Kshs	% of stock	Kshs	% of stock	Kshs	% of stock
	Total Domestic Debt (A+B)	1,420,444	100	1,815,133	100	2,112,710	100	2,478,835	100	2,785,936	100
A	Government Securities(1-3)	1,381,267	97.2	1,765,688	97.3	2,101,579	99.5	2,414,388	97.4	2,702,853	97.1
1)	Treasury Bills	318,929	22.5	588,088	32.4	744,155	35.2	878,622	35.4	954,250	34.3
	Banking Institutions	217,742	15.3	382,447	21.1	436,511	20.7	502,606	20.3	598,071	21.5
	Others	101,187	7.1	205,641	11.3	307,644	14.6	376,016	15.2	356,179	12.7
2)	Treasury Bonds	1,035,662	72.9	1,152,041	63.5	1,332,418	63.1	1,511,872	61.0	1,748,603	62.8
	Banking Institutions	510,228	35.9	569,781	31.4	725,372	34.3	786,361	31.7	842,952	30.3
	Others	525,434	37.0	582,260	32.1	607,603	28.8	725,511	29.3	905,650	32.5
3)	Pre-1997 Government Debt	26,676	1.9	25,559	1.4	24,449	1.2	23,894	1.0	22,229	0.8
B.	Others*	39,177	2.8	49,446	2.7	11,132	0.5	64,447	2.6	60,855	2.2
	Of which CBK Overdraft	36,494	2.6	44,204	2.4	0	0	56,849	2.3	57,328	2.1

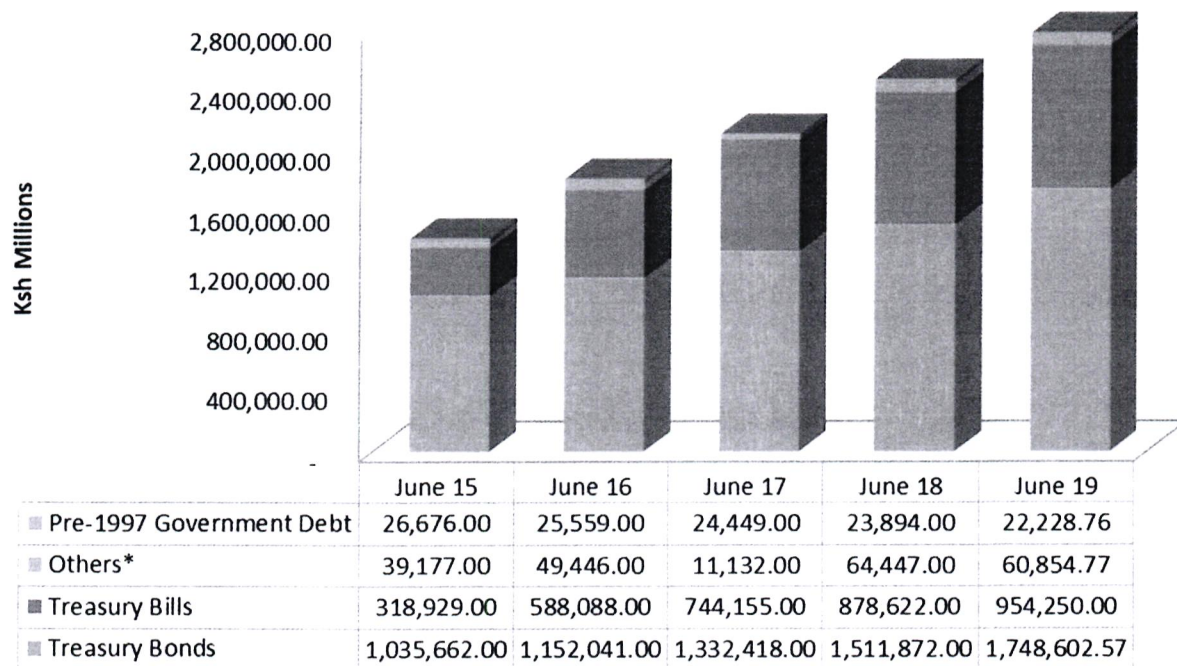
Source: Central Bank of Kenya

*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

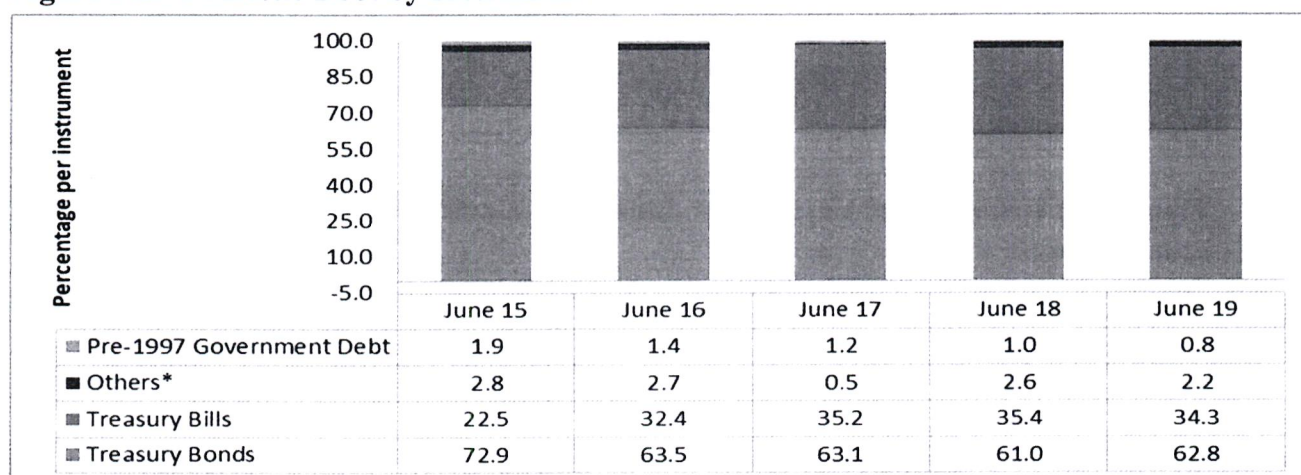
Treasury Bills and Treasury Bonds holdings accounted for 34.3 per cent and 62.8 per cent of the total outstanding domestic debt, respectively. In the previous financial year, Treasury Bills and Treasury Bonds holdings accounted for 35.4 per cent and 61.0 per cent, respectively (Figure 2-1 & 2-2). The proportion of all other categories of domestic debt declined during the period under review.

Figure 2-1: Size and Structure of the Domestic Debt: June 2015-June 2019



Source: Central Bank of Kenya

Figure 2-2: Domestic Debt by Instrument



Source: Central Bank of Kenya

2.2 Domestic Debt by Holder

As at end June 2019, Commercial banks holdings of Government debt securities declined to 50.8 per cent from 51.1 per cent in June 2018. The Non-bank (Non-residents and non-bank Financial Institutions including insurance companies, and pensions funds) holdings rose from 44.4 per cent to 45.3 per cent as at end June 2019. Pensions Funds (including NSSF) accounted for 28.2 per cent of Treasury bills and bonds in June 2019 compared to 27.5 per cent in June 2018 (Table 2-3 and Figure 2-4). However, holdings by insurance companies declined from 6.2 per cent to 6.1 per cent during the period. The non-residents holdings remained unchanged at 1.0 per cent during the last 3 years. (Table 2-2 and Figure 2-3).

Table 2-2: Domestic Debt by Holder (Kshs Million): June 2015-June 2019

Description		Jun-15	Jun-16	Jun-17	Jun-18	Jun-19
Banks	Kshs	793,754	1,027,163	1,197,395	1,377,239	1,524,037
	<i>% of total</i>	55.9	56.6	56.7	55.6	54.7
Central Bank of Kenya	Kshs	63,335	99,856	54,506	110,782	109,607
	<i>% of total</i>	4.5	5.5	2.6	4.5	3.9
Commercial Banks	Kshs	730,419	927,307	1,142,889	1,266,457	1,414,431
	<i>% of total</i>	51.4	51.1	54.1	51.1	50.8
Non-banks	Kshs	626,689	787,970	915,315	1,101,596	1,261,899
	<i>% of total</i>	44.1	43.4	43.3	44.4	45.3
Non residents	Kshs	10,664	13,027	22,100	25,308	27,984
	<i>% of total</i>	0.8	0.7	1.0	1.0	1.0
Non-bank Financial Institutions	Kshs	616,025	774,943	893,215	1,076,288	1,233,915
	<i>% of total</i>	43.3	42.7	42.3	43.4	44.3
Total	Kshs	1,420,444	1,815,133	2,112,710	2,478,835	2,785,936
	<i>% of total</i>	100	100	100	100	100

Source: Central Bank of Kenya

Figure 2-3: Domestic Debt by Holder: June 2015-June 2019

Source: Central Bank of Kenya

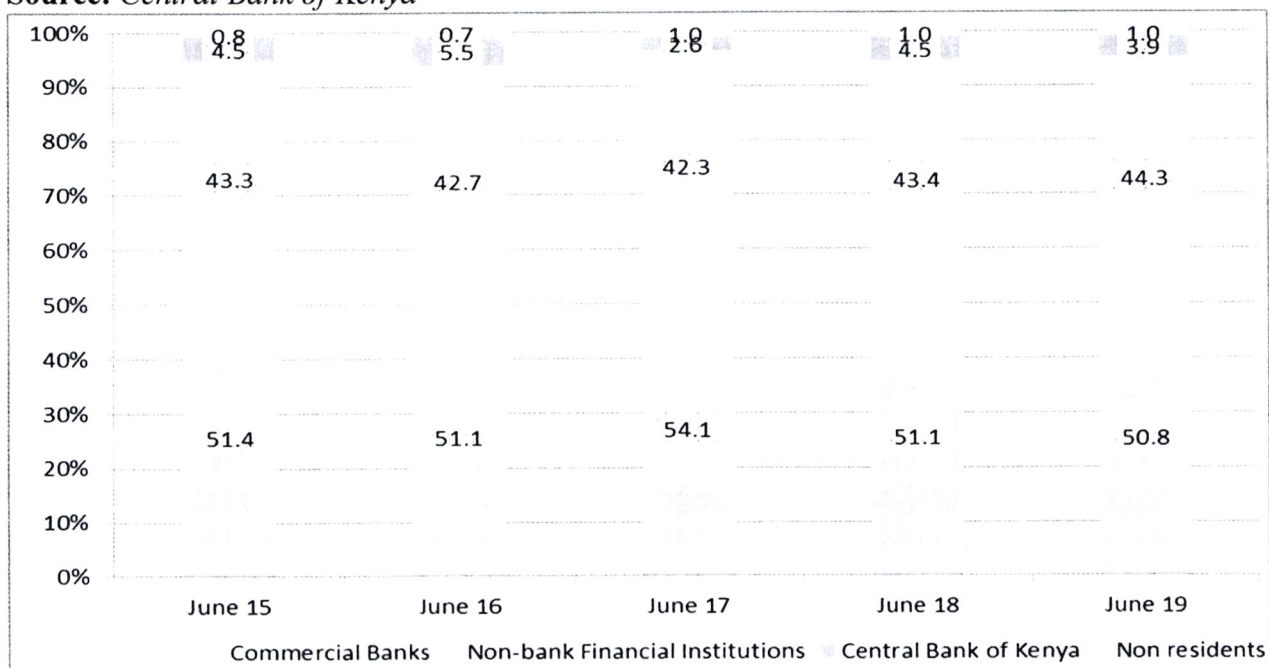
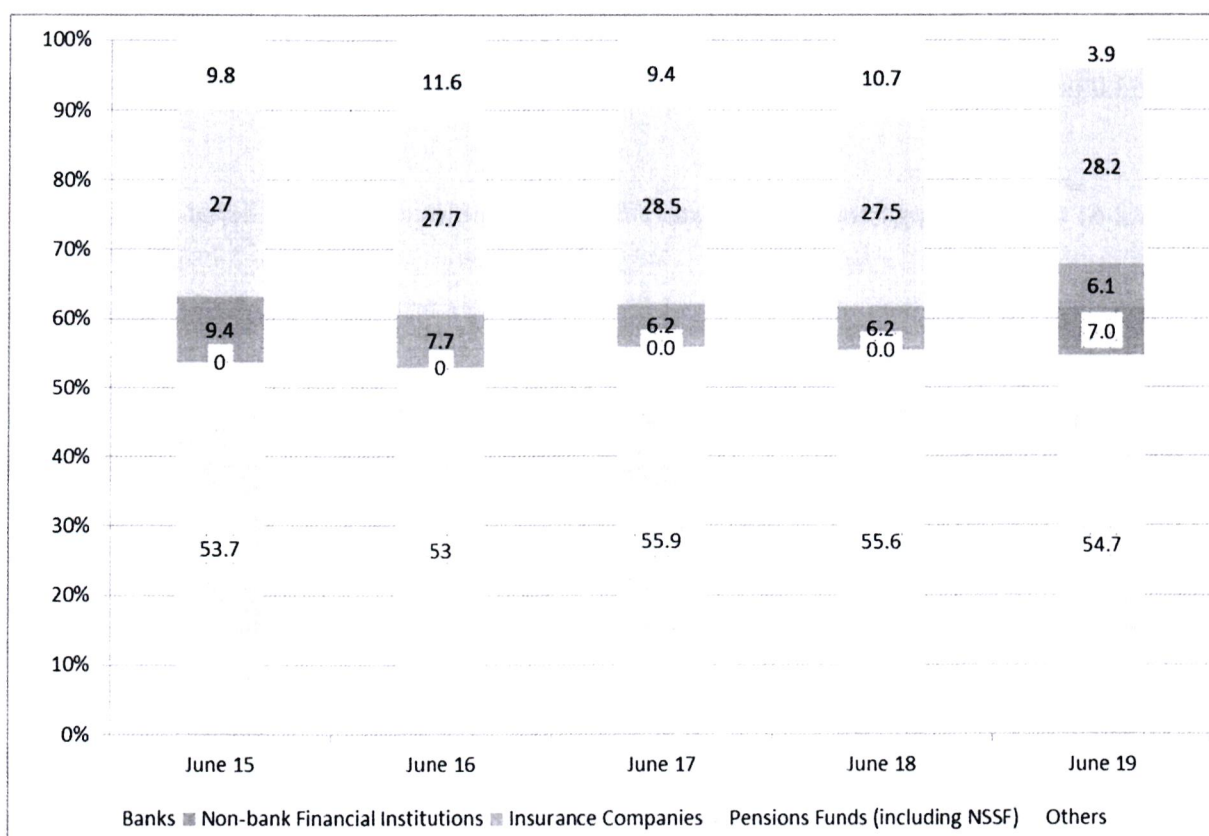


