REPUBLIC OF KENYA
THE NATIONAL TREASURY AND PLANNING

2022 Medium Term Debt Management Strategy

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FOREWORD

The Medium-Term Debt Management Strategy is prepared pursuant to the requirements of Section 33(2) of the Public Finance Management (PFM) Act, 2012 and the guidelines outlined in the Debt and Borrowing Policy. The strategy highlights Government debt management intentions over the medium term with a view to reducing the cost and risk associated with public debt and is anchored in the 2022 Budget Policy Statement (BPS). The strategy takes into account the existing stock of public debt as at 30th June 2021 and the borrowing requirements over the medium term.

The MTDS is an integral part of prudent debt management that informs optimal strategy for funding of the fiscal deficit taking into account the cost and risk implication of the borrowing mix. The 2022 MTDS was prepared amidst COVID-19 pandemic which continues to exert pressure on public expenditure amidst constrained public revenues.

The 2022 MTDS is informed by evaluation of various alternative sources of financing considering the cost and risk inherent in each alternative strategy to identify the optimal funding strategy. Fundamental considerations include likely funding sources from domestic and external financial markets and the corresponding risks and costs.

Public debt sustainability is dependent on the commitment to fiscal consolidation and macroeconomic stability. To support public debt sustainability, the 2022 MTDS re-emphasizes the need to step up reforms in the domestic debt markets. The development of the domestic debt market is a necessary condition for accelerating attainment of affordable, sustainable long-term financing for economic development. To achieve Kenya`s vision for a vibrant domestic debt market in Kenya`s Vision 2030, the Medium-Term Plan, the Big four Agenda and the Economic Recovery Strategy, the National Treasury, Capital Markets Authority (CMA) and the Central Bank of Kenya (CBK) must sustain implementation of reforms to improve efficiency in the functioning and trading of government securities so as to position Kenya as the regional financial hub. These reforms include among others, automation of business processes both at primary and secondary markets; deployment of a robust Central Securities Depository; re-structuring of the interbank repo to provide for transfer of ownership of collateral securities; support for establishment of Over-The-Counter (OTC) trading platform.

The 2022 MTDS will continue to optimize concessional funding sources and reduce refinancing risk through issuance of medium to long term bonds in the domestic market. The strategy outlines the debt management measures that will minimize the cost and risk of financing the budget and promote debt sustainability over the medium term. The strategy is aligned to external Debt Limit Policy for countries under the IMF program with elevated debt burdens.

Finally, regular reviews of the 2022 MTDS will be undertaken as a demonstration of commitment to prudence and accountability in the management of the public debt to ensure sustainability over the medium to long term.

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ACKNOWLEDGEMENT

The preparation of the MTDS is a regular exercise aimed at providing appropriate guidance to borrowing operations and which seeks to comply with Section 33(2) of the Public Finance Management Act, 2012. The 2022 MTDS was prepared in an environment of increasing expenditure occasioned by rising cases of COVID-19 pandemic which led to institution of containment measures.

The analytical process leading to the determination of the most optimal strategy takes into account the key broad priorities as set out in the 2022 *Budget Policy Statement*. The optimal strategy in the 2022 MTDS seeks to minimize the cost and risk of financing the fiscal deficits and recommends continued implementation of the fiscal consolidation policy.

The preparation of the 2022 MTDS was spearheaded by the National Treasury under the leadership of Public Debt Management Office and involved Central Bank of Kenya whose representation provided valuable input into the ongoing processes of enhancing efficiency in the access to government securities. The Macro and Fiscal Affairs Department also provided insights into the macroeconomic environment prevailing in the country.

The strategy aims at containing the potential impact of debt and seeks to bring it to the path of sustainability. Therefore, prudent management of debt requires adherence to the strategy and ensuring a stable macroeconomic environment.

The 2022 MTDS and previous years' versions of the MTDS are available for reference in the National Treasury website: www.treasury.go.ke.

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ABBREVIATIONS AND ACRONYMS

ADF	African Development Fund
AfDB	Africa Development Bank
AGD	Accountant General Department
ATM	Average Time to Maturity
ATR	Average Time to Re-fixing
BPS	Budget Policy Statement
BROP	Budget Review and Outlook Paper
CBK	Central Bank of Kenya
CFS	Consolidated Fund Service
CI	Composite Indicator
CMA	Capital Markets Authority
CoG	Council of Governors
COVID-19	Coronavirus Disease
CPI	Consumer Price Index
CPIA	Country Policy and Institutional Assessment
CSD	Central Securities Depository
CSDRMS	Commonwealth Secretariat Debt Recording and Management System
DPO	Development Policy Operations
DPSRM	Debt Policy, Strategy and Risk Management Department
DRS	Debt Recording and Settlement Department
DSA	Debt Sustainability Analysis
DSF	Debt Sustainability Framework
DSSI	Debt Service Suspension Initiatives
ECA	Export Credit Agencies
ERS	Economic Recovery Strategy
FCCL	Fiscal Commitment and Contingent Liabilities
FX	Foreign Exchange
FY	Financial Year
G20	Group of 20 Developed Countries
GBP	Great Britain Pound
GDP	Gross Domestic Product
GoK	Government of Kenya
IB	Internet Banking
IDA	International Development Association
IMF	International Monetary Fund

ISB	International Sovereign Bond
KenGen	Kenya Electricity Generating Company
KPA	Kenya Ports Authority
KPLC	Kenya Power
KQ	Kenya Airways
KSH	Kenya Shilling
MDAs	Ministries, Departments and Agencies
MFAD	Macro and Fiscal Affairs Department
MTDS	Medium Term Debt Management Strategy
MTEF	Medium Term Expenditure Framework
MTP III	Medium Term Plan III
OTC	Over the Counter
PDMO	Public Debt Management Office Directorate
PFM	Public Finance Management
PPGD	Public &Public Guaranteed Debt
PPP	Public Private Partnerships
PV	Present Value
QEBR	Quarterly Economic and Budget Review
RMD	Resources Mobilization Department
SOEs	State Owned Enterprises
TMD	Treasury Mobile Direct
USD	United States Dollar
WB	World Bank

EXECUTIVE SUMMARY

This strategy covers the period FY2022/23- FY2024/25 over which the optimal debt portfolio is to be achieved. The 2022 Medium Term Debt Strategy (MTDS) has been prepared amid the global health crisis which has led to a downturn in economic activity resulting in low domestic revenue mobilization. Consequently, the Government instituted measures to contain the spread of the COVID-19 pandemic. The strategy is underpinned by the 2022 Budget Policy Statement (BPS) consistent with the Government objective of minimizing the costs and risks of public debt. The scope of coverage of this strategy is the existing debt stock, non-performing guarantees, and the stated fiscal deficits in the 2022 BPS.

The 2021 sovereign credit rating for Kenya by Fitch Ratings was "B+" with a negative outlook while that of Standard and Poors was "B" with a stable outlook revealing the effect of COVID-19 pandemic that has led to the economic slowdown and depressed revenue. The mitigating measures to the rising debt levels lies in active debt management and fiscal consolidation programme supported by a sound macroeconomic environment.

The nominal stock of public debt was Kshs 7,696.6 billion or USD 71.4 billion as at end June 2021 equivalent to 68.1 percent of GDP. The World Bank and International Monetary Fund composite indicator (CI) for economic and institutional performance classifies Kenya as a *medium performer* with sustainable debt but with rising risks. The public debt accumulation is attributed to high fiscal deficits. The Government's commitment to achieving reduced fiscal deficits over the medium term remains key to Kenya's debt sustainability.

The Government's plan in the FY 2022/23 and over the medium term is to support economic recovery and mitigate the adverse effects of the COVID-19 pandemic. This will be done by prioritizing implementation of programs and policies outlined in the Third Medium Term Plan III (MTP III) of Kenya Vision 2030, Economic Recovery Strategy and the "Big Four" Agenda. This will create an enabling environment for a resilient and sustainable economic recovery to continue safeguarding livelihoods, jobs, businesses and industrial recovery.

In conformity with the PFM Act 2012, the Government has developed the 2022 MTDS to guide borrowing in the medium term. The optimal strategy of the 2022 MTDS is to minimize costs and risks through a net financing mix of 32 per cent from external sources and 68 per cent from domestic market. On the external debt market, the main objective of the strategy is to optimize concessional borrowing and reduce commercial borrowing, with an intention to reduce the cost of debt. On the domestic market, the strategy seeks to reduce refinancing risk through maintaining the existing stock of Treasury bills at the current levels while issuing medium to long term debt securities under the benchmark bond programme.

The strategy seeks to achieve 25 percent and 75 percent in external and domestic financing in gross borrowing terms, respectively. The larger proportion of the gross domestic borrowing accounts for rollover of Treasury bills within the financial year.

The strategy is aligned to the debt management objectives. It seeks to lower present value (PV) of debt to GDP to 54.8 percent from 58.8 percent on the existing public debt portfolio as at June 2021 over the medium term. This reflects improved sustainability of public debt as a result of the ongoing fiscal consolidation outlined in the 2022 BPS. The strategy aims to achieve the following:

i. Reduce the cost of debt by lowering interest payment to GDP and implied interest rate;

ii. Minimize refinancing risk by lengthening the Average Time to Maturity (ATM) for domestic and total debt, and maintain the stock of Treasury bills constant;

iii. Minimize interest rate risk in terms of average time to refixing; and

iv. Enhance the benchmark Treasury bond programme through medium to long term instruments as the main source of domestic financing.

The 2022 MTDS optimal strategy seeks to reduce the cost of debt with modest exposure to foreign exchange rate risk in the medium term. The Government expects to maintain presence in the international debt capital markets for financing the budget. To reduce refinancing risk, medium to long term Treasury bonds will be issued under the benchmark bond programme as the main source of domestic financing. Treasury bills will be issued as a cash management instrument by keeping its stock constant over the medium term.

The strategy supports initiatives to develop the domestic debt market. This is informed by the fact that domestic market still remains shallow and highly segmented, mainly dominated by commercial banks. However, participation of non-bank institutional investors continues to rise with increased uptake of long-dated bonds at the primary market and trading at the secondary market. The proposed reforms to deepen the domestic debt market include: the enhancement of the market infrastructure through automation of processes deployment of a new Central Securities Depository system by the Central Bank of Kenya; publication of the auction rules and guidelines for government securities market, enhancement of the Treasury bonds benchmark programme, setting up of Over-the-Counter (OTC) trading platform to complement the Nairobi Securities Exchange and sustained stakeholder engagement and collaboration. Significant progress has been made with new and innovative debt instruments making a debut in the domestic market. Going forward, commitment to these reforms will expand the capacity of the domestic debt market to take up higher share of the public debt.

In selecting the optimal strategy, the associated costs, risks and liquidity indicators that were considered include: PV of debt as a percentage of GDP, nominal debt as a percentage of GDP, interest payment as percent of GDP, implied interest rate (percent), Foreign Exchange (FX) as a per cent of total debt, average time to re-fixing, debt maturing in one year as a percentage of total debt, debt maturing in one year as a percentage of GDP, fixed rate debt including Treasury bills (percent of total), Average Time to Maturity for domestic debt portfolio and Average Time to Maturity of total portfolio.

Specific factors that may necessitate deviation from the optimal strategy (strategy 2) include changes in global economic and market conditions, uncertainties related to COVID-19 pandemic, geopolitics and local political events. Appropriate measures will be taken to align the strategy to policy actions at the time.

Implementation of the strategy will require close monitoring and evaluation with the aim of adjusting the strategy to evolving economic realities and fiscal developments. However, debt sustainability will only be achieved through sustained commitment to fiscal consolidation plan outlined in the 2022 BPS.

INTRODUCTION

1. Section 33(2) of the Public Finance Management Act, 2012 requires the PDMO to prepare the Medium-Term Debt Management Strategy (MTDS).

2. The public debt management objectives as outlined in Section 62(3) of the PFM Act, 2012 are: (a) minimizing the cost of public debt management and borrowing over the long-term taking risks into account; (b) promoting the development of the market institutions for Government debt securities; and (c) ensuring the sharing of the benefits and costs of public debt between the current and future generations.

3. The 2022 MTDS covers deficit financing for the Medium-Term Expenditure Framework (MTEF) for the period FY2022/23-2024/25, as proposed in the 2022 Budget Policy Statement (BPS) and taking into account the outstanding public debt as at end June 2021 and the projected medium term external and domestic borrowings. Performing guaranteed debt were excluded from the analysis.

Background to the Medium-Term Debt Strategy

4. Kenya's GDP growth rate contracted by 0.3 percent in 2020 compared to a growth of 5.0 percent in 2019. The slowdown in economic performance in 2020 majorly attributed to the adverse effects of the COVID-19 global pandemic which has disrupted economic activities since December 2019. However, leading economic indicators point to a strong recovery of 6.0 percent in 2021. This growth will be supported by the continued reopening of the economy which will eventually increase economic activities in all sectors .

5. The annual average inflation was 5.4 percent for the year ended June 2021 down from 6.2 percent in 2020. Inflation is expected to remain within the target range of 5 ± 2.5 percent. The foreign exchange rate is expected to remain fairly stable despite the challenges related to COVID-19 pandemic. Supported by foreign exchange stability will be resilient remittances inflow, high stock of foreign exchange reserves and favourable horticultural exports. Domestic interest rates are expected to remain stable.

6. In FY 2022/23, total revenue is projected to improve to 17.5 percent of GDP from projected 16.5 percent in FY 2021/22, and to 18.3 percent of GDP over the medium term. Further, total expenditure is expected to decline to 23.5 percent of GDP in FY2022/23 down from the projected 24.5 percent in FY 2021/22, further declining to 22.3 percent in the medium term. This is as a result of Government commitment to restrain growth of public expenditure.

7. Kenya`s Sovereign credit rating by Standard & Poor stand at B with a stable outlook in September 2021, while the Fitch Ratings was B+ with a negative outlook as at March 2021. This is attributed to increased external pressures arising from COVID-19 pandemic shock that affected the economy. On a positive note, the rating agencies noted that Kenya's rising government debt is mitigated by a diversified economy, favourable debt composition and manageable debt maturity profile. Additionally, Kenya's international investment position continues to be supported by macroeconomic stability, narrowing of the current account deficit and strong growth in diaspora remittances.

8. Public debt in nominal terms as at end June 2021 stood at Kshs. 7,696.6 billion (68.1 percent of GDP) against the statutory public debt ceiling of Kshs. 9,000 billion as per the PFM Regulations (2015). Total external debt was Kshs. 3,999.5 billion (35.4 per cent of GDP) while total domestic debt was Kshs. 3,697.1 billion (32.7 per cent of GDP).