Table 2-3: Outstanding Domestic Debt Stock by Holders (Kshs million): June 2015-June 2019

Holder	Jun-15		Jun-16		Jun-17		Jun-18		Jun-19	
	Kshs	%	Kshs	%	Kshs	%	Kshs	%	Kshs	%
Banks	727,931	53.7	922,214	53.0	1,161,883	55.9	1,377,239	55.6	1,524,037	54.7
Non-Bank Financial Institutions (NBFIs)	320	0	183	0.0	183	0.0	183	0.0	194,782	7.0
Insurance Companies	127,889	9.4	134,392	7.7	128,570	6.2	154,509	6.2	170,833	6.1
Pensions Funds (including NSSF)	366,303	27.0	481,693	27.7	591,758	28.5	681,783	27.5	786,541	28.2
Others	132,154	9.8	201,648	11.6	194,885	9.4	265,121	10.7	109,743	3.9
Total	1,354,597	100	1,740,130	53.0	2,077,280	100	2,478,835	100	2,785,936	100

Source: Central Bank of Kenya

Figure 2-4: Outstanding Domestic Debt Stock by Holders: June 2015-June 2019.



Source: Central Bank of Kenya

2.3 Treasury Bills by Holder

The stock of Treasury Bills increased by 8.6 per cent to Kshs 954,250 million in June 2019 from Kshs 878,622 million in June 2018. The proportion of Treasury Bills held by commercial banks

increased by 19.0 per cent to Kshs 598,071 million from Kshs 502,606 million during the same period (Table 2-4). Holdings by pension funds decreased by 5.5 per cent while proportion held by insurance companies decreased to 1.9 per cent from 2.4 per cent during the period. See Appendix III Table 2.

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

Holder	Jun-15		June 16		June-17		June-18		June-19	
	Ksh M	%	Ksh M	%	Ksh M	%	Ksh M	%	Ksh M	%
Commercial Banks	217,742	68.3	361,859	61.5	436,511	58.7	502,606	57.2	598,071	62.7
NBFIs	0	0	0	0	0	0.0	0.0	0.0	0	0
Insurance companies	20,849	6.5	18,356	3.1	13,747	1.8	21,172	2.4	18,225	1.9
Pensions Funds (including NSSF)	40,946	12.8	117,948	20	179,456	24.1	180,140	20.5	170,298	17.8
Others	39,392	12.4	89,924	15	114,441	15.4	174,705	19.9	167,657	17.6
Total	318,929	100	588,088	100	744,155	100	878,622	100	954,250	100

Source: Central Bank of Kenya

2.4 Treasury Bonds by Holder

There was notable increase in the stock of outstanding Treasury Bonds by 15.7 per cent from Kshs 1,511,873 million in June 2018 to Kshs 1,748,603 million in June 2019. Pension funds holding increased to 35.2 per cent from 33.2 per cent while commercial banks declined to 48.2 per cent from 52.0 per in the previous financial year (Table 2 5). See Appendix III Table 2.

Table 2-5: Outstanding Stock of Treasury Bonds by Holder (Kshs million): June 2015-June 2019.

Holder	Jun-15		June 16		June-17		June-18		June-19	
	Kshs M	%	Kshs M	%	Kshs M	%	Kshs M	%	Kshs M	%
Commercial Banks	510,228	49.3	560,335	48.6	724,814	54.4	786,361	52.0	842,952	48.2
NBFIs	320	0.0	183	0.0	322	0.0	183	0.0	183	0.0
Insurance companies	107,040	10.3	116,035	10.1	114,673	8.6	133,337	8.8	152,608	8.7
Pensions Funds (including NSSF)	325,357	31.4	363,745	31.6	412,303	30.9	501,643	33.2	616,243	35.2
Others	92,717	9.0	111,723	9.7	80,306	6.0	90,348	6.0	136,616	7.8
Total	1,035,662	100	1,152,041	100	1,332,417	100	1,511,873	100	1,748,603	100

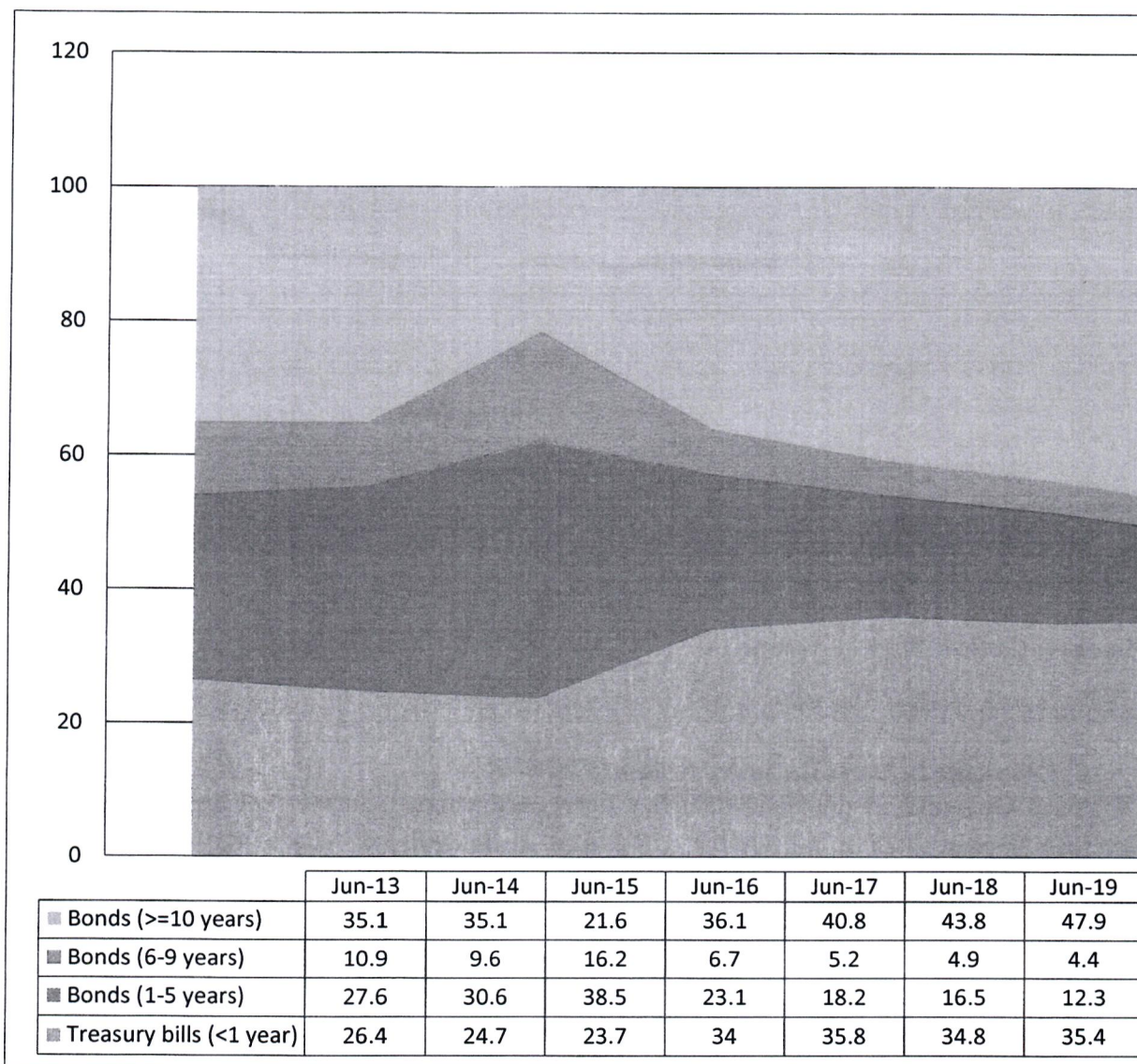
Source: Central Bank of Kenya

2.5 Treasury Bills and Treasury Bonds by Tenor

Treasury Bills are short term securities with tenures of 91-day, 180-day and 364- days. Since June 2013, the proportion of domestic debt held in Treasury Bills have risen from 26.3 percent to 35.4

percent in June 2019. Treasury Bonds are issued along 1, 3, 5, 10, 15 and 20 year tenure under a benchmark bond program consistent with the Medium Terms Debt Strategy. Over the last 6 year, there has been a marked shift in Treasury Bonds holding towards the longer end of the tenures. (Figure 2-5).