9. Under the World Bank (WB) and International Monetary Fund (IMF) Composite Indicator (CI)[1] assessment, Kenya's debt carrying capacity is *medium*. The March 2021 Debt Sustainability Analysis (DSA) for Kenya indicated that Kenya's public debt remain sustainable. Debt vulnerabilities have been exacerbated by the ongoing COVID-19 pandemic and its advance impact on the global and domestic economy. This is expected to improve with the implementation of the

[1] Composite Indicator (CI) assessment comprises of following indicators; the global and domestic growth, import coverage of reserves, remittances and Country Policies and Institutional Assessment (CPIA). The CI score in March 2021 was 3.01 (medium debt carrying capacity) compared to 3.12 (strong debt carrying capacity) in May 2020 DSA vintage.

ongoing fiscal consolidation supported through the IMF program and the recovery from the COVID-19 shocks over the medium term.

COST AND RISK CHARACTERISTICS OF PUBLIC DEBT

i. Review of the implementation of the 2020 MTDS.

10. The 2020 MTDS focused on funding of the fiscal deficit through more external borrowing with increased access to concessional funding to reduce debt cost. The strategy also targeted to reduce refinancing risk by lengthening debt maturity in the domestic market.

11. The strategy involved a gross external borrowing of 29 per cent and a gross domestic borrowing of 71 per cent. The gross external borrowing was composed of concessional, semi-concessional and commercial sources at 14 percent, 1 per cent and 13 per cent respectively. On the gross domestic borrowing front, the Treasury bonds were to be the main source of net domestic financing and Treasury bills were to be used only for cash management purposes and not as a budget financing instrument. Both the quantity and proportion of Treasury bills were projected to decrease.

12. Overall, there were deviations of actual borrowing mix against the 2020 MTDS as shown in Table 1.

13. The total net borrowing to fund the fiscal deficit was Kshs. 879.3 billion. The net foreign borrowing financing was Kshs. 323.3 billion against a target of Kshs. 417.6 billion, while net domestic borrowing was Kshs. 556.3 billion against a target of Kshs. 593.9 billion.

14. In the financial year 2020/21, actual Gross domestic borrowing was Kshs. 1,963.28 million while gross external borrowing was Kshs. 451.6.0 billion as at end June, 2021. On the domestic sources, the actual outstanding domestic securities composed of Treasury bills and Treasury bonds at 21 per cent and 79 per cent respectively.

Table 1:2020 MTDS Targets against Actual Gross Borrowing outturn (Per cent)

Borrowing source		FY2017/18	FY2018/19	FY2019/20	FY2020/21*
External	MTDS	60	57	38	28
	Actual	55	58	28	19
	Deviation	**5**	**-1**	**10**	**9**
Domestic	MTDS	40	43	62	72
	Actual	45	42	72	81
	Deviation	**-5**	**1**	**-10**	**-9**

Source: National Treasury

15. The actual gross external borrowing comprised of 20.9 per cent concessional and 7.1 per cent on commercial terms with zero semi concessional borrowing, against 2020 MTDS strategy targets. The main multilateral sources were World Bank Group, International Monetary Fund and African Development Bank. USD 1,000 million was also raised from the International Capital markets through issuance of a Sovereign Bond.

Table 2: Gross Financing for FY2020/21

	MTDS 2020 targets (%)	FY2020-2021 actuals (%)	FY2020-2021 (Kshs millions)
Gross domestic borrowing	72.0	81.3	1,963,284
Gross external borrowing	28.0	18.7	451,588
O/w Concessional and semi concessional	15	14	337,295
Commercial borrowing	13	4.7	114,292

Source: National Treasury

16. The actual gross domestic financing in FY2020/21 was 81.3 percent of the total borrowing compared to 72.0 per cent envisaged in the strategy while the actual gross external borrowing was 18.7 percent compared to 28.0 percent.

17. Gross external borrowing comprised of concessional and semi concessional at 14.0 percent compared to 15.0 percent while on the other hand, commercial borrowing stood at 4.7 percent compared to 13.0 percent as envisaged in the strategy (Table 2).

18. Table 3 compares the performance of debt risk targets in the 2020 MTDS and actual outturn as at June 2021. There is an overall improvement in the refinancing risks. This is reflected by the decrease in the proportion of debt maturing in one year, both as a percentage of GDP and total debt, to 10.2 percent and 14.8 percent in June 2021 from the targeted levels of 11.0 percent and 15.5 percent in December 2020 respectively. Interest rate and foreign exchange risk indicators remained stable within assumed levels.

Table 3: Review of Cost and Risk Indicators: Targets against Actual

Risk Indicators		Baseline Dec 2019	2020 MTDS Target[2]s	Actual End June 2021	Deviation (4-3)	Remark on deviation
Nominal debt as % of GDP		55.7	63.3	66	2.7	High fiscal deficit - Increased public debt accumulation
Present value debt as % of GDP		51.1	56.8	58.8	2.0	
Interest payment as % of GDP		4.3	4.4	4.6	0.2	Increased debt service cost
Refinancing risk	Debt maturing in 1yr (% of total debt)	17.8	15.5	14.8	-0.7	Reduced refinancing risk- issuance of longer dated debt- Medium Term Strategy implementation.
	Debt maturing in 1yr (% of GDP)	11.1	11	10.2	-0.8	
	ATM External Portfolio (years)	11.1	11.2	10.8	-0.4	
	ATM Domestic Portfolio (years)	5.7	6.3	6.9	0.6	
	ATM Total Portfolio (years)	8.7	9.1	9	-0.1	
Interest rate risk	ATR (years)	8	8.4	8.3	-0.1	Stable interest rate risk indicators – prudence in debt issuance
	Debt refixing in 1yr (% of total)	31.2	27.1	25.4	-1.7	
	Fixed rate debt (% of total)	85.3	86.9	87.7	0.8	
Foreign exchange (FX) risk	FX debt as % of total debt	50.1	51.2	51.3	0.1	Balanced portfolio (domestic and external) exposure

Source: The National Treasury

[2] 2020 MTDS Targets implemented in the fiscal year 2020/21

19. The outturn of the Average Time to Maturity (ATM) for domestic debt improved to 6.9 years in 2021 against a target of 6.3 years, implying lower refinancing risk while ATM for external debt declined to 10.8 years in 2021 from a target of 11.2 years (**Table 3**).

20. Interest payment as a share of GDP rose to 4.6 percent in June 2021 against a target of 4.4 percent implying higher fiscal risks and a slight increase in the cost of public debt (**Table 3**).

Table 4: Average Terms of New External Debt

Terms	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21
Average Maturity (years)	18.1	21.0	20.3	17.6	20.8	15.3	26.1	23.3
Grace Period (years)	6.2	6.4	6.2	4.5	10.3	5.6	7.4	7.4
Average Interest Rate (%)	2.6	2.5	2.6	2.6	3.9	3.9	0.5	2.1

Source: The National Treasury

21. Newly contracted external debts had an average maturity of 23.3 years as at end June 2021 compared to 26.1 years in June 2020 while the grace period remained unchanged in the same period. The weighted average interest rate increased to 2.1 percent in June 2021 from 0.5 percent in June 2020 (**Table 4**). The decline in ATM and increase in average interest rate is attributed to longer tenor of analysis of 2020 MTDS out from informed the design of 2022/23 MTDS new commercial borrowing during the fiscal year ending June 2021.

ii. Review of Actual Borrowing against 2021 MTDS Targets

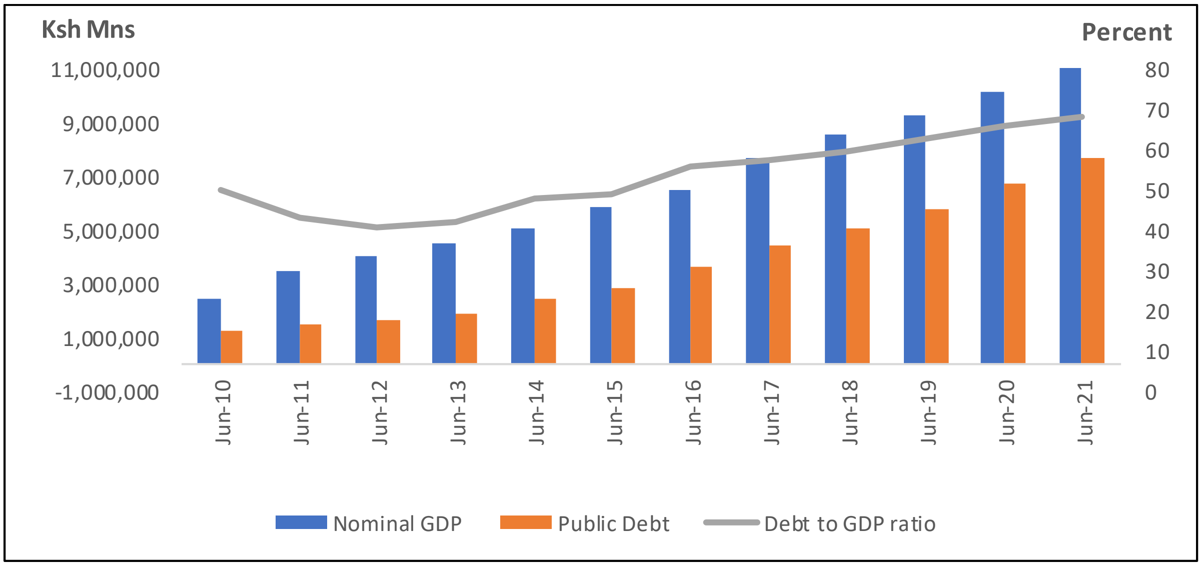
22. The optimal strategy for 2021 aimed at minimizing the costs and risks of public debt by reducing the interest cost of domestic debt through a net borrowing mix of 57 per cent and 43 per cent external and domestic sources, respectively. The strategy envisaged a gross borrowing mix of 27 percent and 73 percent in external and domestic sources respectively.

23. Analysis of the outturn of the 2021 MTDS will inform the formulation of the 2023 MTDS.

NATIONAL GOVERNMENT PUBLIC AND PUBLICLY GUARANTEED DEBT

24. The publicly guaranteed debt in nominal terms as at end June 2021 stood at Kshs 7,696.6 billion or USD 71.4 billion (68.1 percent of GDP). Domestic debt was Kshs. 3,697.1 billion equivalent to (32.7 percent of GDP) while external debt was Kshs. 3,999.5 billion equivalent to (35.4 percent of GDP) **(Table 5).**

Figure 1: Nominal GDP, Gross Debt and Debt to GDP Ratio 2010-2021



Source: The National Treasury

25. The analysis to inform 2022 MTDS considers a debt stock of Kshs 7,465.5 billion or USD 69.2 billion (66 percent of GDP) comprising external debt of Kshs 3,830.2 billion or USD 35.5 billion (33.9 percent of GDP) and domestic debt of Kshs 3,635.3 billion or USD 33.7 billion (32.2 percent of GDP) as at end June 2021.

26. The 2022 analysis excludes Kshs. 231.1 billion comprising of guaranteed debts of State-Owned enterprises uncalled debts amounting to Kshs 157.2 billion, Government overdraft at CBK of Kshs 59.3 billion, Suppliers credit amounting to Kshs 12.2 billion and Bank advances of Kshs 2.5 billion.

27. The main sources of external public debt are multilateral, bilateral and commercial creditors. As a proportion of GDP multilateral, bilateral and

commercial debt (including international sovereign bond) accounted for 14.8[3] percent, 9.4 percent and 9.8 percent respectively **(Table 5).** Local Treasury Bonds accounted for 25.2 per cent of GDP while local Treasury bills accounted for 6.8 per cent.

28. As at end June 2021, domestic debt comprised of Treasury bills in tenors of 91, 182, and 364 days as well as Treasury bonds, accounting for Kshs 765.4 billion (6.8 percent of GDP) and Kshs 2,849.9 billion (25.2 percent of GDP), respectively. The remaining 0.2 per cent of GDP is the outstanding Pre-1997 government debt of Kshs. 20.0 billion.

Table 5: Public and Publicly Guaranteed Debt in the MTDS, End-June 2021

	Kshs. (millions)	USD (millions)	% of GDP
I. Domestic Debt (included in MTDS)			
Treasury Bills	765,374.8	7,096.7	6.8
Treasury Bonds	2,849,935.6	26,425.0	25.2
Pre-1997 Government Debt	20,008.8	185.5	0.2
Sub Total	**3,635,319.1**	**33,707.2**	**32.2**
II. External debt (included in MTDS)			
IDA	1,126,130.2	10,441.6	10.0
ADF	322,293.1	2,988.3	2.9
Bilateral	1,064,272.2	9,868.1	9.4
Multilateral	210,988.0	1,956.3	1.9
Commercial Banks	340,031.3	3,152.8	3.0
International Sovereign Bond	766,445.0	7,106.6	6.8
Sub Total	**3,830,159.7**	**35,513.8**	**33.9**
III. Excluded from MTDS			
Suppliers Credit	12,162.1	112.8	0.1
CBK Overdraft	59,279.4	549.6	0.5
Performing Guarantees	157,219.7	1,457.8	1.4
Bank advances	2,455.0	22.8	0.0
Sub Total	**231,116.3**	**2,142.9**	**2.04**
TOTAL DEBT Included in MTDS (I+II)	**7,465,478.9**	**69,220.9**	**66.0**
TOTAL DEBT (I+II+III)	**7,696,595.1**	**71,363.9**	**68.1**
Domestic	**3,697,053.6**	**34,279.6**	**32.7**
External	**3,999,541.6**	**37,084.3**	**35.4**

Source: The National Treasury and Central Bank of Kenya

[3] Multilateral comprises IDA/IBRD/IFAD; (10.0 percent); ADF/AfDB (2.9 percent); Other Multilateral (1.9 percent)

29. The outstanding guaranteed debt to state enterprises amounts to Kshs 157.2 billion as at end June 2021.The analysis excludes performing loans guaranteed to Kenya Airways (KQ), Kenya Ports Authority (KPA), Kenya Power (KPLC) and Kenya Electricity Generation Company (KenGen) amounting to Kshs 157.2 billion (**Table 6**).

30. Any called-up guaranteed debt is included in the MTDS analysis.

Table 6: Outstanding Government Guaranteed Debt (End-June 2021)

Beneficiary Entity	KSH (millions)	USD (Millions)
Kenya Power Company	11,779.10	109.2
Kenya Electricity Generating Company	26,577.20	249.4
Kenya Ports Authority	37,900.90	351.4
Kenya Airways	80,962.50	750.7
Sub-Total Un-Called Guarantees	**157,219.70**	**1,457.7**

Source: The National Treasury

COST AND RISKS ANALYSIS OF THE EXISTING PUBLIC DEBT PORTFOLIO

31. This section discusses the cost and risks characteristics of existing public debt portfolio as at end June 2021. The analysis is informing selection of the optimal strategy that minimizes costs and risks for the medium term.

32. The analysis covers outstanding debt of Kshs 7,465.48 billion (66.0 percent of GDP) comprising of domestic debt of Kshs 3,635.32 billion (32.2 percent of GDP) and external debt of Kshs 3,830.16 billion (33.9 percent of GDP) (**Table 7)**. The domestic debt portfolio consists of Treasury bills, bonds, and pre-1997 debt at 21.0 per cent, 78.4 per cent and 0.6 per cent respectively. The external debt portfolio comprises of concessional, semi-concessional and commercial debt at 43.9 per cent, 16.3 percent and 39.8 per cent, respectively**.**

33. The interest payments as a proportion of GDP as at end-June 2021, was 4.6 per cent composed of 3.6 percent for domestic debt, and 1.0 per cent for external debt. The interest payment on external debt as a percentage of GDP remained at the same level (1.0 percent) as was in December 2020, largely attributed to deferment of debt service under the Debt Service Suspension Initiative (DSSI). On the domestic debt, interest payments remained high due to the prevailing high rates in the domestic debt market.

34. Re-financing risk of the overall debt portfolio improved significantly during the period under review as stock of Treasury bills declined and volume of longer dated instruments increased. Consequently, the proportion of debt maturing in one year as a percent of GDP and as a percent of total debt improved, from 15.5 percent as at December 2020 to 14.8 percent in June 2021 while debt maturing in 1 year as a percentage of GDP, improved from 11.0 percent to 10.2 percent in the same period **(Table 7).**

35. Average Time to Maturity remained relatively stable at 9.0 years as at end June 2021 slightly dropping from 9.1 years in December 2020. This was attributed to the successful of longer tenor bonds in the domestic debt market,

improving the ATM for Treasury bonds to 6.9 years in June 2021 from and the deferment of debt service under the DSSI.

Table 7: Cost and Risk Indicators for Existing Debt, June 2021

Risk Indicators		Dec 2020	External debt	Domestic debt	Total debt
Amount (in millions of KSH)			3,830,159.7	3,635,319.1	7,465,478.9
Amount (in millions of USD)			35,513.8	33,707.2	69,220.9
Nominal debt as percent of GDP			33.9	32.2	66.0
PV as percent of GDP[1]			26.6	32.2	58.8
Cost of debt	Interest payment as percent of GDP[3]	4.4	1.0	3.6	4.6
	Weighted Av. IR (percent)	6.9	2.9	11.1	6.9
Refinancing risk	ATM (years)	9.1	10.8	6.9	9.0
	Debt maturing in 1yr (percent of total)	15.5	5.2	25.9	14.8
	Debt maturing in 1yr (percent of GDP)	11.0	1.9	8.3	10.2
Interest rate risk	ATR (years)	8.4	9.5	6.9	8.3
	Debt refixing in 1yr (percent of total)	27.1	24.9	25.9	25.4
	Fixed rate debt incl T-bills (percent of total)	86.9	77.0	100.0	87.7
	T-bills (percent of total)		0.0	21.1	9.8
FX risk	FX debt (percent of total debt)				51.3
	ST FX debt (percent of reserves)				19.9

Source: The National Treasury

36. Interest rate risk of the overall debt portfolio declined during the period under review as demonstrated by the Average Time to Refixing (ATR) to 8.3 years in June 2021 from 8.4 years in December 2020. The share of debt refixing in 1 year improved to 25.4 per cent in June 2021 from 27.1 per cent in December 2020 while share of the fixed rate debt improved to 87.7 percent from 86.9 percent during the same period **(Table 7).**

37. The maturity structure of domestic debt improved slightly during the period under review from the previous period. The instruments with a remaining time to maturity of 5 years to 10 years increased as proportion of total domestic debt improved to 23.0 per cent at end June 2021 from 19.6 percent in December 2020 following success in reopening of the existing bonds instead of new

issuance with an aim of building liquidity to promote active secondary market for the bonds.. Conversely, the proportion of instruments with over 11 years and above declined to 30.7 per cent in June 2021 from 44.7 per cent in December 2020. (**Table 8**)

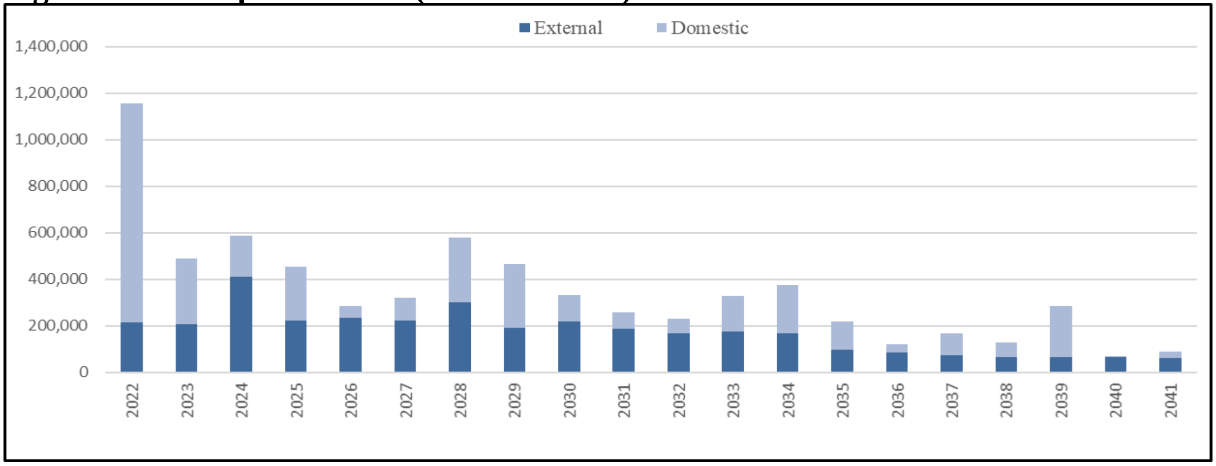
Table 8: Domestic Debt by Maturity Profile, in USD equivalent

Remaining Maturity in Years	End Dec 2020 In million USD	In Percent of Total	End June 2021 In million USD	In Percent of Total
Less than one year	7,838.24	25.0	8,406.97	25.9
2 to 3 years	285.06	0.9	4,262.56	12.6
4 to 5 years	3,078.33	9.8	2,616.18	7.8
6 to 10 years	6,123.54	19.6	7,739.78	23.0
Above 11 years	13,974.54	44.7	10,354.62	30.7
Total	**31,299.71**	**100**	**33,707.18**	**100**

Source: The National Treasury

38. The redemption profile of total debt as at end of June 2022 is shown in Figure 2 below. Domestic debt accounts for Kshs 943.08 billion or 81.5 per cent of the total amortization in 2022 mainly comprising of Treasury bills, while external debt accounts for Kshs 213.89 billion or 18.5 per cent of the total amortization. The profile shows a relatively smooth repayment structure, with maturities spread out in future years except for spikes in 2024, 2028, and 2048 representing international sovereign bonds maturities.

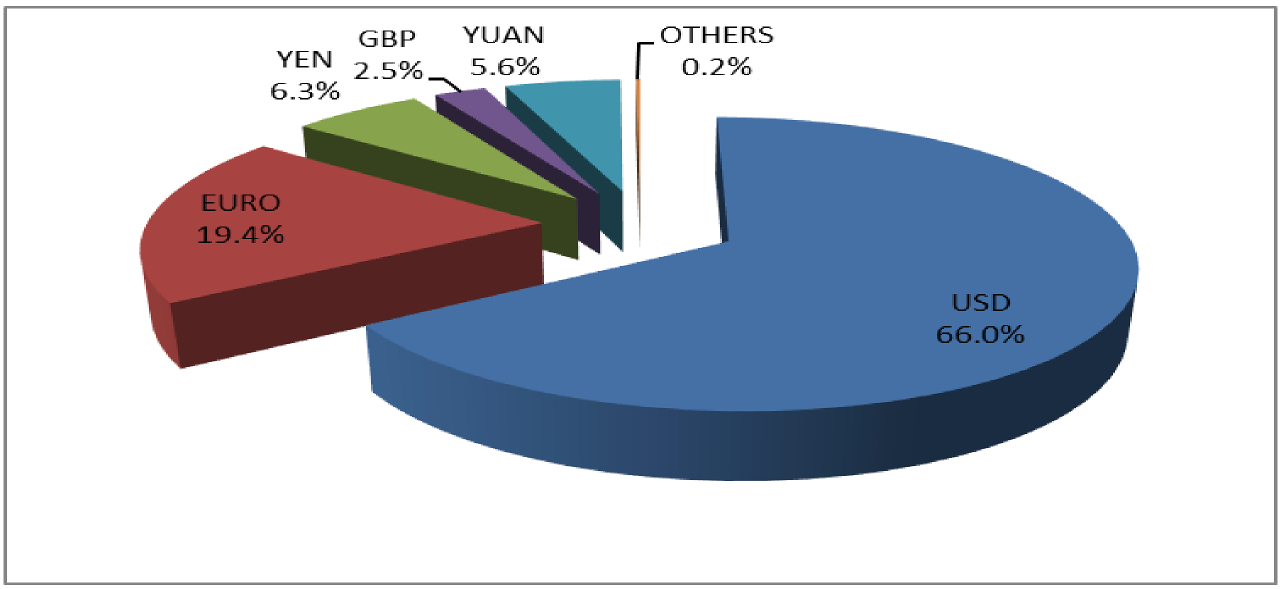
Figure 2: Redemption Profile (Kshs. millions) as at End June 2021



Source: National Treasury and Central Bank of Kenya

39. The exposure to foreign exchange rate risk remains real with external debt accounting for 51.3 percent of the total public debt in 2021 while the major currency risk comprise of 66.0 percent in U.S. dollars; 19.4 percent in Euro ;6.3 per cent in Japanese Yen; 5.6 percent in Chinese Yuan; 2.5percent in Great Britain Pound (GBP) while other currencies account for only 0.2 percent (**Figure 3**).

Figure 3: Currency Composition of External Debt, End-June, 2021.



Source: The National Treasury

DEBT SUSTAINABILITY ANALYSIS

40. Kenya's public debt remains sustainable. With the COVID-19 pandemic and its impact on the domestic and global economy, Kenya's debt carrying capacity declined from *strong* to *medium* as assessed through the World Bank-IMF Composite Indicator (CI).

41. The CI captures the impact of various factors through a weighted average of a country's policies and institutional capacities, real GDP growth, remittances, international reserves, and world growth. Kenya's CI is based on the October 2020 World Economic Outlook (WEO) and the World Bank's CPIA vintage released in July 2020.

42. **Kenya debt carrying capacity assessment** was **revised from strong in 2017 to medium** in the WEO of October 2020. The risk of debt distress has however increased from low in previous years to moderate in 2018 and 2019 and further rising to high in 2020 and 2021. **(Table 9)**

Table 9: Kenya's debt risk levels and debt carrying capacity

	2017	2018	2019	2020	2021
Risk of debt distress	Low	Moderate	Moderate	High	High
Debt carrying capacity	Strong	Strong	Strong	Medium	Medium

Source: IMF country reports

43. The downward review of the CI resulted to lower thresholds and benchmark for debt sustainability indicators. Consequently, Kenya's susceptibility to debt distress increased from moderate to high.

44. However, the CI rating is expected to improve to reflect expectations for higher reserve coverage, strong remittance inflows and the recovery of global and domestic economy. Improvement in CI rating will enhance the thresholds and benchmarks for debt sustainability indicators.

45. The assessment showed that subdued growth in exports would increase debt vulnerability. There is heightened vulnerability in 2024 which coincides with Eurobond maturities. However, there are measures in place to refinance the Eurobond under favourable market conditions.

a) Total Public Debt Sustainability Analysis

46. Public and publicly guaranteed debt to GDP ratio in PV terms was above the indicative benchmark of 55 percent **(Table10).** Nonetheless, the breach of the benchmark did not imply presence of augmented risks associated with domestic debt.

Table 10: Kenya's Public Debt Sustainability

Indicators	Thresholds	2020	2021	2022	2023	2024
PV of debt–to-GDP ratio	**55**	62.4	63.0	64.2	63.4	62.9

Source: IMF Country Report No. 21/72, April 2021

47. Public debt sustainability is expected to improve on the basis of implementation of the Economic Recovery Strategy (ERS), commitment to fiscal consolidation and macroeconomic stability. To enhance debt sustainability, the Government will continue to optimize use of concessional funding sources, and lengthen the maturity profile of public debt through issuance of medium to long dated bonds and deepen domestic debt market to be able to finance a bigger portion of budget deficits.

48. It should, nevertheless, be noted that restrained public expenditure to slow down accumulation of public debt is a necessary prerequisite to debt sustainability.

MACROECONOMIC ASSUMPTIONS AND KEY RISKS

a) Baseline Macroeconomic Assumptions

49. The 2022 MTDS is anchored on the macroeconomic assumptions outlined in the 2022 Budget Policy Statement (BPS) as summarized in Table 9, and annexes 2,3 and 4.

50. Economic growth is projected to grow by 5.9 percent in FY2021/22, an improvement from the growth of 2.9 percent realized in the FY2020/21. This growth will be supported by the continued reopening of the economy buoyed by the increased uptake of the COVID-19 vaccines which have also reduced mortality and morbidity rates in the country **(Table 11).** Over the medium term, growth in real GDP is projected to be at 6.1 percent supported by stable macroeconomic environment and the ongoing implementation of the strategic priorities of the Government under the "Big Four" Agenda, Economic Recovery Strategy and other priority programmes as outlined in the Third Medium Term Plan of Kenya Vision 2030.

Table 11: Baseline Macroeconomic Assumptions

	Unit	2019/20	2020/21 (Proj.)	2021/22 (Proj.)	2022/23 (Proj.)	2023/24 (Proj.)	2024/25 (Proj.)	2025/26 (Proj.)
		Actual	Pre Act.		Projection			
Real GDP	Percent	2.3	2.9	5.9	5.8	5.9	6.0	6.1
GDP Deflator	Percent	4.9	5.9	5.5	4.8	5.3	5.2	6.0
Inflation	Percent	5.2	5.8	5.6	5.0	5.0	5.0	5.0
Revenue	Percent of GDP	16.9	15.8	16.3	17.4	18.1	18.1	18.1
Expenditure	Percent of GDP	24.7	24.3	25.0	23.7	22.8	22.2	21.5
Overall Fiscal Balance	Percent of GDP	-7.4	-8.4	-8.2	-6.0	-4.4	-3.9	-3.2
Primary Budget Balance	Percent of GDP	-3.3	-3.8	-3.4	-1.1	0.2	0.5	0.9
Revenue	Kshs Billion	1,796.0	1,783.7	2,063.1	2,431.4	2,820.8	3,146.0	3,533.8
Expenditure	Kshs Billion	2,627.5	2,749.5	3,154.3	3,324.4	3,550.9	3,865.3	4,214.6
Overall Fiscal Balance	Kshs Billion	-790.8	-950.2	-1,029.3	-846.1	-682.0	-670.0	-627.5
Primary Budget Balance	Kshs Billion	-353.6	-455.1	-424.0	-158.2	30.1	88.2	169.2
GDP (Current Prices)	Kshs Billion	10,620.8	11,304.1	12,628.1	14,002.1	15,604.6	17,401.9	19,577.0

Source: The National Treasury

51. The 2022 BPS is anchored on a rebounding economic growth supported by stable macroeconomic environment, improved economic activities as a result of gradual reopening of the economy, favorable weather conditions and the ongoing implementation of strategic priority projects of the Government under the "Big Four" Agenda, Economic Recovery Strategy and other priority programmes as outlined in the Third Medium Term Plan of Vision 2030.