Figure 2-5: Government Domestic Debt Securities by Tenor: June 2013- June 2019

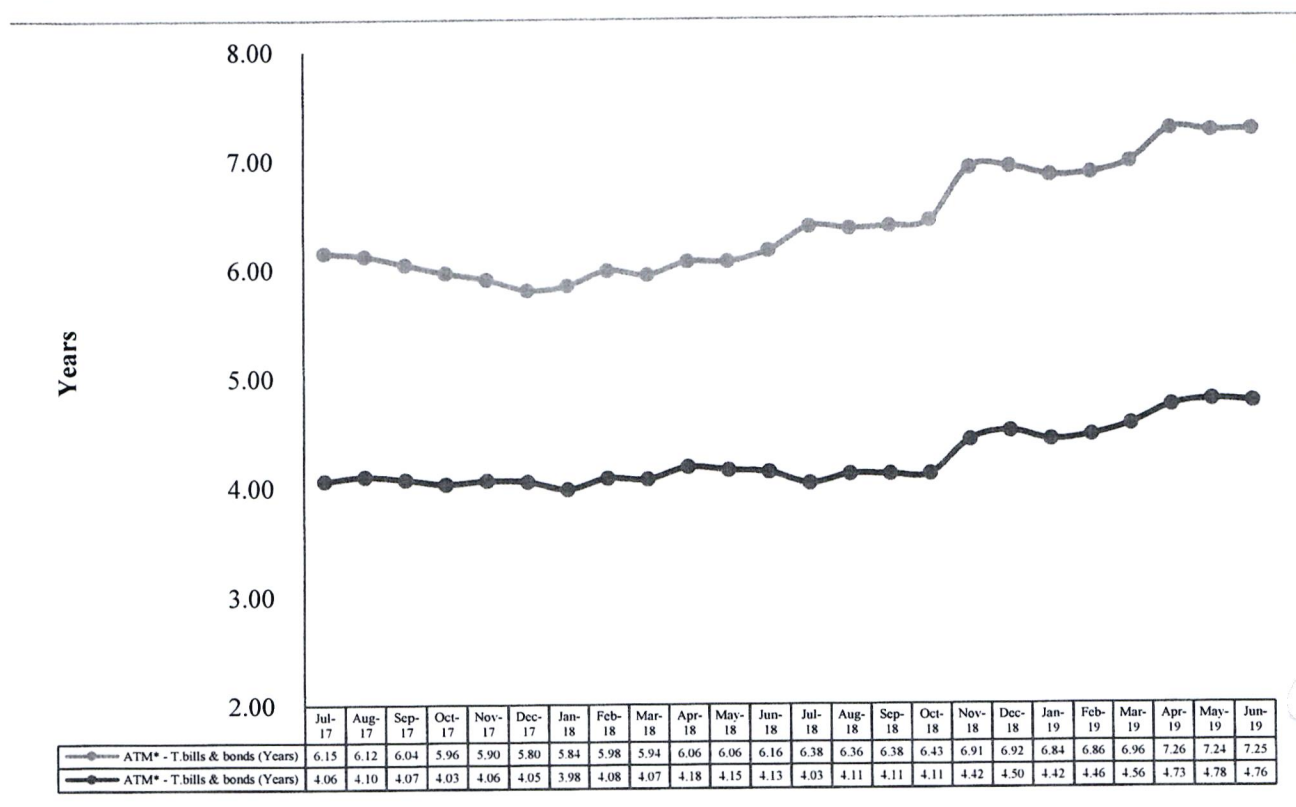


Source: Central Bank of Kenya

2.6 Treasury Bills and Bonds by Time to Maturity

The *Average Time to Maturity* on Government domestic debt securities declined marginally to 4.76 years from 4.78 years at end June 2018 (Figure 2-6). Under the Medium Term Debt Strategy, the aim is to issue Treasury Bonds with longer tenures to minimize re-financing risk in the domestic debt portfolio.

Figure 2-6: Average Time to Maturity of Government Domestic Debt Securities

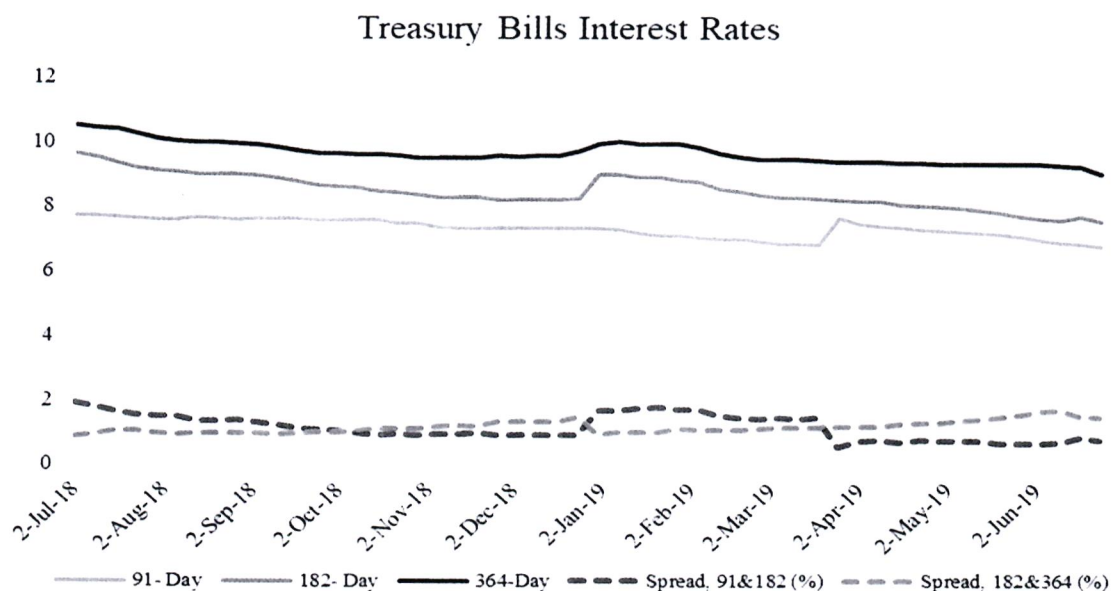


Source: Central Bank of Kenya

2.7 Average Interest Rates on Treasury Bills

Whereas Government domestic debt has risen during the financial year ended June 2019, the average interest rates on all tenures of Treasury Bills declined. The 91-day Treasury Bills rate declined from 7.733 percent per annum in June 2018 to 6.814 percent in June 2019. During this period, 182-day and 364-day Treasury Bills declined to 7.578 percent per annum and 9.05 percent per annum in June 2019 from 9.607 percent per annum and 10.488 percent per annum in June 2018, respectively (Figure 2-7). In general, the average interest rates on Treasury Bills remained stable throughout the financial year as reflected by tight and stable interest rates spreads across tenures.

Figure 2-7: Average Interest Rates and spreads on Treasury Bills: FY 2018/9

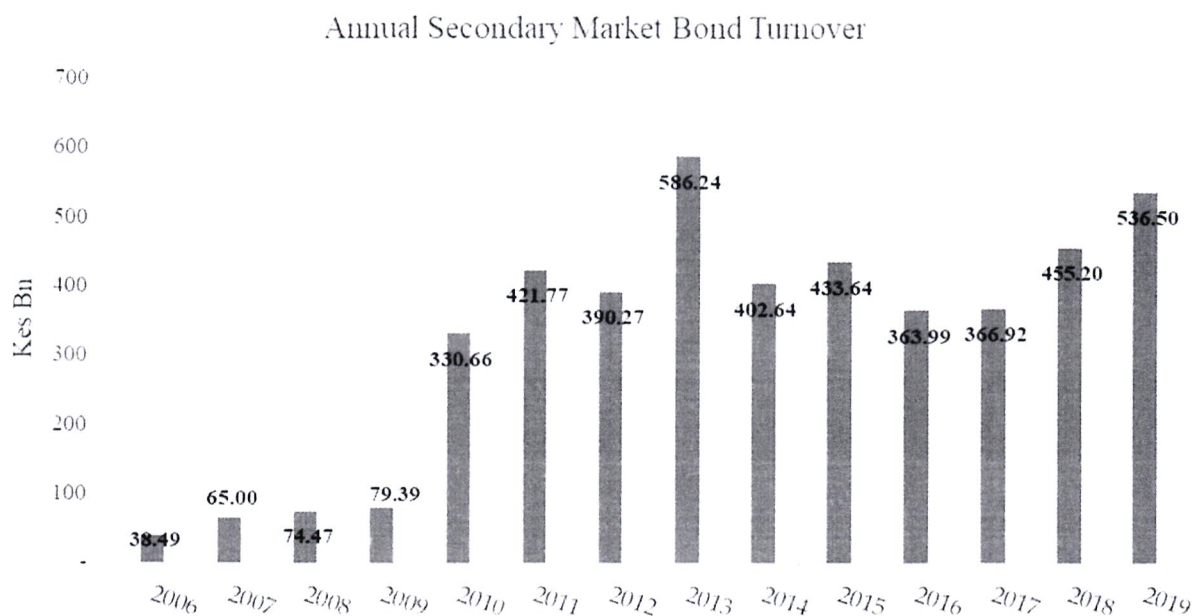


Source: Central Bank of Kenya

2.8 Government Securities Trading

In value terms, there has been improved turnover in the secondary market for Treasury Bonds during the financial year ended June 2019 (figure 2-8). 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 the prevailing interest rate caps regime.

Figure 2-8: Annual Treasury Bonds Trading, June 2006-June 2019

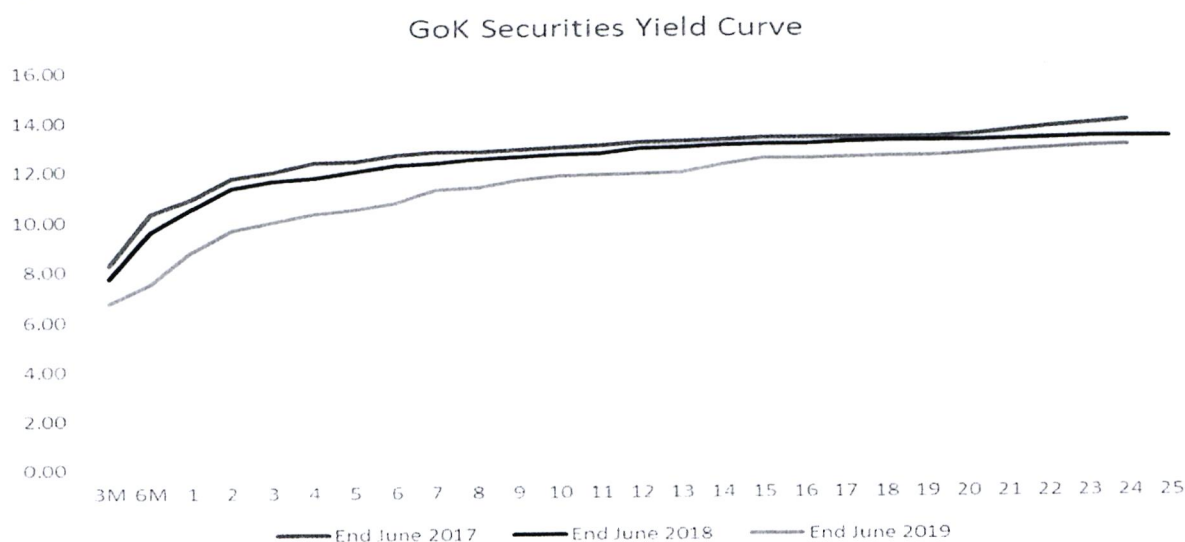


Source: Central Bank of Kenya

2.9 Government Securities Yield Curve

During the year under review, 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. The yield curve shifted downward, upward sloping at the shorter end but flatter at the longer end reflecting effects of interest rate caps (Figure 2-9).

Figure 2-9: Government of Kenya Securities Yield Curve, June 2019



Source: Central Bank of Kenya

Issuance of Treasury benchmark bonds for longer dated tenors reduced refinancing risks of total outstanding debt. A stable and reliable yield curve provides a pricing reference to all issuers of fixed income securities.

2.10 Interest Payments on Domestic Debt

As at end June 2019, the total interest payments and other charges on the overall domestic debt stood at to Kshs 272,351 million. This reflects an increase of Kshs 32,854 million from the previous fiscal year position (Table 2-6). The ratio of domestic interest payments to total revenue decline during the year to 16.8 percent although increased to 2.9 percent of GDP during the period under review.

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

Type of Debt	June 2015	June 2016	June 2017	June 2018	June 2019
Treasury Bills	24,714	37,491	66,270	66,545	81,876
Treasury Bonds	108,948	127,496	144,566	167,030	184,771
CBK Commission	3,000	3,000	3,000	3,000	3,000
Pre - 1997 Debt	825	794	759	725	707.1
Others (Overdraft)	2,240	4,077	1,270	2,197	1,996.9
Total	139,727	172,857	212,865	239,497	272,351
Ratios (Per cent)					
Domestic Interest/Revenue	13.5	14.9	15.2	17.6	16.8
Domestic Interest/GDP	2.4	2.6	2.8	2.7	2.9

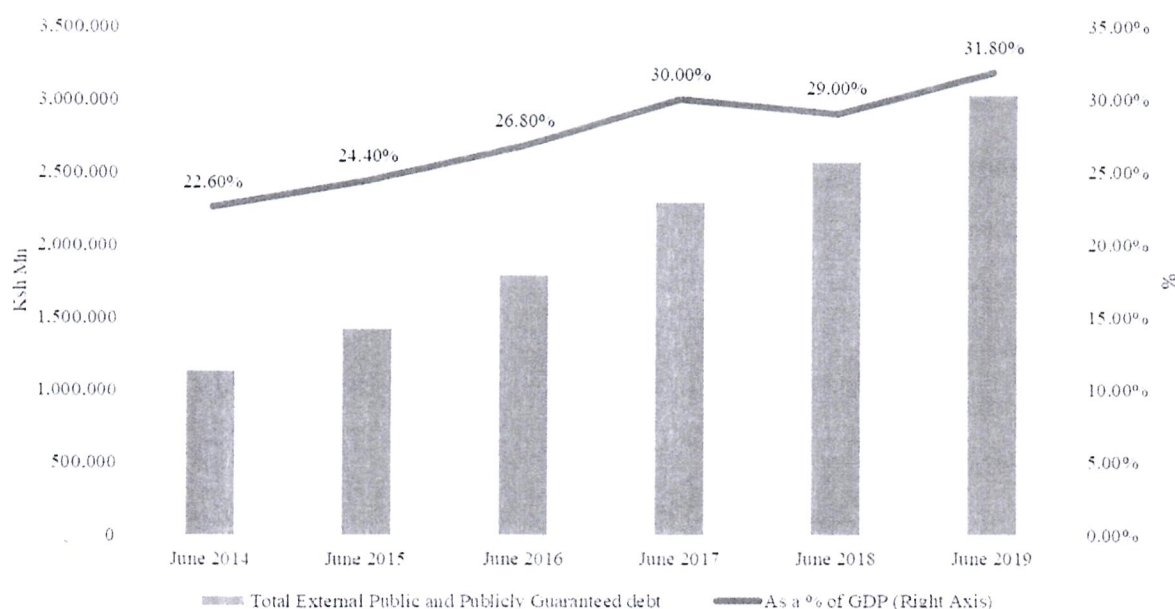
Source: Central Bank of Kenya

CHAPTER THREE EXTERNAL DEBT

3.1 Total Public Debt

As at end June 2019, external public and publicly guaranteed debt stood at Kshs 3,023,139 million compared to Kshs 2,568,398 million at end June 2018. In nominal terms, this category of debt is equivalent to 31.8 percent of GDP (Figure 3-1).

Figure 3-1: External public and publicly guaranteed debt, June 2014- June 2019



Source: National Treasury

3.2 External Public Debt

External public debt stood at Kshs 2,863,733 million in June 2019 from Kshs 2,431,693 million in June 2018, a rise of 17.8 percent (Table 3.1). The largest increases were in commercial debts (commercial banks - this includes Eurobond holdings, and suppliers' credit) at 22.7 percent and bilateral debts at 20.9 percent. However, commercial debts are the largest component of the total external debt (Figure 3-2 and Table 3-2). The details are included in Appendix II.

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

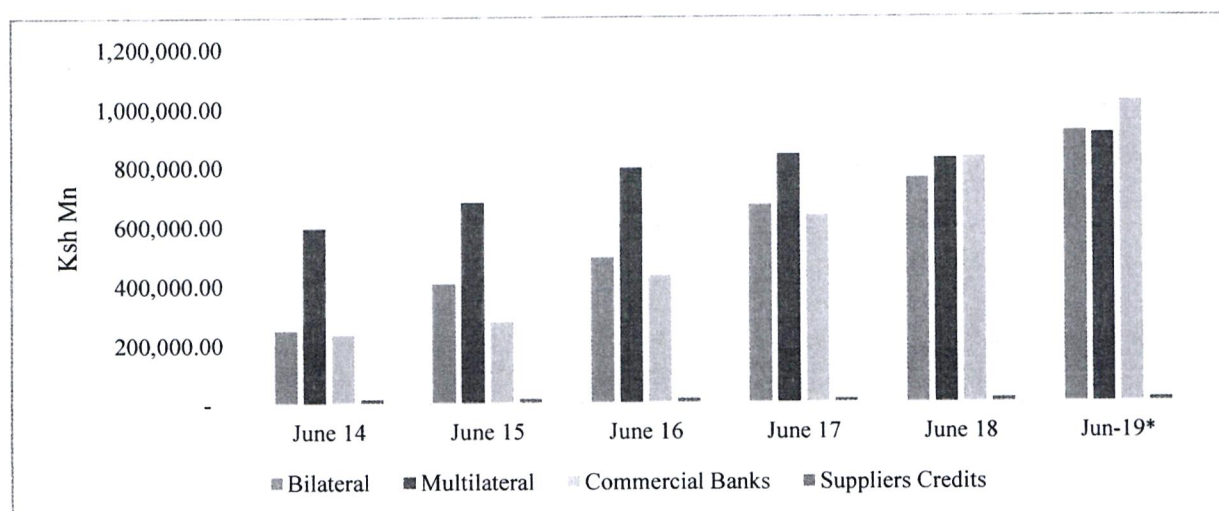
Creditor type	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19*
External Debt						
Bilateral	248,636	405,562	491,864	669,840	759,017	917,980
Multilateral	593,397	680,192	794,797	839,721	825,299	909,791
Commercial Banks	234,799	276,937	432,377	634,109	830,652	1,019,030
Suppliers Credits	16,452	16,628	16,628	15,303	16,725	16,932

Creditor type	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19*
Sub-Total Public Debt	1,093,284	1,379,319	1,735,667	2,158,973	2,431,693	2,863,733
Commercial	-	-	-	77,784	75,787	76,724
Bilateral	41,278	39,495	56,487	52,729	56,371	78,079
Multilateral	3,943	4,439	4,044	4,667	4,547	4,603
Sub-Total Publicly Guaranteed Debt	45,221	43,934	60,531	135,180	136,705	159,406
Grand Total	1,138,505	1,423,253	1,796,198	2,294,153	2,568,398	3,023,139

*Provisional

Source: National Treasury

Figure 3-2: National Government External Debt by Creditor Type (Kshs Million)



Source: National Treasury

3.3 Structure of National Government External Debt

a. Classification by Creditor Category

Table 3-2: Classification by Creditor Category (percent)

Category	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19*
Multilateral	22.7	29.4	28.3	31	33.9	31.8
Bilateral	54.3	49.3	45.8	38.9	31.2	32.1
Commercial Banks	21.5	20.1	24.9	29.4	34.2	35.6
Suppliers Credits	1.5	1.2	1	0.7	0.7	0.6

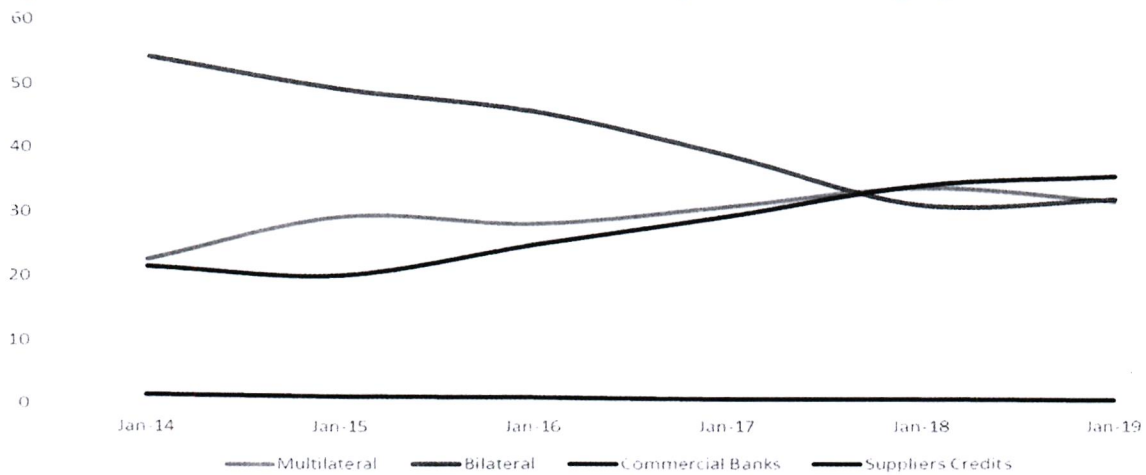
*Provisional

Source: National Treasury

The share of bilateral debts has consistently declined from 54.3 percent in June 2014 to 32.1 percent in June 2019. During the period, the share of suppliers' credit fell by 60 percent to

0.6percent though debt owed to commercial banks (including Eurobond investors) rose by 65.6 percent. The share of multi-lateral debts, a highly concessional component of external debt increased by 40 percent. (Table 3-2 and Figure 3-3).

Figure 3-3: National Government External Debt by Creditor Category

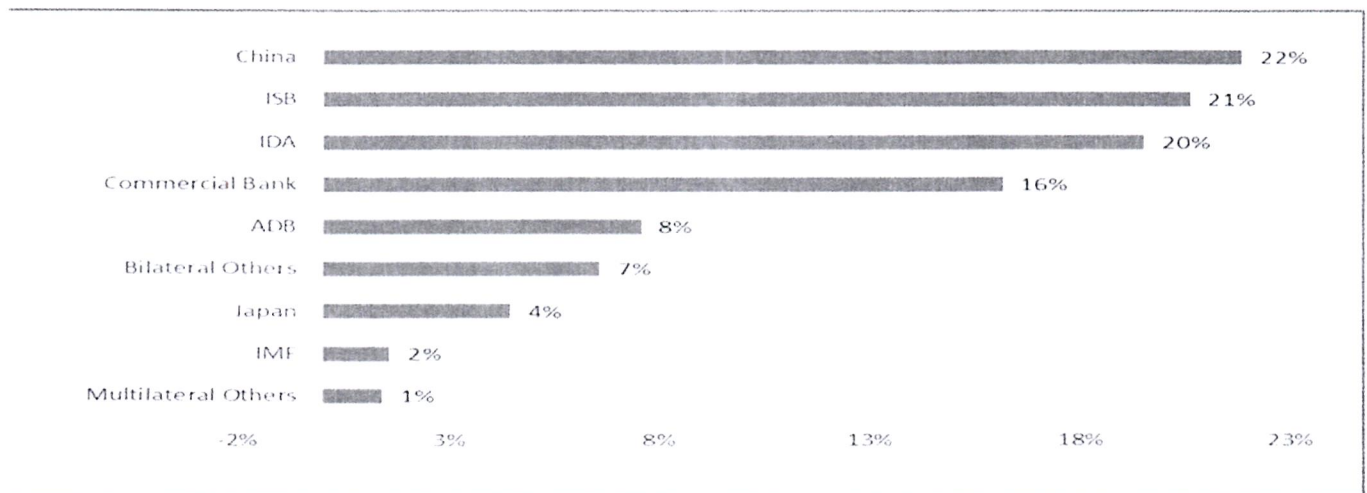


Source: *National Treasury*

b. Classification by Major Creditors

As at end June 2019 the main creditors were China, International Sovereign Bond (ISB) holders, World Bank (IDA) and Commercial Banks (syndicate of banks) at 22 percent, 21 per cent, 20 per cent and 16 per cent, respectively. The four creditors accounting for 79 percent of total external debt. African Development Bank Group account to 8 percent of the total external debt while the rest to other multilateral, bi-lateral and commercial creditors.