52. Inflation rate is expected to remain within the government CBK target range of 5 ± 2.5 percent. The economy is largely expected to remain competitive in the external market despite the financial conditions attributed to uncertainty with regard to COVID-19. This stability will be supported by sustainable high volume remittances, adequate foreign reserves and favourable horticultural exports while interest rates are expected to remain stable.

53. Prior to the COVID-19 global pandemic, Kenya's economy performed well with large infrastructure investment that contributed to increased fiscal deficit and debt vulnerabilities, which were exacerbated by the adverse effect of the pandemic. The government has put appropriate measures to maintain public debt on a sustainable path.

54. The fiscal consolidation plan outlined in the 2022 BPS projects to reduce fiscal deficits and lower debt service costs to release resources for priority programs.

55. Arising from fiscal consolidation, the primary budget balance is projected to reach a surplus of 0.9 percent of GDP over the medium term from a deficit of 3.8 per cent in the FY 2020/21.

56. The alternative debt management strategies under the 2022 MTDS are subject to the Debt Limit Policy under the IMF program and the 2022 BPS policy priorities.

b) Risks to the Baseline Macroeconomic Assumptions

57. Global economic growth is projected to recover to 6.0 per cent in 2021 from a contraction of 3.2 per cent in 2020. Developing economies are however projected to experience more challenging recovery compared to developed economies due to lack of equity in the distribution of the COVID-19 vaccines which is expected to affect full resumption of economic activities in all sectors.

58. Kenya's external debt is held in various foreign currencies posing a major exchange rate risk in the event of depreciation of the Kenya shilling. This will lead to increase in debt service costs. To ensure the stability of the exchange rate, the Government is committed to implementing prudent fiscal and monetary policies to stabilize prices.

59. Government's exposure to fiscal risks and contingent liabilities arising from state owned enterprises are recorded as off-balance sheet items. Materialization of these liabilities may pose severe fiscal strain in the budget year. The Government will continue monitoring the liabilities with an aim of mitigating the risk before they materialize.

60. To cushion the country against the downsides of the risks emanating from the global sphere, the Government is deepening reforms in the domestic debt market to ensure a stable and strong financial system in Kenya capable of funding increasing share of the fiscal deficits.

61. The Government will continue with liability management plans both in the external and domestic debt with the aim of lengthening the maturity structure and reducing the refinancing risks in the debt portfolio.

POTENTIAL SOURCES OF FINANCING

A. Sources of Financing for the Existing Fiscal Deficit

62. The borrowing requirements of the Government is from both domestic and external sources. Treasury bonds have been the main source of domestic borrowing while external borrowing sources comprise of multilateral, bilateral and commercial sources.

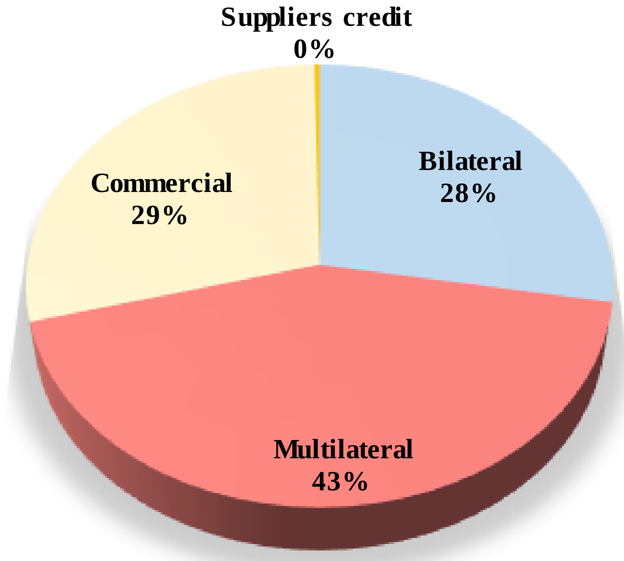
63. As at June 2021, domestic debt holdings were dominated by banks at 51.4 percent, while non-bank institutions (pension funds, insurance firms, parastatals and retail investors) accounted for 48.6 percent. Treasury bonds comprised of benchmark instruments with tenors of 2, 5, 10, 15, 20 and 25 years, including infrastructure bonds targeted at financing infrastructure projects. Treasury bills are used as both cash or liquidity management instruments as well as for trading deficit in some cases.

64. As at June 2021, the largest component of external financing was from concessional sources (bilateral and multilateral), which accounted for 75 percent and commercial lenders (international sovereign bonds) accounted for 25 percent of the total financing.

65. The share of multilateral debt in total external debt was 43.2 percent while debt from commercial sources (including international sovereign bonds and syndicated loans), bilateral and others sources accounted for 28.8 percent, 27.7 percent and 0.3 percent respectively **(Figure 4).**

66. The major multilateral lenders were International Development Association (IDA), African Development Bank (AfDB) and International Monetary Fund (IMF) while bilateral debt is dominated by China and Japan as at end June 2021.

Figure 4: Existing Sources of External Financing



Source: The National Treasury

B. Potential sources to finance the medium-term budget

i. Domestic Sources

67. The domestic debt market remains the single most important financing source for the Government, contributing 63.2 percent to the total funding needs in the FY 2020/21. Over the years, the government has successfully met its financing targets for the domestic market remain higher than external sources.

68. To increase the capacity through interest of the domestic market to fund more of Government borrowing needs, it is important to promote the growth of the non-bank institutional sectors such as pension, insurance and mutual funds. The pension sector for instance, is expected to expand with the growth of new financial products such as post retirement and contributory pension schemes, diversified asset classes, private equity and venture capital. Further, the Government will continue to explore non-traditional financing sources to enhance growth, and safeguard stability of the domestic debt market.

69. The Government is committed to continue promoting a national savings culture, support financial inclusion and access to government securities, by issuing retail securities through mobile-phone platforms targeting retail investors. The M-Akiba bond platform will be integrated into the new Central Securities Depository system being developed by the Central Bank to provide alternative investment opportunities for the informal sector.

ii. External Sources

70. Net external financing contributed 36.8 percent of the Government's financing needs in the FY 2020/2021

71. Subject to the debt limits, the Government will continue to source from Multilateral sources (IMF, IDA and (AfDB) for budget support and bilateral lenders to finance development expenditure. The Government will maintain presence in the international capital market through issuance of sovereign bonds.

72. This will be accompanied by instrument diversification such as issuance of sovereign green bonds to finance climate related or environmental sustainability projects.

COST-RISK ANALYSIS OF ALTERNATIVE DEBT MANAGEMENT STRATEGIES

A. Baseline Pricing Assumptions and Description of Shock Scenarios

73. The pricing assumptions under the baseline scenario for interest rates and the exchange rates are as follows:

    i. IDA/IFAD loans are priced at an average fixed rate of 0.75 percent, with a 40-year tenor and up-to 10-year grace period.
    ii. Concessional external loans are priced at an average fixed rate of 1.75 percent, with a 35-year tenor and up-to 10-year grace period.
    iii. Semi-concessional loans are assumed to be contracted at a fixed interest rate of approximately 2.3 percent and a maturity of 22 years including a grace period of up to 7 years.
    iv. Commercial borrowings relate to Export Credit Agencies financing contracted at a reference rate plus a margin.
    v. The pricing of Kenya's International Sovereign debt is based on the prevailing Sovereign Bond yield curve for June 2021.
    vi. Pricing on the domestic debt instruments is based on the prevailing market yield curve as at June 2021.

74. The outlook on the baseline interest rates and exchange rates is based on the following considerations;

    i. Under the baseline scenario for the exchange rate assumptions, the Kenya shilling is assumed to depreciate annually at 0.4 percent against the U.S. dollar. This was based on analysis of historical trends on the exchange rate in the last 5 years.
    ii. The future interest rates of market-based fixed-rate debt instruments in both international and domestic markets were based on trend historical changes on the market interest rates in the last 5 years, assumed to remain stable over the medium term.

75. Three risk scenarios are evaluated as follows:

    i. The risk scenario for interest rates assumes moderate interest rate shock of 2.5 percent over the baseline projections and a stand-alone extreme shock of 5 per cent which remains constant thereafter.

ii. The risk scenario for exchange rate assumes a stand-alone extreme shock of 25 percent in 2022 was applied on the baseline exchange rate projections.
iii. The combined exchange rate and interest rate risk shock scenario assumes an increase in interest rate by a moderate shock of 2.5 percent combined with a 10 percent exchange rate depreciation in 2022.

B. Description of Alternative Debt Management Options

76. The preparation of the 2022 MTDS considered four financing strategies to fund the fiscal deficits for the FY2022/2023 the guide medium-term borrowing.

77. Alternative combinations of borrowing were considered as funding strategies. The external financing alternative sources varied in concessional, semi-concessional and commercial sources while various combinations of Treasury bills and bonds constituted domestic financing alternatives.

i. **Option 1 (S1) - Gradual reduction of T-Bills Stock:** This alternative strategy to finance the fiscal deficit over the medium-term. On the external gross financing, concessional and commercial borrowing were considered at 16 percent and 6 percent respectively, with no borrowing from semi-concessional sources. Treasury bonds remains the main source of net domestic financing while the stock of Treasury bills which is a cash management instrument was considered to gradually decline from Kshs.748,841 million in June 2022 to Kshs. 659,615 million in June 2025.

ii. **Option 2 (S2) - Increased Concessional Borrowing and Constant Treasury Bills Stock:** This option loans more on the use of concessional funding and reducing commercial borrowing, thereby reducing the cost of debt. In the domestic market, option would reduce refinancing risk through issuance of medium to long term instruments as the main source of domestic financing. In net borrowing terms, the option assumes 68 percent domestic and 32 percent external borrowing over the medium term (in line with 2022 BPS financing assumptions). In terms of gross borrowing, external and domestic financing accounts for 25 percent and 75 percent, respectively. The composition of gross external financing consists of concessional and commercial sources at 22 percent and 3 per cent respectively, with no borrowing from semi-concessional sources. The stock of Treasury bills[4] is projected to remain fairly constant over the medium term.

iii. **Option 3 (S3) - Increased Concessional borrowing and Reduction of T-Bills Stock:** This strategy would maximize external concessional borrowing and reduce refinancing risk in the domestic debt portfolio. The option involves issuing medium-long term Treasury bonds and reduce the stock of Treasury bills over the medium term. In terms of net financing, the option assumes 70 percent domestic and 30 percent external financing. In gross borrowing terms, external and domestic financing accounts for 25 percent and 75 percent, respectively. Gross external financing would be composed of 22 percent concessional and 3 percent commercial borrowing.

iv. **Option 4 (S4) - Debt Refinancing and Reprofiling Strategy:** The strategy targets debt reprofiling through gradual increase in medium term Treasury bonds issuance and liability management operations on external debt. This option would be composed of 62 percent and 38 percent net financing from the domestic and external sources ,respectively. In terms of gross borrowing, external and domestic financing would account for 25 percent and 75 percent, respectively. On the external financing, concessional, semi concessional and commercial would account for 8 percent, 5 percent and 13 percent, respectively. Domestic financing would be mainly through medium to long term instruments.

[4] According to PFM Act 2012 Treasury bills are for cash management and not a budget financing instrument.

C. Cost-Risk Analysis of Alternative Debt Management Options

78. Assessment of the evolution of debt costs and risks under each of the four alternative borrowing management options is derived from the cost and risk indicators generated by the MTDS Analytical Tool. Assessment of the characteristics of the debt portfolio under standard shock scenarios is also provided from analysis. The MTDS Analytical Tool generates the characteristics of future debt profile in terms of stock and cash flow.

i. *Baseline Projection and Alternative Options*

79. Table 12 presents the average gross borrowing in each alternative options during the period ending FY 2025/26.

Table 12: Average New Borrowing by Instrument Under Alternative Strategies (in Percent of Gross Borrowing by End of FY 2024/25)

New debt per Instrument	S1	S2	S3	S4
IDA/IFAD	8	4	4	4
Concessional	8	19	18	4
Semi-Concessional	0	0	0	5
Commercial/International Sovereign Bond	6	3	3	13
Treasury bills	35	38	33	46
Treasury bonds 2-3 Years	2	2	4	1
Treasury bonds 4-7 Years	3	3	5	3
Treasury bonds 8-12 Years	8	11	11	4
Treasury bonds 13-17 Years	13	10	9	9
Treasury bonds 18-22 Years	12	7	8	9
Treasury bonds 23-30 Years	4	4	4	4
External	**22**	**25**	**25**	**25**
Domestic	**78**	**75**	**75**	**75**
Total	**100**	**100**	**100**	**100**

Source: The National Treasury

80. Table 13 presents the composition of the debt portfolio arising from the financing options in Table 12 during the period ending FY 2025/26.

Table 13: Composition of Debt Portfolio by Instrument under Alternative Options , (in Percent of Outstanding Portfolio as at End of -FY 2024/25)

In Percent of Total	FY 2020/21	As at end FY2024/25			
Outstanding by Instrument	**Current**	**S1**	**S2**	**S3**	**S4**
IDA/IFAD	15	16	13	13	13
Concessional	8	11	19	19	8
Semi-Concessional	8	5	5	5	9
Commercial/International Sovereign Bond	20	13	10	10	19
Treasury bills	10	6	7	5	9
Treasury bonds 2-3 Years	1	1	1	2	0
Treasury bonds 4-7 Years	5	2	2	4	3
Treasury bonds 8-12 Years	11	11	13	13	8
Treasury bonds 13-17 Years	13	17	15	14	15
Treasury bonds 18-22 Years	6	14	10	10	11
Treasury bonds 23-30 Years	3	5	5	5	5
External	**51**	**44**	**47**	**47**	**49**
Domestic	**49**	**56**	**53**	**53**	**51**
Total	**100**	**100**	**100**	**100**	**100**

Source: The National Treasury

81. Under all the alternative option, the domestic debt portfolio increases faster over the medium term compared to the current strategy.

82. Table 12 shows the cost and risk characteristics of the debt portfolio under alternative options .

83. The balance between costs and risks is reflected by the outcomes of cost and risk trade-offs of the various alternative options and is used to inform the choice of the optimal options strategy (**Table 14 and Figure 6**).