Figure 3-4: Major External Creditors as at End June 2019

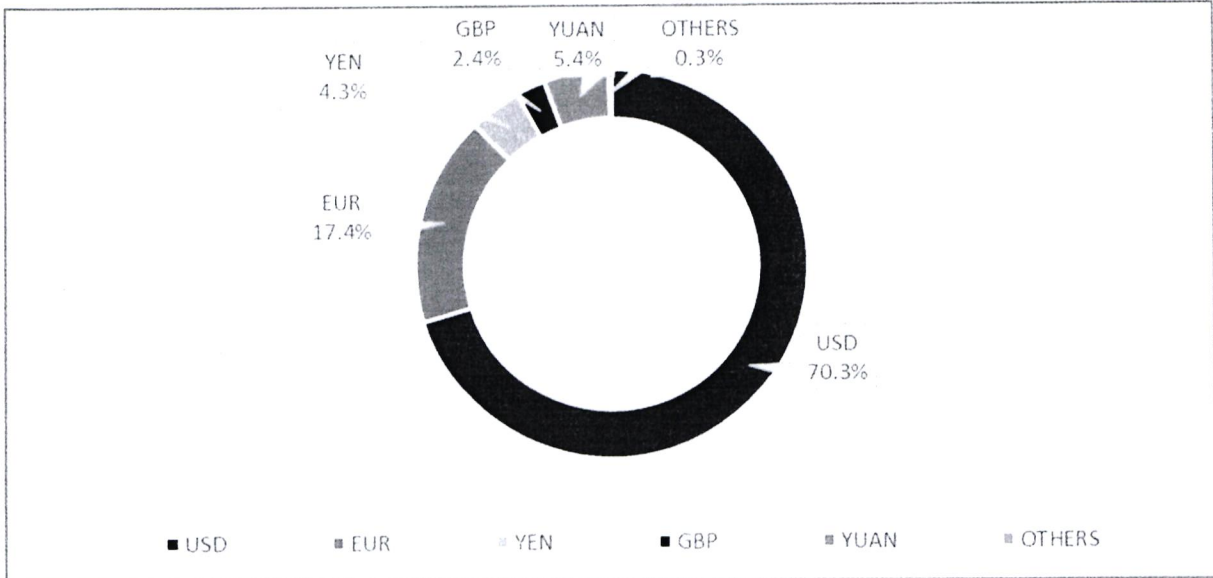


Source: *National Treasury*

c. Classification by Currency Composition of External Debt

The currency composition of external debt as at end of June 2019 shows USD exposure at 70.3 per cent. Euro exposure is 17.4 percent while the Chinese Yuan is at 5.4 percent. Other significant currencies in the portfolio include the Japanese Yen and the GBP accounting 4.3 per cent and 2.4 per cent, respectively (Figure 3-5). A diversified currency mix mitigates against exchange and interest (for floating rates) rates risks on external debt portfolio.

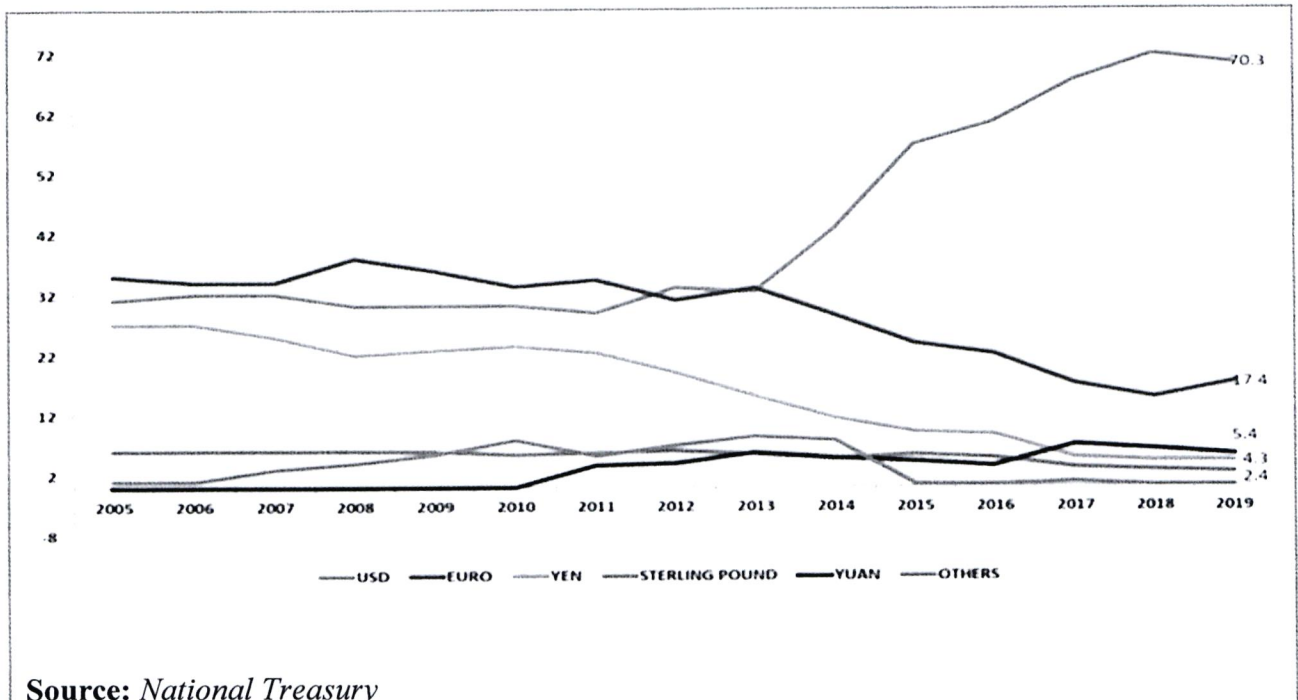
Figure 3-5: Currency composition of National Government External Debt, end June 2019



Source: National Treasury

The USD rise to dominance began in 2012 (Figure 3-6) arising from large uptake of USD denominated loans and later access to international financial markets through issuance of the Eurobonds.

Figure 3-6: Trends in Currency Composition of External Debt



Source: National Treasury

3.4 Maturity Structure of external debt

During the period under review, the maturity structure of external debt lengthen with 76.3 percent of the debt maturing in over 10 years compared to 71.4 percent in the year ended June 2018. Only less than 3 percent of the debt is maturing in under 4 years compared to 6.7 percent in the previous financial year (Table 3-3). A longer *average term-to-maturity* of loans minimizes refinancing risks in the debt portfolio.

Table 3-3: Outstanding External Debt by Maturity Structure, June 2012 - June 2019

Remaining Maturity	June 2012	June 2013	June 2014	June 2015	June 2016	June 2017	June 2018	June 2019
1 -4 years	6.6	7.9	14.7	8.2	11.4	15.4	6.7	2.9
5-10 years	15.8	16.9	22.9	25.5	24.7	22.5	21.9	20.7
Over 10 years	77.6	75.3	62.4	66.3	63.9	62.1	71.4	76.3

Source: The National Treasury

3.5 External Debt Service

Principal and interest payments on public external debt amounted to Kshs 368,478 million in the financial year ended June 2019 reflecting a 68.1 percent increase from the year ended June 2018 (Table 3-4). This increase was due to large maturities on commercial debts (largely syndicated bank debts and part of 2014 Sovereign Bonds). During the financial year, nearly 76 percent of external debt service was to commercial creditors while the rest were to multi-lateral and bi-lateral creditors. Commitment fees paid on undisbursed loans was Ksh 2,687,654,178.15 during the FY2018/19.

Table 3-4: External Debt Service Payments by Creditor Category (Kshs million)

Creditor		Jun-12	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19*
Multilateral	Principal	12,560	12,210	11,550	13,349	15,424	15,821	16,205	17,786
	Interest	3,781	3,702	5,580	4,881	5,641	5,764	6,038	7,422
	Sub Total	16,341	15,912	17,130	18,230	21,065	21,585	22,243	25,208
Bilateral	Principal	11,394	11,783	13,419	13,097	19,789	19,329	21,357	30,119
	Interest	3,570	5,012	6,640	10,574	15,270	22,613	30,255	33,379
	Sub Total	14,964	16,795	20,059	23,671	35,059	41,942	51,613	63,498
Commercial	Principal	0	0	831	53,768	802	771	100,083	217,201
	Interest	0	2,337	3,380	17,875	21,657	29,882	45,281	62,571
	Sub Total	0	2,337	4,211	71,643	22,460	30,653	145,364	279,772
Grand Total	Principal	23,954	23,993	25,800	80,214	36,015	35,921	137,645	265,106
	Interest	7,351	11,051	15,600	33,330	42,568	58,259	81,574	103,372
	Total	31,305	35,044	41,400	113,544	78,583	94,180	219,220	368,478
Percentage Distribution									
Multilateral		52.20%	45.40%	41.40%	16.10%	26.80%	22.60%	10.10%	6.84%
Bilateral		47.80%	47.90%	48.50%	20.80%	44.60%	45.40%	23.54%	17.23%
Commercial		0.00%	6.70%	10.20%	63.10%	28.60%	32.10%	66.10%	75.93%
Total		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

*Provisional

Source: The National Treasury

3.6 Average Terms of New External Loan Commitments

Over the last 5 years, the borrowing terms for external loans have harden following Kenya's upgrade to a lower-middle income country. The maturity and grace period have shortened while

average interest rates have risen reflecting rise in loans contracted on commercial terms (Table 3-5) in the external debt portfolio. During the financial year 2018-9, the average maturity period, grace period and average interest rate on new external loan commitments were 15 years, 6 years and 3.9 per cent, respectively).

Table 3-5: Average Terms of New External Loan Commitments

Terms	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19
Average Maturity (years)	26.3	33.7	18.1	21.0	20.3	17.6	20.8	15.3
Grace Period (years)	6.2	8.0	6.2	6.4	6.2	4.5	10.3	5.6
Average Interest Rate (%)	0.8	1.2	2.6	2.5	2.6	2.6	3.9	3.9

Source: National Treasury

3.7 Disbursements External Loans

Disbursements of externally funded development projects rose by 54 per cent to Kshs 680,759 million at end June 2019 from Kshs 441,086 million in June 2018 mainly due to improved management of development projects including funds flow, provision of counter-part government funds and timely procurement of goods and services (Table 3-6).

Table 3-6: External Loans Disbursements (Kshs million)

Type of disbursement	Jun-15		Jun-16		Jun-17		Jun-18		Jun-19	
	Kshs M	%	Kshs M	%	Kshs M	%	Kshs M	%	Kshs M	%
Project Cash Loans	8,600	2.8	43,654	14.3	30,908	7.3	24,214	5.5	41,681	6.1
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
Project loans A-I-A, SGR	-	-	52,357	17.2	111,367	26.4	54,000	12.2	35,201	5.2
Project loans A-I-A, SGR Phase 2A	-	-	-	-	-	-	-	-	44,759	6.6
Commercial Financing	145,000	47.5	145,031	47.6	186,303	44.2	200,000	45.3	373,712	54.9
Programme loans	-	-	8,574	2.8	6,767	1.6	-	-	84,784	12.5
Total	305,000	100	304,986	100	421,667	100	441,086	100	680,759	100

Source: The National Treasury

3.8 Publicly Guaranteed Debt

Publicly guaranteed debt refers to the debt held by County Governments or National Government public entities owed to foreign and local creditors but guaranteed by national government. The debts may be denominated in foreign or domestic currency. The total outstanding Government guaranteed debt increased by Kshs 22,701 million to Kshs 159,406 million in June 2019 from Kshs 136,705 million at end June 2018 (Table 3-7). The increase due to new disbursements on guaranteed debts and movements in foreign exchange rates. During the financial year ended June 2019, the National Government did not issue any loan guarantees.

a. Stock of Publicly Guaranteed Debt

The total outstanding Government guaranteed debt increased by Kshs 22,701 million to Kshs 159,406 million by June 2019 from Kshs 136,705 million at end June 2018 (Table 3-7). The increase is attributed to new disbursements and movements in foreign exchange rates. The details are in Appendix I.

Table 3-7: Stock of Publicly Guaranteed External Debt by Creditor Category

Creditor Category	Jun 13	Jun 14	Jun 15	Jun 16	Jun 17	Jun 18	Jun 19
Commercial	-	-	-	-	77,784	75,787	76,724
Bilateral	39,667	41,278	39,495	56,487	52,729	56,371	78,079
Multilateral	3,870	3,943	4,439	4,044	4,667	4,547	4,603
Total	43,537	45,221	43,934	60,531	135,180	136,705	159,406
*Provisional							
Source: National Treasury							

b. Payments by the Government on Publicly Guaranteed Debt

During the FY 2018/2019, Government paid Kshs 1,374 million as called up guaranteed debts owed by public enterprises that were unable to honour the debts owed to external creditors (Table 3-8). Of the debts settled, East Africa Portland Cement (EAPC), Tana and Athi River Development Authority (TARDA), and Kenya Broadcasting Corporation (KBC) account for 25.6 per cent, 20.5 percent, and 53.9 per cent, respectively. Under Section 61 of the PFM Act, 2012 and Section 201 of the PFM (National Government) Regulations, 2015 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.

Table 3-8: 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

Year	Borrower	Quarter I	Quarter II	Quarter III	Quarter IV	Total
	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

Source: National Treasury

3.9 Disputed External Commercial Debt

Out of the total external commercial debt, Kshs 16,932 million (approximately USD 170 million) as at end June 2019 has been in dispute since August 2004. The debts are subject in on-going cases in court. The Government has not effected or serviced these debts during the financial year under review pending resolution of the disputes.

CHAPTER FOUR

ON-LENT LOANS

4.1 Introduction

The National Treasury has been contracting loans from either external or domestic sources for on-lending to State Corporations and other entities. This arrangement takes into account the following considerations:

- i. The strategic role played by the State Corporation,
- ii. The health of balance sheet of the State Corporation and the inability to attract competitive funding, and
- iii. The level of priority of the project in the development agenda of the Government.

4.2 Stock of On-Lent Loans

As at the end June 2019, the outstanding debt stock for all on-lent loans to State Corporations stood at Kshs 797,847 million as at the end June 2019 with a marginal decline by Kshs 25,331 million from Kshs 823,178 million (Table 4-1). About 83 per cent of the debts are to State Corporations in transport, infrastructure, energy and petroleum sectors.

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

Sector	June 2016	June 2017	June 2018	June 2019
Education	11,108	11,108	11,089	11,088
Finance	1,236	3,868	3,050	3,243
Water and Irrigation	56,251	61,782	105,069	79,174
Tourism	181	188	175	175
Energy and Petroleum	123,133	212,493	187,502	185,155
Transport and Infrastructure	363,179	501,383	500,180	475,695
Planning and Devolution	8,757	8,877	8,069	350
Agriculture, Livestock and Fisheries	7,241	10,286	7,568	4,586
Trade and Industry	454	457	457	2,140
Cooperative	729	931	476	402
Total	572,249	811,372	823,178	797,847

Source: *National Treasury*

4.3 On-Lent Loans (including Arrears)

The end June 2019 on-lent loan arrears including the outstanding principal was Kshs 57,309 million of which the outstanding principal, principal arrears and accrued interest accounted for Kshs 15,063 million, Kshs 15,697 million and Kshs 27,073 million, respectively (Table 4-2).

Table 4-2: On-Lent Loans (including Arrears) as at June 2019 (Kshs million)

Ministry/Sector	Outstanding loans	Principal Arrears	Accrued interest	Total
Finance	148	148	74	370
Education	169	169	32	370
Tourism	128	128	556	288
Water & Irrigation	87	214	-	301
Energy & Petroleum	-	-	-	-
Transport and Infrastructure	-	-	1,641	1,641
Trade and Industry	2,552	2,614	33	5,199
Cooperative	-	-	-	-
Planning & Devolution	7,973	8,418	14,391	30,782
Agriculture, Livestock & Fisheries	4,006	4,006	10,346	18,358
Total	15,063	15,697	27,073	57,309

Source: *National Treasury*

4.4 Repayment from On-Lent Loans

The Government received Kshs 5,096 million from on-lent loans during the FY2018/2019 out of which Kshs 2,919 million was principal and Kshs 2,177 million was interest (Table 4-3).

Table 4-3: Receipts from On-Lent Loans, by End June 2019 (Kshs million)

Organization	Principal receipts	Interest Receipts	Total
Co-operative Bank Ltd	74,101,758.00	12,110,186.80	86,211,944.80
Eldoret Water & Sewerage Co Ltd	22,496,364.00	-	22,496,364.00
Equity Bank Ltd	45,163,371.10	5,926,113.90	51,089,485.00
Faulu Micro Finance Bank Ltd	39,261,444.40	8,343,057.30	47,604,501.70
Kenya Airport Authority	197,305,296.60	95,523,350.60	292,828,647.20
Kenya Civil Aviation Authority	63,841,979.60	113,555,436.45	177,397,416.05
Kengen	1,012,981,337.60	1,619,400,436.35	2,632,381,773.95
Kenya Power & Lighting Co	1,333,262,124.75	274,292,840.25	1,607,554,965.00
Kenya Women Micro Bank Ltd	40,222,388.50	8,547,257.80	48,769,646.30
Nyeri Water & Sewerage	50,417,076.00	17,330,869.00	67,747,945.00
Rafiki Micro- Finance Bank Ltd	18,588,763.80	3,943,737.35	22,532,501.15
Rift valley water service board	1,800,000.00	8,000,000.00	9,800,000.00
SMEP	19,759,277.80	4,198,847.20	23,958,125.00
Athi water service board	0	6,440,000.00	6,440,000.00
Total	2,919,201.15	2,177,612,133.00	5,096,813,315.15

Source: *National Treasury*

CHAPTER FIVE

FISCAL COMMITMENTS AND CONTINGENT LIABILITIES

5.1 Recognizing Potential Fiscal Risks

The Government has embarked on innovations in financing infrastructure development through non-debt financing models such as Public Private Partnerships (PPP). However, these innovations have the ability to increase fiscal commitments and create contingent liabilities.

Through the Public Private Partnership (PPP) initiatives, the private sector has been facilitated to mobilize financing to implement projects that would have been otherwise undertaken by the Government. The PPP initiative has been applied in the energy sector to finance Independent Power Producers (IPP).

Instruments of support and credit enhancement measures for the PPP framework include project development funding, availability payments, upfront capital grants, operational grants, revenue guarantees, Partial Risk Guarantees (PRG), etc.

The support provided by Government include issuance of Letters of Support² to protect the investors from political events. In the event of termination of a PPP due to a political event, the Government may be liable to compensate all or part of the materialized risks. To ensure approval of, and fiscal accountability in the management of, financial and any other form of Government support granted in the implementation of the country's PPP program, the PPP Committee has adopted a Fiscal Commitment and Contingent Liability (FCCL) Management Framework.

5.2 Relationship between PPP Unit and PDMO

Under the PPP Act, the National Treasury through the Directorate of Public Debt Management Office (PDMO) in the National Treasury is responsible for mandatory evaluation of all proposed PPP projects for financial risks and contingent liabilities as a condition of project approval. Other functions of PDMO in relation to PPP projects include:

- a) Confirmation of initial approval at feasibility stage based on preferred submission and final negotiated project structure;
- b) Regular monitoring of all support measures for any amendment(s) or variation(s) to a project agreement's terms and conditions, project outputs or any waivers in the project agreement.

All guarantees and other security instruments provided under the PPP, together with all other contingent liabilities are integrated into the debt management framework. The National Treasury routinely assess contingent liabilities and is establishing systems for monitoring these projects with a view of ensuring continuous risk management, disclosure and reporting of all fiscal risks associated with PPPs. In addition, as part of increasing accountability and transparency within the PPP.

To mitigate the FCCL risks, the PPP Project Facilitation Fund (PFF), a revolving fund was established under the PPP Act to provide good governance framework to manage direct liabilities and contingent liabilities once it is operational. In addition, the monitoring function under both the

² These are actions or inaction of Government or any Governmental Authority which adversely and materially affects the operations of the PPPs.

PPP Unit and the PDMO of PPP project implementation is being strengthened through ongoing consultancy to provide an early warning system so as to cushion Government against any fiscal surprises.

CHAPTER SIX
PUBLIC DEBT MANAGEMENT STRATEGY AND DEBT SUSTAINABILITY

6.1 Public Debt Management Strategy

a. The Medium Term Debt Management Strategy

The Kenya Government through the National Treasury prepares the Medium-Term Debt Management Strategy (MTDS) in line with section 33 of the Public Finance Management Act (PFMA), 2012. The objective of the MTDS are:

- i. to minimize the cost of public debt management and borrowing over the long-term taking account of risk;
- ii. to promote the development of the market institutions for Government debt securities; and
- iii. to ensure the sharing of the benefits and costs of public debt between the current and future generations.

During the financial year 2018/2019 the Government's debt management strategy was to borrow 57 per cent of its financing needs from external sources focusing on medium term instruments and 43 per cent from domestic sources in gross terms. External borrowing is composed of 23 per cent concessional, 12 per cent semi concessional and 22 per cent on commercial terms. This strategy took into consideration alternatives as presented in Box 1 below.

Box 1: FY 2018/19 MEDIUM TERM DEBT MANAGEMENT STRATEGY (MTDS) FORMULATION PROCESS (ALTERNATIVE BORROWING STRATEGIES & IDENTIFICATION OF OPTIMAL STRATEGY)

I. Alternative Borrowing Strategies

The FY 2018/19 MTDS evaluated the following four (4) possible debt financing strategies (Table 6-1):

Strategy 1 (S1): This strategy represented FY2017/18 borrowing mix, and was referred as the baseline strategy. Under the strategy, the fiscal deficit was to be met by borrowing from domestic and external borrowing. The composition was to be achieved by external commercial borrowing of US\$ 2.79 billion in FY2018/19 and US\$ 0.97 billion FY2019/20, in addition to the contracting of credit from concessional sources. On the domestic front, the objective was to lengthen the maturity profile of domestic debt by reducing the share of T-Bills in total net domestic financing ratio of 35:65 strategy as at June 2018. In a three-year period, the share of T-Bills in net domestic financing was to decrease to a level around 13 percent in 2020/21 from the current level of 35 percent.

Strategy 2 (S2): More domestic borrowing each year. This strategy increased the size of domestic borrowing by increasing the amounts to be issued in the domestic market as compared to S1. The increase in the amounts was meant to improve liquidity in the market and help develop domestic debt market.

Strategy 3 (S3): Increased issuance of domestic medium to long- term debt. As opposed to S2, this strategy increased the quantum on external borrowing while the domestic issuance was concentrated on the medium to long term tenors. This was aimed at reducing the

refinancing risks associated with the short-term debt and also improving trading in the secondary market through increased volumes.

Strategy 4 (S4): Commercial borrowing. This strategy assumed accelerated borrowing from international capital markets or other commercial sources, while maintaining presence in the domestic market through sustained issuance of T bills and T-Bonds.

Table 6-1: Composition of Debt by Instrument under Alternative Debt Management Strategies as at end FY2018/19 (in per cent of outstanding portfolio)

Envisaged New debt	2018/19 MTDS				
	Existing debt	S1	S2	S3	S4
Domestic	50	43	51	44	41
Treasury Bills	16	13	14	10	14
Treasury Bonds	33	30	37	34	27
External	50	57	49	56	59
Concessional	19	23	21	22	18
Semi-concessional	6	12	8	12	5
Commercial	25	22	20	22	36

FY 2018/19 MTDS

After a comprehensive analysis of all strategies, consequent the strategy 1 was identified as the optimal strategy which entails: 57 per cent external borrowing and 43 per cent domestic borrowing to finance the national government budget in gross terms. On the external debt, concessional is proposed at 23 per cent, semi-concessional 12 per cent and commercial 22 per cent; and on domestic side, issuance of long term instruments (more borrowing through medium term to long term treasury bonds and less through treasury bills) was recommended.