Table 14: Cost and Risk Indicators Under Alternative Options

Risk Indicators		FY 2020/21	As at end 2025			
		Current	S1	S2	S3	S4
Nominal debt as percent of GDP		66.0	63.7	63.4	63.4	63.4
Present value debt as percent of GDP		58.8	56.0	54.8	55.0	56.8
Interest payment as percent of GDP		4.6	4.6	4.3	4.4	4.4
Implied interest rate (percent)		6.9	7.8	7.4	7.5	7.5
Refinancing risk	Debt maturing in 1yr (percent of total)	14.8	9.3	10.1	8.8	12.5
	Debt maturing in 1yr (% of GDP)	10.2	5.9	6.4	5.6	7.9
	ATM External Portfolio (years)	10.8	13.3	14.1	14.0	11.1
	ATM Domestic Portfolio (years)	6.9	10.0	9.1	9.1	9.4
	ATM Total Portfolio (years)	9.0	11.6	11.5	11.4	10.2
Interest rate risk	ATR (years)	8.3	11.3	11.3	11.2	9.5
	Debt refixing in 1yr (percent of total)	25.4	13.3	14.1	12.7	22.3
	Fixed rate debt incl T-bills (percent of total)	87.7	95.3	95.3	95.3	89.0
	T-bills (percent of total)	9.8	6.2	7.0	5.3	9.1
FX risk	FX debt as % of total	51.3	44.3	47.1	46.6	48.7
	ST FX debt as % of reserves	19.9	20.2	20.0	20.0	24.8

Source: The National Treasury

84. Across all the alternative options, both nominal and present value (PV) of debt to GDP ratios are lower than the levels in June 2021. This is on account of high projected GDP levels.

85. As shown in Table 12, Options Strategy 2 (S2) best achieves the debt management objectives than the other three strategies in terms of the following costs and risks characteristics;

i. Has least Present Value (PV) of debt to GDP of 54.8 percent compared to 58.8 percent on the existing public debt portfolio, indicating improved sustainability measures of public debt.
ii. Interest payment to GDP ratio and implied interest rate maximizes utilization of concessional sources and reduces commercial borrowing, thereby reducing the cost of debt over the medium term.

iii. Minimizes refinancing risk by lengthening the ATM for domestic and total debt, as it maintains the stock of Treasury bills constant.

iv. Minimizes interest rate risk in terms of average time to refixing.

v. Deepens the domestic bond market through issuance of more medium to long term instruments as the main source of domestic financing.

vi. It is restrained in the accumulation of external debt

86. Option 2 also has the least ratio of short-term FX to reserves, that minimizes foreign exchange risk alongside option 3.

87. Option 1 minimizes foreign exchange risk in terms of percent of FX debt in total debt portfolio.

88. Option 4 performs well as it has a lower nominal debt to GDP ratio (similar to options 2 and 3) but performs poorly under other cost and risk characteristics.

89. However, Options 2 has modest exposure to foreign exchange risk which is consistent with the plan to raise the larger part of the borrowing from external sources considered during strategy formulation compared to Option 1.

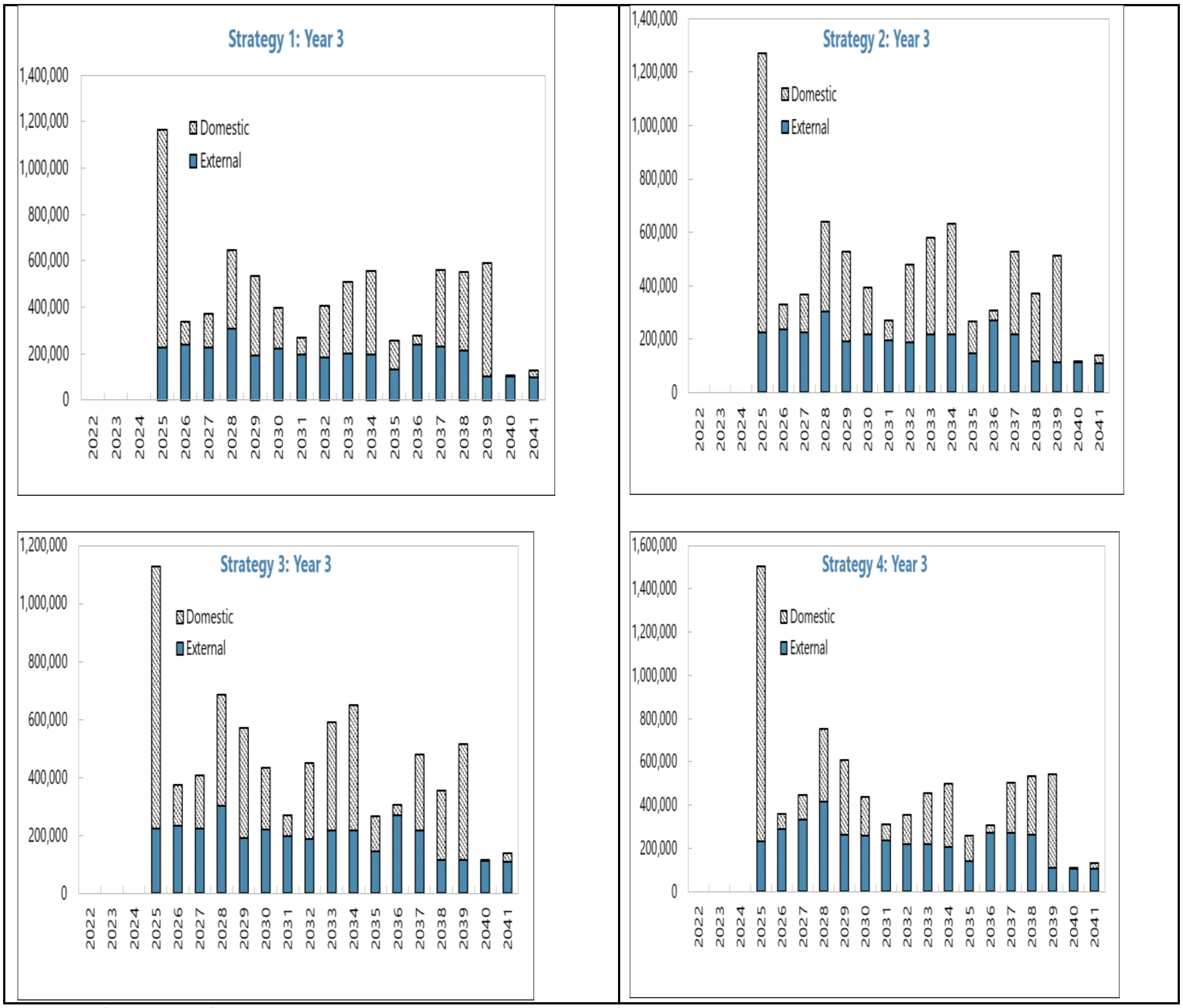
90. The redemption profiles for alternative options by end of 2025 are shown in Figure 5. High maturities of both domestic and external debt are observed in 2025 and 2028. Maturities in 2025 are associated with Treasury bills and bonds maturities in that year, while maturities in 2028 relate to the retirement of International Sovereign bonds as well as domestic Treasury bonds.

ii. *Effect of Shocks on the Costs and Risks Characteristics of Debt*

91. The analysis of the baseline and shock scenarios considered indicators such as; present value of Debt to GDP, interest payments to revenues, interest payments to GDP and total debt service to GDP **(Figure 6).**

92. The outcome of the analysis indicates the level of risks associated with each options under the baseline and shock scenarios. Options 2 has the lowest cost-risk combination.

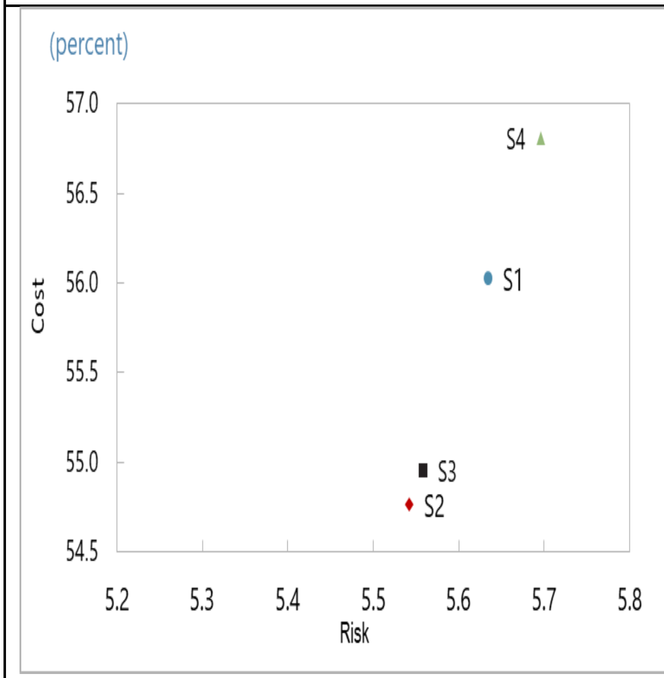
Figure 5: Redemption Profiles under Alternative Options (End-FY2024/25)

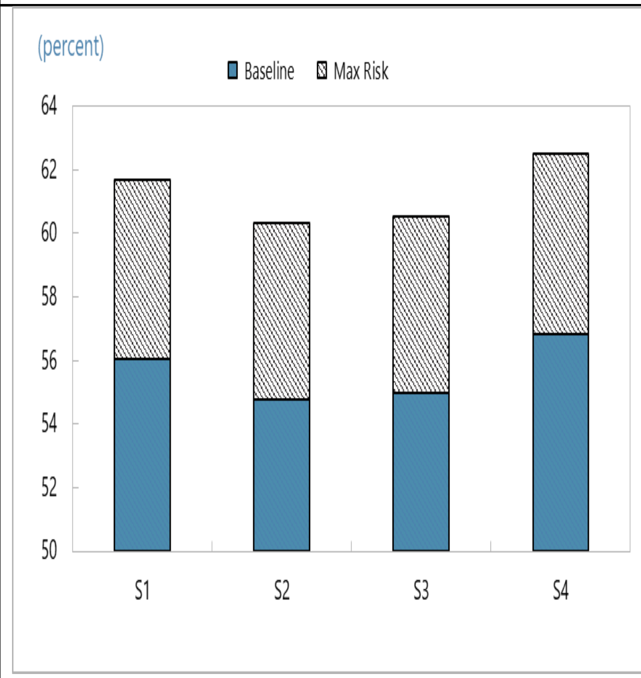


Source: The National Treasury

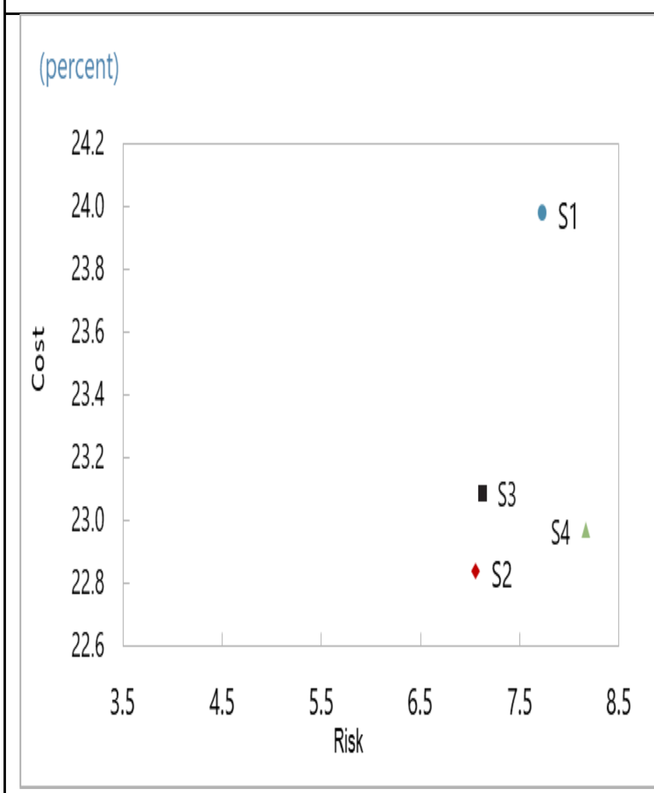
Figure 6: Cost and Risk Characteristics under Alternative Strategies

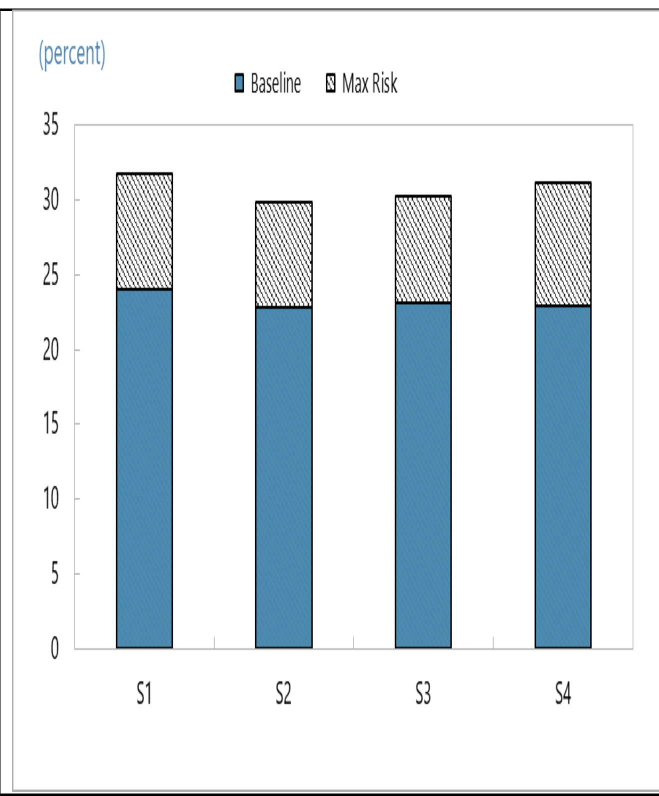
PV of Debt to GDP ratio



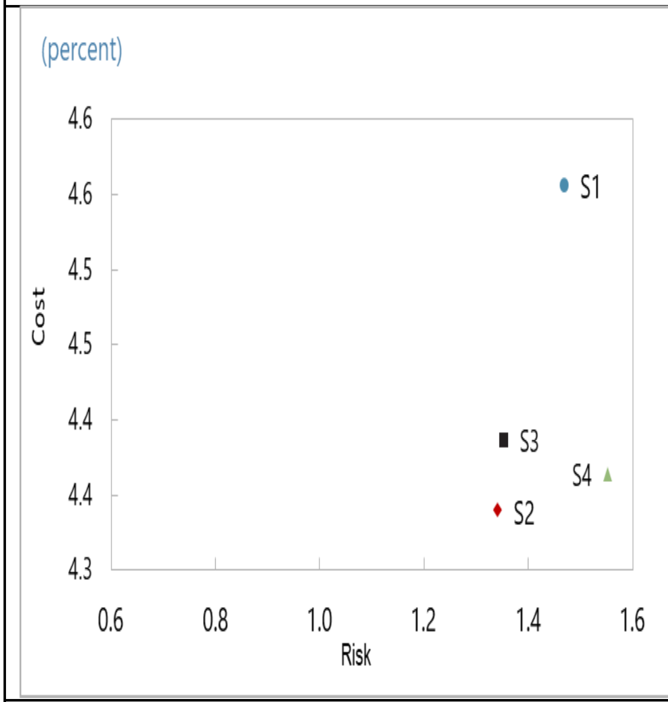


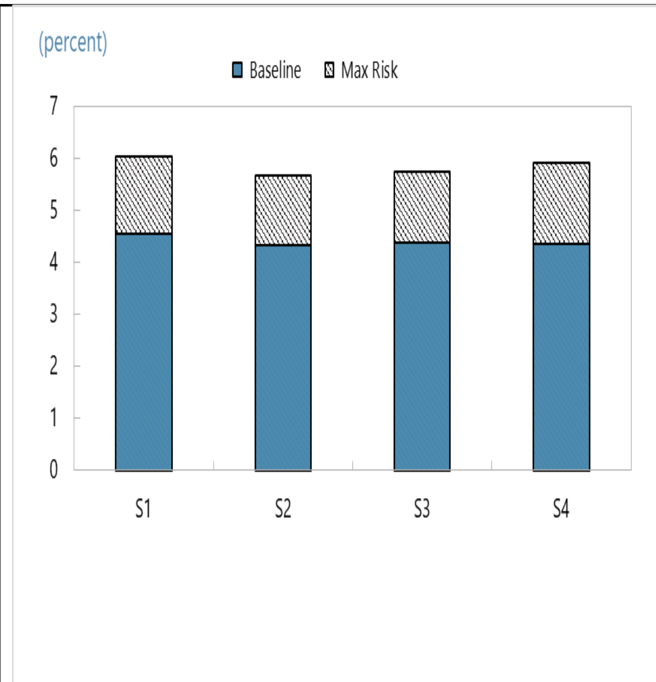
Interest to Revenue ratio



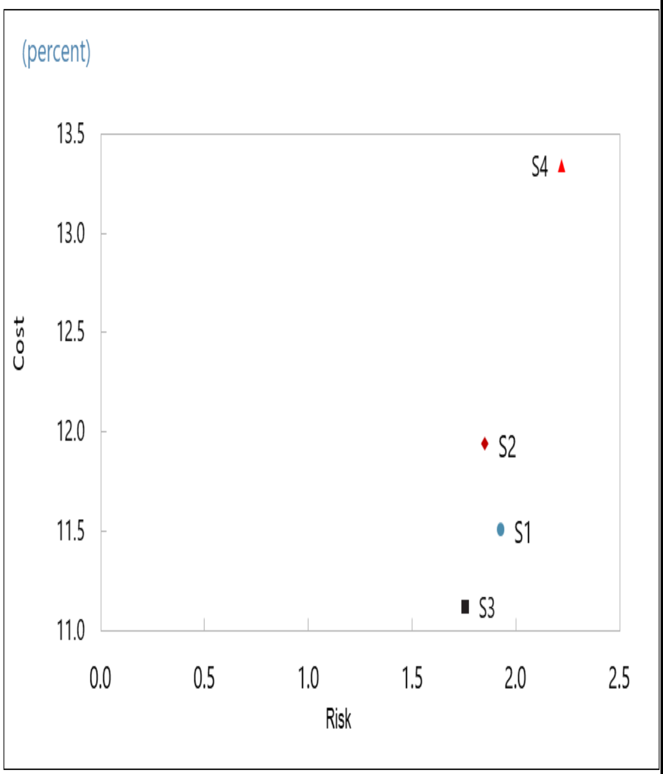


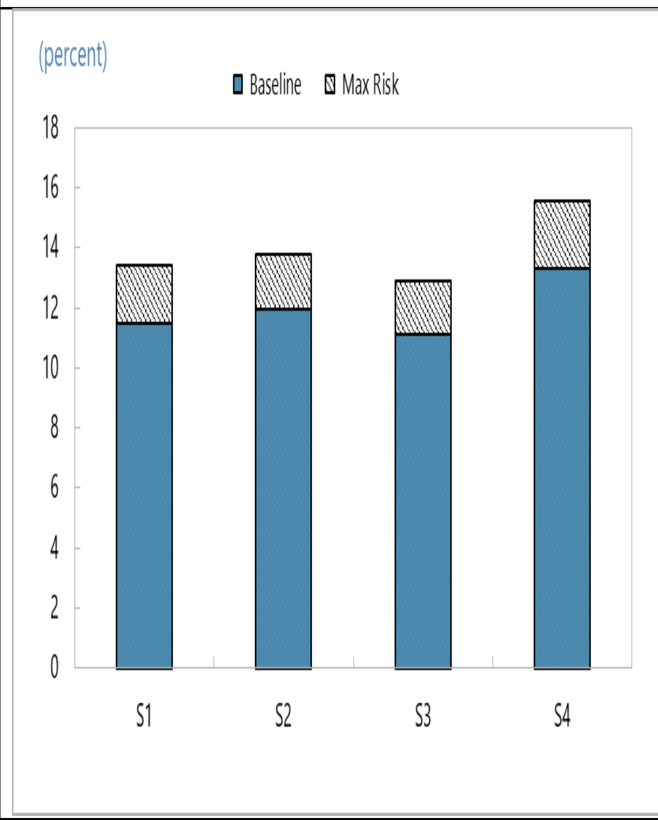
Interest to GDP ratio





Total debt service to GDP ratio





Source: The National Treasury

iii. *Projected Revenue, Debt Service and total expenditure*

93. Debt service to revenue ratio is projected to decline to 46.3 percent in the medium term **(Table 15).**

Table 15: Public Debt Service, Revenue and Expenditure

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Total debt service to revenue (%)	50.0	52.4	53.8	54.2	46.3	
Total Debt Service (Ksh. Billion)	780.6	946.5	1,153.2	1,364.9	1,299.1	
Total Ordinary Revenue (Ksh. Billion)	1,562.0	1,806.8	2,141.6	2,516.3	2,807.4	
Total Expenditure (Ksh. Billion)	2,886.9	3,030.3	3,228.0	3,551.1	3,869.1	

Source: National Treasury

94. About half of Kenya's public debt is denominated in foreign currency which exposes the debt to foreign exchange risk. However, the foreign exchange risk on public debt remains well mitigated given the relative stability of the Kenya shilling against major currencies. The currency diversification in the country's foreign reserves basket is a contingent safety net.

iv. *The Optimal Deficit Financing Option*

95. Option 2 is the **optimal strategy** selected as results in optimization of majority costs and risks associated with indicators its net financing mix of 32 per cent from external sources and 68 per cent from domestic market. The objective of this strategy is to optimize on the use of concessional and reducing commercial borrowing, thereby reducing the cost of debt. In the domestic market, the strategy seeks to reduce refinancing risk through medium to Treasury bonds as the main source of domestic financing.

96. The difference between the proposed 2022 MTDS and the 2021 MTDS is in terms of the composition of net external and domestic debt financing structure. In this proposed 2022 MTDS, net external and domestic financing

account for 32 percent and 68 percent respectively compared to 57 percent to 43 percent in the 2021 strategy. This is consistent to the IMF's Debt Limits Policy applicable to countries with elevated levels of debt burden.

97. In terms of gross borrowing, the selected strategy seeks to achieve 25 percent and 75 percent in external and domestic financing respectively. The larger proportion of the gross domestic borrowing accounts for refinancing of Treasury bills within the financial year.

98. The optimal strategy for financing the budget deficit offer better outcome in reducing the cost of debt and has a modest exposure to foreign exchange rate risk. It seeks to maximize the use of concessional external financing and reduce re-course to external commercial borrowing but maintain limited presence in the international financial markets. To reduce refinancing risk, medium to long term Treasury bonds will be issued as the main source of domestic financing. The issuance of Treasury bills will be limited for cash management to maintain the stock of the shorter end of the domestic at minimum level to lower the risk of refinancing.

99. In addition, the strategy supports debt sustainability and domestic market development as follows:

i. Domestic debt market financing cushions public debt from increased foreign currency exposure.
ii. Lowers the interest rate risk in the debt portfolio.
iii. Lengthens the maturity profile of domestic debt and lowers refinancing costs.
iv. Scales-up volume of bonds which is essential for secondary market development and stability of yield curve.

v. *Domestic Debt Market Development*

100. Development of the domestic debt market is a necessary condition for public debt sustainability financing large proportion of public debt controls

public debt exposure to foreign exchange risk and cushion the public debt against the downside risks of the global market volatilities.

101. A number of strategic reforms aimed at increasing domestic market efficiency at different stages of implementation. These include:

i. Enhancement of market infrastructure through automation of processes at both primary and secondary markets and the deployment of a new Central Securities Depository (CSD) system by the CBK .These reforms will reform financial market, promote market deepening, improve market liquidity distribution, enhance operational efficiency, promote capital market growth. The CSD will improve auction and trading processes and separating upscale registry, custodial and settlement services for market operations.

   Further, retail investors from institutional investors and enhanced use of the Internet Banking (IB) platform for institutional investors have increased operational efficiency in the domestic debt market. Investors will continue to have access services such as bidding and receipt of auction results for Government securities and viewing of portfolio positions through the platforms.

ii. Policy and institutional reforms implemented include the following;

   - Publication of the auction rules and guidelines for government securities trading. This initiative was aimed at increasing primary market transparency and market confidence, contributing to increased price stability and lower overall public debt cost. The auction rules and guidelines were published on the CBK website in January 2021 and publication of the issuance calendar will be undertaken regularly.

   - Strengthen secondary market liquidity, reduce market fragmentation and maintain a well-priced stable yield curve to reduce the debt cost conducting liability management operations, around high but fewer outstanding instruments.

iii. Enhancement of secondary market efficiency through the ongoing establishment of the Over-The-Counter (OTC) trading platform to complement the NSE, will increase liquidity, price discovery and transparency.

102. The National Treasury will undertake liability management operations such as part of a market-based debt reprofiling approach.

vi. *Reforms in Public Debt Management*

103. To conform with the international best practice in setting debt limits, the National Treasury will initiate amendments to the public debt limit provisions in the PFM (National Government) Regulations, 2015. The amendments to the law will seek to provide public debt limit in Present Value (PV) terms as a percentage of Gross Domestic Product in place of a numerical limit.

104. Additionally, the National Treasury has developed draft guidelines for the operationalization of the Sinking Fund in conformity with Regulation 206 (1) of the PFM (National Government) Regulations, 2015, to provide for timely funding for redemption of government securities, and payment of expenses, or incidental to, redemption of an issue of national government loans. The guidelines will be subject to public participation process in conformity to the Section 16 of the Statutory Instruments Act, 2013 before submission to Parliament for consideration and approval.

105. At the onset of COVID-19 on the economy, the Government applied to participate in the G20 Debt Service Suspension Initiative (DSSI) with the first phase covering the period from January to June 2021. The DSSI yielded debt service suspension of Kshs. 46.5 billion to be repaid over six (6). Further, the Government applied to participate in Phase two of the DSSI for the period July

to December 2021. This debt re-arrangement initiative seeks to lower the debt servicing ratio over the medium term and improve debt sustainability.

MTDS IMPLEMENTATION, MONITORING AND EVALUATION

i. Domestic and external borrowing Plan

106. Government's gross financing requirements over the medium- term are implemented through the annual borrowing plan derived from the optimal strategy.

107. The domestic borrowing plan reflect maturities and issuance projections on Treasury bills and bonds within the financial year. The external borrowing plan comprise of expected disbursements per creditor, the period and currency of disbursement within the financial year and will aligned to the 2022 MTDS objectives.

108. The calendar will include, lliability management operations targets to be considered to manage refinancing risk.

ii. Review of the Borrowing Plan

109. The borrowing plan will be reviewed on a quarterly basis based on performance and feedback from engagement with the market participants and other relevant stakeholders.

110. Reporting on the strategy implementation will be through monthly debt reports and weekly briefs. Annual Debt Management report will be prepared and published by September 30th 2023.

iii. Monitoring and Review of Cost and Risk Indicator Outturn of the Strategy

111. The outturn of the costs and risks characteristics of debt will be assessed against the strategy targets.

112. The cost and risk indicators targets in the strategy will be evaluated against their respective outturns during strategy review. Deviations of outturns from targets will be used to inform strategy review in the next MTDS cycle.

113. The targeted costs and risks characteristics in the 2022 MTDS are evaluated semi-annually and/or annually against actual outcomes to determine deviations and suggest mitigation measures. Table 16 outlines the costs and risks parameters to be evaluated.

114. The evolving public debt structure fiscal deficits will and informs management of costs and risks of public debt going forward.

115. Likewise, State corporation's debt, fiscal commitments and contingent liabilities will be tracked and assessed against sustainability levels.

Table 16: Template for Monitoring and Evaluation of Cost and Risk Indicators Under Alternative Strategies

Risk Indicators		Baseline June 2021	MTDS 2022 Targets	Actual*	Deviation	Remarks
Nominal debt as % of GDP						
Present value debt as % of GDP						
Interest payment as % of GDP						
Implied interest rate (%)						
Refinancing risk	Debt maturing in 1yr (% of total)					
	Debt maturing in 1yr (% of GDP)					
	ATM External Portfolio (years)					
	ATM Domestic Portfolio (years)					
	ATM Total Portfolio (years)					
Interest rate risk	ATR (years)					
	Debt refixing in 1yr (% of total)					
	Fixed rate debt (% of total)					
FX risk	FX debt as % of total					
***December 2022 for Semi-Annual and June 2023 for Annual assessment**						

iv. Dissemination

116. To uphold commitment to debt transparency principles and ensure disclosure to the public, the National Treasury will publish and upload the MTDS on the National Treasury's website upon approval by Parliament.

ANNEXES

ANNEX I: Publication of the Debt Management Strategy

Section 33 of the Public Finance Management Act, 2012 provides:

1) On or before 15th February in each year, the Cabinet Secretary shall submit to Parliament a statement setting out the debt management strategy of the national government over the medium term with respect to its actual liability in respect of loans and guarantees and its plans for dealing with those liabilities.

2) The Cabinet Secretary shall ensure that the medium term debt management strategy is aligned to the broad strategic priorities and policy goals set out in the Budget Policy Statement.

3) The Cabinet Secretary shall include in the statement the following information:-

    a) The total stock of debt as at the date of the statement;

    b) The sources of loans made to the national government and the nature of guarantees given by the national government;

    c) The principal risks associated with those loans and guarantees;

    d) The assumptions underlying the debt management strategy; and

    e) An analysis of the sustainability of the amount of debt, both actual and potential.

4) Within fourteen days after the debt strategy paper is submitted to Parliament under this section, the Cabinet Secretary shall submit the statement to the Commission on Revenue Allocation and the Intergovernmental Budget and Economic Council, publish, and publicize the statement.