Source: FY 2018/19 MTDS, National Treasury

b. Implementation of the FY 2018/19 MTDS

As shown in Table 6-2, there were deviations of actual financing mix outturn compared to MTDS plan in FY2018/19.

Table 6-2: Planned Net Financing under MTDS and Actual Outturn (Per cent)

Financing source		2015/16	2016/17	2017/18	2018/19*
External	MTDS	45	60	60	57
	Actual	61	55	55	58
	Deviation	-16	5	5	-1
Domestic	MTDS	55	40	40	43
	Actual	39	45	45	42
	Deviation	16	-5	-5	1

*provisional

Source: National Treasury

6.2 Debt Sustainability

The Government endeavours to maintain public debt and obligations at sustainable levels in line with section 15 (2) (d) of the Public Finance Management (PFM) Act 2012. Public debt sustainability is the ability of a country to service its debt obligations as they fall due without disrupting its budget implementation.

In the Debt Sustainability Framework (DSF), countries are classified into one of three policy performance categories (Strong, Medium, and Poor) using the World Bank's Country Policy and Institutional Assessment (CPIA) index which uses different indicative thresholds for debt burdens depending on the quality of a country's policies and institutions. Kenya is rated a strong policy performer and being a lower middle-income country it is subject to public debt sustainability threshold of maximum of 70 percent Present Value of Debt/GDP.

c. Kenya's External Debt

Under the baseline scenario, Kenya's debt ratios listed in Table 6-3 indicates that external debt is within sustainable levels. The debt sustainability indicators show that Kenya faces a moderate risk of external debt distress. This is due to the high level of concessionality of current external debt and the positive outlook in other macroeconomic indicators. Debt sustainability is a forward looking assessment over the long term (20 years). All external debt sustainability ratios are projected to remain within sustainability thresholds.

Table 6-3: Kenya's External debt sustainability

Indicators	Thresholds	2017	2018	2019	2020	2021
PV of debt-to-GDP ratio	55	25.9	31.4	32.3	29.1	25.6
PV of debt-to-exports ratio	240	165.4	191.1	191.4	168.5	146.9
PPG Debt service-to-exports ratio	21	16.5	19.9	26.2	25.6	24.9
PPG Debt service-to-revenue ratio	23	13.3	16.2	21.6	22.0	21.6

Source: IMF Country Report No. 18/295, October 2018

d. Total Public Debt

Kenya's total public debt sustainability threshold on PV of Debt/GDP is 70 percent. Kenya's total public debt as a proportion of GDP peaked in 2018 and is projected to gradually decrease over the medium term.

Indeed, total public debt as a proportion of GDP remains well below the Lower-Middle Income country debt sustainability benchmark of 70 percent to GDP in PV terms.

Overall, debt sustainability analysis indicates that public sector debt continues to be sustainable although Kenya's current external debt risk of distress categorization has moved from low to moderate.

CHAPTER SEVEN OUTLOOK FOR THE MEDIUM TERM

7.1 Public Debt Stock in the Medium Term

The total public debt in nominal terms was Kshs 5,809,074 million as at end June 2019 and is projected to increase to Kshs 6,254,500 million by June 2020 (Table 7-1). In nominal terms public debt to GDP is projected to decline to 49.2 per cent in June 2023 from 61.1 per cent in June 2019.

As a proportion of GDP, external public debt is projected to fall to 25.1 per cent in June 2023 from 31.8 per cent in June 2019 and domestic debt to 24.1 per cent in June 2023 from 29.3 per cent over the same period.

Table 7-1: Projected Public Debt Stock in (Kshs million)

	2018/19	2019/20	2020/21	2021/22	2022/23
External Debt	3,023,138	3,188,100	3,472,400	3,699,500	3,945,100
% of GDP	31.8%	29.6%	28.5%	26.8%	25.1%
Domestic Debt	2,785,936	3,066,400	3,283,700	3,522,600	3,784,700
% of GDP	29.3%	28.5%	27.0%	25.5%	24.1%
Total Public Debt	5,809,074.00	6,254,500.00	6,756,100.00	7,222,100.00	7,729,800.00
% of GDP	61.1%	58.1%	55.5%	52.3%	49.2%
Memoranda items					
Nominal GDP	9,510,446.46	10,765,655.37	12,168,830.87	13,807,522.01	15,696,500.84

Source: National Treasury, BPS 2019

7.2 Debt Service in the Medium Term

In nominal terms, the total debt service as a proportion of revenue is projected to fall to 26.3 per cent in 2022/23 from 38.9 per cent in 2018/19 (Table 7-2). As a percentage of GDP, total debt service is projected to decline to 4.7 per cent in 2022/23 from 6.8 per cent in 2018/19.

Domestic interest is projected to increase to Kshs 287,800 million in 2019/20 from Kshs 277,351 million in 2018/19. However, as a percentage of revenue, domestic interest is projected to decrease to 15.3 per cent in 2019/20 from 16.8 per cent in 2018/19.

As a ratio of GDP, domestic interest will decrease to 2.4 per cent in 2022/23 from 2.9 per cent 2018/19.

Interest on external debt is projected to increase to Kshs 138,500 million in 2019/20 from Kshs 103,572 million in 2018/19. As a ratio of GDP, interest on external debt will rise to 1.3 per cent in 2019/20 from 1.1 per cent in 2018/19. This is as a result of lower maturities in 2019/20 compared to 2018/19.

Principal repayments on external debt is projected to decrease to Kshs 131,382 million in 2019/20 from Kshs 266,241 million in 2018/19. As a ratio of GDP, the external repayments will decrease to 1.2 per cent in 2019/20 from 2.8 per cent in 2018/19.

Table 7-2: Projected Debt Service (Kshs million)

	2018/19	2019/20	2020/21	2021/22	2022/23
Domestic Interest	272,351	287,800	315,000	359,400	374,400
% of GDP	2.9%	2.7%	2.6%	2.6%	2.4%
% of Revenue	16.5%	15.3%	14.7%	14.6%	13.4%
External Interest	103,572	138,500	145,900	148,200	156,600
% of GDP	1.1%	1.3%	1.2%	1.1%	1.0%
% of Revenue	6.3%	7.4%	6.8%	6.0%	5.6%
Total Interest	375,923	426,300	460,900	507,600	531,000
% of GDP	4.0%	1.3%	1.2%	1.1%	1.0%
% of Revenue	22.8%	7.4%	6.8%	6.0%	5.6%
External Principal	266,241	131,382	180,619	222,287	204,839
% of GDP	2.8%	1.2%	1.5%	1.6%	1.3%
% of Revenue	16.1%	7.0%	8.4%	9.0%	7.3%
Total debt service	642,164	557,682	641,519	729,887	735,839
% of GDP	6.8%	5.2%	5.3%	5.3%	4.7%
% of Revenue	38.9%	29.7%	29.9%	29.6%	26.3%
Revenue	1,651,500.00	1,877,200.00	2,142,800.00	2,465,400.00	2,798,000.00
GDP	9,510,446.46	10,765,655.37	12,168,830.87	13,807,522.01	15,696,500.84

Source: National Treasury, BPS, 2019

GLOSSARY

- **Concessionality**

A measure of the softness of a credit reflecting the benefit to the borrower compared to a loan at market rate. Technically, it is calculated as the difference between the nominal value and the present value of the debt service as of the date of disbursement, calculated at a discount rate applicable to the currency of the transaction and expressed as a percentage of the nominal value.

- **Debt Service**

The amount of funds used for repayment of principal and interest of a debt.

- **Debt Sustainability**

Sustainable debt is the level of debt which allows a debtor country to meet its current and future debt service obligations in full, without recourse to further debt relief or rescheduling, avoiding accumulation of arrears, while allowing an acceptable level of economic growth.

- **Debt Sustainability Analysis**

This is conducted in the context of medium-term scenarios. These scenarios are numerical evaluations that take account of expectations of the behaviour of economic variables and other factors to determine the conditions under which debt and other indicators would stabilize at reasonable levels, the major risks to the economy, and the need and scope for policy adjustment. In this analysis, macroeconomic uncertainties, such as the outlook for the current account, and policy uncertainties, such as for fiscal policy, tend to dominate the medium term outlook.

- **Disbursement**

The actual transfer of financial resources or of goods or services by the lender to the borrower.

- **Domestic Borrowing**

Government borrowing through issuance of local Government securities and direct borrowing from the Central Bank.

- **External Borrowing**

Government borrowing from both official (Government or Government agencies) and private institutions domiciled outside the country.

- **Government Securities**

Financial instruments used by the Government to raise funds from the primary market.

- **Present Value**

The present value (PV) is defined as the sum of all future cash flows (interest and principal) discounted at the appropriate market rate. For a loan, whenever the interest rate on a loan is lower than the market rate, the resulting PV is lower than its face value.

- **Primary Market**

This is a market where financial instruments are originated through initial issuance.

- **Public Debt**

This refers to outstanding financial obligations of the Government arising from past borrowing. It includes Government guaranteed debts to State Corporations and Local Authorities.

- **Domestic Debt**

Part of the overall debt owed by the Government to creditors domiciled in the economy. The debt includes money owed to commercial banks, non-bank financial institutions, individuals among others. The term domestic debt is used in relation to government obligation.

- **External Debt**

Part of the overall debt owed by the Government to creditors domiciled outside the economy. The debt includes money owed to private commercial banks, other governments, or international financial institutions such as the IMF and World Bank. The term external debt is used in relation to government obligation.

- **Secondary Market**

This is a market where already issued financial instruments are traded.

- **Sovereign Bond**

A debt security issued by a national government within a given country and denominated in a foreign currency. The foreign currency used will most likely be a hard currency.

- **Suppliers' Credit**

An arrangement under which a supplier or exporter agrees to allow the customer to defer payment under a sales contract.

- **Treasury Bills**

It is a short-term borrowing instrument issued by the Government to finance the budget.

- **Treasury Bond**

This is a medium to long-term term debt instrument issued by the Government to finance the budget.

- **Yield Curve**

It is the relationship between the interest rate and maturity of bonds. A normal yield curve shows interest rates for short-term securities lower than interest rates for long-term securities.

APPENDICES

Appendix I: Stock of Publicly Guaranteed Debt by June 2019 (Kshs Million)

Agency	Year	Purpose of the loan	Creditor	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19
Nairobi City County	1985	Umoja II Housing Project	USA	-	-	-	-	-
Kenya Broadcasting Corporation	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
	1997	Sondu Miriu Hydropower Project	Japan	3,372	3,827	3,422	3,099	2,727
	2004	Sondu Miriu Hydropower Project II	Japan	8,005	9,534	8,753	8,404	8,207
	2007	Sondu Miriu Hydropower Project – Sang'oro Power Plant	Japan	3,416	4,218	3,972	3,827	3,760
	2010	Olkaria Unit 4 and 5 Geothermal Power Project	Japan	44	55	51	51	19,389
	2010	Rehabilitation and Expansion of the Hydropower Plant Kindaruma	Germany		3,514	3,302	2,970	2,607

Agency	Year	Purpose of the loan	Creditor	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19
	2011	Rehabilitation and Upgrade of the Geothermal Plant Olkaria	Germany		4,656	4,875	4,510	3,924
Kenya Ports Authority	2007	Mombasa Port Modernization Project	Japan	15,856	22,099	21,211	23,808	23,903
Kenya Railways	2008	Kenya Railways Concessioning	IDA	4,439	4,044	4,667	4,547	4,603
Kenya Ports Authority	2016	Kenya Port Development Project Phase 2	Japan			614	6,333	10,158
Kenya Airways	2017	Kenya Airways	Various Banks	0	0	77,784	75,787	76,724
Kenya Farmers Association	2005	Revival of KFA	Local banks	Unutilized	Unutilized	Unutilized		Unutilized
National Cereals & Produce Board (GSM-102)	2009	Importation of maize under GSM-102	USA	Unutilized	Unutilized	Unutilized		Unutilized
Total				43,933	60,530	135,179	138,803	159,405

Source: National Treasury

Appendix II: Public and Publicly Guaranteed External Debt by Creditor, Kshs Million