ANNEX II: MTDS Implementation Work Plan

NO.	OUTPUT	ACTIVITY	TIME FRAME	ACTION BY	DATA/INFORMATION SOURCE
1.	MTDS 2022	Review of 2021 MTDS, preparation and submission of 2022 to Parliament MTDS	October to November 2021	PDMO PS/NT CS/NT&P Cabinet Parliament	BPS 2022, BROP 2021 CS DRMS CBK MTDS 2021
2.	Dissemination of the MTDS 2022 to the National Treasury Departments	Circulation of printed copies, clear dissemination of the information to implementing departments and training counties	November 2021 to June 2022	PDMO CBK	MTDS 2022
3.	CFS (Debt) Budget estimates	Prepare the debt service projections and CFS budget estimates	Annually as per Budget Calendar and during revisions	PDMO BD MFAD CBK PS/NT CS/NT&P Cabinet Parliament	PDMO
4.	Monitoring reports and briefs	Access of domestic and external borrowing and repayment data	Weekly	PDMO CBK	RMD CBK MFAD
5.	Quarterly MTDS monitoring and evaluation report	Technical Fora and peer review of implementation of the MTDS	Quarterly	PDMO MFAD CBK CoG Peer countries	BPS 2022, BROP 2021 CS DRMS CBK MTDS 2021, 2022
6.	Monthly debt management reports	Access of domestic and external borrowing and repayment data	Monthly	PDMO CBK	RMD CBK FMA/NT
7.	MTDS 2022 half year performance review	Undertake half year review of performance of the 2022 MTDS	Every six months after effective date of the MTDS	PDMO CBK MFAD	RMD DRS CBK MFAD
8.	FCCL Report	Undertake analysis of FCCL and FCCL assessment	Annually	PDMO PPP Unit MFAD CBK	PPP Unit
9.	Review of issuance calendar	Stakeholders Forums to review issuance calendar	Quarterly	PDMO AGD CBK MFAD Market Participants PS/NT CS/NT&P	PDMO CBK AGD Market Participants

ANNEX III: Macroeconomic Indicators

	2020/21	2021/22			2022/23			2023/24			2024/25			2025/26	
	Pre. Act	BPS'21	Approved Budget	Proj.	BPS'21	BROP'21	BPS'22	BPS'21	BROP'21	BPS'22	BPS'21	BROP'21	BPS'22	BROP'21	BPS'22
annual percentage change, unless otherwise indicated															
National Account and Prices															
Real GDP	2.9	6.3	5.9	5.9	5.7	4.5	5.8	6.0	4.7	5.9	6.1	5.0	6.0	5.3	6.1
GDP deflator	5.9	5.2	5.5	5.5	5.0	4.9	4.8	5.4	5.4	5.3	5.3	5.3	5.2	6.0	6.0
CPI Index (eop)	5.7	5.0	5.3	5.3	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
CPI Index (avg)	5.8	5.0	5.6	5.6	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Terms of trade (-deterioration)	-2.6	1.1	0.2	1.1	-0.3	0.2	0.2	0.5	0.2	0.2	0.6	0.3	0.3	0.4	0.4
Money and Credit (end of period)															
Net domestic assets	12.6	10.2	11.9	11.9	12.0	10.0	10.5	13.0	11.1	11.4	12.6	11.2	11.4	11.9	12.0
Net domestic credit to the Government	22.4	21.1	18.2	18.2	13.5	10.1	14.3	11.1	11.3	10.7	9.6	12.2	11.4	11.0	8.9
Credit to the rest of the economy	7.7	7.7	12.5	12.5	13.8	12.1	10.3	13.7	12.1	12.7	13.2	12.3	12.9	14.9	16.0
Broad Money, M3 (percent change)	6.3	11.0	11.7	11.7	11.0	9.6	10.9	11.7	10.3	11.4	11.4	10.5	11.5	11.6	12.5
Reserve money (percent change)	5.4	6.5	-10.9	-10.9	6.6	-2.5	-1.4	7.2	-1.9	-0.9	6.9	-1.7	-0.8	-0.7	0.1
in percentage of GDP, unless otherwise indicated															
Investment and Saving															
Investment	20.6	19.8	20.8	20.8	18.3	16.1	20.5	19.0	16.7	20.7	19.4	17.6	21.1	18.4	21.2
Central Government	5.3	4.9	5.2	5.2	4.8	4.9	5.0	4.9	5.0	4.9	4.8	5.1	5.0	3.0	5.0
Other	15.3	14.9	15.7	15.7	13.4	11.3	15.5	14.1	11.6	15.7	14.6	12.6	16.1	15.4	16.2
Gross National Saving	16.2	13.8	16.3	16.3	12.2	11.4	15.6	12.8	11.9	15.4	13.1	12.7	15.4	13.6	15.4
Central Government	-4.7	-2.6	-4.7	-4.7	-1.4	-3.0	-3.4	-0.4	-2.3	-2.2	-0.1	-2.0	-1.6	-0.1	-1.1
Other	20.9	16.4	21.0	21.0	13.6	14.4	19.0	13.2	14.1	17.6	13.2	14.7	17.0	13.7	16.5
Central Government Budget															
Total revenue	15.8	16.4	16.1	16.3	17.3	17.5	17.4	18.2	18.6	18.1	18.1	18.1	18.1	18.6	18.1
Total expenditure and net lending	24.3	24.3	24.0	25.0	23.3	23.5	23.7	22.7	23.5	22.8	22.0	22.8	22.2	22.8	21.5
Overall Fiscal balance excl. grants	-8.5	-7.9	-7.9	-8.6	-6.0	-6.0	-6.4	-4.6	-4.8	-4.7	-3.9	-4.7	-4.1	-4.2	-3.5
Overall Fiscal balance, incl. grants, cash basis	-8.2	-7.5	-7.4	-8.2	-5.6	-5.7	-6.0	-4.2	-4.5	-4.4	-3.6	-4.4	-3.9	-3.9	-3.2
Statistical discrepancy	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Fiscal balance, incl. grants, cash basis- adj. descrepancy	8.4	7.4	8.2	0.0	5.6	5.7	6.0	4.2	4.5	4.4	3.6	4.4	3.9	3.9	3.2
Primary budget balance	-3.8	-3.0	-2.9	-3.4	-0.9	-0.8	-1.1	0.3	0.2	0.2	0.6	0.2	0.5	0.7	0.9
Net domestic borrowing	5.5	5.4	5.2	4.9	3.2	3.0	4.1	2.7	3.3	3.1	2.7	3.1	3.3	3.3	2.6
External Sector															
Exports value, goods and services	10.8	11.0	11.0	11.0	10.5	10.7	10.9	10.0	10.3	10.7	9.5	9.8	10.4	9.4	10.1
Imports value, goods and services	17.9	18.6	17.4	17.4	17.8	16.6	17.3	17.0	15.9	17.1	16.2	15.1	16.7	14.3	16.4
Current external balance, including official transfers	-4.4	-6.0	-4.5	-4.5	-6.1	-4.7	-4.9	-6.2	-4.8	-5.3	-6.3	-4.9	-5.7	-4.8	-5.9
Gross reserves in months of next yr's imports	5.6	5.5	5.5	5.5	5.5	5.6	5.5	5.5	5.6	5.5	5.5	5.6	5.5	5.7	5.6
Gross reserves in months of this yr's imports	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.9	5.9	5.9	5.9	5.9
Public debt															
Nominal central government debt (eop), gross	68.2	69.3	68.1	68.1	68.1	68.6	67.5	65.2	66.7	64.9	62.1	64.5	62.1	58.8	58.3
Nominal debt (eop), net of deposits	63.2	65.3	63.6	63.6	64.4	64.5	63.4	61.9	63.0	61.3	59.1	61.1	58.8	55.7	55.4
Domestic (gross)	32.7	35.4	34.2	34.2	35.6	34.7	34.9	35.0	34.8	34.4	34.1	35.1	34.2	34.7	33.0
Domestic (net)	27.7	31.3	29.7	29.7	31.9	30.6	30.9	31.7	31.1	30.8	31.1	31.7	30.9	31.7	30.1
External	35.5	34.0	33.9	33.9	32.5	33.9	32.6	30.2	31.9	30.5	28.0	29.4	27.9	24.1	25.4
<u>Memorandum Items:</u>															
Nominal GDP (in Ksh Billion)	11,304	12,393	12,628	12,628	13,760	13,721	14,002	15,373	15,140	15,605	17,128	16,735	17,402	18,682	19,577
Nominal GDP (in US$ Million)	105,062	114,334	114,431	114,431	126,082	125,357	122,311	139,749	137,220	131,276	155,429	151,402	141,823	168,416	154,252

Source: *National Treasury*

ANNEX IV: Government Fiscal Operations, Ksh Billion

	2020/21	2021/22			2022/23			2023/24			2024/25			2025/26	
	Pre. Act	BPS'21	Approved Budget	Proj.	BPS'21	BROP'21	BPS'22	BPS'21	BROP'21	BPS'22	BPS'21	BROP'21	BPS'22	BROP'21	BPS'22
TOTAL REVENUE	**1783.7**	**2,033.6**	**2,038.7**	**2,063.1**	**2,379.3**	**2,405.3**	**2,431.4**	**2,795.9**	**2,817.6**	**2,820.8**	**3,099.3**	**2,820.8**	**3,146.0**	**3,479.6**	**3,533.8**
Ordinary Revenue	1562.0	1,775.6	1,775.6	1,800.0	2,141.6	2,141.6	2,141.6	2,516.3	2,516.3	2,516.3	2,807.4	2,516.3	2,822.6	3,144.3	3,189.2
Income Tax	694.1	834.5	834.5	817.9	997.3	981.5	997.3	1,178.6	1,153.7	1,178.6	1,316.2	1,178.6	1,285.7	1,451.1	1,460.1
Import duty (net)	108.4	119.0	119.0	118.8	144.9	144.9	144.9	170.4	170.4	170.4	187.5	170.4	181.4	209.3	204.0
Excise duty	216.3	241.0	241.0	259.6	297.2	298.0	297.2	346.9	346.9	346.9	389.7	346.9	395.1	432.3	453.0
Value Added Tax	410.8	472.9	472.9	477.1	584.7	583.2	584.7	691.6	691.6	691.6	774.3	691.6	792.7	875.8	896.2
Investment income	45.1	30.0	30.0	35.5	31.5	31.5	31.5	33.1	33.1	33.1	34.7	33.1	34.7	35.1	35.1
Other	87.4	78.2	78.2	91.2	86.0	102.5	86.0	95.7	120.6	95.7	105.0	95.7	133.1	140.8	140.8
Ministerial Appropriation in Aid	**221.7**	**257.9**	**263.0**	**263.0**	**237.7**	**263.7**	**289.8**	**279.6**	**301.3**	**304.5**	**291.9**	**304.5**	**323.3**	**335.2**	**344.6**
EXPENDITURE AND NET LENDING	**2,749.5**	**3,010.0**	**3,030.3**	**3,154.3**	**3,199.4**	**3,228.0**	**3,324.4**	**3,495.6**	**3,551.1**	**3,550.9**	**3,762.9**	**3,550.9**	**3,865.3**	**4,258.6**	**4,214.6**
Recurrent expenditure	1,796.6	1,986.0	1,991.9	2,071.8	2,117.4	2,141.2	2,201.0	2,318.6	2,364.2	2,359.9	2,506.0	2,359.9	2,569.3	2,848.4	2,804.9
Interest payments	495.1	560.6	560.3	605.3	644.0	659.2	687.9	695.6	719.8	712.2	713.8	712.2	758.3	849.7	796.8
Domestic interest	388.8	421.7	421.9	479.2	482.4	515.2	553.4	508.0	563.3	572.3	518.7	572.3	615.0	671.3	637.2
Foreign Interest	106.3	138.9	138.4	126.0	161.5	144.1	134.5	187.6	156.4	139.9	195.1	139.9	143.3	178.4	159.6
Pensions & Other CFS	112.9	137.0	137.2	137.2	150.4	150.4	150.4	167.9	168.1	168.2	192.6	168.2	192.9	217.6	217.6
Pensions	110.3	132.8	132.8	132.8	146.0	146.0	146.0	163.5	163.5	163.5	188.1	163.5	188.1	212.5	212.5
Other CFS	2.6	4.2	4.4	4.4	4.4	4.4	4.4	4.4	4.6	4.6	4.6	4.6	4.9	5.1	5.1
Contribution to Civil ServicePension Fund	3.3	21.6	20.8	27.8	22.9	25.9	25.9	23.8	28.5	28.5	24.8	28.5	31.3	34.4	34.4
Net Issues/Net Expenditure	1,051.7	1,093.6	1,106.6	1,134.4	1,152.9	1,142.9	1,147.9	1,250.3	1,250.3	1,250.3	1,388.3	1,250.3	1,382.8	1,541.4	1,541.4
O/W: Wages & Salaries	493.0	524.5	526.1	526.1	550.7	550.7	560.7	588.3	602.8	600.0	635.3	600.0	645.3	703.4	703.4
IEBC	4.9	14.4	14.2	14.2	16.5	16.5	16.5	6.5	6.5	6.5	6.9	6.5	6.9	6.9	6.9
Defense and NIS	157.7	156.9	157.1	157.1	161.9	161.9	161.9	170.0	170.0	170.0	170.0	170.0	170.0	170.0	170.0
Nairobi Metropolitan Service (NMS)	16.3	14.8	14.8	14.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	301.2	256.2	297.7	340.3	268.1	258.0	253.0	327.0	312.4	315.2	411.0	315.2	395.5	496.0	496.0
Ministerial Recurrent AIA	133.6	170.0	163.8	163.8	147.2	162.9	189.0	180.8	197.5	200.7	186.6	200.7	204.0	205.3	214.7
Ministerial Recurrent AIA - NMS	0.0	3.2	3.2	3.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Development and Net lending	**553.9**	**609.1**	**623.5**	**667.7**	**670.5**	**675.2**	**712**	**760**	**770**	**773.8**	**834.4**	**773.8**	**873.5**	**962.8**	**962.3**
Domestically financed (Gross)	386.9	317.6	335.2	359.3	350.3	355.0	392.0	401.8	411.7	416.4	436.8	416.4	475.7	522.8	522.8
O/W Domestically Financed (Net)/NMS	308.2	243.6	249.7	270.3	274.2	264.2	301.3	318.4	318.4	323.1	347.3	323.1	367.3	404.1	404.1
Ministerial Development AIA	128.9	64.8	79.8	79.8	76.0	90.7	90.7	83.4	93.3	93.3	90.7	93.3	110.6	141.9	141.9
Foreign financed	167.0	284.7	281.4	301.6	312.7	312.7	312.7	349.9	349.9	349.9	390.0	349.9	390.0	431.7	431.7
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equalization Fund	0.0	6.8	6.8	6.8	7.5	7.5	7.1	8.0	8.0	7.5	7.6	7.5	7.9	8.3	7.8
County Tranfers	**399.0**	**409.8**	**409.9**	**409.9**	**406.5**	**406.5**	**406.5**	**412.3**	**412.3**	**412.3**	**417.5**	**412.3**	**417.5**	**442.5**	**442.5**
Equitable Share	346.2	370.0	370.0	370.0	370.0	370.0	370.0	375.0	375.0	375.0	380.2	375.0	380.2	405.2	405.2
Conditional Allocation	52.8	39.8	39.9	39.9	36.5	36.5	36.5	37.3	37.3	37.3	37.3	37.3	37.3	37.3	37.3
Contingency Fund	**0.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**
Fiscal Balance *(commitment basis excl. grants)*	**-965.7**	**-976.5**	**-991.7**	**-1,091.3**	**-820.1**	**-822.7**	**-893.0**	**-699.7**	**-733.6**	**-730.2**	**-663.6**	**-730.2**	**-719.4**	**-779.1**	**-680.8**
Grants	**31.3**	**46.1**	**62.0**	**62.0**	**46.9**	**46.9**	**46.9**	**48.1**	**48.1**	**48.1**	**49.3**	**48.1**	**49.3**	**53.2**	**53.2**
Fiscal Balance *(incl. grants)*	**-934.4**	**-930.4**	**-929.7**	**-1,029.3**	**-773.2**	**-775.8**	**-846.1**	**-651.6**	**-685.5**	**-682.0**	**-614.3**	**-682.0**	**-670.0**	**-725.8**	**-627.5**
Adjustment to Cash Basis	5.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance *(incl. grants) Cash Basis*	**-929.3**	**-930.4**	**-929.7**	**-1,029.3**	**-773.2**	**-775.8**	**-846.1**	**-651.6**	**-685.5**	**-682.0**	**-614.3**	**-682.0**	**-670.0**	**-725.8**	**-627.5**
Statistical discrepancy	20.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FINANCING	**950.2**	**930.4**	**929.7**	**1,029.3**	**773.2**	**775.8**	**846.1**	**651.6**	**685.5**	**682.0**	**614.3**	**682.0**	**670.0**	**725.8**	**627.5**
Net Foreign Financing	**323.3**	**267.3**	**271.2**	**412.5**	**326.4**	**367.8**	**275.9**	**235.7**	**181.2**	**192.3**	**154.3**	**192.3**	**95.4**	**115.6**	**125.5**
Disbuserments	**451.6**	**880.6**	**884.3**	**965.1**	**605.5**	**617.8**	**518.4**	**517.8**	**674.2**	**674.2**	**381.1**	**674.2**	**381.1**	**415.4**	**415.4**
Commercial Financing	114.3	475.3	475.3	475.3	0.0	105.6	105.6	0.0	270.0	270.0	0.0	270.0	0.0	0.0	0.0
O/W Export Credt	6.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sovereign Bond	107.6	124.3	124.3	124.3	0	105.6	105.6	0	270	270.0	0	0	0.0	0.0	0.0
External Debt Operations - Refinancing	0.0	351.0	351.0	351.0	0.0	0.0	0.0				0.0	270.0	0.0	0.0	0.0
Semi consessional Loans	0.0	0.0	0.0	0.0	105.6	0.0	0.0	113.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Project loans (AIA + Revenue)	168.7	273.5	273.5	319.9	302.0	302.0	302.0	338.8	338.8	338.8	377.6	338.8	377.6	415.4	415.4
O/W Project Loans AIA	104.8	181.6	170.3	176.3	204.3	204.3	204.3	239.1	239.1	239.1	263.0	239.1	263.0	289.3	289.3
Project Loans Revenue	52.4	91.9	103.2	103.2	97.7	97.7	97.7	99.7	99.7	99.7	114.6	99.7	114.6	126.1	126.1
Project Loans SGR _Phase I_ AIA	4.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project Loans SGR _ Phase 2A_AIA	6.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of IMF SDR Allocation				40.3											
Programme Loans	168.6	131.8	135.4	169.9	197.8	210.1	110.7	65.4	65.4	65.4	3.5	65.4	3.5	0.0	0.0
Debt repayment - Principal	-128.3	-613.4	-613.1	-552.6	-279.1	-250.0	-242.5	-282.1	-493.0	-482.0	-226.9	-482.0	-285.7	-299.8	-289.9
of which: External Debt Operations - Refinancing	0.0	-351.0	-351.0	-351.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1420.7
Net Domestic Financing	**626.9**	**663.1**	**658.5**	**616.8**	**446.8**	**408.0**	**570.2**	**415.9**	**504.3**	**489.8**	**460.0**	**489.8**	**574.7**	**610.2**	**502.1**
Memo items															
Gross Debt (Stock)	7,713.3	8,593.8	8,601.2	8,601.2	9,369.1	9,418.7	9,447.3	10,020.3	10,104.1	10,129.3	10,634.1	10,129.3	10,799.4	10,977.9	11,417.1
External Debt	4,015.2	4,209.0	4,286.4	4,286.4	4,472.2	4,654.2	4,562.3	4,646.0	4,835.4	4,754.6	4,800.2	4,754.6	4,849.9	4,496.0	4,965.6
Domestic Debt (gross)	3,698.0	4,384.8	4,314.8	4,314.8	4,897.0	4,764.5	4,885.0	5,374.3	5,268.8	5,374.8	5,833.9	5,374.8	5,949.4	6,481.9	6,451.5
Domestic Debt (net)	3,134.5	3,881.5	3,751.2	3,751.2	4,393.6	4,200.9	4,321.4	4,871.0	4,705.2	4,811.2	5,330.6	4,811.2	5,385.8	5,918.3	5,887.9
Financing gap	15.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP	**11,304.1**	**12,393.1**	**12,628.1**	**12,628.1**	**13,759.9**	**13,721.3**	**14,002.1**	**15,373.1**	**15,140.0**	**15,604.6**	**17,128.4**	**15,604.6**	**17,401.9**	**18,682.1**	**19,577.0**