CREDITOR	Jun 14	Jun 15	Jun 16	Jun 17	June 18	June 19
1. BILATERAL						
AUSTRIA	717	743	1,030	513	578	1,803
BELGIUM	8,096	6,142	7,469	9,938	10,208	11,591
CANADA	1,349	1,270	809	538	409	111
DENMARK	1,992	1,437	1,541	1,356	1,175	875
FINLAND	94	71	269	1,712	1,642	1,796
GERMANY	26,571	22,559	-	31,669	34,655	37,277
ITALY	1,716	1,101	622	654	125	36,293
JAPAN	84,515	79,017	-	91,456	101,886	135,229
NETHERLANDS	2,702	1,960	2,350	1,753	1,079	343
UK	1,841	1,467	992	650	463	60
USA	4,542	4,462	4,035	3,497	2,947	2,089
CHINA	80,859	252,039	313,127	478,607	559,071	661,059
OTHERS	13,341	13,756	31,385	36,963	53,822	107,534
Sub-TOTAL	289,914	445,056	798,841	722,568	829,846	996,059
2. Multilateral						
ADB/ADF	102,118	161,532	179,227	197,490	204,776	229,638
EEC/EIB	20,657	20,625	21,073	20,399	19,455	17,241

CREDITOR	Jun 14	Jun 15	Jun 16	Jun 17	June 18	June 19
IDA/IFAD	371,374	407,294	488,330	540,515	516,774	608,989
IMF	83,282	86,150	84,847	77,637	71,588	49,208
OTHERS	9,057	9,030	9,204	8,347	2,795	9,319
TOTAL	597,340	320,871	492,908	844,389	815,388	914,395
3. COMMERCIAL BANKS	234,799	276,937	432,377	711,893	906,389	1,095,754
4. EXPORT CREDIT	16,452	16,628	16,628	15,303	16,725	16,932
GRAND TOTAL	1,138,505	1,423,252	1,796,198	2,294,153	2,568,299	3,023,139

Source: National Treasury

APPENDIX III

Table 1: Outstanding Treasury Bonds

ISSUE NUMBER	MATURITY DATE	REDEMPTION AMOUNT
FXD1/2007/015	7/3/2022	3,654,600,000.00
FXD1/2008/015	13/03/2023	34,789,800,000.00
FXD1/2008/020	5/6/2028	38,145,100,000.00
FXD1/2009/015	7/10/2024	31,952,450,000.00
FXD1/2010/010	13/04/2020	19,394,150,000.00
FXD1/2010/015	10/3/2025	27,693,900,000.00
FXD1/2010/025	28/05/2035	20,192,500,000.00
FXD1/2011/020	5/5/2031	9,365,800,000.00
FXD1/2012/010	13/06/2022	35,273,700,000.00
FXD1/2012/015	6/9/2027	48,937,100,000.00
FXD1/2012/020	1/11/2032	44,581,650,000.00
FXD1/2013/010	19/06/2023	39,248,200,000.00
FXD1/2013/015	7/2/2028	42,138,450,000.00
FXD1/2014/010	15/01/2024	35,852,150,000.00
FXD1/2015/005	22/06/2020	30,956,050,000.00
FXD1/2016/005	19/04/2021	19,544,200,000.00
FXD1/2016/010	17/08/2026	18,306,450,000.00
FXD1/2016/020	1/9/2036	12,761,200,000.00
FXD1/2017/002	23/09/2019	31,806,400,000.00
FXD1/2017/005	22/08/2022	29,599,150,000.00
FXD1/2017/010	19/07/2027	35,174,400,000.00
FXD1/2018/005	20/03/2023	30,795,550,000.00
FXD1/2018/010	14/08/2028	40,584,600,000.00
FXD1/2018/015	9/5/2033	30,706,600,000.00
FXD1/2018/020	1/3/2038	23,262,150,000.00
FXD1/2018/025	25/05/2043	5,152,600,000.00
FXD1/2019/002	25/01/2021	31,120,850,000.00
FXD1/2019/005	19/02/2024	20,587,250,000.00
FXD1/2019/010	12/2/2029	32,800,400,000.00
FXD1/2019/015	9/1/2034	30,566,650,000.00
FXD1/2019/020	21/03/2039	9,018,150,000.00

ISSUE NUMBER	MATURITY DATE	REDEMPTION AMOUNT
FXD2/2007/015	6/6/2022	32,682,600,000.00
FXD2/2010/010	19/10/2020	33,387,900,000.00
FXD2/2010/015	8/12/2025	13,513,100,000.00
FXD2/2013/015	10/4/2028	39,876,600,000.00
FXD2/2015/005	23/11/2020	30,673,850,000.00
FXD2/2016/005	19/07/2021	24,395,300,000.00
FXD2/2017/005	17/10/2022	20,712,100,000.00
FXD2/2018/010	4/12/2028	32,767,150,000.00
FXD2/2018/015	3/10/2033	29,064,350,000.00
FXD2/2018/020	5/7/2038	15,846,650,000.00
FXD2/2019/005	6/5/2024	39,201,400,000.00
FXD2/2019/010	2/4/2029	51,325,000,000.00
FXD2/2019/015	24/04/2034	19,314,450,000.00
FXD3/2007/015	7/11/2022	32,958,100,000.00
FXD3/2016/005	20/09/2021	23,051,050,000.00
IFB1/2009/012	8/2/2021	7,868,365,500.00
IFB1/2011/012	18/09/2023	24,682,200,000.00
IFB1/2013/012	15/09/2025	27,925,350,000.00
IFB1/2014/012	12/10/2026	27,045,950,000.00
IFB1/2015/009	2/12/2024	25,119,550,000.00
IFB1/2015/012	15/03/2027	51,192,200,000.00
IFB1/2016/009	12/5/2025	36,303,200,000.00
IFB1/2016/015	6/10/2031	40,029,650,000.00
IFB1/2017/007	18/11/2024	41,469,450,000.00
IFB1/2017/012	12/2/2029	14,330,400,000.00
IFB1/2018/015	10/1/2033	41,184,800,000.00
IFB1/2018/020	25/10/2038	36,787,300,000.00
IFB2/2009/012	22/11/2021	5,388,325,000.00
IFB2/2010/009	19/08/2019	15,874,483,887.00
IFB1/2019/025	22/02/2044	16,828,650,000.00
MAB1/2017/003	6/4/2020	150,050,000.00
MAB2/2017/003	7/9/2020	627,750,000.00
SDB1/2011/030	21/01/2041	28,144,700,000.00
SFX1/2007/015	13/05/2022	6,000,000,000.00
Grand Total		1,748,602,570,000.00

Table 2: Outstanding Treasury Bills

ISSUE NUMBER	MATURITY DATE	REDEMPTION AMOUNT
2270/182	1/7/2019	2,696,350,000.00
2310/91	1/7/2019	983,550,000.00
2186/364	1/7/2019	23,305,500,000.00
2271/182	8/7/2019	3,453,200,000.00

ISSUE NUMBER	MATURITY DATE	REDEMPTION AMOUNT
2311/91	8/7/2019	2,868,350,000.00
2187/364	8/7/2019	21,569,100,000.00
2272/182	15/07/2019	19,598,600,000.00
2312/91	15/07/2019	4,988,200,000.00
2188/364	22/07/2019	23,504,050,000.00
2273/182	22/07/2019	13,964,100,000.00
2313/091	22/07/2019	4,215,850,000.00
2189/364	29/07/2019	14,534,600,000.00
2274/182	29/07/2019	3,248,150,000.00
2314/091	29/07/2019	7,561,000,000.00
2190/364	5/8/2019	9,124,150,000.00
2275/182	5/8/2019	8,359,750,000.00
2315/091	5/8/2019	1,126,850,000.00
2191/364	12/8/2019	11,676,300,000.00
2276/182	12/8/2019	9,314,350,000.00
2316/091	12/8/2019	3,580,700,000.00
2192/364	19/08/2019	11,090,900,000.00
2277/182	19/08/2019	10,104,200,000.00
2317/091	19/08/2019	1,994,850,000.00
2193/364	26/08/2019	15,128,200,000.00
2278/182	26/08/2019	10,348,950,000.00
2318/091	26/08/2019	5,922,400,000.00
2194/364	2/9/2019	16,078,650,000.00
2279/182	2/9/2019	8,025,600,000.00
2319/091	2/9/2019	2,370,600,000.00
2195/364	9/9/2019	16,637,900,000.00
2280/182	9/9/2019	3,989,000,000.00
2320/091	9/9/2019	933,500,000.00
2196/364	16/09/2019	12,533,600,000.00
2281/182	16/09/2019	4,910,700,000.00
2321/091	16/09/2019	1,078,200,000.00
2197/364	23/09/2019	12,757,650,000.00
2282/182	23/09/2019	5,822,850,000.00
2322/091	23/09/2019	2,399,850,000.00
2198/364	30/09/2019	10,320,850,000.00
2283/182	30/09/2019	6,129,750,000.00
2199/364	7/10/2019	16,531,550,000.00
2284/182	7/10/2019	10,440,150,000.00
2200/364	14/10/2019	6,949,900,000.00
2285/182	14/10/2019	5,730,850,000.00
2201/364	21/10/2019	5,139,800,000.00
2286/182	21/10/2019	4,868,900,000.00
2202/364	28/10/2019	11,567,750,000.00

ISSUE NUMBER	MATURITY DATE	REDEMPTION AMOUNT
2287/182	28/10/2019	14,630,950,000.00
2203/364	4/11/2019	15,795,650,000.00
2288/182	4/11/2019	1,236,450,000.00
2204/364	11/11/2019	15,756,850,000.00
2207/364	11/11/2019	9,925,000,000.00
2289/182	11/11/2019	4,576,600,000.00
2205/364	18/11/2019	12,957,300,000.00
2290/182	18/11/2019	823,550,000.00
2206/364	25/11/2019	6,803,450,000.00
2291/182	25/11/2019	4,812,950,000.00
2208/364	2/12/2019	2,853,150,000.00
2213/364	2/12/2019	10,535,000,000.00
2292/182	2/12/2019	2,540,450,000.00
2209/364	9/12/2019	2,992,050,000.00
2293/182	9/12/2019	869,200,000.00
2210/364	16/12/2019	3,157,450,000.00
2294/182	16/12/2019	2,956,500,000.00
2211/364	23/12/2019	13,900,750,000.00
2295/182	23/12/2019	1,214,750,000.00
2212/364	30/12/2019	8,060,450,000.00
2214/364	6/1/2020	13,010,900,000.00
2215/364	13/01/2020	26,085,300,000.00
2216/364	20/01/2020	10,392,150,000.00
2217/364	27/01/2020	20,247,700,000.00
2218/364	3/2/2020	24,053,650,000.00
2219/364	10/2/2020	18,240,350,000.00
2220/364	17/02/2020	17,585,500,000.00
2221/364	24/02/2020	8,590,450,000.00
2222/364	2/3/2020	6,543,850,000.00
2223/364	9/3/2020	16,402,450,000.00
2224/364	16/03/2020	17,647,600,000.00
2225/364	23/03/2020	29,105,800,000.00
2226/364	30/03/2020	25,858,150,000.00
2227/364	6/4/2020	32,602,250,000.00
2228/364	13/04/2020	19,389,200,000.00
2229/364	20/04/2020	10,549,250,000.00
2231/364	20/04/2020	1,715,000,000.00
2230/364	27/04/2020	4,835,600,000.00
2232/364	4/5/2020	10,320,050,000.00
2233/364	11/5/2020	6,485,450,000.00
2234/364	18/05/2020	15,039,650,000.00
2235/364	25/05/2020	20,211,350,000.00
2236/364	1/6/2020	25,558,700,000.00

ISSUE NUMBER	MATURITY DATE	REDEMPTION AMOUNT
2237/364	8/6/2020	16,272,800,000.00
2238/364	15/06/2020	7,689,400,000.00
2239/364	22/06/2020	6,883,750,000.00
Grand Total		954,250,000,000.00