Source: *National Treasury*

ANNEX V: Government Fiscal Operations, Percent of GDP

	2020/21	2021/22			2022/23			2023/24			2024/25			2025/26	
	Pre. Act	BPS'21	Approved Budget	Proj.	BPS'21	BROP'21	BPS'22	BPS'21	BROP'21	BPS'22	PROJ.	BROP'21	BPS'22	BROP'21	BPS'22
TOTAL REVENUE	**15.8**	**16.4**	**16.1**	**16.3**	**17.3**	**17.5**	**17.4**	**18.2**	**18.6**	**18.1**	**18.1**	**18.1**	**18.1**	**18.6**	**18.1**
Ordinary Revenue	**13.8**	**14.3**	**14.1**	**14.3**	**15.6**	**15.6**	**15.3**	**16.4**	**16.6**	**16.1**	**16.4**	**16.1**	**16.2**	**16.8**	**16.3**
Income Tax	6.1	6.7	6.6	6.5	7.2	7.2	7.1	7.7	7.6	7.6	7.7	7.6	7.4	7.8	7.5
Import duty (net)	1.0	1.0	0.9	0.9	1.1	1.1	1.0	1.1	1.1	1.1	1.1	1.1	1.0	1.1	1.0
Excise duty	1.9	1.9	1.9	2.1	2.2	2.2	2.1	2.3	2.3	2.2	2.3	2.2	2.3	2.3	2.3
Value Added Tax	3.6	3.8	3.7	3.8	4.2	4.3	4.2	4.5	4.6	4.4	4.5	4.4	4.6	4.7	4.6
Investment income	0.4	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other	0.8	0.6	0.6	0.7	0.6	0.7	0.6	0.6	0.8	0.6	0.6	0.6	0.8	0.8	0.7
Ministerial Appropriation in Aid	**2.0**	**2.1**	**2.1**	**2.1**	**1.7**	**1.9**	**2.1**	**1.8**	**2.0**	**2.0**	**1.7**	**2.0**	**1.9**	**1.8**	**1.8**
EXPENDITURE AND NET LENDING	**24.3**	**24.3**	**24.0**	**25.0**	**23.3**	**23.5**	**23.7**	**22.7**	**23.5**	**22.8**	**22.0**	**22.8**	**22.2**	**22.8**	**21.5**
Recurrent expenditure	**15.9**	**16.0**	**15.8**	**16.4**	**15.4**	**15.6**	**15.7**	**15.1**	**15.6**	**15.1**	**14.6**	**15.1**	**14.8**	**15.2**	**14.3**
Interest payments	4.4	4.5	4.4	4.8	4.7	4.8	4.9	4.5	4.8	4.6	4.2	4.6	4.4	4.5	4.1
Domestic interest	3.4	3.4	3.3	3.8	3.5	3.8	4.0	3.3	3.7	3.7	3.0	3.7	3.5	3.6	3.3
Foreign Interest	0.9	1.1	1.1	1.0	1.2	1.0	1.0	1.2	1.0	0.9	1.1	0.9	0.8	1.0	0.8
Civil service Reform	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pensions & Other CFS	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.1
Pensions	1.0	1.1	1.1	1.1	1.1	1.1	1.0	1.1	1.1	1.0	1.1	1.0	1.1	1.1	1.1
Other CFS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution to Civil ServicePension Fund	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.2
Net Issues/Net Expenditure	9.3	8.8	8.8	9.0	8.4	8.3	8.2	8.1	8.3	8.0	8.1	8.0	7.9	8.3	7.9
O/W: Wages & Salaries	4.4	4.2	4.2	4.2	4.0	4.0	4.0	3.8	4.0	3.8	3.7	3.8	3.7	3.8	3.6
IEBC	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Defense and NIS	1.4	1.3	1.2	1.2	1.2	1.2	1.2	1.1	1.1	1.1	1.0	1.1	1.0	0.9	0.9
Nairobi Metropolitan Service (NMS)	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	2.7	2.1	2.4	2.7	1.9	1.9	1.8	2.1	2.1	2.0	2.4	2.0	2.3	2.7	2.5
Ministerial Recurrent AIA	1.2	1.4	1.3	1.3	1.1	1.2	1.3	1.2	1.3	1.3	1.1	1.3	1.2	1.1	1.1
Ministerial Recurrent AIA - NMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Development and Net lending	**4.9**	**4.9**	**4.9**	**5.3**	**4.9**	**4.9**	**5.1**	**4.9**	**5.1**	**5.0**	**4.9**	**5.0**	**5.0**	**5.2**	**4.9**
Domestically financed (Gross)	3.4	2.6	2.7	2.8	2.5	2.6	2.8	2.6	2.7	2.7	2.5	2.7	2.7	2.8	2.7
O/W Domestically Financed (Net)/NMS	2.7	2.0	2.0	2.1	2.0	1.9	2.2	2.1	2.1	2.1	2.0	2.1	2.1	2.2	2.1
Ministerial Development AIA	1.1	0.5	0.6	0.6	0.6	0.7	0.6	0.5	0.6	0.6	0.5	0.6	0.6	0.8	0.7
Foreign financed	1.5	2.3	2.2	2.4	2.3	2.3	2.2	2.3	2.3	2.2	2.3	2.2	2.2	2.3	2.2
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equalization Fund	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
County Tranfers	**3.5**	**3.3**	**3.2**	**3.2**	**3.0**	**3.0**	**2.9**	**2.7**	**2.7**	**2.6**	**2.4**	**2.6**	**2.4**	**2.4**	**2.3**
Equitable Share	**3.1**	**3.0**	**2.9**	**2.9**	**2.7**	**2.7**	**2.6**	**2.4**	**2.5**	**2.4**	**2.2**	**2.4**	**2.2**	**2.2**	**2.1**
Conditional Allocation	0.5	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Contingency Fund	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Fiscal Balance (commitment basis excl. grants)	**-8.5**	**-7.9**	**-7.9**	**-8.6**	**-6.0**	**-6.0**	**-6.4**	**-4.6**	**-4.8**	**-4.7**	**-3.9**	**-4.7**	**-4.1**	**-4.2**	**-3.5**
Grants	**0.3**	**0.4**	**0.5**	**0.5**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**
Fiscal Balance (incl. grants)	**-8.3**	**-7.5**	**-7.4**	**-8.2**	**-5.6**	**-5.7**	**-6.0**	**-4.2**	**-4.5**	**-4.4**	**-3.6**	**-4.4**	**-3.9**	**-3.9**	**-3.2**
Adjustment to Cash Basis	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance (incl. grants) Cash Basis	-8.2	-7.5	-7.4	-8.2	-5.6	-5.7	-6.0	-4.2	-4.5	-4.4	-3.6	-4.4	-3.9	-3.9	-3.2
Statistical discrepancy	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FINANCING	**8.4**	**7.5**	**7.4**	**8.2**	**5.6**	**5.7**	**6.0**	**4.2**	**4.5**	**4.4**	**3.6**	**4.4**	**3.9**	**3.9**	**3.2**
Net Foreign Financing	**2.9**	**2.2**	**2.1**	**3.3**	**2.4**	**2.7**	**2.0**	**1.5**	**1.2**	**1.2**	**0.9**	**1.2**	**0.5**	**0.6**	**0.6**
Disbuserments	**4.0**	**7.1**	**7.0**	**7.6**	**4.4**	**4.5**	**3.7**	**3.4**	**4.5**	**4.3**	**2.2**	**4.3**	**2.2**	**2.2**	**2.1**
Commercial Financing	**1.0**	**3.8**	**3.8**	**3.8**	**0.0**	**0.8**	**0.8**	**0.0**	**1.8**	**1.7**	**0.0**	**1.7**	**0.0**	**0.0**	**0.0**
O/W Export Credt	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sovereign Bond	1.0	1.0	1.0	1.0	0.0	0.8	0.8	0.0	1.8	1.7	0.0	0.0	0.0	0.0	0.0
External Debt Operations - Refinancing	0.0	2.8	2.8	2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.7	0.0	0.0	0.0
Semi consessional Loans	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Project loans (AIA + Revenue)	1.5	2.2	2.2	2.5	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.1
O/W Project Loans AIA	0.9	1.5	1.3	1.4	1.5	1.5	1.5	1.6	1.6	1.5	1.5	1.5	1.5	1.5	1.5
Project Loans Revenue	0.5	0.7	0.8	0.8	0.7	0.7	0.7	0.6	0.7	0.6	0.7	0.6	0.7	0.7	0.6
Project Loans SGR _Phase I_ AIA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project Loans SGR _ Phase 2A_AIA	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of IMF SDR Allocation	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0
Programme Loans	1.5	1.1	1.1	1.3	1.4	1.5	0.8	0.4	0.4	0.4	0.0	0.4	0.0	0.0	0.0
Debt repayment - Principal	**-1.1**	**-4.9**	**-4.9**	**-4.4**	**-2.0**	**-1.8**	**-1.7**	**-1.8**	**-3.3**	**-3.1**	**-1.3**	**-3.1**	**-1.6**	**-1.6**	**-1.5**
of which: External Debt Operations - Refinancing	0.0	-2.8	-2.8	-2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-7.3
Net Domestic Financing	**5.5**	**5.4**	**5.2**	**4.9**	**3.2**	**3.0**	**4.1**	**2.7**	**3.3**	**3.1**	**2.7**	**3.1**	**3.3**	**3.3**	**2.6**
Memo items															
Gross Debt (Stock)	68.2	69.3	69.8	68.1	68.1	68.6	67.5	65.2	66.7	64.9	62.1	64.9	62.1	58.8	58.3
External Debt	35.5	34.0	34.7	33.9	32.5	33.9	32.6	30.2	31.9	30.5	28.0	30.5	27.9	24.1	25.4
Domestic Debt (gross)	32.7	35.4	35.1	34.2	35.6	34.7	34.9	35.0	34.8	34.4	34.1	34.4	34.2	34.7	33.0
Domestic Debt (net)	27.7	31.3	30.5	29.7	31.9	30.6	30.9	31.7	31.1	30.8	31.1	30.8	30.9	31.7	30.1
Financing gap	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

***Source**: National Treasury*